

ALUMINA
LIMITED

Dear Shareholder,

I am pleased to invite you to attend the 2014 Annual General Meeting (AGM) of Alumina Limited. The AGM will be held in the Auditorium, Melbourne Exhibition Centre, 2 Clarendon Street, Southbank, Victoria commencing at 9.30am on Friday 9 May 2013.

The enclosed Notice of Meeting describes the items of business that you have the opportunity to vote on, as well as explanatory notes and voting procedures. Items to be considered at the AGM are:

- the financial and other reports for 2013
- the adoption of the Remuneration Report
- the election of Directors
- the grant of Performance Rights to Chief Executive Officer (Long-term Incentive)
- the alterations to the Constitution and,
- A Spill Resolution (contingent item).

At the 2013 AGM, greater than 25 per cent of votes cast were against adopting the 2012 Remuneration Report resulting in the Company receiving a “first strike” under the new executive remuneration laws.

We understood the concerns expressed at the AGM and have taken a number of steps to respond to those concerns. We have met with a range of the Company’s shareholders, as well as corporate governance advisory bodies to consider improvements to our remuneration policy developed by the Board.

We have also sought the advice of independent remuneration consultants to review our policy and practices including comparisons with similar listed companies globally that also hold minority stakes in joint ventures operated by others.

In 2013, we introduced substantial changes to the Company’s remuneration policies. This work continues in 2014. Remuneration for the incoming Chief Executive Officer has been structured with a much lower Short Term Incentive (STI) opportunity than that of his predecessor. In 2013, Alumina did not pay the corporate element of the STI to any senior executive given our financial result and the fact that we had not declared a dividend. CEO and senior executive total remuneration generally reflects the 25th percentile against two different but relevant peer groups. 2013’s STI payments are lower than those of 2012, by around 40%. Full details of all of the changes are set out in the Remuneration Report and I encourage you to review the detailed account of the Group’s Executive Reward Strategy as set out in this report.

At the 2014 AGM you will be invited to cast a non-binding vote in relation to the adoption of the 2013 Remuneration Report. If the votes against the 2013 Remuneration Report again exceed 25% of the votes cast, Alumina Limited will receive a “second strike”.

The agenda includes a contingent Board Spill Meeting Resolution that is triggered only if a “second strike” is received. If this occurs and you approve the Board Spill Meeting resolution, all Board positions are declared vacant and a further shareholder meeting must be held within 90 days to elect directors.

If a Board Spill Meeting resolution is required to be put to the meeting, the Board unanimously recommends that shareholders vote against it on the basis that it would be disruptive to the ongoing operations of the business.

We have recently announced changes to the Board with two high calibre appointments that further add to our experience and expertise. Early in 2014 I was pleased to announce the appointment of Peter Day and Michael Ferraro as directors. Peter has extensive experience in the resources, finance and manufacturing sectors having held a number of senior executive positions in large ASX listed companies. Michael, currently joint head of the Corporate Group at global law firm Herbert Smith Freehills, brings considerable experience in the resources sector and has 30 years of experience in joint ventures, mergers and acquisitions, fund raising and regulatory issues across a wide range of sectors and countries. Peter and Michael will be seeking election at this year’s AGM.

All resolutions are explained in more detail in the Notice of Meeting and the Explanatory Notes, and I encourage you to read them.

The AGM is an important opportunity for the Board to hear directly from you and I hope you can attend.

Yours faithfully

JOHN PIZZEY
Chairman

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