



ROCK SOLID



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RESILIENT ROBUST RESPONSIBLE

Qualities that have evolved from decades of partnership, planning and perseverance – through the good times, and those as challenging as 2020.

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

ABOUT ALUMINA LIMITED

Alumina Limited is a leading Australian company listed on the Australian Securities Exchange (ASX). 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.



AT A GLANCE

In 2020 Alumina Limited posted a profit after tax of \$146.6 million compared to the net profit of \$214.0 million in 2019. Excluding significant items of \$(0.1) million (2019: \$112.6 million), the net profit after tax would have been \$146.5 million (2019: \$327 million). Net distributions from AWAC totalled \$182.7 million (2019: \$420.9 million).

The Company declared a fully franked final dividend of 2.9 US cents per share, bringing the full year dividend to 5.7 US cents per share.

It was a solid result in a year that experienced a softening alumina market leading to a steady decline in the Alumina Price Index (API). The average realised alumina price in 2020 declined 20 per cent to \$268 per tonne. In 2020, AWAC sold about 97 per cent of its smelter-grade alumina on an alumina index or spot pricing basis.

Primary aluminium demand fell over the first half of 2020 as a result of the pandemic but in the second half aluminium, and as a result alumina, demand recovered with the help of Government stimulus. Prices for both aluminium and alumina have recovered from COVID induced lows and have stabilised. We expect aluminium demand to increase during 2021. A narrowing rest of world alumina surplus in 2021 is expected to be exported to China to meet a deficit there.

Despite softer prices, record production at AWAC's tier 1 low cost refineries has enabled it to deliver strong margins and returns. This enabled the Company to record a strong result, pay dividends, and maintain a strong balance sheet.

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

\$146.6m

2020 net profit after tax
2019: \$214.0 million

5.7¢ per share

2020 dividends
2019: 8.0 cents per share

\$182.7m

2020 net cash distributions
2019: \$420.9 million

\$49.6m

2020 net (cash)/debt
2019: \$54.8 million

AWAC – A GLOBAL BUSINESS

In 2020, AWAC recorded a net profit after tax of \$401.6 million compared to a net profit after tax of \$565.1 million in 2019. The decline in profit was due to a softening market price for alumina. AWAC's EBITDA for 2020 was \$895.9 million (2019: \$1,260.7 million) and excluding significant items would have been \$895.2 million (2019: \$1,586.0 million).

In 2020 AWAC's average realised alumina price was \$268 per tonne (2019: \$336 per tonne).

AWAC benefited from record annual alumina production of 12.8 million tonnes (by the existing refinery portfolio) and a five per cent improvement in the average cost of production to \$199 per tonne (2019: \$210 per tonne).

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)

\$401.6m

2020 AWAC net profit after tax
2019: \$565.1 million

\$268 per tonne

2020 realised Alumina price
2019: \$336 per tonne

\$671.7m

2020 AWAC cash from operations
2019: \$906.3 million

\$895.2m

2020 AWAC EBITDA excl significant items
2019: \$1,586.0 million

CHAIRMAN AND CEO REPORT

The Company's resilient financial performance for 2020 reflected the quality of Alumina's investment in AWAC, which has successfully managed through the shocks triggered by the COVID pandemic.

The Company reported a profit of \$146.6 million and declared fully franked dividends to shareholders of US 5.7 cents.

The low cost, long-life quality of the bauxite mines and alumina refineries in Western Australia and Brazil were a key factor in the Company being able to perform well in 2020.

While world commodity markets and the alumina price experienced volatility and weakness, the Company was able to continue to deliver healthy dividends. Alumina prices declined by 18% over the year. However, Alumina Limited continued to receive net cash distributions from AWAC of \$182.7 million in 2020. This enabled the Company to continue to deliver regular dividends.



A year to test resilience

The low cost position of AWAC's bauxite and alumina assets enabled it to generate solid profits and cash flows in the face of COVID challenges. AWAC maintained its low cost position during the year, with its cash cost of alumina production falling by 5%. This partly offset the lower alumina prices received by AWAC in 2020. Favourable exchange rates also contributed to lower conversion and bauxite costs and the key input cost of caustic was also lower.

The spot Alumina Price Index (API) for 2020 averaged \$271 as alumina prices weakened (compared to an average price of \$332 in 2019). This was largely due to the impacts of COVID in reducing aluminium demand and prices and the flow on effect into lower alumina prices.

AWAC's assets operated safely and consistently despite the COVID disruptions. AWAC achieved records in both bauxite and alumina production for the year. AWAC's alumina production of 12.8 million tonnes in 2020 represented an increase of 0.2 million tonnes compared to the previous year.

AWAC delivered alumina margins of \$69 per tonne, in a year of volatility and lower commodity prices. This was a decline from the margin of \$126 per tonne in 2019 but was still a strong platform for AWAC to distribute dividends of \$517 million to its joint venture shareholders.

Some specific measures were taken to conserve cash in response to the pandemic. AWAC put on hold all growth capital expenditure for part of 2020, deferred non-critical sustaining capex and reduced working capital and overheads.

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

Alumina market

The Company operates in a commodity market where change, reflected in fluctuations in market conditions, is constant. Between 2017 and 2019, factors that affected our commodity markets were generally favourable. Alumina prices and operating margins were strong in those years.

In 2020, COVID came as an exogenous shock to the alumina market, causing substantial declines in alumina prices in the second and third quarters.

The global health responses to COVID-19 caused a rapid and substantial decline in global economic activity. This produced a decline in aluminium consumption and falls in aluminium and alumina prices. Global primary metal consumption fell by 5% in 2020. The decline in global

metal consumption was largely due to a decline in western world consumption. The alumina market operates relatively efficiently and increased alumina production costs later in 2020 were reflected in higher prices.

However, aluminium smelter production did not contract in line with the fall in consumption. This softened the negative effect on demand for alumina and alumina prices because the aluminium surplus over consumption was able to be warehoused and also exported to China.

China's economy rebounded rapidly later in 2020 and drove demand for alumina and aluminium. Increasing aluminium prices at this time also resulted in greater aluminium production. These are positive developments for the alumina market for the beginning of 2021. Whilst we are prepared if the market conditions of 2020 are repeated, there are some reasons for optimism on the alumina market outlook for 2021, compared to 2020.

Portland smelter

The energy supply arrangements for the Portland aluminium smelter expire in mid-2021. The future of the smelter has been dependent upon identifying a lower cost and reliable power solution.

In March 2021, Alcoa of Australia Limited and Eastern Aluminium (Portland) Pty Limited through their ownership of Portland Aluminium signed electricity supply agreements for a five-year period effective from 1 August 2021 ending 30 June 2026. Additionally, the Commonwealth and Victorian State Governments are expected to provide financial assistance to support the ongoing operations of the Portland Smelter.

The AWAC Portland smelter has been working to reduce its carbon dioxide emissions – on an intensity basis they have decreased by approximately 18 percent since 2015. This has been the result of an increase in the proportion of renewable energy that is supplied to the smelter and improved energy efficiency. Renewable energy generated by wind and solar now represents approximately 33 percent of electricity supplied to the smelter from the grid.

Alumina's strategy

Alumina is the co-owner of AWAC, a best in class, global resource business. AWAC's long-life, low cost resource assets in West Australia are exceedingly rare.

AWAC is a long-term business. Its West Australian bauxite and alumina assets were developed 60 years ago and continue to have a long life ahead of them. Similarly the bauxite assets in Brazil have decades of production life. Alumina's strategy is to:

- **Maintain AWAC's low position on the bauxite and alumina cost curves.** This is the key to weathering severe market shocks such as the impact of COVID, and low points in the cycle. AWAC's enviable cost competitiveness also enables it to take advantage of positive market developments as they arise, such as the sudden global supply shock caused by the suspension of production by a major competitor, which occurred in 2018 and 2019.
- **Remain a focused bauxite and alumina investor.** Alumina Limited participates predominantly in the bauxite and alumina parts of the aluminium industry chain, because we believe they demonstrate attractive market fundamentals. We aim to provide an uncompromised investment choice, through that focus and by AWAC selling at alumina market index prices that directly reflect the specifics of the particular markets we supply.
- **Maintain low financial leverage.** A strong, clean balance sheet enables Alumina to weather challenging industry conditions and cycles and also provides investors with undiluted exposure to AWAC's reliable and strong cash flows. The Company seeks to pay out to shareholders dividends that it receives from AWAC, after corporate costs and net of any contributions back into the joint venture.
- **Contribute as an active, informed and engaged joint venture partner in the AWAC joint venture.** This involves undertaking independent research and analysis to have a different and informed perspective on the bauxite, alumina and aluminium markets. It also encourages an informed discussion within the joint venture on matters such as portfolio management, investment opportunities and disruptive threats.



Sustainability

The Company in 2020 continued its focus on climate change analysis and improving our sustainability reporting.

- During 2020 AWAC established separate new carbon reduction targets for its operations. AWAC is targeting to reduce emissions from its refineries from current levels by approximately 12 per cent by 2030.
- We continue to work with AWAC on:
 - its implementation of strategies for responding to climate change, identifying and assessing climate change risks and opportunities; and
 - evaluating technological and carbon abatement measures
- AWAC has introduced low carbon alumina as a separate product that is available to its customers. This development is leading the industry. AWAC is currently one of the lowest carbon emitters in the alumina industry.

There continues to be substantial activity by the bauxite and alumina industry and AWAC on residue storage management. Alcoa is a member of the International Council of Metals and Mining and this involves AWAC committing to implement the new Global Industry Standard on Tailings Management across its operations.

AWAC has set a number of sustainability objectives and projects for 2021 and beyond, including the ratio of land disturbance to rehabilitation and the reuse of bauxite residue, as well as water consumption in areas of water scarcity and biodiversity.

All of these sustainability activities support AWAC's licence to operate in the future. Alumina Limited's and AWAC's sustainability targets and outcomes are discussed in greater detail in the Sustainability Report and Update on the Company's website.

Capital management / shareholder returns

Alumina Limited received \$182.7 million in net cash distributions from AWAC in 2020 (2019: \$420.9 million). Your Company has been able to pay most of its free cash flow to shareholders by way of dividends. The total declared dividends for the year were US5.7 cents per share. This represents a yield of 5% to shareholders for 2020, based on the average share price for the year. Average dividends since 2016 over the last five years have been 11.2 cents per share which has delivered an average yield for shareholders of 7.5%.

The Company's net debt at 31 December 2020 was only \$49.6 million which is a gearing of less than 2.8%. The Company's low debt level enables cash received from AWAC to be readily distributed to shareholders. The Company has debt facilities of \$350 million with maturities ranging from 2022 to 2024.

Board and management

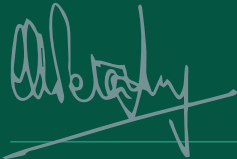
Ms In't Veld joined as an independent Non-Executive Director on 3 August 2020. A former Chief Executive Officer of Verve Energy and senior executive in the resources industry (including with Alcoa), Ms In't Veld brings to the Board extensive experience in the aluminium industry, energy and financial markets and in the management of long-life assets. As part of normal director succession planning, Ms Stein has indicated she will retire from the Board as a Non-Executive Director after the 2021 Annual General Meeting. Ms Stein has been an independent Non-Executive Director of the Company since 2011 and has provided significant and valuable counsel to the Board and management. We welcome Ms In't Veld and thank Ms Stein.

Conclusion

The Company demonstrated impressive resilience through this most recent COVID period, with markets characterised by significant uncertainty and volatility. Our investment in AWAC's portfolio of low cost, long-life assets, together with a strong balance sheet, underpinned the Company's capacity to deliver strong returns to shareholders throughout the cycle. The impact of COVID-19 did affect the financial result for the year, but Alumina's business model has to-date successfully met the challenges of the pandemic.

The dividends paid in 2020 confirmed a consistent record of returns to shareholders. The recent improvement in the outlook for the alumina market provides some cause for optimism that this can continue in 2021.

The Board thanks the employees of Alumina Limited and AWAC for their work in 2020.



W Peter Day • Chairman



Mike Ferraro • Chief Executive Officer





SUSTAINABILITY

Sustainability governance – first and foremost

Effective governance is a key part of continued success in any field of business, to drive improvement and ensure that company goals are achieved in an ethical and sustainable manner.

In 2020 Alumina Limited's sustainability governance and strategy was strengthened by the formation of a Sustainability Committee of the Board. The committee consists of all of Alumina Limited's Non-Executive Directors and is chaired by Mr Day. The Committee meets on a quarterly basis and operates under a Charter that specifies its role and responsibilities. A copy of the Committee Charter is available in the Governance section on the Company website.

The Committee members and the senior management received targeted climate change and ESG training from independent third-party specialists. In 2020, the training

included an update on climate science, the implications of national and international policy developments, carbon pricing, Task Force on Climate-Related Financial Disclosure (TCFD) and energy and emissions issues and opportunities.

The Committee established goals for 2020 and beyond which include improving the transparency, structure, content and quality of disclosure in the Company's sustainability reporting. ESG specialists were engaged to review and benchmark existing reports and also conduct a gap analysis to peer reporting and relevant reporting standards. As a result, the 2019 Sustainability Report (covering the year ended 31 December) was updated and restructured to provide a clearer and more informed report which has led to improved ranking by analysts commending the Company's sustainability efforts.

Sustainability action in 2020

Effective sustainability governance and strategy requires an understanding of the most important environmental, social and governance risks and opportunities facing the Company and the business. For that purpose, in 2020, senior management conducted a “materiality assessment” of Alumina Limited and AWAC’s business, with the findings presented to the Sustainability Committee. Material topics were categorised under four themes of: governance, community, environment and people. A fuller description of the material topics and how they map to the UN Sustainable Development Goals can be found in the 2019 Sustainability Report available on the Company website.

A gap analysis between Alumina Limited reporting practices and the TCFD was also completed in 2020. The analysis identified some disclosure gaps and will assist in the development of a TCFD/business resilience roadmap in 2021. Also, ESG matters will be further imbedded in the Company’s Risk Management profile.

Other environmental sustainability actions undertaken in 2020

Sustainability efforts must continue to be more aligned to future performance planning, notwithstanding what has been achieved in the past, by the creation of new and challenging targets and continuing to build pathways to reducing environmental and social impacts.

New targets and standards for AWAC operations were rolled out in 2020. New biodiversity standards were developed and biodiversity action plans implemented at AWAC sites to govern and direct biodiversity actions in operations.

An increased focus on water stewardship at water scarce areas such as AWAC’s Western Australian operations has been introduced with new water targets to reduce water intensity by 5% by 2025 and 10% by 2030 using a base year of 2015.

Refining bauxite ore into alumina generates substantial amounts of bauxite residue. The target is to reduce bauxite residue storage land requirements per tonne of alumina produced by 15% by 2030 using a base year of 2015 to be achieved, in part, by using filtration technology to create a dry cake rather than a greater volume of wet slurry. Studies are also advanced on extracting red sands from the residue for potential use in other industries such as concrete production.

The goal of bauxite mining is to achieve a running five-year average ratio of 1:1 or better of active mining disturbance (excluding long-term infrastructure) to mine rehabilitation. This means at a minimum, the goal for each unit of land disturbed, a unit or more, will be rehabilitated contemporaneously.

In relation to GHG emissions, an intensity (tonnes of GHG per tonne of production) reduction target has been set for AWAC’s refining operations of 4% by 2025 and 12% by 2030 using a base year of 2015. AWAC’s refining portfolio is the lowest CO₂e emitter amongst major producers and positioned AWAC to launch the world’s first low-carbon alumina brand, EcoSource. EcoSource alumina is a smelter-grade alumina with carbon emissions that are better than the vast majority of the industry and has no more than 0.6 metric tons of carbon dioxide equivalents per tonne of alumina produced (global industry average 1.2t/tonne of alumina).

Progress against these targets is disclosed in the 2019 Sustainability Report on the Company website.

To further underscore the governance strength underpinning the business, all of AWAC directly owned and operated facilities have been certified by the Aluminium Stewardship Initiative (ASI). ASI certification means that AWAC sites have been assessed and proven to operate in accordance with performance standards for a set level of human rights, ethics, compliance, environmental and biodiversity indicators. AWAC facilities are committed to meet the International Council on Mining and Metals (ICMM) operating mining principles defining good practice environmental, social and governance requirements.

Social and community

Human Rights and the protection and advancement of indigenous people's rights are an important part of the Company ethos and AWAC's ethical and operational position. From 2019, Human Rights due diligence assessments using external experts have been conducted at AWAC's West Australian and Brazilian operations that pleasingly did not identify any major gaps. The due diligence process involved comparison to international standards set by the International Labor Organisation and UN conventions. The work also included examination of local treaties, sectorial agreements, national and state agreements and legislation. A separate Human Rights risk due diligence exercise will be undertaken and completed in 2022.

In regard to engagement with indigenous peoples, Alcoa, as manager/operator of AWAC, issued an Indigenous Peoples Statement regarding respect for the diversity, cultures, customs and values of indigenous peoples. Following the completion of the Indigenous Peoples Statement, Alcoa have undertaken to develop a formal engagement approach aligned with the ICMM Position Statement on Indigenous Peoples and Mining. This program will underpin a framework for engaging with Indigenous Peoples with respect to new operations or major capital projects that are located on or near lands traditionally owned by or under customary use of Indigenous Peoples and which are likely to impact them. Also, in 2020, Alcoa of Australia (an AWAC asset) progressed the first stage of its Reconciliation Action Plan, a guide for Aboriginal and Torres Strait Islander engagement and reconciliation.

2020 was a significant year from a sustainability perspective however, Alumina Limited and AWAC are focussed on continuing to improve sustainability performance.

Projects

Decarbonisation strategies are being examined by AWAC including assessing the viability of introducing mechanical vapour recompression technology in the alumina refinery system in the longer-term. This technology has the potential to reduce consumption of steam obtained from heating water in a boiler, improve thermal performance and reduce fossil fuel usage and hence CO₂ emissions. The vapour recompression system would utilise renewable solar energy to power the mechanical vapour recompression. This technology could reduce 70% of CO₂e (10 million CO₂e per annum) and reduce water use by approximately 25 GL per annum.

2020 was a significant year from a sustainability perspective however, Alumina Limited and AWAC are focussed on continuing to improve sustainability performance. Additional information on 2020 sustainability efforts and outcomes will be available with the publication of the 2020 Sustainability Report in the second half of the 2021 calendar year.



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 2020 (**the Group**).

Directors

Unless otherwise indicated, the following persons were Directors of the Company during the whole of the financial year and up to the date of this report: **W P Day (Chairman)**, **E R Stein**, **C Zeng**, **D O'Toole**, **J Bevan**, **S E In't Veld (appointed 3 August 2020)**, **M P Ferraro (Managing Director and Chief Executive Officer)**.

Board of Directors

The Company's Directors in office as at 31 December 2020 were:

Mr W Peter Day

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 and Risk Management Committees and Chair of the Sustainability Committee. Mr Day is also currently a Non-Executive Director of Ansell (appointed August 2007), Non-Executive Chairman of Australian Unity Investment Real Estate (appointed September 2015), and a former Director of: 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 Limited. He also supports initiatives in disability services and mentoring.

Mr W Peter Day

LLB (HONS), MBA, FCA, FCPA, FAICD
INDEPENDENT
NON-EXECUTIVE DIRECTOR



Ms Emma R Stein

BSC (PHYSICS) HONS, MBA, FAICD,
HON FELLOW WSU
INDEPENDENT
NON-EXECUTIVE DIRECTOR



Mr Chen Zeng

MIF
NON-EXECUTIVE DIRECTOR



Ms Deborah O'Toole

LLB, MAICD
INDEPENDENT
NON EXECUTIVE DIRECTOR



Mr John A Bevan

BCom
INDEPENDENT
NON-EXECUTIVE DIRECTOR



Ms Shirley E In't Veld

BCom LLB (HONS)
INDEPENDENT
NON-EXECUTIVE DIRECTOR



Mr Mike P Ferraro

LLB (HONS)
MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER



Ms Emma R Stein

Ms Stein was elected as a Director of the Company on 3 February 2011. Ms Stein is currently a Non-Executive Director of Adbri Limited (formally known as Adelaide Brighton Ltd) (appointed October 2019) and Worley Ltd. She is a former Non-Executive Director of Cleanaway Waste Management Limited (formerly known as Transpacific Industries Group Ltd) (appointed August 2011 and resigned December 2020), Programmed Maintenance Services Ltd (appointed June 2010 and resigned October 2017), Diversified Utilities Energy Trust (appointed June 2004 and resigned May 2017) and Clough Limited (appointed July 2008 and resigned December 2013). Ms Stein also remains a Non-Executive Director (appointed September 2017) of Infigen Energy which has been acquired by the Iberdrola Group. Formerly the UK Managing Director for French utility Gaz de France's energy retailing operations, Ms Stein moved to Australia in 2003. Before joining Gaz de France, she was UK Divisional Managing Director for British Fuels.

Ms Stein is Chair of the Compensation Committee (since 1 January 2014), current member and former Chair of the Audit and Risk Management Committee (Chair from 28 November 2013 to 31 December 2013), current member and former Chair of the Nomination Committee (from 22 June 2017 to 31 March 2018) and member of the Sustainability Committee. As a senior executive, she gained considerable international experience in management and leadership, strategy development and implementation in global industrial, energy and utilities markets. She has 15 years' experience as a listed Non-Executive Director and Board Committee Chair for capital intensive companies spanning resources, oil and gas and related sectors.

Mr Chen Zeng

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 Committees (appointed 7 August 2014). 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 and coal mining.

Ms Deborah O'Toole

Ms O'Toole was appointed as a Director on 1 December 2017. She is a member of the Nomination Committee, Sustainability Committee, the Compensation Committee and Chair of the Audit and Risk Management Committee (from 1 April 2018). Ms O'Toole is a Non-Executive Director of Boral Limited (appointed September 2020), Sims Limited (appointed November 2014), Pacific National Rail (appointed October 2016) and Credit Union Australia Ltd (appointed March 2014). She is a former Non-Executive Director of Boart Longyear Limited (appointed 1 October 2014 and resigned September 2017), Wesley Research Institute (appointed March 2013 and resigned

6 November 2019), CSIRO, Norfolk Group, various companies in the MIM and Aurizon Groups and Government and private sector advisory boards. She has acted as Chairperson of the Audit Committees of CSIRO, Norfolk Group and Pacific Aluminium.

Ms O'Toole has extensive executive experience across a number of sectors including over 20 years in the mining industry and, more recently, 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, most recently, Aurizon Holdings Limited.

Mr John A Bevan

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

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), Northern Star Resources Limited (appointed 2016) and NBN Co Limited (appointed 2 December 2015). She is formerly Deputy Chair of CSIRO (term ceased 30 June 2020), a Non-Executive Director of 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 Compensation Committee, Audit and Risk Management Committee, Nomination Committee and Sustainability Committee.

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 Mike P Ferraro

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 head of the firm's Corporate Group and a member of its executive management team. Mr Ferraro is also currently a Non-Executive Director of Helloworld Travel Limited (appointed January 2017).

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

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 below.

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 64 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 64 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 2020

Directors	Board meeting		Board Committee meetings		Audit and Risk Committee meetings		Compensation Committee meetings		Nominations Committee meetings		Sustainability Committee meetings	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
E R Stein	13	12	0	0	8	7	3	3	8	8	4	4
C Zeng	13	12	0	0	8	8	3	2	8	8	4	4
P Day	13	13	0	0	8	8	3	3	8	8	4	4
M Ferraro ¹	13	13	0	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
D O'Toole	13	13	0	0	8	8	3	3	8	8	4	4
J Bevan	13	13	0	0	8	8	3	3	8	8	4	4
S In't Veld ²	6	5	0	0	4	3	3	3	2	2	2	2

1. 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.
2. Ms In't Veld was appointed a Non-Executive Director of the Company on 3 August 2020 and was only eligible to attend meetings subsequent to her appointment.

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 6b of the Consolidated Financial Statements found on page 89.

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 2020 financial year attributable to members of the Company was \$146.6 million profit (2019: \$214.0 million profit). Excluding significant items, there would have been a net profit after tax of \$146.5 million (2019: \$326.6 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 40 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 100), 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 2020.

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 40 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 2020.

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 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 refer to the adjacent declaration.

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 99.

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 99.

Corporate Governance Statement

The Company has, for the 2020 reporting year, elected to disclose the Corporate Governance Statement only on the Company's website. The Corporate Governance Statement can be found at aluminalimited.com/about-governance.



Auditor's independence declaration

As lead auditor for the audit of Alumina Limited for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) 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.

A handwritten signature in green ink, appearing to read 'John O'Donoghue', written over a light blue horizontal line.

John O'Donoghue Partner
PricewaterhouseCoopers
Melbourne, 23 March 2021

PricewaterhouseCoopers

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OPERATING AND FINANCIAL REVIEW

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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.

Atlantic

3.1m tonnes
alumina production

4.5m bdt
3rd party bauxite shipments

Global

12.8m tonnes
alumina production¹

6.5m bdt
3rd party bauxite shipments

Pacific


9.7m tonnes
alumina production

2.0m bdt
3rd party bauxite shipments

Western Australia

-  Kwinana
-  Huntly
-  Pinjarra
-  Willowdale
-  Wagerup

AWAC operated

-  Bauxite mine
-  Smelter
-  Refinery
-  Location

Non-AWAC operated

-  Bauxite mine
-  Refinery

1. 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 aluminalimited.com/about-governance/.

Alumina Limited's Risk Management Framework provides for the production of a Risk Profile, which sets out Alumina Limited's most significant risks and the steps taken to mitigate those risks. These risks are rated on the basis of their potential probability and impact on the current operations and profitability and/or the long-term value of the Group. Set out below are some of the key risks faced by Alumina Limited. However, there are other risks not listed below associated with an investment in Alumina Limited.

Movements in the market prices of bauxite, alumina and aluminium

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.

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). A fall in the market prices of bauxite, alumina and aluminium can adversely affect Alumina Limited's financial performance. 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. AWAC and Alumina Limited generally do not undertake hedging to manage this risk.

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. Similarly, a sustained increase in the supply of cheap bauxite from Asia to China, could also lower Chinese alumina production costs which could lead to a fall in the market price of alumina.

Fluctuations in exchange rates

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.

Increases in AWAC's production costs or a decrease in production

AWAC's operations are subject to conditions beyond its control that may increase its costs 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.

In addition, industrial disruptions, work stoppages, refurbishments and accidents at operations may adversely affect profitability. Some cost inputs are subject to long-term contracts to increase the certainty of input pricing. AWAC's operating and maintenance systems and business continuity planning seek to minimise the impact of non-availability of key inputs. AWAC's portfolio restructuring and repositioning continues to ensure that operations as a whole remain competitive. AWAC also invests in capital expenditure projects that will reduce cash costs over the long-term. Planned development and capital expenditure projects may not result in anticipated construction costs or production rates being achieved.

AWAC structure

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. There is also a risk that Alumina Limited and Alcoa may have differing priorities. During 2016, the joint venture agreements were modified to ensure that certain key decisions require Alumina Limited's consent by a super-majority vote.

Political, legal and regulatory impacts

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.

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. Alumina Limited and AWAC undertake a variety of compliance training and governance functions to mitigate these risks. Furthermore, AWAC maintains a spread of assets and customers across a portfolio of countries and regions to minimise disruption and concentration risk.

Closure/impairment of assets

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. 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/or an impairment being incurred as a result of the carrying value of an asset exceeding its recoverable value, but may be necessary to ensure the ongoing competitiveness of AWAC operations.

Customer risks

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.

Debt refinancing

Alumina Limited's ability to refinance its debt on favourable terms as it becomes due or to repay its debt, its ability to raise further finance on favourable terms, and its borrowing costs, will depend upon a number of factors, including AWAC's operating performance, general economic conditions, political, capital and credit market conditions, external credit ratings and the reputation, performance and financial strength of Alumina Limited's business. If a number of the risks outlined in this section eventuate (including the cyclical nature of the alumina industry and adverse movements in the market prices of aluminium and alumina) and Alumina Limited's operating performance, external credit rating or profitability is negatively impacted as a result of these risks, there is a risk that Alumina Limited may not be able to refinance expiring debt facilities or the costs of refinancing its debt may increase substantially.

Climate change

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.

Physical risks include:

- increased risks to personnel, business continuity, production and facilities,

- climate factors like extreme weather events are likely to have an impact on AWAC's global mining and refining operations,
- water stress and potential impact on production if shortages occurred,
- disruption to supply chain efficiencies from storm activity, and the transportation of raw materials,
- climatic changes leading to changes in rainfall and sea levels.

Transitional risks include:

- the increased scrutiny by governments on GHG emissions and the establishment of a carbon pricing mechanism,
- emissions trading schemes, carbon taxes etc, present a challenge and a financial risk to the business,
- cost of emissions abatement,
- rising cost of energy.

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.

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.

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.

Additional information in respect of climate change risks, can be located in Alumina Limited 2019 Sustainability report, and Alumina Limited's Climate Change Position Statement. These documents can be found at aluminalimited.com/sustainability/.

Other risks

- an alumina and/or aluminium market in supply surplus may lead to downward price pressure;
- 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 global growth slowing and reducing aluminium consumption, and hence aluminium and alumina demand;

- a technology breakthrough could lower Chinese alumina production costs;
- a sustained increase in freight costs could disadvantage AWAC's competitiveness;
- loss of technological advantage and accuracy, operations on site or proprietary data due to organised espionage or breach of IT systems through cyber attacks.
- 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;
- Alcoa and its subsidiaries have a variety of obligations to Alumina Limited and AWAC, the fulfilment of which depends on their financial position. Adverse changes to the financial position of Alcoa and its subsidiaries could result in such obligations not being met;
- AWAC's operations generate hazardous waste which are 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. These events could result in material civil or criminal fines, penalties, and curtailment or closure of facilities.
- 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, AWAC introduced cash conservations 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.

3. Review of AWAC operations

Alumina Limited provides its shareholders with a unique investment in 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 enables AWAC to generate strong returns throughout the commodity cycle. Having long-life bauxite mines located in a close proximity to most AWAC refineries is a key competitive advantage in terms of driving a low position on the cost curve.

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 bolster the stability of operations.

AWAC also undertook a number of prudent cash preservation actions to combat uncertainty of COVID-19 and its impact on commodity prices. These actions included reviewing non-critical maintenance activities, deferring certain sustaining and growth capital expenditure projects, and actively reducing operational costs.

In 1H 2020, COVID-19 reduced demand for aluminium products resulting in higher aluminium warehouse stocks, which further exacerbated an already surplus market.

After a small rebound in the alumina price at the start of 2020, it began to decline, reaching a low point of \$225 per tonne in April.

During 2H 2020, aluminium prices rose and consumer confidence started to return with the alumina price gradually recovering to over \$300 by the end of the year.

Despite COVID challenges, AWAC's refineries performed strongly, achieving an annual production record of 12.8 million tonnes for the current portfolio of assets. Increased production helped drive lower cash costs, which partially offset the impact of the decline in the average realised alumina price.

AWAC's cash conservation initiatives, stable production, focus on health and safety, and its low position on the cost curve promoted a strong operational performance in 2020. AWAC continues to be able to return cash to its joint venture partners, despite COVID and lower alumina prices.

Bauxite mining					
	31 Dec 2020	31 Dec 2019	Change		Change (%)
AWAC operated mines					
Production (million bone dry tonnes ("BDT"))	41.0	40.7	0.3	▲	0.7
Cash cost (\$/BDT of bauxite produced)	9.6	10.2	(0.6)	▼	(5.9)
Non-AWAC operated mines					
AWAC equity share of production ¹ (million BDT)	4.7	4.1	0.6	▲	14.6
Third party sales					
Shipments to third parties (million BDT)	6.5	6.2	0.3	▲	4.8
Total third-party revenue, inclusive of freight ² (\$ million)	240.8	274.7	(33.9)	▼	(12.3)

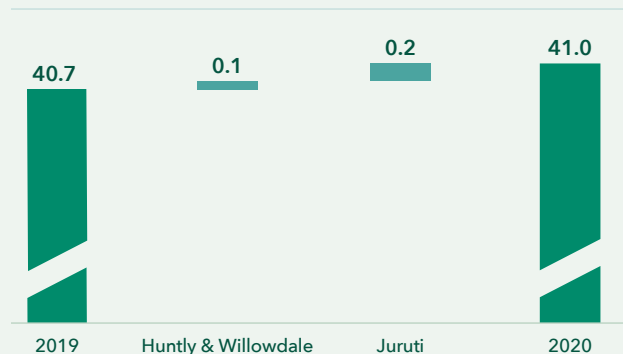
1. Based on the terms of its bauxite supply contracts, AWAC's bauxite purchases from the Mineração Rio do Norte S.A. ("MRN") mine in Brazil, and Compagnie des Bauxites de Guinée (CBG) mine in Guinea, differ from their proportional equity in those mines.

2. Includes freight revenue of \$43.6 million for 2020 (2019: \$79.1 million).

AWAC operated mines

AWAC operated mines increased production by 0.7% driven by increased demand from AWAC owned refineries to achieve an annual production record for the current portfolio of assets.

Bauxite production: change by mine (million BDT)

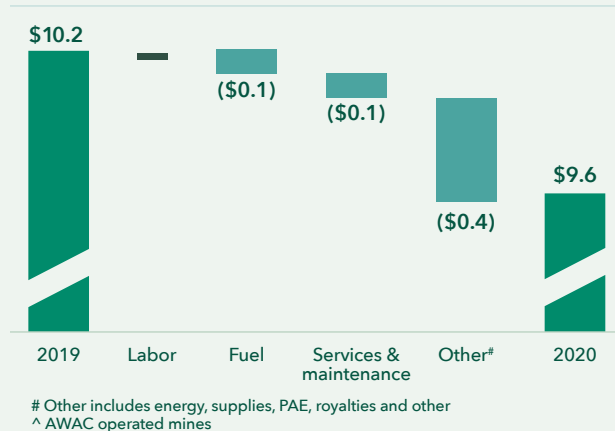


Production at Willowdale increased to meet demand from the Wagerup refinery to achieve a facility production record. Huntly's production decreased slightly as a result of conveyor belt maintenance. Juruti's production increased in order to meet greater production from Alumar and third-party demand.

In Western Australia, relocation of the Willowdale crusher to a new mining area has begun. The move is expected to be completed by the end of 2021 and involve total sustaining capital expenditure of approximately \$135 million, of which \$14 million was spent in 2019 and approximately \$85 million was spent during 2020. Planning for a new plateau in Juruti is being undertaken which involved sustaining capital expenditure of approximately \$2 million during 2020.

AWAC's cash cost per BDT of bauxite produced decreased by 5.9% to \$9.6 per tonne, mostly due to a decline in royalty payments, and the stronger US dollar which had a favourable effect on the cash cost of bauxite produced.

Cash cost per BDT of bauxite produced[^]



Non-AWAC operated mines

AWAC's equity share of production at MRN and CBG increased by 0.6 million BDT (14.6%) in 2020.

CBG's production increased by 17% to 3.6 million BDT, as the benefits from an expansion project are realised. The expansion has added an additional 1.1 million BDT to AWAC's share of production.

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 \$23.0 million (2019: \$18.2 million).

Third party bauxite sales

AWAC's shipments to third party customers increased by 4.8% to 6.5 million BDT with an increase in shipments from Huntly, CBG and MRN, partially offset by a decline in shipments from Juruti.

Third party revenue decreased by 12.3% due to lower average realised bauxite price and a decrease in freight revenue, offset by an increase in third party shipments.

Refining					
	31 Dec 2020	31 Dec 2019	Change		Change (%)
AWAC operated refineries					
Shipments (million tonnes)	13.2	12.9	0.3	▲	2.3
Production (million tonnes)	12.8	12.6	0.2	▲	1.6
Average realised alumina price (\$/tonne)	268	336	(68)	▼	(20.2)
Cash cost per tonne of alumina produced	199	210	(11)	▼	(5.2)
Margin ¹ (\$/tonne)	69	126	(57)	▼	(45.2)
Smelter Grade Alumina ("SGA") shipments on spot or index basis (%)	97	94	3	▲	3.2
Platts FOB Australia - one month lag (\$/tonne)	270	344	(74)	▼	(21.5)
Ma'aden joint venture					
Production (million tonnes)	1.810	1.839	(0.029)	▼	(1.6)
AWAC's share of production (million tonnes)	0.454	0.462	(0.008)	▼	(1.7)

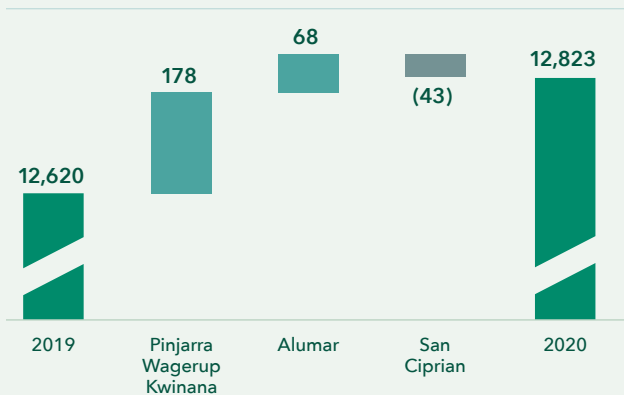
1. Calculated as average realised price less cash cost of production.

AWAC operated refineries

Production from AWAC operated refineries was 12.8 million tonnes, an annual record for the current portfolio of assets, emphasising that COVID-19 did not materially impact operating performance. Wagerup, Pinjarra and Sao Luis achieved annual production records. Kwinana's production improved throughout the year, finishing with both a record month and quarter. San Ciprian refinery production was negatively impacted by the industrial action at the San Ciprian smelter in the last quarter.

The first half of 2020 was characterised by a drop in alumina prices due to lower aluminium demand as a result of COVID-19, increasing aluminium inventories and additional alumina supply following the restart of Alunorte and the ramp up of Al Taweelah. However, the second half of 2020 saw alumina prices trending upwards due to a return of consumer confidence and rising aluminium prices.

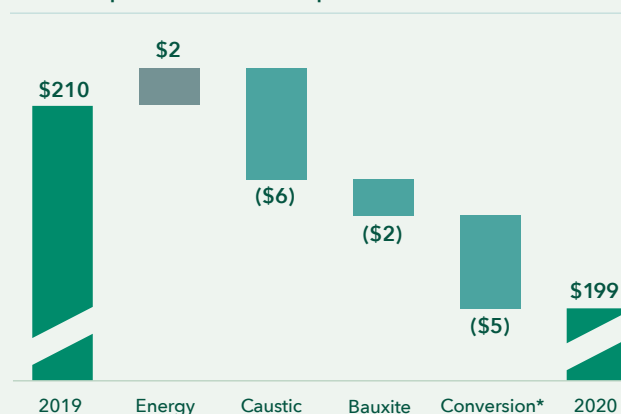
Alumina production: change by refinery (kt)



Approximately 97% of AWAC's alumina shipments were priced on a spot or index basis. AWAC's average realised price of \$268 per tonne, down \$68 per tonne compared to the previous corresponding period, reflected the average index alumina price decline of 21.5% to \$270 per tonne

The average cash cost per tonne of alumina declined by approximately 5% to \$199 per tonne. Improved production, reduced energy usage and the strength of the US dollar had a favourable effect on the cash cost of production. Caustic and oil prices were also favourable, offset by the increase in gas prices due to the commencement of new gas supply contracts at the WA refineries.

Cash cost per tonne of alumina produced[^]



[^] 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 production decreased by 1.6% in 2020 to 1.81 million tonnes of alumina (AWAC's share was 0.454 million tonnes), operating at 101% of nameplate capacity.

The equity accounted loss relating to the Ma'aden joint venture for AWAC was \$22.6 million during 2020 (2019: \$6.4 million equity profit). The decline was predominantly driven by lower realised alumina prices.

Portland					
	31 Dec 2020	31 Dec 2019	Change		Change (%)
AWAC's 55% equity share					
Production (thousand tonnes)	160	161	(1)	▼	(0.6)
EBITDA (\$ million)	3.7	(20.0)	23.7	▲	(118.5)

Portland's aluminium production decreased by 0.6% compared to 2019.

The improvement in earnings was primarily as a result of a lower cash cost of production due to lower alumina prices and a slight increase in the government facility forgiveness. This was partially offset by a decline in metal prices. LME 15 day lag decreased by 5.7% from \$1,799/t in 2019 to \$1,696/t in 2020.

4. AWAC financial review

The decline in AWAC's 2020 net profit was largely as a result of lower realised alumina prices partially offset by improvements in the cash cost of production and lower charges for significant items.

The decrease in the income tax charge was driven by lower taxable income, particularly in AWAC's Australian operations.

AWAC profit and loss (US GAAP)	US\$ million	
	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Net profit after tax	401.6	565.1
Add back: Income tax charge	205.6	394.8
Add back: Depreciation and amortisation	288.4	306.0
Add back: Net interest expense/(income)	0.3	(5.2)
EBITDA	895.9	1,260.7
Add back: Significant items (pre-tax)	(0.7)	325.3
EBITDA excluding significant items	895.2	1,586.0

AWAC's net profit included the following significant items:

Significant items (US GAAP)	US\$ million	
	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Suralco restructuring related charges ¹	(9.9)	(12.6)
Point Comfort restructuring related charges ¹	(11.3)	(289.0)
New operating model restructuring charges	-	(17.1)
Other ²	21.9	(6.6)
Total significant items (pre-tax)	0.7	(325.3)
Total significant items (after-tax)	(5.2)	(315.2)

1. Including holding costs.

2. Other significant items include net charges related to Portland government facility forgiveness, restructuring, severance and other payments, and in 2019 Afobaka hydroelectricity dam accelerated depreciation.

AWAC balance sheet (US GAAP)	US\$ million	
	31 Dec 2020	31 Dec 2019
Cash and cash equivalents	440.2	418.7
Receivables	307.0	272.8
Inventories	567.1	518.8
Deferred income taxes	190.3	225.6
Property, plant and equipment	3,151.7	3,138.0
Other assets	1,753.4	1,789.5
Total assets	6,409.7	6,363.4
Borrowings and capital lease obligations	78.5	78.7
Accounts payable	590.0	548.1
Taxes payable and deferred	174.7	226.3
Assets retirement obligations	500.2	453.3
Other liabilities	951.9	781.9
Total liabilities	2,295.3	2,088.3
Equity	4,114.4	4,275.1

The increase in the value of assets and liabilities includes the effect of the stronger Australian dollar offset by a weaker Brazilian Real against the US dollar as at 31 December 2020.

The increase in property, plant and equipment was as a result favourable exchange rate, offset by depreciation and amortisation.

The reduction in taxes is mainly attributable to a decrease in the taxable income, particularly for Australian operations.

A slight decrease in other assets comprise of changes in the fair value of derivative assets offset by a recognition of a non current asset reflecting the AoA cash payment of A\$107 million in relation to the ATO transfer pricing matter (50% of the assessed primary income tax amount).

Other liabilities increased mainly due to a recognition of a non-current liability of approximately A\$219 million representing a tax deduction available to AoA in 2020 with respect to the interest assessment in the ATO transfer pricing matter.

AWAC cash flow (US GAAP)	US\$ million	
	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Cash from operations	671.8	906.3
Capital contributions from partners	60.1	127.5
Net movement in borrowings	(0.4)	(5.9)
Capital expenditure	(211.3)	(176.9)
Other financing and investing activities ¹	2.0	3.7
Effects of exchange rate changes on cash and cash equivalents	16.4	3.5
Cash flow before distributions	538.6	858.2
Distributions paid to partners	(517.1)	(1,179.8)
Net change in cash and cash equivalents	21.5	(321.6)

1. Includes of proceeds from sales of assets, and other.

Cash from operations in 2020 decreased primarily due to lower average realised alumina prices, which was partially offset by improvements in the cash cost of alumina production. Consequently, gross distributions paid to partners decreased to \$517.1 million (2019: \$1,179.8 million).

In 2020, sustaining capital expenditure was approximately \$202 million (2019: \$151.0 million) with the most significant expenditure relating to Willowdale's mine crusher move, the construction of a new residue storage area at Alumar and additional tailing ponds at Juruti.

Growth capital expenditure was approximately \$10 million (2019: \$26 million).

5. Alumina Limited financial review

Alumina Limited profit and loss	US\$ million	
	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Share of net profit of associates accounted for using the equity method	164.6	232.0
General and administrative expenses	(12.6)	(12.1)
Finance costs	(5.2)	(7.3)
Foreign exchange losses, tax and other	(0.2)	1.4
Profit for the year after tax	146.6	214.0
Total significant items after tax	(0.1)	112.6
Net profit after tax excluding significant items	146.5	326.6

Significant items (IFRS, post-tax)	US\$ million	
	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Suralco restructuring charges ¹	(4.0)	(2.2)
Point Comfort restructure-related charges ¹	(4.5)	(109.0)
New operating model restructuring charges	-	(4.9)
Other ²	8.6	3.5
Total significant items	0.1	(112.6)

1. Including holding costs

2. Other significant items include net credit/(charges) related to Portland government facility forgiveness, restructuring, severance and other payments, and in 2019 Afobaka hydroelectricity dam accelerated depreciation.

Alumina Limited recorded a net profit after tax of \$146.6 million (2019: \$214.0 million).

Excluding significant items, net profit would have been \$146.5 million (2019: \$326.6 million).

The decrease in net profit was primarily due to a decline in AWAC's profit.

2020 general and administrative expenses were higher than 2019.

The increase in expenses reflects Alumina Limited's continued investment in capabilities and expertise required to manage the business in an increasingly complex market. This includes hiring additional resources and engaging third party experts focusing on critical matters including marketing, sustainability, residue storage, climate change and other operational and strategic areas.

The Company's finance costs in 2020 are lower than 2019 as a result of termination of the Company's A\$125 million note in July 2019, and its replacement with the syndicated bank facility which has a lower interest rate.

Alumina Limited balance sheet	US\$ million	
	31 Dec 2020	31 Dec 2019
Cash and cash equivalents	10.4	15.2
Investment in associates	1,784.5	1,836.8
Other assets	1.8	1.8
Total assets	1,796.7	1,853.8
Payables	0.7	0.9
Interest bearing liabilities	60.0	70.0
Provisions and other liabilities	1.4	0.8
Total liabilities	62.1	71.7
Net assets	1,734.6	1,782.1

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 2020 was \$49.6 million. (2019: \$54.8 million) and gearing was 2.8% (2019: 3.0%).

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 2020 there was US\$60 million drawn against the syndicated facility.

Alumina Limited cash flow	US\$ million	
	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Dividends received	171.4	381.7
Net finance costs paid	(4.9)	(8.3)
Payments to suppliers and employees	(12.3)	(11.9)
GST refund, interest received and other	0.2	3.1
Cash from operations	154.4	364.6
Receipts - capital returns from associates	35.8	90.2
Payments - investment in associates	(24.5)	(51.0)
Payment for shares acquired by the Alumina Employee Share Plan	(0.9)	(0.9)
Effects of exchange rate changes on cash and cash equivalents	0.9	(0.8)
Free cash flow available for dividends¹	165.7	402.1

1. For full year periods prior to 2020 free cashflow available for dividends was calculated as cash from operations less net investments in associates plus AWAC net distributions up to the date of dividends declaration.

Net distributions from AWAC totalled \$182.7 million (2019: \$420.9 million).

Contributions to AWAC in 2020 of \$24.5 million (2019: \$51 million) were mainly to support working capital requirements in Spain and Americas.

The reduction in distributions received from AWAC resulted primarily from lower average alumina prices.

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. Whilst the policy remains unchanged, effective from the 2020 interim dividend, the Company decided to adjust the dividend calculation method in order to simplify and better align it to the free cash flow in the relevant reporting period.

The Dividend Reinvestment Plan was applied to the 2020 interim dividend. DRP shares were issued to shareholders at a 1.5% discount.

The Dividend Reinvestment Plan has been suspended and will not apply to the 2020 final dividend.

6. Market outlook and guidance

Aluminium

In 2020, COVID-19 impacted the consumption of aluminium and production costs in the value chain, but did not materially affect primary aluminium production. Global aluminium consumption in 2020 shrunk by around 5%. The only sector to have any positive growth was packaging. The main falls were in the transportation sector, which fell by around 16% and the engineering sector, which fell by nearly 5%. All aluminium consumption sectors are expected to have material positive growth in 2021, contributing to forecast global aluminium consumption growth of nearly 7%.

Chinese primary production grew in 2020, while the rest of the world's production was flat. A COVID-19-related drop in aluminium consumption outside China led to around 2.5 million tonnes of primary aluminium being added to stocks and around 1 million tonnes exported to China, partly offset by some remelt exports from China.

China has experienced a strong economic recovery since the second quarter of 2020. Key aluminium consuming sectors, such as real estate, automotive and power grids all recovered to pre-COVID-19 levels by the end of the year. China's fixed assets' investment increased by 2.9% in 2020, while investment in real estate was up by 7% and car production was down by 2%. Lingering COVID-19 impacts outside China resulted in a 15% decrease in Chinese aluminium product exports in 2020. Overall, primary aluminium consumption in China grew by 1% in 2020 over 2019, thanks to growth in packaging, home appliances and machinery, as well as replacement of scrap aluminium due to a COVID-19-triggered scrap supply shortfall.

Chinese primary aluminium production grew by 4% to 37.3 million tonnes, as around 2.5 million tonnes per annum of new capacity was commissioned, particularly in the second half of 2020. As China recovered ahead of the rest of the world, coupled with a weak US dollar and low LME aluminium prices, the arbitrage window was open at the end of the second quarter of 2020 for China to import primary aluminium. China imported 1.1 million tonnes of primary aluminium, the largest volume since the GFC, resulting in an overall Chinese surplus of around 1.1 million tonnes.

Chinese producers are focusing on sustainability more than ever. Approximately 1.7 million tonnes of primary aluminium capacity have been moved to the South-west of China, taking advantage of lower cost and hydro power there. Another 2.4 million tonnes per annum of new smelting capacity is expected to be built in 2021, a majority of which will be based on hydro power. Chinese primary aluminium supply is forecast to grow by 4.7% in 2021 to 39 million tonnes, with the expected higher Chinese aluminium consumption in 2021 to result in a more balanced market compared with 2020.

China introduced a centralised carbon trading scheme on 1 February 2021 which, in the long-term, is likely to add costs to coal-based heavy emitters and steepen the aluminium cost curve. This scheme may incentivise smelters and refiners to convert to greener energy sources in the medium to longer-term.

Outside China in 2021, primary aluminium production is forecast to grow by 3.6%, assuming economies continue to recover from COVID-19. There is the potential for a boost to demand for primary aluminium from Government stimulus packages. The LME cash aluminium price, averaging \$2,004 per tonne over January 2021, has been incentivising smelters to try to increase extra production or consider restarting curtailed production. Whilst the alumina price early in 2021 was hovering just above \$300, around the high point of 2020, the percentage of the API (Alumina Price Index) over the LME aluminium price, sitting at around 15%, was on the low side of recent history. This has contributed to improved smelting profitability, along with the higher LME prices. Regional supply issues and tighter aluminium scrap availability early in 2021 have contributed to increased regional aluminium premiums. A lower primary aluminium surplus, expected in 2021, together with increasing consumer demands for low carbon aluminium, may lead to the development of a more widespread "green aluminium premium".

Extra smelting production of around 1 million tonnes is expected mainly in Siberia, Malaysia, Iran, Norway, India and Argentina in 2021. Potential reductions in Spain and New Zealand are looking less likely. Downside risks include economic disruption due to COVID-19-relapses, higher-than-expected Chinese primary production, lower Chinese prices and a sentiment-based reversal of the recent direction of the LME aluminium price.

Alumina

As the production of primary aluminium was flat in 2020 outside China, so too was the demand for metallurgical alumina. However, demand for non-metallurgical alumina fell by over 12% outside China in 2020 due to COVID's impact. Total alumina production outside China grew by 4% over 2020, while falling in China by around 1%. Sporadic supply disruptions in and outside China had temporarily boosted Chinese alumina prices in the second half of 2020. Eventually prices rationalised towards the marginal costs' level and stabilised around RMB 2,300 per tonne towards the final quarter of 2020. Over 2020, the API averaged \$271 per tonne, compared with \$332 per tonne over 2019. The API was higher in the second half of 2020 due to increasing demand for alumina, short-term supply tightness, higher alumina refining costs and a rally in LME aluminium prices. Since December 2020, the API surpassed Chinese import parity prices (the Chinese domestic price minus extra costs and taxes of importing alumina) on higher LME aluminium prices, which stimulated greater alumina demand outside China. This, together with on-going exports to China, caused some regional supply/demand tightness, despite an overall alumina surplus outside China. Some supply restrictions in China in January 2021 caused the gap between the Chinese alumina import parity price and the API to narrow again.

Despite COVID-triggered curtailments in the first half of 2020, China's alumina production in the second half of 2020 recovered, with the resumption of idled capacity and the rollout of new capacity in Southern provinces. However, severe pollution towards the end of the year saw temporary capacity curtailments in northern China. Metallurgical production in China registered a marginal drop of 1% to 67.5 million tonnes.

China continued to import alumina, importing a total of 3.8 million tonnes in 2020. China's metallurgical alumina market over 2020 is estimated to have been broadly balanced, with a marginal deficit of 0.4 million tonnes.

In 2021, around 4 million tonnes per annum of alumina capacity is expected to be added in China. China's metallurgical alumina production is forecast to grow by 6%. Driven by growth in demand from primary aluminium, China's metallurgical alumina market is expected to be in deficit again, which will be balanced by importing alumina.

Average Chinese alumina production costs dropped by 13% to \$271 per tonne in 2020. Most input costs such as bauxite, caustic soda and coal decreased, as China uses more imported bauxite, which requires less caustic and lower energy, coupled by subdued prices for those materials.

Outside China, refining costs dropped by around 10% in 2020, averaging \$218 per tonne. Fuel costs fell by 22% as the oil price plunged and bauxite costs fell by 6%, due to lower energy and freight costs. Caustic soda costs also fell by 10%. Alumina costs globally in 2021 are expected to be higher due primarily to higher energy costs and likely higher freight costs.

A stronger RMB against the US dollar is expected to raise the Chinese refining cost curve in US dollar terms.

Over the medium to longer-term, more cost-effective refineries are expected to be built along the Chinese coast, replacing high-cost inland capacity. China is expected to produce sufficient alumina to only meet its internal demand, while importing the surplus from outside China when the arbitrage window is open. China is not expected to be a net exporter of alumina in the medium to longer-term, although there may be temporary periods of export if there are supply shocks outside China, as occurred in 2018.

Outside China, just around 600,000 tonnes of alumina production from new capacity is expected in 2021. This is forecast to come mainly from the Bintan greenfields refinery and phase 2 of the Well Harvest Winning refinery, both in Indonesia. However, alumina production there is expected to be delayed to later in the year than they were previously forecast. This is expected to be supplemented by some extra alumina from an expanded Utkal refinery in India. In February 2021 Vedanta announced approval of resumption of its brownfields expansion at the Lanjigarh refinery in India.

Absent a stronger-than-expected aluminium production recovery in 2021, and subject to the consumption recovery of non-metallurgical alumina, a surplus of metallurgical alumina is still expected outside China of nearly 2.9 million tonnes. This would be smaller than the 2020 surplus of 3.8 million tonnes and would be likely exported to China to balance the market globally.

Bauxite

China's demand for imported bauxite continued to grow in 2020, importing a total of 112 million tonnes, a 11% increase over 2019. Guinea (47%), Australia (33%) and Indonesia (17%) made up 97% of the bauxite imports into China. In December 2020, Indonesia extended its deadline to ban bauxite exports from January 2022 to June 2023.

By the end of 2020, nearly 60% of China's bauxite consumption was from imported sources. With more alumina capacity planned in coastal China, and the on-going decline in Chinese domestic bauxite quality, the appetite for imported bauxite is likely to grow in China.

Average delivered bauxite prices to China (normalised) dropped from \$51.70 per tonne in 2019 to \$46.70 per tonne in 2020, due to lower oil prices and an on-going supply surplus, particularly from Guinea. Some Chinese refiners hold collectively around 59 million tonnes of imported bauxite inventory, or 30 weeks of supply, which adds more pressure to bauxite prices. Assuming the oil price and freight market recover from the COVID shock, third-party bauxite costs are expected to rise in 2021, although the expected bauxite supply surplus is likely to continue to exert downward pressure on the bauxite price.



AWAC guidance

The following 2021 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	2021 guidance
Production - alumina	Approximately 12.8 million tonnes
Production - aluminium	Approximately 163,000 tonnes
Third party bauxite shipments	Approximately 8.0 million BD tonnes
Alumina Price Index sensitivity ¹ : +\$10/t	Approximately +\$115 million EBITDA
Caustic price sensitivity ² : +\$100/dry metric tonne	Approximately -\$90 million EBITDA
Australian \$ Sensitivity: + 1¢ AUD/USD	Approximately -\$21 million EBITDA
Brazilian \$ Sensitivity: + 1¢ BRL/USD	Minimal impact
SGA shipments expected to be based on alumina price indices or spot	Approximately 97% for the year
AWAC sustaining capital expenditure	Approximately \$225 million
AWAC growth capital expenditure	Approximately \$25 million
AWAC Point Comfort after tax restructuring ^{3,4}	
Charges (IFRS)	Approximately \$15 million
Cash Flows	Approximately \$30 million
AWAC Suralco after tax restructuring ³	
Charges (IFRS)	Approximately \$10 million
Cash Flows	Approximately \$35 million
AWAC Point Henry and Anglesea after tax restructuring ³	
Charges (IFRS)	Approximately \$5 million
Cash Flows	Approximately \$10 million

1. Excludes equity accounted income/losses for the Ma'aden joint venture.
2. Caustic inventory flow is 5-6 month.
3. Ongoing costs will be recognised in future financial years relating to the curtailments and closures.
4. The closure of the Point Comfort refinery was announced on 17 December 2019.

Alumina Limited guidance

The financial results of Alumina Limited are dependent upon AWAC's operational performance and profitability, and the ability of Alumina Limited to influence the performance of AWAC to ensure that the Company's interests are protected. Alumina Limited's objectives are to achieve the position where AWAC is sustainable in the long-term, that it has adequate governance procedures in place, and that long-term capital allocation is implemented to maximise AWAC's returns.

Alumina Limited's expectations for cash receipts from AWAC in 2021 are that total receipts by Alumina Limited should exceed its corporate needs.

In 2021, Alumina Limited anticipates there could be equity calls by AWAC entities in relation to working capital support. However, this is subject to market conditions.

LETTER BY CHAIR OF COMPENSATION COMMITTEE

Dear Shareholders,

As always it gives me pleasure to write to you to frame Alumina's remuneration report. As I retire from the Alumina Board following the 2021 AGM (having joined in February 2011), this is my last letter to you. In this letter I address both the performance and remuneration outcomes for this year, and also reflect on the remuneration journey the Board has travelled over the past seven years in particular as it has strengthened Alumina's executive remuneration framework and policies to align with the context in which Alumina seeks to create value for its shareholders.

2020 business context

2020 has been an awful year for many people in the world. In early 2020, our management teams and Board acknowledged the huge uncertainty that lay ahead and responded quickly to potential impacts and risks as best as we could see them. At that time, the precise ways the world's health, economies, markets and funds flow might fare was almost impossible to predict. Key steps taken were:

- Initiatives to protect employees' health
- Increased level of communications regarding AWAC's operational planning and crisis management in the event of forced operations closure. Consideration of the potential implications of different operating and financial scenarios which might have impacted Alumina Limited results.
- Judicious actions to hold additional balance sheet liquidity within Alumina in the event of deteriorating funding markets or if operating free cash flow should erode.

These steps were coupled with ongoing focus on key sustainability matters such as tailings dams' integrity and governance, climate change and TCFD reporting.

Only now can we see what transpired - at Alumina and AWAC, our world-wide operations from Australia, to Europe, to Brazil have been kept operating. 2020's production level of 12.8 million tonnes of alumina compares with 12.6 million tonnes in 2019. As a result, Australian government employment schemes such as Job-keeper were not required for Alumina Limited.

While generally companies in the energy, mining and minerals sectors continued trading through 2020, some

of Australia's core commodities have experienced weak prices, others have enjoyed price highs.

The alumina price fell sharply from around \$300/t in early March to \$225/t in mid-April. Alumina prices ended up averaging \$271/t for 2020, approximately 7% lower than the alumina price of the second half of 2019. By the end of 2020, the alumina and aluminium prices were \$305/t and \$1,974/t respectively, close to what they were in the beginning of the year.

At these levels, whilst the resultant margins of \$69/tonne are not at the highs that were seen in 2018 and first half 2019, they are nevertheless healthy and, notwithstanding the impact of lower commodity prices, annual cash flow has been sufficient to pay a dividend at a yield of 5% to our shareholders.

Detailed economic analysis in respect of alumina and aluminium prices has been provided in the Market, Outlook and Guidance section of the Operating and Financial Review.

2020 remuneration decisions and outcomes

In making its remuneration decisions in 2020, the Board therefore considered:

- The huge pressure that our country has been under as a result of COVID-19 and the fact that, for many Australians, businesses and livelihoods have been lost. This broader social context was considered when taking decisions on fixed remuneration and STI outcomes.

- In evaluating performance against the corporate objectives or personal targets, the Board did not identify any instances where COVID might have made achievement easier and no credit was given where COVID made realisation harder. In the final review of the scorecard, the judgements made in assessing performance and the resultant mathematical outcomes were considered fair and appropriate. The Board was satisfied with the quality of the outcomes achieved and that the actual STI payments were appropriate and fair.
- The share price of the company and its linkage with commodity prices and exchange rates and potential impact on equity values used in remuneration. The Board used analysis to look for unusual movements which might result in executives benefiting in an unforeseen way, noting of course that a deteriorating share price will erode historic equity entitlements. The Board determined that there were no unusual movements impacting equity values used in remuneration and specifically, it was appropriate to grant the quantum of LTIs (at %'s consistent with the past).
- The Company TSR performance. In testing the two LTI tranches that expired in 2020, before approving the vesting, the Board considered the occurrence of negative absolute TSR, and that the degree varied by currency and by tranche which fell about six months apart. Having analysed other financial performance outcomes over the period (including dividend yield, return on invested capital and the relativities within the international peer group), the Board authorised vesting. As a highly cyclical company, the Board has concluded that it is more meaningful to examine the testing outcomes as they occur rather than introduce a further hurdle or gateway.

2020 key decisions can be summarized as:

- 2021 Conditional Rights (CR's) and LTI's granted to the CEO valued at \$472,800 and \$525,281 respectively at the time of the grant.
 - LTI vesting of the CEO pro-rated tranche 17 in May 2020 of 87% (as a result of partial vesting using the ASX comparator group and top percentile performance against the international comparator). Grant of pro-rated FY 17 tranche was authorised by shareholders at the 2018 AGM.
 - LTI vesting of tranche 18 at end December 2020 of 50% (as a result of no vesting using the ASX comparator group but positively, top percentile performance against the international comparator).
- STIs which are applicable for KMP other than the CEO and CFO were 89% of target award and 63% of maximum award (which compares with 97% and 75% in 2019). In total \$417,000 was awarded and reflects that two executive KMP were covered in the 2020 scheme for the whole of the year (which compares to \$513,00 in 2019 where a 3rd, now former executive KMP, was included for part of the year).

Looking ahead to 2021, the following decisions were made:

- No increases to 2021's fixed remuneration for executive KMP;
- No increase to 2021 non-executive directors' base fee, consistent with decisions on fixed remuneration for executives and staff as a whole.
- No increase to the 2021 non-executive directors' committee fees, except for increase the fee for the Chair of the Nomination Committee from \$10,000 to \$15,000 due to the increased workload.

Remuneration in a business context

Over my time on the Board, Alumina has had three CEOs. On each appointment, the Board has tested its thinking in terms of the qualities, experience and skill set sought in our CEOs as well as the remuneration structures and policies best suited to the Company. At the heart of this, the following considerations have been upper most:

- **The non-operating and pure play nature of the company**, Alumina as the joint venture partner in AWAC provides shareholders with a unique exposure to tier 1 alumina assets. This opportunity simply doesn't exist through others in the sector that have, either more diversified downstream interests in the aluminium supply chain and/or businesses engaged in other metals or minerals. Alumina offers very direct exposure to the alumina price for our shareholders.
- **The cyclical nature of this capital-intensive sector where the underlying alumina commodity price is a key direct determinant of AWC's share price, earnings, free cash flow and dividends**. For example, in 2020, global concerns about demand resulted in weakening alumina prices - through to quarter 3, AWAC's realised alumina price declined by 20.2%, with EBITDA margin declining 45.2%. In upswings of the cycle, prices and earnings can leap the other way. Dynamics such as these stem from worldwide supply imbalances and economic sentiment and remain external risks to the company.

- **The role of Alumina and its management team in the joint venture.** AWAC's businesses are based on long-life assets. As well as the day-to-day operational management, these assets require sustaining capital, timely reinvestment for growth and long-term customer and supply chain positions. There are significant responsibilities to our communities too. This done well, coupled with appropriate balance sheet settings, underpins sustainable value creation and protection through the cycle. Alcoa's role is that of manager and equity owner. Alumina's role is to influence Alcoa in its position as manager of the joint venture and share in the custodianship, while exercising its position and rights in the joint venture arrangements appropriately to support shareholders' interests and optimising our investment.

Remuneration policies for AWC's leadership team

The Alumina board has continued to think carefully about its remuneration policies such that they are aligned with shareholders and with longer-term outcomes (yet balance the exposure executives should bear to the rise and fall of commodity pricing and have specific mechanisms in place to ensure that overall remuneration is reduced in times of poor returns).

We believe that these considerations are captured by the following policies:

- **To pay fixed remuneration at a competitive level** that will attract and retain high calibre executives - we look for strong leadership, relationship and influencing skills, proven track record in commercial and M&A transactions together with an ability to grasp the detail of complex matters pertaining to a global asset base while thinking strategically and tactically.
- **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 shareholders.

As part of their Remuneration, the CEO and CFO have no STI, but as a part of their remuneration CR's are awarded with a three-year trading lock.

LTI's are delivered wholly in equity, with testing against two peer groups using TSR. LTI's are set at a level such that the quantum would be considered modest when compared with more traditional senior executive remuneration structures.

STI, as applicable for other senior KMP, is grounded in corporate objectives and a scorecard and designed with an appropriate exposure to short-term financial results such that on the one hand, large windfall gains (say as a result of peak world alumina price rises or exchange

rate movements) do not flow through to remuneration and, on the other hand, STI's are curtailed when returns are poor. Furthermore, Mr Foster (Company Secretary and General Counsel) is required to applied 50% of STI award towards purchasing shares.

- **To set overall remuneration levels with additional reference to the nonoperating nature of the company.** When benchmarked last in 2019 against ASX 51-100 peer group, the CEO's overall remuneration was at the "8th" percentile.

CEO remuneration

With Mr Ferraro's appointment in 2017, the Board evolved its CEO's remuneration structure further such that his remuneration consists of FAR, equity CR's (no STI) and an LTI. This, in turn, built on the structure introduced in 2014 for his predecessor Mr Wasow. Mr Wasow's remuneration consisted of FAR, equity exposed CR's, significantly reduced STI and LTI.

As seen in the benchmarking analysis, the Board has been consistent in its discipline to offer and maintain attractive and aligned remuneration, however at a much more modest overall level than typically applies.

The Board continues to believe that, for Alumina, the pay mix is appropriate for its CEO whose leadership skills, abilities to gain traction with Alcoa while maintaining a focus on Alumina's long-term agenda and stakeholder relationships is key. His remuneration is significantly exposed to the company's share price, in his CR's and through the LTI. Since his appointment, as AWC's share price has followed the fortunes of the commodity, the values of the CEO's on foot CR's as at 31 December 2020 are lower than on grant, by approximately \$291,000 or 19%.

The CEO's remuneration remains performance based, however, the CEO's personal performance against corporate objectives and leadership is assessed formally annually by the Board and this assessment underpins the Board's decision-making regarding his remuneration (including FAR and CR's) as well as the LTI's. The value of the CR's on vesting reflects the share price and dividend performance since grant. The LTI award mechanism requires company outperformance against two cohorts (Australian ASX top companies and a sector international peer group) to trigger vesting.

In closing, I would like to thank shareholders and other stakeholders for your thoughtful dialogue on our remuneration report and policies; your ongoing input is of considerable value.

REMUNERATION REPORT

The Remuneration Report is presented in the following sections:

1. Remuneration framework

- 1.1 Persons covered by this Report
- 1.2 Remuneration in business context
- 1.3 Remuneration governance framework
- 1.4 Remuneration strategy, components and mix

2. Company performance and executive remuneration outcomes

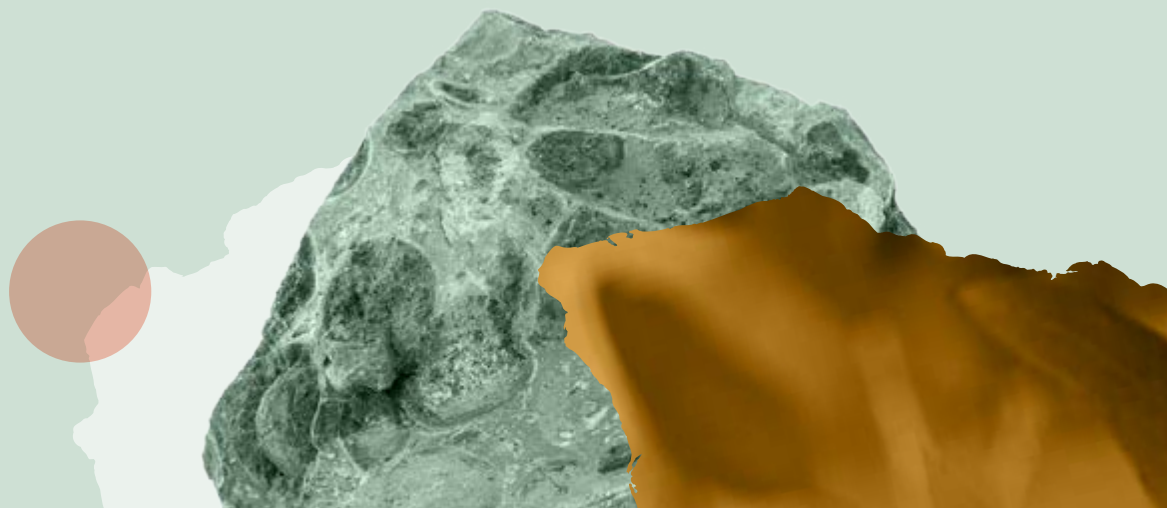
- 2.1 Company performance
- 2.2 Remuneration decisions and outcomes for 2020
- 2.3 CEO, CFO and Senior Executives performance under the LTI plan
- 2.4 Senior Executives (excluding CEO and CFO) performance under the STI plan
- 2.5 CEO and Senior Executives 2020 statutory remuneration
- 2.6 Actual "take home" 2020 remuneration awarded to CEO and Senior Executives

3. Non-Executive Directors remuneration

- 3.1 Remuneration outcomes in 2020
- 3.2 Non-Executive Directors share holdings

4. Additional disclosures

- 4.1 Reconciliation of Conditional Rights held by CEO
- 4.2 Value change over time of the CEO's Conditional Rights
- 4.3 Reconciliation of Performance Rights held by Executive KMP
- 4.4 Reconciliation of ordinary shares held by Executive KMP
- 4.5 CEO and Senior Executives service agreements
- 4.6 Cessation of employment
- 4.7 Change of control
- 4.8 Clawback policy
- 4.9 Share trading and hedge prohibition



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	
Non-Executive Directors		
Peter Day	Non-Executive Chairman	Appointed Chairman 1 April 2018 Director since 1 January 2014
Emma Stein	Non-Executive Director	Appointed 3 February 2011
Chen Zeng	Non-Executive Director	Appointed 15 March 2013
Deborah O’Toole	Non-Executive Director	Appointed 1 December 2017
John Bevan	Non-Executive Director	Appointed 1 January 2018
Shirley In’t Veld	Non-Executive Director	Appointed 3 August 2020
Executive KMP		
Mike Ferraro	Managing Director and CEO	Appointed CEO from 1 June 2017
Grant Dempsey	Chief Financial Officer (CFO)	Appointed 1 July 2019
Stephen Foster	General Counsel/Company Secretary	Appointed 4 December 2002
Andrew Wood	Group Executive Strategy and Development	Employed 1 September 2008
Former Executive KMP		
Galina Kraeva	Interim Chief Financial Officer (ICFO)	19 November 2018 to 30 June 2019

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 59,000 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 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

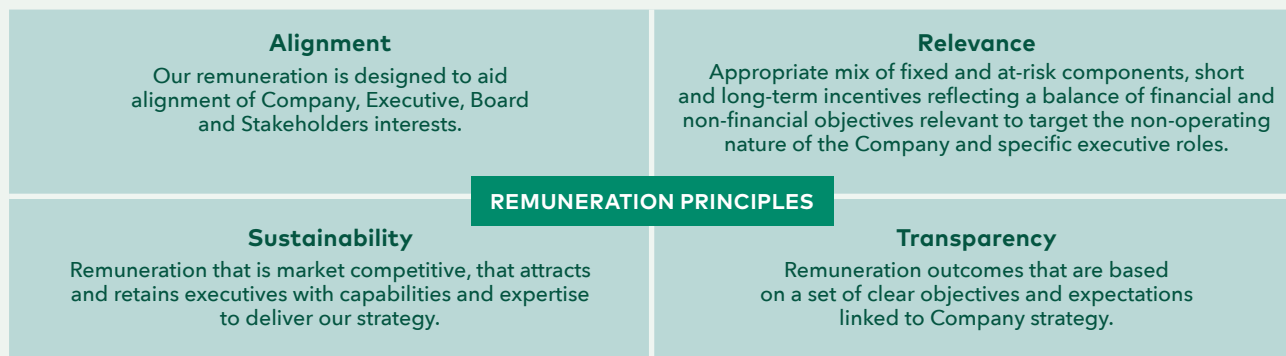
Delegated authority to:

- Take advice from management and where relevant, independent advisers.
- Devise a remuneration framework, strategy, policies and practices.

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.



- 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 Stein.

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.

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) ¹	CEO & CFO equity based award	Short-term incentive for Senior Executives ¹
Strategic intent	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.
Performance measure	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 performance criteria are set by reference to: <ul style="list-style-type: none"> • A minimum performance threshold requirement (the "Corporate Gate") • Financial metrics • Strategic objectives • Individual performance and effort relevant to the specific objective.
Delivery	Cash payment	Performance Rights	Conditional Rights	Mix of cash and equity <ul style="list-style-type: none"> • GE Strategy & Development: 100% cash • Company Secretary: 50% cash, 50% equity with three years trade restriction period

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

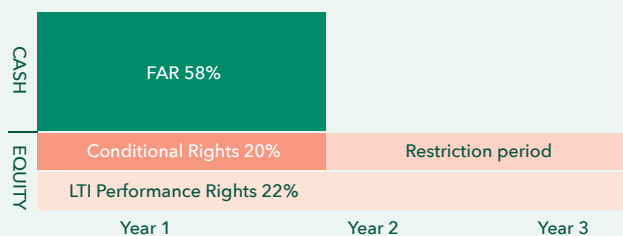
CEO and CFO

As communicated in last year's Remuneration Report, the CFO succession presented the Board with the opportunity to align the CFO's remuneration structure and performance assessment with that of the CEO.

This alignment promotes a stronger leadership structure focused on the value creation activities, whilst eliminating potential prioritisation of the short-term goals over longer-term strategic objectives.

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

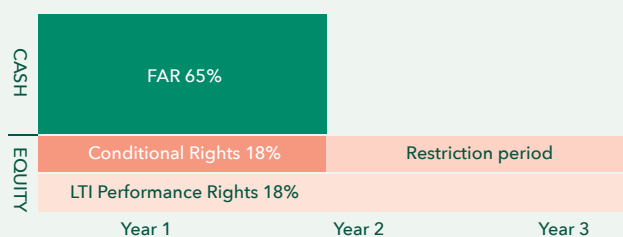
% of CEO potential total remuneration



The CFO's remuneration package comprises of a fixed cash component of \$899,400, an equity component delivered via Conditional Rights and Performance Rights valued at \$242,200 each at the time of the grant.

It is the Board view that a greater proportion of equity exposure (delivered via the Conditional Rights and LTI) in the CEO's remuneration package reflects the future strategic intent of the role. The change in value of equity component over time mirrors the experience of shareholders.

% of CFO potential total remuneration



As communicated in last year's report, in 2019 the Board reviewed the CEO's package and resolved to increase it, effective 2020, to recognise the CEO's contribution, the CEO's leadership and outperformance in role, though with significant emphasis on increasing the CEO's exposure to equity in the Company. The CEO's total reward opportunity was increased by 6% effected through a combination of increases to FAR (2.2% increase), conditional rights (12.5% increase) and LTI opportunity (11% increase), as set out in last year's report. These changes were determined and implemented prior to the onset of the global pandemic.

Over the last 6 years, since the first significant change in structure of the CEO remuneration package, exposure to equity component increased from 22% to 42% of the total award opportunity.

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 with specific milestones sought in the year ahead. 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.

Whilst the Board remains of the view that due to the non-operating nature of Alumina's business it is appropriate to maintain the total CEO and CFO reward opportunity positioning in the lowest quartile, the Board also considers other factors such as market or inflation increases, maturity in role and level of contribution in certain areas of JV governance and operations. In 2020 the Board also considered the impact of the global pandemic on company performance and performance against corporate objectives.

On this basis, the Board decided that the CEO's and CFO's 2021 remuneration packages would remain unchanged.

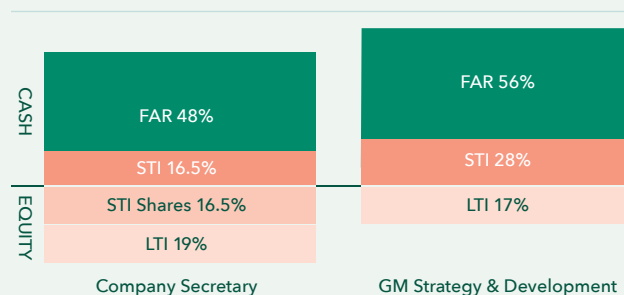
Senior Executives

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 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.

% of potential total remuneration



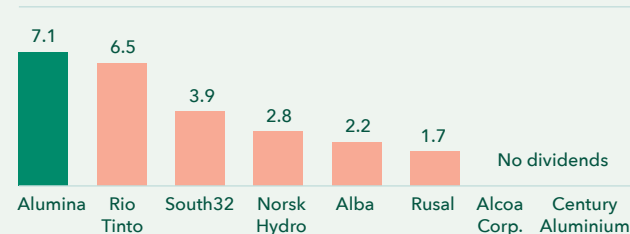
2. Company performance and executive remuneration outcomes

2.1 Company performance

Alumina Limited has continued its run of strong results, recording a net profit after tax of \$146.6 million, a strong result considering the year that was collectively faced by all.

Alumina Limited announced a fully-franked, final dividend of 2.9 US cents per share, bringing the five-year average dividend yield to 7.5%, all fully franked.

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



The Company's net debt at 31 December was only \$50 million, which is a gearing level of 2.8%, declining further from the previous year as Alumina Limited reduced its level of drawdown on its existing facilities.

2020 was a tumultuous year with suppressed alumina prices especially in the first half where alumina prices bottomed out at \$225/t during April. Prices recovered in second half to an average of \$278 per tonne for 2020 and has settled around \$300/t since the middle of December.

A low cost, tier one portfolio of assets, supports AWAC's ability to remain profitable despite lower alumina prices. Despite market volatility caused by the impact of COVID-19, AWAC recorded an EBITDA of \$896 million and a net profit after tax of \$402 million. Deferral of some non-critical maintenance and growth capex underpinned a robust cash-flow-from-operations of \$672 million.

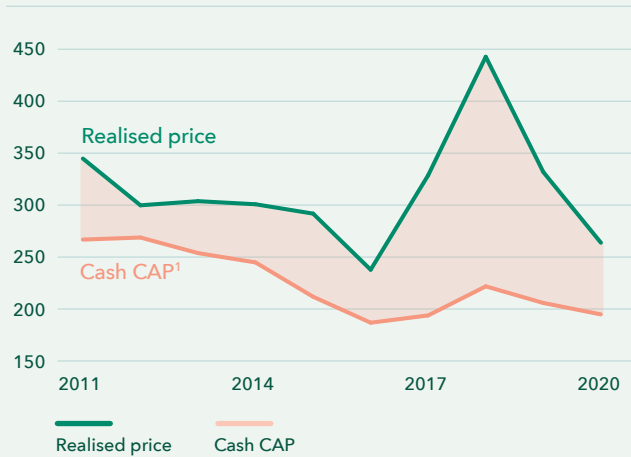
The power of AWAC's business over the past decade is demonstrated by both its resilience to negative shocks, such as COVID and also its ability to take advantage of positive shocks like we saw in 2018 resulting from supply-side interruption.

Since the API was introduced a decade ago, AWAC's margin has averaged about \$90 per tonne. The portfolio has also strengthened over that time, due to increased API-linked revenue and the closure or sale of some high-cost refineries which operated prior to 2016.

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 throughout the cycle.

Alumina Limited's TSR compared to relevant ASX indices, demonstrates a track record of solid returns to investors since 2016 following the completion of AWAC's asset portfolio transformation.

Margin over the past 10 years (US\$/t)



1. Prior to 2016 the CAP included high-cost refineries that are no longer part of the portfolio and as such have been removed from the calculated CAP.

Alumina TSR vs. ASX indices - last 5 years



Historical company performance

	2020	2019	2018	2017	2016
Net Profit/(Loss) after tax (US\$ million)	146.6	214.0	635.4	339.8	(30.2)
Net Profit/(Loss) after tax (excluding significant items) (US\$ million)	146.5	326.6	689.9	363.1	84.7
Dividend declared (US cents per share)	5.7	8.0	22.7	13.5	6.0
Share price at the end of the period (AUD per share)	1.835	2.30	2.30	2.43	1.83
Total shareholder return - including franking credits (%)	(14.2)	15.5	7.7	41.8	69.2
Total shareholder return - excluding franking credits (%)	(16.0)	10.8	3.8	39.1	66.0

2.2 Remuneration decisions and outcomes for 2020

Fixed remuneration

2020 outcomes

The following changes in FAR were determined and implemented in 2019, effective in 2020, prior to the global pandemic:

- Fixed remuneration for the CFO and Senior Executives increased by 2.5%, which was generally in line with the increases applied to the broader staff in the Company.
- As set out in section 1.3 the CEO's fixed remuneration was revised including a 2.2% increase to FAR.

Long-term incentive

2020 outcomes

The FY18 LTI was tested in 2020 (testing period December 2017 to December 2020) with 50% of the total award vesting.

Alumina Limited's performance against the ASX Comparator group fell below the minimum required vesting threshold of 50th percentile ranking and therefore zero per cent of the potential entitlement vested. In relation to the International Comparator Group, Alumina Limited's performance exceeded 75th percentile resulting in 100 per cent of the potential entitlement vested.

The CEO's pro-rata FY17 LTI was tested in 2020 (testing period June 2017 to May 2020) with 87% of the total award vesting.

Alumina Limited's performance against the ASX Comparator group was 61.6 percentile rank, therefore 73.20 per cent of the potential entitlement vested. In relation to the International Comparator Group, Alumina Limited's performance exceeded 75th percentile resulting in 100 per cent of the potential entitlement vested.

Short-term incentive

2020 outcomes

In 2020, STI payments were assessed against a range of corporate objectives, including financial strategic and non-financial objectives.

"Corporate Gate" requirements were satisfied therefore STI was assessed based on 100% of the potential award. Senior Executives, achieved on average 68% of the maximum STI.

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

2020		Key features of the LTI Plan	
Description	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.		
Performance period	Three years		
Performance hurdles	<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"> ASX Comparator Group (Test 1 - 50% weighting): Australian listed entities in S&P/ASX 100 Index, excluding property trusts, the top 20 companies by market capitalisation and Alumina Limited. 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: South 32, Hindalco Industries, Century Aluminium, Norsk Hydro, China Hongqiao Group, Arconic, Yunnan Aluminium 'A' (CNY), Aluminium Corporation of China, United Company Rusal. 		
Performance assessment	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.		
	Alumina Limited's TSR percentile rank	Percentage of vesting in (applies individually to each comparator group)	
	Below 50 th	0%	
	Equal to 50 th	50%	
	Between 50 th and 75 th (ASX Comparator Group) ¹	An additional 2% of award for each percentile increase	
	Equal to or greater than 75 th	100%	
	Following testing, any Performance Rights that have not vested will lapse.		
Entitlements	<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>		

- If the Company's TSR performance is equal to that of any entity (or security) between the 50th percentile and the 75th 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).

2020 Key features of the LTI Plan continued					
Opportunity levels ²	Percentage of FAR (%) ³				
	CEO	CFO	Interim CFO	Company Secretary	GE Strategy and Development
	Approx 38	Approx 27	20	40	30

- 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.
- Former Executive KPI, Ms Kraeva, was appointed ICFO from 19 November 2018 to 30 June 2019. Ms Kraeva's LTI entitlement was up to 20% of FAR. Alumina Limited's performance resulted in 50 per cent of the total potential entitlement in relation to the FY18 LTI and 87 per cent of the total potential entitlement in relation to the CEO's pro-rata FY17 LTI vesting in 2020. 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 a result of this performance. Full reconciliation of number of rights at the beginning and the end of the financial year is provided in section 4.3 of this report.

Alumina Limited's performance resulted in 50 per cent of the total potential entitlement in relation to the FY18 LTI vesting in December 2020. 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 – FY18 (vested in 2020)

Description	ASX comparator group	International comparator group
Currency	AUD	USD ¹
Performance period	5 December 2017–4 December 2020	
Alumina Limited's TSR	(4.56%)	(8.13%)
Alumina Limited's TSR percentile rank	38.9%	Above 75 th percentile
75 th percentile TSR	59.32%	(24.68%)
50 th percentile TSR	8.71%	(32.59%)

- 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 2020 (FY18 Tranche) ¹	A\$ value of performance rights exercised ²
Michael Ferraro	99,000	181,566
Grant Dempsey	-	-
Stephen Foster ³	47,750	96,600
Andrew Wood	26,750	49,060

1. Performance Rights vested in 2020 were issued based on 2017 employment. Mr Dempsey was appointed CFO from 1 July 2019, therefore Performance Rights granted are still subject to future performance testing.
2. The value of Performance Rights exercised is determined by the number of Rights exercised in 2020 multiplied by the market price at the exercise date.
3. Mr Foster exercised 60,000 rights that have vested in 2019. He did not exercise his rights vested in 2020 as yet. Had he done so on the vesting date the value of his respective Performance Rights would have been \$87,574. Mr Foster also retained 65,600 rights that vested in 2019 unexercised, had he done so on the vesting date the value of his respective Performance Rights would have been \$154,816.

LTI – CEO's pro-rata FY17 (vested in 2020)

Mr Ferraro received a pro-rated FY17 number of performance rights, based on his start date of 1 June 2017. The grant of the pro-rated FY17 tranche has been approved by shareholders at the 2018 AGM, at the same time as the grant of FY18 tranche.

Alumina Limited's performance resulted in an 87 per cent of the total potential entitlement in relation to the CEO's pro-rated FY17 LTI vesting in 2020. 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 CEO as result of this performance. The full reconciliation of the number of rights at the beginning and the end of the financial year are provided in section 4.3 of this report.

The number of performance rights vested to in 2020 in relation to FY17 tranche was 122,886 with a total value of A\$199,690 at the exercise date.

Description	ASX comparator group	International comparator group
Currency	AUD	USD ¹
Performance period	1 June 2017-31 May 2020	
Alumina Limited's TSR	5.60%	(7.30%)
Alumina Limited's TSR percentile rank	61.6%	Above 75 th percentile
75 th percentile TSR	26.50%	(34.66%)
50 th percentile TSR	(2.44%)	(45.05%)

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

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

2020	Key features of the STI plan		
Description	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.		
Performance period	Financial Year		
Performance hurdles	<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>		
Performance assessment	<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"> • whether each individual element was achieved or surpassed • 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). <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>		
Opportunity levels	Level of performance	Percentage of FAR (%)¹	
		Company Secretary/ General Counsel	GE Strategy and Development
	Below expectations	0	0
	Corporate gate not met (50% of target)	28	17.5
	Corporate gate satisfied (100% of target)	56	35
Maximum	70	50	

1. Former Executive KPM, Ms Kraeva, was appointed ICFO from 19 November 2018 to 30 June 2019. Ms Kraeva maximum STI entitlement was up to 30% of FAR (24% at target).

The tables below provide a summary assessment of performance against the STI scorecard, the actual value of STI paid to Senior Executives and the percentage of total maximum STI paid and forfeited for 2020.

In 2020 the Board continued to prioritise strategic objectives designed to focus management efforts on influence over the AWAC's future development and strategic direction of Alumina Limited.

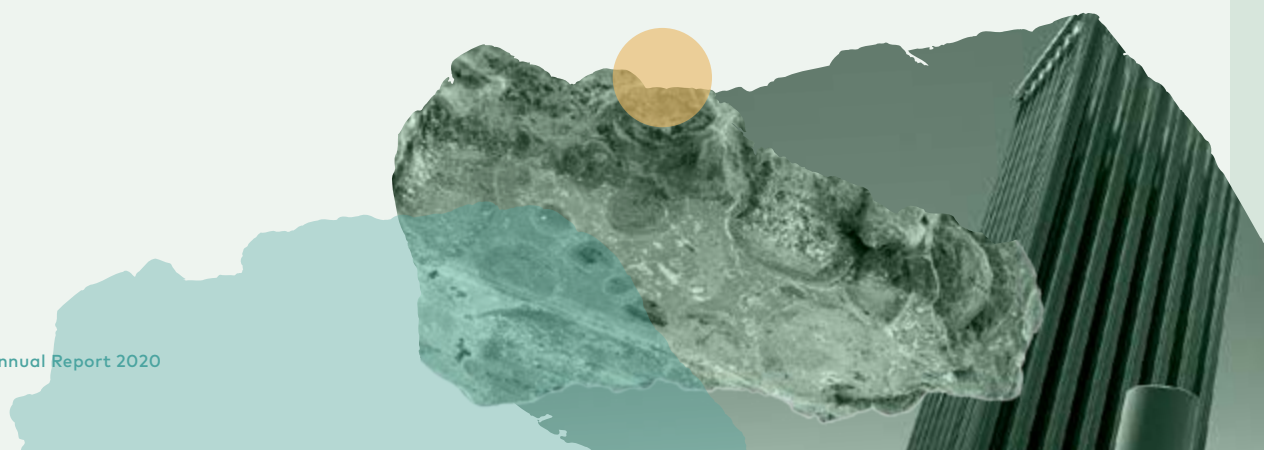
2020 STI scorecard		
Performance measure	Weighting	Performance assessment
<p>Strategic objectives:</p> <ul style="list-style-type: none"> Engage with Alcoa to assess the future of AWAC's activities and long-term options Implement Alumina Limited Risk Management plan and Contribute to risk management planning and actions undertaken in AWAC Work with Alcoa on review of residue disposal areas and provide input into the recommendations and their implementation plans Agree the climate change and sustainability strategy for AWAC. Develop Alumina Limited climate change and sustainability strategy Develop a strategic mid-term platform for Alumina Limited Undertake full strategy review 	65%	<p>Partially achieved:</p> <p>Sustainability and climate change targets are set. Full strategy review is ongoing.</p> <p>Alumina Limited mid-term platform to incorporate greater focus on green energy.</p>
<p>Financial objectives:</p> <ul style="list-style-type: none"> Ensure the cash distributions required under the AWAC Joint Venture agreements for 2020 are received and equity contributions properly assessed Reconsider and evaluate Alumina Limited's liquidity and leverage position Maintain key financial metrics 	20%	<p>At target</p> <p>Whilst the global pandemic did not materially affect AWAC operations, to be prepared for potential deterioration in financial and commodity markets, management assessed potential implications of different operating and financial scenarios and increased the Company's available cash on hand, recommenced the DRP and achieved a low level of gearing with an access to significant liquidity.</p>
<p>Non-financial objectives:</p> <ul style="list-style-type: none"> Effective and good working relationship is maintained and enhanced with Alcoa Focus on health and safety of employees. Support inclusion, communication and staff welfare whilst working remotely 	15%	<p>At target</p> <p>The COVID-19 pandemic put the highest priority on safety of our people. Management implemented strict protocols across the business including working from home and travel suspension.</p>

Despite travel restrictions management maintained a close contact with JV partner Alcoa and progress was achieved across all of objectives, however as other priorities emerged during the pandemic, some objectives were partially achieved and completion was deferred into 2021.

The above was reflected in the lower percentage of the STI awarded compare to the previous year.

2020 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
Executive KMP						
Stephen Foster (Company Secretary)	2020	284,000	89%	11%	71%	29%
	2019	302,000	97%	3%	78%	22%
Andrew Wood (GE Strategy and Development)	2020	133,000	89%	11%	63%	37%
	2019	141,000	97%	3%	68%	32%
Former Executive KMP						
Galina Kraeva (Interim CFO) ¹	2019	70,000	97%	3%	78%	22%
Total Executive STI	2020	417,000	89%	11%	68%	32%
	2019	513,000	97%	3%	75%	25%

- Ms Kraeva was appointed Interim CFO effective 19 November 2018. Her STI is pro-rated for her time as Executive KMP from 19 November 2018 to 30 June 2019.



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\$)					Total
		FAR ¹	STI	Non monetary ²	Other ³		
Executive KMP							
Mike Ferraro	2020	1,358,753	-	36,078	-	1,394,831	
	2019	1,318,833	-	34,689	7,702	1,361,224	
Grant Dempsey⁷	2020	878,052	-	30,622	-	908,674	
	2019	428,249	-	14,758	-	443,007	
Stephen Foster	2020	545,200	284,000	26,594	-	855,794	
	2019	531,300	302,000	477	-	833,777	
Andrew Wood	2020	404,152	133,000	13,546	-	550,698	
	2019	394,333	141,000	12,950	-	548,283	
Former Executive KMP							
Galina Kraeva⁸	2019	289,734	70,000	9,088	-	368,822	
Total executive remuneration	2020	3,186,157	417,000	106,840	-	3,709,997	
	2019	2,962,449	513,000	71,962	7,702	3,555,113	

1. FAR is the total cash cost of salary, exclusive of superannuation.

2. Non-monetary benefits represent the movement in accrued long service leave and value of the car park.

3. Other short-term benefits include personal financial advice allowance and travel allowance.

4. Superannuation reflect the SGC contributions for all Executive KMP.

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.

Post employment benefits (A\$)	Share based payments (A\$)			Total remuneration (A\$)
	Superannuation ⁴	Conditional Rights ⁵	Performance Rights ⁶	
10,847	472,800	233,513	706,313	2,111,991
20,767	420,250	276,118	696,368	2,078,359
21,348	301,262	19,443	320,704	1,250,726
10,501	59,063	-	59,063	512,571
25,000	-	126,347	126,347	1,007,140
25,000	-	131,932	131,932	990,709
21,348	-	70,773	70,773	642,819
20,767	-	72,583	72,583	641,633
10,266	-	19,868	19,868	398,956
78,543	774,062	450,076	1,224,137	5,012,676
87,301	479,313	500,501	979,814	4,622,228

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. Mr Dempsey appointed CFO from 1 July 2019.

8. Ms Kraeva appointed Interim CFO from 19 November 2018 to 30 June 2019.

2.6 Actual "take home" 2020 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	2020	1,369,600	-	-	1,369,600	
	2019	1,339,600	-	7,702	1,347,302	
Grant Dempsey ¹	2020	899,400	-	-	899,400	
	2019	438,750	-	-	438,750	
Stephen Foster	2020	570,200	284,000	-	854,200	
	2019	556,300	302,000	-	858,300	
Andrew Wood	2020	425,500	133,000	-	558,500	
	2019	415,100	141,000	-	556,100	
Former Executive KMP						
Galina Kraeva ²	2019	300,000	70,000	-	370,000	
Total executive remuneration	2020	3,264,700	417,000	-	3,681,700	
	2019	3,049,750	513,000	7,702	3,570,452	

1. Mr Dempsey appointed CFO on 1 July 2019.

2. Ms Kraeva appointed Interim CFO from 19 November 2018 to 30 June 2019.

- 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.

Conditional Rights	Share based payments (A\$)		Total "take home" remuneration, excluding termination (A\$)	Total statutory remuneration (A\$)
	Performance Rights	Total		
418,414	381,256	799,670	2,169,270	2,111,991
379,160	-	379,160	1,726,462	2,078,359
79,000	-	79,000	978,400	1,250,726
-	-	-	438,750	512,571
-	96,600	96,600	950,800	1,007,140
-	468,000	468,000	1,326,300	990,709
-	49,060	49,060	607,560	642,819
-	156,940	156,940	713,040	641,633
-	202,578	202,578	572,578	398,956
497,414	526,915	1,024,329	4,706,029	5,012,676
379,160	827,518	1,206,678	4,777,130	4,622,228

3. Non-Executive Directors remuneration

3.1 Remuneration outcomes in 2020

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 \$1,345,165 was paid in Non-Executive Director fees in 2020. 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.

As a result of a Director fee review, the Board resolved to increase Board Nomination Committees Chair fees for 2021, whilst keeping the Chairman, Director base fee and other committee fees unchanged.

	2020 A\$	2021 A\$
Base fee	150,000	150,000
Compensation Committee - Chair	35,000	35,000
Compensation Committee - Member	10,000	10,000
Audit and Risk Management Committee - Chair	35,000	35,000
Audit and Risk Management Committee - Member	10,000	10,000
Sustainability Committee - Chair	-	-
Sustainability Committee - Member	10,000	10,000
Nomination Committee - Chair	10,000	15,000
Nomination Committee - Member	-	-

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 ¹	
Peter Day	2020	388,652	-	388,652	21,348	410,000
	2019	389,233	-	389,233	20,767	410,000
Emma Stein	2020	205,000	-	205,000	19,475	224,475
	2019	185,000	-	185,000	17,575	202,575
Deborah O'Toole	2020	205,000	-	205,000	19,475	224,475
	2019	185,000	-	185,000	17,575	202,575
Chen Zeng	2020	180,000	-	180,000	17,100	197,100
	2019	160,000	-	160,000	15,200	175,200
John Bevan	2020	190,000	-	190,000	18,050	208,050
	2019	170,000	-	170,000	16,150	186,150
Shirley In't Veld ²	2020	74,032	-	74,032	7,033	81,065
Total Non-Executive Director remuneration	2020	1,242,684	-	1,242,684	102,481	1,345,165
	2019	1,089,233	-	1,089,233	87,267	1,176,500

1. The applicable superannuation contribution rate for 2020 and 2019 was 9.5 per cent.

2. Ms In't Veld was appointed as a Non-Executive Director on 3 August 2020.

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 ¹	Number of shares acquired during the year	Number of shares as at 31 December ¹	Date on which policy compliance achieved
Peter Day	2020	75,720	58,050	133,770	03/11/2014
	2019	75,720	-	75,720	
Emma Stein	2020	84,794	-	84,794	24/02/2014
	2019	84,794	-	84,794	
Deborah O'Toole	2020	8,000	32,000	40,000	- ²
	2019	8,000	-	8,000	
Chen Zeng	2020	4,804	-	4,804	- ³
	2019	4,804	-	4,804	
John Bevan	2020	300,154	-	300,154	01/01/2018
	2019	300,154	-	300,154	
Shirley In't Veld	2020	-	102,563	102,563	03/08/2020

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. Ms O'Toole is required to achieve compliance with the Director shareholding policy by 1 December 2022.
3. Mr Zeng is a nominee of CITIC and CITIC holds 548,959,208 ordinary fully paid shares in Alumina Limited.

4. Additional disclosures

4.1 Reconciliation of Conditional Rights held by CEO and CFO

Executive KMP	Year ¹	Number of rights					Value of rights (A\$)			Maximum value of rights yet to vest (A\$) ⁷
		Total as at 1 January	Granted during the year ^{1,2,8}	Vested during the year ^{3,8}	Lapsed during the year ⁴	Total as at 31 Dec ⁵	Granted during the year ^{1,2,8}	Vested during the year ^{5,8}	Lapsed during the year ⁴	
Mike Ferraro (CEO)	2020	183,515	203,794	(183,515)	-	203,794	472,800	(418,414)	-	-
	2019	169,268	183,515	(169,268)	-	183,515	420,250	(379,160)	-	-
Grant Dempsey (CFO)	2020	49,842	104,396	(49,842)	-	104,396	242,200	(79,000)	-	-
	2019	-	49,842	-	-	49,842	118,125	-	-	-

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 (2019: \$420,250) by a Volume Weighted Average Price (VWAP) of \$2.32 (2019: \$2.29), 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 (2019: \$236,250 pro rated) by a VWAP of \$2.32 (2019: \$2.37). Mr Dempsey received a pro-rate allocation in 2019 calculated from his commencement date of 1 July 2019 as CFO.
3. The terms of Conditional Rights granted were not altered during 2020. 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 2020, for Mr Ferraro, it was 183,515 Conditional Rights by the share price of \$2.28 on 8 January 2020 (2019: 169,268 Conditional Rights by the share price of \$2.24 on 7 January 2019). In 2020, for Mr Dempsey, it was 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	Value of rights (A\$) ¹		
			Granted during the year ^{1,2}	As at vesting date ³	As at December 2020 ⁴
Mike Ferraro (CEO)	2020	203,794	472,800	-	373,962
	2019	183,515	420,250	418,414	-
	Total	387,309	893,050	418,414	373,962
Grant Dempsey (CFO)	2020	104,396	242,200	-	191,567
	2019	49,842	118,125	79,000	-
	Total	154,238	360,325	79,000	191,567

1. The number of Conditional Rights is determined by dividing the set value of \$472,800 (2019: \$420,250) by a VWAP of \$2.32 (2019: \$2.29), independently calculated by Mercer. Mr Ferraro's remuneration package was revised in 2020, which resulted in increase of the total value of Conditional Rights grant by 12.5%.
2. The number of Conditional Rights is determined by dividing the set value of \$242,200 (2019: \$236,250) by a VWAP of \$2.32 (2019: \$2.37), independently calculated by Mercer. Mr Dempsey's FAR increased by 2.5% in 2020 therefore the total value of the initial Conditional Rights grant increased. Mr Dempsey received a pro-rata allocation in 2019 calculated from his commencement date of 1 July 2019 as CFO.
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 2020 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 ¹	Number of Performance Rights						Yet to be exercised as at 31 December	Yet to vest as at 31 December
		Total as at 1 January ²	Granted during the year ³	Exercised during the year ^{4,5}	Lapsed during the year ⁶	Total as at 31 December ⁷			
Executive KMP									
Mike Ferraro	2020	553,200	224,500	(221,886)	(118,014)	437,800	-	437,800	
	2019	339,900	213,300	-	-	553,200	-	553,200	
Grant Dempsey	2020	-	50,500	-	-	50,500	-	50,500	
Stephen Foster	2020	319,100	97,500	(60,000)	(47,750)	308,850	113,350	195,500	
	2019	393,159	98,000	(172,059)	-	319,100	125,600	193,500	
Andrew Wood	2020	108,400	54,600	(26,750)	(26,750)	109,500	-	109,500	
	2019	120,000	54,900	(66,500)	-	108,400	-	108,400	
Former Executive KMP									
Galina Kraeva	2019	114,487	31,500	(86,687)	-	59,300	-	59,300	

1. 2020 include Performance Rights granted on 20 January 2020 (2019: 21 January 2019) for the three-year performance test period concluding 12 December 2022 (2019: 12 December 2021).

2. Includes the number of Performance Rights granted that were subject to testing in 2020.

3. The terms of Performance Rights granted were not altered during 2020. 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. For all Executive KMP, the number of Performance Rights that vested in 2020 due to testing of Tranche 18. For the rights tested against the ASX Comparator Group, zero per cent vested and 100 per cent vested in relation to the International Comparator Group. The number of performance rights vested in 2020 to Mr Ferraro also includes 122,886 FY17 performance rights, prorated based on his start date of 1 June 2017.

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.

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 ¹	Value of Performance Rights (A\$)				Minimum value of grants yet to vest ³	Maximum value of grant yet to vest ¹
		Granted during the year ¹	Exercised during the year ²	Lapsed during the year ²	Yet to be exercised ¹		
Executive KMP							
Mike Ferraro	2020	134,700	381,256	(176,251)	-	-	418,389
	2019	283,689	-	-	-	-	828,354
Grant Dempsey	2020	58,328	-	-	-	-	58,328
Stephen Foster	2020	112,613	96,600	(68,044)	135,612	-	242,953
	2019	130,340	468,000	-	129,368	-	266,428
Andrew Wood	2020	63,063	49,060	(38,119)	-	-	136,080
	2019	73,017	156,940	-	-	-	149,255
Former Executive KMP							
Galina Kraeva	2019	41,895	202,578	-	-	-	81,510

1. Calculated by multiplying the number of rights 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 ¹	Number of ordinary shares					Total as at 31 December
		Total as at 1 January ¹	Acquired during the year under LTI ²	Acquired during the year CEO Conditional Rights	Other shares acquired during the year	Sold during the year	
Executive KMP							
Mike Ferraro	2020	359,432	221,886	183,515	-	-	764,833
	2019	190,164	-	169,268	-	-	359,432
Grant Dempsey	2020	-	-	49,842	-	-	49,842
Stephen Foster	2020	970,293	60,000	-	54,404	-	1,084,697
	2019	798,234	172,059	-	-	-	970,293
Andrew Wood	2020	355,533	26,750	-	-	-	382,283
	2019	289,033	66,500	-	-	-	355,533
Former Executive KMP							
Galina Kraeva	2019	25,770	86,687	-	-	-	112,457

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. For 2020, includes 2018 vested Performance Rights that were tested in December 2020 and Rights vested in prior years, which were exercised during 2020. For 2019, includes vested 2017 vested Performance Rights that were tested in December 2019 and exercised in 2019.

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 ¹	Termination payments ²
Mike Ferraro	
<ul style="list-style-type: none"> No fixed term. 12 month written notice from either party. Mr Ferraro's employment may be terminated immediately for any conduct that would justify summary dismissal. 	<ul style="list-style-type: none"> Alumina Limited may, at its discretion, make a payment in lieu of some or all of the notice period. 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. Number of shares equal to the granted Conditional Rights that would have vested during notice period. 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.
Grant Dempsey, Stephen Foster and Andrew Wood	
<ul style="list-style-type: none"> No fixed term. Six month notice from the Company, three month notice from Mr Dempsey and Mr Foster. Four month notice from the Company, two month notice from Mr Wood. Three month notice from the Company, three month notice from Ms Kraeva. 	<ul style="list-style-type: none"> An additional payment which is the greater of: <ul style="list-style-type: none"> A payment equivalent to six months Base Remuneration; or A payment comprising: <ul style="list-style-type: none"> Notice payment (the greater of 12 weeks or notice provided within employment contract), severance payment of 2.5 weeks per complete year of service, pro-rated for completed months of service; and nine weeks ex gratia payment.
<p>1. Former Executive KMP, Ms Kraeva agreement stipulates three months notice from the Company and three month notice from Ms Kraeva. All termination benefits are same as for other Executive KMP (except for CEO).</p> <p>2. Payable upon termination with notice and without cause (e.g. for reasons other than unsatisfactory performance) and suitable alternative employment is not offered 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, Mr Wood and Ms Kraeva. The above termination entitlements are subject to any restrictions imposed by the Corporations Act.</p>	

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.

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.

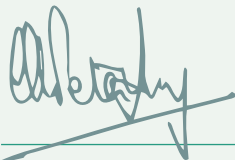
The Board also may seek to recover gains from the sale or disposition of vested shares and determine to cancel unvested equity awards.

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 • 23 March 2021

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 22–40 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 23 March 2021.

All press releases, financial reports and other information are available at our Investor Centre on our website aluminalimited.com

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Consolidated statement of profit or loss and other comprehensive income

	Notes	US\$ million	
		2020	2019
Revenue from continuing operations		0.1	2.5
Share of net profit of associates accounted for using the equity method	2(c)	164.6	232.0
General and administrative expenses	7(a)	(12.6)	(12.1)
Foreign exchange gains/(losses)		0.2	(1.0)
Finance costs	7(b)	(5.2)	(7.3)
Profit before income tax		147.1	214.1
Income tax expense	8	(0.5)	(0.1)
Profit for the year attributable to the owners of Alumina Limited		146.6	214.0
Other comprehensive (loss)/income			
<i>Items that may be reclassified to profit or loss</i>			
Share of reserve movements accounted for using the equity method		(11.5)	1.8
Foreign exchange translation difference	9(b)	(14.7)	(33.2)
<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		(7.5)	(3.4)
Other comprehensive (loss)/income for the period, net of tax		(33.7)	(34.8)
Total comprehensive income for the year attributable to the owners of Alumina Limited		112.9	179.2
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	9(a)	5.1¢	7.4¢
Diluted earnings per share	9(a)	5.1¢	7.4¢

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	
		2020	2019
Current assets			
Cash and cash equivalents	4(a)	10.4	15.2
Other assets		1.8	1.8
Total current assets		12.2	17.0
Non-current assets			
Investment in associates	2(c)	1,784.5	1,836.8
Total non-current assets		1,784.5	1,836.8
Total assets		1,796.7	1,853.8
Current liabilities			
Payables		0.7	0.9
Provisions		0.6	0.3
Tax payable		0.1	-
Total current liabilities		1.4	1.2
Non-current liabilities			
Borrowings	4(b)	60.0	70.0
Provisions		0.7	0.5
Total non-current liabilities		60.7	70.5
Total liabilities		62.1	71.7
Net assets		1,734.6	1,782.1
Equity			
Contributed equity	9(a)	2,706.7	2,682.9
Treasury shares	9(a)	(0.8)	(0.8)
Reserves		(1,310.0)	(1,283.9)
Retained earnings		338.7	383.9
Total equity		1,734.6	1,782.1

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

Consolidated statement of changes in equity

	Notes	US\$ million			Total
		Contributed and other equity ¹	Reserves	Retained earnings	
Balance as at 1 January 2019		2,681.7	(1,252.0)	706.1	2,135.8
Profit for the year		-	-	214.0	214.0
Other comprehensive loss for the period		-	(31.4)	(3.4)	(34.8)
Transactions with owners in their capacity as owners:					
Dividends paid		-	-	(532.8)	(532.8)
Movement in treasury shares	9(a)	0.4	-	-	0.4
Movement in share-based payments reserve		-	(0.5)	-	(0.5)
Balance as at 31 December 2019		2,682.1	(1,283.9)	383.9	1,782.1
Balance as at 1 January 2020		2,682.1	(1,283.9)	383.9	1,782.1
Profit for the year		-	-	146.6	146.6
Other comprehensive loss for the period		-	(26.2)	(7.5)	(33.7)
Transactions with owners in their capacity as owners:					
Dividends paid		-	-	(184.3)	(184.3)
Movement in share capital		23.8	-	-	23.8
Movement in treasury shares	9(a)	-	-	-	-
Movement in share-based payments reserve		-	0.1	-	0.1
Balance as at 31 December 2020		2,705.9	(1,310.0)	338.7	1,734.6

1. Comprises of 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	
		2020	2019
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)		(12.3)	(11.9)
GST refund received		0.5	0.5
Dividends received from associates		171.4	381.7
Finance costs paid		(4.9)	(8.3)
Interest paid under cross currency interest rate swap		-	(3.3)
Interest received under cross currency interest rate swap		-	3.3
Tax paid		(0.4)	-
Other		0.1	2.6
Net cash inflow/(outflow) from operating activities	10(a)	154.4	364.6
Cash flows from investing activities			
Payments for investments in associates		(24.5)	(51.0)
Proceeds from return of invested capital		35.8	90.2
Net cash inflow/(outflow) from investing activities	2(c)	11.3	39.2
Cash flows from financing activities			
Proceeds from borrowings		197.0	325.0
Repayment of borrowings		(207.0)	(341.2)
Net payments related to cross currency interest rate swap		-	(21.7)
Payments for shares acquired by the Alumina Employee Share Plan		(0.9)	(0.9)
Dividends paid		(160.5)	(532.8)
Net cash inflow/(outflow) from financing activities		(171.4)	(571.6)
Net (decrease)/increase in cash and cash equivalents		(5.7)	(167.8)
Cash and cash equivalents at the beginning of the financial year		15.2	183.8
Effects of exchange rate changes on cash and cash equivalents		0.9	(0.8)
Cash and cash equivalents at the end of the financial year	4(a)	10.4	15.2

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 2020

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 2020 was authorised for issue in accordance with a resolution of the Directors on 23 March 2021.

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 2020.
- 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 22-40 of the Annual Report.

The equity interest in AWAC is represented by investments in a number of entities in different geographical locations. The total assets other than investments in associates and total liabilities are broken down by location.



About this report continued

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

Year ended 31 December 2019	US\$ million				
	Australia	Brazil	Spain	Other	Total
Investments in associates	1,118.1	570.6	114.0	34.1	1,836.8
Other assets	7.3	9.5	-	0.2	17.0
Liabilities	(71.7)	-	-	-	(71.7)
Consolidated net assets	1,053.7	580.1	114.0	34.3	1,782.1

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	
			2020	2019
Alcoa of Australia Limited	Bauxite, alumina and aluminium production	Australia	40	40
Alcoa World Alumina LLC	Bauxite and alumina trading and 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 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 are those relating to future alumina and aluminium 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.

These cash flows are then 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 2020 and 31 December 2019.

2. Investment in associates continued

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	
	2020	2019
Current assets	1,349.4	1,355.4
Non-current assets	5,305.6	5,191.7
Current liabilities	(1,184.7)	(1,072.9)
Non-current liabilities	(1,613.9)	(1,490.9)
Net assets	3,856.4	3,983.3
Reconciliation to investment in associates balance:		
Group Share as a percentage	40%	40%
Group Share in dollars	1,542.6	1,593.4
Goodwill	175.8	175.8
Net value of mineral rights and bauxite assets	98.5	100.6
Deferred tax liability (DTL) on mineral rights and bauxite assets	(32.4)	(33.0)
Carrying value	1,784.5	1,836.8
Reconciliation of carrying amount:		
Opening carrying value 1 January	1,836.8	2,060.2
Net additional (return)/funding in AWAC entities	(11.3)	(39.3)
Share of net profit of associates accounted for using the equity method	164.6	232.0
Other comprehensive (loss)/income for the year	(34.2)	(34.4)
Dividends and distributions paid	(171.4)	(381.7)
Closing carrying value	1,784.5	1,836.8

Summarised statement of profit or loss and other comprehensive income	US\$ million	
	2020	2019
Revenues	4,329.5	5,215.8
Profit from continuing operations	415.3	583.8
Profit for the year	415.3	583.8
Other comprehensive(loss)/ income for the year	(85.6)	(84.2)
Total comprehensive income for the year	329.7	499.6
Reconciliation to share of net profit of associates:		
Group Share of profit for the year as a percentage	40%	40%
Group Share of profit for the year in dollars	166.1	233.5
Mineral rights and bauxite amortisation	(2.1)	(2.1)
Movement in deferred tax liability on mineral rights and bauxite assets	0.6	0.6
Share of net profit of associates accounted for using equity method	164.6	232.0

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. AoA has made submissions to the ATO that the interest amount should be remitted (i.e. should not be fully payable).

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.

AoA's obligation to make any further payment of this primary tax amount, or payment of any penalty or interest amount advised by the ATO, 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.

2. Investment in associates continued

The ATO has issued to AoA its preliminary position on the penalties the ATO proposes to impose in relation to the AoA amended assessments. The ATO proposes penalties of approximately A\$128 million. AoA has made submissions to the ATO that no penalties and interest charges should be payable in respect of this matter.

The Company understands that AoA will defend its position in respect of the ATO's Notices and any penalties imposed, and pursue all available dispute resolution methods, up to and including the filing of court proceedings.

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 2021, was \$98.1 million at December 31, 2020.

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 2021 and 2024, was \$5.7 million at December 31, 2020.

3. Investments in controlled entities

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alumina Limited as at 31 December 2020 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 2020 are set out below.

Name	Notes	Place of incorporation	Percentage ownership	
			2020	2019
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
2020	US\$ million		
Cash and cash equivalents - <i>Note 4(a)</i>	-	10.4	10.4
Total financial assets	-	10.4	10.4
Payables	-	(0.7)	(0.7)
Borrowings - <i>Note 4 (b)</i>	-	(60.0)	(60.0)
Total financial liabilities	-	(60.7)	(60.7)
Net financial (liabilities)/assets	-	(50.3)	(50.3)
2019	US\$ million		
Cash and cash equivalents - <i>Note 4(a)</i>	-	15.2	15.2
Total financial assets	-	15.2	15.2
Payables	-	(0.9)	(0.9)
Borrowings - <i>Note 4 (b)</i>	-	(70.0)	(70.0)
Total financial liabilities	-	(70.9)	(70.9)
Net financial (liabilities)/assets	-	(55.7)	(55.7)

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, other than derivative financial instruments, approximate their fair values. Derivative financial instruments are measured at fair value through profit or loss.

4. Financial assets and liabilities continued

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	
	2020	2019
Cash on hand and at bank	9.1	15.2
Money market deposits	1.3	-
Total cash and cash equivalents as per the Statement of cash flows	10.4	15.2

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	
	2020	2019
Bank loans	60.0	70.0
Total borrowings	60.0	70.0

Bank loans

In June 2019 Alumina Limited rolled over a tranche of the bank facility that was due to mature in July 2020 and established a new tranche under the same facility.

As a result, 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 2020 there was US\$60 million drawn against the syndicated facility so the undrawn available facility amount as at 31 December 2020 was \$290 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 and 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.

The fixed rate note was issued in Australian dollars. To mitigate the exposure to the AUD/USD exchange rate and Australian interest rates the Group had entered into CCIRS for the full amount of the face value of the fixed rate note to swap the exposure back to US dollars.

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.



5. Financial risk management continued

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
2020	US\$ million			
Cash and cash equivalents	9.8	0.5	0.1	10.4
Total non-derivative financial assets	9.8	0.5	0.1	10.4
Payables	-	(0.7)	-	(0.7)
Borrowings	-	(60.0)	-	(60.0)
Total non-derivative financial liabilities	-	(60.7)	-	(60.7)
Net non-derivative financial assets/(liabilities)	9.8	(60.2)	0.1	(50.3)
Derivative financial instruments (notional principal)	-	-	-	-
Net financial assets/(liabilities)	9.8	(60.2)	0.1	(50.3)
2019	US\$ million			
Cash and cash equivalents	5.7	1.1	8.4	15.2
Total non-derivative financial assets	5.7	1.1	8.4	15.2
Payables	-	(0.9)	-	(0.9)
Borrowings	-	(70.0)	-	(70.0)
Total non-derivative financial liabilities	-	(70.9)	-	(70.9)
Net non-derivative financial assets/(liabilities)	5.7	(69.8)	8.4	(55.7)
Derivative financial instruments (notional principal)	-	-	-	-
Net financial assets/(liabilities)	5.7	(69.8)	8.4	(55.7)

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.

On the 30th July 2019, the Company redeemed the outstanding A\$125 million fixed rate note principal amount plus interest accrued. The Company also terminated, by cash settlement, the CCIRS which was used to mitigate the currency and interest rate exposure in relation to the note.

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
2020	US\$ million			
Cash and cash equivalents	9.1	1.3	-	10.4
Total non-derivative financial assets	9.1	1.3	-	10.4
Payables	-	-	(0.7)	(0.7)
Borrowings	-	(60.0)	-	(60.0)
Total non-derivative financial liabilities	-	(60.0)	(0.7)	(60.7)
Net non-derivative financial (liabilities)/assets	9.1	(58.7)	(0.7)	(50.3)
Weighted average interest rate before derivatives	2.6%	-	-	-
Weighted average interest rate after derivatives	2.6%	-	-	-
2019	US\$ million			
Cash and cash equivalents	15.2	-	-	15.2
Total non-derivative financial assets	15.2	-	-	15.2
Payables	-	-	(0.9)	(0.9)
Borrowings	-	(70.0)	-	(70.0)
Total non-derivative financial liabilities	-	(70.0)	(0.9)	(70.9)
Net non-derivative financial (liabilities)/assets	15.2	(70.0)	(0.9)	(55.7)
Weighted average interest rate before derivatives	3.7%	5.5%		
Weighted average interest rate after derivatives	3.7%	4.4%		

Had interest rates on floating rate debt during 2020 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\$1.0 million lower/higher (2019: US\$0.8 million lower/higher).

5. Financial risk management continued

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	
	2020	2019
Expiring within one year	-	-
Expiring beyond one year	290.0	280.0
Total undrawn borrowing facilities	290.0	280.0

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
2020	US\$ million				
Payables	0.7	-	-	-	0.7
Borrowings	-	-	60.0	-	60.0
Total non-derivative financial liabilities	0.7	-	60.0	-	60.7
2019	US\$ million				
Payables	0.9	-	-	-	0.9
Borrowings	-	-	-	70.0	70.0
Total non-derivative financial liabilities	0.9	-	-	70.0	70.9

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 2020 and 31 December 2019 were as follows:

	US\$ million	
	2020	2019
Total borrowings	60.0	70.0
Less: cash and cash equivalents	(10.4)	(15.2)
Net debt	49.6	54.8
Total borrowings	60.0	70.0
Total equity	1,734.6	1,782.1
Total capital	1,794.6	1,852.1
Gearing ratio	2.8%	3.0%

b) Dividends

	US\$ million	
	2020	2019
Interim dividend of US2.8 cents fully franked at 30% per fully paid share declared 25 August 2020 and paid on 25 September 2020 (2019: US4.4 cents fully franked at 30% per fully paid share declared 23 August 2019 and paid on 12 September 2019)	80.6	126.7
Final dividend of US3.6 cents fully franked at 30% per fully paid share declared 25 February 2020 and paid on 17 March 2020 (2019: US14.1 cents fully franked at 30% per fully paid share declared 21 February 2019 and paid on 14 March 2019)	103.7	406.1
Total dividends	184.3	532.8

Since the year-end the Directors have recommended the payment of a final dividend of US2.9 cents per share (2019: US3.6 cents per share), fully franked based on the tax paid at 30%. The record date to determine entitlements to the dividend is 1 March 2021. The aggregate amount of the proposed dividend expected to be paid on 16 March 2021 out of retained earnings at 31 December 2020, but not recognised as a liability at the year-end, is \$84.1 million.

6. Capital management continued

c) Franked dividends

	A\$ million	
	2020	2019
Franking credits available for subsequent financial years, based on a tax rate of 30% (2019: 30%)	376.6	383.5

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	
	2020	2019
Fully franked dividends received from AWAC in the financial year	171.4	381.7

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 9.5 percent 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.

	US\$ million	
	2020	2019
Profit/(loss) before income tax included the following specific expenses:		
Defined contribution superannuation expense	0.2	0.2
Other employee benefits expense	5.6	5.0
Total employee benefits expense	5.8	5.2

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	
	2020	2019
Finance costs:		
Interest expense	2.9	4.6
Commitment and upfront fees	2.0	2.3
Amortisation of capitalised upfront fees	0.3	0.4
Total finance costs	5.2	7.3

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	
	2020	2019
Current tax	(0.5)	(0.1)
Deferred tax	-	-
Aggregate income tax expense	(0.5)	(0.1)

8. Income tax expense continued

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 substantially 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	
	2020	2019
Deferred tax liabilities		
Unrealised foreign exchange gains	(0.1)	-
Total deferred tax liabilities	(0.1)	-
Deferred tax assets		
Employee benefits	0.7	0.5
Other	0.6	0.4
Total deferred tax assets other than tax losses	1.3	0.9
Net deferred tax assets/(liabilities) before tax losses	1.2	0.9
Deductible temporary differences and tax losses not recognised	(1.2)	(0.9)
Net deferred tax assets/(liabilities)	-	-

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.

b) Numerical reconciliation of income tax expense to prima facie tax payable

	US\$ million	
	2020	2019
Profit before income tax	147.1	214.1
Prima facie tax expense for the period at the rate of 30%	(44.1)	(64.2)
The following items caused the total charge for income tax to vary from the above:		
Share of equity accounted profit not assessable for tax	(164.6)	(232.0)
Foreign income subject to accruals tax	7.6	4.9
Timing differences not recognised	-	5.8
Tax losses not recognised	9.8	9.4
Non-deductible expenses	0.6	1.0
Previously unrecognised tax losses now recouped to reduce current tax expense	-	(3.2)
Net movement	(146.6)	(214.1)
Tax effect of the above adjustments at 30% (2019:30%)	43.9	64.2
Under provision of tax in prior years	(0.3)	(0.1)
Consequent decrease in charge for income tax at the rate of 30%	43.6	64.1
Aggregate income tax expense	(0.5)	(0.1)

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	
	2020	2019
Cash flow hedges	(4.9)	0.8
Actuarial gains on retirement benefit obligations	(3.3)	(2.1)
Total tax (credit)/expense relating to items of other comprehensive income	(8.2)	(1.3)

8. Income tax expense continued

d) Tax losses not recognised

	US\$ million	
	2020	2019
Tax losses - revenue	1,187.3	1,204.0
Tax losses - capital	1,109.3	944.7
Total unused tax losses	2,296.6	2,148.7
Potential tax benefit - revenue	285.3	290.9
Potential tax benefit - capital	332.8	283.4
Total potential tax benefit	618.1	574.3

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	
	2020	2019	2020	2019
Balance brought forward	2,879,843,498	2,879,843,498	2,682.9	2,682.9
Movement for the year ¹	21,837,919	-	23.8	-
Total issued capital	2,901,681,417	2,879,843,498	2,706.7	2,682.9

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

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\$	
	2020	2019	2020	2019
Balance brought forward	435,368	689,267	786,253	1,247,997
Shares acquired by Alumina Employee Share Plan Pty Ltd (average price: A\$1.53 per share (2019: A\$2.55 per share))	944,500	484,500	928,073	874,248
Employee performance rights vested	(591,166)	(738,399)	(933,146)	(1,335,992)
Total treasury shares	788,702	435,368	781,180	786,253

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.

	Number of shares	
	2020	2019
Weighted average number of ordinary shares used as the denominator in the calculation of basic and diluted earnings per share	2,884,845,133	2,879,143,308

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	
	2020	2019
Balance at the beginning of the financial year	(1,355.0)	(1,321.8)
Currency translation differences arising during the year	(14.7)	(33.2)
Balance at the end of the financial year	(1,369.7)	(1,355.0)

10. Cash flow information

a) Reconciliation of profit after income tax to net cash inflow from operating activities

	US\$ million	
	2020	2019
Profit from continuing operations after income tax	146.6	214.0
Share of net profit of associates accounted for using the equity method	(164.6)	(232.0)
Dividends and distributions received from associates	171.4	381.7
Share based payments	1.0	0.8
Other non-cash items (depreciation, net exchange differences, other)	(0.4)	1.4
Sub-total	154.0	365.9
Change in assets and liabilities		
(Decrease)/increase in payables	(0.1)	(0.3)
(Decrease)/increase in other liabilities	-	(0.4)
(Decrease)/increase in provisions	0.5	0.1
Decrease/(increase) in other assets	-	(0.7)
Net cash inflow from operating activities	154.4	364.6

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.

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	
	2020	2019
Cash and cash equivalents	10.4	15.2
Borrowings - repayable after one year	(60.0)	(70.0)
Net debt	(49.6)	(54.8)
Cash and liquid investments	10.4	15.2
Gross debt - fixed interest rates	(60.0)	(70.0)
Net debt	(49.6)	(54.8)

	US\$ million			
	Cash/bank overdraft	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as at 1 January 2019	183.8	(88.0)	-	95.8
Cash flows	(167.8)	86.3	(70.0)	(151.5)
Foreign exchange adjustments	(0.8)	-	-	(0.8)
Other non-cash movements	-	1.7	-	1.7
Net debt as at 31 December 2019	15.2	-	(70.0)	(54.8)
Cash flows	(5.7)	-	10.0	4.3
Foreign exchange adjustments	0.9	-	-	0.9
Other non-cash movement	-	-	-	-
Net debt as at 31 December 2020	10.4	-	(60.0)	(49.6)

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 44 to 70 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 2020 of 0.6908 (2019: 0.6952) has been used for conversion.

Directors and Senior Executives	US\$ 000's	
	2020	2019
Short-term employee benefits	3,421	3,229
Post-employment and termination benefits	125	121
Share based payments	875	681
Total	4,421	4,031

11. Related party transactions continued

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 2020, between the Group, its related parties, the Directors or key management personnel (2019: 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 44 to 70 of this annual report.

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

2020								
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
Total		1,063,608	549,800	(356,591)	(252,717)	1,004,100	58,782	1,004,100

2019								
20/1/2017	6/12/2019	454,480	-	(454,480)	-	-	125,600	-
1/6/2017	31/5/2020	141,900	-	-	-	141,900	-	141,900
18/1/2018	4/12/2020	467,408	-	-	-	467,408	-	467,408
21/1/2019	12/12/2021	-	454,300	-	-	454,300	-	454,300
Total		1,063,788	454,300	(454,480)	-	1,063,608	125,600	1,063,608

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 1.5 years (2019: 1.3 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 47 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	
	2020	2019
Performance rights granted under the Alumina Employee Share Plan	466	500
CEO annual conditional share rights grant	326	292
CFO annual conditional share rights grant	208	41
Total	1,000	833

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	
	2020	2019
PricewaterhouseCoopers Australia:		
Audit and review of the financial reports	393	380
Other assurance services	3	3
Related practices of PricewaterhouseCoopers Australia:		
Audit and review of financial reports	20	29
Overseas taxation services	16	13
Total	432	425

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 2020 and 31 December 2019, 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 2020.

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.

a) Summarised financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	US\$ million	
	2020	2019
Balance sheet		
Current assets	11.6	7.3
Total assets	3,762.8	3,779.0
Current liabilities	1.2	1.2
Total liabilities	67.8	77.5
Shareholders' equity		
Issued capital	2,706.7	2,682.9
Reserves	236.4	236.3
Retained earnings	751.9	782.3
Total shareholders' equity	3,695.0	3,701.5
Profit for the year	153.9	363.9
Total comprehensive income for the year	153.9	363.9

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.

In order to facilitate the full conversion of the San Ciprian alumina refinery from fuel oil to natural gas, in October 2013, Alumina Espanola SA (Espanola) signed a take or pay gas pipeline utilisation agreement. In November 2013, Alumina Limited agreed to proportionally (40%) guarantee the payment of Espanola's contracted gas pipeline utilisation over the four years of the commitment period. This guarantee expired on 15 July 2019.

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.

16. Parent entity financial information continued

c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2020 or 31 December 2019. 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 2020.

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	
Consolidated statement of profit or loss and other comprehensive income	2020	2019
Dividends and distributions	171.4	381.7
Other income	0.1	2.4
General and administrative expenses	(12.5)	(11.7)
Foreign exchange gains/(losses)	0.2	(1.0)
Finance costs	(5.3)	(7.5)
Profit from ordinary activities before income tax	153.9	363.9
Income tax expense	-	-
Net profit for the year	153.9	363.9
Other comprehensive income net of tax	-	-
Total comprehensive income for the year	153.9	363.9
Movement in consolidated retained earnings		
Retained profits at the beginning of the financial year	649.6	818.5
Net profit for the year	153.9	363.9
Dividend provided for or paid	(184.3)	(532.8)
Retained profits at the end of the financial year	619.2	649.6

b) Consolidated balance sheet

	US\$ million	
	2020	2019
Current assets		
Cash and cash equivalents	10.2	5.8
Receivables	252.7	234.6
Other assets	1.3	1.5
Total current assets	264.2	241.9
Non-current assets		
Investment in associates	1,631.4	1,631.3
Other financial assets	1,734.5	1,773.1
Total non-current assets	3,365.9	3,404.4
Total assets	3,630.1	3,646.3
Current liabilities		
Payables	0.6	0.9
Provisions	0.6	0.3
Total current liabilities	1.2	1.2
Non-current liabilities		
Borrowings	65.9	75.8
Provisions	0.7	0.6
Total non-current liabilities	66.6	76.4
Total liabilities	67.8	77.6
Net assets	3,562.3	3,568.7
Equity		
Contributed equity	2,706.5	2,682.9
Reserves	236.6	236.2
Retained profits	619.2	649.6
Total equity	3,562.3	3,568.7

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 2020:

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material [AASB 101 and AASB 108]
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business [AASB 3]
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform [AASB 9, AASB 139 and AASB 7]
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards not yet issued in Australia [AASB 1054]
- Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework.

The group also elected to adopt the following amendments early:

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments [AASB 1, AASB 9, AASB 116, AASB 137 and AASB 141].

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 2020 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.

Directors' declaration

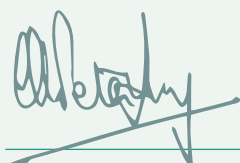
In the Directors' opinion:

- a) the financial statements and notes set out on pages 71-104 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 2020 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 *Corporations Act 2001*.

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



W Peter Day • Chairman • 23 March 2021



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 2020 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 2020;
- 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

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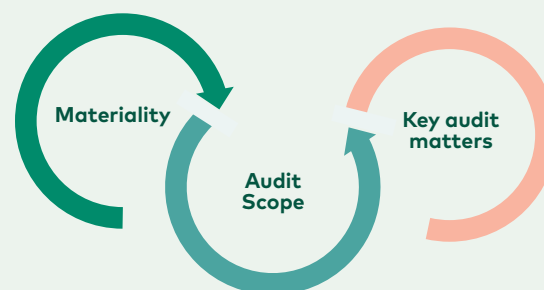
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Our audit approach

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

- For the purpose of our audit we used overall Group materiality of \$19.4 million, which represents approximately 5% of the Group's three-year average profit before tax, adjusted for one-off and other infrequent items (referred to in the annual report as "significant items").
- 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.
- We chose Group three-year average profit before tax, adjusted for one-off items and other infrequent items because, in our view, it is the benchmark against which the performance of the Group is most commonly measured
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- The Group engagement team directed the involvement of the two component audit teams, which performed an audit of the financial information of Alcoa of Australia and AWAC respectively.
- 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 inspected their audit working papers.
- 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 Generally Accepted Accounting Principles (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.

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 Management Committee.

Key audit matter

How our audit addressed the key audit matter

Equity accounting for Alumina Limited's investment in AWAC

(Refer to note 2)

Alumina Limited's equity accounted investment in AWAC is carried at \$1.8 billion and its current year share of the net profit of AWAC, accounted for using the equity accounting method, is \$165 million.

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. 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.

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 judgment involved, in preparing the adjustments required by the Group to convert amounts accounted for under US GAAP to AAS.

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.

To assess the equity accounting for the Group's 40% investment in AWAC, we performed the following procedures amongst others:

- Considered the appropriateness of the equity accounting method by reference to AAS.
- Agreed the financial information of Alcoa of Australia Limited accounted for under AAS to the equity accounting schedule prepared by the Group.
- Agreed the financial information of AWAC accounted for under US GAAP to the equity accounting schedule prepared by the Group.
- Considered adjustments required to convert amounts accounted for under US GAAP to comply with AAS. To do this we:
 - Tested material US GAAP to AAS adjustments by agreeing the adjustments to supporting schedules and documentation, considering the appropriateness of any judgements made; and
 - Considered whether all material transactions during the year that required a different treatment under AAS compared with US GAAP had been adjusted for.
- Reconciled the opening equity accounted investment balance to the final position reflected in the financial report. To do this we:
 - 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
 - Compared dividends, distributions and capital returns received from AWAC and additional investments made through cash calls to the relevant declaration documents and bank statements.
- Considered the reasonableness of the disclosures made in the financial report against the requirements of Australian Accounting Standards.

Key audit matter

Impairment indicator assessment for Alumina Limited's equity accounted investment in AWAC

(Refer to note 2)

Alumina's equity accounted investment in AWAC (\$1.8 billion) is the most material balance sheet item in the consolidated financial report.

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.

Alumina's conclusion was that there was no indicator of impairment for the year ended 31 December 2020.

We considered the impairment indicator assessment a key audit matter because Alumina's equity accounted investment in AWAC (\$1.8 billion) is the most material balance sheet item in the consolidated financial report and significant judgement is required to estimate future alumina and aluminium prices, exchange rates, energy prices and other input prices.

How our audit addressed the key audit matter

To evaluate the Group's impairment indicator assessment of the AWAC investment we performed the following procedures amongst others:

- Developed an understanding of the process by which the Group conducted the impairment indicator assessment and whether it was appropriate under AAS.
- Performed an independent assessment of indicators of impairment by:
 - Considering future alumina and aluminium prices, exchange rates, energy prices and other input prices published by external economic and industry analysts;
 - Comparing the Group's market capitalisation to its net assets at 31 December 2020, noting that market capitalisation exceeded net assets by approximately \$2.4 billion; and
 - 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.

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 2020, 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. 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 44 to 70 of the Directors' Report for the year ended 31 December 2020.

In our opinion, the remuneration report of Alumina Limited for the year ended 31 December 2020 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.



PricewaterhouseCoopers



John O'Donoghue • Partner
Melbourne • 23 March 2021

Details of shareholdings and shareholders

Listed securities – 25 February 2021

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

Range of units as of 25/02/2021

Range	Total holders	Units	% of Issued Capital
1-1,000	20,384	9,559,586	0.33
1,001-5,000	22,115	56,347,900	1.94
5,001-10,000	7,622	57,637,316	1.99
10,001-100,000	8,661	219,021,370	7.55
100,001 Over	410	2,559,115,245	88.19
Rounding Total	59,192	2,901,681,417	0.00 100.00

Of these, 6,903 shareholders held less than a marketable parcel of \$500 worth of shares (293) a total of 1,103,707 shares. In accordance with ASX Business Rules, the last sale price on the Company's shares on the ASX on 25 February 2021 was used to determine the number of shares in a marketable parcel.

Rank	Name	Units	% Units
1	HSBC CUSTODY NOMINEES (AUST)	793,372,691	27.34
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	406,718,099	14.02
3	CITICORP NOMINEES PTY LTD	322,915,527	11.13
4	CITIC RESOURCES AUSTRALIA PTY LTD	219,617,657	7.57
5	BESTBUY OVERSEAS CO LTD	154,114,590	5.31
6	NATIONAL NOMINEES	140,342,527	4.84
7	BESTBUY OVERSEAS CO LTD	76,145,410	2.62
8	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	60,907,186	2.10
9	CITIC RESOURCES AUSTRALIA PTY LTD	59,282,343	2.04
10	BNP PARIBAS NOMS PTY LTD <DRP>	56,471,203	1.95

Details of shareholdings and shareholders continued

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>	27,154,017	0.94
13	WOODROSS NOMINEES PTY LTD	16,118,582	0.56
14	ARGO INVESTMENTS LIMITED	12,429,285	0.43
15	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	10,381,209	0.36
16	MR KENNETH JOSEPH HALL <HALL PARK A/C>	10,000,000	0.34
17	UBS NOMINEES PTY LTD	7,894,979	0.27
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	6,428,771	0.22
19	BNP PARIBAS NOMS (NZ) LT<DRP>	5,848,498	0.20
20	AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED	5,500,000	0.19
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		2,431,441,782	83.79
Total remaining holders balance		470,239,635	16.21

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, 944,500 Alumina Limited fully paid ordinary shares were purchased on market by the Alumina Employee Share Plan at an average price of \$1.5233.

Substantial shareholding as at 25 February 2021	Shareholding	%
CITIC Resources Australia Pty. Ltd.	547,459,208	19.01
Allan Gray Australia Pty. Ltd.	288,665,312	10.02
Schroder Investment Management Australia Limited	178,390,106	6.19

FINANCIAL HISTORY

Alumina Limited and controlled entities as at 31 December

	US\$ million				
	2020	2019	2018	2017	2016
Revenue from continuing operations	0.1	2.5	1.6	0.6	0.6
Share of net profit/(loss) of associates accounted for using the equity method	164.6	232.0	653.5	360.4	18.1
Other income	-	-	-	-	-
General and administrative expenses	(12.6)	(12.1)	(11.6)	(13.6)	(25.7)
Change in fair value of derivatives/foreign exchange losses	0.2	(1.0)	(1.4)	0.7	(14.1)
Finance costs	(5.2)	(7.3)	(6.7)	(8.3)	(9.1)
Income tax (expense)/benefit from continuing operations	(0.5)	(0.1)	-	-	-
Net profit/(loss) attributable to owners of Alumina Limited	146.6	214.0	635.4	339.8	(30.2)
Total assets	1,796.7	1,853.8	2,245.1	2,342.9	2,117.8
Total liabilities	62.1	71.7	109.3	109.9	110.9
Net assets	1,734.6	1,782.1	2,135.8	2,234.0	2,006.9
Shareholders' funds	1,734.6	1,782.1	2,135.8	2,234.0	2,006.9
Dividends paid	184.3 ²	532.8	515.5	210.2	135.3
Dividends received from AWAC	171.4	381.7	657.2	278.1	150.2
Statistics					
Dividends declared per ordinary share	US\$5.7c	US\$8.0c	US\$22.7c	US\$13.5c	US\$6.0c
Dividend payout ratio	125.7%	249.0%	81.0%	62.0%	-
Return on equity ¹	8.9%	11.0%	30.3%	15.8%	(1.5%)
Gearing (net debt to equity)	2.8%	3.0%	(4.3%)	2.5%	4.0%
Net tangible assets backing per share	\$0.51	\$0.53	\$0.66	\$0.69	\$0.61
Basic EPS (US cents)	5.1	7.4	22.1	11.8	(1.0)
End of year share price (AUD)	1.835	2.30	2.30	2.43	1.83
Franking of dividends	100%	100%	100%	100%	100%
Total shareholder return (including franking credits)	(14.2%)	15.5%	7.7%	41.8%	69.2%
Total shareholder return (excluding franking credits)	(16.0%)	10.8%	3.8%	39.1%	66.0%

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

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

Alumina Limited

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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 2020. 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.



