



## Alumina Ltd (AWC) 2019 AGM Voting Intentions

<b>Company/ASX Code</b>	Alumina (AWC)
<b>AGM date</b>	Thursday 23 May 2019
<b>Time and location</b>	12.00pm The Pavilion Arts Centre Melbourne
<b>Registry</b>	Computershare
<b>Webcast</b>	Yes
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Mike Muntisov assisted by Christine Haydon
<b>Pre AGM Meeting?</b>	Yes, with Chair and CEO

<b>Item 1</b>	<b>Financial and Other Reports</b>
<b>ASA Vote</b>	No vote required

### Summary of ASA Position

#### Financial performance

Alumina is engaged in investing in bauxite mining, alumina refining and selected aluminium smelting operations, through its 40% ownership of Alcoa World Alumina and Chemicals (AWAC).

In 2018 Alumina Limited recorded a profit after tax of US\$635 million compared to US\$340 million in 2017. In 2018, Alumina Limited's 40 per cent interest in AWAC benefited from Western world alumina market supply disruptions that created a shortage in the market.

Alumina paid a total dividend of US22.7c/share in 2018 (fully franked) compared with US13.5c/share in 2017

#### Key events

Major disruptions to the alumina market in 2018 caused prices to spike upwards. The world's largest alumina refinery, Alunorte in Brazil, curtailed 50 per cent of its capacity following extreme rainfall and subsequent environmental issues. Together with US economic sanctions imposed on Rusal, the world's largest non-Chinese aluminium producer, this caused average monthly alumina prices to be driven upwards in excess of \$500 per tonne at times.

Average realised prices for alumina increased 33 per cent on 2017 prices.

Total AWAC alumina production was 12.2 million tonnes in 2018; compared with 12.5 million tonnes in 2017.

Alumina Limited was reinstated to investment grade credit status by S&P in May 2018.

#### Key Board or senior management changes

The CFO, Chris Thiris retired in December 2018. A permanent replacement is currently being recruited.

### **ASA focus issues**

Alumina has achieved the 30% gender target on its Board.

Alumina Policy is for Directors to hold equity equivalent to 50% of base remuneration after 5 years compared with the 100% ASA guideline after 3 years.

The established Directors already hold equity as "skin in the game" at the ASA guideline level. One of the newer directors will need to acquire shares as will the Chairman to account for his higher remuneration. The CEO is expected to achieve the guideline level given adequate performance and vesting of performance rights over time.

### **Summary**

(As at FYE)	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
NPAT (US\$m)	635.4	339.8	(30.2)	88.3
Share price (A\$)	2.30	2.43	1.83	1.30
Dividend (US cents)	22.7	13.5	6.0	6.3
TSR (%)	8	42	37	(31)
EPS (US cents)	28.0	11.8	(1.0)	3.1
CEO total remuneration, actual (A\$m)	1.653	3.252*	2.652	1.557

\* includes \$1.034M post-employment benefit for retiring CEO.

- For 2018, the CEO's total actual remuneration was **19 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2018 data from the Australian Bureau of Statistics).

<b>Item 2</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

### **Summary of ASA Position**

The CEO package consists of 60% as fixed cash remuneration plus 19% equity (3 year trade restriction) conditional on share price performance and 21% performance rights as a Long Term Incentive (LTI) subject to 3 year performance criteria. There is no formal Short Term Incentive (STI). This package involves an overall higher equity component than the previous CEO package.

Key Management Personnel (KMPs) other than the CEO retain an STI component to their packages. The STI criteria are well defined including the weightings applied. In 2018, a total of 11 to 18% of the target STI award was forfeited by KMPs.

The at-risk component of CEO and KMP remuneration is less than the minimum 50% ASA guideline, but the nature of this company (an investment company) and the low overall quantum of individual remuneration levels compared to peers, are ameliorating factors.

The company uses face value to determine performance rights, an approach the ASA supports.

Alumina includes an actual "Take Home" pay table in the Remuneration Report.

In terms of readability, the removal of the KMP remuneration structure chart has made the report more difficult to understand. The company says it will reinstate the chart next year.

<b>Item 3</b>	<b>Re-election of Ms Chen Zeng as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Mr Zeng has been a director of Alumina since 2013.

Mr Zeng is also currently the Vice Chairman and President of CITIC Pacific Limited, as well as the Chairman and Chief Executive Officer of CITIC Pacific Mining Management Pty Ltd.

Mr Zeng has over 30 years of experience in management and project development, and a proven record in leading cross-cultural professionals in the resources sector. He has been working in Australia since 1994 and has extensive experience in various industries including aluminium smelting, coal and iron ore mining.

Mr Zeng is a non-independent director due to his current role with CITIC, a substantial shareholder (19%) in Alumina Ltd. His voice represents one fifth of the non-executive directors on the Board, which is consistent with CITIC's shareholding, so ASA will support his election.

<b>Item 4</b>	<b>Approval of grant of performance Rights to CEO, Mr Mike Ferraro (LTI)</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

The CEO package is described in Resolution 2. The quantum of rights is \$484,000 with performance measured over 3 years. Two performance measures are used with equal weighting. One is the relative TSR against a group made up from the ASX20-100, and the other is the relative TSR against an international group of 9 companies which operate in the aluminium and related industries.

50% of rights will vest if performance is at the 50th percentile of the comparator groups and 100% if performance is in the top quartile of the comparator groups.

The ASA in general prefers vesting schemes which have 30% vesting at 51st percentile, and rising progressively to 100% when 85th percentile performance is achieved. The ASA has taken up this issue with the company which believes the performance hurdles are appropriate given the ongoing competition in the industry.

The proposed vesting arrangements are typical for ASX listed companies and while we continue to advocate for our guidelines, we see no benefit to shareholders in opposing the current arrangement.

One of the individuals (or their associates) involved in the preparation of this voting intention has a shareholding in this company.

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