



Voting Intentions – Alumina Ltd 2022 AGM

ASX Code	AWC
Meeting Time/Date	2:30pm, Wednesday 25 May 2022
Type of Meeting	Hybrid
Monitor	Richele Janjatovic assisted by Christine Hayden
Pre AGM Meeting?	Yes, with Chair Peter Day, CEO Mike Ferraro and Company Secretary Stephen Foster

Proposed Voting Summary

2	Adoption of Remuneration Report	For
3	Re-election of Director — Mr Chen Zeng	Undecided
4	Grant of Performance Rights to Chief Executive Officer (LTI)	For

Key Financials

USD	2021	2020	2019	2018	2017
Statutory NPAT (\$m) USD	187.6	146.6	214.0	635.4	339.8
Underlying NPAT (\$m)	187.6	146.6	214.0	635.4	339.8
Statutory EPS (cents) USD	6.5	5.1	7.4	22.1	11.8
Dividend per Share (cents) USD	6.2	5.7	8.0	22.7	13.5
Share Price at End of FY (\$) AUD	1.86	1.83	2.30	2.30	2.43
Statutory CEO Remuneration (\$)	1.460m	1.480			
Total Shareholder Return (%) Inc Franking Credits	9.0	(14.2)	15.5	7.7	41.8

Statutory NPAT and EPS are the audited figure from the financial accounts. Underlying NPAT is (usually) an unaudited figure used in management presentations or commentary. Total Shareholder Return is calculated as the share price change over the year plus the dividend declared during the year, divided by the share price at end of previous year. This may differ from the figure quoted by the company.

Summary of Historical ASA Issues with the Company

- ASA recommend the approach used by other ASX listed companies for summarising the CEO remuneration arrangements. This is simple and informative for the average shareholder.
[Since adopted in latest annual report.](#)

- ASA are disappointed that a hybrid meeting (physical meeting with a virtual component) was not adopted for the forthcoming AGM, unlike other companies recently including RIO.

[Hybrid meetings since adopted for upcoming AGM.](#)

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

Positives

- The Board has an independent Non-Executive Chair and majority of independent directors.
- Two of the directors are female and four are male including the male managing director. There is a diversity of geography, age, and ethnic background.
- Directors and other KMP have/are investing at least one year’s worth of base cash fees in company shares, within 3 to 5 years.
- The company meaningfully discloses ESG issues or risks facing business and the processes to manage them.
- The company discloses a meaningful skills matrix of the board easily accessible by shareholders in a simple format, easily understandable by shareholders.

Areas for Improvement

- We acknowledge the attempt to adopt a better form of CEO remuneration table, however room to improve how this tabled to ensure it’s clearer to the average retail shareholder.

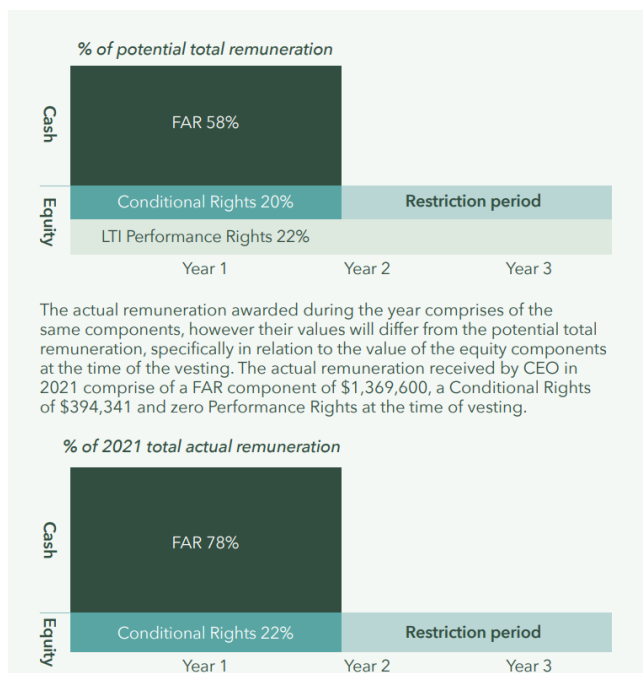
Summary

Overall the company is generally well governed and is actively upskilling to adapt to future ESG issues.

Item 2	Adoption of Remuneration Report
ASA Vote	For

CEO rem. framework	Target* (\$m)	% of Total	Max. Opportunity (\$m)	% of Total
Fixed Remuneration	1.37	58	1.37	58
STI - Cash	NA	NA	NA	NA
Equity - Conditional rights	0.473	20	0.473	20
LTI	0.525	22	0.525	22
Total	2.368	100	2.368	100

*The amounts in the table above are the statutory amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.*



Source: Alumina Limited 2021 Annual Report, page 54

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. In fact the quantum sits at the 8% point, reflecting the non-operational nature of this holding company.
- The quantum of Board fees does not reasonably exceed the Godfrey Group report benchmarks.
- Slightly less than 50% of CEO's pay is genuinely at risk, with conditional rights less than fixed remuneration. The at-risk component of CEO and KMP remuneration is less than the minimum 50% ASA guideline, but the nature of this company (a holding company) and the low overall quantum of individual remuneration levels compared to peers, are ameliorating factors.
- Clear disclosure is provided for all KMP performance hurdles, and the weightings applied for each incentive.
- There is no retesting of performance hurdles.
- LTI hurdles are based on TSR, with no payment if absolute TSR is negative.
- Two comparator groups from similar industries, one local and one international are used and include key competitors.
- No LTI awards based on a local and international comparator groups vest unless performance is >50th percentile.
- All share grants are allocated at face value not fair value.
- Share grants are satisfied by equity purchased on-market.
- Overall, the Remuneration report is readable, transparent, and understandable with a logical relationship between rewards and financial performance and corporate governance.

Areas for Improvement

- LTI performance is measured over a three-year period, not the minimum of four preferred by ASA. We continue to promote the longer-term benefits of a longer period, but to the credit of Alumina they did an extensive market benchmarking exercise and decided to retain what is the time norm in their sector.
- LTI hurdles are based only on TSR, with no payment if absolute TSR is negative. The reasonable justification given for a single measure is that commodity prices fluctuate considerably in this cyclical market sector.

Conclusion on Remuneration

The remuneration structure features an at-risk component of total remuneration of only 44% mainly in equity with reasonable performance hurdles, but as mentioned above this is appropriate for a holding company with no operational business functions. The performance period for Conditional Rights ranges from 3-5 years, and the company continues to implement improvements to its remuneration arrangements.

The Board compared the CEO’s remuneration package to companies within both the ASX 76 – 125 Rank (which includes companies significantly smaller than Alumina Limited) and the ASX 51 – 100 Rank (which was used for benchmarking purposes in prior years). The outcomes of the review continued to validate the modest positioning of the CEO’s total reward in the lowest quartile for each of the comparator groups. Therefore, the Board considered appropriate a modest (5%) cash FAR increase and bigger (14.2%) increase of the at risk LTI component to better align CEO package with the long-term experience of shareholders.

Total CEO package remained positioning in the lowest quartile of both comparator groups after the abovementioned increase.

Therefore, on balance, the ASA will support the remuneration report.

Items for Voting

Item 3	Re-election of Director Mr Chen Zeng
ASA Vote	Undecided

- Mr Zeng represents substantial shareholder CITIC. All other non-executive directors (NED) (80% of NEDs) are independent.
- The board has advised that Mr Zeng brings a wealth of experience and understanding of the overall supply chain and whilst is a Melbourne resident, Mr Zeng is often residing in Hong Kong.
- Mr Zeng has the equivalent of 8 NED roles. Alumina is his only ASX listed role. Mr. Zeng has been with different CITIC companies for over 30 years in Beijing, Hong Kong and Australia. He is the CEO of a CITIC subsidiary, and on many of the related boards. He is evidently overloaded, and his absence from 2 full Alumina Board meetings and 2 subcommittee meetings may be as a result.
- Other board roles include:
 - Chairman and President of CITIC Pacific Limited
 - Chairman and Chief Executive Officer of CITIC Pacific Mining Management Pty Ltd (“CITIC Pacific Mining”) and

- CITIC Mining International Ltd, the holding company of CITIC Pacific Mining.
- Chairman of Dah Chong Hong Holdings Limited (focused on distribution of automobile, healthcare and consumer goods) – CITIC is the parent company
- The board had advised on those dates the meetings were for a short period (<30min) to authorize a single matter.
- To be noted that the Audit and Risk Committee meetings did coincide with a Board meeting on those occasions.

Alumina Limited Directors' Attendance at Meetings January to December 2021

Directors	Board meeting		Board Committee meetings		Audit and Risk Committee meetings		Compensation Committee meetings		Nominations Committee meetings		Sustainability Committee meetings	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
E R Stein ¹	3	3	0	0	3	3	0	0	1	1	1	1
C Zeng	10	8	0	0	7	5	2	2	2	2	4	4
P Day	10	10	0	0	7	7	2	2	2	2	4	4
M Ferraro ²	10	10	0	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
D O'Toole	10	10	0	0	7	7	2	2	2	2	4	4
J Bevan	10	10	0	0	7	7	2	2	2	2	4	4
S In't Veld	10	10	0	0	7	7	2	2	2	2	4	4

1. Ms Stein retired on 25 May 2021. 2. Mr Ferraro is Managing Director and CEO and is not a member of the Committees of the Board however may attend Committee meetings in his capacity as CEO.

Mr Zeng brings ethnic and geographical diversity to the board, as well as extensive experience in the mining industry and supply chain of Alumina. He is non-independent, representing the CITIC group of companies which hold at least 19.01% of Alumina stock. He holds only \$8K in stock but represents about \$0.9B of shares owned by the parent company. The remaining directors all hold adequate shares.

While representing the major shareholder, all directors share a duty to the company. It is important that he has sufficient time available to contribute. For these reasons, the ASA is undecided whether to support his re-election and will directly raise the issue of workload at the AGM, before deciding.

Item 4	Approval of LTI grant to CEO Mike Ferraro
ASA Vote	For

It was raised ASA's view is LTI hurdles measure a minimum of four (preferably five years or more) after issue and be based on at least two hurdles, one of which is TSR, with no payment if absolute TSR is negative.

The board have reviewed the structure of the LTI plan most recently in 2020.

The Committee undertook work on the LTI scheme, analysing features such as quantum, duration, vesting scales to ensure it understands how changes to duration and vesting scales might influence outcomes. The Committee reviewed the duration of testing and vesting criteria in relation to remuneration policy and strategy and the impacts of changing those elements.

Alumina discussed the results with the ASA in 2020 regarding the analysis in relation to the 3-year period for testing. Alumina continues to believe after conducting that analysis that a 3-year period remains appropriate.

Alumina have reviewed alternative measures in 2020 to TSR and concluded they are not appropriate for the Company. Alumina previously used an EPS measure for a short period but did not continue with it. The non-operating nature of the Company and the cyclicality of the industry means TSR is the preferred measure and aligns better with shareholder experience.

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