

ASX ANNOUNCEMENT

30 MARCH 2022

## Alumina Limited 2021 Annual Report

Attached, is a copy of Alumina Limited's Annual Report 2021 that will be issued to shareholders.

This ASX announcement was approved and authorised for release by Stephen Foster, Company Secretary.



Stephen Foster  
Company Secretary

**For investor enquiries:**

Charles Smitheram  
Manager – Treasury & Investor Relations  
Phone: +61 3 8699 2613  
Mobile: +61 412 340 047  
Email: [charles.smitheram@aluminalimited.com](mailto:charles.smitheram@aluminalimited.com)

**For media enquiries:**

Tim Duncan  
Hinton and Associates  
Phone: +61 3 9600 1979  
Mobile: +61 408 441 122

ALU

MIN

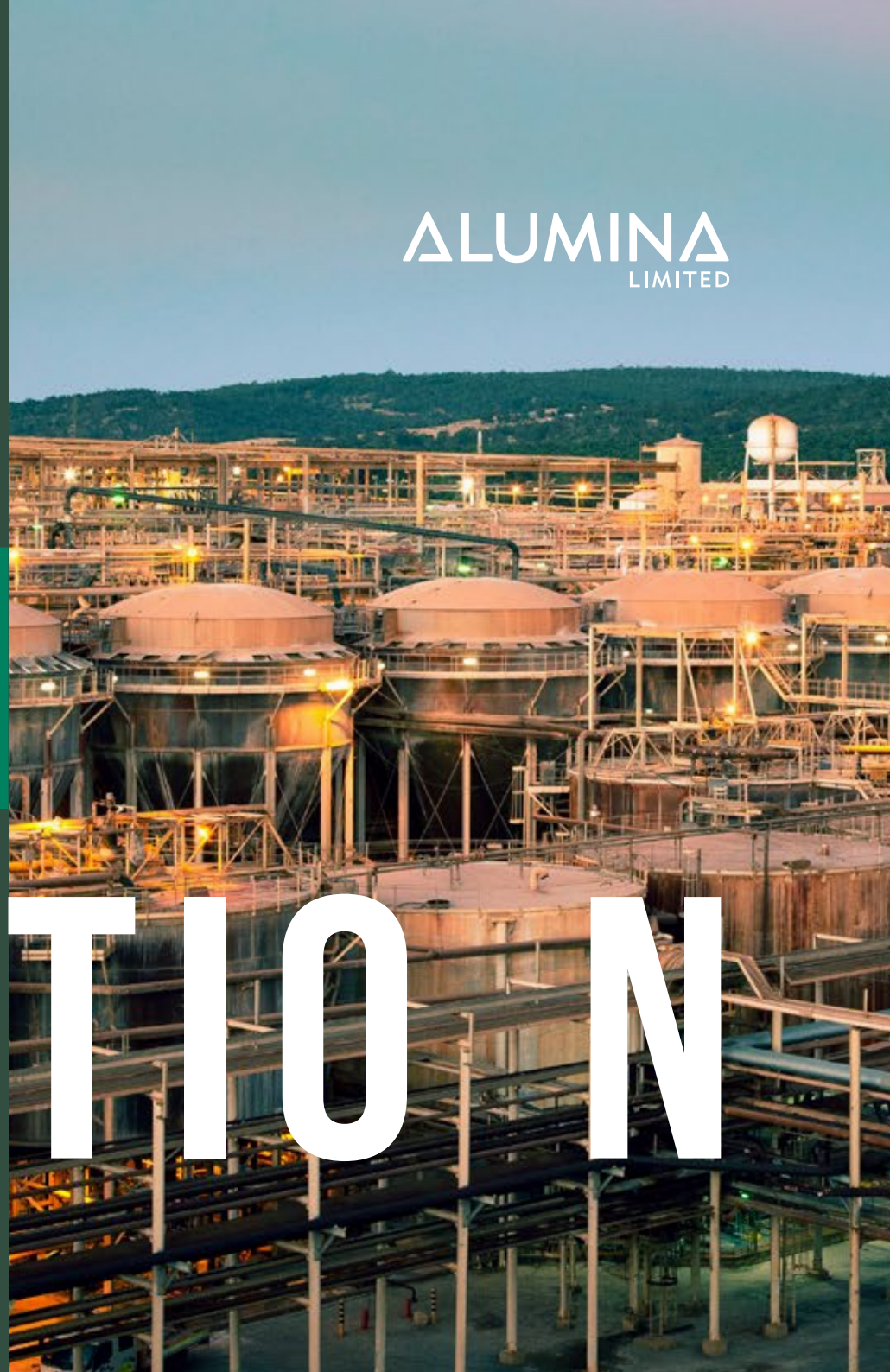
ANNUAL  
REPORT  
2021

—

A

TION

ALUMINA  
LIMITED





# COMPETITIVE THROUGH THE CYCLE, COMMITTED TO SUSTAINABILITY, CONFIDENT IN GLOBAL MARKETS.

## CONTENTS

About Alumina Limited	01
Undiluted exposure to quality	02
Unique portfolio of quality assets	03
Chairman and CEO Report	04
Sustainability	10
Directors' Report	15
Operating and Financial Review	22
Letter by Chair of Compensation Committee	48
Remuneration Report	50
Financial Report	77
Directors' Declaration	111
Independent Auditor's Report	112
Financial History	119



# ABOUT ALUMINA LIMITED



The Annual Report is presented in US dollars, unless otherwise specified.

**ALUMINA LIMITED HAS A  
UNIQUE INVESTMENT IN SOME  
OF THE WORLD'S HIGHEST  
QUALITY ALUMINA ASSETS**

Alumina Limited is a leading Australian company listed on the Australian Securities Exchange (ASX) and trades on the OTC Market in the US. Alumina Limited is the 40 per cent partner in the AWAC joint venture whose assets comprise globally leading bauxite mines and alumina refineries in Australia, Brazil, Spain, Saudi Arabia and Guinea. AWAC also has a 55 per cent interest in the Portland aluminium smelter in Victoria, Australia.

AWAC's joint venture partner and operator is Alcoa Corporation. The AWAC joint venture was formed in 1994 and our relationship with Alcoa dates back to the early 1960s when Western Mining Corporation (now called Alumina Limited) began to explore bauxite deposits and other resources in the Darling Ranges of Western Australia. Alcoa Inc. was invited to join the project to provide technology, aluminium expertise and finance.

Over the following years the venture grew to include refineries and smelter interests as the partners sought to take opportunities to expand the business. By 1990, WMC Limited's interests in Alcoa of Australia had grown through acquiring the interests of other minority participants, other than Alcoa.

WMC Limited and Alcoa Inc. combined their respective bauxite, alumina and alumina-based chemicals businesses and investments and some selected smelting operations to create Alcoa World Alumina and Chemicals (AWAC) in January 1995. Alumina Limited was created on 11 December 2002 when WMC Limited's alumina assets were demerged from the nickel, copper and fertilizer businesses.

The demerger has enabled investors to benefit directly from the full value of the bauxite, alumina and aluminium business.

The Company's strong balance sheet and joint venture cash distribution arrangements have been crucial in delivering another year of healthy dividends to shareholders.



# UNDILUTED EXPOSURE TO QUALITY

## IN 2021 ALUMINA LIMITED POSTED A PROFIT AFTER TAX OF \$187.6 MILLION COMPARED TO NET PROFIT AFTER TAX OF \$146.6 MILLION IN 2020

Excluding significant items, the net profit after tax would have been \$226.0 million dollars (2020: \$146.5 million). The Company declared a fully franked final dividend of 2.8 US cents per share, bringing the full year dividend to 6.2 US cents per share, representing an average dividend yield of 7.3% over the last five years, fully franked.

In 2021, AWAC demonstrated resilience in moderate markets in the first half the year, and took full advantage of opportunities once markets turned

positive in the second half. As a result, Alumina Limited has been able to increase dividends to shareholders for 2021 by nine per cent. The average realised alumina price in 2021 was higher at \$321 per tonne (2020: \$268).

Despite AWAC's average cash cost of production increasing to \$236 per tonne in 2021 (2020: \$199) due to a stronger Australian dollar, higher bauxite costs during the Willowdale crusher move and higher energy costs, AWAC's margin increased year on year to \$85 per tonne (2020: \$69). This demonstrates how AWAC's low position on the cost curve and high exposure to alumina index pricing enables AWAC to capitalize on increased prices. In 2021, AWAC sold about 97 per cent of its smelter-grade alumina on an alumina index or spot pricing basis.

Looking forward we expect that aluminium demand will increase due to the demand for electric vehicles and growth in the construction, electrical, packaging and other sectors. Alumina Limited through its investment in AWAC's tier one assets, is well placed to support this growth.

Alumina Limited represents a unique opportunity for a pure investment in AWAC, one of the world's largest bauxite and alumina producers.

## ALUMINA LIMITED RESULTS

**\$187.6 M**

**2021 net profit after tax**  
2020: \$146.6 million

**\$193.5 M**

**2021 net cash distributions from AWAC**  
2020: \$182.7 million

**6.2¢ PER SHARE**

**2021 dividends**  
2020: 5.7 cents per share

**\$55.9 M**

**2021 net debt**  
2020: \$49.6 million

# UNIQUE PORTFOLIO OF QUALITY ASSETS

**IN 2021, AWAC RECORDED A NET PROFIT AFTER TAX OF \$443.8 MILLION COMPARED TO A NET PROFIT AFTER TAX OF \$401.6 MILLION IN 2020**

The increase in AWAC's 2021 net profit was largely as a result of higher realised alumina prices partially offset by a higher cash cost of production and higher charges for significant items. AWAC's EBITDA for 2021 was \$1,146.2 million (2020: \$895.9 million) and excluding significant items would have been \$1,205.7 million (2020: \$895.2 million).

Alumina Limited is the 40 per cent partner in the AWAC joint venture whose assets comprise globally leading bauxite mines and alumina refineries in Australia, Brazil and other countries. AWAC also has a 55 per cent interest in the Portland aluminium smelter in Victoria Australia. AWAC's 60 per cent managing partner is Alcoa Corporation. The AWAC joint venture was formed in 1994 and our relationship with Alcoa dates back to 1961. Alumina Limited was created on 11 December 2002 when WMC Limited's alumina assets were demerged from the nickel, copper and fertilizer businesses. The demerger has enabled investors to benefit directly from the full value of the bauxite, alumina and aluminium business.

## AWAC RESULTS (USGAAP)

**\$443.8M**  
**2021 net profit after tax**  
2020: \$401.6 million

**\$321.0 PER TONNE**  
**2021 realised Alumina price**  
2020: \$268.0 per tonne

**\$718.3M**  
**2021 AWAC cash from operations**  
2020: \$671.8 million

**\$1,205.7M**  
**2021 AWAC EBITDA excl significant items**  
2020: \$895.2 million

# CHAIRMAN AND CEO REPORT



**ALUMINA LIMITED IS CONFIDENT  
AND POSITIVE ON ITS FUTURE. OUR  
MARKETS ARE ROBUST AND GROWING.  
WE ALSO SEE CONSTRAINTS ON  
THE GROWTH OF CHINESE ALUMINA  
AND ALUMINIUM PRODUCTION.**





Mr W Peter Day



Mr Mike Ferraro

We see the future with confidence. The fundamentals of our business are strengthening year by year.

This is because decarbonization is driving more demand for metal. As decarbonization accelerates, the fundamental cost competitiveness of our AWAC assets is complemented by their parallel carbon position.

There are steps we must take. AWAC has identified new technologies in alumina refining which may be capable of producing step change improvements in our emissions.

The Company's financial performance in 2021 was robust, following the market shocks and global uncertainty of 2020.

The Company reported a profit of \$187.6 million (\$226.0 million after excluding significant items) and declared fully franked dividends to shareholders of US 6.2 cents. The higher average alumina prices resulted in an improved performance in 2021. The Company's low debt levels and quality of its asset base assisted in maintaining consistent dividends to shareholders.

### Alumina Limited and Decarbonization

Alumina Limited's investment is focused on the bauxite and alumina industry, which we believe has attractive market fundamentals. AWAC has benefited from its strong competitive position in the bauxite and alumina industry.

However, the global business environment, markets and consumer expectations are ever changing and the Company and AWAC must continually adapt.

The aluminium industry has an important role in a net-zero carbon world.

The increase in global efforts to decarbonise, particularly in China, was a key development for energy and commodity markets in 2021. China's commitment to decarbonisation is a longer-term game changer for the industry. China's changing carbon and energy policies and accompanying actions also had a short-term impact. Constraints in energy supply, alumina and aluminium production and higher energy prices increased China's alumina and aluminium prices in 2021.



The transition from predominantly carbon-based energy is expected to increasingly impact the alumina and aluminium industry. The global economy experienced coal and gas shortages and higher energy prices in 2021. The rapid pace of change arising from decarbonisation is expected to continue.

Decarbonisation is expected to drive an increased demand for aluminium. Renewable energy generation, such as solar and wind power, is a significant user of aluminium. Electric vehicles use more aluminium than internal combustion vehicles. Transport, packaging and electrical needs for aluminium are also positive for the industry in a de-carbonising world.

In the move to decarbonise, the most energy competitive and low carbon producers are best placed. AWAC's alumina refinery portfolio has the lowest CO<sub>2</sub> emissions intensity amongst major refiners and is in the lowest cash cost and emissions quartile. AWAC is currently well positioned but also recognises the need to further reduce emissions.

## AWAC operations

AWAC's alumina production of 12.6 million tonnes in 2021 represented a decline of 0.2 million tonnes compared to the previous year. Damage to a ship unloader at the Alumar refinery and industrial action at the San Ciprian refinery affected production at those refineries. AWAC's Kwinana refinery had an annual production record during 2021.

AWAC's cash costs of alumina production increased by \$37 per tonne to \$236 per tonne, mainly due to rises in energy and raw material prices and a higher Australian dollar. Caustic had a mild cost increase in 2021 and will continue to provide pressure on production costs in 2022. Nevertheless, AWAC's lower relative caustic usage and integrated bauxite supply chain continued to provide a competitive cost advantage, especially in light of the high caustic prices. During 2021 AWAC maintained its position in the first quartile of the global alumina cost curve.

The alumina market changed in the second half of the year when production disruptions across the world contributed to a spike in alumina prices. Alumina price indices averaged \$416 per tonne in the fourth quarter of 2021. This resulted in the average alumina price for 2021 increasing by 21% to \$329 per tonne compared to 2020.

With higher alumina prices AWAC maintained positive alumina margins of \$85 per tonne. This was an increase from the alumina margin of \$69 per tonne in 2020.

AWAC successfully completed several substantial sustaining capital projects in 2021 in line with forecasted costs. The projects included the Willowdale mine move in Western Australia to Larego from Orion and construction of residue storage areas and tailings ponds at the Brazil operations.

The Company's results and AWAC's operating performance are discussed in more detail in the Operating and Financial Review.

## COVID-19 impacts in the year

AWAC operates in locations throughout the world that have experienced significant health, economic, and logistical impacts as a result of the COVID-19 pandemic. AWAC acted early to focus on the health and safety of its workforce, and to protect the stability of operations.

A comprehensive pandemic preparedness and response plan was implemented by AWAC Health and Safety; business continuity and human resources measures were rapidly initiated including contact tracing, modified health and industrial hygiene protocols, altered shift and work patterns, face covering and physical distancing.

AWAC's long-term safety goal is zero fatalities and serious injuries. Pleasingly in 2021, there were no fatalities at AWAC managed facilities, maintaining fatality free operations since 2017.

## Alumina market

Realised alumina prices were constrained in the first half of 2021 by significantly higher freight costs, as global shipping was disrupted. Higher ocean freight rates during the year acted to lower Chinese import parity prices and global alumina prices.

Despite the overall surplus in 2021, alumina production disruptions in the second half of 2021 in Brazil, Jamaica and the USA caused regional shortages. The alumina price spiked to a high of \$484 per tonne. The alumina pricing market operates relatively efficiently with the disruptions to production being quickly reflected in higher alumina prices.

AWAC is the largest third-party alumina producer in the Western World and sells approximately 97% of its smelter grade alumina at index pricing or on a spot basis. This enabled AWAC to benefit from these positive market developments.

The outlook for the alumina market in 2022 remains positive. Whilst alumina prices in early 2022 initially subsided from the peaks in late 2021, in January and February they averaged \$376 per tonne, well above 2021 average prices.

## Sustainability

Alumina Limited in 2021 continues to prioritise its sustainability agenda. During 2021, Alumina Limited issued a revised climate change position statement in which it states it will, through working with the AWAC joint venture, strive for AWAC to reduce its direct and indirect emissions (scope 1 and 2) by 45% by 2030 (from a 2010 baseline), and to net zero by 2050. Similarly, our partner Alcoa also set out its ambition to achieve net-zero greenhouse gas (GHG) emissions across all of AWAC's global operations by 2050.

In our 2020 Sustainability Update we noted AWAC has already reduced its carbon emissions by 42% from a 2010 baseline. To deliver further reductions in emissions, AWAC is investing in research and development to commercialise technology that seeks to electrify its refineries to facilitate greater use of renewable energy.

Mechanical Vapour Recompression (MVR) and Electric Calcination (EC) have the potential to reduce a refinery's carbon footprint by 98 percent, whilst also reducing freshwater usage by 70 percent.

For the Portland smelter, decarbonisation will rely on further sourcing of alternate renewable energy sources, together with inert anode technology such as ELYSIS which our JV partner Alcoa is developing with its partners.

In 2021, Alumina Limited also held an inaugural ESG Presentation for investors and analysts, where we explained that:

- Aluminium is core to a sustainable future
- AWAC's assets are highly competitive on key sustainability measures
- AWAC has had a proven history of ESG management over 60 years
- AWAC is focussing on the future and innovation.

Over the coming year, we will continue to focus on an array of sustainability issues, including seeking to comply in full with the TCFD framework.

Alumina Limited's and AWAC's sustainability targets and outcomes are discussed in greater detail in the Sustainability section of this Report and the 2020 Sustainability Update on the Company's website.

## Portland smelter

AWAC secured new 5-year power agreements in 2021 for the Portland smelter, together with agreements with the Victorian and Australian federal governments. This has been a positive change for the employees, community and your Company. Global aluminium demand grew by 7% in 2021 and has returned to pre-COVID levels. With aluminium prices achieving decade-highs in 2021, the Portland smelter is now achieving positive margins.

The smelter has been working to reduce its carbon dioxide emissions by increasing the proportion of renewable energy that is supplied to the smelter and by improved energy efficiency. With Victorian government plans for 50% renewable grid power by 2030, that should enable the smelter to further reduce its carbon emissions.

## Capital management/shareholder returns

Alumina Limited received \$193.5 million in net cash distributions from AWAC in 2021. (2020: \$182.7 million). The total declared dividends for the year were US 6.2 cents per share. This represents a yield of 4.6% to shareholders for 2021, based on the average share price for the year. Alumina Limited's dividend policy is to distribute free cash flow derived from net AWAC distributions less the Company's corporate and finance costs, whilst taking into consideration its capital structure, any capital requirements for AWAC and market conditions.

The higher alumina prices in late 2021 have provided strong positive cash flows in early 2022.

The Board took the timing of these receipts into account when declaring the 2021 final dividend. Some of the distributions received from AWAC in the first quarter of 2022 were drawn on for the 2021 final dividend. The 2022 interim dividend will be adjusted accordingly.

AWAC's mine and refinery portfolio is a long term, tier 1 investment. To maintain the quality of the assets we need to continue to invest in them.

AWAC's growth and sustaining capital expenditures are expected to increase in the near to medium term, with investment in a number of large projects. The projects include bauxite mine moves and residue storage areas. The increased investment demonstrates confidence in the long-term competitive positioning for AWAC. The investment will also solidify the long-term environmental and competitive position of AWAC.

The Company's net debt at 31 December 2021 was \$55.9 million which is a gearing of 3.2 %. The Company has debt facilities of US\$350 million with maturities ranging from 2022 to 2024.

Your Company has a strong balance sheet and a conservative approach to debt. This makes Alumina Limited well placed for market cycles and investment opportunities.

## Board and management

As part of normal director succession planning, Ms Emma Stein retired from the Board as a Non-Executive Director during 2021 at the end of her final term. Ms Stein was an independent non-executive director of the Company since 2011. Ms Shirley In't Veld was appointed to the Board in August 2020, was elected at the 2021 AGM, and assumed the Chair role of the Compensation Committee following Ms Stein's retirement.

Mr Grant Dempsey resigned as Chief Financial Officer in November 2021, with Mr Dempsey leaving the Company on 31 January 2022. Ms Galina Kraeva, who was previously General Manager – Finance, was appointed to act as Interim Chief Financial Officer.







## Conclusion

The AWAC assets have remained competitive through industry and global change. AWAC continued to provide solid returns during the challenging conditions in the first half of 2021 and then ramped up returns as market conditions moved in its favour in the second half.

The dividends paid in 2021 continue a consistent record of returns to shareholders. The improvement in the alumina market in late 2021 and continuing global actions to decarbonise provides a positive backdrop for the Company for 2022. With low debt levels and low-cost assets, Alumina Limited is well-positioned for the future.

The Board thanks the employees of Alumina Limited and AWAC for their contributions in 2021.

A handwritten signature in black ink, appearing to read 'W Peter Day'.

**W Peter Day**  
Chairman

A handwritten signature in black ink, appearing to read 'Mike Ferraro'.

**Mike Ferraro**  
Chief Executive Officer



# SUSTAINABILITY



ALUMINA LIMITED TO STRIVE  
FOR NET ZERO BY 2050

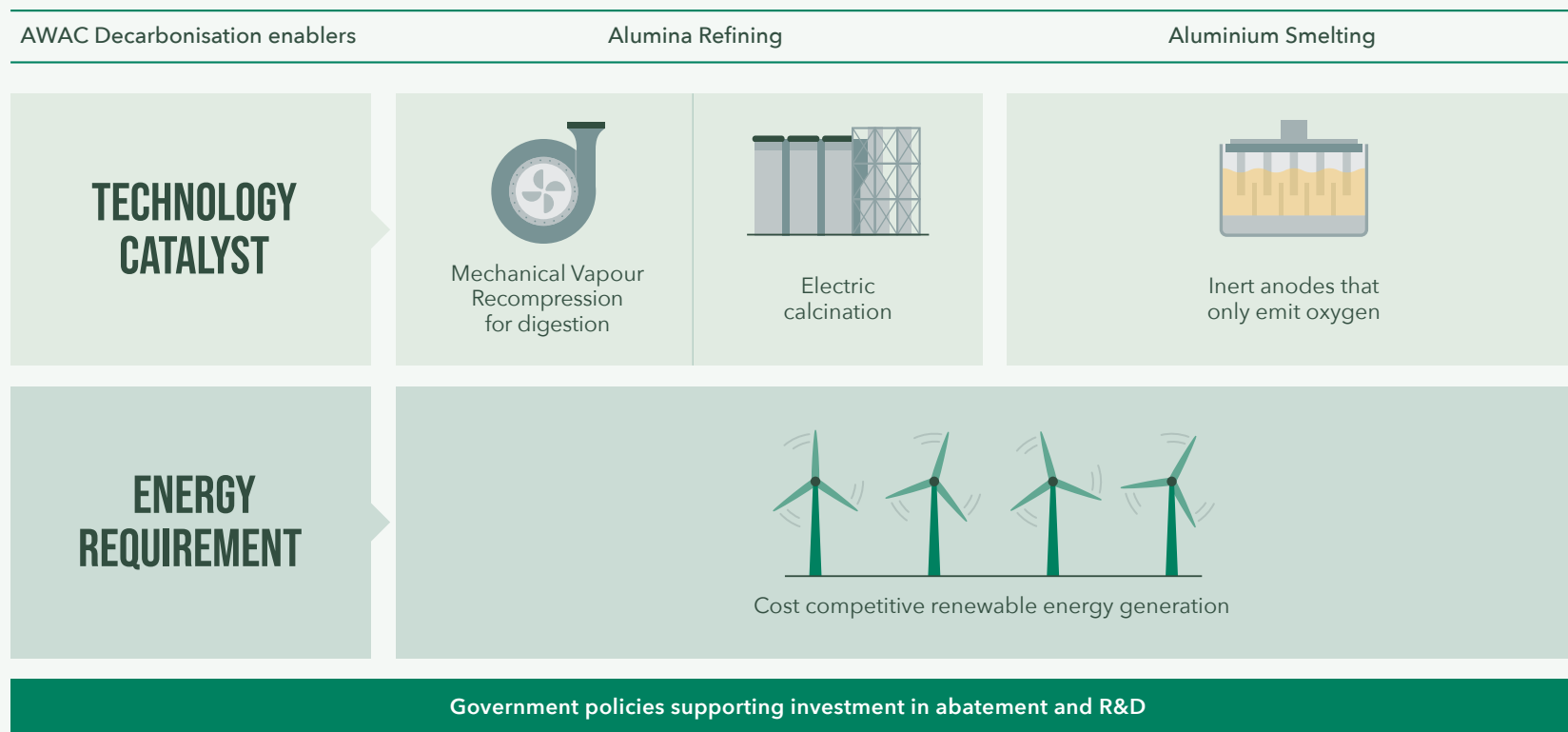


## AWAC's indicative decarbonisation roadmap

Alumina Limited has announced that it will, through working with the AWAC joint venture, strive for AWAC to reduce its direct and indirect emission (scope 1 and 2) by 45% by 2030 from a 2010 baseline, and to net zero by 2050.

AWAC's ability to reach net zero is contingent on certain factors, including:

- Advancements in technologies to commercial viability, such as Mechanical Vapour Recompression (MVR) and Electric Calcination (EC) which AWAC is evaluating.
- The ability of AWAC's aluminium smelter to use inert anode technology, such as ELYSIS which our JV partner Alcoa is developing with its partners;
- The availability of cost competitive renewable energy generation, which will be required to power new technologies and displace fossil fuels; and
- Government policy settings that support investment in decarbonisation and options to offset remaining emissions.



Inert anode technology is the first industrial process that emits pure oxygen as its by-product from the aluminium smelting process rather than GHG. An example of this is Elysis, which is being developed in a joint venture between Alcoa and Rio Tinto. The process is being ramped up to industrial-sized scale through additional development work.



To facilitate the decarbonisation of AWAC's refineries, AWAC is conducting R&D on two particular types of technology, MVR and EC. These technologies have not been applied to an alumina refinery, and will require investment to prove their commerciality. If MVR is able to be retrofitted to our refineries, then it provides AWAC with a number of advantages. These include improved energy efficiency, reduced water usage, and the ability for digestion to be emissions free if the electricity is contracted with a green power purchase agreement.

AWAC's refineries predominantly use natural gas, whilst the Portland smelter utilises electricity delivered from the grid. In order to decarbonise, AWAC will likely be further reliant on green electricity in the jurisdictions where its assets are located, as MVR and EC will utilise green electricity to substitute heat generated by fossil fuels. This will require continued investment from generators and governments in low-cost renewable generation technology.

AWAC is already the lowest emitter of CO<sub>2</sub>e emissions amongst major alumina producers, averaging 0.515 tonnes of CO<sub>2</sub>e per tonne of alumina. With its future focus on remaining low on the global emissions curve through technology such as MVR and EC, AWAC intends to remain a global leader in low emission alumina.

## Aluminium is core to our sustainable future

We believe that aluminium will be core to a sustainable future. Aluminium is a lightweight, ductile, malleable, conductive metal with a corrosive resistant oxide layer.

Its applications are numerous from construction and transport, through to electricity transmission and it is also infinitely recyclable. These characteristics have always held aluminium in high regard with consumers, and will invariably lead to increased demand if we are to transition to a decarbonised world.

The International Aluminium Institute (IAI) has also explored realistic and credible technological pathways that can significantly reduce the global aluminium carbon footprint from approximately 1,095 million tonnes in 2018, to 53 million tonnes in 2050 under a 1.5 degrees scenario. The three pathways identified by the IAI are:

Pathway 1	Electrical decarbonisation
Pathway 2	Direct emissions reduction
Pathways 3	Recycling and resource efficiency

Approximately 60% of the aluminium industry's emissions are from electricity for aluminium electrolysis. Decarbonisation of electrical generation requires additional production of aluminium, as aluminium is a critical component for solar panels and wind turbines. With increased wind generation, smelters may also be called upon to act as a "virtual battery", adjusting production to cater for reduced or excess generation.

Alumina refineries and aluminium smelters have significant direct non-electricity emissions, such as fuel combustion on site, or anode consumption. Facilities will require investment in technology innovation to abate emissions. These solutions may be inert anodes, fuel switches, green hydrogen, mechanical vapour recompression, or electrical calcination.

Infinite recyclability without loss of properties is one of aluminium's unique benefits. Recycled aluminium has a significantly lower energy requirement and so has a lower emissions profile than primary aluminium. In order to decarbonise the aluminium industry, improvements will be required in recycling rates and scrap sorting technology.

Each organisation's pathway to decarbonisation will be bespoke and likely dependent on local access to energy and other resources, but it is certain that aluminium will be important for the transition to a low carbon economy, and imperative to support continued economic growth.



## Proven ESG management over 60 years

AWAC has had a history of proven ESG management over 60 years and has been a steward of the Jarrah Forest in Western Australia over that period, where our mines have been recognised by the United Nations and received its Environmental Excellence Award. AWAC was the first mining company in the world to receive this award.

More recently, AWAC has developed the Juruti Mine in the Amazon, which occurred hand-in-hand with the local communities and AWAC has substantially completed the rehabilitation of the Point Henry Smelter and the Anglesea Coal Mine sites. At Anglesea, seven million tonnes of material have been moved in order to reprofile the southern and western slopes of the mine, as well as grass seeding to create a healthy woodland.

AWAC has a goal of progressively rehabilitating mined land to an agreed post-mining land use. Where AWAC activity has impacted land areas of significant biodiversity value such as the Amazon Forest, the goal is to re-establish the original biodiversity values of the forest. AWAC has also made a commitment not to explore or mine in World Heritage Sites, and each AWAC site has a Biodiversity Action Plan.

## Social

AWAC continues to make progress on a number of social issues. During June 2021, Alcoa of Australia issued its first Modern Slavery Statement (Statement). The Statement sets out actions that Alcoa of Australia has taken to identify and mitigate modern slavery risks in the business and supply chains in 2020, as well as key areas of focus for the future. The Statement concludes that no incidents of modern slavery were identified in Australian operations or supply chains for the 2020 reporting period. Alcoa of Australia has a vast supply chain, which procures A\$2.5b in goods and services with over 2,100 suppliers.

Modern slavery risks in the supply chain are overseen through Alcoa's Human Rights Policy, established global Supplier Standards (which are referenced in tender documents and contracts), as well as utilising Supplier Sustainability Program to provide assessment, due diligence and monitoring of supply chains addressing ESG risks. Supporting this program are three global third-party program partners, Descartes MK Denied Party Screening, Trace International, and EcoVadis to provide specialised supplier screening, audit and compliance assessment functions.

In order to manage social risk, Alcoa has a strategic long-term goal to implement a social management system (SMS) at all locations during 2022. The SMS incorporates governance resources including corporate policies and standards, governing body oversight matched with defined procedures and assessments. The SMS will include the definition of performance metrics and long-term goals to be accomplished by 2025 and 2030. The work being undertaken by Alcoa to implement a SMS will define metrics and then measure progress in a range of socio-economic indicators relevant to interactions with host communities, and will drive consistency in approach across operations, strengthening practices. For example, the SMS contains global standards for engaging with Indigenous and Land-Connected Peoples and managing cultural heritage, which are aligned with the International Council on Mining and Metals (ICMM) Indigenous Peoples and Mining Statement.

AWAC's assets operate in several jurisdictions throughout the world. Alcoa, as the manager of AWAC complies with all local law and regulations relating to hiring children. Additionally, Alcoa conducted a living wage study of all direct employees of Alcoa across all jurisdictions in which they operate, which includes AWAC's locations, and concluded that Alcoa pays a living wage.



## Governance

The manager of AWAC, Alcoa, is also a member of the International Council for Mining and Metals (ICMM), which is an organisation focused on enhancing the industry's contribution to society with safe, fair and sustainable practices. As a member of ICMM, Alcoa must meet the commitments of the ICMM, including their ten principles, eight position statements, and all associated performance expectations.

As a non-operator of the joint venture, our role is to provide informed guidance to AWAC while protecting the interests of our shareholders and stakeholders. Fulfilling this role well depends on strong and ethical governance practices, supported by an experienced leadership team that is aligned to our values and principles.

In 2020 Alumina Limited's sustainability governance and strategy was strengthened by the formation of a Sustainability Committee of the Board. In 2021, in response to the growing importance of sustainability topics, Alumina Limited has increased the internal resources devoted to this area. In January 2021, we established an expanded multidisciplinary sustainability team of four, led by our General Counsel. This includes specialists in markets and strategy (with a focus on energy and climate transition pathways), governance, human rights, indigenous peoples, metrics, disclosure and external affairs.

---

For more information on sustainability, refer to the Alumina Limited's 2020 Sustainability Update. [www.aluminalimited.com/sustainability-report](http://www.aluminalimited.com/sustainability-report)





# DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Alumina Limited (the **Company**) and the entities it controlled at the end of, or during, the year ended 31 December 2021 (the **Group**).

## Directors

Unless otherwise indicated, the following persons were Directors of the Company during the financial year and up to the date of this report:

**W P Day** (Chairman)

**E R Stein** (retired 25 May 2021)

**C Zeng**

**D O'Toole**

**J Bevan**

**S E In't Veld**

**M P Ferraro** (Managing Director and Chief Executive Officer)

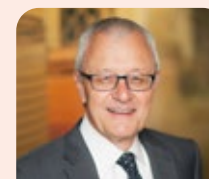
## Board of Directors

The Company's Directors in office as at 31 December 2021 were:

### MR W PETER DAY

**LLB (HONS), MBA, FCA, FCPA, FAICD**

Chairman and Independent  
Non-Executive Director



Mr Day was appointed as a Director of the Company on 1 January 2014 and was appointed Chairman of the Board on 1 April 2018. He is a member of the Nomination, Compensation and Audit & Risk Management Committees and Chair of the Sustainability Committee. Mr Day is currently Non-Executive Chairman of Australian Unity Investment Real Estate (appointed September 2015), and a former Director of: Ansell (August 2007–August 2021, Boart Longyear (February 2014–September 2017), Federation Centres (October 2009–February 2014), Orbital Corporation (August 2007–February 2014) and SAI Global (August 2008–December 2016).

Mr Day brings extensive experience in the resource, finance and manufacturing sectors, having held a number of senior positions with Bonlac Foods, Rio Tinto, CRA, Comalco and the Australian Securities and Investments Commission. He is a former Chief Financial Officer (CFO) of Amcor. He also supports initiatives in health and disability services, and mentoring.

**MR CHEN ZENG****MIF**

Non-Executive Director



Mr Zeng was appointed as a director of the Company on 15 March 2013. He is a member of the Nomination, Compensation, Sustainability and Audit and Risk Management (appointed 7 August 2014) Committees. Mr Zeng is also currently the Chairman and President of CITIC Pacific Limited, the 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. He is also the Chairman of Dah Chong Hong Holdings Limited (focused on distribution of automobile, healthcare and consumer goods). He is a former Executive Director of CITIC Limited (listed on the Hong Kong Exchange) and Non-Executive Director of CITIC Dameng Holdings Limited (listed on the Hong Kong Exchange), Macarthur Coal Limited (July 2007–October 2011) and Marathon Resources Limited (resigned in January 2014). Mr Zeng also served as a Director on the Board of CITIC Group between January 2010 and December 2011. Before joining CITIC Pacific Mining, Mr Zeng was an Executive Director, Vice Chairman and Chief Executive Officer (CEO) of CITIC Resources Holdings Limited ("CITIC Resources"), a CITIC Group controlled Hong Kong listed company focused on crude oil production, metal mining and refining, and commodity trading. Mr Zeng was redesignated as Non-Executive Director of CITIC Resources in March 2014. Mr Zeng is also the Chairman of CITIC Australia. Mr Zeng has over 30 years of experience in project development, management, 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, iron ore mining and processing and coal mining.

**MS DEBORAH O'TOOLE****LLB, MAICD**

Independent Non Executive Director



Ms O'Toole was appointed as a director on 1 December 2017. She is a member of the Nomination, Sustainability, and Compensation Committees and Chair of the Audit and Risk Management Committee (from 1 April 2018). Ms O'Toole is a Non-Executive Director of Sims Limited (appointed November 2014). She also serves as Chair of Transurban Queensland, and as an independent director of Credit Union of Australia Ltd (appointed March 2014) and Pacific National Rail Group. Ms O'Toole is a former Non-Executive Director of Boral Limited (September 2020–October 2021), Boart Longyear Limited (appointed October 2015–September 2017), Wesley Research Institute (appointed March 2013–November 2019), CSIRO, Norfolk Group, various companies in the MIM and Aurizon Groups and Government and private sector advisory boards.

Ms O'Toole has extensive executive experience across a number of sectors including over 20 years in the mining industry and, in transport and logistics which included managerial, operational and financial roles. She has been CFO of three ASX listed companies: MIM Holdings Limited, Queensland Cotton Holdings Limited and Aurizon Holdings Limited.

**MR JOHN A BEVAN****BCom**

Independent Non-Executive Director



Mr Bevan was appointed Non-Executive Director on 1 January 2018. He has been appointed a member of the Audit and Risk Management Committee, the Compensation Committee, the Sustainability Committee and the Nomination Committee and Chair of the Nomination Committee from

1 April 2018. Mr Bevan is currently a Non-Executive Director and Chairman of BlueScope Steel Limited (appointed March 2014), a Non-Executive Director and Chairman of Ansell (appointed August 2012), Non-Executive Director of Humpty Dumpty Foundation (since 2017) and a former director of Nuplex Industries Limited (September 2015–September 2016).

Mr Bevan was formerly the Chief Executive Officer and Executive Director of Alumina Limited (June 2008–December 2013). Prior to his 2008 appointment to Alumina Limited, he spent 29 years in the BOC Group Plc where he was a member of the Board of Directors and held a variety of senior management positions in Australia, Korea, Thailand, Singapore and the United Kingdom. Mr Bevan brings to the Board extensive commercial and operational experience gained through operating joint ventures in many parts of the world, particularly Asia.

## MS SHIRLEY E IN'T VELD

**BCom LLB (HONS)**

Independent Non-Executive Director



Ms In't Veld was elected as an independent, Non-Executive Director of the Company on 3 August 2020.

She is currently a Non-Executive Director with APA Group Limited (appointed 19 March 2018), Develop Global Ltd (appointed July 2021) and Canadian listed company, Karora Resources Inc. (appointed December 2021). She is formerly Deputy Chair of CSIRO (term ceased 30 June 2020), a Non-Executive Director of Northern Star Resources Limited (appointed September 2016–June 2021), NBN Limited (December 2015–December 2021), Perth Airport, DUET Group, Asciano Limited, Alcoa of Australia Limited and a Council Member of the Chamber of Commerce and Industry of Western Australia.

Ms In't Veld was also the Managing Director of Verve Energy (2007–2012) and, before that, she worked for 10 years in senior roles at Alcoa of Australia, WMC Resources Ltd, Bond Corporation and BankWest.

In 2014, she was Chairman of the Queensland Government Expert Electricity Panel and a member of the Renewable Energy Target Review Panel for the Department of Prime Minister and Cabinet. Ms In't Veld's experience with the Renewable Energy Target Panel and CSIRO will also bring to Alumina expertise in renewables, research and innovation.

Ms In't Veld is a member of the Audit and Risk Management Committee, Nomination Committee and Sustainability Committee and Chair of the Compensation Committee (appointed 26 May 2021).

As a former Chief Executive Officer of Verve Energy and senior executive in the resources industry, Ms In't Veld will bring to the Board extensive experience in the aluminium industry, energy markets and management of long-life assets.

## MR MICHAEL P FERRARO

**LLB (HONS)**

Managing Director and Chief Executive Officer



Prior to his appointment as CEO and Managing Director Mr Ferraro was a Non-Executive Director of Alumina Ltd from 5 February 2014 to 31 May 2017 and Partner, Client Development-Asia Pacific at Herbert Smith Freehills, a global law firm. He was also formerly global head of the firm's Corporate Group and a member of its executive management team. Mr Ferraro is also a former Non-Executive Director of Helloworld Travel Limited (January 2017–October 2021).

Between 2008 and 2010 Mr Ferraro was Chief Legal Counsel at BHP Billiton Ltd. Mr Ferraro has considerable experience in the resources sector and has over 30 years of experience in joint ventures, mergers and acquisitions, fund raising and regulatory issues across a wide range of sectors and countries. He also has considerable experience in the commercial and financing aspects of large transactions gained from a number of years in investment banking as a corporate adviser.



## Company Secretary

### MR STEPHEN FOSTER

**BCOM LLB (HONS) GDIPAPFFIN (SEC INST)  
GRADDIP CSP, ACIS**

General Counsel/Company Secretary



Mr Foster is responsible for legal, company secretarial, shareholder services, insurance and human resources. He has a wide range of legal and commercial experience gained over 30 years, at Village Roadshow and WMC Limited, after working with the legal firm of Arthur Robinson & Hedderwicks (now Allens). The appointment of the Company Secretary/General Counsel is ratified by the Board. As defined in the Board Charter, the Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

The role of Company Secretary/General Counsel for Alumina Limited includes:

- providing legal advice to the Board and management as required;
- advising the Board on corporate governance principles;
- generally attending all Board meetings and preparing the minutes;
- monitoring that the Board and Committee policies and procedures are followed;
- facilitating the induction of Directors; and
- managing compliance with regulatory requirements.

## Meetings of Directors

Particulars of the number of meetings of the Company's Directors (including meetings of committees of Directors) during the financial year, and the number of those meetings attended by each Director (as applicable), are detailed in the table on page 19.

## Interests of Directors

Particulars of relevant interests in shares in the Company, or in any related body corporate held by the Directors as at the date of this report are set out in the Remuneration Report on page 70 of this report. Particulars of rights or options over shares in the Company, or in any related body corporate, held by the Directors as at the date of this report are set out in the Remuneration Report on page 70 of this report.

## Insurance of officers

During or since the end of the financial year, the Group has paid the premiums in respect of a contract to insure Directors and other officers of the Group against liabilities incurred in the performance of their duties on behalf of the Group. The officers of the Group covered by the insurance policy include any natural person acting in the course of duties for the Group who is or was a Director, secretary or executive officer as well as senior and executive staff. The Company is prohibited, under the terms of the insurance contract, from disclosing details of the nature of liability insured against and the amount of the premium.

### 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
<b>E R Stein<sup>1</sup></b>	3	3	0	0	3	3	0	0	1	1	1	1
<b>C Zeng</b>	10	8	0	0	7	5	2	2	2	2	4	4
<b>P Day</b>	10	10	0	0	7	7	2	2	2	2	4	4
<b>M Ferraro<sup>2</sup></b>	10	10	0	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>D O'Toole</b>	10	10	0	0	7	7	2	2	2	2	4	4
<b>J Bevan</b>	10	10	0	0	7	7	2	2	2	2	4	4
<b>S In't Veld</b>	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.

## Indemnity of officers

Rule 75 of the Company's Constitution requires the Company to indemnify each officer of the Company (and, if the Board of the Company considers it appropriate, any officer of a wholly owned subsidiary of the Company) out of the assets of the Company against any liability incurred by the officer in or arising out of the conduct of the business of the Company or the relevant wholly-owned subsidiary or in or arising out of the discharge of the duties of the officer, where that liability is owed to a person other than the Company or a related body corporate of the Company. This requirement does not apply to the extent that the liability arises out of conduct on the part of the officer which involved a lack of good faith, or to the extent that the Company is otherwise precluded by law from providing an indemnity. It also does not apply to the extent and for the amount that the officer is not otherwise entitled to be indemnified and is not actually

indemnified by another person (such as an insurer under any insurance policy). 'Officer' in this context means: a director, secretary, senior manager or employee; or a person appointed as a trustee by, or acting as a trustee at the request of, the Company or a wholly owned subsidiary of the Company, and includes a former officer. The Constitution also permits the Company, where the Board considers it appropriate, to enter into documentary indemnities in favour of such officers. The Company has entered into such Deeds of Indemnity with each of the Directors, which indemnify them consistently with rule 75 of the Constitution.

## Dividends

Details of the dividends paid to members of the Company during the financial year are referred to in Note 6(b) of the Consolidated Financial Statements found on page 94.

## Principal activities

The principal activities of the Group relate to its 40 per cent interest in the series of operating entities forming Alcoa World Alumina and Chemicals (AWAC). AWAC has interests in bauxite mining, alumina refining and aluminium smelting. There have been no significant changes in the nature of the principal activities of the Group during the financial year.

## Review of operations and results

The financial results for the Group include the 12-month results of AWAC and associated corporate activities. The Group's net profit after tax for the 2021 financial year attributable to members of the Company was US\$187.6 million profit (2020: US\$146.6 million profit). Excluding significant items, there would have been a net profit after tax of US\$226.0 million (2020: US\$146.5 million). For further information on the operations of the Group during the financial year and the results of these operations refer to the Operating and Financial Review on pages 22 to 47 of this report.

## Matters subsequent to the end of the financial year

Other than as reported in Note 15 of the Consolidated Financial Statements (refer to page 106), there are no significant matters, circumstances or events that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs, in the financial years subsequent to the financial year ended 31 December 2021.

## Likely developments

In the opinion of the Directors, it would prejudice the interests of the Group to provide additional information, except as reported in this Directors' Report (including the Operating and Financial Review on pages 22 and 47 of this report), relating to likely developments in the operations of the Group and the expected results of those operations in the financial years subsequent to the financial year ended 31 December 2021.

## Environmental regulation

AWAC's Australian operations are subject to various Commonwealth and state laws governing the protection of the environment in areas such as air and water quality, waste emission and disposal, environmental impact assessments, mine rehabilitation, and access to and use of ground water. In particular, most operations are required to be licensed to conduct certain activities under the environmental protection legislation of the state in which they operate, and such licences include requirements specific to the subject site. Alumina Limited is a non-operating joint venture partner that holds a 40 per cent interest in Alcoa World Alumina and Chemicals (AWAC), a global enterprise. Alumina Limited annually reports its equity interest in the greenhouse gas emissions and energy consumption to the CDP and on an AWAC basis in the Company's Sustainability Update (Report). More information on environmental performance is included in the Company's latest Sustainability Update available online at [www.aluminalimited.com](http://www.aluminalimited.com).

## Rounding of amounts

The Company is of a kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Amounts shown in the Financial Report and this Directors' Report have been rounded off to the nearest hundred thousand dollars, except where otherwise required, in accordance with that legislative instrument.

## Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group during the financial year.

## Auditor

PricewaterhouseCoopers continues in office, in accordance with the *Corporations Act 2001* (Cth) (**Corporations Act**). A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act* is set out on page 21 of this report.



## Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided by (or on behalf of) the auditor and its related practices are disclosed in Note 13 of the Notes to the Consolidated Statements in the Financial Report on page 105.

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Management Committee, is satisfied that the provision of non-audit services during the financial year by (or on behalf of) the auditor and its related practices, is compatible with the general standard of independence for auditors imposed by the Corporations Act. The Directors are satisfied that the provision of those non-audit services did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants. The fees paid or payable during the financial year for services provided by (or on behalf of) the auditor of the parent entity are disclosed in Note 13 of the Notes to the Consolidated Statements in the Financial Report on page 105.

## Corporate Governance Statement

The Company has, for the 2021 reporting year, elected to disclose the Corporate Governance Statement only on the Company's website. The Corporate Governance Statement can be found at [www.aluminalimited.com/about-governance](http://www.aluminalimited.com/about-governance).



## Auditor's independence declaration

As lead auditor for the audit of Alumina Limited for the year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Alumina Limited and the entities it controlled during the period.

**John O'Donoghue**  
Partner  
PricewaterhouseCoopers

Melbourne,  
22 March 2022

### PricewaterhouseCoopers ABN 52 780 433 757

2 Riverside Quay, Southbank VIC 3006 | GPO Box 1331 Melbourne VIC 3001 |  
T: 613 8603 1000 F: 61 3 8603 1999 | [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

# OPERATING AND FINANCIAL REVIEW

1. Strategy and business model	22
2. Principal risks	25
3. Review of AWAC operations	33
4. AWAC Financial Review	38
5. Alumina Limited Financial Review	41
6. Market, Outlook and Guidance	44

## Note regarding non-IFRS financial information

The Operating and Financial Review contains certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with prior year periods and to assess the operating performance of the business.

Alcoa World Alumina and Chemicals (AWAC) financial information is extracted from audited financial statements prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP).

## 1. Strategy and business model

### Business model

Alumina Limited represents a unique investment in globally leading bauxite mines and alumina refineries through its 40% investment in Alcoa World Alumina and Chemicals (AWAC). AWAC also has a 55% interest in the Portland smelter in Victoria, Australia.

The Company provides a clean look-through to AWAC's underlying performance. This is possible because the financial policies of both Alumina Limited and AWAC ensure there is modest leverage in both the Company and AWAC, the Company's own costs are minimal and the distribution policies of Alumina Limited and AWAC require free cash flows to be paid to their respective shareholders.

Alumina Limited's net profit/(loss) is principally comprised of a return on its equity investment, and otherwise revenues are limited to small amounts of interest income and occasional one-off revenues.

AWAC was formed on 1 January 1995 by Alumina Limited and Alcoa Inc. combining their respective global bauxite, alumina and alumina-based chemicals business and investments and their respective aluminium smelting operations in Australia. Following the separation of Alcoa Inc. into Alcoa Corporation and Arconic Inc. on 1 November 2016, Alcoa Corporation (Alcoa) replaced Alcoa Inc as Alumina Limited's partner in the AWAC joint venture. Alcoa owns the 60% interest in the joint venture and manages the day-to-day operations.

The Strategic Council is the principal forum for Alcoa and Alumina Limited to provide direction and counsel to the AWAC entities in respect of strategic and policy matters. The Strategic Council has five members, three appointed by Alcoa (of which one is Chairman) and two by Alumina Limited (of which one is the Deputy Chairman). Decisions are made by majority vote except for matters which require a "super-majority" vote, which is a vote of at least 80% of the members appointed to the Strategic Council.

The following matters require a super-majority vote:

- change of the scope of AWAC
- change in the dividend policy
- equity calls on behalf of AWAC totaling, in any one year, in excess of \$1 billion
- acquisitions, divestitures, expansions and curtailments exceeding 2 million tonnes per annum of bauxite or 0.5 million tonnes per annum of alumina or which have a sale price, acquisition price, or project total capital cost of \$50 million or greater implementation of related party transactions in excess of \$50 million
- implementation of financial derivatives, hedges and other commodity price or interest rate protection mechanisms
- decision to file for insolvency in respect of any AWAC company.

# 2021 AWAC OPERATIONS

## ATLANTIC

**3.0 M TONNES**

alumina production

**4.6 M BDT**

3rd party bauxite shipments

## GLOBAL

**12.6 M TONNES**

alumina production<sup>1</sup>

**5.7 M BDT**

3rd party bauxite shipments

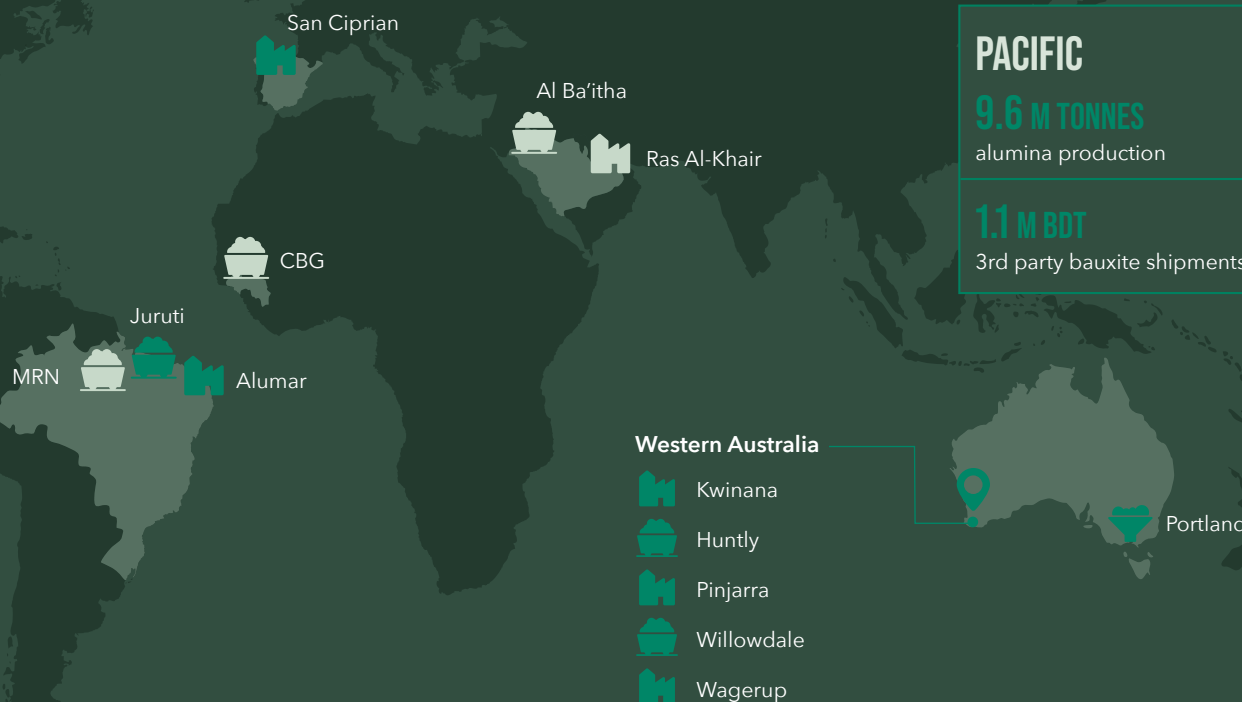
## PACIFIC

**9.6 M TONNES**

alumina production

**1.1 M BDT**

3rd party bauxite shipments



### AWAC operated

Bauxite Mine Smelter Refinery Location

### Non-AWAC operated

Bauxite Mine Refinery

<sup>1</sup>. Excludes alumina production from the Ras Al-Khair refinery.



Under the general direction of the Strategic Council, Alcoa is the “industrial leader” and provides the operating management of AWAC and of all affiliated operating entities within AWAC.

Alumina Limited is entitled to representation in proportion to its ownership interest on the board of each entity in the AWAC structure and is currently represented on the boards of Alcoa of Australia Ltd (AofA), AWA Saudi Ltda. and Alcoa World Alumina LLC (AWA LLC). In addition to the Strategic Council meetings, Alumina Limited’s Management and Board visit and review AWAC’s operations, and participate in segment and location meetings.

Subject to the exclusivity provisions of the AWAC agreements, AWAC is the exclusive vehicle for the pursuit of Alumina Limited’s and Alcoa’s (and their related corporations as defined) interests in the bauxite, alumina and inorganic industrial chemicals businesses, and neither party can compete with AWAC so long as they maintain an ownership interest in AWAC. In addition, Alumina Limited may not compete with the businesses of the integrated operations of AWAC (being the primary aluminium smelting and fabricating facilities and certain ancillary facilities that existed at the formation of AWAC). The exclusivity provisions would terminate immediately on and from a change in control of either Alumina Limited or Alcoa.

Also effective immediately on and from a change of control of Alcoa or Alumina Limited there is an increased opportunity for development projects and expansions, whereby if either Alumina Limited or Alcoa Corporation wishes to expand an existing AWAC operation, develop a new project on AWAC tenements or pursue a project outside of AWAC, it is entitled to do so on a sole basis after providing 180 days for the other party to explore joint participation in the proposed project.

A partner that avails itself of such an opportunity would pay for all costs related to the project, including for AWAC resources and shared facilities used, and would be entitled to all of the project’s resulting off-take.

If there is a change of control of Alumina Limited then:

- Future alumina off-take rights, from a date nominated by Alumina Limited, Alumina Limited or its acquirer will be entitled to buy, subject to its 40% ownership cap:
  - its net short position (calculated as total consumption less total owned production per annum) of alumina at market price for its internal consumption; plus

- up to 1 million tonnes per annum alumina off-take, at market prices, which it may market and sell as it sees fit;
- in all cases subject to AWAC third party customer contracts being satisfied;

• Future bauxite off-take rights

- from a date nominated by Alumina Limited, Alumina Limited or its acquirer will be entitled to buy, at market prices, up to its net short position of bauxite for internal consumption, subject to its 40% ownership cap and pre-existing bauxite sales contracts.

### Strategy analysis

Alumina Limited is primarily focused on investing in long-life, low-cost bauxite and alumina assets. Alumina Limited does this currently through the AWAC joint venture with its partner, Alcoa.

Alumina Limited and Alcoa are different companies with different shareholders, different governance requirements and different objectives. While AWAC is governed by constitutional documents, in a practical sense, the reconciliation of the differing interests requires challenge, debate and negotiation. To do this well, Alumina Limited needs to have (and has) an independent understanding of the bauxite, alumina and aluminium market and views on the impact of changes in the market, in particular around capacity investment, pricing and the development of the Chinese industry. Through the role of Alumina Limited representatives on the Strategic Council and AWAC entity boards and working with Alcoa, Alumina Limited contributes to the strategic and high-level commercial actions of AWAC.



## 2. Principal risks

The risk management processes are summarised in the Corporate Governance Statement located on the Company website at [www.aluminalimited.com/about-governance/](http://www.aluminalimited.com/about-governance/).

Alumina Limited maintains a formal Risk Management Framework (RMF), which is overseen by the Audit and Risk Management Committee (ARMC). The RMF contains the following elements:

- Risk management policy, which is approved initially and reviewed annually by the ARMC, as the delegate of the Board of Directors
- Procedural document
- Risk management strategy, which explains how Alumina identifies, mitigates, manages, monitors, reports its material risks
- Risk appetite statement, which contains risk appetite & tolerance statements that are approved and monitored by the ARMC
- Risk profile, which captures the material risks of Alumina, and for each risk provides a description, an allocated risk owner, appropriate risk management strategy, controls, a forward action plan, and an inherent/residual risk rating based on probability and impact of a risk eventuating.

Set out below are some of the key business risks faced by Alumina Limited that could adversely affect the achievement of financial performance or financial outcomes. There may be other risks not listed below associated with an investment in Alumina Limited. In addition, certain risks may be excluded as they contain confidential information, or they may result in unreasonable prejudice to Alumina Limited.

**Summary of key business risks**

Risk Title	Description	Response
<b>Market Risks</b>		
<b>Strategic positioning to market exposure</b>	<p><b>Commodity Prices</b></p> <p>AWAC's, and hence Alumina Limited's, performance is predominantly affected by the market price of alumina, and to some extent the market prices of bauxite and aluminium. Market prices are affected by numerous factors outside of Alumina Limited's control.</p> <p>These include the overall performance of world economies, the related cyclicity of industries that are significant consumers of aluminium and movement in production disproportionate to demand (whether as a result of changes to production levels at existing facilities or the development of new facilities by competitors). An alumina and/or aluminium market in supply surplus may lead to downward price pressure. Global growth may slow, reducing aluminium consumption, and hence aluminium and alumina demand, which may put downward pressure on bauxite/alumina/aluminium prices. A fall in the market prices of bauxite, alumina and aluminium can adversely affect Alumina Limited's financial performance.</p> <p>In addition, Chinese refineries being built outside of China at a much lower capital cost than the rest of the industry could increase the supply of alumina globally, which could lead to a fall in the market price of alumina.</p> <p>Emerging competitors, that may be subsidised directly or indirectly by government, entering the alumina market may cause overcapacity in the industry which may result in AWAC losing sales or in depressed prices. This can include current Chinese industry participants establishing new refineries outside of China.</p> <p>A technology breakthrough could lower Chinese alumina production costs, creating a structural change in the alumina and aluminium markets. Greater Chinese aluminium production at lower cost, combined with lower demand in China, may lead to a greater level of Chinese primary aluminium and semi-finished product exports, depressing the world prices of aluminium which may put downward pressure on alumina prices.</p> <p>A sustained increase in freight costs could disadvantage AWAC's competitiveness.</p>	<p>AWAC seeks to identify ways in which to lower costs of production and thus achieve a low position on the cost curve. A low position on the cost curve allows AWAC to remain competitive in the event of unfavourable market movements.</p> <p>AWAC and Alumina Limited generally do not undertake hedging to manage this risk.</p>



Risk Title	Description	Response
<b>Strategic positioning to market exposure (continued)</b>	<b>Foreign exchange</b> While a significant proportion of AWAC's costs are incurred in Australian dollars, its sales are denominated in US dollars. Accordingly, AWAC and Alumina's Limited's future profitability can be adversely affected by a strengthening of the Australian dollar against the US dollar and a strengthening against the US dollar of other currencies in which operating or capital costs are incurred by AWAC outside Australia, including the Brazilian Real. Also, given that China is a significant part of the world alumina and aluminium markets, fluctuations in the Chinese Renminbi against the US dollar could have some impact on other parts of the industry.	AWAC and Alumina Limited generally do not undertake hedging activities to manage this risk.
	<b>Customers</b> AWAC's relationships with key customers for the supply of alumina (including Alcoa) are important to AWAC's financial performance. The loss of key customers (including through backward integration) or changes to sales agreements could adversely affect AWAC's and Alumina Limited's financial performance.	AWAC mitigates customer risk by having a broad customer base across many countries and regions, and having low cost refineries. Additionally, remaining at the low end of the alumina greenhouse gas (GHG) emissions curve in the longer-term may make AWAC attractive to customers seeking relatively lower GHG alumina.
<b>Energy security</b>	<p>AWAC's refineries and the Portland smelter are heavy consumers of energy. There is a risk that there may be a lack of availability of energy or cost competitive energy to service AWAC's facilities. This would be a threat to the viability and operation of assets through constrained cash flow, and ultimately reduced dividends to Alumina.</p> <p>Additionally, in the future the requirement for low carbon energy sources is expected to become more important. There is a risk that the availability of low carbon energy sources may be scarce, and hence they may command a high price. It may also be possible that competitors gain access to low carbon energy (or new technology, e.g. Mechanical Vapour Recompression) before AWAC, which may disadvantage AWAC from a carbon intensity and cost curve perspective. There are risks that renewable energy may not be available at a reasonable price and electricity may be scarce. MVR and EC require large amounts of renewable electricity. There is a risk that such energy sources may not be available in sufficient quantity or at a competitive price.</p>	<p>AWAC's energy requirements and contracting is regularly reviewed by Alcoa and Alumina through the Strategic Council, and Market and Operation meetings.</p> <p>In Western Australia in particular, AWAC enters into long-term energy contracts, but may consider shorter-term contracts if required.</p> <p>Additionally, Alumina regularly reviews relevant energy markets in order to maintain an independent view.</p> <p>AWAC is also exploring technology changes that will allow the electrification of its refineries (Mechanical Vapour Recompression, Electrical Calcination), reducing reliance on fossil fuels such as natural gas.</p>

Risk Title	Description	Response
<b>Operational Risks</b>		
<b>Operating costs</b>	<p>AWAC's operations are subject to conditions beyond its control that may increase its costs (including due to foreign exchange rates) or decrease its production, including increases in the cost of key inputs (Including energy, raw materials, labour, caustic and freight), the non-availability of key inputs (including secure energy), weather and natural disasters, fires or explosions at facilities, unexpected maintenance or technical problems, key equipment failures, disruptions to, or other problems with, infrastructure and supply.</p> <p>In addition, industrial disruptions, work stoppages, refurbishments and accidents at operations may adversely affect profitability.</p> <p>AWAC may also be required from time to time to invest in sustaining capital expenditure projects in order to maintain the production levels of our facilities, and AWAC's position on the relevant cost curve. However, significant capital expenditure may also reduce distributions to Alumina Limited from AWAC whilst projects are being funded. Examples of such capital expenditure include mine/crusher moves, impoundments (including press filtration), energy generation, or projects to abate AWAC's carbon emissions.</p> <p>Planned development and capital expenditure projects may not result in anticipated construction costs or production rates being achieved.</p> <p>Increases to operating costs reduce the competitiveness of AWAC, which decreases distributions to Alumina.</p>	<p>Some cost inputs are subject to long-term, fixed price contracts to increase the certainty of input pricing.</p> <p>AWAC and Alumina Limited generally do not undertake hedging activities to manage this risk.</p> <p>AWAC's operating and maintenance systems and business continuity planning seek to minimise the impact of non-availability of key inputs.</p> <p>AWAC's portfolio restructuring and repositioning continues to ensure that operations as a whole remain competitive.</p> <p>AWAC also invests in capital expenditure projects that will reduce cash costs over the long-term.</p>
<b>Production</b>	<p>Major operational failures may restrict the output of alumina or aluminium. These may be caused by mechanical or plant failure, an "act of God", supply chain disruptions, material decline (or denial of access) in bauxite reserves, industrial relations disputes, regulatory issues, deferral of expenditures, or the loss of key personnel.</p> <p>Such operational failures may reduce AWAC's current earnings and distributions to Alumina Limited.</p>	<p>AWAC has policies in place to maintain inventory, multiple suppliers, insurance, and long-term maintenance and CAPEX programs.</p>
<b>Security &amp; data breach</b>	<p>Loss of technological advantage and accuracy, operations on site or proprietary data due to organised espionage or breach of IT systems through cyber-attacks.</p>	<p>Alcoa, as the manager of AWAC, maintains a full suite of IT system controls to mitigate against this risk.</p> <p>Similarly, Alumina Limited maintains a suite of controls to mitigate against IT threats.</p>

Risk Title	Description	Response
<b>Legal, Tax, &amp; Compliance Risk</b>		
<b>Legal, tax, &amp; compliance</b>	<p>AWAC and Alumina Limited operate across a broad range of legal, regulatory and political systems. The profitability of those operations may be adversely impacted by changes in the regulatory regimes. AWAC and Alumina Limited's financial results could be affected by new or increasingly stringent laws, regulatory requirements or interpretations, or outcomes of significant legal proceedings or investigations adverse to AWAC or Alumina Limited. This may include a change in effective tax rates, additional tax liabilities or becoming subject to unexpected or rising costs associated with business operations or provision of health or welfare benefits to employees, regulations or policies.</p> <p>AWAC and Alumina Limited are also subject to a variety of legal compliance risks. These risks include, among other things, potential claims relating to product liability, health and safety, environmental matters, intellectual property rights, government contracts, taxes and compliance with foreign export laws, anti-bribery laws, competition laws and sales and trading practices. Failure to comply with the laws regulating AWAC's businesses may result in sanctions, such as fines, additional tax liabilities or orders requiring positive action by AWAC, which may involve capital expenditure or the removal of licenses and/or the curtailment of operations. This relates particularly to environmental regulations.</p>	<p>Alumina Limited and AWAC undertake a variety of compliance training and governance functions to mitigate these risks.</p> <p>Alcoa, on behalf of AWAC maintains policy and procedural documentation designed to comply with regulations, for example health and safety regulations, and environmental regulations.</p> <p>Furthermore, AWAC maintains a spread of assets and customers across a portfolio of countries and regions to minimise disruption and concentration risk.</p> <p>Additionally, Alumina maintains a tax governance framework, and external tax advisors.</p> <p>Compliance matters are reviewed at the Strategic Council and other forums.</p>
<b>Joint venture</b>		
<b>AWAC structure</b>	<p>AWAC's shareholders, Alumina Limited and Alcoa, are different entities. Whilst Alumina Limited's sole investment is in AWAC, Alcoa is invested in a broader range of activities, hence interests may not be aligned.</p> <p>Alumina Limited does not hold a majority interest in AWAC, and decisions made by majority vote may not be in the best interests of Alumina Limited.</p> <p>There is also a risk that Alumina Limited and Alcoa may have differing priorities.</p>	<p>During 2016, the joint venture agreements were modified to ensure that certain key decisions require Alumina Limited's consent by a super-majority vote.</p>



Risk Title	Description	Response
<b>Sustainability</b>		
<b>Environmental, Social, Governance (ESG)</b>	<p>AWAC operates facilities in several areas of the globe. AWAC's facilities may be resource intensive, subject to regulatory and community standards, located in environmentally sensitive areas, or close to communities.</p> <p>AWAC's operations generate hazardous waste which is contained in tailing facilities, residue storage areas and other impoundments. Unanticipated structural failure or over-topping caused by extreme weather events could result in injury or loss of life, damage to the environment or property.</p> <p>Failure to meet ESG regulations may result in material civil or criminal fines, penalties, and curtailment or closure of facilities, or the loss of AWAC's "social licence to operate".</p> <p>The social licence to operate (SLO) is an understanding/perception of key stakeholders regarding the company's activities and its delivery of key commitments on a range of issues (e.g. engagement with local communities including mutual benefits, protection of heritage areas, maintenance of biodiversity, interactions with indigenous peoples). Degradation of a SLO could eventually lead to the loss of an operational licence (or other penalties), and damage to reputation which could limit future prospects.</p>	<p>AWAC has extensive policies and systems in respect of ESG matters. Additionally, Alcoa is a member of the International Council on Mining and Metals (ICMM), which is an organisation focused on enhancing mining's contribution to society.</p> <p>Alcoa is also in the process of establishing a Social Management System at all locations by 2022. The Social Management System incorporates governance resources including corporate policies and standards, governing body oversight matched with defined procedures and assessments. The SMS will include the definition of performance metrics and long-term goals to be accomplished by 2025 and 2030.</p> <p>Alcoa reports instances of environmental non-compliance to Alumina Limited, and any appropriate response.</p> <p>Alumina meets with Alcoa regularly to discuss issues, and Alumina produces an annual Sustainability Update which involves the review of many key performance metrics in respect of ESG.</p>
<b>Climate change risk</b>	<p>Climate change is a systemic and material risk that will pose challenges in the future management of AWAC operations in regard to energy usage, GHG emissions, carbon pricing policies and regulations and market demand. Climate change results in a number of physical and transitional risks, which affect AWAC in the following manner.</p> <p>Physical risks include:</p> <ul style="list-style-type: none"> <li>increased risks to personnel, business continuity, production and facilities</li> <li>climate factors like extreme weather events are likely to have an impact on AWAC's global mining and refining operations (e.g. residue disposal areas)</li> <li>water stress and potential impact on production if shortages occurred</li> <li>disruption to supply chain efficiencies from storm activity, and the transportation of raw materials</li> <li>climatic changes leading to changes in rainfall and sea levels.</li> </ul>	<p>A key to mitigating AWAC against climate change's physical and transitional risks is to remain as low as possible on the refining cash cost and emissions intensity curves.</p> <p>Additionally, Alcoa has stated its ambitions to achieve "net zero" by 2050 in respect of CO<sub>2</sub>e emissions. In order to do so, AWAC will need to identify alternate energy sources to displace the fossil fuels that it currently relies on, in particular for its refineries.</p>

Risk Title	Description	Response
<b>Climate change risk (continued)</b>	<p>Transitional risks include:</p> <ul style="list-style-type: none"> <li>the increased scrutiny by governments on GHG emissions and the establishment of carbon pricing, or other government regulation/intervention</li> <li>substitution from one product to another</li> <li>changes in consumer preferences, including consumer action/protest against a particular product</li> <li>cost of emissions abatement and technology</li> <li>rising cost, or availability of energy.</li> </ul> <p>Energy is a significant input in a number of AWAC's operations, making AWAC an emitter of greenhouse gases. The introduction of regulatory change by governments in response to greenhouse gas emissions may represent an increased cost to AWAC and may affect Alumina Limited's profitability.</p> <p>Technology risk exposure is the risk of substituting existing products and services with lower-emissions options. If AWAC is unable to remain low on the alumina GHG emissions curve, there is a risk that customers may choose alternate suppliers. Alternatively demand, and consequently the price of alumina may decrease.</p> <p>Market Risk exposure measures the changes in revenue mix and sources as a result of climate risk. AWAC's customers may be exposed to industries that may be impacted by carbon prices.</p> <p>Additional information in respect of climate change risks, can be located in Alumina Limited 2020 Sustainability report, and Alumina Limited's Climate Change Position Statement. These documents can be found at <a href="http://www.aluminalimited.com/sustainability/">www.aluminalimited.com/sustainability/</a>.</p>	<p>In respect of its refineries, AWAC is investing in R&amp;D to electrify the digestion and calcination processes. Mechanical Vapour Recompression (MVR) and Electrical Calcination (EC) have the ability to be able to use renewable electricity as opposed to the natural gas, coal and fuel oil that AWAC currently uses.</p> <p>Investment in such technology is important to mitigate against physical and transitional risks. MVR and EC would help maintain AWAC's low position on the emissions intensity curve meaning that AWAC's products remain attractive to end users, reducing the risk of substitution to other metals, or the imposition of a material carbon price.</p> <p>MVR has the advantage of also requiring less freshwater, which may become scarce as a result of climate change. Similarly, it is expected that as less water is used, less area will be required for residue storage areas. However, a key risk is if there is not enough reasonably priced renewable energy at AWAC's locations to be able to utilise MVR or EC. Currently there is insufficient renewable energy in AWAC locations for what AWAC would require to use MVR and EC.</p>
<b>Other risks</b>		
<b>Closure/impairment of assets</b>	<p>Alumina Limited may be required to record impairment charges as a result of adverse developments in the recoverable values of its assets. To the extent that the carrying value of an asset is impaired, such impairment may negatively impact Alumina Limited's profitability during the relevant period.</p> <p>Closure, curtailment or sale of any one of AWAC's operations may result in a change in the timing or amount of required remediation activities (and corresponding cash flow) and/or an impairment being incurred as a result of the carrying value of an asset exceeding its recoverable value.</p>	<p>Closure of an asset may be necessary to ensure the ongoing competitiveness of AWAC operations.</p>

Risk Title	Description	Response
<b>Financial management</b>	Alumina is unable to access desired or required amounts of capital (either debt – including renewal of existing facilities or new financing, or equity at agreeable terms)	<p>Alumina Limited maintains capital management policies, regularly monitors commodity markets, actively manages its balance sheet, and also forecasts cash flow.</p> <p>Alumina Limited has a US\$350 million syndicated bank facility with tranches maturing in October 2022 (US\$100 million), July 2023 (US\$150 million), and July 2024 (US\$100 million).</p> <p>As at 31 December 2021 there was US\$65 million drawn against the syndicated facility.</p>
<b>COVID-19 pandemic</b>	As AWAC has a global presence and its locations, staff, markets, logistics and supply chains may be impacted by a public health crisis such as the COVID-19 pandemic. This may result in decreased production, decreased demand for alumina and consequently cash flow and liquidity, the financial position of customers, and failure to meet health and safety obligations, which all may have a negative financial impact on AWAC.	To combat the increased uncertainty of a pandemic, AWAC may employ cash conservation initiatives, and heightened the focus on health and safety of its workforce. Whilst AWAC has not experienced any significant interruption to operations, COVID-19 continues to be monitored closely.
<b>Financial statements</b>	Misstatement of Alumina statutory or tax accounts through falsification or error in accounting (by error by Alumina Limited or AWAC).	<p>Alcoa maintains financial controls over the accounts of AWAC, which are also audited.</p> <p>Similarly, Alumina Limited maintains controls over its financial reporting process, which are also audited.</p>



### 3. Review of AWAC operations

Alumina Limited provides investors with a unique opportunity to share in the ownership of globally leading bauxite mines and alumina refineries in Australia, Brazil, Spain, Saudi Arabia and Guinea through its 40% investment in the AWAC joint venture. AWAC also has a 55% interest in the Portland aluminium smelter in Victoria, Australia.

The current refining portfolio is comprised mostly of tier one assets that allows AWAC to generate strong returns throughout the commodity cycle. Having long life bauxite mines located close to the Australian and Brazilian refineries is a key competitive advantage in terms of driving a low position on the cost curve.

2021 has continued to be challenging for many people and companies with respect to the uncertainty and disruptions caused by the global health pandemic. Both Alumina Limited and AWAC have continued to remain focused on their employees' health and safety while being in the fortunate position of having a relatively low direct impact from the pandemic.

The alumina price rebounded from the lows of 2020 to stabilise in the first half of 2021 averaging \$288/t. The second half saw a considerable increase in the price to average \$369/t with the full year average finishing more than 20% higher than 2020. The price rally continued into 2022.

Despite alumina price challenges of the first half of 2021 and cost pressures in the second half, AWAC delivered a strong result and continued to deliver cash distributions to its joint venture partners.

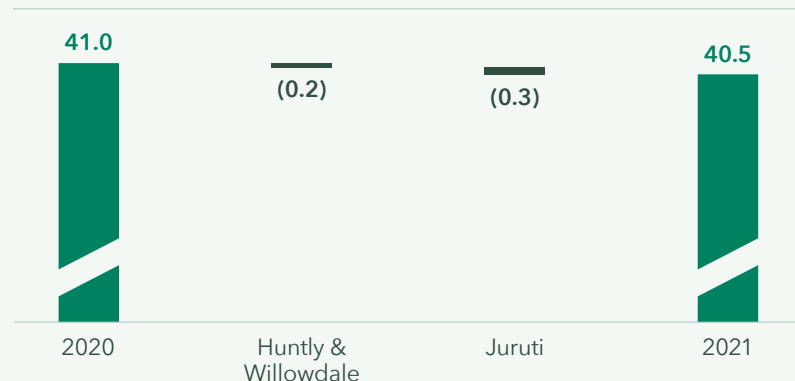
#### Bauxite mining

	2021	2020	Change	Change (%)
<b>AWAC operated mines</b>				
Production (million bone dry tonnes ("BDT"))	40.5	41.0	(0.5) ▼	(1.2)
Cash cost (\$/BDT of bauxite produced)	11.4	9.6	1.8 ▲	18.8
<b>Non-AWAC operated mines</b>				
AWAC equity share of production (million BDT) <sup>1</sup>	4.6	4.7	(0.1) ▼	(2.1)
<b>Third party sales</b>				
Shipments to third parties (million BDT)	5.7	6.5	(0.8) ▼	(12.3)
Total third-party revenue, inclusive of freight <sup>2</sup> (\$ million)	204.9	240.8	(35.9) ▼	(14.9)

1. Based on the terms of its bauxite supply contracts, AWAC's bauxite purchases from the Mineração Rio do Norte S.A. ("MRN") mine in Brazil, and Compagnie des Bauxites de Guinée (CBG) mine in Guinea, differ from their proportional equity in those mines. 2. Includes freight revenue of \$30.1 million for 2021 (2020: \$43.6 million).

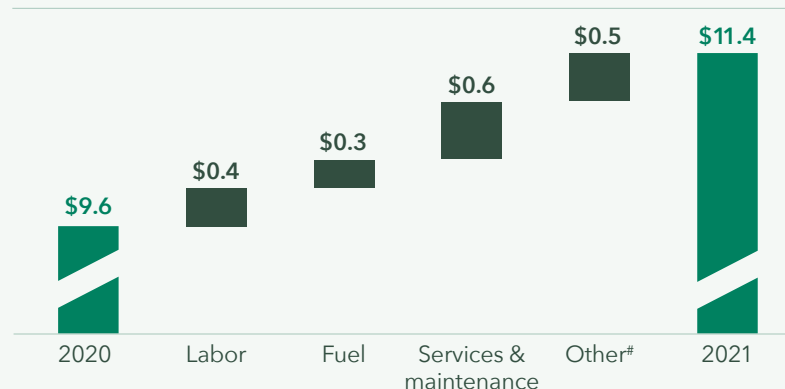
**AWAC operated mines**

AWAC operated mines decreased production by 1%. This was mainly due to reduced production at Juruti as a result of lower production at the Alumar refinery related to damage to a bauxite unloader. Production at Huntly remained relatively stable, while Willowdale production was affected by the crusher move at Larego and lower than expected demand from the Wagerup refinery in the second half of 2022.

**Bauxite production: change by mine (million BDT)**

The relocation of the Willowdale crusher to a new reserve area has now been completed and the benefit of bauxite quality improvements flowed through to the Wagerup refinery in the second half.

AWAC's cash cost per BDT of bauxite produced increased by 19% to \$11.4 per tonne, mostly due to a stronger AUD dollar as well as increased indirect costs as a result of the Willowdale crusher move. Higher fuel prices and an increase in royalty payments also contributed to increased costs.

**Cash cost per BDT of bauxite produced<sup>^</sup>**

<sup>#</sup> Other includes energy, supplies, PAE, royalties and other

<sup>^</sup> AWAC operated mines

**Non-AWAC operated mines**

AWAC's equity share of production at MRN and CBG decreased by 0.1 million BDT (2%) in 2021.

CBG's production decreased by 0.1 million BDT to 3.5 million BDT, reflecting the lower demand and shipment constraints.

MRN's production was relatively stable, resulting in AWAC's equity share of production of 1.1 million BDT.

AWAC's equity accounted share of profit after tax from CBG and MRN was \$21.2 million (2020: \$23.0 million).

**Third party bauxite sales**

AWAC's shipments to third party customers decreased by 0.8 million BDT to 5.7 million BDT with a decrease in shipments from Huntly and CBG caused by port congestion, lower demand and shipping delays, partially offset by an increase in shipments from Juruti.

**Refining**

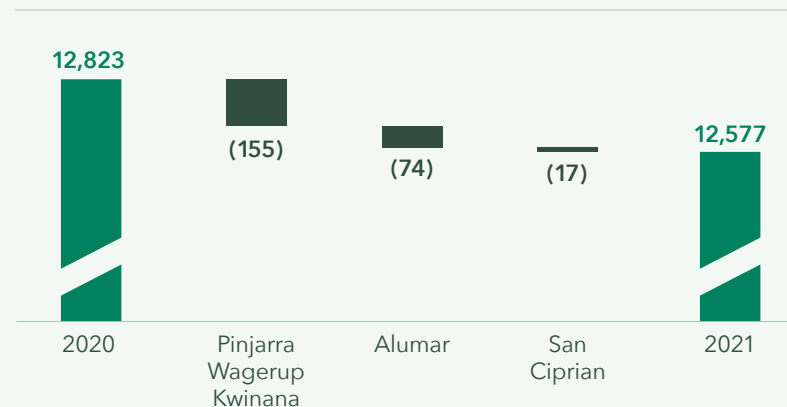
	2021	2020	Change	Change (%)
<b>AWAC operated refineries</b>				
Shipments (million tonnes)	13.2	13.2	0.0 ▲	0.0
Production (million tonnes)	12.6	12.8	(0.2) ▼	(1.6)
Average realised alumina price (\$/tonne)	321	268	53 ▲	19.8
Cash cost per tonne of alumina produced	236	199	37 ▲	18.6
Margin <sup>1</sup> (\$/tonne)	85	69	16 ▲	23.2
Platts FOB Australia – one month lag (\$/tonne)	324	270	54 ▲	20.0
<b>Ma'aden joint venture</b>				
AWAC's share of production (million tonnes)	0.477	0.454	0.023 ▲	5.1

1. Calculated as average realised price less cash cost of production.

**AWAC operated refineries**

Production from AWAC operated refineries was 12.6 million tonnes, a 1.6% decrease from 2020. After a record setting first half of the year, in the second half, all but one refinery decreased production levels due to unrelated events.

Industrial actions at the San Ciprian refinery and smelter had a negative impact on production at San Ciprian refinery. Alumar's production was negatively affected by the outage of a bauxite unloader in the third quarter. In Western Australia, Wagerup and Pinjarra's production decreased as a result of unplanned maintenance events. This was partially offset by a record annual production at the Kwinana refinery.

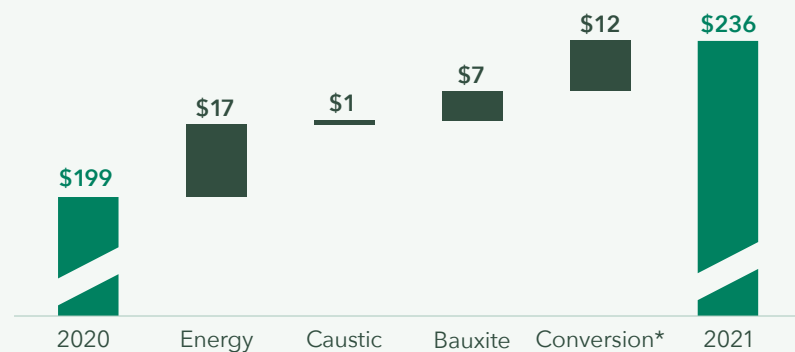
**Alumina production: change by refinery (kt)**

The first half of 2021 saw an overall increase in alumina prices as demand and consumer confidence were restored and the aluminium price continued to rise. At the end of the 1Q 2021 freight costs began to climb significantly impacting the Chinese import parity price, and in turn constraining the API. The alumina market changed significantly during the third quarter when production disruptions at Alumar, Gramercy and Jamalco reduced the rest of world supply. Alumina prices surged reaching a peak of \$484/t and averaged \$369 for the second half.

The vast majority of AWAC's alumina shipments were priced on a spot or index basis. AWAC's average realised price was \$321 per tonne, up \$53 per tonne compared to the previous year reflecting the average alumina price increase of 20%.

The average cash cost per tonne of alumina increased by 19% to \$236 per tonne. The main contributing factors were the higher energy prices, including the transition to the previously announced WA new gas contracts, higher gas/oil prices and higher European power prices. This was also compounded by a stronger Australian Dollar as well as higher bauxite costs during the Willowdale crusher move. Caustic prices were up in the second half, however the 2021 production cost only increased slightly in relation to caustic due to the timing of inventory flow.

#### Cash cost per tonne of alumina produced<sup>^</sup>



<sup>^</sup> Includes the mining business unit at cost

\* Conversion includes: employee costs, indirect costs and other raw materials costs





### Ma'aden joint venture

The Ma'aden refinery increased production by 5% in 2021 to 1.9 million tonnes of alumina (AWAC's share was 0.5 million tonnes), operating at 106% of nameplate capacity.

The equity accounted profit relating to the Ma'aden joint venture for AWAC was \$4.2 million during 2021 (2020: \$22.6 million equity loss). The improvement was predominantly driven by higher realised alumina prices

### Portland

	2021	2020	Change	Change (%)
<b>AWAC's 55% equity share</b>				
Production (thousand tonnes)	151	160	9 ▼	5.6
EBITDA (\$ million)	72.8	3.7	69.1 ▲	1,868
Realised price	2,557	1,721	836 ▲	48.6
LME aluminium cash – 15 day lag (\$/tonne)	2,443	1,696	747 ▲	44.0

1. Calculated as average realised price less cash cost of production.

Portland's aluminium 2021 production was slightly lower compared to 2020 mainly due to the re-lining of pots that occurred during the year.

The improvement in earnings was primarily as a result of a higher aluminium prices. It also includes approximately \$20 million of final revenue recognition relating to Government assistance arrangements established in 2017 for the Portland restart. This was partially offset by an increase in the cash cost of production year on year mainly due to the increase in alumina and power prices.

## 4. AWAC Financial Review

The increase in AWAC's 2021 net profit was largely as a result of higher realised alumina prices partially offset by a higher cash cost of production and higher charges for significant items.

The increase in the income tax charge was driven by a higher taxable income, particularly in AWAC's Australian operations as well as a charge relating to the valuation allowance on the deferred tax asset of approximately \$97 million.

AWAC profit and loss (US GAAP)	US\$ million	
	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Net profit after tax	443.8	401.6
Add back: Income tax charge	374.5	205.6
Add back: Depreciation and amortisation	326.7	288.4
Add back: Net interest expense/(income)	1.2	0.3
<b>EBITDA</b>	<b>1,146.2</b>	<b>895.9</b>
Add back: Significant items (pre-tax)	59.5	(0.7)
<b>EBITDA excluding significant items</b>	<b>1,205.7</b>	<b>895.2</b>

AWAC's net profit included the following significant items:

Significant items (US GAAP)	US\$ million	
	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Suralco restructuring related charges <sup>1,2</sup>	(68.8)	(9.9)
Point Comfort restructuring related charges <sup>2</sup>	(3.4)	(11.3)
Other <sup>3</sup>	12.7	21.9
<b>Total significant items (pre-tax)</b>	<b>(59.5)</b>	<b>0.7</b>
<b>Total significant items (after-tax)<sup>4</sup></b>	<b>(160.5)</b>	<b>(5.2)</b>

1. Includes \$63.2 million non-cash settlement charge for the pension action in Suriname in 2021. 2. Includes holding costs. 3. Other significant items include net credits related to Portland government facility forgiveness offset by severance and other charges in other locations. 4. Includes a non-cash charge relating to the valuation allowance on the deferred tax asset of approximately \$97 million.

AWAC balance sheet (US GAAP)		US\$ million	
	31 Dec 2021	31 Dec 2020	
Cash and cash equivalents	443.8	440.2	
Receivables	542.0	307.0	
Inventories	682.5	567.1	
Deferred income taxes	73.7	190.3	
Property, plant & equipment	2,889.5	3,151.7	
Other assets	1,739.2	1,753.4	
<b>Total Assets</b>	<b>6,370.7</b>	<b>6,409.7</b>	
Borrowings & capital lease obligations	76.0	78.5	
Accounts payable	711.1	590.0	
Taxes payable and deferred	320.9	174.7	
Assets retirement obligations	466.8	500.2	
Other liabilities	827.3	951.9	
<b>Total Liabilities</b>	<b>2,402.1</b>	<b>2,295.3</b>	
<b>Equity</b>	<b>3,968.6</b>	<b>4,114.4</b>	

Changes in the value of assets and liabilities includes the effect of the weaker Australian dollar and Brazilian Real against the US dollar as at 31 December 2021 compared to 31 December 2020.

The increase in accounts receivables and payables as well as inventories reflect the increase in API and raw material prices respectively.

The decline in property, plant and equipment was as a result of depreciation and amortisation and unfavourable exchange rate.

Deferred income taxes decreased primarily due to a valuation allowance recorded against the net deferred tax assets at Espanola. The increase in taxes payable is mainly attributable to an increase in the taxable income, particularly for Australian operations.

Other liabilities decreased mainly due to lower lease liability and accrued pension benefits.

AWAC cash flow (US GAAP)	US\$ million	
	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Cash from operations	718.3	671.8
Capital contributions from partners	65.0	60.1
Net movement in borrowings	1.5	(0.4)
Capital expenditure	(240.7)	(211.3)
Other financing and investing activities <sup>1</sup>	29.9	2.0
Effects of exchange rate changes on cash and cash equivalents	(20.9)	16.4
<b>Cash flow before distributions</b>	<b>553.1</b>	<b>538.6</b>
Distributions paid to partners	(549.5)	(517.1)
<b>Net change in cash and cash equivalents</b>	<b>3.6</b>	<b>21.5</b>

1. Includes proceeds from sales of assets and other.

Cash from operations in 2021 increased primarily due to higher average realised alumina prices, which was partially offset by a higher cash cost of alumina production. Consequently, gross distributions paid to partners increased to \$549.5 million (2020: \$517.1 million).

In 2021, sustaining capital expenditure was approximately \$227 million (2020: \$202 million) with the most significant expenditure relating to Willowdale's mine crusher move, the construction of a new tailings and residue storage areas at Alumar and Juruti.

Growth capital expenditure was approximately \$14 million (2020: \$10 million).



## 5. Alumina Limited Financial Review

Alumina Limited profit and loss		US\$ million	
	Year ended 31 Dec 2021	Year ended 31 Dec 2020	
Share of net profit of associates accounted for using the equity method	204.6	164.6	
General and administrative expenses	(13.3)	(12.6)	
Finance costs	(3.7)	(5.2)	
Foreign exchange losses, tax and other	-	(0.2)	
<b>Profit for the year after tax</b>	<b>187.6</b>	<b>146.6</b>	
Add back: Significant items (after tax)	38.4	(0.1)	
<b>Net profit after tax excluding significant items</b>	<b>226.0</b>	<b>146.5</b>	

Significant items (IFRS, post-tax)		US\$ million	
	Year ended 31 Dec 2021	Year ended 31 Dec 2020	
Suralco restructuring charges <sup>1,2</sup>	(2.2)	(4.0)	
Point Comfort restructure-related charges <sup>2</sup>	(0.9)	(4.5)	
Deferred tax assets valuation allowance	(38.8)	-	
Other <sup>3</sup>	3.5	8.6	
<b>Total significant items</b>	<b>(38.4)</b>	<b>0.1</b>	

1. Due to GAAP differences above item does not include \$63.2 million non-cash settlement charge for the pension action in Suriname. 2. Includes holding costs. 3. Other significant items include net credits related to Portland government facility forgiveness offset by severance and other charges in other locations.

Alumina Limited recorded a net profit after tax of \$187.6 million (2020: \$146.6 million).

Excluding significant items, net profit would have been \$226.0 million (2020: \$146.5 million).

The increase in the Company's net profit was primarily due to an increased share of net profit of associates, which in turn reflects AWAC performance during 2021 as compared to the previous year.

General and administrative expenses in 2021 were higher than 2020 predominantly due to the stronger Australian dollar. General and administrative expenses expressed in AUD remained consistent with the previous year.

The Company's finance costs in 2021 are lower than 2020 as a result of the lower debt level during 2021.



#### Alumina Limited balance sheet

US\$ million

	31 Dec 2021	31 Dec 2020
Cash and cash equivalents	9.1	10.4
Investment in associates	1,741.8	1,784.5
Other assets	3.8	1.8
<b>Total Assets</b>	<b>1,754.7</b>	<b>1,796.7</b>
Payables	0.3	0.7
Interest bearing liabilities	65.0	60.0
Provisions and other liabilities	3.8	1.4
<b>Total Liabilities</b>	<b>69.1</b>	<b>62.1</b>
<b>Net Assets</b>	<b>1,685.6</b>	<b>1,734.6</b>

The decrease in investments in associates was principally due to foreign currency balance sheet valuations as well as net distributions from investments in associated entities.

Alumina Limited's net debt as at 31 December 2021 was \$55.9 million (2020: \$49.6 million) and gearing was 3.2% (2020: 2.8%).

Alumina Limited has a US\$350 million syndicated bank facility with tranches maturing in October 2022 (US\$100 million), July 2023 (US\$150 million), and July 2024 (US\$100 million).

As at 31 December 2021 there was US\$65 million drawn against the syndicated facility.

Alumina Limited cash flow		US\$ million	
	Year ended 31 Dec 2021	Year ended 31 Dec 2020	
Dividends received	191.1	171.4	
Net finance costs paid	(3.3)	(4.9)	
Payments to suppliers and employees	(13.0)	(12.3)	
GST refund, interest received & other	0.4	0.2	
<b>Cash from operations</b>	<b>175.2</b>	<b>154.4</b>	
Receipts – capital returns from associates	28.4	35.8	
Payments – investment in associates	(26.0)	(24.5)	
Payment for shares acquired by the Alumina Employee Share Plan	(0.8)	(0.9)	
Effects of exchange rate changes on cash and cash equivalents	(0.3)	0.9	
“One off” quarantine of approximate tax shield cash benefit <sup>1</sup>	(30.0)	–	
<b>Free cash flow available for dividends</b>	<b>146.5</b>	<b>165.7</b>	

1. Tax shield cash benefit is Alumina Limited's share of the net estimated amount of tax benefit in relation to the compounded interest on the primary tax amount partially offset by the payment of 50% of the primary tax amount arising from the Notices of Assessment issued by the ATO in relation to the transfer pricing matter (please refer page 86 for further details). This amount is being retained by Alumina Limited until the matter is fully resolved.

Net receipts from AWAC totalled \$193.5 million (2020: \$182.7 million).

Contributions to AWAC in 2021 of \$26.0 million (2020: \$24.5 million) were to support working capital requirements in the Americas.

The increase in distributions received from AWAC resulted primarily from higher realised alumina prices, partially offset by a higher cash cost of production.

Alumina Limited's dividend policy is to distribute free cash flow derived from net AWAC distributions less the Company's corporate and finance costs, whilst taking into consideration its capital structure, any capital requirements for AWAC and market conditions.

The benefit of the higher AWAC margins as a result of the sharp alumina price increase in fourth quarter of 2021 was reflected in the AWAC distributions to Alumina Limited in the first quarter of 2022.

Alumina received net AWAC distributions of \$33.8 million in January 2022 and further distributions of approximately \$80.7 million in February 2022.

The Board have taken these exceptional circumstances into account when declaring the 2021 final dividend for Alumina Limited and decided to bring forward part of the dividend that would otherwise be paid as a part of the interim dividend in 2022.

This resulted in an additional amount of \$31.9 million available for distribution to shareholders as a final dividend. Therefore, on 22 February 2022 Alumina Limited declared a final dividend of 2.8 US cents per share.

The Dividend Reinvestment Plan was applied to the 2020 interim dividend but was not in effect for the 2020 final dividend and remains suspended in 2021.





## 6. Market, Outlook and Guidance

### Aluminium

The global production of primary aluminium in 2021 grew by 3% over 2020 to 67.34 million tonnes. Over 2021, the LME aluminium price ranged between \$1,952 per tonne and \$3,180 per tonne. The price mainly climbed throughout the year to peak in October, before falling sharply for a few weeks and then climb back up to \$2,806 by the end of December. Smelting cuts announced at some European smelters around the end of 2021, due to very high energy costs, will tighten regional supply. However, over the course of 2022, it is expected that restarts and new capacity at low carbon and lower cost smelters elsewhere will drive primary aluminium production globally above 2021 levels. Other factors which could impact on aluminium demand or production this year include COVID-related slowdowns, on-going shipping abnormality, risks that China's real estate sector may reduce construction demand, tightening of monetary policies reducing stimulus growth, geopolitical tensions, higher than expected recycling at higher aluminium prices and strong Chinese semi-finished product exports.

Total aluminium consumption is expected to grow by over 33 million tonnes in this decade, mainly for electric vehicles and other transport and in the electrical, construction and packaging sectors. Whilst the volume of recycled aluminium is forecast to grow by 2030, primary aluminium production is also expected to grow strongly over that period. By 2030, emissions from aluminium production are expected to reduce, largely through higher contributions from wind, solar, hydro and nuclear electricity and in the longer term through inert anodes, carbon capture and storage and potentially green hydrogen. Whilst emissions from alumina production are much smaller than from aluminium, alumina refining is also expected to decarbonise. The AWAC joint venture is already well-positioned, sitting in the first quartile of global refining emissions curve.



Carbon reduction and energy consumption control have been the themes of China's primary aluminium industry in 2021. Capacity curtailment, which started from Inner Mongolia in the north of China, spread to the southern provinces in the second half of the year. Coupled with energy shortages (from both coal and hydro) a total of 2.6 million tonnes of capacity was impacted throughout the year. In addition, there were delays in new capacity rollouts and so China produced 39 million tonnes of primary aluminium in 2021 (4.6% year-on-year increase), slightly lower than forecast. The lost production was made up by a record level of primary aluminium imports at 1.6 million tonnes, resulting in a broadly balanced primary aluminium market in China.

China's coal prices spiked in October, which fueled soaring electricity prices. Supply disruption and cost pressure saw aluminium prices in China continued to improve in the second half, reaching a near all-time high in October, at RMB 24,695 per tonne (includes 13% VAT). Coal prices softened after Chinese authorities intervened in late October, and aluminium prices have returned to an RMB 19,000-20,000 per tonne level by the end of 2021. The Chinese aluminium price averaged RMB 18,940 per tonne in 2021, a 35% y-o-y increase.

Despite a subdued real estate sector, Chinese aluminium demand grew strongly in 2021, at 7.8%, as the Chinese economy recovered strongly from COVID-19. The chip shortage eased towards the last quarter of 2021. In the auto sector, electric vehicle production registered a 160% growth year-on-year. The Chinese energy sector is targeting the installation of 1,200 GW of renewable capacity by 2030. Packaging and construction sectors are aiming for more sustainable solutions.

Transportation, renewable energies and the packaging sector are forecast to be the driving forces for Chinese aluminium demand growth in 2022, albeit at a slower rate than in 2021.

Carbon policies are likely to remain in full force in 2022. Chinese smelters will continue to look for decarbonisation opportunities, such as moving capacity to the hydro-rich Southwest, developing more renewable energy, or installing more secondary aluminium capacity. At the end of 2021, China's primary aluminium capacity was estimated to be 43 million tonnes per annum. A moderate 1.6 million tonnes of additional annual primary aluminium capacity are expected to be installed in 2022, as China approaches the 45 million tonne per annum capacity ceiling, and production is forecast to increase marginally.

## Alumina

The global growth in aluminium production in 2021 caused higher demand for smelter-grade alumina.

There was a surplus of alumina over demand outside China of about 3.2 million tonnes, which was exported to China. It is expected over 2022 there will be a slightly smaller surplus of alumina outside China. Despite the surplus overall in 2021, alumina production disruptions in the second half of 2021 in Brazil, Jamaica and the USA caused regional shortages and the price to spike to \$484 per tonne. The price fell back to \$345 per tonne in late December after production was largely restored. The average alumina price index over 2021 was \$329 per tonne, an increase of 21% over the 2020 average price.

The alumina price was supported by cost increases over 2021, particularly energy and caustic soda costs, which increased globally by 64% and 8% respectively. COVID and other factors continued to distort the global shipping market in 2021. This had an impact on the alumina price outside China by increasing freight costs to China, which disincentivised alumina imports into China and reduced the Chinese import parity price.

Over 2021 the alumina price index as a percentage of the LME aluminium price averaged 13.3%. This is considerably lower than the 10 year historical average of 17.3%. However, in a pricing sense alumina is largely delinked from the aluminium price. In terms of a direct connection, approximately 71% of third party alumina sales outside China was priced off a spot or alumina index basis in 2021, compared with around 12% of sales being formally linked to the aluminium price. The alumina price index over 2021 has reflected the fundamentals of the alumina supply/demand balance and the costs of alumina production.

The second half of 2021 witnessed one of the largest volatility ranges in China's alumina prices in history. After a relatively stable first half, prices started to rally in July, as key producers in Shandong curtailed production to meet the energy consumption cap. Surging coal prices triggered a spike in caustic soda costs, a military coup in Guinea cast doubts on bauxite supply, and, together with production curtailments at the same time, average alumina price in China reached a multi-year high of nearly RMB 4,100 per tonne (includes 13% VAT) in October. Prices then dropped to around the RMB 2,800 per tonne level at the end of the year, as coal prices rationalised and production ramped back up.

Average production costs in China rose by 18% in 2021 to \$320 per tonne. This was caused by a cost escalation in all input materials – average costs rose for bauxite by 4%, for caustic soda by 32%, and for energy by 46%. The exchange rate between the US dollar and Chinese Yuan was stable in 2021. Chinese production costs are forecast to remain at elevated levels in 2022, as control measures on energy consumption and carbon emissions remain in force.

Similar to the primary aluminium industry, China's alumina production was disrupted by carbon policies, natural disasters, energy shortages and environmental inspections in 2021. However, unlike aluminium smelters, Chinese alumina refineries can switch back on quickly at low cost, making the overall disruption less significant. Metallurgical alumina production in China increased by 7.7% to 72.7 million tonnes, attributed to new capacity commissioned in the first half and production ramping up when prices were surging in the second half.

As China continues to import surplus alumina from outside China, and has limited primary aluminium production growth, a moderate alumina surplus is forecast in 2022.

There is the on-going potential for COVID-related disruptions to alumina or aluminium production.

84% of China's alumina capacity is based on coal. Over the medium to longer term, as China slowly phases down coal, and if China lacks mature technology to use renewable energy in alumina refining,

together with strict environmental requirements (particularly around red mud storage), new greenfields refining projects are unlikely to be approved in China. Instead, more Chinese-sponsored or encouraged alumina and primary aluminium projects are expected to emerge outside China in the long term.

### Bauxite

A military coup in September 2021 in Guinea, the largest bauxite exporter to China, had minimal impact on bauxite production and exports from the country. However, higher ocean freights rates in 2021 drove up seaborne bauxite prices from all major bauxite mining regions to China, which incentivised Chinese alumina refineries to use more domestic bauxite. Average delivered bauxite prices from Guinea rose by 5.7%, from Indonesia by 4.0%, and from Australia by 0.7%.

Approximately 57% of China's alumina production was based on imported bauxite in 2021, as compared to 58% in 2020.

Chinese bauxite imports decreased by 3.7% year on year, to 107 million tonnes in 2021. Guinea, Australia and Indonesia remain the three major bauxite exporters, accounting for 99.4% of China's total imports.

In the fourth quarter of 2021, the Indonesian President reiterated his country's plan to halt bauxite exports to encourage domestic value-add activities. To date, the ban has not yet been enforced, but it has encouraged Chinese refineries to start looking for alternative sources of bauxite.

In the longer term, China's reliance on imported bauxite is expected to continue. However, China's aspiration to carbon neutrality by 2060 is likely to constrain additional alumina capacity in China. At the same time, a few bauxite beneficiation technologies have been trialled in recent years, including developing bauxite under coal (so far proven to be technically unviable, uneconomic or limited to small scale). These factors could reverse the expected growth in imported bauxite in the longer term.

## AWAC guidance


The following 2022 guidance is provided to assist the understanding of the sensitivity of AWAC results to key external factors. The guidance cannot be expected to be predictive of exact results; rather it provides direction and approximate quantum of the impact on AWAC results. Sensitivity of each element of the guidance has been considered in isolation and no correlation with movements in other elements within the guidance has been made.

Item	2022 guidance
Production – alumina	Approximately 12.8 million tonnes
Production – aluminium	Approximately 165,000 tonnes
Third party bauxite shipments	Approximately 5.3 million BD tonnes
SGA shipments expected to be based on alumina price indices or spot	Approximately 97% for the year
AWAC sustaining capital expenditure	Approximately \$300 million
AWAC growth capital expenditure	Approximately \$40 million
AWAC Point Comfort after tax restructuring <sup>1</sup>	
Charges (IFRS)	Approximately \$10 million
Cash Flows	Approximately \$30 million
AWAC Suralco after tax restructuring <sup>1</sup>	
Charges (IFRS)	Approximately \$10 million
Cash Flows	Approximately \$30 million
AWAC Point Henry and Anglesea after tax restructuring <sup>1</sup>	
Charges (IFRS)	Approximately \$5 million
Cash Flows	Approximately \$10 million

1. Ongoing costs will be recognised in future financial years relating to the curtailments and closures.

Sensitivity	2022 guidance
Alumina Price Index <sup>1</sup> : +\$10/t	Approximately +\$115 million EBITDA
Australian \$: + 1¢ AUD/USD	Approximately -\$23 million EBITDA
Brazilian R\$: + 10¢ USD/BRL	Approximately +\$5-6 million EBITDA
Caustic price <sup>2</sup> : +\$10/dry metric tonne	Approximately -\$10 million EBITDA
Brent: +\$1/barrel	Approximately -\$2-3 million EBITDA

1. Excludes equity accounted income/losses for the Ma'aden joint venture. 2. Caustic inventory flow is 5-6 month.



# LETTER BY CHAIR OF COMPENSATION COMMITTEE

**Dear Shareholders,**

I am pleased to present Alumina Limited's 2021 remuneration report.

**Company performance in 2021**

Alumina Limited reported a strong result of \$187.6 million dollars (net profit after tax) and distributed fully franked dividends to shareholders of US 6.2 cents, representing an average dividend yield of 7.3 % over the last 5 years.

Alumina Limited's financial performance reflects the resilience and quality of AWAC asset base and its ability to deliver strong returns throughout the cycle.

In 2021, alumina one month lagged price remained under or around \$300 dollars for almost three quarters of the year. During the third quarter production disruptions reduced the rest of world alumina supply. As a result, alumina prices surged, reaching a peak of \$484 dollars per tonne, and averaged \$324 dollars per tonne for the year, \$54 higher than in 2020.

Despite a slight decrease in alumina production and increased input costs, the higher average alumina price resulted in strong year on year performance for AWAC.

Working with the AWAC joint venture, Alumina Limited is also progressing sustainability initiatives in preparation of the lower carbon energy transition and striving for net zero emissions by 2050.



## Remuneration strategy and structure

Alumina Limited's structures and levels of remuneration have been designed to reflect the unique nature of the company, the role of the executives, and their focus on longer term value creation for shareholders. In any one financial year, the Company's financial result is heavily determined by global commodity prices and the stage of the industry cycle.

For these reasons, Alumina Limited's remuneration is designed:

- To pay fixed remuneration at a competitive level that will attract and retain high caliber executives, with reference to the non-operating nature of the company;
- To offer meaningful incentives but to avoid large windfall gains as a result of factors outside of management's control (i.e. world alumina price increases or exchange rates); and
- To provide a meaningful part of the total remuneration package in equity that is earned and released over the medium to longer term to provide alignment with the shareholders experience.

## Remuneration outcomes in 2021

- **CEO** – The Board determined that the CEO's 2021 remuneration package would remain unchanged from his 2020 remuneration package in the context of the ongoing COVID-19 pandemic and its impacts on both Alumina Limited and the broader community.
- **CFO** – On 1 November 2021, Mr Grant Dempsey resigned from the CFO position effective 31 January 2022. Mr Dempsey served until the end of his notice period and was not entitled to any additional termination benefits.

The Board will consider remuneration structure and quantum for the new CFO at the time of appointment.

- **Performance under the LTI** – The FY19 LTI was tested in 2021 (testing period December 2018 to December 2021) with zero per cent of the total award vesting. This outcome reflects the shareholder experience during the testing period and illustrates the LTI functioning as intended.

- **Senior Executives – Performance under STI** – As a result of the scorecard assessment, reviewed by the Compensation Committee, \$484,000 was awarded in 2021 (in 2020 those same KMP received \$417,000). Achievements in sustainability and climate change related matters, improvements in external sustainability reporting and disclosures as well as progress in long term strategic objectives, underpinned the 2021 STI decisions.
- **NED fees** – As reported last year, NED base fees and committee fees, other than the fee for the Chair of the Nomination Committee, did not change in 2021.

## Remuneration decisions for 2022

- **CEO** – In 2021, the Board undertook a benchmarking exercise to validate that the CEO's remuneration package remained appropriate relative to market, while continuing to align with Alumina Limited's remuneration strategy.

In addition to considering the market data, the Board also had regard to other factors such the CEO's performance and contribution in his role, the 2021 salary freeze, inflation, changes in the superannuation guaranteed contribution rate and market outlook.

As a result, for 2022 the CEO has been awarded an increase of 6.0% to his total reward opportunity. The majority of this increase is delivered in equity, in the form of performance tested LTI.

Even with this increase, the CEO's total reward opportunity remains in the lowest quartile compared to his market peers.

- **NED fees** – As reported last year, NED base fees and Committee fees, other than the fee for the Chair of the Nomination Committee, did not change in 2021.

I am grateful for the dialogue we have had with stakeholders in 2021, and as always we're pleased to receive thoughts from shareholders and the wider community. I look forward to continuing to work with you.



Shirley In't Veld

22 March 2022

# REMUNERATION REPORT



## THE REMUNERATION REPORT IS PRESENTED IN THE FOLLOWING SECTIONS:

<b>1. Remuneration framework</b>		<b>3. Non-Executive Directors remuneration</b>	
1.1 Persons covered by this Report	51	3.1 Remuneration decisions and outcomes for 2021	68
1.2 Remuneration in business context	51	3.2 Non-Executive Directors share holdings	70
1.3 Remuneration governance framework	52	<b>4. Additional disclosures</b>	
1.4 Remuneration strategy, components and mix	52	4.1 Reconciliation of Conditional Rights held by CEO	71
<b>2. Company performance and executive remuneration outcomes</b>		4.2 Value change over time of the CEO's Conditional Rights	71
2.1 Company performance	55	4.3 Reconciliation of Performance Rights held by Executive KMP	72
2.2 Remuneration decisions and outcomes for 2021	57	4.4 Reconciliation of ordinary shares held by Executive KMP	74
2.3 CEO, CFO and Senior Executives performance under the LTI plan	58	4.5 CEO and Senior Executives service agreements	75
2.4 Senior Executives (excluding CEO and CFO) performance under the STI plan	61	4.6 Cessation of employment	76
2.5 CEO and Senior Executives 2021 statutory remuneration	64	4.7 Change of control	76
2.6 Actual "take home" 2021 remuneration awarded to CEO and Senior Executives	66	4.8 Clawback policy	76
		4.9 Share trading and hedge prohibition	76

## 1. Remuneration framework

### 1.1 Persons covered by this Report

This Report sets out remuneration information for Key Management Personnel (“KMP”) which includes Non-Executive Directors (“NED”), Executive Director (the Chief Executive Officer (“CEO”) and those key executives who have the authority and responsibility for planning, directing and controlling the activities of the group, either directly or indirectly (together with Executive Director, herein referred to as Executive KMP).

Name	Role	
<b>Non-Executive Directors</b>		
<b>Peter Day</b>	Non-Executive Chairman	Appointed Chairman 1 April 2018. Director since 1 January 2014
<b>Emma Stein</b>	Non-Executive Director	Appointed 3 February 2011. Retired 25 May 2021
<b>Chen Zeng</b>	Non-Executive Director	Appointed 15 March 2013
<b>Deborah O’Toole</b>	Non-Executive Director	Appointed 1 December 2017
<b>John Bevan</b>	Non-Executive Director	Appointed 1 January 2018
<b>Shirley In’t Veld</b>	Non-Executive Director	Appointed 3 August 2020
<b>Executive KMP</b>		
<b>Mike Ferraro</b>	Managing Director and CEO	Appointed CEO from 1 June 2017
<b>Grant Dempsey</b>	Chief Financial Officer (CFO)	Appointed 1 July 2019. Resigned 31 January 2022
<b>Stephen Foster</b>	General Counsel/Company Secretary	Appointed 4 December 2002
<b>Andrew Wood</b>	Group Executive Strategy and Development	Employed 1 September 2008

### 1.2 Remuneration in business context

Alumina Limited’s remuneration strategy and policy has been developed in recognition of the unique nature of the Company, the complexities of managing a significant but non-controlling interest in a global joint venture and the significance of external factors’ influence on the sector and the Company’s performance.

Alumina Limited owns a 40 per cent interest in the multibillion-dollar global enterprise, AWAC, one of the world’s largest bauxite and alumina producers. AWAC is a large capital-intensive business operating in a number of jurisdictions with some in remote locations. Alumina Limited’s

executives are responsible for protecting and advancing the interests of its approximately 55,000 shareholders in the management of AWAC. Consistent with the governing joint venture agreements, Alumina executives are responsible for providing strategic input and advice into the joint venture.

This, in turn, draws on their abilities to persuade and influence our joint venture partner to a common or at times, different conclusion. To do so, they must have a clear position on the bauxite, alumina and aluminium markets to allow detailed and substantive discussion with our joint venture partner and our shareholders on portfolio management, investment opportunities, sustainability and disruptive threats.

At the Board's direction, the CEO and Senior Executives are required to maintain Alumina Limited's financial metrics consistent with an investment grade rating, maximize cash flow from AWAC and support the joint venture in its efforts to improve its relative cost position and strategic options.

Alumina Limited's goal is to be an active, informed and engaged joint venture partner and therefore it requires and must retain, high calibre people with strong skills sets and commercial experience to ensure the Company and its investment are managed well. Hence, Alumina Limited's remuneration needs to be competitive, valued and relevant.

### 1.3 Remuneration governance framework

#### The Board of Directors

Reviews and approves the Charter of the Compensation Committee. The Board approves the remuneration philosophy, policies and practices.

#### Compensation Committee

Delegated authority to:

- Take advice from management and where relevant, independent advisers.

- Devise a remuneration framework, strategy, policies and practices.
- Oversee the implementation of the remuneration strategy and policy.
- Establish appropriate performance objectives and measures.
- Monitor performance against objectives and recommend incentive awards.
- Approve remuneration outcomes.

The Compensation Committee is solely formed of Non-Executive Directors and is chaired by Ms In't Veld.

#### External consultants

- Provide independent advice on remuneration trends and practices.
- Provide benchmarking data and analysis.
- Support the Compensation Committee in relation to changes to remuneration policy, employment contracts, structures and practices etc.
- Provide governance and legal advice on remuneration related matters.

#### Management

Provides the Compensation Committee with information to assist in its remuneration decisions including remuneration recommendations.

### 1.4 Remuneration strategy, components and mix

#### Remuneration strategy

Alumina Limited's remuneration strategy is based on the following principles, which determine remuneration components, their mix and way of delivery.

#### ALIGNMENT

Our remuneration is designed to aid alignment of Company, Executive, Board and Stakeholders interests.

#### RELEVANCE

Appropriate mix of fixed and at-risk components, short and long-term incentives reflecting a balance of financial and non-financial objectives relevant to target the non-operating nature of the Company and specific executive roles.

#### SUSTAINABILITY

Remuneration that is market competitive, that attracts and retains executives with capabilities and expertise to deliver our strategy.

#### TRANSPARENCY

Remuneration outcomes that are based on a set of clear objectives and expectations linked to Company strategy.

### REMUNERATION PRINCIPLES



### Executive KMP remuneration components and pay mix

The table below sets out the different components of remuneration for Alumina's Executive KMP, the performance measures used to determine the amount of remuneration executives will receive and how they are aligned with Alumina Limited's remuneration strategy.

Executive remuneration components	Fixed remuneration ("FAR")	Long-term incentive ("LTI") <sup>1</sup>	CEO & CFO equity – based award	Short-term incentive for Senior Executives ("STI") <sup>1</sup>
<b>Strategic intent</b>	Attract and retain executives with the capability and experience to deliver our strategy.	Align performance focus with the long-term business strategy and shareholders experience.	Align performance focus with the long-term business strategy and shareholder experience.	Performance incentive directed to achieving Board approved targets, reflective of market circumstances.
<b>Performance measure</b>	FAR is set based on market relativities, reflecting responsibilities, qualifications, experience and effectiveness.	LTI vesting is subject to service and performance tested three years from the grant date. The testing criteria is three-year Company TSR equal to or outperforming the median of the two (one local, one international) comparator groups (half of the LTI is attributable to each comparator group).	There is a three-year trading restriction on the shares from grant date.  The value of the equity remains subject to performance of the Company's share price.	STI award assessed annually at the end of the year with reference to: <ul style="list-style-type: none"> <li>• A minimum performance threshold requirement (the "Corporate Gate")</li> <li>• Financial metrics</li> <li>• Strategic objectives</li> <li>• Individual performance and effort relevant to the specific objective.</li> </ul>
<b>Delivery</b>	Cash payment	Performance Rights	Conditional Rights	Mix of cash and equity <ul style="list-style-type: none"> <li>• GE Strategy &amp; Development: 100% cash</li> <li>• Company Secretary: 50% cash, 50% equity with three years trade restriction period.</li> </ul>

1. More detail on the STI and LTI remuneration components and their link to company performance is included in section 2 of this report.



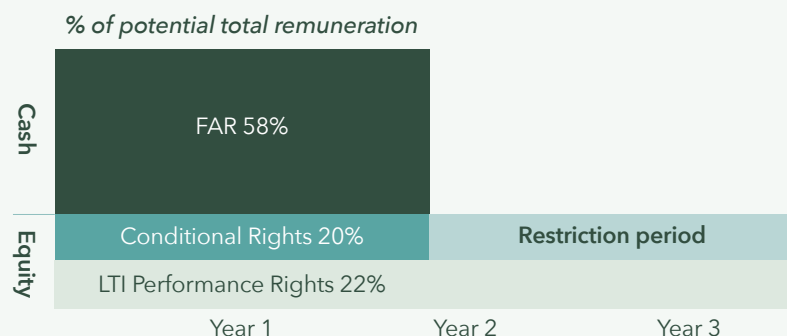
## CEO

The design of the CEO's remuneration package reflects the requirements of this critical leadership role to create long term shareholder value, the responsibility for the relationship with our joint venture partner and influence on the strategic direction of joint venture development and growth whilst advocating for the interests of shareholders.

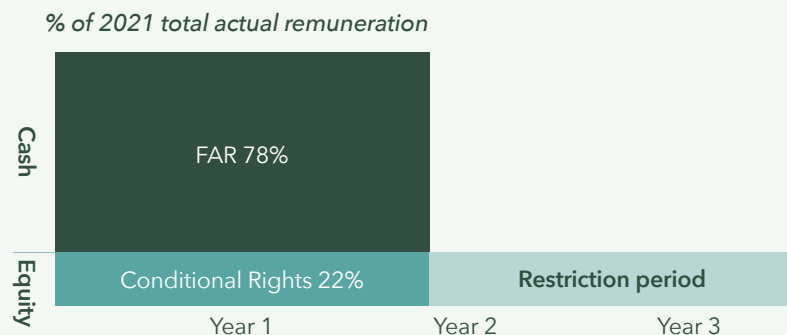
The CEO's remuneration package excludes an STI component, which has been replaced with the restricted equity grant.

This design continues to reflect the primarily influence-based (rather than operational) nature of the role and align with Alumina Limited's remuneration strategy. It focuses on the value creation activities, whilst eliminating potential prioritisation of the short-term goals over longer-term strategic objectives. It also ensures that through increased exposure to equity-based component CEO's remuneration reflects shareholders experience and is not excessively affected by swings in the commodity cycle.

The CEO's remuneration package comprises of a FAR component of \$1,369,600 and equity components delivered via Conditional Rights and Performance Rights equal to \$472,800 and \$525,281 respectively at the time of the grant.



The actual remuneration awarded during the year comprises of the same components, however their values will differ from the potential total remuneration, specifically in relation to the value of the equity components at the time of the vesting. The actual remuneration received by CEO in 2021 comprise of a FAR component of \$1,369,600, a Conditional Rights of \$394,341 and zero Performance Rights at the time of vesting.



The Board continues to set specific annual objectives for the CEO, some will relate to the year ahead, whereas others may take longer to achieve. Progress is reviewed formally quarterly and at the end of the year. This process provides the Board with a basis to assess and discuss CEO performance in the short term. Also, and importantly, it provides a basis to ensure that the Board and CEO are aligned on priorities that will underpin long-term shareholder value creation and go to the heart of the role as Alumina's CEO.

In 2020, taking into account the impact of the global pandemic on company performance and performance against corporate objectives, the Board decided that the CEO 2021 remuneration should remain the same as in 2020.

In 2021, the Board undertook a benchmarking exercise to validate that the CEO's remuneration package remained competitive relative to the market and continued to align with Alumina's philosophy of positioning the total CEO reward opportunity in the lower quartile of market peers.

In doing so, the Board reviewed the relevant comparator group, to ensure that it was reflective of Alumina's current market positioning at around the midpoint of ASX 76 – 125. As a result, 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 positioning of the CEO's total reward in the lowest quartile for each of the comparator groups.

The Board further considered other factors such as the 2021 salary freeze, inflation, changes in superannuation guaranteed contribution rates and market outlook.

For the CEO's 2022 remuneration, the Board resolved to award a 6.0% increase of the CEO's total reward opportunity, representing a:

- 5.0% for FAR;
- no increase in the value of Conditional Rights; and
- a 14.2% increase in the value of LTI Performance Rights.

Based on the results of the benchmarking exercise, the 2022 CEO's total reward opportunity continues to fall within the lowest quartile of both comparator groups.

## CFO

The CFO's remuneration was structured in the same manner as the CEO's package, using the same remuneration package design principles. In 2021, the CFO's package comprised of a FAR component of \$899,400 and an equity component delivered via Conditional Rights and Performance Rights equal to \$242,200 each at the time of the grant.

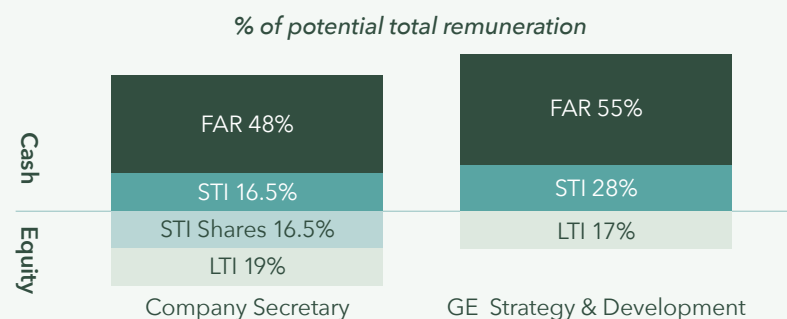
Mr. Dempsey resigned from his position effective 31 January 2022. Chapter 4.5 and 4.6 provides a summary of his termination benefits.

## Senior Executives

Senior Executive remuneration packages comprise FAR, STI and LTI. The STI component for the Senior Executives is considered appropriate and provides the CEO with a management tool to set annual priorities in the context of the Company's longer-term strategic plans, reinforced through the attachment of an incentive.

Each year, the Company's strategic, financial and non-financial objectives are identified. Objectives are weighted differently for each of the Executive KMP depending on the expected level of input and responsibilities assigned. At the end of the year performance is evaluated based on the status of completion of objectives and individual performance relevant to the specific objective and STI award is determined with the reference to the "Corporate Gate" measure.

In the Board's opinion this approach directs Executive focus to the most significant business priorities, promotes teamwork and presents a transparent and equitable basis of the performance assessment.



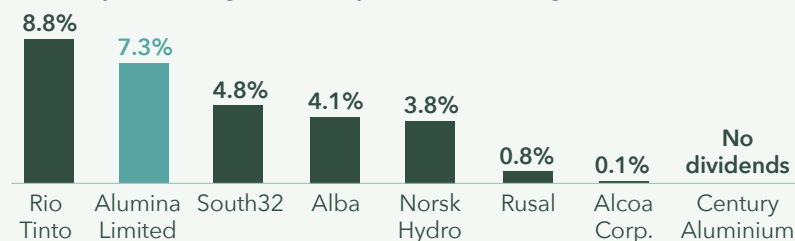
## 2. Company performance and executive remuneration outcomes

### 2.1. Company performance

Alumina Limited recorded a net profit after tax of \$187.6 million. This was a strong result and is higher than the previous year by 28%.

Alumina Limited announced a fully-franked, final dividend of 2.8 US cents per share, bringing the total 2021 dividend to 6.2 US cents per share, which represents a five-year average dividend yield of 7.3%, all fully franked.

*Last five years average dividend yield (excl. franking credits)*



Alumina Limited's strong financial performance reflects the resilience and quality of the AWAC asset base and its ability to deliver strong returns throughout the cycle.

AWAC recorded an EBITDA of \$1.146 billion dollars and \$443.8 million dollars of net profit after tax. Excluding significant items, recorded EBITDA and profit after tax were \$1.206 billion and \$604.3 million dollars respectively.

AWAC's production costs increased in 2021, as a result of a stronger Australian dollar, higher global energy and raw material costs, as well as costs associated with higher than planned maintenance events. Notwithstanding this, AWAC's margin increased, year on year to \$85 per tonne, demonstrating how AWAC's low position on the cost curve, and high exposure to API, enables it to capitalise on increased prices.

Alumina Limited's unique direct and undiluted exposure to AWAC's portfolio of low cost, world class assets, together with a continued strong balance sheet, underpins the Company's capacity to deliver strong returns to shareholders.

Alumina Limited's TSR compared to relevant ASX indices, demonstrates a track record of solid returns to investors over the last 5 years which included highs and lows of the commodity cycle.

*Alumina TSR vs. ASX indices - last 5 years*





**Historical company performance**

	2021	2020	2019	2018	2017
Net Profit/(Loss) after tax (US\$ million)	187.6	146.6	214.0	635.4	339.8
Net Profit/(Loss) after tax (excluding significant items) (US\$ million)	226.0	146.5	326.6	689.9	363.1
Dividend declared (US cents per share)	6.2	5.7	8.0	22.7	13.5
Share price at the end of the period (AUD per share)	1.865	1.835	2.30	2.30	2.43
Total shareholder return – including franking credits (%)	9.0	(14.2)	15.5	7.7	41.8
Total shareholder return – excluding franking credits (%)	6.8	(16.0)	10.8	3.8	39.1

**2.2. Remuneration decisions and outcomes for 2021****Fixed remuneration**

2021 outcomes	<p>No changes were made to fixed remuneration for any Executive KMP in 2021.</p> <p>From 2022, fixed remuneration for the CEO increased by 5% and Senior Executives increased by 4%, which was in line with the increases applied to the broader staff in the Company.</p>
---------------	--

**Long-term incentive**

2021 outcomes	<p>The FY19 LTI was tested in 2021 (testing period December 2018 to December 2021), Alumina Limited's performance against the ASX and International Comparator Groups fell below the minimum required vesting threshold of 50<sup>th</sup> percentile ranking and therefore zero per cent of the potential entitlement vested. This outcome reflects the shareholder experience during the testing period and illustrates the LTI functioning as intended.</p>
---------------	--

**Short-term incentive**

2021 outcomes	<p>In 2021, STI payments were assessed against a range of corporate objectives, including ESG, financial, strategic and non-financial objectives.</p> <p>"Corporate Gate" requirements were satisfied therefore STI was assessed based on 100% of the potential award. Senior Executives achieved on average 79% of the maximum STI.</p>
---------------	--

**2.3. CEO, CFO and Senior Executives performance under the LTI plan**

2021	Key features of the LTI Plan										
<b>Description</b>	The LTI is delivered in the form of Performance Rights that are tested over a three-year performance period. Each Performance Right that vests deliver to the holder an ordinary share in Alumina Limited upon exercising of the Right.										
<b>Performance period</b>	Three years										
<b>Performance hurdles</b>	<p>Alumina Limited's performance is tested using relative TSR compared against two comparator groups. Relative TSR was chosen as an appropriate means of measuring Company performance as it incorporates both capital growth and dividends.</p> <p>The two comparator groups against which Alumina Limited's performance were tested are:</p> <ul style="list-style-type: none"> <li>• ASX Comparator Group (Test 1 – 50% weighting): Australian listed entities in S&amp;P/ASX 100 Index, excluding property trusts, the top 20 companies by market capitalisation and Alumina Limited.</li> <li>• International Comparator Group (Test 2 – 50% weighting): reflecting the Company's direct competitors in the market comprising nine selected companies in the alumina and/or aluminium industries that are listed in Australia or overseas, excluding the Company. The following companies were included in the group: Shandong Nanshan Aluminium 'A', South 32, Hindalco Industries, Century Aluminium, Norsk Hydro, Yunnan Aluminium 'A' (CNY), Aluminium Corporation of China 'A' (CNY), United Company Rusal, Alcoa.</li> </ul>										
<b>Performance assessment</b>	<p>Performance hurdles are independently measured by Mercer Consulting (Australia) at the conclusion of the relevant performance period. Alumina Limited's TSR is ranked against the TSR of companies in each of the comparator groups.</p> <table> <tr> <th>Alumina Limited's TSR percentile rank</th><th>Percentage of vesting in (applies individually to each comparator group)</th></tr> <tr> <td>Below 50<sup>th</sup></td><td>0%</td></tr> <tr> <td>Equal to 50<sup>th</sup></td><td>50%</td></tr> <tr> <td>Between 50<sup>th</sup> and 75<sup>th</sup> (ASX Comparator Group)<sup>1</sup></td><td>An additional 2% of award for each percentile increase</td></tr> <tr> <td>Equal to or greater than 75<sup>th</sup></td><td>100%</td></tr> </table> <p>Following testing, any Performance Rights that have not vested will lapse.</p>	Alumina Limited's TSR percentile rank	Percentage of vesting in (applies individually to each comparator group)	Below 50 <sup>th</sup>	0%	Equal to 50 <sup>th</sup>	50%	Between 50 <sup>th</sup> and 75 <sup>th</sup> (ASX Comparator Group) <sup>1</sup>	An additional 2% of award for each percentile increase	Equal to or greater than 75 <sup>th</sup>	100%
Alumina Limited's TSR percentile rank	Percentage of vesting in (applies individually to each comparator group)										
Below 50 <sup>th</sup>	0%										
Equal to 50 <sup>th</sup>	50%										
Between 50 <sup>th</sup> and 75 <sup>th</sup> (ASX Comparator Group) <sup>1</sup>	An additional 2% of award for each percentile increase										
Equal to or greater than 75 <sup>th</sup>	100%										
<b>Entitlements</b>	<p>The participant is only entitled to proportionally receive dividends and other distributions, bonus issues or other benefits if the performance conditions applicable to Performance Rights are satisfied (or waived) and the Performance Rights vest and are exercised.</p> <p>Shares relating to Performance Rights, are not automatically allocated upon vesting. Instead, participants are entitled to exercise each relevant Performance Right at any time during the applicable exercise period (Exercise Period) after vesting. The Exercise Period will generally end seven years after vesting of the relevant Performance Rights. However, the Exercise Period may be shortened in certain circumstances such as cessation of employment or a change of control event. Performance Rights that do not vest as at the end of the vesting period will lapse.</p>										

1. If the Company's TSR performance is equal to that of any entity (or security) between the 50<sup>th</sup> percentile and the 75<sup>th</sup> percentile of the International Comparator Group ranked by TSR performance, the number of Performance Rights in the relevant half of the LTI award that vest will be equal to the vesting percentage assigned by the Board to that entity (or security). If the Company's TSR performance is between that of any two such entities (or securities) in the International Comparator Group, the number of Performance Rights in the relevant half of the LTI award that vest will be determined on a pro rata basis relative to the vesting percentages assigned by the Board to those entities (or securities).

2021	Key features of the LTI Plan (continued)			
Opportunity levels <sup>2</sup>	Percentage of FAR (%)			
	CEO	CFO	Company Secretary	GE Strategy and Development
	Approx 38	Approx 27	40	30

2. To determine the number of Performance Rights to be offered, the LTI opportunity is allocated using a face value allocation methodology being the annual dollar value of the LTI grant divided by the average Company share price over the 20 trading days leading up to the time that the Board determined to make offers of Performance Rights to CEO, CFO and Senior Executives under the LTI plan for the relevant year.

Alumina Limited's performance resulted in zero per cent of the total potential entitlement in relation to the FY19 LTI vesting in December 2021. The tables below summarise Alumina Limited's TSR performance against each of the comparator groups, and the number and value of the Performance Rights vested to Executive KMP as result of this performance. Full reconciliation of number of rights at the beginning and the end of the financial year provided in section 4.3 of this report.

#### LTI – FY19 (tested in 2021)

Description	ASX comparator group	International comparator group
Currency	AUD	USD <sup>1</sup>
Performance period	13 December 2018 – 13 December 2021	
Alumina Limited's TSR	(0.18%)	(1.32%)
Alumina Limited's TSR percentile rank	35.8%	Ranked last
75 <sup>th</sup> percentile TSR	84.76%	116.43%
50 <sup>th</sup> percentile TSR	25.03%	62.77%

1. TSR for the International comparator group is calculated using prices and dividends converted to US dollars on a daily basis.

Executive KMP	Number of performance rights vested in 2021 (FY19 Tranche)	A\$ value of performance rights exercised <sup>1</sup>
Michael Ferraro	-	-
Grant Dempsey	-	-
Stephen Foster <sup>2</sup>	-	190,221
Andrew Wood	-	-

1. The value of Performance Rights exercised is determined by the number of Rights exercised in 2021 multiplied by the market price at the exercise date. 2. Mr Foster exercised 65,600 rights that have vested in 2019 and 47,750 that have vested in 2020.

#### LTI – performance rights vesting in future years

Performance rights yet to vest from prior years were offered to the CEO and Senior Executives in 2020 and 2021 and have the following grant date fair values:

Tranche No	CEO <sup>1</sup>	Executive KMP
FY20	\$0.60	\$1.15
FY21	\$0.74	\$0.96

1. CEO's performance rights grant is subject to shareholders approval. Therefore, the grant date is deemed to be the date of AGM.





**2.4. Senior Executives (excluding CEO and CFO) performance under the STI plan**

2021	Key features of the STI plan		
<b>Description</b>	The Board sets financial and non-financial performance objectives at the start of each year. Performance is then assessed against each objective at the end of each year to determine whether executives receive payment under the STI plan.		
<b>Performance period</b>	Financial Year		
<b>Performance hurdles</b>	<p>The STI is subject to the “Corporate Gate”, a minimum performance threshold requirement under which Alumina Limited must pay a dividend or report an underlying profit before significant items. Significant items may include, subject to the Board discretion, any positive or negative one-off items such as profit on asset sales, asset impairments or generally any matter which is not recurring.</p> <p>Where scorecard objectives are met and the “Corporate Gate” is satisfied, the STI payment can be at the target level. If the “Corporate Gate” is not satisfied the overall scorecard performance scores will be halved in determining STI payments. Where objectives are significantly exceeded, the STI payment can approach the maximum level indicated below.</p>		
<b>Performance assessment</b>	<p>The Compensation Committee reviews individual performance against the scorecard at year end. It takes into account actual performance outcomes and internal and external factors that may have contributed to the results based on a comprehensive report provided by the CEO.</p> <p>In determining its recommendations to the Board on the level of STI payments, the Compensation Committee decides and, through discussion, tests:</p> <ul style="list-style-type: none"> <li>• whether each individual element was achieved or surpassed</li> <li>• if an element was not achieved, whether this was due to the element no longer being considered a priority during the year due to changes in the operating environment, or whether due to poor performance (in which case a zero is likely to be given).</li> </ul> <p>Given the nature of the building blocks to the Alumina Limited STI scheme, a simple distinction between threshold, at target and stretch performance is not always apparent, especially at the beginning of the year. But in making its assessments as described above, the Compensation Committee is focused on a scheme which is sufficiently demanding and rewards achievements by executives.</p>		
<b>Opportunity levels</b>	<b>Level of performance</b>	<b>Percentage of FAR (%)</b>	
		<b>Company Secretary/General Counsel</b>	<b>GE Strategy and Development</b>
	<b>Below expectations</b>	0	0
	<b>Corporate gate not met (50% of target)</b>	28	17.5
	<b>Corporate gate satisfied (100% of target)</b>	56	35
	<b>Maximum</b>	70	50

The tables below provide a summary assessment of performance against the STI scorecard, the actual value of STI paid to participating Senior Executives and the percentage of total maximum STI paid.

The Company's philosophy is to reward management effort and actions rather than Senior Executives generating benefits of the outcomes from the cyclical nature of the alumina industry and positive movements in the market prices of aluminium and alumina. STI outcomes for participating Senior Executives are therefore anticipated from time to time to deviate from company performance based on the point of the commodity cycle.

In 2021 the Board grouped ESG objectives in a separate category to emphasise the importance of progress in this area. The Board also continued to prioritise strategic objectives designed to focus management efforts on influence over the AWAC's future development and strategic direction of Alumina Limited.

#### 2021 STI scorecard

Performance measure	Weighting	Performance assessment
<b>Strategic objectives:</b> <ul style="list-style-type: none"> <li>Engage with Alcoa on 10 years AWAC's planning, including capex requirements and long-term portfolio options</li> <li>Implement Alumina Limited Risk Management plan and contribute to risk management planning and actions undertaken in AWAC</li> <li>Engage with Alcoa to develop a medium term proactive plan to address increased regulatory requirements in various jurisdictions as well as trends and developments in alumina and aluminium markets.</li> </ul>	55%	<b>Partially achieved:</b> Whilst progress was made in long-term planning for the AWAC's operating activities, further advancement is needed in future strategic development of the joint venture's portfolio of assets.
<b>ESG objectives:</b> <ul style="list-style-type: none"> <li>Assess the quality of the AWAC's risk management approach to climate change and review the technology projects and carbon reducing options</li> <li>Develop Alumina Limited climate change policy and determine the corporate position on carbon neutrality</li> <li>Work towards aligning sustainability disclosures to the recommendations of the TCFD</li> <li>Work with Alcoa on review of residue disposal areas and provide input into the recommendations and their implementation plans</li> </ul>	20%	<b>Above target:</b> Management specifically focused on engaging with stakeholders on sustainability and climate change related matters as well as improving external sustainability reporting and disclosures.  Both Alumina Limited and Alcoa issued climate change position statements this year and, in October 2021, Alumina Limited held its first sustainability roadshow.
<b>Financial objectives:</b> <ul style="list-style-type: none"> <li>Ensure the cash distributions required under the AWAC Joint Venture agreements for 2021 are received and equity contributions properly assessed</li> <li>Maintain key financial metrics of Debt / EBITDA &lt; 2 times</li> </ul>	15%	<b>At target</b>
<b>Non-financial objectives:</b> <ul style="list-style-type: none"> <li>Effective and good working relationship is maintained with Alcoa</li> <li>Focus on health and safety of employees. Support inclusion, communication and staff welfare whilst working remotely</li> <li>Office relocation</li> </ul>	10%	<b>At target</b>

The above performance measures were reflected in the higher percentage of the STI awarded compared to the previous year. The Board noted that whilst performance against the STI scorecard achieved healthy percentage outcomes, the actual total STI opportunity paid to both Senior Executives is quite low relative to the market.



#### 2021 STI outcomes

Name and Role	Year	STI paid A\$	Paid as a percentage of target award	Forfeited as a percentage of target award	Paid as a percentage of maximum award	Forfeited as a percentage of maximum award
<b>Executive KMP</b>						
Stephen Foster (Company Secretary)	2021	335,000	105%	-	84%	16%
	2020	284,000	89%	11%	71%	29%
Andrew Wood (GE Strategy & Development)	2021	149,000	100%	-	70%	30%
	2020	133,000	89%	11%	63%	37%
Total Executive STI	2021	484,000	103%	-	79%	21%
	2020	417,000	89%	11%	68%	32%

## 2.5 CEO and Senior Executives statutory remuneration

The following table shows details of the remuneration expense recognised for the Group's Executive KMP for the current and previous financial year measured in accordance with the requirements of the Australian Accounting Standards. Amounts shown under share-based payments reflect the accounting expense recorded during the year with respect to awards that have or are yet to vest.

	Year	Short-term benefits (A\$)					
		FAR <sup>1</sup>	STI	Non-monetary <sup>2</sup>	Other <sup>3</sup>	Total	
Executive KMP							
Mike Ferraro	2021	1,346,969	-	113,162	-	1,460,131	
	2020	1,358,753	-	121,707	-	1,480,460	
Grant Dempsey	2021	876,769	-	53,239	-	930,008	
	2020	878,052	-	83,184	-	961,236	
Stephen Foster	2021	545,200	335,000	12,044	-	892,244	
	2020	545,200	284,000	60,582	-	889,782	
Andrew Wood	2021	402,869	149,000	25,338	-	577,207	
	2020	404,152	133,000	48,517	-	585,669	
Total executive remuneration	2021	3,171,807	484,000	203,783	-	3,859,590	
	2020	3,186,157	417,000	313,990	-	3,917,147	

1. FAR is the total cash cost of salary, exclusive of superannuation. 2. Non-monetary benefits represent the movement in accrued annual leave, long service leave and value of the car park. Prior year numbers were updated to include the movement in the annual leave provision. 3. Other short-term benefits include personal financial advice allowance and travel allowance.



Post employment benefits <sup>4</sup> (A\$)	Share based payments (A\$)			Total remuneration (A\$)
Superannuation	Conditional Rights <sup>5</sup>	Performance Rights <sup>6,7</sup>	Total	
<b>22,631</b>	<b>472,800</b>	<b>221,619</b>	<b>694,419</b>	<b>2,177,181</b>
10,847	472,800	233,513	706,313	2,197,620
<b>22,631</b>	<b>242,200</b>	<b>65,668</b>	<b>307,868</b>	<b>1,260,507</b>
21,348	301,262	19,443	320,705	1,303,289
<b>25,000</b>	-	<b>121,528</b>	<b>121,528</b>	<b>1,038,772</b>
25,000	-	126,347	126,347	1,041,129
<b>22,631</b>	-	<b>68,048</b>	<b>68,048</b>	<b>667,886</b>
21,348	-	70,773	70,773	677,790
<b>92,893</b>	<b>715,000</b>	<b>476,863</b>	<b>1,191,863</b>	<b>5,144,346</b>
78,543	774,062	450,076	1,224,138	5,219,828

**4.** Superannuation reflect the SGC contributions for all Executive KMP. No other post-employment benefits (such as termination benefits) were paid to Mr Dempsey in connection with his cessation of employment. **5.** The CEO's and CFO's remuneration packages include a Conditional Rights component. In accordance with AASB 2, the value attributed to the Conditional Rights represents the amortisation for the reporting period of the value at grant date of all previously granted Conditional Rights that have neither vested nor lapsed. **6.** In accordance with AASB 2, the value attributed to Performance Rights represents the amortisation for the reporting period of the value at grant date of all previously granted Performance Rights that have neither vested nor lapsed. The value at grant date is amortised over a three-year period. **7.** The award of performance rights to the CEO is approved by shareholders at the AGM.

**2.6. Actual “take home” 2021 remuneration awarded to CEO and Senior Executives**

The actual remuneration awarded during the year comprises the following elements:

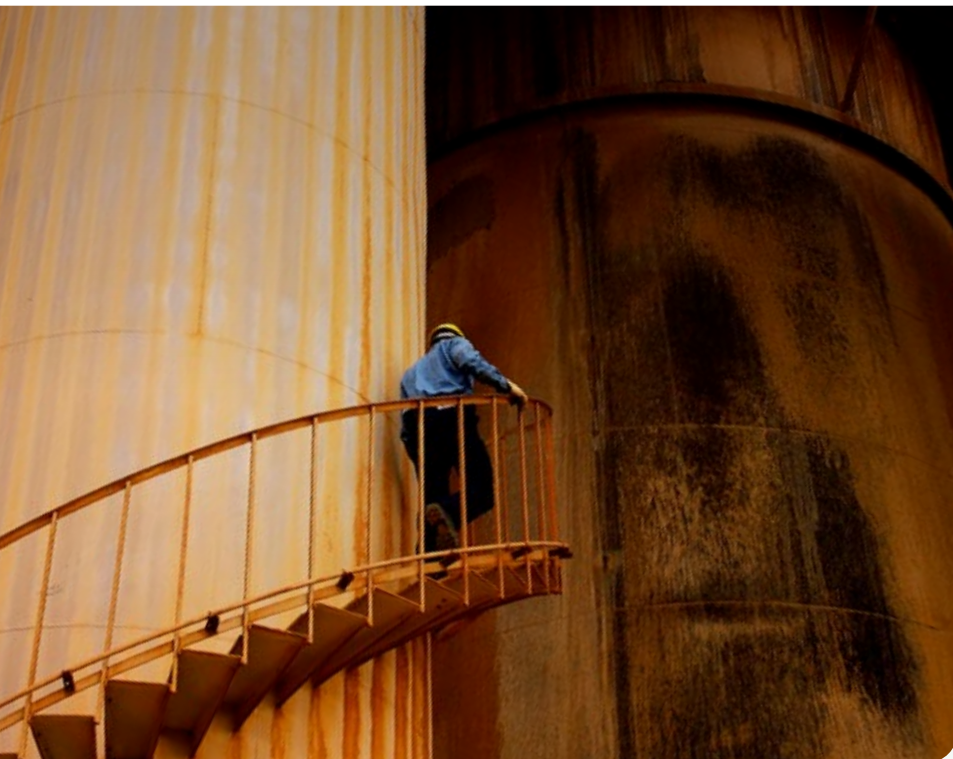
- Cash salary including superannuation benefits and any salary sacrifice arrangements, but excluding termination payments;
- Other short-term benefits comprised of the personal financial advice allowance and travel allowance
- STI cash payment;

	Year	Short-term benefits (A\$)			
		FAR including superannuation	STI	Other	Total
Executive KMP					
Mike Ferraro	2021	1,369,600	-	-	1,369,600
	2020	1,369,600	-	-	1,369,600
Grant Dempsey	2021	899,400	-	-	899,400
	2020	899,400	-	-	899,400
Stephen Foster	2021	570,200	335,000	-	905,200
	2020	570,200	284,000	-	854,200
Andrew Wood	2021	425,500	149,000	-	574,500
	2020	425,500	133,000	-	558,500
Total executive remuneration	2021	3,264,700	484,000	-	3,748,700
	2020	3,264,700	417,000	-	3,681,700

- Conditional Rights vested (being the number of Conditional Rights that vested multiplied by the market price at the vesting date);
- LTI vested and exercised (being the number of Performance Rights that vested and exercised multiplied by the market price at the exercise date).

These values differ from the executive statutory remuneration table and have not been prepared in accordance with statutory requirements and Australian Accounting Standards.

Share based payments (A\$)			Total "take home" remuneration, excluding termination (A\$)	Total statutory remuneration (A\$)
Conditional Rights	Performance Rights	Total		
<b>394,341</b>	-	<b>394,341</b>	<b>1,763,941</b>	<b>2,177,181</b>
418,414	381,256	799,670	2,169,270	2,197,620
<b>202,006</b>	-	<b>202,006</b>	<b>1,101,406</b>	<b>1,260,507</b>
79,000	-	79,000	978,400	1,303,289
-	<b>190,221</b>	<b>190,221</b>	<b>1,095,421</b>	<b>1,038,772</b>
-	96,600	96,600	950,800	1,041,129
-	-	-	<b>574,500</b>	<b>667,886</b>
-	49,060	49,060	607,560	677,790
<b>596,347</b>	<b>190,221</b>	<b>786,568</b>	<b>4,535,268</b>	<b>5,144,346</b>
497,414	526,916	1,024,330	4,706,030	5,219,828



### 3. Non-Executive Directors remuneration

#### 3.1 Remuneration decisions and outcomes for 2021

The maximum remuneration for Non-Executive Directors is determined by resolution of shareholders. At the 2016 AGM, shareholders approved a maximum aggregate remuneration of \$1,500,000 per annum for Non-Executive Directors. A total of \$1,352,085 (inclusive of superannuation) was paid in Non-Executive Director fees in 2021. Other than the Chairman, who receives a single base fee of \$410,000 (inclusive superannuation), Non-Executive Directors receive a base fee plus additional fees for membership of Board Committees and superannuation contribution. Non-Executive Directors do not participate in incentive plans or receive any retirement benefits other than statutory superannuation contributions.

The remuneration packages for Non-Executive Directors are set out below. There will be no increase of fees payable to Non-Executive Directors in 2022. Superannuation contributions made by the Company on behalf

of Non-Executive Directors are included in the fees amounts presented in the table below.

As disclosed in last year's remuneration report, in 2021 the fee for the Chair of the Nomination Committee increased from \$10,000 to \$15,000 (plus superannuation) due to increased workload. Base fees and other committee fees were unchanged in 2021. There will be no increase of fees payable to Non-Executive Directors in 2022.

	2021 <sup>1</sup> A\$	2022 <sup>2</sup> A\$
<b>Base fee</b>	164,250	164,250
<b>Compensation Committee – Chair</b>	38,325	38,325
<b>Compensation Committee – Member</b>	10,950	10,950
<b>Audit and Risk Management Committee – Chair</b>	38,325	38,325
<b>Audit and Risk Management Committee – Member</b>	10,950	10,950
<b>Sustainability Committee – Chair</b>	-	-
<b>Sustainability Committee – Member</b>	10,950	10,950
<b>Nomination Committee – Chair</b>	16,425	16,425
<b>Nomination Committee – Member</b>	-	-

1. From 1 July 2021, the SGC rate increased from 9.5% to 10%. Non-Executive Directors fees (inclusive of superannuation) have not been changed as a result of the rate change.

2. From 1 July 2022, the SGC rate will rise to 10.5%. Non-Executive Directors fees (inclusive of superannuation) will not be changed as a result of the rate change.

All Non-Executive Directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.



The table below provides summary of the actual remuneration received by each Non-Executive Director and is prepared in accordance with statutory requirements and relevant accounting standards.

Non-Executive Director	Year	Short-term benefits (A\$)			Post employment benefits (A\$)	Total remuneration (A\$)
		Fees	Non-monetary	Total	Superannuation	
Peter Day	2021	387,369	-	387,369	22,631	410,000
	2020	388,652	-	388,652	21,348	410,000
Emma Stein <sup>1</sup>	2021	85,416	-	85,416	8,115	93,531
	2020	205,000	-	205,000	19,475	224,475
Deborah O'Toole	2021	204,534	-	204,534	19,941	224,475
	2020	205,000	-	205,000	19,475	224,475
Chen Zeng	2021	179,591	-	179,591	17,509	197,100
	2020	180,000	-	180,000	17,100	197,100
John Bevan	2021	194,557	-	194,557	18,968	213,525
	2020	190,000	-	190,000	18,050	208,050
Shirley In't Veld <sup>2</sup>	2021	194,469	-	194,469	18,985	213,454
	2020	74,032	-	74,032	7,033	81,065
Total Non-Executive Director remuneration	2021	1,245,936	-	1,245,936	106,149	1,352,085
	2020	1,242,684	-	1,242,684	102,481	1,345,165

1. Ms Stein ceased to be a Non-Executive Director effective 25 May 2021. 2. Ms In't Veld was appointed as a Non-Executive Director on 3 August 2020. Ms In't Veld was appointed Chair of the Compensation Committee on 25 May 2021.

### 3.2 Non-Executive Directors share holdings

Each Non-Executive Director is required to hold shares in the Company having a value at least equal to 50 per cent of their annual fees within five years from their appointment as a Director.

Non-Executive Director	Year	Number of shares as at 1 January <sup>1</sup>	Number of shares acquired during the year	Number of shares as at 31 December <sup>1</sup>	Date on which policy compliance achieved
Peter Day	2021	133,770	15,000	148,770	03/11/2014
	2020	75,720	58,050	133,770	
Deborah O'Toole	2021	40,000	30,000	70,000	20/12/2021
	2020	8,000	32,000	40,000	
Chen Zeng	2021	4,804	-	4,804	- <sup>2</sup>
	2020	4,804	-	4,804	
John Bevan	2021	300,154	-	300,154	01/01/2018
	2020	300,154	-	300,154	
Shirley In't Veld	2021	102,563	-	102,563	03/08/2020
	2020	-	102,563	102,563	
Emma Stein <sup>3</sup>	2020	84,794	-	84,794	

1. Number of shares held at 1 January and 31 December of the respective years include directly held shares, nominally held shares, and shares held by personally related entities. 2. Mr Zeng is a nominee of CITIC and CITIC holds 548,959,208 ordinary fully paid shares in Alumina Limited. 3. Ms Stein retired as a Non-Executive Director effective 25 May 2021. Number of shares held by Ms Stein has not changed between 31 December 2020 and the date of resignation.

## 4. Additional disclosures

### 4.1 Reconciliation of Conditional Rights held by CEO and CFO

Executive KMP	Year	Number of rights					Value of rights (A\$)			Maximum value of rights yet to vest (A\$) <sup>7</sup>
		Total as at 1 January	Granted during the year <sup>1,2,8</sup>	Vested during the year <sup>3,8</sup>	Lapsed during the year <sup>4</sup>	Total as at 31 Dec <sup>5</sup>	Granted during the year <sup>1,2,8</sup>	Vested during the year <sup>6,8</sup>	Lapsed during the year <sup>4</sup>	
Mike Ferraro (CEO)	2021	203,794	256,957	(203,794)	-	256,957	472,800	(394,341)	-	-
	2020	183,515	203,794	(183,515)	-	203,794	472,800	(418,414)	-	-
Grant Dempsey (CFO)	2021	104,396	131,631	(104,396)	-	131,631	242,200	(202,006)	-	-
	2020	49,842	104,396	(49,842)	-	104,396	242,200	(79,000)	-	-

1. Mr Ferraro receives Conditional Rights replacing an STI component. The number of Conditional Rights is determined by dividing the set value of \$472,800 (2020: \$472,800) by a Volume Weighted Average Price (VWAP) of \$1.84 (2020: \$2.32), independently calculated by Mercer. 2. Mr Dempsey receives Conditional Rights replacing an STI component. The number of Conditional Rights is determined by dividing the set value of \$242,200 (2020: \$242,200) by a VWAP of \$1.84 (2020: \$2.32). 3. On vesting, each Conditional Right automatically converts into an ordinary share in Alumina Limited. The terms of Conditional Rights granted were not altered during 2021. The number of Conditional Rights vested is the number granted in the prior years, following the completion of the required conditions. For both Mr Ferraro and Mr Dempsey there is a three-year trading restriction on the shares from grant date as long as they remain employed by the Company. 4. No Conditional Rights lapsed. 5. Number of Conditional Rights yet to meet the required condition and have not lapsed. 6. Value vested is equal to the number of Conditional Rights that have satisfied the required conditions multiplied by the share price at the time of vesting. In 2021, for Mr Ferraro, it was 203,794 Conditional Rights by the share price of \$1.935 on 7 January 2021 (2020: 183,515 Conditional Rights by the share price of \$2.28 on 8 January 2020). In 2021, for Mr Dempsey, it was 104,396 Conditional Rights by the share price of \$1.935 on 7 January 2021 (2020: 49,842 Conditional Rights by the share price of \$1.59 on 17 August 2020). 7. The maximum value of the Conditional Rights is based on the number of rights that vest and are released at the expiration of the conditional period, multiplied by the share price on the date of release. 8. There is a three-year trading restriction on the shares from grant date. The value of the equity remains subject to performance of the Company's share price.

### 4.2 Value change over time of the CEO's and CFO's Conditional Rights

Executive KMP	Year	Number of rights <sup>1,2</sup>	Value of rights (A\$)		
			As at the grant date <sup>1,2</sup>	As at vesting date <sup>3</sup>	As at 31 December 2021 <sup>4</sup>
Mike Ferraro (CEO)	2021	256,957	472,800	-	479,225
	2020	203,794	472,800	394,341	-
	Total	460,751	945,600	394,341	479,225
Grant Dempsey (CFO)	2021	131,631	242,200	-	245,492
	2020	104,396	242,200	202,006	-
	Total	236,027	484,400	202,006	245,492

1. The number of Conditional Rights is determined by dividing the set value of \$472,800 (2020: \$472,800) by a VWAP of \$1.84 (2020: \$2.32), independently calculated by Mercer. 2. The number of Conditional Rights is determined by dividing the set value of \$242,200 (2020: \$242,200) by a VWAP of \$1.84 (2020: \$2.32), independently calculated by Mercer. 3. The value of Conditional Rights vested is determined by the number of vested Rights multiplied by the market price at the vesting date. 4. The value of Conditional Rights as at 31 December 2021 is determined by the number of vested Rights multiplied by the market price at the date.

**4.3 Reconciliation of Performance Rights held by KMP**

	Year <sup>1</sup>	Number of Performance Rights						
		Total as at 1 January <sup>2</sup>	Granted during the year <sup>3</sup>	Exercised during the year <sup>4,5</sup>	Lapsed during the year <sup>6</sup>	Total as at 31 December <sup>7</sup>	Yet to be exercised as at 31 December	Yet to vest as at 31 December
Executive KMP								
Mike Ferraro	2021	437,800	291,800	-	(213,300)	516,300	-	516,300
	2020	553,200	224,500	(221,886)	(118,014)	437,800	-	437,800
Grant Dempsey	2021	50,500	134,600	-	-	185,100	-	185,100
	2020	-	50,500	-	-	50,500	-	50,500
Stephen Foster	2021	308,850	126,700	(113,350)	(98,000)	224,200	-	224,200
	2020	319,100	97,500	(60,000)	(47,750)	308,850	113,350	195,500
Andrew Wood	2021	109,500	70,900	-	(54,900)	125,500	-	125,500
	2020	108,400	54,600	(26,750)	(26,750)	109,500	-	109,500

1. 2021 include Performance Rights granted on 25 January 2021 (2020: 20 January 2020) for the three-year performance test period concluding 12 December 2023 (2020: 12 December 2022). The award of performance rights to the CEO was approved by shareholders at the AGM on 25 May 2021 (2020: 20 May 2020). 2. Includes the number of Performance Rights granted that were subject to testing in 2021. 3. The terms of Performance Rights granted were not altered during 2021. Number of Performance Rights granted calculated as the annual dollar value of the LTI grant divided by the average Company share price over the 20 trading days leading up to the time that the Board determined to make offers under the LTI plan for the relevant year. 4. 2021 include the number of Performance Rights that, due to testing of the relevant Tranche, were vested and exercised in 2021. It also includes Performance Rights vested in previous years that were exercised in 2021. 5. Performance Rights vest on satisfaction of the performance criteria. The eligible participant then enters an exercise period that concludes at 5:00pm (Melbourne time) on the date that is seven years after vesting. Vested ESP entitlements that are not exercised by the end of the Exercise Period will lapse (and consequently no Shares will be allocated, and no Cash Settlement Amounts will be paid, in respect of those vested ESP entitlements). However, if any of eligible participants vested ESP entitlements would otherwise lapse at the end of the Exercise Period because of this rule, and they have not previously notified Alumina Limited that they do not wish those vested ESP entitlements to be exercised, then they will be deemed to be exercised by the eligible participant. 6. The number of the Performance Rights that did not meet the criteria for vesting and therefore lapsed. As disclosed in section 2.3, zero per cent of Performance Rights vested in 2021 due to testing of Tranche 19. 7. Includes number of Performance Rights granted subject to future testing (yet to vest) and number of Performance rights vested but yet to be exercised.

	Year <sup>1</sup>	Value of Performance Rights (A\$)				Minimum value of grants yet to vest <sup>3</sup>	Maximum value of grant yet to vest <sup>1</sup>
		Granted during the year <sup>1</sup>	Exercised during the year <sup>2</sup>	Lapsed during the year <sup>1</sup>	Yet to be exercised <sup>1</sup>		
Executive KMP							
Mike Ferraro	2021	214,473	-	(315,684)	-	-	349,173
	2020	134,700	381,256	(176,251)	-	-	418,389
Grant Dempsey	2021	129,216	-	-	-	-	187,544
	2020	58,328	-	-	-	-	58,328
Stephen Foster	2021	121,632	190,221	(130,340)	-	-	234,245
	2020	112,613	96,600	(68,044)	135,612	-	242,953
Andrew Wood	2021	68,064	-	(73,017)	-	-	131,127
	2020	63,063	49,060	(38,119)	-	-	136,080

1. Calculated by multiplying the number of Performance Rights granted by the fair value as at the date of the grant, independently calculated by Mercer Consulting (Australia) using the assumptions underlying the Black-Scholes methodology to produce a Monte Carlo simulation model that accommodates features associated with Alumina Limited's ESP such as exercise, lapse and performance hurdles. 2. The value of Performance Rights exercised is determined by the number of Rights multiplied by the market price at the exercise date. 3. The minimum value of the Performance Rights for any given year is zero.



**4.4 Reconciliation of ordinary shares held by KMP**

	Year <sup>1</sup>	Number of ordinary shares					
		Total as at 1 January <sup>1</sup>	Acquired during the year under LTI <sup>2</sup>	Acquired during the year under CEO and CFO Conditional Rights	Other shares acquired during the year	Sold during the year	Total as at 31 December
Executive KMP							
Mike Ferraro	2021	764,833	-	203,794	-	-	968,627
	2020	359,432	221,886	183,515	-	-	764,833
Grant Dempsey	2021	49,842	-	104,396	-	-	154,238
	2020	-	-	49,842	-	-	49,842
Stephen Foster	2021	1,084,697	113,350	-	92,152	(160,000)	1,130,199
	2020	970,293	60,000	-	54,404	-	1,084,697
Andrew Wood	2021	382,283	-	-	-	-	382,283
	2020	355,533	26,750	-	-	-	382,283

1. Number of shares held at 1 January and 31 December of the respective years include directly held, and nominally held shares, and shares held by personally related entities. 2. December 2021 testing of 2019 Performance Rights resulted in zero per cent vesting of total potential entitlement. Therefore, for 2021 number of Rights include Performance rights vested in prior years, which were exercised during 2021. For 2020, includes vested 2018 Performance Rights that were tested in December 2020 and Rights vested in prior years, which were exercised in 2020.

#### 4.5 CEO and Senior Executives service agreements

Remuneration and other terms of employment for executives are formalised in service agreements. Major provisions of the agreements relating to remuneration are set out below.

Termination benefits are within the limits set by the *Corporations Act 2001* (Cth).

Term of agreement and notice period	Termination payments <sup>1</sup>
<b>Mike Ferraro</b>	
<ul style="list-style-type: none"> <li>No fixed term.</li> <li>12 month written notice from either party.</li> <li>Mr Ferraro's employment may be terminated immediately for any conduct that would justify summary dismissal.</li> </ul>	<ul style="list-style-type: none"> <li>Alumina Limited may, at its discretion, make a payment in lieu of some or all of the notice period.</li> <li>Any payment to be made to Mr Ferraro in lieu of notice shall be calculated based on his Fixed Annual Reward. He would also receive any statutory entitlements.</li> <li>Number of shares equal to the granted Conditional Rights that would have vested during notice period.</li> <li>In addition to the above, Mr Ferraro may terminate his employment by giving notice to Alumina Limited (effective immediately or up to six months later) in the event of a Significant Change. In that case Mr Ferraro will be entitled to receive a payment equal to 12 months' Fixed Annual Reward less the amount received during any period of notice served. He will also be entitled to payment in lieu of accrued annual and long service leave entitlements.</li> </ul>
<b>Grant Dempsey, Stephen Foster and Andrew Wood</b>	
<ul style="list-style-type: none"> <li>No fixed term.</li> <li>Six month notice from the Company, three month notice from Mr Dempsey and Mr Foster.</li> <li>Four month notice from the Company, two month notice from Mr Wood.</li> </ul>	<p>A payment in lieu of accrued annual and long service leave entitlements and an additional payment which is the greater of:</p> <ul style="list-style-type: none"> <li>A payment equivalent to six months Base Remuneration; or</li> <li>A payment comprising: <ul style="list-style-type: none"> <li>Notice payment (the greater of 12 weeks or notice provided within employment contract),</li> <li>severance payment of 2.5 weeks per complete year of service, pro-rated for completed months of service; and</li> <li>nine weeks ex gratia payment.</li> </ul> </li> </ul>

<sup>1</sup> Payable upon termination with notice for reasons other than unsatisfactory performance and suitable alternative employment is not offered by the Company or if they do not accept other employment, or in the event of a significant change (which is defined to be if Alumina Limited ceases to be listed on the ASX or if there is a significant change to the executive's status and/or responsibilities that is detrimental to the executive). Calculated according to the "Base Remuneration", which is defined as FAR for Mr Ferraro and Mr Dempsey; and FAR + STI at target for Mr Foster and Mr Wood. The above termination entitlements are subject to any restrictions imposed by the Corporations Act.

#### 4.6 Cessation of employment

Subject to Board discretion, where an executive ceases employment during the performance period any unvested incentives will be pro-rated to time and left-on foot to be tested in accordance with the original terms of the LTI.

On 1 November 2021, Alumina Limited announced that Mr Dempsey resigned as the Company's CFO, effective from 31 January 2022. Mr Dempsey served until the end of his notice period and in accordance with his employment contract was paid:

- FAR up to the date of resignation; Conditional Rights, granted in January 2021, vested in January 2022 (prior to cessation of the employment). No Conditional Rights were granted to Mr Dempsey in 2022;
- Unvested Performance Rights were lapsed proportional to the amount of the testing period that had not yet elapsed at the time of ceasing employment. In total Mr Dempsey had 185,100 - Performance Rights prior to his resignation. After applying pro rata allocation, 98,224 rights lapsed and 86,876 rights were retained by Mr. Dempsey, subject to future performance testing in December 2022 and December 2023.

Mr Dempsey was not entitled to any additional termination payments and none were paid to him in connection with his cessation of employment.

#### 4.7 Change of control

In the event of a change in control, the Board may bring forward the testing date for the LTI performance conditions, or waive those conditions, and/or shorten the exercise period for Performance Rights that have already vested or that vest subsequently. The Board may also, in its discretion, determine that cash settlement amounts will be paid in respect of any vested Performance Rights.

#### 4.8 Clawback policy

Alumina Limited has a Clawback Policy that provides scope for the Board to recoup incentive remuneration paid to the CEO and senior executives where:

- material misrepresentation or material restatement of Alumina Limited's financial statements occurred as a result of fraud or misconduct by the CEO or any senior executives; and
- the CEO or senior executives received incentive remuneration in excess of that which should have been received if the Alumina Limited financial statements had been correctly reported.

The Board also may seek to recover gains from the sale or disposition of vested shares and determine to cancel unvested equity awards.

#### 4.9 Share trading and hedge prohibition

Conditional Rights granted to CEO and CFO and Performance Rights granted under Alumina Limited's LTI plan must remain at risk until fully vested. This is consistent with Alumina Limited's Share Trading Policy that prohibits Directors and employees from engaging in:

- short-term trading of any Alumina Limited securities
- buying or selling Alumina Limited securities if they possess unpublished, price-sensitive information; or
- trading in derivative products over the Company's securities, or entering into transactions in products that limit the economic risk of their security holdings in the Company.

This report is made in accordance with a resolution of the Directors.



W Peter Day  
Chairman

22 March 2022

# FINANCIAL REPORT



The Financial Report covers the consolidated entity consisting of Alumina Limited (the Company or parent entity) and its subsidiaries (together the Group). The financial report is presented in US dollars, unless otherwise specified.

Alumina Limited is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is: **Alumina Limited, Level 36, 2 Southbank Boulevard, Southbank Victoria 3006.**

A description of the nature of the consolidated entity's operations and its principal activities is included in the Operating and Financial Review on pages 22-47 of the Annual Report. The Operating and Financial Review is not part of this Financial Report.

The financial report was authorised for issue by the Directors on 22 March 2022.

All press releases, financial reports and other information are available at our Investor Centre on our website [www.aluminalimited.com](http://www.aluminalimited.com).

## Consolidated financial statements

Consolidated statement of profit or loss and other comprehensive income	78
Consolidated balance sheet	79
Consolidated statement of changes in equity	80
Consolidated statement of cash flows	81

## Notes to the consolidated financial statements for the year ended 31 December 2021

About this report	82
-------------------	----

## Group structure and AWAC performance

1. Segment information	83
2. Investment in associates	84
3. Investments in controlled entities	87

## Financial and capital risk

4. Financial assets and liabilities	88
5. Financial risk management	90
6. Capital management	94

## Key numbers

7. Expenses	95
8. Income tax expense	96
9. Equity	99
10. Cash flow information	101

## Additional disclosures

11. Related party transactions	103
12. Share-based payments	104
13. Remuneration of auditors	105
14. Commitments and contingencies	106
15. Events occurring after the reporting period	106
16. Parent entity financial information	106
17. Deed of cross guarantee	108
18. New accounting standards and interpretations not yet adopted	110

## Signed reports

Directors' declaration	111
Independent auditor's report to the members of Alumina Limited	112

## Consolidated statement of profit or loss and other comprehensive income

	Notes	US\$ million	
		2021	2020
Revenue from continuing operations		-	0.1
Share of net profit of associates accounted for using the equity method	2(c)	204.6	164.6
General and administrative expenses	7(a)	(13.3)	(12.6)
Foreign exchange gains/(losses)		-	0.2
Finance costs	7(b)	(3.7)	(5.2)
<b>Profit before income tax</b>		<b>187.6</b>	<b>147.1</b>
Income tax expense	8	-	(0.5)
<b>Profit for the year attributable to the owners of Alumina Limited</b>		<b>187.6</b>	<b>146.6</b>
<b>Other comprehensive (loss)/income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Share of reserve movements accounted for using the equity method		4.5	(11.5)
Foreign exchange translation difference	9(b)	(91.9)	(14.7)
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurements of post-employment benefit obligations accounted for using the equity method		33.4	(7.5)
<b>Other comprehensive (loss)/income for the period, net of tax</b>		<b>(54.0)</b>	<b>(33.7)</b>
<b>Total comprehensive income for the year attributable to the owners of Alumina Limited</b>		<b>133.6</b>	<b>112.9</b>

## Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company

	Notes	US cents	
		2021	2020
Basic earnings per share	9(a)	6.5	5.1
Diluted earnings per share	9(a)	6.5	5.1

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



## Consolidated balance sheet

	Notes	US\$ million	
		2021	2020
<b>Current assets</b>			
Cash and cash equivalents	4(a)	9.1	10.4
Other assets		1.5	1.8
<b>Total current assets</b>		<b>10.6</b>	<b>12.2</b>
<b>Non-current assets</b>			
Right of use asset		2.3	–
Investment in associates	2(c)	1,741.8	1,784.5
<b>Total non-current assets</b>		<b>1,744.1</b>	<b>1,784.5</b>
<b>Total assets</b>		<b>1,754.7</b>	<b>1,796.7</b>
<b>Current liabilities</b>			
Payables		0.3	0.7
Provisions and other liabilities		1.2	0.6
Tax payable		–	0.1
<b>Total current liabilities</b>		<b>1.5</b>	<b>1.4</b>
<b>Non-current liabilities</b>			
Borrowings	4(b)	65.0	60.0
Lease liability		1.7	–
Provisions		0.9	0.7
<b>Total non-current liabilities</b>		<b>67.6</b>	<b>60.7</b>
<b>Total liabilities</b>		<b>69.1</b>	<b>62.1</b>
<b>Net assets</b>		<b>1,685.6</b>	<b>1,734.6</b>
<b>Equity</b>			
Contributed equity	9(a)	2,706.7	2,706.7
Treasury shares	9(a)	(1.2)	(0.8)
Reserves		(1,396.8)	(1,310.0)
Retained earnings		376.9	338.7
<b>Total equity</b>		<b>1,685.6</b>	<b>1,734.6</b>

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

## Consolidated statement of changes in equity

	Notes	US\$ million			
		Contributed and other equity <sup>1</sup>	Reserves	Retained earnings	Total
<b>Balance as at 1 January 2020</b>		<b>2,682.1</b>	<b>(1,283.9)</b>	<b>383.9</b>	<b>1,782.1</b>
Profit for the year		-	-	146.6	146.6
Other comprehensive loss for the period		-	(26.2)	(7.5)	(33.7)
<b>Transactions with owners in their capacity as owners:</b>					
Dividends paid		-	-	(184.3)	(184.3)
Movement in share capital	9(a)	23.8	-	-	23.8
Movement in share-based payments reserve		-	0.1	-	0.1
<b>Balance as at 31 December 2020</b>		<b>2,705.9</b>	<b>(1,310.0)</b>	<b>338.7</b>	<b>1,734.6</b>
<b>Balance as at 1 January 2021</b>		<b>2,705.9</b>	<b>(1,310.0)</b>	<b>338.7</b>	<b>1,734.6</b>
Profit for the year		-	-	187.6	187.6
Other comprehensive (loss)/income for the period		-	(87.4)	33.4	(54.0)
<b>Transactions with owners in their capacity as owners:</b>					
Dividends paid		-	-	(182.8)	(182.8)
Movement in treasury shares	9(a)	(0.4)	-	-	(0.4)
Movement in share-based payments reserve		-	0.6	-	0.6
<b>Balance as at 31 December 2021</b>		<b>2,705.5</b>	<b>(1,396.8)</b>	<b>376.9</b>	<b>1,685.6</b>

1. Comprises contributed equity and treasury shares.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Consolidated statement of cash flows

	Notes	US\$ million	
		2021	2020
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees (inclusive of goods and services tax)		(13.0)	(12.3)
GST refund received		0.5	0.5
Dividends received from associates		191.1	171.4
Finance costs paid		(3.3)	(4.9)
Tax paid		(0.1)	(0.4)
Other		-	0.1
<b>Net cash inflow/(outflow) from operating activities</b>	10(a)	<b>175.2</b>	<b>154.4</b>
<b>Cash flows from investing activities</b>			
Payments for investments in associates		(26.0)	(24.5)
Proceeds from return of invested capital		28.4	35.8
<b>Net cash inflow/(outflow) from investing activities</b>	2(c)	<b>2.4</b>	<b>11.3</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		160.0	197.0
Repayment of borrowings		(155.0)	(207.0)
Payment for shares acquired by the Alumina Employee Share Plan		(0.8)	(0.9)
Dividends paid		(182.8)	(160.5)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(178.6)</b>	<b>(171.4)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1.0)</b>	<b>(5.7)</b>
Cash and cash equivalents at the beginning of the financial year		10.4	15.2
Effects of exchange rate changes on cash and cash equivalents		(0.3)	0.9
<b>Cash and cash equivalents at the end of the financial year</b>	4(a)	<b>9.1</b>	<b>10.4</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## Notes to the Consolidated Financial Statements for the year ended 31 December 2021

### About this report

Alumina Limited is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial report of the Group for the year ended 31 December 2021 was authorised for issue in accordance with a resolution of the Directors on 22 March 2022.

The consolidated financial report is a general purpose financial report which:

- incorporates assets, liabilities and results of operations of all Alumina Limited's subsidiaries and equity accounts its associates. For the list of the Company's associates and subsidiaries refer Notes 2(a) and 3 respectively.
- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (AAS) and Interpretations issued by the Australian Accounting Standards Board (AASB). Alumina Limited is a for profit entity for the purpose of preparing the financial statements.
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.
- has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss.
- the Company is of a kind referred to in the Australian Securities and Investments Commission Corporations Instrument 2016/191, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Legislative Instrument to the nearest hundred thousand dollars, and presented in US dollars, except where otherwise required.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are effective for the annual reporting period beginning 1 January 2021.
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective.
- presents reclassified comparative information where required for consistency with the current year's presentation.

### The notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature,
- it is important for the understanding of the results of the Group, or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

- **Group structure and Alcoa World Alumina and Chemicals ("AWAC") performance:** explains the group structure and information about AWAC's financial position and performance and its impact on the Group.
- **Financial and capital risk:** provides information about the Group's financial assets and liabilities and discusses the Group's exposure to various financial risks and explains how these affect the Group's financial position and performance and what the Group does to manage these risks. It also describes capital management objectives and practices of the Group.
- **Key numbers:** provides a breakdown of individual line items in the financial statements that the Directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items.
- **Additional disclosures:** provides information on items, which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements. However, they are not considered critical in understanding the financial performance of the Group and are not immediately related to the individual line items in the financial statements.

### Accounting policies, critical accounting estimates and judgements

Significant and other accounting policies that summarise the measurement basis used and are relevant to the understanding of the financial statements, as well as critical accounting estimates and judgements are provided throughout the notes to the financial statements.

### Foreign currency translation

The consolidated financial statements are presented in US dollars, which is Alumina Limited's presentation and functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of these transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when they are deferred in other equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

The results and financial position of the Group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- all resulting exchange differences are recognised in other comprehensive income.

- on consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold, its share of such exchange differences is reclassified to the profit or loss, as part of the gain or loss on sale.

## Group structure and AWAC performance

### 1. Segment Information

Alumina Limited's sole business undertaking is in the global bauxite, alumina and aluminium industry, which it conducts primarily through bauxite mining and alumina refining. All of those business activities are conducted through its 40% investments in AWAC. Alumina Limited's equity interest in AWAC forms one reportable segment. A full description of Alumina Limited's business model is included in the Operating and Financial Review on pages 22-47 of the Annual Report.

The equity interest in AWAC is represented by investments in a number of entities in different geographical locations.

US\$ million					
Year ended 31 December 2021	Australia	Brazil	Spain	Other	Total
Investments in associates	1,204.8	429.9	69.1	38.0	1,741.8
Assets	12.4	0.2	-	0.3	12.9
Liabilities	(69.0)	-	-	(0.1)	(69.1)
<b>Consolidated net assets</b>	<b>1,148.2</b>	<b>430.1</b>	<b>69.1</b>	<b>38.2</b>	<b>1,685.6</b>

US\$ million					
Year ended 31 December 2020	Australia	Brazil	Spain	Other	Total
Investments in associates	1,188.0	448.0	133.5	15.0	1,784.5
Assets	11.6	0.3	-	0.3	12.2
Liabilities	(61.9)	-	-	(0.2)	(62.1)
<b>Consolidated net assets</b>	<b>1,137.7</b>	<b>448.3</b>	<b>133.5</b>	<b>15.1</b>	<b>1,734.6</b>



## 2. Investment in associates

### a) Alcoa World Alumina and Chemicals

Alumina Limited has an interest in the following entities forming AWAC:

Name	Principal activities	Country of incorporation	Percentage ownership	
			2021	2020
Alcoa of Australia Limited	Bauxite, alumina & aluminium production	Australia	40	40
Alcoa World Alumina LLC	Bauxite and alumina trading & production	USA	40	40
Alumina Espanola S.A.	Alumina production	Spain	40	40
Alcoa World Alumina Brasil Ltda.	Bauxite and alumina production	Brazil	40	40
AWA Saudi Ltda.	Bauxite and alumina production	Hong Kong	40	40

The audited combined financial statements of the entities forming AWAC are prepared in accordance with Accounting Principles Generally Accepted in the United States of America (US GAAP). Alcoa of Australia Limited (AWAC entity) further issues audited financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and interpretations issued by Australian Accounting Standards Board.

For the remaining AWAC entities, adjustments are made to convert the accounting policies under US GAAP to Australian Accounting Standards. The principal adjustments are to create an additional asset retirement obligation for dismantling, removal and restoration of certain refineries, differences in the recognition of actuarial gains and losses on certain defined benefit pension plans and the reversal of certain fixed asset uplifts included in Alcoa World Alumina Brasil Ltda.

In arriving at the value of these GAAP adjustments, Management is required to use accounting estimates and exercise judgement in applying the Group's accounting policies. The note below provides an overview of the areas that involved a higher degree of judgement or complexity.

### b) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

### Retirement benefit obligations

The Group recognises a net liability for retirement benefit obligations under the defined benefit superannuation arrangements through its investment in AWAC. All plans are valued in accordance with AASB 119 Employee Benefits. These valuations require actuarial assumptions to be made. All re-measurements are recognised in other comprehensive income.

### Asset retirement obligations

The estimated costs of rehabilitating mined areas and restoring operating sites are reviewed annually and fully provided at the present value. The amount of obligations recognised under US GAAP by AWAC is adjusted to be in compliance with AAS. This requires judgemental assumptions regarding the reclamation activities, plant and site closure and discount rates to determine the present value of these cash flows.

### Carrying value of investments in associates

The Group assesses at each reporting period whether there is objective evidence that the investment in associates is impaired by:

- Performing an impairment indicators assessment to consider whether indicators of impairment exist;
- If indicators of impairment exist, calculating the recoverable amount of the investment in AWAC using a discounted cash flow model ("DCF model"); and
- Comparing the resulting value to the carrying value.

The key considerations reviewed as a part of impairment indicators assessment are the assumptions used in the DCF model to estimate future cash flows, including those relating to future alumina and aluminium

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

prices, exchange rates, energy prices and other input prices. Key assumptions are determined with reference to industry participants and brokers' forecasts, commodity and currency forward curves and industry consultant views. The effect of climate related risks and opportunities is also considered when performing a test for impairment indicators.

If a DCF model is prepared, the cash flows are discounted to net present value using the weighted average cost of capital (WACC).

Furthermore, the following sensitivity analyses (stress testing) are performed over the value in use calculation:

- Commodities, including aluminium, alumina, caustic, coal, oil and gas price fluctuations (plus or minus 10%). AWAC's future cash flows are most sensitive to alumina price fluctuations.
- Currency rate fluctuation (plus or minus 10%).
- Increased WACC.

As a final check, the carrying value of the investment in associates is compared to Alumina Limited's market capitalisation and to major analysts' valuations.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

No indicators of impairment were identified, therefore there was no requirement to prepare a full impairment analysis and no impairment loss was recognised in the years ended 31 December 2021 and 31 December 2020.

**c) Summarised financial information for AWAC**

The information disclosed in the tables below reflects the amounts presented in the AWAC financial statements amended to reflect adjustments made by Alumina Limited when using the equity method, including adjustments for differences in accounting policies.

Summarised balance sheet	US\$ million	
	2021	2020
Current assets	1,735.8	1,349.4
Non-current assets	4,876.4	5,305.6
Current liabilities	(1,413.6)	(1,184.7)
Non-current liabilities	(1,445.2)	(1,613.9)
<b>Net assets</b>	<b>3,753.4</b>	<b>3,856.4</b>
<b>Reconciliation to investment in associates balance:</b>		
Group Share as a percentage	40%	40%
Group Share in dollars	1,501.4	1,542.6
Goodwill	175.8	175.8
Net value of mineral rights and bauxite assets	96.4	98.5
Deferred tax liability (DTL) on mineral rights and bauxite assets	(31.8)	(32.4)
<b>Carrying value</b>	<b>1,741.8</b>	<b>1,784.5</b>
<b>Reconciliation of carrying amount:</b>		
Opening carrying value 1 January	1,784.5	1,836.8
Net additional (return)/funding in AWAC entities	(2.4)	(11.3)
Profit for the year	204.6	164.6
Other comprehensive (loss)/income for the year	(53.8)	(34.2)
Dividends and distributions paid	(191.1)	(171.4)
<b>Closing carrying value</b>	<b>1,741.8</b>	<b>1,784.5</b>

**2. Investment in associates** (continued)**Summarised statement of profit or loss and other comprehensive income**

	US\$ million	
	2021	2020
Revenues	5,224.1	4,329.5
Profit from continuing operations	515.3	415.3
<b>Profit for the year</b>	<b>515.3</b>	<b>415.3</b>
Other comprehensive(loss)/ income for the year	(134.5)	(85.6)
<b>Total comprehensive income for the year</b>	<b>380.8</b>	<b>329.7</b>
<b>Reconciliation to share of net profit of associates:</b>		
Group Share of profit for the year as a percentage	40%	40%
Group Share of profit for the year in dollars	206.1	166.1
Mineral rights and bauxite amortisation	(2.1)	(2.1)
Movement in deferred tax liability on mineral rights and bauxite assets	0.6	0.6
<b>Share of net profit of associates accounted for using equity method</b>	<b>204.6</b>	<b>164.6</b>

**d) Commitments and contingent liabilities for AWAC****Contingent liabilities – claims**

There are potential obligations due to the various lawsuits and claims and proceedings which have been, or may be, instituted or asserted against entities within AWAC, including those pertaining to environmental, product liability, safety and health and tax matters. While the amounts claimed may be substantial, the ultimate liability cannot now be determined because of the considerable uncertainties that existed at balance date. Also, not every plaintiff has specified the amount of damages sought in their complaint. Therefore, it is possible that the results of operations or liquidity in a particular period could be materially affected by certain contingencies.

Pursuant to the terms of the AWAC Formation Agreement, Arconic Inc, Alcoa Corporation and Alumina Limited have agreed to remain liable for Extraordinary Liabilities (as defined in the agreement) as well as for certain other pre-formation liabilities, such as environmental conditions, to the extent of their pre-formation ownership of the AWAC entity or asset with which the liability is associated.

As previously reported, the Australian Taxation Office (ATO) has undertaken a transfer pricing examination in respect of certain historical third-party alumina sales made by Alcoa of Australia Limited (AoA) over

a 20-year period. As a result of that examination, the ATO had issued a statement of audit position (SOAP) to AoA. The SOAP was the subject of an internal review process within the ATO. The ATO completed that process, and on 7 July 2020 issued AoA with Notices of Assessment (the Notices) in respect of this matter. The Notices assert claims for additional income tax payable by AoA of approximately A\$214 million. The Notices also include claims for compounded interest on the primary tax amount totalling approximately A\$707 million.

In accordance with the ATO's dispute resolution practices, on 30 July 2020, AoA paid 50% of the assessed primary income tax amount (exclusive of interest and any penalties), being approximately A\$107 million, out of cash flows. In exchange, the ATO will not seek further payment prior to final resolution of the matter.

On 17 September 2020, the ATO issued a position paper with its preliminary view on the imposition of administrative penalties related to the tax assessment issued to AoA. This paper proposed penalties of approximately A\$128 million.

AoA disagreed with the Notices and with the ATO's proposed position on penalties. In September 2020, AoA lodged formal objections to the Notices. In the fourth quarter of 2020, AoA provided a submission on the ATO's

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

imposition of interest, and also submitted a response to the ATO's position paper on penalties. AoA submissions propose that the interest amount should be remitted (i.e. should not be fully payable) and no penalties should be payable. After the ATO completes its review of AoA's response to the penalties position paper, the ATO could issue a penalty assessment.

To date, AoA has not received a determination from the objections team on the Notices, nor has it received a response to its position paper on interest or its response to the ATO's position paper on penalties.

On 1 February 2022, AoA submitted statutory notices to the ATO requiring the ATO to make decisions on AoA's objections within a 60-day period.

AoA's obligation to make any further payment of the primary tax amount, or payment of any penalty or interest amount, will be determined through the objection and court processes available to AoA. If AoA is ultimately fully successful, the 50% part-payment to the ATO would be refunded. Further interest on the unpaid amounts will continue to accrue during the dispute.

The Company understands that AoA will defend its position in respect of the ATO's Notices and any penalties imposed.

**Commitments**

AWAC has outstanding bank guarantees and letters of credit primarily related to environmental and leasing obligations, legal matters, and customs duties, among others.

The total amount committed under these instruments, which automatically renew or expire at various dates, mostly before 2022, was \$113.3 million at December 31, 2021.

AWAC has outstanding surety bonds primarily related to customs duties. The total amount committed under these bonds, which automatically renew or expire at various dates, between 2023 and 2026, was \$4.8 million at December 31, 2021.

**3. Investment in controlled entities**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alumina Limited as at 31 December 2021 and the results of their operations for the year then ended. The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares held by the Alumina Employee Share Plan Trust are disclosed as treasury shares and deducted from contributed equity. The Group's subsidiaries at 31 December 2021 are set out below.

Name	Notes	Place of incorporation	Percentage ownership	
			2021	2020
Alumina Employee Share Plan Pty Ltd	A	VIC, Australia	100	100
Alumina Finance Pty Ltd.	A	VIC, Australia	100	100
Alumina Holdings (USA) Inc.	B	Delaware, USA	100	100
Alumina International Holdings Pty. Ltd.	C	VIC, Australia	100	100
Alumina Brazil Holdings Pty Ltd	A	VIC, Australia	100	100
Alumina Limited Do Brasil SA	D	Brazil	100	100
Alumina (U.S.A.) Inc.	B	Delaware, USA	100	100
Butia Participações SA	D	Brazil	100	100
Westminer Acquisition (U.K.) Limited	D	UK	100	100

**A.** A small proprietary company, which is not required to prepare a financial report. **B.** A company that has not prepared audited accounts as it is non-operating or audited accounts is not required in its country of incorporation. Appropriate books and records are maintained for the company. **C.** The company has been granted relief from the necessity to prepare accounts pursuant to Australian Securities and Investment Commission (ASIC) Class Order 2016/785. For further information refer Note 17. **D.** A company that prepares separate audited accounts in the country of incorporation.

## Financial and capital risk

### 4. Financial assets and liabilities

This note provides information about the Group's financial instruments, including:

- an overview of all financial instruments held by the Group.
- specific information about each type of financial instrument.
- accounting policies.
- information about determining the fair value of the instruments.

	At fair value through profit or loss	At amortised cost	Total
<b>2021</b>	US\$ million		
Cash and cash equivalents – <i>Note 4(a)</i>	–	9.1	9.1
<b>Total financial assets</b>	–	<b>9.1</b>	<b>9.1</b>
Payables	–	(0.3)	(0.3)
Borrowings – <i>Note 4 (b)</i>	–	(65.0)	(65.0)
Lease liability	–	(1.7)	(1.7)
<b>Total financial liabilities</b>	–	<b>(67.0)</b>	<b>(67.0)</b>
<b>Net financial (liabilities)/assets</b>	–	<b>(57.9)</b>	<b>(57.9)</b>
<b>2020</b>	US\$ million		
Cash and cash equivalents – <i>Note 4(a)</i>	–	10.4	10.4
<b>Total financial assets</b>	–	<b>10.4</b>	<b>10.4</b>
Payables	–	(0.7)	(0.7)
Borrowings – <i>Note 4 (b)</i>	–	(60.0)	(60.0)
<b>Total financial liabilities</b>	–	<b>(60.7)</b>	<b>(60.7)</b>
<b>Net financial (liabilities)/assets</b>	–	<b>(50.3)</b>	<b>(50.3)</b>

The Group's exposure to various risks associated with the financial instruments is disclosed in Note 5. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above. The carrying amounts of financial assets and liabilities approximate their fair values.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**a) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

	US\$ million	
	2021	2020
Cash on hand and at bank	9.1	9.1
Money market deposits	–	1.3
<b>Total cash and cash equivalents as per the Statement of Cash Flows</b>	<b>9.1</b>	<b>10.4</b>

**b) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on establishment of loan facilities are recognised as transaction costs to the extent that it is probable that some or all of a facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of a facility will be drawn down, the fee is capitalised as a prepayment for the liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Refer to note 5(b).

	US\$ million	
	2021	2020
Bank loans	65.0	60.0
<b>Total borrowings</b>	<b>65.0</b>	<b>60.0</b>

**Bank loans**

Alumina Limited has a US\$350 million syndicated bank facility with three tranches maturing in October 2022 (US\$100 million), July 2023 (US\$150 million) and July 2024 (US\$100 million).

As at 31 December 2021 there was US\$65 million drawn against the syndicated facility so the undrawn available facility amount as at 31 December 2021 was \$285 million.

## 5. Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk: foreign currency	Financial assets and liabilities denominated in a currency other than US\$	Cash flow forecasting & sensitivity analysis	Cross-currency interest rate swaps
Market risk: interest rate	Long-term borrowings at fixed rates	Sensitivity analysis	Cross-currency interest rate swaps
Credit risk	Cash and cash equivalents, and derivative financial instruments	Credit ratings	Credit limits, letters of credit, approved counterparties list
Liquidity risk	Borrowings and other liabilities	Cash flow forecasting	Availability of committed borrowing facilities

Financial risk management is carried out by the Treasury Committee which is responsible for developing and monitoring risk management policies. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

### a) Market risk

#### *Foreign exchange risk*

Foreign exchange risk for the Group arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency.

Except as described above, the Group generally does not hedge its foreign currency exposures except through the near-term purchase of currency to meet operating requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

The Group's exposure to foreign currency risk at the end of the reporting period, as expressed in US\$, was as follows:

	USD	AUD	Other	Total
<b>2021</b>	<b>US\$ million</b>			
Cash and cash equivalents	8.3	0.7	0.1	9.1
<b>Total non-derivative financial assets</b>	<b>8.3</b>	<b>0.7</b>	<b>0.1</b>	<b>9.1</b>
Payables	-	(0.3)	-	(0.3)
Borrowings	(65.0)	-	-	(65.0)
<b>Total non-derivative financial liabilities</b>	<b>(65.0)</b>	<b>(0.3)</b>	<b>-</b>	<b>(65.3)</b>
<b>Net non-derivative financial assets/(liabilities)</b>	<b>(56.7)</b>	<b>0.4</b>	<b>0.1</b>	<b>(56.2)</b>
<b>Net financial assets/(liabilities)</b>	<b>(56.7)</b>	<b>0.4</b>	<b>0.1</b>	<b>(56.2)</b>
	USD	AUD	Other	Total
<b>2020</b>	<b>US\$ million</b>			
Cash and cash equivalents	9.8	0.5	0.1	10.4
<b>Total non-derivative financial assets</b>	<b>9.8</b>	<b>0.5</b>	<b>0.1</b>	<b>10.4</b>
Payables	-	(0.7)	-	(0.7)
Borrowings	(60.0)	-	-	(60.0)
<b>Total non-derivative financial liabilities</b>	<b>(60.0)</b>	<b>(0.7)</b>	<b>-</b>	<b>(60.7)</b>
<b>Net non-derivative financial assets/(liabilities)</b>	<b>(50.2)</b>	<b>(0.2)</b>	<b>0.1</b>	<b>(50.3)</b>
<b>Net financial assets/(liabilities)</b>	<b>(50.2)</b>	<b>(0.2)</b>	<b>0.1</b>	<b>(50.3)</b>

**5. Financial risk management** (continued)**Cash flow and fair value interest rate risk**

The Group's main interest rate risk arises from its borrowings.

Borrowings by the Group at variable rates expose it to cash flow interest rate risk. Borrowings at fixed rates would expose the Group to fair value interest rate risk. When managing interest rate risk the Group seeks to reduce the overall cost of funds. Group policy is to generally borrow at floating rates subject to availability of attractive fixed rate deals.

The consolidated entity's exposure to interest rate risk and the effective weighted interest rate after the effect of derivative instruments is set out below:

	Floating interest	Fixed interest	Non-interest bearing	Total
<b>2021</b>	<b>US\$ million</b>			
Cash and cash equivalents	9.1	-	-	9.1
<b>Total non-derivative financial assets</b>	<b>9.1</b>	<b>-</b>	<b>-</b>	<b>9.1</b>
Payables	-	-	(0.3)	(0.3)
Borrowings	(65.0)	-	-	(65.0)
<b>Total non-derivative financial liabilities</b>	<b>(65.0)</b>	<b>-</b>	<b>(0.3)</b>	<b>(65.3)</b>
<b>Net non-derivative financial (liabilities)/assets</b>	<b>(55.9)</b>	<b>-</b>	<b>(0.3)</b>	<b>(56.2)</b>
Weighted average interest rate before derivatives	1.8%	-	-	-
Weighted average interest rate after derivatives	1.8%	-	-	-

	Floating interest	Fixed interest	Non-interest bearing	Total
<b>2020</b>	<b>US\$ million</b>			
Cash and cash equivalents	9.1	1.3	-	10.4
<b>Total non-derivative financial assets</b>	<b>9.1</b>	<b>1.3</b>	<b>-</b>	<b>10.4</b>
Payables	-	-	(0.7)	(0.7)
Borrowings	(60.0)	-	-	(60.0)
<b>Total non-derivative financial liabilities</b>	<b>(60.0)</b>	<b>-</b>	<b>(0.7)</b>	<b>(60.7)</b>
<b>Net non-derivative financial (liabilities)/assets</b>	<b>(50.9)</b>	<b>1.3</b>	<b>(0.7)</b>	<b>(50.3)</b>
Weighted average interest rate before derivatives	2.6%	-	-	-
Weighted average interest rate after derivatives	2.6%	-	-	-

Had interest rates on floating rate debt during 2021 been one percentage point higher/lower than the average, with all other variables held constant, pre-tax profit for the year would have been US\$0.5 million lower/higher (2020: US\$1.0 million lower/higher).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**b) Credit risk**

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A-' are accepted, and exposure limits are assigned based on actual independent rating under Board approved guidelines.

Credit risk further arises in relation to cross guarantees given to wholly owned subsidiaries (see Note 17 for details). Such guarantees are only provided in exceptional circumstances and are subject to Board approval. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represent the Group's maximum exposure to credit risk.

**c) Liquidity risk**

Prudent liquidity risk management requires maintaining sufficient cash and credit facilities to ensure the Group's commitments and plans can be met. This is managed by maintaining committed undrawn credit facilities to cover reasonably expected forward cash requirements. Management monitors rolling forecasts of the Group's liquidity, including undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows.

The Group had the following undrawn borrowing facilities at the end of the reporting period:

	US\$ million	
	2021	2020
Expiring within one year	100.0	-
Expiring beyond one year	185.0	290.0
<b>Total undrawn borrowing facilities</b>	<b>285.0</b>	<b>290.0</b>

The table below details the Group's remaining contractual maturity for its financial liabilities.

	Less than 6 months	6-12 months	1-2 years	2-5 years	Total
<b>2021</b>	US\$ million				
Payables	0.3	-	-	-	0.3
Borrowings	-	-	65.0	-	65.0
Lease liability	0.2	0.1	0.3	1.1	1.7
<b>Total non-derivative financial liabilities</b>	<b>0.5</b>	<b>0.1</b>	<b>65.3</b>	<b>1.1</b>	<b>67.0</b>
<b>2020</b>	US\$ million				
Payables	0.7	-	-	-	0.7
Borrowings	-	-	60.0	-	60.0
<b>Total non-derivative financial liabilities</b>	<b>0.7</b>	<b>-</b>	<b>60.0</b>	<b>-</b>	<b>60.7</b>



## 6. Capital management

### a) Risk management

The Group's objective when managing capital is to safeguard the ability to continue as a going concern, so that it can continue to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group calculates the gearing ratio as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus debt.

The gearing ratios at 31 December 2021 and 31 December 2020 were as follows:

	US\$ million	
	2021	2020
Total borrowings	65.0	60.0
Less: cash and cash equivalents	(9.1)	(10.4)
<b>Net debt</b>	<b>55.9</b>	<b>49.6</b>
Total borrowings	65.0	60.0
Total equity	1,685.6	1,734.6
<b>Total capital</b>	<b>1,750.6</b>	<b>1,794.6</b>
<b>Gearing ratio</b>	<b>3.2%</b>	<b>2.8%</b>

### b) Dividends

	US\$ million	
	2021	2020
Interim dividend of US3.4 cents fully franked at 30% per fully paid share declared 24 August 2021 and paid on 15 September 2021 (2020: US2.8 cents fully franked at 30% per fully paid share declared 25 August 2020 and paid on 25 September 2020)	98.7	80.6
Final dividend of US2.9 cents fully franked at 30% per fully paid share declared 23 February 2021 and paid on 16 March 2021 (2020: US3.6 cents fully franked at 30% per fully paid share declared 25 February 2020 and paid on 17 March 2020)	84.1	103.7
<b>Total dividends</b>	<b>182.8</b>	<b>184.3</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

Since the year-end the Directors have recommended the payment of a final dividend of US2.8 cents per share (2020: US2.9 cents per share), fully franked based on the tax paid at 30%. The record date to determine entitlements to the dividend is 28 February 2022. The aggregate amount of the proposed dividend expected to be paid on 17 March 2022 out of retained earnings at 31 December 2021, but not recognised as a liability at the year-end, is \$81.2 million.

**c) Franked dividends**

	US\$ million	
	2021	2020
Franking credits available for subsequent financial years, based on a tax rate of 30% (2020: 30%)	377.7	376.6

The above amounts are calculated from the balance of the franking credits as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities and receivables for income tax and dividends after the end of the year.

	US\$ million	
	2021	2020
Fully franked dividends received from AWAC in the financial year	187.8	171.4

**Key numbers****7. Expenses****a) Employee benefits expense**

Liabilities for salaries and annual leave are recognised in current provisions (i.e. short-term employee benefits), and are measured as the amount unpaid at the reporting date at expected pay rates in respect of employees' services up to that date, including related on-costs.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash flows.

All employees of Alumina Limited are entitled to benefits upon retirement, disability or death from the Group's superannuation plan. Alumina Limited's employees are members of the Alumina Limited Super Plan managed by MLC MasterKey Super, except for employees who elected to contribute to an alternate fund. The plan is an accumulation category plan which offers a minimum Company contribution of 10 percent (9.5 percent prior to 1 July 2021) of basic salary to each member's account. Members also have the option to make voluntary contributions to their account. Employer contributions to these funds are recognised as an expense.

**7. Expenses** (continued)

	US\$ million	
	2021	2020
<b>Profit/(loss) before income tax included the following specific expenses:</b>		
Defined contribution superannuation expense	0.3	0.2
Other employee benefits expense	5.9	5.6
<b>Total employee benefits expense</b>	<b>6.2</b>	<b>5.8</b>

**b) Finance costs**

Finance costs comprise interest payable on borrowings using the effective interest rate method, commitment fees and amortisation of capitalised facility fees.

	US\$ million	
	2021	2020
<b>Finance costs:</b>		
Interest expense	1.0	2.9
Commitment and upfront fees	2.4	2.0
Amortisation of capitalised upfront fees	0.3	0.3
<b>Total finance costs</b>	<b>3.7</b>	<b>5.2</b>

**8. Income tax expense****a) Income tax expense and deferred taxes**

The income tax expense/benefit for the period is the tax payable/receivable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income.

	US\$ million	
	2021	2020
Current tax	-	(0.5)
Deferred tax	-	-
<b>Aggregate income tax expense</b>	<b>-</b>	<b>(0.5)</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing

of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Alumina Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

The Group's deferred tax assets and liabilities are attributable to the following:

	US\$ million	
	2021	2020
<b>Deferred tax liabilities</b>		
Right of use asset	(0.6)	-
Unrealised foreign exchange gains	-	(0.1)
<b>Total deferred tax liabilities</b>	<b>(0.6)</b>	<b>(0.1)</b>
<b>Deferred tax assets</b>		
Employee benefits	0.8	0.7
Lease liability	0.6	-
Other	0.6	0.6
<b>Total deferred tax assets other than tax losses</b>	<b>2.0</b>	<b>1.3</b>
<b>Net deferred tax assets/(liabilities) before tax losses</b>	<b>1.4</b>	<b>1.2</b>
<b>Deductible temporary differences and tax losses not recognised</b>	<b>(1.4)</b>	<b>(1.2)</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>-</b>	<b>-</b>

Deferred tax assets are recognised only to the extent of deferred tax liabilities existing at the reporting date. Remaining deferred tax assets are not recognised as it is not probable that future taxable amounts will be available to utilise those temporary differences and losses.

**8. Income tax expense** (continued)**b) Numerical reconciliation of income tax expense to prima facie tax payable**

	US\$ million	
	2021	2020
Profit before income tax	187.6	147.1
Prima facie tax expense for the period at the rate of 30%	(56.3)	(44.1)
The following items caused the total charge for income tax to vary from the above:		
Share of equity accounted profit not assessable for tax	(204.6)	(164.6)
Foreign income subject to accruals tax	7.0	7.6
Tax losses not recognised	9.4	9.8
Non-deductible expenses	0.6	0.6
Net movement	(187.6)	(146.6)
Tax Effect of the above adjustments at 30% (2020:30%)	56.3	43.9
Under provision of tax in prior years	-	(0.3)
Consequent decrease in charge for income tax at the rate of 30%	56.3	43.6
Aggregate income tax expense	-	(0.5)

**c) Tax expense relating to items of comprehensive income**

Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity.

	US\$ million	
	2021	2020
Cash flow hedges	1.9	(4.9)
Actuarial gains on retirement benefit obligations	15.7	(3.3)
Total tax (credit)/expense relating to items of other comprehensive income	17.6	(8.2)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**d) Tax losses not recognised**

	US\$ million	
	2021	2020
Tax losses – revenue	1,226.9	1,187.3
Tax losses – capital	1,131.8	1,109.3
<b>Total unused tax losses</b>	<b>2,358.7</b>	<b>2,296.6</b>
Potential tax benefit – revenue	293.5	285.3
Potential tax benefit – capital	339.5	332.8
<b>Total potential tax benefit</b>	<b>633.0</b>	<b>618.1</b>

**9. Equity****a) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Movement in share capital	Number of shares		US\$ million	
	2021	2020	2021	2020
Balance brought forward	2,901,681,417	2,879,843,498	2,706.7	2,682.9
Movement for the year <sup>1</sup>	-	21,837,919	-	23.8
<b>Total issued capital</b>	<b>2,901,681,417</b>	<b>2,901,681,417</b>	<b>2,706.7</b>	<b>2,706.7</b>

1. Movement for the year represents shares issued under the Dividend Reinvestment Plan.

**9. Equity** (continued)**Treasury shares**

Treasury shares are Alumina Limited shares held by the Alumina Employee Share Plan Trust for the purpose of issuing shares under the Alumina Employee Share Plan.

Movement in treasury shares	Number of shares		US\$ million	
	2021	2020	2021	2020
Balance brought forward	788,702	435,368	781,180	786,253
Shares acquired by Alumina Employee Share Plan Pty Ltd (average price: A\$1.70 per share (2020: A\$1.53 per share))	637,500	944,500	832,242	928,073
Employee performance rights vested	(432,572)	(591,166)	(414,586)	(933,146)
<b>Total treasury shares</b>	<b>993,630</b>	<b>788,702</b>	<b>1,198,836</b>	<b>781,180</b>

The weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share is calculated as the weighted average number of ordinary shares outstanding during the financial year, adjusted for treasury shares issued.

	US\$ million	
	2021	2020
Weighted average number of ordinary shares used as the denominator in the calculation of basic and diluted earnings per share	2,900,802,609	2,884,845,133

**b) Other reserves**

Other Reserves include assets revaluation reserve, capital reserve, option premium on convertible bonds reserve, share-based payments reserve, cash-flow hedge reserve and foreign currency translation reserve.

**Foreign currency translation reserve**

The foreign currency translation reserve represents exchange differences arising on the translation of non-US dollar functional currency operations within the Group into US dollars.

	US\$ million	
	2021	2020
Balance at the beginning of the financial year	(1,369.7)	(1,355.0)
Currency translation differences arising during the year	(91.9)	(14.7)
<b>Balance at the end of the financial year</b>	<b>(1,461.6)</b>	<b>(1,369.7)</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**10. Cash flow information****a) Reconciliation of profit after income tax to net cash inflow from operating activities**

	US\$ million	
	2021	2020
Profit from continuing operations after income tax	187.6	146.6
Share of net profit of associates accounted for using the equity method	(204.6)	(164.6)
Dividends and distributions received from associates	191.1	171.4
Share based payments	1.0	1.0
Other non-cash items (depreciation, net exchange differences, other)	0.1	(0.4)
<b>Sub-total</b>	<b>175.2</b>	<b>154.0</b>
<b>Change in assets and liabilities</b>		
(Decrease)/increase in payables	(0.5)	(0.1)
(Decrease)/increase in other liabilities	1.7	-
(Decrease)/increase in provisions	0.8	0.5
Decrease/(increase) in other assets	(2.0)	-
<b>Net cash inflow from operating activities</b>	<b>175.2</b>	<b>154.4</b>

**b) Non-cash financing and investing activities**

In September 2020, 21,837,919 shares in Alumina Limited, valued at \$23.8 million were issued to shareholders, who elected to participate in the dividend reinvestment plan which was applicable to the interim dividend for 2020. There were no non-cash financing and investing activities during the year ended 31 December 2021.

**10. Cash flow information** (continued)**c) Net debt reconciliation**

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	US\$ million	
	2021	2020
Cash and cash equivalents	9.1	10.4
Borrowings – repayable after one year	(65.0)	(60.0)
<b>Net debt</b>	<b>(55.9)</b>	<b>(49.6)</b>
Cash and liquid investments	9.1	10.4
Gross debt – fixed interest rates	(65.0)	(60.0)
<b>Net debt</b>	<b>(55.9)</b>	<b>(49.6)</b>

	US\$ million			
	Cash/bank overdraft	Borrowings due within 1 year	Borrowings due after 1 year	Total
<b>Net debt as at 1 January 2020</b>	<b>15.2</b>	<b>-</b>	<b>(70.0)</b>	<b>(54.8)</b>
Cash flows	(5.7)	-	10.0	4.3
Foreign exchange adjustments	0.9	-	-	0.9
Other non-cash movements	-	-	-	-
<b>Net debt as at 31 December 2020</b>	<b>10.4</b>	<b>-</b>	<b>(60.0)</b>	<b>(49.6)</b>
Cash flows	(1.0)	-	(5.0)	(6.0)
Foreign exchange adjustments	(0.3)	-	-	(0.3)
Other non-cash movement	-	-	-	-
<b>Net debt as at 31 December 2021</b>	<b>9.1</b>	<b>-</b>	<b>(65.0)</b>	<b>(55.9)</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**Additional disclosure****11. Related party transactions**

The parent entity within the Group is Alumina Limited. Balances and transactions between the parent entity and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

**a) Ownership interests in related parties**

Interests held in the following classes of related parties are set out in the following notes:

- associates – Note 2.
- controlled entities – Note 3.

**b) Compensation of key management personnel**

Detailed remuneration disclosures for the key management personnel, defined as Group Directors, CEO and Senior Executives, are provided in the remuneration report on pages 50 to 76 of this annual report.

The remuneration report has been presented in Australian dollars, whilst the financial report has been presented in US dollars. The average exchange rate for 2021 of 0.7504 (2020: 0.6908) has been used for conversion.

Directors and Senior Executives	US\$ 000's	
	2021	2020
Short-term employee benefits	3,831	3,564
Post-employment and termination benefits	150	125
Share based payments	889	875
<b>Total</b>	<b>4,870</b>	<b>4,564</b>

**c) Other transactions and balances with related parties**

There have been no other related party transactions made during the year or balances outstanding as at 31 December 2021, between the Group, its related parties, the Directors or key management personnel (2020: Nil).



## 12. Share-based payments

The Group provides benefits to employees (including the CEO and Senior Executives) through share-based incentives. Employees are incentivised for their performance in part through participation in the grant of conditional entitlement to fully paid ordinary shares (a Performance Right) via the Alumina Limited Employee Share Plan (ESP).

For further details on key features of the ESP refer to the remuneration report on pages 50 to 76 of this annual report.

Set out below are summaries of performance rights granted under the ESP.

<b>2021</b>								
Grant date	Expiry date	Balance at start of the year number	Granted during the year number	Vested during the year number	Lapsed during the year number	Balance at end of the year number	Yet to be exercised at the end of the year number	Yet to vest at the end of the year number
21/1/2019	12/12/2021	454,300	-	-	(454,300)	-	-	-
20/1/2020	12/12/2022	549,800	-	-	-	549,800	-	549,800
25/1/2021	13/12/2023	-	790,700	-	-	790,700	-	790,700
<b>Total</b>		<b>1,004,100</b>	<b>790,700</b>	<b>-</b>	<b>(454,300)</b>	<b>1,340,500</b>	<b>-</b>	<b>1,340,500</b>

<b>2020</b>								
Grant date	Expiry date	Balance at start of the year number	Granted during the year number	Vested during the year number	Lapsed during the year number	Balance at end of the year number	Yet to be exercised at the end of the year number	Yet to vest at the end of the year number
1/6/2017	31/5/2020	141,900	-	(122,886)	(19,014)	-	-	-
18/1/2018	4/12/2020	467,408	-	(233,705)	(233,703)	-	58,782	-
21/1/2019	12/12/2021	454,300	-	-	-	454,300	-	454,300
20/1/2020	12/12/2022	-	549,800	-	-	549,800	-	549,800
<b>Total</b>		<b>1,063,608</b>	<b>549,800</b>	<b>(356,591)</b>	<b>(252,717)</b>	<b>1,004,100</b>	<b>58,782</b>	<b>1,004,100</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 1.5 years (2020: 1.5 years).

In addition to the ESP, the CEO's and CFO's remuneration includes an annual share right component. This component is conditional on a minimum of 12 months service and subject to three years trading restriction from the date of the grant.

For further details refer to the remuneration report on page 53 of this Annual Report.

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefits expense were as follows:

	US\$ 000's	
	2021	2020
Performance rights granted under the Alumina Employee Share Plan	499	466
CEO annual conditional share rights grant	355	326
CFO annual conditional share rights grant	182	208
<b>Total</b>	<b>1,036</b>	<b>1,000</b>

### 13. Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, and its related practices and non-related audit firms:

	US\$ 000's	
	2021	2020
<b>PricewaterhouseCoopers Australia:</b>		
Audit and review of the financial reports	439	393
Other assurance services	3	3
<b>Related practices of PricewaterhouseCoopers Australia:</b>		
Audit and review of financial reports	25	20
Overseas taxation services	11	16
<b>Total</b>	<b>478</b>	<b>432</b>

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important provided such arrangements do not compromise audit independence. These assignments are principally tax advice or where PricewaterhouseCoopers is awarded assignments on a competitive basis.

## 14. Commitments and contingencies

### Capital commitments

There are no contractual capital commitments at reporting date but there could be future equity calls by AWAC entities in relation to working capital support. However, this is subject to market conditions.

### Contingent liabilities

There are no contingent liabilities of the Group as at 31 December 2021 and 31 December 2020, other than as disclosed in Note 2(d) and Note 16(c).

## 15. Events occurring after the reporting period

Except as disclosed in the Director's report or elsewhere in the Financial Statements, there have been no significant events occurring since 31 December 2021. Please refer to Note 6(b) for the final dividend recommended by the Directors.

## 16. Parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

### Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Alumina Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

### Intercompany loans

Loans granted by the parent entity to its subsidiaries are classified as non-current assets.

### Tax consolidation legislation

Alumina Limited and its wholly-owned Australian controlled entities have implemented tax consolidation legislation. The head entity, Alumina Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a standalone taxpayer in its own right. In addition to its own current and deferred tax amounts, Alumina Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**a) Summarised financial information**

	US\$ million	
	2021	2020
<b>Balance sheet</b>		
Current assets	10.1	11.6
Total assets	3,758.7	3,762.8
Current liabilities	1.1	1.2
Total liabilities	74.9	67.8
<b>Shareholders' equity</b>		
Issued capital	2,706.7	2,706.7
Reserves	236.9	236.4
Retained earnings	740.2	751.9
<b>Total shareholders' equity</b>	<b>3,683.8</b>	<b>3,695.0</b>
<b>Profit for the year</b>	<b>171.1</b>	<b>153.9</b>
<b>Total comprehensive income for the year</b>	<b>171.1</b>	<b>153.9</b>

**b) Guarantees entered into by the parent entity**

The parent entity has provided guarantees to certain third parties in relation to the performance of contracts by various AWAC companies.

Alumina Limited has proportionally (40%) guaranteed the payment of the obligations of Alumina Espanola SA ("Espanola") in relation to certain financial services provided by Espanola by a bank. The maximum amount payable under the guarantee is EUR8.0 million and the guarantee expires on 15<sup>th</sup> August 2022.

In addition, the parent entity has entered into a Deed of Cross Guarantee with the effect that it guarantees the debts of its wholly-owned subsidiaries. Further details of the Deed of Cross Guarantee are disclosed in Note 17. Alumina, at the request of Alcoa of Australia has also entered into a guarantee for the performance of Espanola through an inter-company short-term loan agreement if required. This will expire on the 27th September 2022.

No liability was recognised by the parent entity of the group in relation to the abovementioned guarantees, as the fair values of the guarantees are immaterial.

**c) Contingent liabilities of the parent entity**

The parent entity did not have any contingent liabilities as at 31 December 2021 or 31 December 2020. For information about guarantees given by the parent entity refer above.

**d) Contractual commitments for the acquisition of property, plant and equipment**

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment as at 31 December 2021.

**17. Deed of cross guarantee**

Alumina Limited and Alumina International Holdings Pty. Ltd. are parties to a cross guarantee under which each of these companies guarantees the debts of the other. By entering into the deed, wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 2016/785 (as amended) issued by the Australian Securities and Investments Commission.

The above companies represent a "closed group" as defined in the Class Order, and there are no other parties to the deed of cross guarantee that are controlled by Alumina Limited, they also represent the "extended closed group".

**a) Consolidated statement of profit or loss and other comprehensive income and summary movements in consolidated retained earnings**

	US\$ million	
	2021	2020
<b>Consolidated statement of profit or loss and other comprehensive income</b>		
Dividends and distributions	187.8	171.4
Other income	-	0.1
General and administrative expenses	(13.0)	(12.5)
Foreign exchange losses	-	0.2
Finance costs	(3.7)	(5.3)
<b>Profit from ordinary activities before income tax</b>	<b>171.1</b>	<b>153.9</b>
Income tax expense	-	-
<b>Net profit for the year</b>	<b>171.1</b>	<b>153.9</b>
Other comprehensive income net of tax	-	-
<b>Total comprehensive income for the year</b>	<b>171.1</b>	<b>153.9</b>
<b>Movement in consolidated retained earnings</b>		
<b>Retained profits at the beginning of the financial year</b>	<b>619.2</b>	<b>649.6</b>
Net profit for the year	171.1	153.9
Dividends provided for or paid	(182.8)	(184.3)
<b>Retained profits at the end of the financial year</b>	<b>607.5</b>	<b>619.2</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**b) Consolidated balance sheet**

	US\$ million	
	2021	2020
<b>Current assets</b>		
Cash and cash equivalents	9.0	10.2
Receivables	271.1	252.7
Other assets	1.0	1.3
<b>Total current assets</b>	<b>281.1</b>	<b>264.2</b>
<b>Non-current assets</b>		
Right of use asset	2.3	-
Investment in associates	1,631.4	1,631.4
Other financial assets	1,711.3	1,734.5
<b>Total non-current assets</b>	<b>3,345.0</b>	<b>3,365.9</b>
<b>Total assets</b>	<b>3,626.1</b>	<b>3,630.1</b>
<b>Current liabilities</b>		
Payables	0.3	0.6
Provisions and other liabilities	1.1	0.6
<b>Total current liabilities</b>	<b>1.4</b>	<b>1.2</b>
<b>Non-current liabilities</b>		
Borrowings	70.9	65.9
Other financial liabilities	1.8	-
Provisions	0.8	0.7
<b>Total non-current liabilities</b>	<b>73.5</b>	<b>66.6</b>
<b>Total liabilities</b>	<b>74.9</b>	<b>67.8</b>
<b>Net assets</b>	<b>3,551.2</b>	<b>3,562.3</b>
<b>Equity</b>		
Contributed equity	2,706.7	2,706.5
Reserves	237.0	236.6
Retained profits	607.5	619.2
<b>Total equity</b>	<b>3,551.2</b>	<b>3,562.3</b>

## 18. New accounting standards and interpretations

### i) Adopted by the group

The group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2021:

- AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions* [AASB 16], and
- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* [AASB 4, AASB 7, AASB 9, AASB 16 & AASB 139].

The change in accounting policies and amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

### ii) Not yet adopted by the group

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2021 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

## Directors' declaration

In the Directors' opinion:

- a) the financial statements and notes set out on pages 77 to 110 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial year ended on that date; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 3 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 17.

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporation Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



W Peter Day  
Chairman

22 March 2022

# INDEPENDENT AUDITOR'S REPORT



To the members of Alumina Limited

## Report on the audit of the financial report

### Our opinion

#### In our opinion:

The accompanying financial report of Alumina Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information; and
- the directors' declaration.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

**PricewaterhouseCoopers ABN 52 780 433 757**

2 Riverside Quay, Southbank VIC 3006 | GPO Box 1331 Melbourne VIC 3001 | T: 613 8603 1000 F: 61 3 8603 1999 | [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

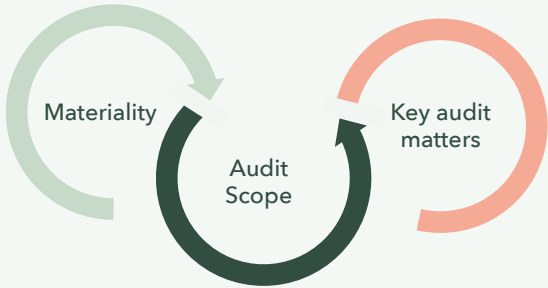


Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Alumina Limited's (Alumina) sole business undertaking is investing globally in bauxite mining and alumina refining with some minor alumina-based chemical businesses and aluminium smelting operations. All of these business activities are conducted through Alumina's 40% investment in several entities (including Alcoa of Australia Limited) which collectively form Alcoa World Alumina and Chemicals (AWAC). Alcoa Corporation owns the remaining 60% of AWAC and is the manager of these business activities. Alumina's equity interest in AWAC forms one reportable segment. Alumina participates in AWAC through the Strategic Council, which consists of three members appointed by Alcoa Corporation and two members appointed by Alumina. As Alumina does not control or operate the AWAC assets, its role involves strategic investment management on behalf of its shareholders. Accordingly, this investment has been determined to be in an associate and is accounted for under the equity method.



Materiality	Audit Scope
<ul style="list-style-type: none"><li>For the purpose of our audit we used overall Group materiality of \$18 million, which represents approximately 1% of the Group's total assets.</li><li>We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</li><li>We chose Group total assets because, in our view, it is the benchmark against which the performance of the Group, through its investment in AWAC, is most commonly measured.</li><li>We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</li></ul>	<ul style="list-style-type: none"><li>The Group engagement team directed the involvement of the component audit teams, which performed an audit of the financial information of Alcoa of Australia and AWAC.</li><li>We, the Group engagement team, determined and undertook an appropriate level of involvement in the work performed by the component audit teams, in order for us to be satisfied that sufficient audit evidence had been obtained to support our opinion on the Group financial report as a whole. We had regular communication with the component audit teams throughout the year and performed a review of their audit working papers.</li><li>We audited the equity accounting for Alumina's 40% investment in AWAC. This process included auditing certain adjustments made by Alumina to convert the AWAC results (which are prepared under US GAAP), to comply with Australian Accounting Standards (AAS). Our audit also focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li></ul>

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
<p><b>Equity accounting for Alumina Limited's investment in AWAC</b> (Refer to note 2)</p> <p>Alumina Limited's equity accounted investment in AWAC is carried at \$1,741.8 million and its current year share of the net profit of AWAC, accounted for using the equity accounting method, is \$204.6 million.</p> <p>The equity accounting method requires consistent accounting standards to be applied by the investing company and its associates. Alcoa of Australia Limited (AWAC entity) already prepares financial information under Australian Accounting Standards (AAS), therefore no conversion is required.</p> <p>The financial information of AWAC entities other than Alcoa of Australia Limited is prepared under US Generally Accepted Accounting Principles (US GAAP), therefore adjustments are required to convert certain amounts to comply with AAS.</p> <p>We determined equity accounting for Alumina Limited's investment in AWAC to be a key audit matter because of the magnitude of the investment in associates balance and the complexity and significance of, and judgement involved, in preparing the adjustments required by the Group to convert amounts accounted for under US GAAP to AAS.</p> <p>Judgement is involved in determining the differences in the accounting for areas such as the asset retirement obligation provisions, defined pension plans, and the reversal of fixed asset uplifts included in Alcoa World Alumina Brasil Ltda.</p>	<p>To assess the equity accounting for the Group's 40% investment in AWAC, we performed the following procedures amongst others:</p> <ul style="list-style-type: none"> <li>• Considered the appropriateness of the equity accounting method by reference to AAS.</li> <li>• Agreed the financial information of Alcoa of Australia Limited accounted for under AAS to the equity accounting schedule prepared by the Group.</li> <li>• Agreed the financial information of AWAC accounted for under US GAAP to the equity accounting schedule prepared by the Group.</li> <li>• Considered adjustments required to convert amounts accounted for under US GAAP to comply with AAS. To do this we: <ul style="list-style-type: none"> <li>– Tested material US GAAP to AAS adjustments by agreeing the adjustments to supporting schedules and documentation, considering the appropriateness of any judgements made; and</li> <li>– Considered whether all material transactions during the year that required a different treatment under AAS compared with US GAAP had been adjusted for.</li> </ul> </li> <li>• Reconciled the opening equity accounted investment balance to the final balance reflected in the financial report. To do this we: <ul style="list-style-type: none"> <li>– Recalculated the share of net profit and changes in reserves of AWAC by examining the schedule prepared by the Group and recalculating Alumina's 40% share; and</li> <li>– Compared dividends, distributions and capital returns received from AWAC and additional investments made through cash calls to the relevant declaration documents and bank statements.</li> </ul> </li> <li>• Considered the reasonableness of the disclosures made in the financial report against the requirements of Australian Accounting Standards.</li> </ul>



Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment indicator assessment for Alumina Limited's equity accounted investment in AWAC</b> (Refer to note 2)</p> <p>Alumina's equity accounted investment in AWAC (\$1,741.8 million) is the most material balance sheet item in the consolidated financial report.</p> <p>Under Australian Accounting Standards, Alumina Limited is required to perform an assessment to determine whether there are indicators that the equity accounted investment in AWAC could be impaired.</p> <p>Alumina's conclusion was that there was no indicator of impairment for the year ended 31 December 2021.</p> <p>We considered the impairment indicator assessment a key audit matter because Alumina's equity accounted investment in AWAC is the most material balance sheet item in the consolidated financial report and significant judgement is required to assess whether there are any indicators of impairment by reviewing future alumina and aluminium prices, exchange rates, energy prices and other input prices, and the effect of climate related risks and opportunities.</p>	<p>To evaluate the Group's impairment indicator assessment of the AWAC investment we performed the following procedures amongst others:</p> <ul style="list-style-type: none"> <li>• Developed an understanding of the process by which the Group conducted the impairment indicator assessment and whether it was appropriate under AAS.</li> <li>• Performed an independent assessment of indicators of impairment by: <ul style="list-style-type: none"> <li>– Considering future alumina and aluminium prices, exchange rates, energy prices and other input prices and the effect of climate related risks and opportunities, by reviewing both internal information and that published by external economic and industry analysts and participants;</li> <li>– Comparing the Group's market capitalisation to its net assets at 31 December 2021, noting that market capitalisation exceeded net assets; and</li> <li>– Evaluating the completeness of the Group's assessment of whether there were any other external or internal sources of information that could indicate that the investment may be impaired.</li> </ul> </li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

**Report on the remuneration report****Our opinion on the remuneration report**

We have audited the remuneration report included in pages 50 to 76 of the directors' report for the year ended 31 December 2021.

In our opinion, the remuneration report of Alumina Limited for the year ended 31 December 2021 complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

The logo for PricewaterhouseCoopers, featuring the company name in a stylized, handwritten-style font.

---

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'John O'Donoghue'.

---

**John O'Donoghue**  
Partner

Melbourne,  
22 March 2022

## Details of shareholdings and shareholders Listed Securities – 25 February 2022

Alumina Limited has 2,901,681,417 issued fully paid ordinary shares.

### Range of Units as of 25/02/2022

Range	Total holders	Units	% of Issued Capital
1–1,000	19,431	9,014,219	0.31
1,001–5,000	20,287	51,855,266	1.79
5,001–10,000	7,113	53,805,263	1.85
10,001–100,000	8,162	207,803,075	7.16
100,001 Over	409	2,579,203,594	88.89
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>55,402</b>	<b>2,901,681,417</b>	<b>100.00</b>

Of these, 6,049 shareholders held less than a marketable parcel of \$500 worth of shares (260) a total of 874,965 shares. In accordance with ASX Business Rules, the last sale price on the Company's shares on the ASX on 25 February 2022 was used to determine the number of shares in a marketable parcel.

Rank	Name	Units	% Units
1	HSBC CUSTODY NOMINEES (AUST)	683,483,485	23.55
2	CITICORP NOMINEES PTY LTD	447,359,948	15.42
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	412,168,858	14.20
4	CITIC RESOURCES AUSTRALIA PTY LTD	219,617,657	7.57
5	BESTBUY OVERSEAS CO LTD	154,114,590	5.31
6	NATIONAL NOMINEES	139,835,343	4.82
7	BESTBUY OVERSEAS CO LTD	76,145,410	2.62
8	CITIC RESOURCES AUSTRALIA PTY LTD	59,282,343	2.04
9	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	59,210,088	2.04
10	BNP PARIBAS NOMS PTY LTD <DRP>	55,489,625	1.91

Rank	Name	Units	% Units
11	CITIC AUSTRALIA PTY LTD	39,799,208	1.37
12	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	28,876,073	1.00
13	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	23,341,251	0.80
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	18,955,104	0.65
15	ARGO INVESTMENTS LIMITED	12,429,285	0.43
16	MR KENNETH JOSEPH HALL <HALL PARK A/C>	10,000,000	0.34
17	WOODROSS NOMINEES PTY LTD	8,600,000	0.30
18	BNP PARIBAS NOMS PTY LTD <GLOBAL LMARKETS DRP>	6,065,349	0.21
19	MUTUAL TRUST PTY LTD	5,575,628	0.19
20	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	5,060,662	0.17
<b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)</b>		<b>2,465,409,907</b>	<b>84.96</b>
<b>Total Remaining Holders Balance</b>		<b>436,271,510</b>	<b>15.04</b>

Each ordinary shareholder is entitled on a show of hands to vote and on a poll one vote for each share held.

The Company does not have a current on market buy-back of its shares. There are no restricted securities or securities subject to voluntary escrow.

During the reporting period, 637,500 Alumina Limited fully paid ordinary shares were purchased on market by the Alumina Employee Share Plan at an average price of \$1.69553.

Substantial shareholding as at 25 February 2022	Shareholding	%
CITIC Resources Australia Pty. Ltd.	547,459,208	19.01
Allan Gray Australia Pty. Ltd.	382,580,994	13.18
Schroder Investment Management Australia Limited	178,390,106	6.19

# FINANCIAL HISTORY

Alumina Limited and Controlled Entities as at 31 December

	US\$ millions				
	2021	2020	2019	2018	2017
Revenue from continuing operations	-	0.1	2.5	1.6	0.6
Share of net profit of associates accounted for using the equity method	204.6	164.6	232.0	653.5	360.4
General and administrative expenses	(13.3)	(12.6)	(12.1)	(11.6)	(13.6)
Change in fair value of derivatives/foreign exchange losses	-	0.2	(1.0)	(1.4)	0.7
Finance costs	(3.7)	(5.2)	(7.3)	(6.7)	(8.3)
Income tax (expense)/benefit from continuing operations	-	(0.5)	(0.1)	-	-
Net profit/(loss) attributable to owners of Alumina Limited	187.6	146.6	214.0	635.4	339.8
Total assets	1,754.7	1,796.7	1,853.8	2,245.1	2,342.9
Total liabilities	69.1	62.1	71.7	109.3	109.9
Net assets	1,685.6	1,734.6	1,782.1	2,135.8	2,234.0
Shareholders' funds	1,685.6	1,734.6	1,782.1	2,135.8	2,234.0
Dividends paid	182.8 <sup>2</sup>	184.3	532.8	515.5	210.2
Dividends received from AWAC	191.1	171.4	381.7	657.2	278.1
<b>Statistics</b>					
Dividends declared per ordinary share <sup>1</sup>	US6.2c	US5.7c	US8.0c	US22.7c	US13.5c
Dividend payout ratio	97.4%	125.7%	249.0%	81.0%	62.0%
Return on equity <sup>2</sup>	11.2%	8.9%	11.0%	30.3%	15.8%
Gearing (net debt to equity)	3.2%	2.8%	3.0%	(4.3%)	2.5%
Net tangible assets backing per share	\$0.50	\$0.51	\$0.53	\$0.66	\$0.69
Basic EPS (US cents)	6.5	5.1	7.4	22.1	11.8
End of year share price (AUD)	1.865	1.835	2.30	2.30	2.43
Franking of dividends	100%	100%	100%	100%	100%
Total shareholder return (including franking credits)	9.0%	(14.2%)	15.5%	7.7%	41.8%
Total shareholder return (excluding franking credits)	6.8%	(16.0%)	10.8%	3.8%	39.1%

1. Final dividend for the financial year ended 31 December 2020, declared and paid in 2021 and interim dividend for the year ended 31 December 2021, declared and paid in 2021.

2. Based on net profit/(loss) attributable to owners of Alumina Limited.

## Alumina Limited

ABN 85 004 820 419

Registered Corporate Head Office and Postal Address  
Level 36, 2 Southbank Boulevard  
Southbank Victoria 3006 Australia

**Telephone** +61 (0)3 8699 2600

**Facsimile** +61 (0)3 8699 2699

**Website** [www.aluminalimited.com](http://www.aluminalimited.com)

**Email** [info@aluminalimited.com](mailto:info@aluminalimited.com)

## American Depositary Receipts

BNY Mellon shareowner services telephone  
and internet correspondence:

**Toll free number (for callers within the USA)**

1-888-BNY-ADRS (1-888-269-2377)

**Telephone (for non-US callers)** +1 201-680-6825

**Website** [www-us.computershare.com/investor](http://www-us.computershare.com/investor)

**Email** [shrrelations@cpushareownerservices.com](mailto:shrrelations@cpushareownerservices.com)

Shareowner correspondence should be mailed to:

**BNY Mellon Shareowner Services**

P.O. Box 505000

Louisville, KY 40233-5000

Overnight Shareowner correspondence should be mailed to:

462 South 4th Street Suite 1600 Louisville

KY 40202 United States

## Share Registry

**Computershare Investor Services Pty Limited**

Yarra Falls 452 Johnston Street  
Abbotsford Victoria 3067 Australia

GPO Box 2975

Melbourne Victoria 3001 Australia

**Telephone** +61(0)3 9415 4027

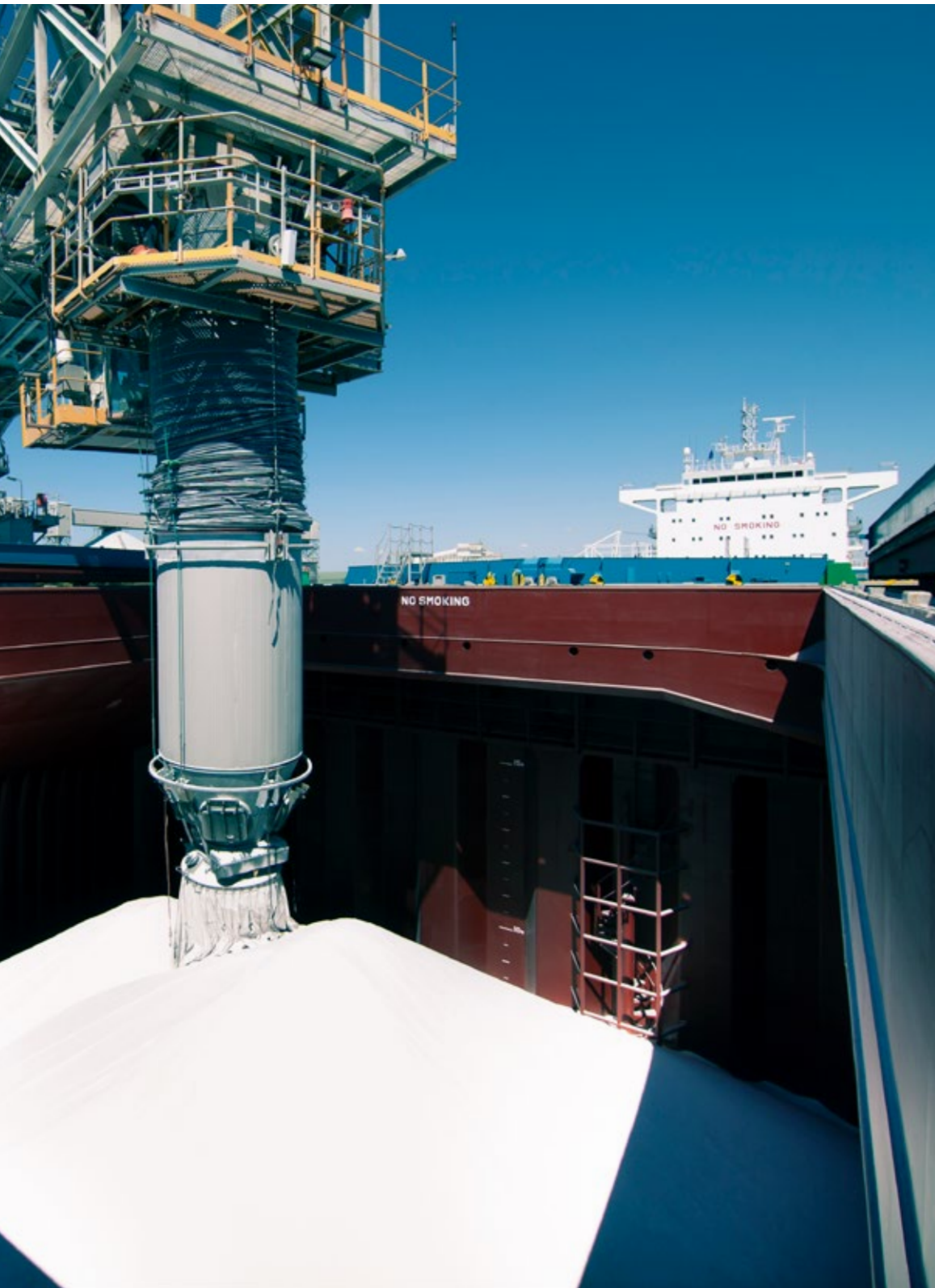
Or 1300 556 050 (for callers within Australia)

**Facsimile** +61(0)3 9473 2500

**Email** [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)







Neither Alumina Limited nor any other person warrants or guarantees the future performance of Alumina Limited or any return on any investment made in Alumina Limited securities. This document may contain certain forward-looking statements, including forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. The words "anticipate", "aim", "believe", "expect", "project", "estimate", "forecast", "intend", "likely", "should", "could", "will", "may", "target", "plan" and other similar expressions (including indications of "objectives") are intended to identify forward-looking statements. Indications of, and guidance on, future financial position and performance and distributions, and statements regarding Alumina Limited's future developments and the market outlook, are also forward-looking statements.

Any forward-looking statements contained in this document are not guarantees of future performance. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Alumina Limited and its directors, officers, employees and agents that may cause actual results to differ materially from those expressed or implied in such statements. Those risks, uncertainties and other factors include (without limitation): (a) material adverse changes in global economic conditions, alumina or aluminium industry conditions or the markets served by AWAC; (b) changes in production or development costs, production levels or sales agreements; (c) changes in laws, regulations or policies; (d) changes in alumina or aluminium prices or currency exchange rates; (e) Alumina Limited does not hold a majority interest in AWAC and decisions made by majority vote may not be in the best interests of Alumina Limited; and (f) the other risk factors summarised in Alumina Limited's Annual Report 2021. Readers should not place undue reliance on forward-looking statements. Except as required by law, Alumina Limited disclaims any responsibility to update or revise any forward-looking statements to reflect any new information or any change in the events, conditions or circumstances on which a statement is based or to which it relates.



ALUMINA  
LIMITED

