UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): September 15, 2006

ALCOA INC.
(Exact name of Registrant as specified in its charter)

Pennsylvania	**1-3610**	**25-0317820**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification Number)**

390 Park Avenue, New York, New York	**10022-4608**
(Address of Principal Executive Offices)	**(Zip Code)**

Office of Investor Relations 212-836-2674
Office of the Secretary 412-553-4707
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

Amendment of Incentive Compensation Plan

On September 15, 2006, the Board of Directors of Alcoa Inc. (“Alcoa”), upon recommendation of the Compensation and Benefits Committee of the Board, amended the Incentive Compensation Plan (the “ICP”). The ICP provides annual cash incentive compensation to eligible employees, including executive officers. The amendment to the ICP included updating and clarifying changes, including the following substantive changes:

- Added a provision to incorporate Alcoa’s policy to recover incentive compensation from eligible employees, including executive officers, if they engage in misconduct leading to a restatement of financial results. (Article VI, Section 1)
- Reflected Alcoa’s current practice that incentive compensation awards will be paid if performance metrics for financial and non-financial performance established by the Committee (meaning the Incentive Compensation Committee and, with respect to awards for officers of Alcoa, the Compensation and Benefits Committee of the Board) are achieved, but the Committee has discretion to adjust awards for individual performance. (Article II, Section 1 and Article III, Section 1)
- Clarified that awards will be paid at a time determined by the Compensation and Benefits Committee of the Board as soon as practicable following the award year but in no event later than March 15. (Article III, Section 2)
- Added provisions for payment of a pro-rata portion of an award if an eligible employee retires, dies or terminates employment due to a disability during the award year. (Article VI, Section 2 and Article VI, Section 4)
- Added a provision for payment of the target incentive compensation award for the award year in the event of a Change in Control (as defined in the 2004 Alcoa Stock Incentive Plan). (Article VI, Section 3)

The ICP as revised September 15, 2006 replaces and supersedes the ICP as revised January 1, 1993, except as to contingent credits (relating to deferrals) issued prior to or for the year 1990, which will continue to be subject to the ICP provisions in effect as of December 31, 2004.

A copy of the ICP, as revised September 15, 2006, is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

Amendment of Fee Continuation Plan for Non-Employee Directors

On September 15, 2006, the Board of Directors of Alcoa approved a Second Amendment to the Fee Continuation Plan for Non-Employee Directors (the “Plan”). Alcoa does not provide retirement benefits to non-employee directors under any current program, except that the Plan still applies to non-employee directors who were serving as directors at December 31, 1995. The Plan provides for annual fee continuation payments payable in cash and stock to the eligible directors upon retirement from the Board or at age 65 (whichever is later). In 1995, the Board amended the Plan to freeze future annual payments to the eligible directors at a maximum of $30,000 and 2,000 shares of Alcoa common stock (or a lesser proportion based on Board service as of December 31, 1995). On September 15, 2006, the Board approved a Second Amendment to the Plan that:

- Converts the Plan beginning in 2007 to an all cash plan, with equivalent value to the former cash and stock payment formula in effect before the Second Amendment (a change to which all eligible directors under the Plan have consented). (Section 5)

- Provides that if the Board requests a director who is entitled to payments under the Plan to remain a member of the Board beyond the Normal Retirement Date (as defined), and the director agrees and continues to serve as a director, then a lump sum payment in cash will be made to the director upon retirement from the Board in an amount equal to the payments the director would have received under the Plan had the director retired at the Normal Retirement Date, plus interest at a market rate on the cash portion of the payment and cash equal to dividends that would have been paid on the stock portion of the payment under the former cash and stock formula. "Normal Retirement Date" means for directors who were requested to stand for re-election at a time when the Normal Retirement Date was 70, age 70; for directors who were requested to stand for re-election at a time when the Normal Retirement Date was 72, age 72; and if a director was asked to stand for re-election more than one time, the calculation will begin at the time of the first such request.

A copy of the Second Amendment to the Plan is attached hereto as Exhibit 10.2 and is incorporated herein by reference.

Form of Special Retention Stock Award Agreement under 2004 Alcoa Stock Incentive Plan

On September 15, 2006, the Compensation and Benefits Committee of the Board of Directors of Alcoa approved a form of special retention stock award agreement (consisting of a form of certificate and terms and conditions) that applies to special retention stock awards granted to Alcoa executive officers and other eligible participants under the 2004 Alcoa Stock Incentive Plan on or after July 14, 2006. Under the special retention stock award agreement, the terms and conditions are substantially identical to those for regular stock awards, including providing for three-year cliff vesting, except that the special retention stock award is forfeited (i) in whole if the recipient is eligible to retire and does retire during the three-year vesting period and (ii) in part on a pro-rata basis (based on the number of days actively employed during the vesting period) if the recipient's employment with Alcoa is involuntarily terminated without cause during the three-year vesting period.

The form of special retention stock award agreement is attached hereto as Exhibit 10.3 and is incorporated herein by reference.

Item 8.01. Other Events.

On September 15, 2006, the Board of Directors of Alcoa, upon recommendation of the Governance and Nominating Committee of the Board, amended Alcoa's Corporate Governance Guidelines to include a director resignation (majority withhold) policy and a description of the Lead Director's role, as follows:

- In any uncontested election of directors, any incumbent director nominee who receives more "withheld" votes for his or her election than "for" votes must tender his or her resignation to the Board within 30 days of the final vote tally. The Board in turn will decide whether to accept the resignation at its next regularly scheduled meeting, through a process managed by the Governance and Nominating Committee (excluding the nominee in question) and will promptly disclose the decision in a document filed with the Securities and Exchange Commission.
- The Lead Director will (i) preside at all meetings of the Board at which the Chairman is not present including executive sessions of the independent directors; (ii) respond directly to shareholder and other stakeholder questions and comments that are directed to the Lead Director or to the independent directors as a group, with such consultation with the Chairman or other directors as the Lead Director may deem appropriate; (iii) review meeting agendas and schedules for the Board; (iv) ensure personal availability for consultation and communication with independent directors and with the Chairman, as appropriate; and (v) call special meetings of the independent directors in accordance with Alcoa's by-laws, as the Lead Director may deem to be appropriate.

A copy of the Corporate Governance Guidelines as amended is attached hereto as Exhibit 99 and is incorporated herein by reference. The Corporate Governance Guidelines are also available on Alcoa's website: *http://www.alcoa.com* under "About Alcoa – Corporate Governance."

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following are filed as exhibits to this report:

10.1 Incentive Compensation Plan of Alcoa Inc., as revised September 15, 2006.

10.2 Second Amendment to the Fee Continuation Plan for Non-Employee Directors, effective September 15, 2006.

10.3 Form of Special Retention Stock Award Agreement, effective July 14, 2006.

99 Corporate Governance Guidelines, as amended September 15, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ALCOA INC.

By: /s/ Lawrence R. Purtell
Lawrence R. Purtell
Executive Vice President and
General Counsel

Dated: September 20, 2006

EXHIBIT INDEX

Exhibit No.	Description
10.1	Incentive Compensation Plan of Alcoa Inc., as revised September 15, 2006.
10.2	Second Amendment to the Fee Continuation Plan for Non-Employee Directors, effective September 15, 2006.
10.3	Form of Special Retention Stock Award Agreement, effective July 14, 2006.
99	Corporate Governance Guidelines, as amended September 15, 2006.

Exhibit 10.1

INCENTIVE COMPENSATION PLAN
OF
ALCOA INC.

(Revised September 15, 2006)

Except as provided in Article IV, this Incentive Compensation Plan, revised September 15, 2006, replaces and supersedes the Incentive Compensation Plan revised January 1, 1993.

ARTICLE I - DEFINITIONS

For the purposes of this Incentive Compensation Plan ("Plan"), unless a different meaning is clearly required by the context:

AWARD YEAR means any calendar year for which awards are made to eligible employees.

BOARD means the Board of Directors of the Company, and includes the Executive Committee or any other duly authorized committee thereof when acting in lieu thereof and/or pursuant to authority delegated thereby.

BOARD COMMITTEE means the Compensation and Benefits Committee of the Board of Directors or such other committee selected by the Board of Directors comprised solely of independent directors.

COMMITTEE means the Incentive Compensation Committee and, with respect to awards for officers of the Company, the Compensation and Benefits Committee of the Board.

COMPANY means Alcoa Inc. and any successor thereto.

DEFERRED COMPENSATION PLAN means the Company's Deferred Compensation Plans as amended from time to time.

DISABILITY means a mental or physical condition preventing the employee from performing his position satisfactorily, where a qualified physician designated by the Committee certifies that, in his opinion, the employee's state of health is such that he should not be burdened with the responsibilities of his position even though he is not totally or permanently disabled.

ELIGIBLE EMPLOYEE has the meaning set forth in Article II, Section 2.

RETIREMENT means (a) termination of employment in which there is a right to immediate payment of a pension benefit under the provisions of any retirement plan or arrangement of the Company or a Subsidiary; or (b) termination of employment upon or after attaining age 65 regardless of pension eligibility.

SUBSIDIARY means any corporation in which the Company owns, directly or indirectly, stock possessing 50% or more of the total combined voting power of all classes of stock of such corporation, and any corporation, partnership, joint venture, limited liability company or other business entity as to which the Company possesses a significant ownership interest, directly or indirectly, as determined by the Company.

ARTICLE II - PARTICIPATION

SECTION 1. Purpose. The purpose of the Plan is to provide annual cash incentive compensation for Eligible Employees if performance metrics for financial and non-financial performance established by the Committee from time to time are achieved. The Committee reserves the right to make adjustments to awards to reflect individual performance.

SECTION 2. Eligibility. Officers and other key employees of the Company and its Subsidiaries who have, in the sole judgment of the Committee, contributed to the management, growth, and success of some part or all of the business of those companies shall be eligible for awards under the Plan (referred to as “Eligible Employees”).

SECTION 3. Limits on awards. The aggregate amount of awards for any Award Year shall not exceed an amount determined by or in accordance with a procedure specified by the Board Committee. All awards shall be granted in accordance with guidelines approved from time to time by the Board Committee and any exceptions to the guidelines require the approval of the Board Committee.

ARTICLE III - AWARDS

SECTION 1. Determination. For each Award Year, the Committee shall make awards to such Eligible Employees in such individual amounts as it deems appropriate under the circumstances, taking into account individual performance and the financial and non-financial performance metrics established by the Committee for the Award Year.

SECTION 2. Cash awards. Except as otherwise determined by the Committee and except for awards or portions of awards which may be deferred, each award shall be paid in cash at a time determined by the Board Committee as soon as practicable following the Award Year, but in any event no later than March 15 of the year following the Award Year. Cash payment of awards shall be made from the general funds of the Company. In its discretion, the Company may establish one or more trusts or special funds from which awards may be paid.

SECTION 3. Deferred awards. Eligible Employees who are also eligible to participate in the Deferred Compensation Plan may defer all or part of their awards under this Plan in accordance with the terms of the Deferred Compensation Plan.

ARTICLE IV – CONTINGENT CREDITS ISSUED PRIOR TO OR FOR THE YEAR 1990

SECTION 1. Contingent credits. Contingent credits were issued under the Incentive Compensation Plan in effect prior to and for the year 1990. Since 1991, no contingent credits have been issued and the Plan with respect to contingent credits was frozen. The provisions of this Article IV relate solely to contingent credits issued prior to or for the year 1990. Due to the American Jobs Creation Act of 2004, all remaining contingent credits and earnings thereon shall continue to be subject to the Incentive Compensation Plan provisions in effect as of December 31, 2004, and this Incentive Compensation Plan revised September 15, 2006, shall not supersede or replace the provisions of the Incentive Compensation Plan revised January 1, 1993 as it pertains to contingent credits.

ARTICLE V - ADMINISTRATION

SECTION 1. Committee. The Incentive Compensation Committee for the Plan shall be appointed by the Board and shall have exclusive power and authority to interpret and administer the Plan; provided however, that the Compensation and Benefits Committee of the Board shall have exclusive power and authority to interpret and administer the Plan with respect to and to make awards to Eligible Employees who are officers of the Company. The Incentive Compensation Committee may take all action, including the adoption of rules and regulations as it deems appropriate for the administration of the Plan and all determinations by the Committee shall be final and binding upon the Company, its Subsidiaries, Eligible Employees and their beneficiaries.

SECTION 2. Amendments. The Board may from time to time amend, modify, suspend or terminate the Plan provided, however, that no such amendment, modification, suspension or termination shall affect any right or obligation with respect to any award theretofore made.

SECTION 3. Expenses. All expenses of administering the Plan shall be paid by the Company, which in turn may seek reimbursement from subsidiaries. The cost of all awards incurred by the Company with respect to employees of any Subsidiary shall be reimbursed by the Subsidiary.

SECTION 4. Unsecured obligation. No Eligible Employee or other person shall, by virtue of any award or any unpaid installment thereof, have any interest whatever, either vested or contingent, in any property of the Company or its Subsidiaries.

SECTION 5. No rights to employment or awards. Participation in the Plan shall not give any employee the right to continued employment by the Company or its Subsidiaries. Holding the status of an Eligible Employee shall not give any employee the right to any award.

SECTION 6. Taxes. Each Eligible Employee is solely liable for any taxes due in regards to payments under this Plan, including but not limited to, federal, state, local, social security, foreign and excise taxes under Internal Revenue Code Section 409A if for any reason the Internal Revenue Service determines that amounts payable under this Plan are subject to the provisions of Section 409A.

SECTION 7. Construction. The Plan shall be construed in accordance with and governed by the laws of the Commonwealth of Pennsylvania, excluding any choice of law provisions which may indicate the application of the laws of another jurisdiction.

ARTICLE VI – FORFEITURE AND PRO-RATA PAYMENTS

SECTION 1. Forfeiture of Incentive Compensation. If the Board learns of any misconduct by an Eligible Employee that contributed to the Company's having to restate all or a portion of its financial statements, it shall take such action as it deems necessary to remedy the misconduct, prevent its recurrence and, if appropriate, based on all relevant facts and circumstances, take remedial action against the wrongdoer in a manner it deems appropriate. In determining what remedies to pursue, the Board shall take into account all relevant factors, including whether the restatement was the result of negligent, intentional or gross misconduct. The Board shall, to the full extent permitted by governing law, in all appropriate cases, require reimbursement of any award under the Plan (including any bonus or incentive compensation that has been deferred) if: a) the amount of the award was calculated based upon the achievement of certain financial results that were subsequently the subject of a restatement, b) the Eligible Employee engaged in intentional misconduct that caused or partially caused the need for the restatement, and c) the amount of the award that would have been awarded to the Eligible Employee had the financial results been properly reported would have been lower than the amount actually awarded. In addition, the Board, in its full and complete discretion, may dismiss the Eligible Employee, authorize legal action for breach of fiduciary duty or take such other action to enforce the Eligible Employee's obligations to the Company as the Board determines fit the facts surrounding the particular case. The Board may, in determining appropriate remedial action, take into account penalties or punishments imposed by third parties, such as law enforcement agencies, regulators or other authorities. The Board's power to determine the appropriate punishment for the wrongdoer is in addition to, and not in replacement of, remedies imposed by such entities.

SECTION 2. Pro-rata Distribution upon Retirement. In the Committee's discretion, if an Eligible Employee's Retirement or termination of employment due to a Disability occurs during an Award Year, the Eligible Employee may be awarded a pro-rata portion of the award under the Plan that would have been paid for the Award Year had the Eligible Employee remained in active service through the end of the Award Year, based on the number of days of active service during the Award Year.

SECTION 3. Pro-rata Distribution upon a Change in Control. In the event of a Change in Control, as defined in the 2004 Alcoa Stock Incentive Plan, as the same may be amended from time to time, or any successor plan approved by the shareholders of the Company, Eligible Employees, at the discretion of the Committee, may be paid a pro-rata portion of target incentive compensation for the Award Year, based on the days of service during the Award Year from the beginning of the Award Year through the date of the Change in Control.

SECTION 4. Pro-rata distribution upon death. Upon the death of an Eligible Employee a pro-rata portion of the award for the Award Year shall be paid to the Eligible Employee's beneficiary or beneficiaries, based on the number of days the Eligible Employee was actively employed during the Award Year.

Exhibit 10.2

ALCOA INC.

SECOND AMENDMENT TO THE FEE CONTINUATION PLAN FOR NON-EMPLOYEE DIRECTORS (effective September 15, 2006)

WHEREAS, the Fee Continuation Plan for Non-Employee Directors (the "Plan") of Alcoa Inc. (the "Company") was amended November 10, 1995 (the "First Amendment") to freeze payments to be made under the Plan to directors who were members of the Board at December 31, 1995; and

WHEREAS, under the First Amendment, each non-employee Director having 120 or more months of service as a member of the Board of Directors at December 31, 1995 shall be entitled to receive payments upon retirement from the Board or at age 65 (whichever is later) at 100% of the minimum annual cash retainer fee and annual stock grant amounts, and each non-employee Director having less than 120 months of service as a member of the Board of Directors at December 31, 1995 shall be entitled to receive Fee Continuation Payments upon retirement from the Board or age 65 (whichever is later) at a rate of 10% of such minimum annual cash retainer fee and annual stock grant amounts for each full year of service as a non-employee Director as of December 31, 1995; and

WHEREAS, the maximum annual payment for eligible Directors under the Plan is $30,000 and 2000 shares and the minimum annual payment for eligible Directors under the Plan is $3,000 and 200 shares; and

WHEREAS, it is in the best interest of the Company and the Plan Participants to convert the Plan to an all cash payment plan with equivalent value to the cash and stock payment formula; and

WHEREAS, it is in the best interest of the Company and the future Plan Participants to establish a fixed date for receipt of payments under the Plan on or before December 31, 2006; and

WHEREAS, the Plan Participants and the future Plan Participants have consented to these proposed changes; and

WHEREAS, the Board of Directors have approved such changes;

NOW THEREFORE, the Plan, as amended by the First Amendment, is hereby further amended effective September 15, 2006, as follows:

1. Section 5 of the Plan is amended by deleting the second paragraph thereto and substituting the following:

"Beginning in 2007, in lieu of Fee Continuation Payments payable in the form of the Company's common stock, an additional cash payment shall be paid annually as soon as practicable following December 31 of each year, in an amount equal to the closing price of the Company's common stock on December 31 as reported on the New York Stock Exchange – Composite Transactions, multiplied by the number of shares of the Company's common stock to which the Participant otherwise would have been entitled under this Plan but for this amendment."

2. Section 5 of the Plan is amended by adding the following new paragraph thereto:

"The first paragraph of Section 5 of the Plan shall not apply to Participants who have not retired from the Board of Directors as of the effective date of the Second Amendment to the Plan. In lieu thereof, such Participants shall make an irrevocable election before December 31, 2006 whether to receive Fee Continuation Payments which are payable in cash upon retirement (A) quarterly on a prorated basis, payable immediately after the end of the calendar quarter for which paid or (B) annually, payable immediately after the end of the calendar year for which paid. In either case, the final payment shall be made for the quarter in which death occurs. Payment of the amounts described in Section 8 of the Plan shall be governed by that section."

3. The following new Section 8 is added to the Plan:

"Section 8. <u>Additional Payments</u>.

(a) If the Board of Directors requests a non-employee Director who is entitled to Fee Continuation Payments under the Plan to remain a member of the Board of Directors beyond the Normal Retirement Date (as defined below), and the director agrees and continues as a member of the Board until retirement at a later date (the period from the Normal Retirement Date to the later retirement date, the "Additional Period"), then a lump sum payment in cash shall be made to the director within 2 1/2 months after retirement from the Board equal to the total of the following:

(i) the sum of the Fee Continuation Payments the director would have received during the Additional Period had the director retired at the Normal Retirement Date (the "Additional Payments"); provided, that the annual stock grant portion of the Additional Payments shall be paid in cash in lieu of shares of Company common stock, with the cash value determined by multiplying the number of shares payable by the closing price of Company common stock as reported on the New York Stock Exchange – Composite Transactions on the date(s) the annual stock grant(s) would have been issued during the Additional Period had the director retired at the Normal Retirement Date;

(ii) interest at Market Rate (as defined below) on the annual cash retainer fee portion of the Additional Payments, calculated from the date such annual cash retainer fee portion would have been paid during the Additional Period had the director retired at the Normal Retirement Date to the date of the director's retirement from the Board. The Market Rate shall be determined in January of each calendar year during the Additional Period and shall apply to the annual cash retainer fees payable for that year until such fees are paid out. Such interest shall be compounded annually on December 31 of each year during the Additional Period; and

(iii) cash equal to dividends that would have been paid on the annual stock grant portion of the Additional Payments during the Additional Period had the director retired at the Normal Retirement Date. Such dividend equivalents shall be calculated at the same rate as dividends paid on shares of outstanding Company common stock.

(b) For purposes of this Section 8, the following terms shall have the following meanings:

i. "Market rate" means the applicable federal long-term rate, with annual compounding (as prescribed under Section 1274(d) of the Internal Revenue Code of 1986, as amended).

ii. “Normal Retirement Date” means for Directors who were requested to stand for re-election at a time when the Normal Retirement Date was 70, age 70; and, for Directors who were requested to stand for re-election at a time when the Normal Retirement Date was 72, age 72. For avoidance of doubt, if a Director was asked to stand for re-election more than one time, the calculation will begin at the time of the first such request.

4. In all other respects, the Plan is ratified and confirmed.

Exhibit 10.3

ALCOA INC.

SPECIAL RETENTION
STOCK AWARD CERTIFICATE

Alcoa Inc. (the “Company”) has on [date] granted to

[NAME]

(“Participant”), a special retention stock award of ______ units, based upon the following terms:

1. This stock award is granted under the provisions of the 2004 Alcoa Stock Incentive Plan, as last amended prior to the date above (the “Plan”), and is subject to the provisions of the Plan and the Special Retention Stock Award Terms and Conditions effective July 14, 2006 for the grant (the “Governing Documents”).
2. This stock award grant vests on [date, 3 years or more from grant date] if the Participant is still an active employee of the Company, subject to the further provisions set forth in the Governing Documents.
3. Company common stock is issued when the award vests.

ALCOA INC.

TERMS AND CONDITIONS FOR SPECIAL RETENTION STOCK AWARDS

Effective July 14, 2006

These terms and conditions are authorized by the Compensation and Benefits Committee of the Board of Directors. They are deemed to be incorporated into and form a part of every Stock Award issued under the 2004 Alcoa Stock Incentive Plan, as last amended prior to the grant (the “Plan”) on or after July 14, 2006, unless the Award certificate provides otherwise.

Terms that are defined in the Plan have the same meanings in these terms and conditions, except that Alcoa or Company means Alcoa Inc. or any of its controlled subsidiaries or affiliates and Stock Awards means Special Retention Stock Awards.

General Terms and Conditions

1. Special Retention Stock Awards (“Stock Awards”) are subject to the provisions of the Plan, the provisions of these terms and conditions and the provisions of the Award certificate. A Stock Award is an undertaking by the Company to issue the number of shares of Alcoa common stock (“Stock”) indicated in the Award certificate on the date the Award vests, except to the extent otherwise provided herein.

Vesting and Payment

2. A Stock Award vests on the third anniversary date of the date of grant, unless the Committee establishes another date for vesting with respect to all or a portion of the shares subject to the Award at the time of the grant of the Award.
3. As a condition to a Stock Award vesting, a Participant must remain an Alcoa employee actively at work through the date of vesting. Except to the extent otherwise provided herein, if the Participant’s employment with Alcoa terminates prior to the vesting date of the Stock Award, the Award is forfeited and is automatically canceled.
4. Awards will be paid by the issuance to the Participant of shares of Stock equal in number to the number of shares covered by the Award, as set forth on the face of the Stock Award certificate, reduced by the number of shares needed to pay applicable taxes upon vesting. Prior to issuance of the Stock, the Participant has no voting rights or rights to receive dividends with respect to shares covered by the Stock Award. However, prior to issuance of the Stock, the Committee may authorize the payment of cash dividend equivalents. Such amounts, if authorized, will be equal to the common stock dividend per share payable on Alcoa common stock multiplied by the number of shares covered by the Award. Dividend equivalents will be paid as part of a Participant’s salary at approximately the time of payment of regular Alcoa common stock dividends.
5. The following exceptions apply to the forfeiture rule:

   (i) An unvested Stock Award held by a Participant who is involuntarily terminated without cause from employment with the Company during the vesting period is not forfeited in whole but only in part upon termination of employment, as described below. The portion of the Stock Award that is not forfeited vests on the original stated vesting date set forth on the face of the Award certificate and is calculated based on a proportionate share of the time during the vesting period that the Participant remained actively employed with Alcoa, with the remaining portion being automatically forfeited. The proportionate share is computed on the basis of the actual number of days actively employed after the date of grant over a total vesting period of three years of 360 days each (or a total vesting period of 1,080 days.) For example, a Participant who is involuntarily terminated without cause from employment with the Company at the end of the first year of the three-year vesting period will receive one-third of the Stock indicated on the Award certificate upon vesting, with the remaining two-thirds of the Stock being automatically forfeited upon termination.

(ii) An unvested Stock Award held by a Participant who dies while an active employee is not forfeited but vests on the original stated vesting date set forth on the face of the Award certificate.

(iii) A Stock Award vests immediately upon certain Change in Control events described in the Plan. The Award is payable and shares of Stock become issuable immediately upon the occurrence of such Change in Control events.

6. All taxes required to be withheld under applicable tax laws in connection with a Participant's receipt of Stock issued in connection with the Stock Award must be paid by the Participant at the time the Award vests and shares of Stock with respect to the Award become issuable.

7. A Participant's obligation to pay required United States federal, state or local withholding taxes in connection with his or her receipt of Stock will be satisfied by Alcoa's withholding from the shares of Stock to be issued upon payment of the Stock Award that number of shares whose fair market value on the vesting date equals the withholding amount to be paid. Withholding taxes include applicable income taxes, federal and state unemployment compensation taxes and FICA/FUTA taxes.

8. The amount of taxes to be paid by a Participant using shares of Stock retained from the shares then issuable in connection with the Stock Award will be determined by applying the minimum rates required by applicable tax regulations.

9. "Fair market value" per share of Stock on any given date is the mean of the high and low trading prices per share of Stock on that date as reported on the New York Stock Exchange or other stock exchange on which the Stock then principally trades. If the New York Stock Exchange or such other exchange is not open for business on the date fair market value is being determined, the mean of the high and low trading prices as reported for the next preceding day on which that exchange was open for business will be used.

Beneficiaries

10. Participants will be entitled to designate one or more beneficiaries to receive all Stock Awards that have not yet vested at the time of death of the Participant. All beneficiary designations will be on beneficiary designation forms approved for the Plan. Copies of the form are available from the Plan administrator.

11. Beneficiary designations on an approved form will be effective at the time received by the Plan administrator. A Participant may revoke a beneficiary designation at any time by written notice to the Plan administrator or by filing a new designation form. Any designation form previously filed by a Participant will be automatically revoked and superseded by a later-filed form.

12. A Participant will be entitled to designate any number of beneficiaries on the form, and the beneficiaries may be natural or corporate persons.

13. On the beneficiary designation form, it is recommended that the Participant's signature be witnessed by two persons. However, no person named as a beneficiary on the form should sign as a witness. If the Participant is married at the time the beneficiary designation form is filed, then unless the Participant's spouse is the sole beneficiary named on the form, it is recommended that the spouse also sign. The spouse's signature should be notarized.

14. The failure of any Participant to obtain any recommended signature on the form will not invalidate the beneficiary designation or prohibit Alcoa from treating such designation as valid and effective. No beneficiary will acquire any beneficial or other interest in any Stock Award prior to the death of the Participant who designated such beneficiary.

15. Unless the Participant indicates on the form that a named beneficiary is to receive Stock Awards only upon the prior death of another named beneficiary, all beneficiaries designated on the form will be entitled to share equally in the Stock Award upon vesting. Unless otherwise indicated, all such beneficiaries will have an equal, undivided interest in all such Stock Awards.

16. Should a beneficiary die after the Participant but before the Stock Award is paid, such beneficiary's rights and interest in the Award will be transferable by the beneficiary's last will and testament or by the laws of descent and distribution. A named beneficiary who predeceases the Participant will obtain no rights or interest in a Stock Award, nor will any person claiming on behalf of such individual. Unless otherwise specifically indicated by the Participant on the form, beneficiaries designated by class (such as "children," "grandchildren" etc.) will be deemed to refer to the members of the class living at the time of the Participant's death, and all members of the class will be deemed to take "per capita."

17. Stock Awards are not transferable except as otherwise provided herein to a beneficiary.

CORPORATE GOVERNANCE GUIDELINES

Alcoa is a values-based company. Our **Values** guide our behavior at every level and apply across the company on a global basis. We expect all directors, officers and other Alcoans to conduct business in compliance with our **Business Conduct Policies,** and we survey compliance with these policies on an annual basis. Alcoa endorses **The Business Roundtable Principles of Corporate Governance** dated May 2002, which is a comprehensive statement of responsible corporate governance principles. These principles provide the foundation on which our **Corporate Governance Guidelines** and our **board committee charters** are based. All of the highlighted documents are publicly available on our web site.

Director responsibilities.

The core responsibility of the directors is to exercise their business judgment and act in what they reasonably believe to be the best interests of the company.

Serving on a board requires significant time and attention on the part of directors. Directors must participate in board meetings, review relevant materials, serve on board committees and prepare for meetings and discussions with management.

Directors are expected to notify the Chairman and CEO and the Corporate Secretary before accepting a seat on the board of another business corporation as well as any non-profit or charitable organization, in order to avoid potential conflicts.

Directors are expected to maintain an attitude of constructive involvement and oversight; they are expected to ask incisive, probing questions and require accurate, honest answers; they are expected to act with integrity; and they are expected to demonstrate a commitment to the company, its values and its business plan and to long-term shareholder value.

In performing their oversight responsibilities, directors rely on the competence and integrity of management in carrying out their responsibilities. It is the responsibility of management to operate the Company in an effective and ethical manner in order to produce value for shareholders.

Director qualification standards.

A majority of directors must be “independent” under the listing standards of the New York Stock Exchange and Alcoa’s Director Independence Standards, as determined by the Board of Directors. Board independence depends not only on directors’ individual relationships, but also on the board’s overall attitude. Providing objective, independent judgment is at the core of the board’s oversight function, and the board’s composition should reflect this principle.

Prospective candidates to the Board of Directors will be identified and evaluated pursuant to appropriate criteria, objectives and procedures established from time to time by the Board or by its Governance and Nominating Committee. As a general policy, no director should stand for election or re-election to the board if the director has reached age 72 before the date of election. This policy may be waived by a majority of the Board of Directors. If a director will reach age 72 during a three-year term, the Governance and Nominating Committee should take this fact into account in determining whether to recommend the nomination of the director.

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Directors who have a substantial change in their principal responsibilities should tender their resignation from the board so that the Governance and Nominating Committee can consider whether to accept the resignation. It is the sense of the board that directors should not necessarily leave the Board upon a change in responsibilities, however the Governance and Nominating Committee should be in a position to consider the change in evaluating the appropriate mix of skills and experience necessary for the board to perform its oversight function effectively.

Directors bring to the company a range of experience, knowledge and judgment. Directors should not represent the interests of particular constituencies.

Director access to management and, as necessary and appropriate, independent advisors.

The board must have accurate, complete information to do its job; the quality of information received by the board directly affects its ability to perform its oversight function effectively. Directors should be provided with, and review, information from a variety of sources, including management, board committees, outside experts, auditor presentations and other reports. The board should be provided with information before board and committee meetings with sufficient time to review and reflect on key issues and to request supplemental information as necessary.

Effective corporate directors are diligent monitors, but not managers, of business operations. Directors should have access to management, as needed, to fulfill their oversight responsibilities. Any meetings outside of regularly scheduled meetings that a director wishes to initiate with management should be coordinated through the Chairman and CEO or the Corporate Secretary.

Director compensation.

Directors are expected to invest more than 50% of their annual cash compensation in Alcoa shares until they satisfy the Director Share Guidelines adopted from time to time by the Board, and they are required to maintain that investment in Alcoa shares until they retire from the board. It is the sense of the board that this policy reinforces a focus on long-term shareholder value.

Compensation paid to directors at similarly situated companies should be considered when establishing the amount paid to directors.

Compensation for service as a director (and related benefits provided to directors) is the only form of remuneration directors should receive from the company.

Director orientation and continuing education.

Materials and briefings are provided to new directors, on an individualized basis, to permit them to become familiar with the company’s business, industry and corporate governance practices.

The company also provides additional formal and informal opportunities to directors (including site visits to business operations) on an ongoing basis to enable them to better perform their duties and to recognize and deal appropriately with issues that arise.

Management succession.

The paramount duty of the Board of Directors is to select a Chief Executive Officer and to oversee the CEO and other senior management in the competent and ethical operation of the company.

The board should identify, and periodically update, the qualities and characteristics necessary for an effective CEO of this company. With these principles in mind, the board should periodically monitor and review the development and progression of potential internal candidates against these standards. Advance planning for contingencies such as the departure, death or disability of the CEO or other top executives is necessary so that, in the event of an untimely vacancy, the company has in place an emergency succession plan to facilitate the transition to both interim and longer-term leadership.

Communications with third parties.

The board believes that management speaks for the company. It is expected that board members would not speak for the company, absent unusual circumstances (or as required by regulations, listing standards or the board).

Annual performance evaluation of the board.

Meaningful board evaluation requires an assessment of the effectiveness of the full board, the operations of its committees and the contributions of individual directors. The performance of the full board should be evaluated annually, as should the performance of its committees. The board should have a process for evaluating whether the individuals sitting on the board bring the skills and expertise appropriate for the company and how they work as a group. Board positions should not be regarded as permanent. Directors should serve only so long as they add value to the board, and a director's ability to continue to contribute to the board should be considered each time the director is considered for re-nomination.

Majority Vote Policy.

In any uncontested election of directors (an election in which the number of nominees is the same as the number of directors to be elected), any incumbent director nominee who receives a greater number of votes "withheld" from his or her election than votes "for" such election shall tender his or her resignation within 30 days of the final vote tally. The Board of Directors will decide whether to accept the resignation at its next regularly scheduled board meeting, through a process managed by the Governance and Nominating Committee, excluding the director in question. Thereafter, the Board of Directors promptly will disclose its decision whether to accept the director's resignation offer (and the reasons for rejecting the resignation, if applicable) in a document filed with the Securities and Exchange Commission. In reaching its decision, the board may consider any factors it deems relevant, including the director's qualifications, the director's past and expected future contributions to the company, the overall composition of the board and whether accepting the tendered resignation would cause the company to fail to meet any applicable rule or regulation, including New York Stock Exchange listing requirements and federal securities laws.

Role of the Lead Director.

The Lead Director will (i) preside at all meetings of the board at which the Chairman is not present including executive sessions of the independent directors; (ii) respond directly to shareholder and other stakeholder questions and comments that are directed to the Lead Director or to the independent directors as a group, with such consultation with the Chairman or other directors as the Lead Director may deem appropriate; (iii) review meeting agendas and schedules for the Board; (iv) ensure personal availability for consultation and communication with independent directors and with the Chairman, as appropriate; and (v) call special meetings of the independent directors in accordance with Alcoa's by-laws, as the Lead Director may deem to be appropriate. The General Counsel and the Corporate Secretary's Office will provide support to the Lead Director in fulfilling the Lead Director role.

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Recovery of Incentive Compensation.

If the board learns of any misconduct by an executive officer that contributed to the company having to restate all or a portion of its financial statements, it shall take such action as it deems necessary to remedy the misconduct, prevent its recurrence and, if appropriate, based on all relevant facts and circumstances, take remedial action against the wrongdoer in a manner it deems appropriate. In determining what remedies to pursue, the board shall take into account all relevant factors, including whether the restatement was the result of negligent, intentional or gross misconduct. The board will, to the full extent permitted by governing law, in all appropriate cases, require reimbursement of any bonus or incentive compensation awarded to an executive officer or effect the cancellation of unvested restricted or deferred stock awards previously granted to the executive officer if: a) the amount of the bonus or incentive compensation was calculated based upon the achievement of certain financial results that were subsequently the subject of a restatement, b) the executive engaged in intentional misconduct that caused or partially caused the need for the restatement, and c) the amount of the bonus or incentive compensation that would have been awarded to the executive had the financial results been properly reported would have been lower than the amount actually awarded. In addition, the board may dismiss the executive officer, authorize legal action for breach of fiduciary duty or take such other action to enforce the executive's obligations to Alcoa Inc. as the board determines fit the facts surrounding the particular case. The board may, in determining appropriate remedial action, take into account penalties or punishments imposed by third parties, such as law enforcement agencies, regulators or other authorities. The board's power to determine the appropriate punishment for the wrongdoer is in addition to, and not in replacement of, remedies imposed by such entities.

For the purposes of this Guideline, "executive officer" means any officer who has been designated an executive officer by the board.

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