



## Alumina Ltd 2021 AGM Report

ASX Code	AWC
Meeting Time/Date	2.30pm, Tuesday 25 May 2021
Type of Meeting	Physical (webcast)
Monitor	Michael Muntisov assisted by Christine Haydon
Pre AGM Meeting?	Yes, with Chair Peter Day and CEO Mike Ferraro

## A Focus on the Environment

### What the Company Does

Alumina Ltd is the 40% non-operating partner of the Alcoa World Alumina and Chemicals (AWAC) joint venture whose assets comprise global bauxite mines and alumina refineries as well as a stake in the Portland aluminium smelter. (Bauxite is refined into alumina which is then used as the feedstock for aluminium smelters.)

### Developments in the Financial Year

In 2020 Alumina Limited posted a profit after tax of US\$146.6 million (2019: \$214 million). The Company's full year dividend was 5.7 US cents per share (2019: 8.0 cents). Its share price finished 2020 at A\$1.84.

The 2020 year saw a softening alumina market leading to a steady decline in the Alumina Price Index (API). The average realised alumina price in 2020 declined 20 per cent to US\$268 per tonne (2019: \$332).

Primary aluminium demand fell over the first half of 2020 because of the pandemic but in the second half aluminium, and as a result alumina, demand recovered with the help of Government stimulus.

Prices for both aluminium and alumina have recovered from COVID induced lows and have stabilised.

Despite softer prices, record production at AWAC's tier-1 low-cost refineries has enabled the Company to record a profitable result, pay dividends, and maintain a strong balance sheet, with very low debt (2.8% gearing).

In March 2021, the Portland Smelter signed new electricity agreements for a five-year period through to June 2026, and both Commonwealth and Victorian Governments will provide financial assistance to support ongoing operations.

### Summary of Historical ASA Issues with the Company

None of note

## Debate and Voting at the AGM

Notable at the AGM was the airtime given to environmental, social and climate change issues. For example, the chairman showed a video of the rehabilitation work being undertaken by Alcoa at the decommissioned Anglesea coal mine. You can view it here <https://www.alcoa.com/australia/en/anglesea/mine-site>

He then went on to specifically discuss climate change and carbon emissions from the company's operations and argued that *"aluminium as a commodity contributes to carbon reductions in transport and by way of recycling. If you take the example of aluminium used in Europe's vehicle production, the savings in carbon emissions from reducing the weight of the vehicles has been greater than the additional carbon emitted in producing the vehicles (ASA Note: we presume this is in comparison to petrol-driven, steel-bodied vehicles). We firmly believe this causes aluminium to be part of the solution to reducing carbon emissions."*

The CEO continued on the carbon emissions theme, *"AWAC is the lowest carbon emitter amongst major alumina producers globally. Approximately 70% of global alumina production is based on coal and oil. In contrast, over 90% of AWAC's production is based on gas. Reflecting this low carbon position in the industry, AWAC has launched the world's first low-carbon alumina brand, EcoSource. EcoSource alumina is a smelter-grade alumina with carbon emissions that represents half the global average in CO<sub>2</sub> emissions."*

Nevertheless, he acknowledged that *"AWAC is the largest consumer of natural gas in Western Australia, and the Portland smelter is the largest consumer of electricity in Victoria."*

He went on to outline some of the initiatives the company was considering to reduce emissions from its operations, and suggested that Alumina was pushing its joint venture partner hard to achieve the 2050 levels set by the IEA for the aluminium industry.

In the formal part of the meeting, the only questions from the floor were from the ASA. In response to our question about releasing the franking credits trapped in Alumina's balance sheet, the chairman gave a glimmer of hope, saying the CFO was on the case looking at potential options.

On remuneration, the ASA questioned the large number of board committees and the level of director fees for a non-operating company like Alumina. The ASA assessed that the director fees were in the second highest quartile, contrasting with the board view that the lowest quartile was appropriate for the CEO and CFO. The Chairman defended the board's fees, saying that a different skill set was required. The ASA voted against the remuneration report, even though it received a comfortable 'for' vote from shareholders.

All items of business were passed with more than 90% support.

## Outlook Statements from the Company

The CEO made these projections:

*"So far this year we have seen the alumina price drift down from around \$300 per tonne to \$276 currently. In comparison, the aluminium price is trading very strongly at around \$2300 per tonne. The current relatively low alumina price has been caused by a number of factors, including:*

- *A rest-of-the-world surplus of alumina of about 2.9 million tonnes this year, which should be absorbed by China by year end.*
- *A significant spike in freight costs for alumina due to abnormal conditions. That spike reduced the arbitrage opportunity for Chinese smelters to import alumina. We are now*

*seeing freight costs starting to fall and China is now importing alumina at correspondingly higher prices.*

*We see more potential upside than downside in the alumina price for the rest of this year, including an increase in smelting production outside China, and we remain optimistic.*

*Our market assessment is that production of aluminium outside of China will grow by over 4 million tonnes in the next 5 years, requiring an additional 7.8 million tonnes of alumina. It is difficult to see at this point how that additional demand for alumina will be met. There are limited refinery growth projects being built or proposed outside China. This will create opportunities for existing refiners with potential to grow capacity which are close to their bauxite source. AWAC meets both those tests.*

*Whilst at the moment two significant growth studies in Western Australia are currently shelved, we hope at the right time to revisit and complete the feasibility work to fully assess those projects."*

### Meeting Statistics

Number of Holdings Represented by ASA	224 (2020: 251)
Number of Shares represented by ASA	2.76m (2020: 2.9m)
Value of Shares represented by ASA	\$4.7m
Number Attending Meeting	27 shareholders/24 visitors/23 online (2020 webcast only: 14 shareholders/40 guests; 2019 physical, no webcast: 42 shareholders/66 visitors)
Market capitalisation	\$4,900m
Were proxies voted?	Yes, on a poll

### Monitor Shareholding

*One of the individuals involved in the preparation of this voting intention has a shareholding in this company.*

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