



Voting Intentions – Alumina Ltd 2021 AGM

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

Proposed Voting Summary

3	Adoption of Remuneration Report	Against
4a	Re-election of Ms Deborah O'Toole as a Director	For
4b	Re-election of Mr John Bevan as a Director	For
4c	Election of Ms Shirley In't Veld as a Director	For
5	Reinsertion of proportional takeover approvals provisions in Constitution	For
6	Approval of LTI grant to CEO/Managing Director Mike Ferraro	For

Review of Board on Governance, Transparency, Fairness to Retail Shareholders

Positives

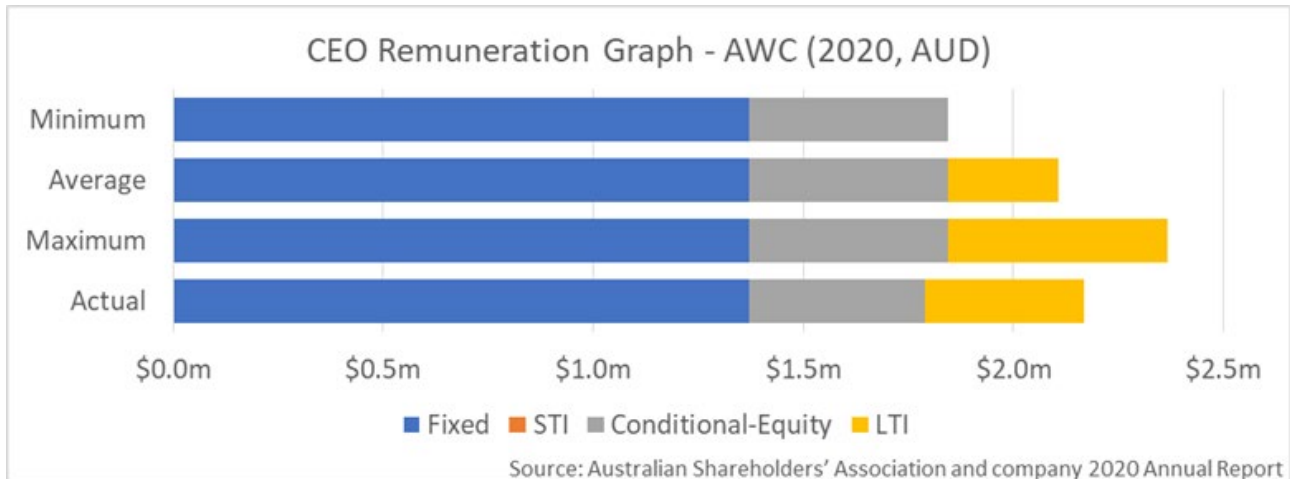
- The Board has an independent Non-Executive Chair and majority of independent directors.
- The Board has at least 30% female and at least 30% male directors with diversity of geography, age, and ethnic background.
- Directors and other KMP have invested at least 50% of one year's worth of base cash fees in company shares, in line with company policy.
- The company meaningfully discloses ESG issues or risks facing business and the processes to manage them in their Sustainability Report.
- The company discloses a just-adequate skills matrix of the board in its governance statement.

Areas for Improvement

- The board skills matrix could be improved but is adequate.

Items for Voting

Item 3	Adoption of Remuneration Report
ASA Vote	Against



The CEO does not have an STI component in his package. Instead he has Conditional Rights which have no performance hurdles and are at risk simply to share price movement. "Average" represents the amount the CEO would receive in the event of 50%ile performance against comparator peers.

Sources: Australian Shareholder's Association, Alumina Annual Report 2020

Positives

- CEO's actual take-home remuneration, as well as the target and maximum opportunity of each component is clearly disclosed.
- The total quantum of the CEO remuneration package does not reasonably exceed the Godfrey Group report benchmarks. Last benchmarked in 2019, the CEO package was ranked at the eighth percentile in the ASX51-100 universe. This apparent low ranking is targeted by the Board because of the non-operating nature of the company.
- STIs only apply to KMP excluding the CEO and CFO. The majority of STIs are based on disclosed performance measures and STIs are halved if a financial gateway is not met.
- Around 50% of STIs is paid in equity with a 3-year holding lock.
- Clear disclosure is provided for all KMP performance hurdles and the weightings applied for each incentive.
- No retesting of performance hurdles is allowed.
- LTI hurdles are based on two hurdles, both of which are TSR, one against a local comparator group and the other against a global group.
- Comparator groups are from similar industries and include key competitors and relevant foreign companies.
- No LTI awards vest unless performance is >49th percentile.
- All share grants are allocated at face value not fair value.
- Share grants are satisfied by equity purchased on-market.
- Full vesting does not automatically apply in a takeover or "change of control" event but is subject to board discretion.
- Termination payments do not exceed but are equal to 12 months fixed pay.
- Overall, the Remuneration report is readable, and understandable with a relationship between rewards and financial performance.

Areas for Improvement

- ASA considers the CFO remuneration package i exceeds the board’s stated objective of falling in the lowest quartile of peers (which the CEO’s package does).
- The quantum of Board fees exceeds the Godfrey Remuneration Group (GRG) 2020 benchmarks for lowest quartile.
- The Company Secretary remuneration package exceeds the GRG 2020 benchmark for lowest quartile.
- Less than 50% of CEO’s pay is genuinely at risk as seen from the graphic. The company justifies this because of its non-operating nature.
- LTI hurdles are measured over three years rather than a minimum of four years as preferred by ASA. However, the company undertook an exercise in 2019 which demonstrated very little difference in outcomes between three- and four-year periods. So, this is considered satisfactory in Alumina’s case.
- Conditional Rights are subject only to continuing service.
- Better use of graphics, similar to above, would enhance the readability of the report. The company has agreed to provide next year.

Conclusion on Remuneration

The CEO remuneration has a high minimum component and less than 50% of total remuneration is at real risk. This is justified by the company because of its non-operating nature, and the low total quantum of CEO remuneration.

The board targets a lower quartile total reward opportunity for the CEO and CFO (p48). However, ASA’s benchmarking analysis of remuneration reveals that this target does not apply to the CFO nor to other KMPs, nor to the board. At the pre-AGM meeting the company seemed unaware or unsure that the CFO was being remunerated above their stated quartile level.

Regarding the Board fees, we consider they are too high which stems partly from every non-executive director being a member of each of the four committees, a but is mainly because the Board assesses its remuneration on a different basis to the CEO. The chairman said that “NED roles and responsibilities require a different set of skills including broader accounting, risk, business, governance and people skills and fee levels must remain market competitive to attract NEDs with the required skills and experience for an ASX 100 Board.” We disagree. There are many examples of high-quality NED’s who are receiving lower fees than Alumina’s and in operating companies that are arguably at higher risk – Oz Minerals is one example.

Our assessment is that the director fees are too high based on their own benchmark for a non-operating company, as is CFO remuneration. For these reasons, the ASA proposes to vote against the Remuneration Report.

Item 4a	Re-election of Ms Deborah O’Toole as a Director
ASA Vote	For

Ms O’Toole, who has ASX-listed CFO experience, was appointed to the board in December 2017. Her shareholding in the company is consistent with the company’s policy. She is independent. Her director workload is within ASA guidelines. Her experience in finance and the mining industry is appropriate for the board.

For these reasons, the ASA proposes to support her election.

Item 4b	Re-election of Mr John Bevan as a Director
ASA Vote	For

Mr Bevan, who was the CEO of Alumina between 2008 and 2013, was appointed to the Board in January 2018. His shareholding in the company is consistent with ASA guidelines. He is independent. He is chair of Ansell and BlueScope Steel but still falls within ASA guideline levels for workload. His experience in the company and in steelmaking are an asset to the board.

For these reasons, the ASA proposes to support his election.

Item 4c	Election of Ms Shirley In't Veld as a Director
ASA Vote	For

Ms In't Veld, who is a lawyer by training, was appointed to the board in August 2020. She is the replacement for Ms Emma Stein who will be retiring from the board. Ms Veld is independent. She has worked as CEO of Verve Energy, and prior to that held executive roles at a range of companies including Alcoa. Her director workload falls within ASA guidelines. Her experience in energy and resources companies are appropriate for the board.

For these reasons, the ASA proposes to support her election.

Item 5	Reinsertion of proportional takeover approvals provisions in Constitution
ASA Vote	For

This is a standard three-yearly provision which protects smaller shareholder rights.

Item 6	Grant of Performance Rights to CEO Mr Michael Ferraro (Long Term Incentive)
ASA Vote	For

Please refer to assessment under item 3. As the LTI scheme for the CEO is acceptably structured and the quantum reasonable, the ASA proposes to support the granting of rights under the scheme.

Monitor Shareholding

The individual(s) (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

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