

## Chairman's and CEO's Speeches - 2021 AGM

Attached are the Chairman's and Chief Executive Officer's speeches delivered at the 2021 Annual General Meeting of the Company held today.

This ASX announcement was approved and authorised for release by Mike Ferraro, Chief Executive Officer.

### *Forward-looking statements*

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Stephen Foster  
Company Secretary

### **For investor enquiries:**

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

### **For media enquiries:**

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

## **PETER DAY – CHAIRMAN**

Good afternoon ladies and gentlemen.

As the Chair of Alumina Limited (“Alumina”), it is my pleasure to welcome you to the 51st Annual General Meeting of the Company.

I will briefly discuss some housekeeping matters before moving on to the business of the meeting.

In the unlikely event that evacuation of the Auditorium is required, Ms Lisa Walshe, who is in charge of security for the meeting, will give directions and the meeting will be adjourned. We would follow Ms Walshe’s directions for an orderly evacuation of the Auditorium to the pre-determined evacuation point which is the grassed area between the south side of the Yarra river and doors 1 and 2 of the Exhibition Centre.

It feels good to be able to meet with shareholders in person this year. I welcome shareholders who have joined the meeting physically, and for adhering to the venue’s COVID protocols. This year’s meeting is also being conducted with the assistance of webcasting and teleconferencing. I also welcome shareholders who are with us virtually.

The opportunity to ask questions has been made available to shareholders and a number of written questions have been received prior to the meeting.

Before formally beginning the meeting, I would like to introduce you to my fellow directors.

On my far right is Deborah O’Toole, a non-executive Director and Chair of the Audit and Risk Management Committee.

Deb is standing for re election today.

On my far left is John Bevan, a non-executive Director and Chair of the Nominations Committee.

John is also standing for re election today.

Next to John is Shirley In’t Veld, a non-executive Director.

Shirley is standing for election today for the first time.

I will ask each of John, Deb and Shirley to address the meeting regarding their respective elections.

On my immediate left is Mike Ferraro, our Chief Executive Officer.

Mr Chen Zeng, a Non-Executive Director; who is currently located in Hong Kong and is joining us by phone. (Chen, could you please confirm you are able to hear us...)

Also, Emma Stein, a non-executive Director and the Chair of the Compensation Committee is joining us from Sydney. Good afternoon Emma.

Emma is retiring today as a Non-Executive Director after 10 years of service. Emma's counsel during her time as a Non-Executive Director has been greatly valued by the Board and management. We are also grateful for the diligence and capability she has demonstrated as Chair of the Compensation Committee.

On my immediate right is Stephen Foster, Alumina's General Counsel and Company Secretary.

The Company's Chief Financial Officer, Grant Dempsey, and Group Executive of Strategy and Business Development, Andrew Wood and General Manager - Finance, Galina Kraeva are seated to my right in the front row.

The Company's auditor, Price Waterhouse-Coopers, is represented by Mr. John O'Donoghue and is also present.

Mr O'Donoghue is available to answer any questions regarding the conduct of the audit and the content and preparation of the Audit Report.

A quorum of members is present and I now declare the meeting open.

The Notice of Meeting has been circulated and I will take it as read.

The Minutes of the last Annual General Meeting of the Company have been signed and are available at the registration desk for any shareholder to view.

As previously notified to the ASX, all resolutions today will be decided on a poll, based on proxies that were submitted before the meeting.

The proxies received for today's meeting are held by the Company Secretary.

We have received proxies representing approximately 2.2 billion shares or 77 percent of the Company's issued shares.

Votes cast in person today will of course be tallied with proxies to arrive at the final outcome advised to the ASX.

The first item on the agenda of the meeting is to receive and consider the financial statements.

No resolution or vote is required on the financial statements.

To deal with this item, I will first make some remarks on the 2020 year and then on the position of our joint venture Alcoa World Alumina & Chemicals, that is, AWAC, as a value adding and sustainable business.

I will then ask Mike Ferraro, our Chief Executive Officer, to address shareholders. He will review the 2020 year and market and sustainability developments for the Company and the industry.

Then I will open the meeting for questions before dealing with each of the agenda items.

### **Acknowledgement of Country**

First of all, I acknowledge the Traditional Owners of country throughout Australia and our operations overseas and recognise their continuing connection to land, waters and culture. I pay my respects to their Elders past, present and emerging.

### **Results**

Now let's turn our attention to the 2020 year. I should note, all references to currency in my and Mike's presentations are in US dollars.

### **COVID**

The Company reported a net profit of 147 million dollars for 2020. The AWAC business performed well from a cost and production viewpoint in 2020.

For Alumina Limited our focus through the crisis period was on ensuring our employees remained safe and well and corporately that we had sufficient liquidity. We also regularly considered the strategic implications for AWAC's assets. It was also necessary to evaluate how the alumina industry structure and its participants might be affected by the pandemic.

Mike will discuss the specific impacts of COVID and the Company's results further in his presentation.

### **Dividends**

In terms of dividends, 2020 was a year of continuing solid returns to shareholders. The full year, fully franked dividend was 5.7 US cents per share. Your Company has now provided an average dividend yield to shareholders of 7.5 percent over the last five years and that is before the benefit of franking credits.

The Board's policy on dividends is, when prudent, to distribute net cash from operations on an annual basis, after capital contributions back into the AWAC joint venture, and after debt servicing and corporate cost commitments have been met.

The Board also considers the capital structure of Alumina Limited, the current and forward capital contribution requirements into the AWAC business, and market conditions.

Moving to capital management.

### **Capital Management**

- Our net debt level at the end of 2020 was 50 million dollars and it is currently around 10 million dollars, consistent with the low and prudent debt levels we have maintained in recent years
- In addition, at the end of 2020 the Company had unutilised debt facilities of 290 million dollars. Maintaining a strong balance sheet and using it to manage liquidity enables the Company to withstand changes in the commodity cycle and be flexible to capital requirements from the AWAC joint venture.

### **Strategic Model**

Now, I will comment briefly on the strategy that has been and continues to be pursued by the Company.

- Alumina's strategy is to invest in worldwide bauxite mining and alumina refining operations through AWAC. We continue to have confidence in the quality of the AWAC assets and the attractiveness of the alumina and bauxite markets.
- Alumina Limited's investment is almost fully focused on refining the intermediate alumina product in the aluminium supply chain. Compared to our industry peers – we are unique in this respect.
- We like to say we are "one of a kind" because that well describes our unusual focus on the often hidden but absolutely critical link in the aluminium supply chain.
- Our alumina refineries are well positioned on the cost curve, benefiting from scale, nearby bauxite and excellent energy and emissions positions.

This cost competitiveness of the Company's refining assets places us in a strong position relative to competitors throughout the commodity cycle.

### **Value adding to our Resources**

The global pandemic and developments in world trade over the last year have highlighted the strategic importance to nations of hosting value adding industries. The AWAC business has been

operating successfully for many decades and locally employs more than 4,200 people across WA and Victoria. Ours is a high quality workforce.

Owing to its success over so many years, it is almost taken for granted how AWAC utilises raw materials in bauxite and gas resources within Western Australia and converts them to a much higher value added product in alumina. AWAC is not merely a bauxite miner. It is a miner and refiner which produces a highly processed product – alumina. AWAC is a significant Australian manufacturer.

The Federal Government is looking for projects that will boost Australia's manufacturing capabilities and expertise in the resources sector. Australia has used and continues to utilise the model of ventures such as AWAC in making the best use of its mineral resources.

There are challenges in achieving the development of further mineral processing businesses. The high cost of construction is one such challenge. It is also a significant challenge for AWAC in pursuing the expansion of existing assets. Further value-add processing of mineral ores in Australia also requires competitive and sustainable energy. Western Australia has generally achieved that for value adding industries. The challenge for the future will be value adding like this in a carbon constrained world.

### **Climate Change and Sustainability**

Sustainability is crucial in maintaining AWAC's licence to operate and grow. With this in mind, I will focus on a couple of areas that have been important to AWAC in the last year.

Firstly, I will now show a video on the restoration of the Anglesea mine and power station. Alcoa of Australia has undertaken the remediation work in a way that I believe the community would expect, which is to say at the highest standard.

Shareholders can rightly be proud to be associated with a company working to such standards.

On the subject of human rights, AWAC has completed Human Rights due diligence reviews or risk assessments for all its mine managed locations. In accordance with new Australian legislation, Alcoa of Australia will issue its Modern Slavery Statement next month. The reviews, risk assessment and the work by Alcoa of Australia has not identified any areas of concern. AWAC operates consistent with the principles in the Universal Declaration of Human Rights, and other national laws and international human rights treaties, laws and norms.

The tragedies in recent years at the Samarco and Brumadinho's impoundments has seen the resources industry respond on residue and tailing dam stability issues.

Like many other resource companies, in recent years AWAC has reviewed and further developed its dam management and governance practices. This has involved the review of risk management, governance & technical standards and establishing new governance structures.

This work has been assisted by Alcoa joining the International Council on Mining and Metals (the ICMM). The ICMM has introduced a new Global Industry Standard for Tailings Management Impoundment. AWAC is undertaking a major project in implementing this new standard.

Alumina Limited has employed its own impoundment experts to seek independent advice as an AWAC partner.

Alumina Limited also has recently joined the Aluminium Stewardship Initiative as a member. The ASI is the global pre-eminent standards setting and certification organisation for the aluminium value chain. AWAC has operations which have been certified by the ASI.

Turning to the subject of climate change and reducing carbon emissions. I will provide an overview of Alumina's intent and approach. Mike will discuss the subject in greater detail in his presentation.

Alumina Limited is evaluating the strategic challenges involved in AWAC reducing emissions and building resilience to climate change impacts.

We recognize the move by many Western world governments and companies to commit to achieve net zero emissions by various points and up to 2050. We plan to update our Climate Change position statement in 2021 and in that work will consider our position on the subject.

This work will involve reviewing what can be achieved taking into account technical capabilities and the make up of power generation. For example, most of AWAC's refineries use natural gas to produce steam to heat the caustic liquor solution to cause the chemical and physical processes to extract alumina from bauxite ore. The production of steam in refining cannot be readily replaced by low carbon electricity, whether renewable or otherwise.

The technical challenges of replacing existing fuels that produce steam with lower carbon alternatives is currently being studied. We recently announced that Alcoa of Australia is to test the potential use of renewable energy in a process known as Mechanical Vapor Recompression.

Here I want to talk about aluminium in the broader context.

The impact of aluminium's light weighting and recyclability is also important in any discussion to reduce carbon emissions.

Those features of aluminium as a commodity contribute to carbon reductions in transport and by way of recycling. If you take the example of aluminium used in Europe's vehicle production, the savings in carbon emissions from reducing the weight of the vehicles has been greater than the additional carbon emitted in producing the vehicles. We firmly believe this causes aluminium to be part of the solution to reducing carbon emissions.

Aluminium will also be required as part of the global energy transition. The demand for aluminium is expected to be critical across both renewable energy generation and storage technologies.

## **Conclusion**

I'd like to conclude by saying that our business model and competitiveness remains attractive. Your Company is facing challenging business conditions currently but believes it can meet those challenges and continue to deliver long term value to shareholders.

Thank you.

That concludes my remarks.

I would now like to ask Mike to review the 2020 year and sustainability developments.

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## **MIKE FERRARO – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**

Ladies and gentlemen, good afternoon.

### **COVID 19**

Our joint venture operates in locations throughout the world that have experienced significant health, economic, and logistical impacts as a result of COVID.

Brazil, where we have our Alumar refinery, has been one of the most badly affected.

AWAC identified and mitigated potential risks to its people and operations and successfully implemented COVID safe environments. This meant that the pandemic ended up having limited operational impact last year.

In 2020, the Alcoa Foundation also played an important role in providing assistance to communities affected by COVID, by supporting a number of programs and making nearly \$2 million in community grants and \$1.9 million for environmental causes.

Our joint venture undertook a number of cash preservation actions to combat the uncertain impact on commodity prices. These actions included reviewing non-critical maintenance activities, deferring certain sustaining and growth capital expenditure projects and actively reducing operational overheads.

COVID-19 did affect the financial result for the year, but overall AWAC and the Company successfully met the challenges of the pandemic.

### **Overview of 2020**

AWAC's refineries performed strongly, achieving an annual production record (for the current portfolio) of 12.8 million tonnes. AWAC's cash cost of production fell by \$11 to \$199 per tonne, making it one of the lowest cost producers of alumina globally.

Alumina received \$207 million in distributions from AWAC which allowed the Company to pay total dividends of 5.7 US cents per share.

The resilience and underlying strength of our business was reflected in the positive profit and cash flow performance and the ability to pay solid dividends during a period of declining global economic activity.

### **Diversified Business in a Global World**

The past year has highlighted the diversity of the AWAC business.

- Our assets are geographically dispersed, with operations in Australia, South America, Europe, Middle East and Africa. This minimises the impact of localised COVID outbreaks and geo-political influences.
- Australia has seen a number of changes in its trade relationships, including with China. Customer relationships have remained solid in 2020 and AWAC does not sell significant amounts of alumina to customers in China.

## **The Global Alumina Market**

COVID-19 triggered a rapid and substantial decline in global economic activity during the first half of calendar 2020. This shock produced a decline in aluminium consumption and sudden falls in aluminium and alumina prices. Global primary aluminium consumption fell by 5% in 2020.

For alumina, the price bottomed out at \$225 per tonne in April, before recovering in late 2020 to around \$300 per tonne, driven by growing alumina demand as smelters increased production on higher aluminium prices and higher refining costs.

## **Sustaining the AWAC Business**

AWAC's refineries are the bedrock of a large capital-intensive business. Ongoing sustaining capital investment by Alumina Limited and Alcoa protects the value of those assets.

For example, in Western Australia the Willowdale mine was re-located at a total cost of one hundred and thirty five million dollars. The project included the construction of a new eight kilometre overland conveyor and a new crusher facility, together with supporting facilities and maintenance infrastructure.

Shareholders can see the crusher move in the video we will now show.

## **Growth**

Turning to growth.

Our market assessment is that production of aluminium outside of China will grow by over 4 million tonnes in the next 5 years, requiring an additional 7.8 million tonnes of alumina.

It is difficult to see at this point how that additional demand for alumina will be met. There are limited refinery growth projects being built or proposed outside China. This will create opportunities for existing refiners with potential to grow capacity which are close to their bauxite source. AWAC meets both those tests.

Whilst at the moment, two significant growth studies in Western Australia are currently shelved, we hope at the right time to revisit and complete the feasibility work to fully assess those projects.

## **Portland**

I am delighted that new power agreements were settled to underpin continued operations at the Portland Aluminium smelter. This required collaboration with multiple power generators and support from the Australian Federal Government and the State of Victoria.

The smelter will continue to play a key role as a major employer in Portland and an important role in helping stabilise the electricity grid when it sheds load power to support consumers during periods of high electricity consumption.

## Market conditions in 2021

So far this year we have seen the alumina price drift down from around \$300 per tonne to \$276 currently. In comparison, the aluminium price is trading very strongly at around \$2300 per tonne. The current relatively low alumina price has been caused by a number of factors including:

- A rest of the world surplus of alumina of about 2.9 million tonnes this year, which should be absorbed by China by year end.
- A significant spike in freight costs for alumina due to abnormal conditions. That spike reduced the arbitrage opportunity for Chinese smelters to import alumina. We are now seeing freight costs starting to fall and China is now importing alumina at correspondingly higher prices.

We see more potential upside than downside in the alumina price for the rest of this year, including an increase in smelting production outside China, and we remain optimistic.

## Sustainability

Sustainability is an important theme that I discuss regularly with investors, and our conversations at an executive and Board level consider many issues through a sustainability lens.

We know that AWAC is a large user of energy. AWAC is the largest consumer of natural gas in Western Australia, and the Portland smelter is the largest consumer of electricity in Victoria.

AWAC is the lowest carbon emitter amongst major alumina producers globally. Approximately 70% of global alumina production is based on coal and oil. In contrast, over 90% of AWAC's production is based on gas.

Reflecting this low carbon position in the industry, AWAC has launched the world's first low-carbon alumina brand, EcoSource. EcoSource alumina is a smelter-grade alumina with carbon emissions that represents half the global average in Co2 emissions.

Peter has separately spoken on the climate change policy and risk management work being undertaken.

Victoria's electricity generation will adopt more renewables and batteries in the coming decades, until the anticipated retirement of the coal power plant fleet before 2050.

The Portland smelter now uses about 30% renewable energy and with the level of renewable energy entering the grid we believe that by 2030 that could be as high as 40%.

A non-carbon pathway in Western Australia is more elusive for AWAC, as our three refineries there are reliant on natural gas to generate heat and steam. One longer term alternative to natural gas may be green hydrogen.

The Western Australia Government has announced that it is targeting up to 10% renewable hydrogen in its existing gas network by 2030. There are a number of hurdles that need to be crossed before hydrogen could be a reality for AWAC.

Logistically, significant upgrades to pipelines would be necessary to cater for hydrogen's chemical properties or new hydrogen-only pipelines would need to be built, which is being considered. A number of companies have already begun investing in R&D to upgrade the capability of their gas transmission networks.

The cost of hydrogen is currently prohibitive, being several times higher than AWAC's current delivered gas price in Western Australia.

However, we believe that hydrogen has long term potential and we will continue to follow developments in hydrogen closely. There may be a role that Alumina Limited can play in this space if a particular project or technology aligns with our strategic interests.

### **Conclusion**

To summarise, despite subdued markets, Alumina Limited had a profitable year in 2020, thanks to our world class, low-cost global assets.

This year also appears to present challenges for our joint venture. However, I believe that our extraordinarily competitive suite of assets with relative lower carbon emissions makes our assets tier one and world class.

Thank you