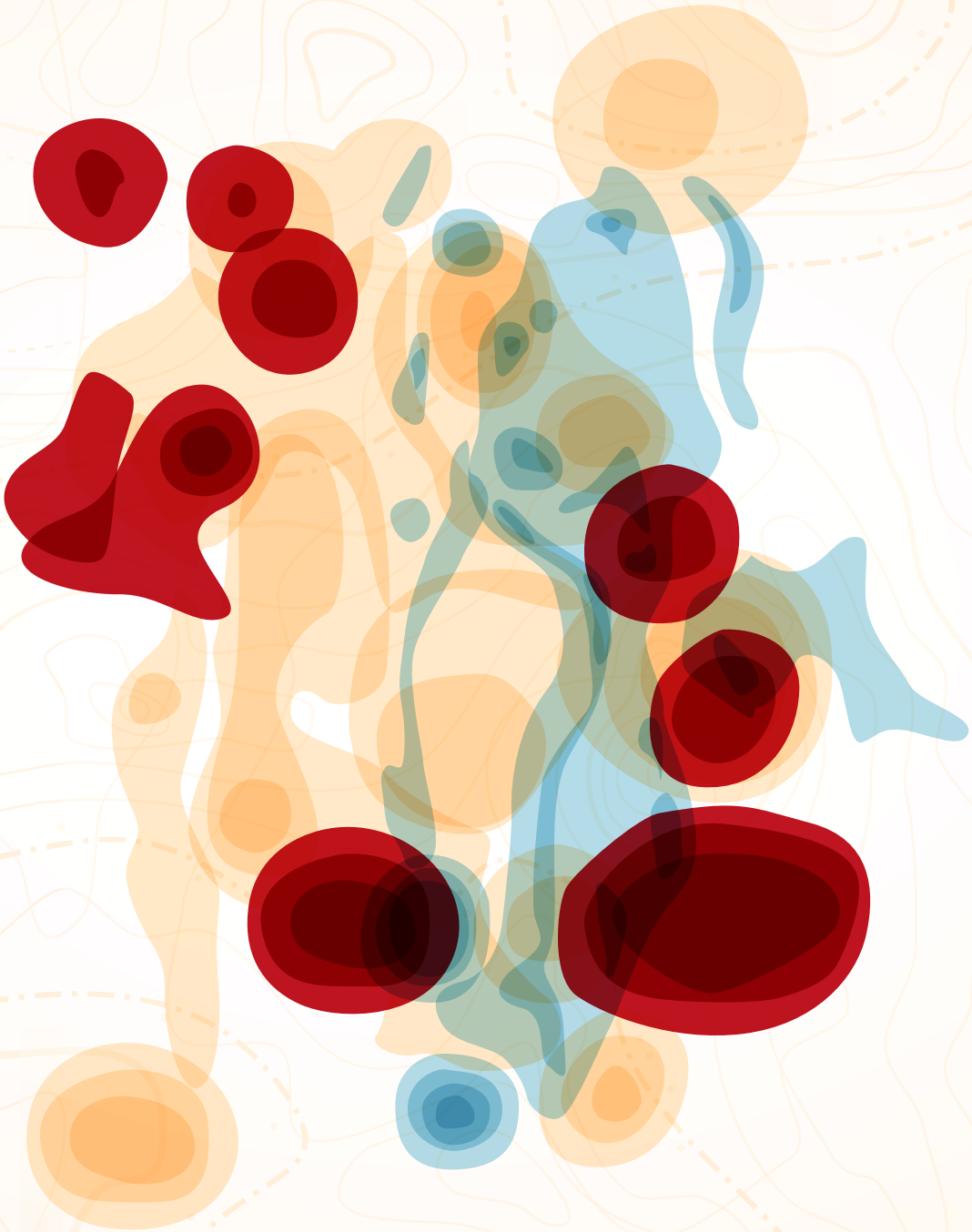
RESTRUCTURING | REPOSITIONING | REVITALISING



ANNUAL REVIEW 2014

ALUMINA LIMITED

Alcoa World Alumina and Chemicals (AWAC) has been fundamentally restructured by closing or selling high cost assets and concentrating on low cost production facilities and through the addition of new low cost capacity at the Ma'aden joint venture in Saudi Arabia.

The delinking of alumina from aluminium metal prices has meant that the favourable dynamics surrounding bauxite supply has led to higher prices for our alumina.

Investors also benefit from a more efficient capital structure, the repayment of high cost debt and extended maturities.

Our improved position is reflected in the more than 60 per cent increase in our share price over the year.

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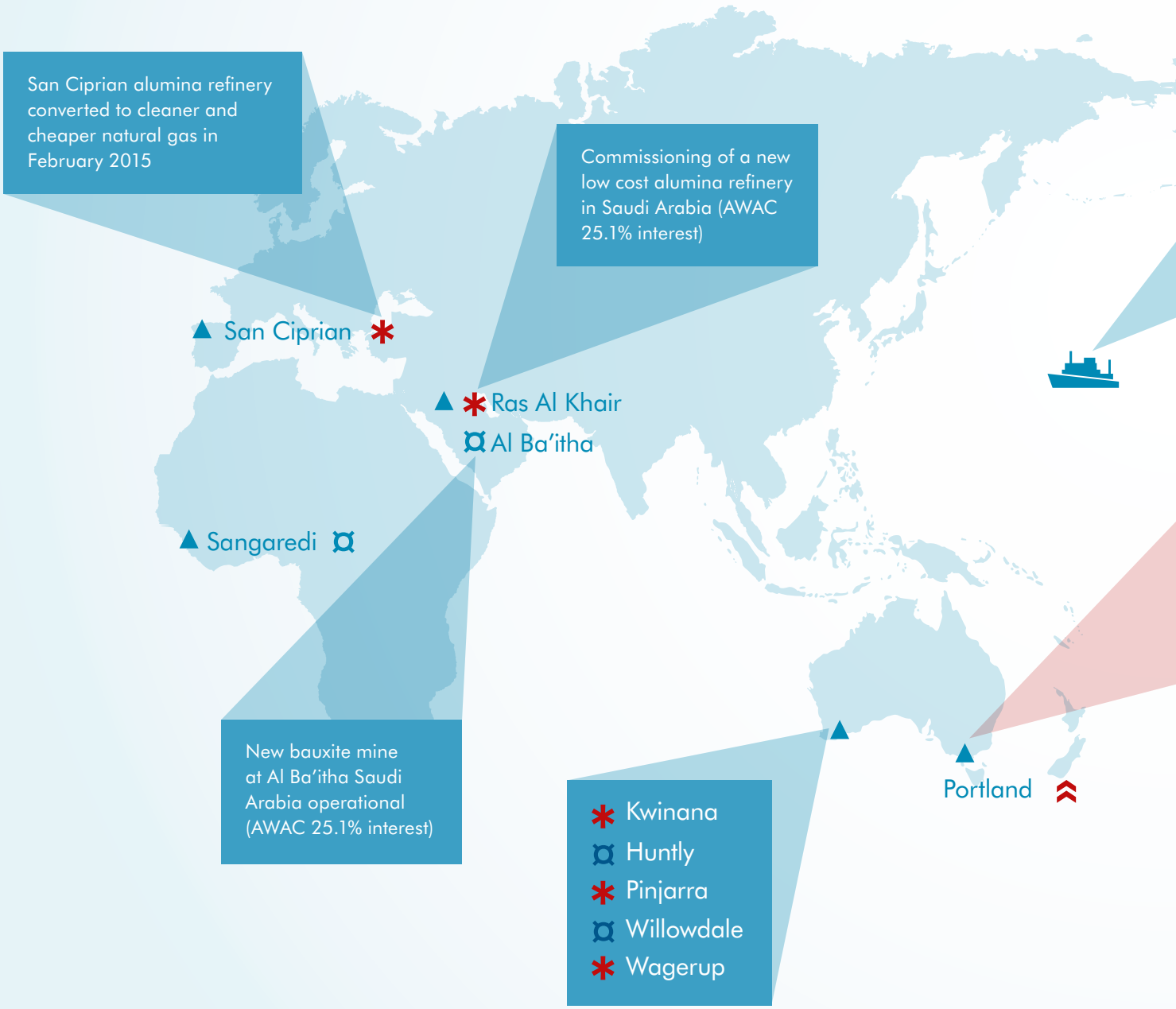
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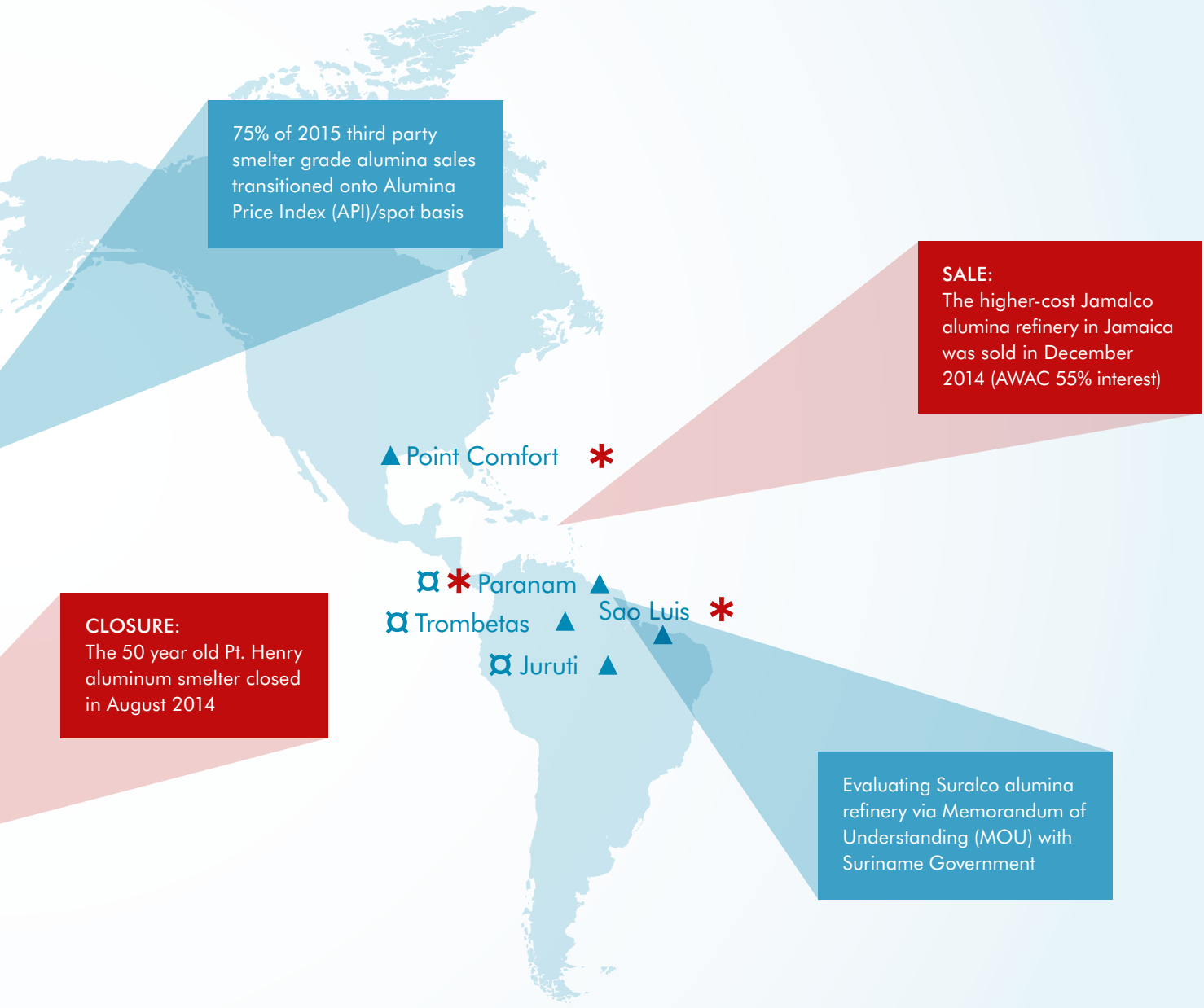
Pictured right: Cut and polished section of the aluminium ore, bauxite. The cross-section has revealed the centric rings of deposition.



BAUXITE ORE LIES AT THE CORE OF OUR BUSINESS. BAUXITE ORE IS REFINED INTO ALUMINA TO PRODUCE ALUMINIUM. AWAC IS THE WORLD'S LARGEST BAUXITE MINER.

RESTRUCTURING
REPOSITIONING
REVITALISING




75% of 2015 third party smelter grade alumina sales transitioned onto Alumina Price Index (API)/spot basis
SALE:
The higher-cost Jamalco alumina refinery in Jamaica was sold in December 2014 (AWAC 55% interest)
Point Comfort
Paranam
Trombetas
Juruti
Sao Luis
CLOSURE:
The 50 year old Pt. Henry aluminum smelter closed in August 2014
Evaluating Suralco alumina refinery via Memorandum of Understanding (MOU) with Suriname Government
Bauxite mines
Refineries
Smelters
Location

AT A GLANCE

In 2014 the strategy to improve Alcoa World Alumina and Chemicals (AWAC) overall cost position resulted in decisions being made and actions being taken to reshape AWAC's portfolio of assets. The short-term effect of those actions resulted in a negative impact on Alumina Limited's results. In 2014 Alumina Limited recorded a net loss after tax of $98.3 million compared to a net profit of $0.5 million in 2013. In context, the Company would have made a net profit of $91.1 million (2013: $29.6 million) excluding its equity share of AWAC's significant items. This improvement is in line with the better operating performance of AWAC.

The 2014 significant items that were largely the result of restructuring activities included the closure of the Point Henry smelter in Australia, and the sale of interests in the Jamalco refinery and bauxite mine in Jamaica and a gold mine in Suriname.

ALUMINA LIMITED RESULTS

$–98.3m

NET LOSS AFTER TAX US$–98.3 MILLION (2013: NET PROFIT AFTER TAX US$0.5 MILLION)

$91.1m

PROFIT EXCLUDING SIGNIFICANT ITEMS OF US$91.1 MILLION (2013: PROFIT US$29.6 MILLION)

$86.6m

NET DEBT US$86.6 MILLION (2013: US$135.2 MILLION)

3.4%

GEARING 3.4 PER CENT (2013: 4.6 PER CENT)

$119.2m

AWAC DIVIDENDS AND DISTRIBUTIONS OF US$119.2 MILLION RECEIVED (2013: US$110.3 MILLION)

–3.5%

RETURN ON EQUITY –3.5 PER CENT (2013: POSITIVE 0.02 PER CENT)

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

We invest worldwide in bauxite mining, alumina refining and selected aluminium smelting operations through our 40 per cent ownership of Alcoa World Alumina and Chemicals (AWAC).

Our partner, Alcoa Inc. (Alcoa), owns the remaining 60 per cent of AWAC, and is the manager. The AWAC joint venture was formed in 1994 and our relationship with Alcoa dates back to 1961.

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

AWAC – A GLOBAL BUSINESS

In 2014 AWAC recorded a net loss after tax of $243.0 million compared to a net loss of $248.7 million in 2013. In both years, AWAC's results were affected by one-off significant items, such as a number of events related to the restructuring and repositioning of AWAC's portfolio in 2014. Excluding the effects of these items AWAC's operational performance improved significantly compared to 2013. AWAC's EBITDA, excluding significant items increased by $141.2 million to $869.0 million, a 19% improvement on 2013. Cash from operations was also affected by significant items as well as timing differences, such as tax payments and movements in working capital. Adjusted for these items operating cash flow improvement would be more in-line with EBITDA growth.

AWAC RESULTS

$–243.0m

AWAC NET LOSS AFTER TAX
US$–243.0 MILLION
(2013 NET LOSS AFTER TAX:
US$–248.7 MILLION)

15.9m tonnes

ALUMINA PRODUCTION OF
15.9 MILLION TONNES
(2013: 15.8 MILLION TONNES)

$475.9m

AWAC CASH FROM OPERATIONS
US$475.9 MILLION
(2013: US$656.0 MILLION)

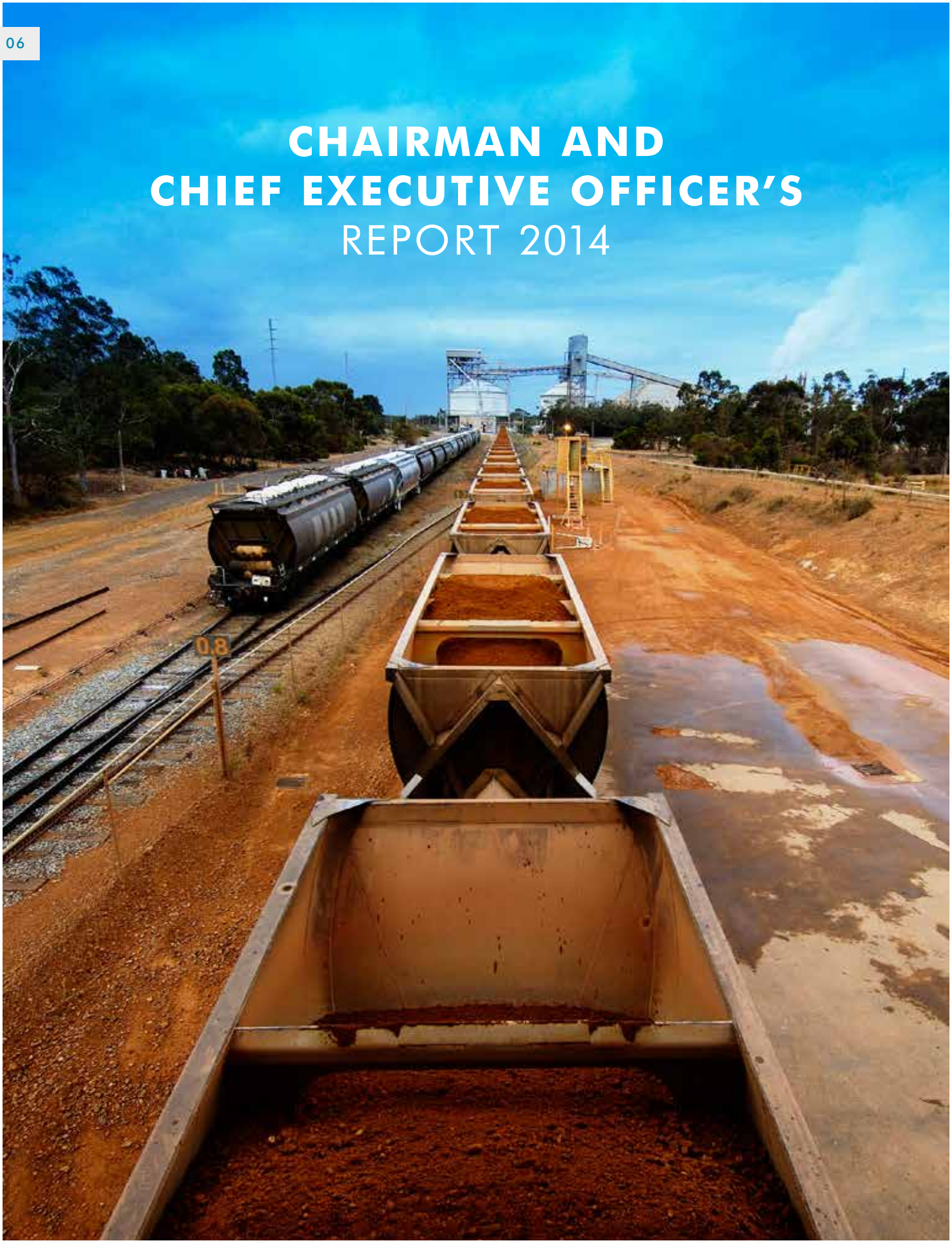
The origins of the Alcoa Worldwide Alumina and Chemicals (AWAC) partnership between Alcoa and WMC Limited (now Alumina Limited) began in the early 1960's following the exploration and discovery of bauxite deposits and other resources by WMC Limited and two other Australian companies. Alcoa was invited 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 to 48.25% through acquiring the minority interests of other participants, other than Alcoa.

In July 1994, WMC decided to expand this interest as a worldwide bauxite, alumina and alumina-based chemicals enterprise.

WMC Limited and Alcoa 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT 2014



Alumina Limited continued to pursue its objectives in 2014 to position the Company for the long-term – those strategies enabled increased cash flows and a return to dividend distributions to shareholders.

INTRODUCTION

2014 was a significant year for Alumina Limited, and its AWAC joint venture with Alcoa. The year saw the asset portfolio reshaping to exit high-cost operations and to add new low-cost alumina refinery capacity. In addition, more than two thirds of third party smelter grade alumina sales are now linked to alumina pricing index (API)/spot pricing: leading to higher price realisations in 2014. Furthermore, the capital structure of the Company has been significantly repositioned to reduce debt levels, reduce interest expenses and extend maturities.

These actions together with improved market fundamentals have enabled the Company to recommence dividend distributions and be well positioned for a more favourable price and exchange rate environment. In recognition of these factors, the Company's share price increased by more than 60 per cent over the year: a very satisfying result for our shareholders.

Alumina Limited recorded a net profit of $91.1 million for 2014, excluding significant items, compared to $29.6 million in 2013. The closure of the smelter at Point Henry near Geelong and the sale of AWAC's interest in the Jamalco refinery and mine incurred one-off costs that meant that the reported result was a net loss of $98.3 million.

RESHAPING THE BUSINESS

The resilience of the AWAC joint venture through the recent period of industry change reflects the quality of the AWAC asset base and also the active and ongoing positioning of the portfolio to remain competitive as the industry changed around it. Alumina Limited plays an important and active role in protecting and contributing to growing the value of the AWAC joint venture, on behalf of our shareholder base. As the industry has changed, the Company has been actively repositioning, with a particular focus on three key elements.

1. A restructure of the AWAC asset base to lower costs:

» AWAC continued to restructure its asset portfolio in 2014, as part of its strategy to focus on lower cost assets and improve its overall cost position. AWAC has a target of improving its position on the alumina industry cost curve from the 30th percentile in 2010 to the 21st percentile by 2016. By the end of 2014, AWAC had moved to the 25th percentile. A 3.5 per cent decline in alumina cash cost of production during the year contributed to an improved AWAC 2014 operating net profit of $236 million before significant items.

» This strategy has seen the sale of the Jamaican refinery in which AWAC held a 55 per cent interest and the conversion of the San Ciprian refinery to a lower cost energy source, namely natural gas. AWAC's Suralco refinery in Suriname is also the subject of a strategic review under a Memorandum of Understanding with the Suriname government. The Point Henry Smelter was closed in August 2014 due to it no longer being financially viable. The closure of the Point Henry and the sale of Jamalco assets resulted in a $197.3 million charge to Alumina Limited's profit post-tax.

» The Point Henry and Jamalco assets have been in AWAC since its formation in 1994 and their operating histories extend to the 1960's. The closure costs associated with old plants such as Point Henry that have reached the end of their economic life are significant and the decisions are not easily taken. These decisions must be made to ensure AWAC has a cost base that positions it for the future. Alumina Limited has discussed with Alcoa these decisions which needed to be taken and shown strong support for them.

- The construction and completion of the Saudi Arabian bauxite mine and alumina refinery with Ma'aden will add 450,000 tonnes of low-cash cost alumina production to the AWAC portfolio.
- The low cost operations in Australia achieved new production records and the Alumar refinery in Brazil has also incrementally grown.
  - » As a consequence of these actions, the EBITDA margin[1] for 2014 was $54 per tonne of alumina – this is much improved compared to margins of $31 per tonne and $45 per tonne in 2012 and 2013. Operating margins for AWAC have started to return to levels that provide a good return on capital.

2. A restructure of the marketing for AWAC's alumina:

The pricing of smelter-grade alumina until 2011 had largely been linked to London Metal Exchange (LME) aluminium pricing. Alumina price indices were introduced in 2011 and reflect the alumina industry fundamentals better than aluminium linked pricing. All new alumina sales by AWAC since 2011 have been undertaken on a spot or API basis.

The fundamentals of the alumina industry improved in late 2014. API prices in 2014 were higher than for legacy contracts linked to aluminium.

AWAC's realised alumina prices were 0.6 per cent higher in 2014, compared with 2013. The successful transition to alumina pricing based on alumina market indices continued in 2014, with 68 per cent of AWAC's third party sales sold on an indexed or spot basis. With 75 per cent of AWAC's third party alumina sales being sold on an API or spot basis in 2015, this trend should continue to be beneficial to AWAC.

The alumina index price increased to $355 per tonne by year end.

3. A restructure of Alumina Limited's balance sheet:

Alumina Limited's gearing has been reduced to 3.4 per cent, providing flexibility to increase distributions to shareholders or to fund further AWAC growth. The Company also restructured its debt funding. With the assistance of the Company's lenders our debt facilities have been structured to reflect the unique cash flow characteristics of Alumina Limited.

Existing drawn bank debt and Brazilian debt has been replaced in 2014 by an Australian medium term note issue of A$125 million in November. This also enabled the maturity of the Company's debt to be extended to 2019. These achievements are important in ensuring the Company maintains a balance sheet that can satisfy shareholders and meet the demands of business cycles.

Pleasingly, corporate costs for Alumina Limited were lower in 2014 at $13.5 million. This was a decline of 22 per cent. The Company delisted from the New York Stock Exchange in February 2014 and has applied to deregister in the US in 2015, which will further lower costs in 2015. Funding costs also declined to $13.6 million from $25.3 million in 2013 with the restructuring of debt to provide further benefits in 2015.

REALISING THE BENEFITS

Cash distributions received from AWAC increased by $8.9 million to $119.2 million. Together with the Company's lower debt levels, this enabled the Board to declare a final dividend of US 1.6 cents per ordinary share, for the 2014 year.

The positive outcomes for shareholders from the restructuring of AWAC and the Company's balance sheet were seen in an over 60 per cent increase in 2014 total shareholder return.

ALUMINA LIMITED'S STRATEGY

The Company's strategy is to invest worldwide in bauxite mining and alumina refining operations through its 40 per cent ownership of AWAC, the world's leading alumina producer.

In a dynamic environment and where the future for the bauxite and alumina industry is evolving rapidly, the Company is active in protecting and growing the investments of its shareholders.



1 The EBITDA margin is calculated as AWAC's EBITDA excluding significant items, smelters' EBITDA and equity accounted income/(losses) divided by tonnes produced.

World bauxite supply, energy cost and availability, market growth and China's role are just some of the many topics the Company takes a position on.

With a large proportion of AWAC's asset base and profits derived from its Australian operations, the company is currently monitoring the dynamics and changes in Australian energy markets. For many decades Australia has enjoyed the economic and social benefits derived from value-adding industries such as the aluminium and alumina industries. These industries compete in international markets and a critical component of their long term success and sustainability has been based on the availability of competitively priced energy.

In the current environment, the availability of energy to Australian industry is being challenged by strong international demand and some analysts are forecasting energy shortages for both industrial and domestic use. Federal and State governments have a critical role to play in ensuring that value adding industries that create jobs for thousands of Australians continue and Australia remains an attractive destination for these industries and future investment.

BOARD AND MANAGEMENT

Peter Wasow, who had been a Non-Executive Director of Alumina Limited since 2011, began as Chief Executive Officer (CEO) on 1 January 2014. Peter Day and Mike Ferraro joined the Board in 2014 and we have welcomed their contributions.

GOVERNANCE

The form of the Remuneration Report has been simplified and restructured this year to improve its readability. We encourage you to review the Company's remuneration strategy, policy and outcomes explained in the report. The Company's 2014 Remuneration Report provides full details of the personal objectives of senior executives and an assessment of performance against those objectives in considering short-term incentives for the year. Having regard to performance being achieved against personal and corporate objectives, a short-term incentive award was made to the CEO and Senior Executives.

For Non-Executive Directors, there is no increase in fees for the 2015 year and fees have been unchanged since 1 January 2012.

Although the Company filed for deregistration in the US in March 2015, it will maintain its US American Depositary Receipts (ADR) program in the US Over-the-counter (OTC) market, and remains committed to its US investors.

SUSTAINABILITY

Sustainability is a serious matter for Alumina Limited, being in context of its 40 per cent interest in AWAC. Excellence in sustainability is important for AWAC to maintain the social licence in the communities in which AWAC operates. Sustainability analysis and planning is forward looking and focusses on impacts on economic, environment and social sectors caused by the business. Alumina Limited reports its and AWAC's sustainability performance based on the G3 Global Reporting Initiatives (GRI) principles. The latest Sustainability Update is available for viewing on the Company's website. Over the next year, Alumina Limited will transition to reporting under the new GRI G4 reporting guidelines.

OUTLOOK

Global alumina demand is expected to grow by over 6 per cent per annum over the next five years. The current surplus in global alumina is expected to move to a balanced position resulting from alumina refinery curtailments and closures and also expected increase of alumina imports into China over the period.

Just as AWAC has been restructuring its assets portfolio over 2014, it is expected that there will be further rationalisation and consolidation in the alumina industry over the next few years, inside and outside China. There is expected to be a continuing short to medium term diversification of bauxite suppliers to China, however in the longer term the world will need a number of new large-scale bauxite mines to meet expected growing demand.

As the world's largest bauxite miner, AWAC is well-positioned to be able to take advantage of expected better market conditions due to rising demand and prices for bauxite, whether or not AWAC sells significant quantities of bauxite to the third party market. The ongoing delinking of alumina pricing from aluminium prices should mean that the favourable bauxite dynamics will flow through to higher world alumina prices.

The Board would like to thank Alumina's employees for their efforts and commitment to improving the Company.

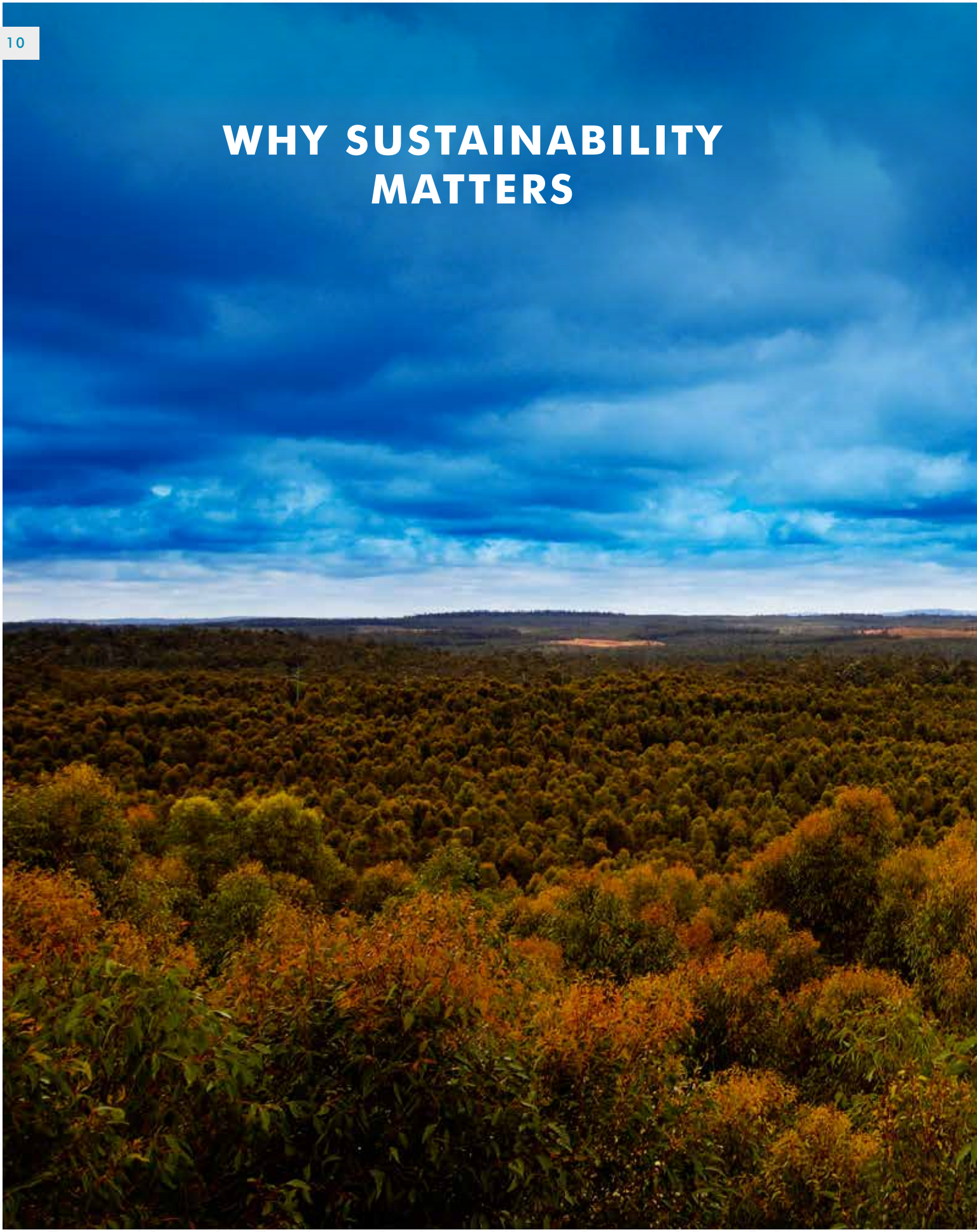


PETER WASOW
Chief Executive Officer



GJ PIZZEY
Chairman

WHY SUSTAINABILITY MATTERS



Consideration of sustainability matters is an essential element of Alumina Limited's and AWAC's business strategy and outcomes. Sustainability thinking is future focussed. The determination to attain sustainability targets has a positive influence on the efficiency of the business and reflects in the business outcomes and flows onto Alumina Limited's returns.



POSITIVE BUSINESS IMPACTS ARISING FROM SUSTAINABILITY.

- Improvements in energy efficiency resulting in less energy required to produce a tonne of alumina contribute to reducing the ongoing cost of energy and a decline in energy usage also has a positive impact on the volume of CO_2 and other greenhouse gas emissions emitted in the production process.
- Improved water management processes that result in using less potable water resources save costs and contribute to the conservation of valuable water resources not only for the business but also the local environment.
- Innovative waste treatment methods reduce the volume of waste and in some cases produce usable by-products for re-use that otherwise would have contributed to increasing the waste footprint.
- Rehabilitation of land restores the land for future generations either restored to its original condition (e.g. forest) or to land that can be utilised by the local community for agricultural purposes which contributes to the local economy.
- Improvements in safety procedures and equipment, increased safety awareness and training contribute to less workforce injuries and lost work time. Employees' health and safety is improved and continuous focus on and improvement in safety measures is behind the goal to eliminate workplace fatalities.
- Consultative interaction, in the local communities that AWAC operates, leads to constructive outcomes for the local community and also for the business and underpins AWAC's licence to operate in those regions and communities.

AWAC AREAS OF KEY MATERIALITY	POTENTIAL IMPACT ON SUSTAINABILITY OF AWAC	ACTION
Energy usage and security	Energy is an essential component in alumina and aluminium production. As both processes are energy intensive, it represents approximately 26 per cent of all alumina costs and aluminium costs for AWAC. Energy efficiency is a key factor in sustainable business and environmental performance.	AWAC through Alcoa is actively investigating improving its energy portfolio sources that will reduce reliance on fossil fuels and lessen its impact on the environment and society. AWAC's alumina refinery at San Ciprian, Spain is an example of that strategy in action. In 2014, AWAC's San Ciprian alumina refinery was progressively working to transition from fuel oil as its major source of energy to natural gas, a cleaner fuel alternative. This transition was completed in February 2015.
Emissions	Greenhouse gas emissions (GHG) are the natural corollary to AWAC'S energy intensive operations. High energy use results in high emission levels, especially when some of that energy is sourced from coal fired power stations.	The Pinjarra alumina refinery in Western Australia has two onsite gas-fired cogeneration power plants. These co-generation plants operate on natural gas, a transitional fuel that is cleaner than the alternative coal generated power plants, operating at 75 per cent energy efficiency compared to 30 – 50 per cent for other power plants in Western Australia. Energy generated by these plants is estimated to save approximately 450,000 metric tonnes of greenhouse gas emissions annually compared to a similar-sized coal-fired plant. In addition, the cogeneration plants reduce the refinery emissions by 270,000 tonnes per year through more efficient steam generation.
Water management and security	Water is an essential raw material, used at every point of AWAC's mining, refining and smelting operations. Water scarcity has the potential to impact AWAC's costs, production volume and financial performance.	Alcoa of Australia (AofA) has undertaken several initiatives to conserve water, increase water efficiency and reduce water quality requirements, which include: • Pursue secondary sources of water as an alternative to fresh water used in several refining processes. • Projects aimed at recycling water already used in processing to reduce total water withdrawals. • Projects evaluating applications to slow evaporation of stored water. • Increasing pasture coverage on and around bauxite residue areas at Wagerup Refinery to suppress dust and remove the need for water sprinklers.
Land management and rehabilitation	Bauxite mining accounts for the majority of land that is disturbed as a result of AWAC's operations. AWAC is committed to minimising the disturbance of the original habitat. AWAC works closely with community and regulatory stakeholders to restore those lands affected to the most productive use possible, including, where feasible, re-establishing pre-operating conditions.	A strategic sustainability target for all AWAC locations with substantive biodiversity values and land holdings is to develop biodiversity action plans by 2015. These plans will: • Identify the biodiversity values of the land, including sensitive habitats and the presence of threatened species and communities, in context with surrounding land • Pinpoint potential impacts, both positive and negative • Develop a management plan based on the hierarchy of biodiversity mitigation measures – avoid, minimize, rectify, compensate; • Inform AWAC's employees and communities where we operate about the importance of biodiversity protection, and encourage their participation in biodiversity initiatives; and • Set and report performance against site-specific targets

AWAC AREAS OF KEY MATERIALITY	POTENTIAL IMPACT ON SUSTAINABILITY OF AWAC	ACTION
Waste	Alumina and aluminium processing creates waste products, the most significant being bauxite residue (approximately 1.5 tonnes of residue results per tonne of alumina produced). Minimising waste through innovative processes and alternative uses for waste products are priorities that will reduce AWAC's environmental footprint.	AWAC is improving the sustainability of the storage areas' surface cover, and operating locations are adopting best practice approaches for closure. While imported fill can be used to cap the areas, AWAC's research is focused on transforming the residue into a viable soil layer, which can sustain a vegetative cover and initiate in-situ remediation of the residue deposits.
Workforce health and safety	Managing safety in AWAC's complex mining and refining environment requires strong systems as well as a focused safety culture committed to continuous improvement. As the operator Alcoa has invested substantial intellectual, financial and system resources over several decades to understand the key drivers behind safety behaviour with the sole aim of eliminating fatalities and serious injuries from AWAC's operations.	The safety system employed at AWAC facilities involves the following four main activities: • Identifying hazards and assessing the risks associated with AWAC's products, services, and operations; • Developing and implementing operational controls with built-in layers of protection to mitigate effectively the impact of those risks; • Monitoring and maintaining AWAC's hazard recognition, risk assessment, and operational control activities to ensure they are current and effective; and • Reacting to correct gaps in AWAC's protective systems and continuously improve system stability.
Relationships with neighbouring local communities where AWAC conducts business	AWAC is a global enterprise that conducts business in diverse markets and different communities, each with their own values and customs. It is important that interactions are conducted in a way that respects local communities and human rights fostering positive long-term relationships for mutual benefit.	AWAC through Alcoa has developed and implemented two specific stakeholder engagement processes to ensure that the business manages stakeholder responsibilities appropriately. The first process focuses on engagement with the people who live in the communities where AWAC is located. The second is a corporate-level stakeholder engagement process, where relationships are developed with appropriate stakeholders at the regional or global level. This is to ensure an understanding of issues and concerns that may transcend a specific operational location and that opportunities for dialogue on those issues and concerns are created.

AWAC's sustainability targets and efforts are not concentrated on short-term gains or benefits; they are directed to result in enduring benefits.

For more detail of Alumina Limited's sustainability policy and practices and the sustainability process within the AWAC joint venture, please visit the Sustainability Update located in the sustainability section of the Company website at www.aluminalimited.com/sustainability.

BOARD OF DIRECTORS



MR G JOHN PIZZEY



MS EMMA R STEIN



MR PETER C WASOW

Alumina Limited's Directors in office as at 31 December 2014 were:

Mr G John Pizzey – B.E (CHEM), DIP. MGT. FTSE FAICD
Independent Non-Executive Director And Chairman

Mr Pizzey was elected a director of the Company on 8 June 2007. He is a Non-Executive Director of Orora Limited (appointed December 2013) and former Non-Executive Director and Chairman of Iluka Resources Ltd (appointed November 2005 and resigned December 2013) and a former Non-Executive director of Amcor Limited (appointed September 2003 and resigned December 2013). Mr Pizzey is a life governor of Ivanhoe Grammar School and a former chairman and director of the London Metal Exchange. He is a member of the Audit and Risk Committee (formerly known as the Audit Committee), and of the Nomination and Compensation Committees and was Chair of the Audit Committee to 30 November 2011. Mr Pizzey brings extensive knowledge gained in over 33 years as an executive in the alumina and aluminium industries.

Ms Emma R Stein – BSC (PHYSICS) HONS, MBA, FAICD
Independent Non-Executive Director

Ms Stein was elected as a director of the Company on 3 February 2011. Ms Stein is currently a Non-Executive Director of Diversified Utilities Energy Trust (appointed June 2004), Programmed Maintenance Services Ltd (appointed June 2010), and Transpacific Industries Group Ltd (appointed August 2011). She is a former Non-Executive Director of Transfield Services Infrastructure Fund (appointed October 2010 and resigned July 2011) and Clough Limited (appointed July 2008 and resigned December 2013). 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 Committee (Chair 28 November 2013 to 31 December 2013), and current member and former Chair of the Nomination Committee (Chair 3 March 2011 to February 2014). 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 over a decade of experience as a listed non-executive director and board committee chair for capital intensive companies spanning resources, oil and gas and related sectors.

Mr Peter C Wasow – BCOM, GRADDIPMGMT, FCPA
Managing Director And Chief Executive Officer (From 1 January 2014)

Mr Wasow was appointed Managing Director and Chief Executive Officer effective from 1 January 2014. He has responsibility for the overall management of Alumina Limited in accordance with the strategy, policies and business processes adopted by the Board. Prior to his appointment as CEO, Mr Wasow was a non-executive director of the Company, appointed on 26 August 2011 and was a member of the Nomination Committee and Compensation Committee and a former member and Chair of the Audit Committee (December 2011 to November 2013).

Mr Wasow served more than eight years at major Australian oil and gas producer Santos Limited from 2002 to 2010. Initially appointed as CFO, he assumed the additional role of Executive Vice President from 2008. Prior to joining Santos in 2002, Mr Wasow held several senior roles over a 23 year career at BHP including Vice President of Finance. Mr Wasow brings to the Board extensive financial skills and experience in the resource and energy industries.



MR CHEN ZENG



MR W PETER DAY



MR MICHAEL P FERRARO

Mr Chen Zeng – MIF
Non-Executive Director

Mr Zeng was appointed as a Director of the Company on 15 March 2013. He is a member of the Nomination and Compensation Committees.

Mr Zeng is also currently a director of CITIC Pacific Limited, Chief Executive Officer of CITIC Pacific Mining and Chief Executive Officer of CITIC Mining International, the new holding company of CITIC Pacific Mining. He is a former director of CITIC Limited (listed on the Hong Kong Exchange), CITIC Dameng (listed on the Hong Kong Exchange), Macarthur Coal Limited (2007 to 2011) and Marathon Resources Limited (resigned 31 January 2014). Mr Zeng also served as a director on the Board of CITIC Group between 2010 and 2011.

Before joining CITIC Pacific Mining, Mr Zeng was the Vice Chairman and CEO of CITIC Resources, a CITIC Group controlled Hong Kong listed company focused on crude oil production, metal mining and refining, and commodity trading. Mr Zeng is also the Chairman of CITIC Australia.

Mr Zeng has over 26 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.

Mr W Peter Day – LLB (HONS), MBA, FCA, FCPA, FAICD
Independent Non-Executive Director

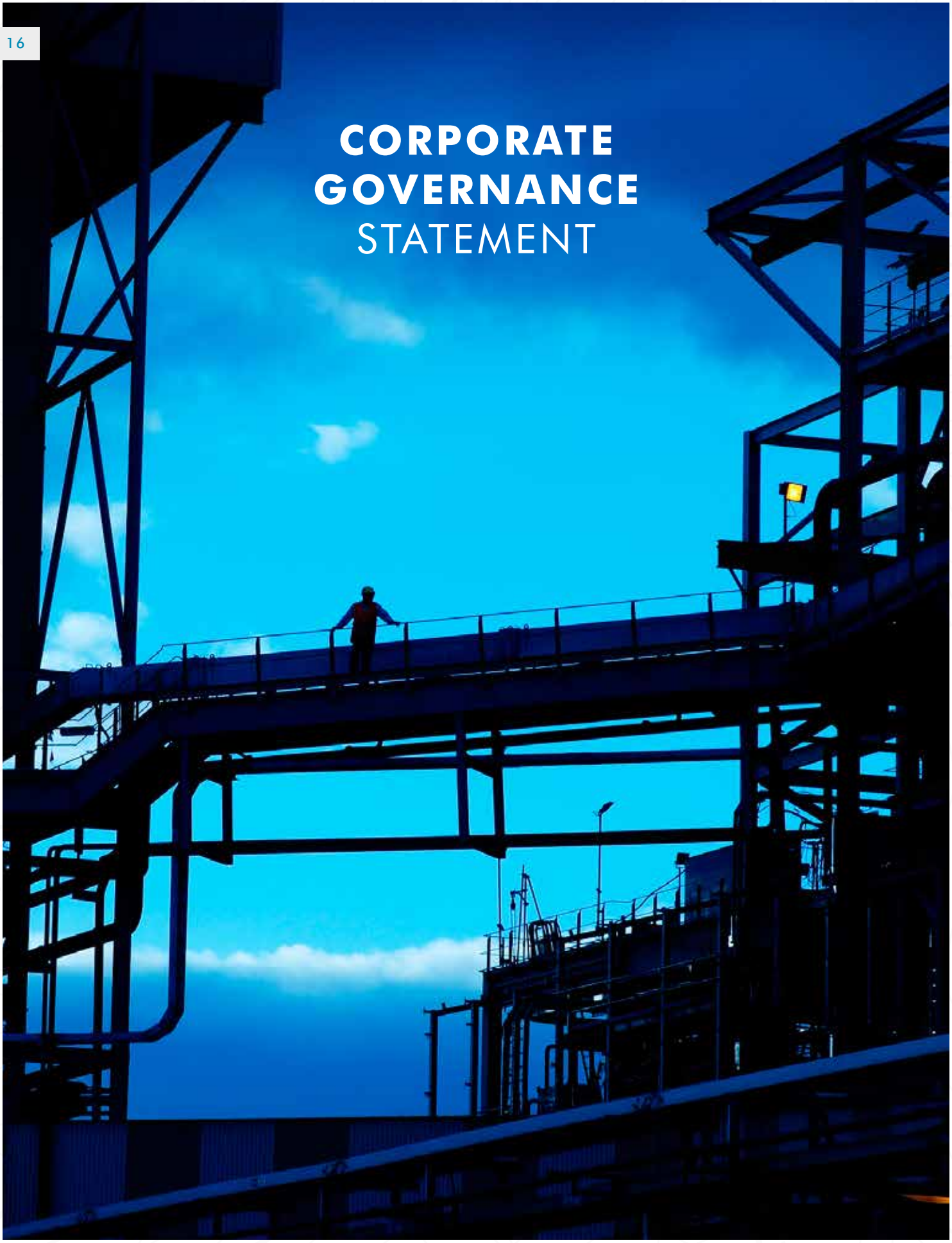
Mr Day was appointed as a Director of the Company on 1 January 2014. He is a member of the Nomination and Compensation Committees and is Chair of the Audit and Risk Committee. Mr Day is also currently a Non-Executive Director of Ansell Limited (appointed August 2007), SAI Global Limited (appointed August 2008), Boart Longyear Limited (appointed February 2014), and a former director of Federation Centres (October 2009 – February 2014) and Orbital Corporation Limited (appointed August 2007 and resigned February 2014). 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 Investment Commission. He is a former CFO of Amcor Limited.

Mr Michael P Ferraro – LLB (HONS)
Independent Non-Executive Director

Mr Ferraro was appointed a Non-Executive Director of the Company on 5 February 2014. He is a member of the Audit and Risk Committee, and Compensation Committee and also Chair of the Nomination Committee. Mr Ferraro is currently head of the Corporate Group at Herbert Smith Freehills, a global law firm. He is also a member of their executive management team. 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 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 four and a half years in investment banking as a corporate adviser.

CORPORATE GOVERNANCE STATEMENT



The following statement describes Alumina Limited's corporate governance framework, policies and practices. The governance framework is approved by the Board of Directors and management is generally responsible for its implementation.

APPROACH TO CORPORATE GOVERNANCE

Alumina Limited's approach to corporate governance is based on:

- analysing and adopting best practice governance principles and practices
- applying the Company's ethical values and principles to define and drive its business thinking and practices
- prudent delegation of responsibilities
- appropriate systems, processes, authorities, delegation of responsibilities and internal controls.

Website

The Company's website (www.aluminalimited.com/governance) contains more detailed information on Alumina Limited's Board and Committee Charters and corporate governance policies and practices.

COMPLIANCE WITH CORPORATE GOVERNANCE CODES

Alumina Limited is a listed company on the Australian Securities Exchange ("ASX") and trades on the OTC Market in the US. Alumina Limited meets each of the requirements of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition). In 2014 the 3rd Edition of the ASX Corporate Governance Principles and Recommendations was released, effective in the case of the Company from its first full financial year commencing on 1 January 2015. While Alumina Limited is not required to report against the 3rd Edition in respect of the 2014 financial year, the Company has decided to adopt early some of its recommendations.

Also in 2014, Alumina Limited voluntarily delisted from the New York Stock Exchange (NYSE) and is no longer required to meet the Rules of that exchange. Following the delisting from the NYSE, the United States Securities Exchange Commission (SEC) requires a company considering deregistration to wait 12 months before testing if it satisfies the requirements to deregister. The 12 month waiting period for Alumina Limited expired on 28 February 2015. Alumina Limited met the conditions for deregistration and filed on 4 March 2015 with the SEC for their approval to deregister in the US. As from the date of filing for deregistration Alumina Limited is no longer obligated to prepare reports under the Securities Exchange Act of 1934.

GOVERNANCE FRAMEWORK



GOVERNANCE GUIDELINES – PROMOTING ETHICAL CONDUCT AND BEHAVIOUR

At the peak of Alumina Limited's Corporate Governance Framework is the Company's corporate values and Code of Conduct. These define the operating ethics of the Company and also its corporate culture. These standards apply to the Company's directors, employees and contractors. Training on the Code of Conduct is conducted annually and employees are required to certify that they understand and agree to abide by these standards.

Alumina Limited also has a Sustainability Policy that outlines our commitment and goals towards sustainable business practices in relation to the Company, AWAC and our stakeholders.

The Company's Values and Code of Conduct are detailed in full on our website at www.aluminalimited.com/values-and-code-of-conduct.

Alumina Limited's governance management is also guided by the scope, roles and responsibilities of the Board and its Committees, as defined in their respective Charters.

A copy of Alumina Limited's Board and Board Committee Charters is available on the Company website at www.aluminalimited.com/committee-charters.

GOVERNANCE OVERSIGHT

Board responsibilities and delegation of authority

The principal role of Alumina Limited's Board of Directors is protecting and furthering the interests of shareholders by overseeing the strategic direction of the Company. The Board is guided by its Charter that establishes the scope of duties, responsibilities and authority of the Board of Directors.

The primary responsibilities of the Board are to:

- appoint the CEO
- monitor the performance of the CEO and senior executives
- formulate Alumina Limited's strategic direction and monitor its execution
- monitor and optimise business performance
- approve Alumina Limited's external financial reporting.

The scope of authority delegated to senior management for managing the day-to-day affairs of the Company is defined within the Board Charter and Company Policies. The Charter expressly states matters that cannot be delegated by the Board or its Committees. The level and scope of management's delegated authority is further described in the Company's Group Authorities Schedule. The Group Authorities Schedule is reviewed on an annual basis to ensure that delegations are appropriate and that control systems are effective.

In 2014 our Senior Management team consisted of Peter Wasow, CEO; and senior executives Chris Thiris, Chief Financial Officer ("CFO"); Stephen Foster, General Counsel/Company Secretary and Andrew Wood, Group Executive Strategy & Development. Senior Executives are defined as those people within the Company that participate in developing strategy or making decisions that affect the whole or a substantial part of the business.

Alumina Limited's Board Charter and other Company Policies are included in full in the Governance section of our website at www.aluminalimited.com/governance.

BOARD AND COMMITTEE MEMBERSHIP

In 2014, the Board of Alumina Limited consisted of five non-executive directors and an Executive Director – the CEO, Mr Peter Wasow. Board members at the date of this report and their participation on Board committees are:

DIRECTOR	BOARD STATUS	DATE OF APPOINTMENT	AUDIT AND RISK COMMITTEE[1]	NOMINATION COMMITTEE	COMPENSATION COMMITTEE
Mr John Pizzey	Chairman, Independent Non-executive Director	8 June 2007[2]	Member	Member	Member
Ms Emma Stein	Independent Non-executive Director	3 February 2011	Member	Member	Member and Chair
Mr Peter Wasow	Executive Director (CEO)	26 August 2011[3]	Not applicable	Not applicable	Not applicable
Mr Chen Zeng	Non-executive Director	15 March 2013	Non-member	Member	Member
Mr Peter Day	Independent Non-executive Director	1 January 2014	Member and Chair	Member	Member
Mr Michael Ferraro	Independent Non-executive Director	5 February 2014	Member	Member and Chair	Member

Notes:
1 The Audit and Risk Committee was previously called the Audit Committee and was renamed in 2014 to reflect its expanded role.
2 Mr Pizzey was initially appointed as an Independent Non-executive Director on 8 June 2007. He became Chairman on 30 November 2011.
3 Mr Wasow was initially appointed as an Independent Non-Executive Director on 26 August 2011. He became CEO (and hence an Executive Director) on 1 January 2014.

BOARD MEETINGS

The Board scheduled 10 formal meetings in 2014.

Scheduled Board meetings typically involve:

- approving previous minutes and considering outstanding items arising from minutes
- a review of the CEO's Business Performance Report
- reports on finance and treasury matters
- reports on capital works projects and special projects
- review of industry and global market trends and analysis
- strategy updates
- deliberation on internal policy and procedure matters
- review of risk management framework
- reports from Committee Chairs
- consideration of business and governance matters.

Board meetings are generally attended by the senior management team of the CFO, General Counsel/Company Secretary and Group Executive Strategy & Development. Other senior managers and expert consultants participate in meetings as required.

Non-executive Directors conduct meetings from time to time without the presence of executives. The Chairman of the Board presides over these meetings. To enable interested parties to make any concern known to Non-Executive Directors, the General Counsel/Company Secretary, Mr Foster, acts as an agent for the Non-Executive Directors. Procedures for handling all direct communications for Non-Executive Directors are detailed on the Company's website.

ALUMINA LIMITED DIRECTORS' ATTENDANCE AT MEETINGS

1 January to 31 December 2014

	BOARD MEETING		AUDIT AND RISK COMMITTEE MEETINGS		COMPENSATION COMMITTEE MEETINGS		NOMINATIONS COMMITTEE MEETINGS	
Directors	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
G J Pizzey	10	10	8	8	6	6	2	2
E R Stein	10	10	8	8	6	6	2	2
C Zeng	10	9[1]	0	0	6	6	2	2
P Day	10	10	8	8	6	6	2	2
M Ferraro	10	9[1]	8	7[1]	6	5[1]	2	2
P Wasow	10	10	0	0	0	0	0	0

Note:
1 Mr Zeng and Mr Ferraro were granted leave of absence.

BOARD COMMITTEES

The Board of Alumina Limited has delegated certain responsibilities to three principal Board Committees; the Audit and Risk Committee (previously called the Audit Committee), the Nomination Committee and the Compensation Committee. Each Committee has its own governing Charter and the Committees comprise only Non-Executive Directors. Committee membership and the record of attendance are detailed in the table above. During 2014, and in accordance with Company Policy, the Chairman of the Board, Mr Pizzey, did not chair any of the Board Committees.

The Committee Charters describing the scope and responsibility of each committee are available for review on our website at www.aluminalimited.com/committee-charters.

DIVERSITY

Alumina Limited recognises the value a diverse workforce can offer in an array of thinking contributing to the success of the Company. Alumina Limited is committed to cultivating a workplace that has an emphasis on diversity. A Diversity Policy has been established that presents key undertakings and standards that promote, among other things, impartiality in recruiting from a wide talent base, that provide opportunities for employees to develop skills and broaden their perspectives and that reflect the Company's corporate values of tolerance and fairness. Diversity encompasses but is not limited to gender, age, culture (ethnicity), language, religious beliefs and disabilities.

Our Diversity Policy applies to all Alumina Limited employees, including contractors and consultants acting on the Company's behalf, and includes the recruitment and selection process, terms and conditions of employment including pay, promotion, work assignment, and training as well as any other aspect of employment. Any employee appointment process is conducted in reference to the Diversity Policy and the Company's diversity objectives. Details of the policy are set out under the policies section of the Company's website at www.aluminalimited.com/diversity-policy.

The Diversity Policy includes a commitment by the Board of Directors to establishing measurable objectives for gender diversity. Alumina Limited's diversity objectives since their introduction are:

OBJECTIVES	RESULT
To include in the Nomination Committee Charter responsibility for diversity, including an annual review and report on the relative proportion of women and men in the workforce at all levels of the Company	Completed
To engage consultants who support and promote the Company's diversity policy, including assisting to identify additional suitably qualified external female candidates	Achieved throughout 2014
To ensure that candidate lists for permanent employee positions are recognisably diverse by age, sex or ethnicity	Not applicable in 2014 due to no new positions being offered or filled.
To ensure that in the interview process for each executive position there is at least one appropriately qualified female candidate and at least one female on the interview panel	Not applicable in 2014 due to no new positions being offered or filled.
To consider diversity when reviewing board succession plans with the aim to improve gender representation and diversity	Achieved throughout 2014
That the Company has at least one female Non-Executive Director	Achieved throughout 2014
Develop flexible and part-time work arrangements where employees can balance work/life commitments and pursue career development	Policy adopted in 2013

During 2014 Ms Stein was the only female Non-Executive Director representing 20 per cent of the Board's Non-Executive Directors and approximately 17 per cent of total directors. As at 31 December 2014, 33 per cent of Alumina Limited's employees were women. No women were represented on the four-person senior management team.

CONTINUOUS DISCLOSURE

Alumina Limited has a Continuous Disclosure Policy that defines the legal and regulatory obligations, materiality guidelines and reporting process, and is designed to ensure compliance with the continuous and periodic disclosure obligations under the Corporations Act 2001 and ASX Listing Rules and to ensure accountability at a senior executive level for that compliance. Responsibility for meeting ASX disclosure requirements rests primarily with the Company Secretary. Training is conducted annually with all staff to ensure they understand the Company's obligations, and their role in fulfilling them, under the continuous disclosure provisions. A review of continuous disclosure matters, if any, is conducted at each Board meeting.

Copies of Alumina Limited's releases to ASX, investor presentations and Annual Reports are available on the Company's website at www.aluminalimited.com/announcements. Alumina Limited's Continuous Disclosure Policy is available on the Company's website at www.aluminalimited.com/continuous-disclosure-policy.

MANAGING BUSINESS RISK

Alumina Limited's Risk Management Policy sets out the policies and procedures for covering risks such as those relating to markets, credit, price, operating, safety, health, environment, financial reporting and internal control. The Board has adopted the Risk Management Policy. Alumina Limited is exposed to risks, both indirectly, through its investment in AWAC, and directly as a separately listed public company.

Alcoa, as the manager of AWAC, has direct responsibility for managing the risks associated with the AWAC business. Alcoa utilises its policies and management systems to identify, manage and mitigate those risks. Alumina Limited reviews the management and mitigation of AWAC risks through participation on the AWAC Strategic Council and the Boards of the key operating entities within AWAC.

Alumina Limited uses internal controls as well as risk management policies that are appropriate to our risks as an independent corporate entity. We have developed a Risk Management Framework that profiles a range of material business risks, both financial and non-financial in nature, which are potentially significant for the current operation and profitability and/or long-term value of the Company. Each material business risk identified has an explicit risk strategy and system of internal controls.

Alumina Limited's most significant commercial risk exposures are to alumina and aluminium prices, financing risks, foreign exchange movement, energy security risk, joint venture structure risks, political and regulatory risks and capital project risk.

Management has provided a report to the Audit and Risk Committee on the effectiveness of Alumina Limited's management of material business risks. Included is an assurance from the CEO and CFO that the declaration provided in accordance with section 295A of the Corporations Act 2001 (refer to Corporate Reporting and Risk Management on page 23 of Alumina's 2014 Annual Report.) is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Our Risk Management Policy and controls are covered in more detail in the Governance section of our website at www.aluminalimited.com/risk-management.

The Corporate Governance Statement of the 2014 Annual Report provides additional information on the following governance practices:

- Board Committee roles and activities undertaken in 2014
- Board and Committee performance measurement
- Board election
- Board succession planning and director appointment
- Director skills and experience
- Director independence
- Share trading and hedging prohibitions
- Director education
- Performance evaluation of Chairman, Non-Executive Directors and CEO
- Directors access to independent advice
- Corporate reporting and risk management
- Securities Dealing Policy
- Conflict of interest
- Audit governance
- Business Conduct Policy
- Whistleblowing
- Shareholder communication.

SENIOR MANAGEMENT


PETER WASOW


CHRIS THIRIS


STEPHEN FOSTER


ANDREW WOOD

Alumina Limited's senior management team comprises:

Peter Wasow – BCOM, GradDipMgmt, FCPA
Chief Executive Officer

Mr Wasow was appointed Chief Executive Officer effective from 1 January 2014. He has responsibility for the overall management of Alumina Limited in accordance with the strategy, policies and business processes adopted by the Board. Prior to his appointment as CEO, Mr Wasow was a non-executive director of the Company, appointed on 26 August 2011 and was a member of the Nomination Committee and Compensation Committee and a former member and Chair of the Audit Committee (December 2011 to November 2013).

Mr Wasow served more than eight years at major Australian oil and gas producer Santos Limited from 2002 to 2010. Initially appointed as CFO, he assumed the additional role of Executive Vice President from 2008. Prior to joining Santos in 2002, Mr Wasow held several senior roles over a 23 year career at BHP including Vice President of Finance. Mr Wasow brings to the Board extensive financial skills and experience in the resource and energy industries.

Chris Thiris – BA (ACC) MBA, CA CFTP (Snr)
Chief Financial Officer

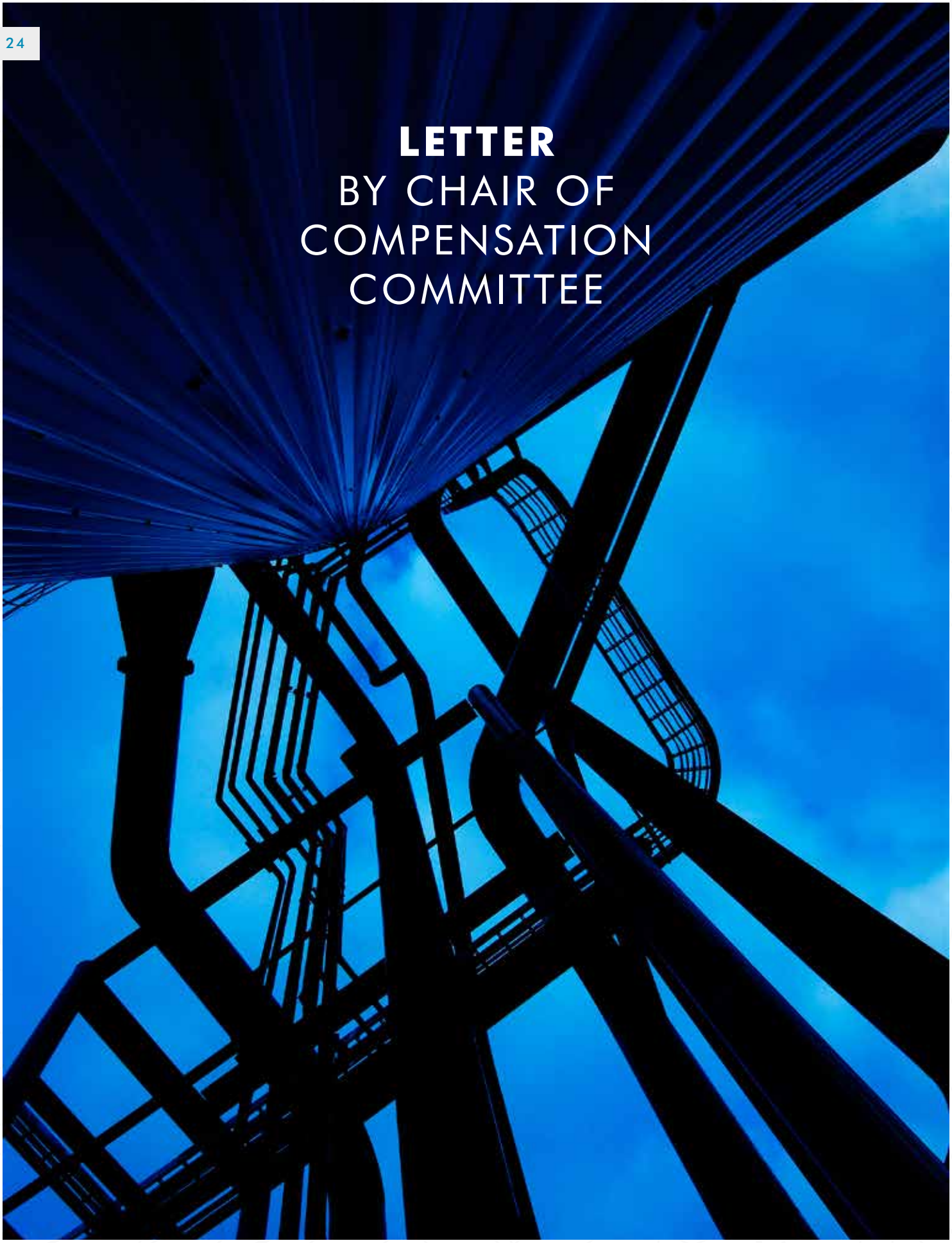
Chris Thiris joined Alumina Limited in September 2011 as Interim CFO and became CFO in December 2011. He is responsible for accounting, treasury, investor relations and taxation. Mr Thiris has extensive experience in finance and other management functions gained through senior roles he has held at Orchard Funds Limited and Coles Group Limited.

Stephen Foster – BCOM LLB (HONS) GDIPAPPFIN (SEC INST) GradDip CSP ACIS
General Counsel and Company Secretary

Stephen 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).

Andrew Wood – BA LLB GDipAppCorpGov (GIA) FGIA, FCIS Group Executive Strategy & Development

Andrew Wood is responsible for strategy and business development, including market analysis, pursuing strategic investments and developing industry relationships. He has over 20 years' resources' experience in commercial and legal roles, mainly at WMC Resources Ltd and Sibelco.



LETTER BY CHAIR OF COMPENSATION COMMITTEE

Dear Shareholders,

On behalf of the Board, I am pleased to introduce a summary of Alumina's 2014 Remuneration Report and I would like to draw your attention to a number of matters.

Improved company performance

In 2014, Alumina's share price performed strongly increasing your company's market capitalisation by $1.9 billion. Many of the drivers of Alumina's profit have also improved and there are grounds to believe that the cycle is turning. However, 2014's dividend was at a very modest level.

Through the year, leadership from our new Chief Executive Officer (CEO) Peter Wasow proved effective and there were notable achievements. Alumina's executives worked with their Alcoa colleagues to improve the all-important cost position of the asset portfolio and sustainability of AWAC. In addition they out-performed on free cash flow, reduced overheads and secured debt on longer tenor and better terms than the previous Brazilian facility. This strengthened the balance sheet of your investment grade global company.

Restructured CEO remuneration

In 2013, the Board restructured the CEO's remuneration package and introduced equity exposure into his fixed remuneration and incentives in the form of STI and LTI were significantly reduced at target and opportunity levels. The new structure was applicable in 2014. STI now ranges from 26 to 35% of FAR between target and opportunity (previously 80-100%) and LTI opportunity is approximately 35%, reduced from 50% FAR.

In making these decisions, the Board considered the following factors as particularly relevant:

- Alumina operates in a cyclical capital intensive global industry which has experienced huge market disruption on many fronts – for example, the growth of Chinese production to the extent that their supply/demand position influences the rest of the world's returns, international macroeconomic factors, step changes in energy security and pricing. Whilst Alumina does not operate the assets of AWAC and so the CEO's role has less complexity in this regard, the strategic challenges facing the sector and the Company are considerable.
- Influencing the joint venture and our partner and majority equity owner to a range of outcomes (from strategy to cash flow) to protect and enhance Alumina's shareholder value sits at the heart of the CEO's role. Alcoa and Alumina have different strategies and hence, we see matters through different lenses and our interests are not always aligned. The degree of difficulty is heightened by the number of governance regimes at asset and company level. As the minority partner, the CEO's ability to ensure that Alumina's voice is heard draws heavily on his interpersonal skills and years of senior management resources experience.
- Motivating through balanced and moderate incentives based on achievements within AWAC and Alumina recognising that in any one year, non-controllable factors such as global commodity prices and exchange rates flow directly to income.

The impact of the new CEO contractual terms is detailed in the 2014 Remuneration Report.. In summary, when put in context using companies of a similar market capitalisation, the CEO's fixed remuneration is positioned at the 40th percentile. When all incentives are included it falls below the 10th percentile. Given the above factors, the Board considers this positioning to be appropriate.

2014 STI Awards and LTI Partial Vesting

With the stronger company performance, the board was pleased that the corporate element of the Short Term Incentive (STI) scheme triggered for the first time in 3 years. After careful consideration of the performance of executives against defined financial, strategic and business initiatives, the board decided to make STI awards at a level just below "target".

In 2014, two executives received performance rights valued at $94,475 under the LTI scheme as a 2011 tranche partially vested under retesting. (From 2014, retesting no longer applies). Sustained company performance relative to the ASX and international peers will be required for further vesting to occur.

2015 Remuneration

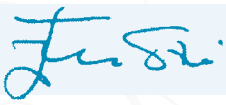
In relation to 2015 executive base salaries and also the CEO's STI and LTI potential awards, it was decided to apply an increase of 3.5 percent. The board considered external data sets in the context of company performance in making this decision.

2015 Non-Executive Director board fees remain unchanged for another year, in recognition that returns for our shareholders remain below expectations.

Stakeholder Feedback

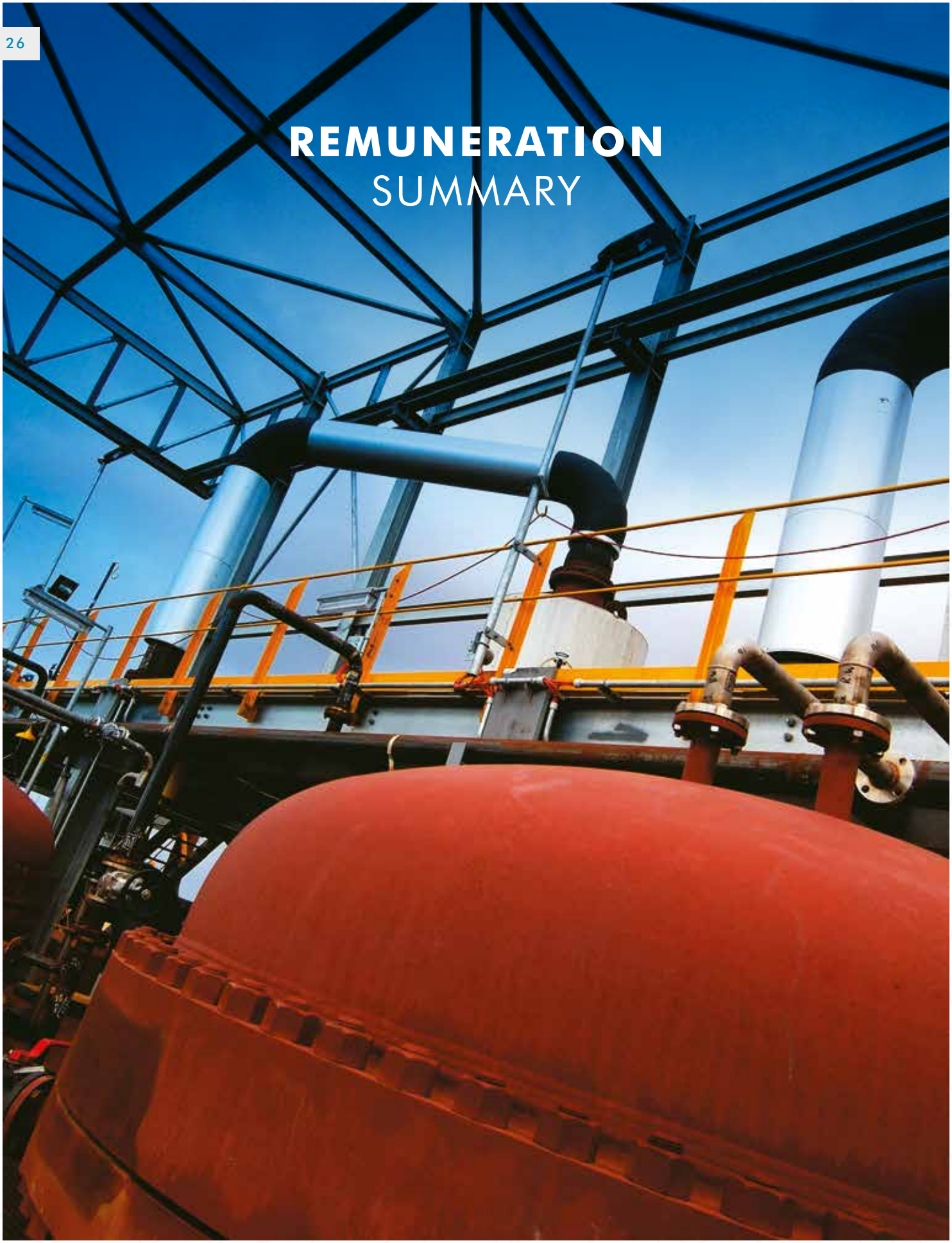
Through the year, Alumina's Chairman and Remuneration chairman met with stakeholders. We are grateful for the dialogue and their insights. Following their feedback, in this year's remuneration report, we discuss more fully how the Compensation Committee assesses the degree of difficulty or "stretch" achieved, particularly for objectives which are of a commercial or strategic nature or may span a number of years. In so doing, we hope to provide a better understanding of the process by which the directors exercise their judgment and discretion.

While we have continued to evolve our practices in 2014, our remuneration framework, objectives and scheme structures remain the same. The board believes that they continue to support a performance based culture and the settings reflect the nature of the company, the capital intensity of the asset base and the cyclicality of global alumina and bauxite markets.



EMMA STEIN
Chair

REMUNERATION
SUMMARY



This Remuneration Summary is a condensed version of the 2014 Remuneration Report. This Summary provides some insight into the Director and executive remuneration arrangements of Alumina Limited however, for a more comprehensive examination of the Company's remuneration practices and outcomes, please review Alumina Limited's 2014 (Remuneration Report) Annual Report on the Company website at www.aluminalimited.com/annual_report_2014.

All contracts for key management personnel are denominated in Australian dollars and accordingly all figures in the Remuneration Report are Australian dollars unless otherwise shown.

1. PERSONS COVERED BY THIS REPORT

This report covers remuneration arrangements and outcomes for the following key management personnel (KMP) of Alumina Limited:

NAME	ROLE	
Non-Executive Directors		
John Pizzey	Non-Executive Chairman	Appointed Chairman 1 December 2011 (director 8 June 2007)
Emma Stein	Non-Executive Director	Appointed 3 February 2011
Chen Zeng	Non-Executive Director	Appointed 15 March 2013
Peter Day	Non-Executive Director	Appointed 1 January 2014
Mike Ferraro	Non-Executive Director	Appointed 5 February 2014
Executive Director		
Peter Wasow	Chief Executive Officer (CEO)	Appointed CEO 1 January 2014 (appointed Non-Executive Director 26 August 2011 and ceased 31 December 2013)
Other KMP		
Chris Thiris	Chief Financial Officer (CFO)	Appointed 13 December 2011
Stephen Foster	General Counsel/Company Secretary	Appointed 4 December 2002
Andrew Wood	Group Executive Strategy & Development	Employed 1 September 2008

2. REMUNERATION FRAMEWORK

2.1 REMUNERATION GOVERNANCE AND PROCESS

The Board of Alumina Limited is accountable for Company's executive remuneration structure and outcomes. The Board has delegated responsibility to the Compensation Committee to review remuneration trends and developments and to propose remuneration strategies, policies and recommendations for the Board to consider.

The following diagram represents Alumina Limited's remuneration governance framework.

Board of Directors
The Board:
- reviews and approves the Charter of the Compensation Committee
- approves the remuneration philosophy, policies and practices.

Compensation Committee
Delegated authority to:
- take advice from management and where relevant, independent advisers
- devise a remuneration framework, strategy, policies and practices
- oversee the implementation of the remuneration strategy and policy
- establish appropriate performance objectives and measures
- monitor performance against objectives and measures
- monitor performance against objectives and recommend incentive awards
- approves remuneration outcomes

External Consultants
- Provide independent advice on remuneration trends and practices.
- Provide benchmarking data and analysis.
- Support the 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.

The Compensation Committee is comprised of only Non-Executive Directors and is chaired by Ms Emma Stein.

The duties and responsibilities delegated to the Committee by the Board are set out in the Committee's Charter, which is available on the Company's website www.aluminalimited.com/compensation-committee.

2.2 REMUNERATION STRATEGY AND POLICY

2.2.1 Remuneration in business context

Alumina Limited's remuneration strategy and policy has been developed recognising the unique nature of the Company, the complexities of managing a significant but minority interest in a global joint venture and the significance of external factors on the sector and the Company's performance.

Alumina owns a 40 per cent interest in a multi-billion dollar world-wide enterprise, AWAC, the world's largest alumina and bauxite producer. Alcoa Inc. owns the remaining 60 per cent and additionally, is responsible for AWAC's operational management. Alumina Limited is responsible for protecting and advancing the interests of its 60,000 shareholders by having input into the responsible stewardship of the AWAC portfolio of assets and business strategies and outcomes.

Managing and directing Alumina and its investment in AWAC is an involved task. AWAC is a large capital-intensive business operating in a number of jurisdictions, some in remote locations. With four key executive officers, Alumina requires high calibre people with strong skills sets and commercial experience to ensure the Company and its investment are managed well. The Company and its investment are also subject to rigorous governance regimes, financial and reporting controls.

2.3. EXECUTIVE REMUNERATION STRUCTURE

2.3.1 Executive Remuneration Overview

Remuneration packages for senior executives consist of three components:

- Levels of fixed remuneration based on role responsibilities, the non-operating but commercial nature of the company and the experience set of individuals and the market
- STI's ('at risk component') that are driven by achievement against corporate and personal objectives based on a mix of financial, strategic and commercial initiatives that the board believes are critical to the continued success of the company, creation of shareholder returns and the optimisation of its joint venture investment.
- Alumina also provides LTI ('at risk component') awards measured by relative total shareholder return (TSR) equally weighted between two comparator groups – listed domestic companies with whom Alumina must compete for capital and listed international industry players against whom AWAC competes for strategic advantage.

TABLE 1. COMPONENTS OF EXECUTIVE REMUNERATION

COMPONENT OF EXECUTIVE REMUNERATION	SUB-COMPONENT	PERFORMANCE MEASURE	STRATEGIC OBJECTIVE
Fixed Remuneration (delivered through cash and equity for the CEO and through cash for other executives)		Considerations: • Individual's role and responsibilities • Depth of knowledge and skill set • Level of expertise and effectiveness • Market (benchmarking)	Secure, retain and motivate a highly skilled and experienced executive team.
Short Term Incentive (STI) (delivered through cash and equity for all executives)	Corporate Scorecard 50% of total potential STI Award	Minimum Performance Threshold	Establish a minimum threshold of the achievement as a profit after significant items or payment of a dividend to shareholders, thus reinforcing discipline in financial management and goal setting also providing determinable outcomes that are linked to the Company's performance.
		Financial objectives based on controllable metrics: • Free Cash flow • Investment rating	• Cash flow from AWAC is fundamental to dividends and the terms of external financing • A sound balance sheet with key banking relationships is critical to the Company's strength, stability and future success. • Commercially beneficial to maintain investment grade credit rating • Performance hurdles designed to stretch executives in context of industry cycle.

COMPONENT OF EXECUTIVE REMUNERATION	SUB-COMPONENT	PERFORMANCE MEASURE	STRATEGIC OBJECTIVE
Short Term Incentive (STI) (delivered through cash and equity for all executives) *(Continued)*		Strategic and individual asset objectives	• Aligned to strategic and growth objectives • Improve long-term cost curve positioning and strategic options to develop the business • Protect Alumina's interests through increased clarity on AWAC governance
Short Term Incentive (STI) (delivered through cash and equity for all executives)	Personal Scorecard 50% of total potential STI Award	Implementation of grounded in business initiatives for which individual executives have defined accountabilities	• Improve internal operating efficiency and profitability • Ensuring Alcoa treats AWAC transactions at arm's length and Alumina shareholders' interests are protected in short and long term.
LongTerm Incentive Plan (LTI) (delivered as equity)		Three year Company TSR performance equal to or outperforming 50% of two comparator groups results. • A result below 50 per cent will not result in an award of equity in the Company in participants.	• Emphasises the importance that management maintain the share price through the volatility involved in a capital intensive business heavily impacted by external factors • Linked to long-term business strategy and focuses executives on key performance drivers for sustainable growth • Links rewards of participants of the Plan to the experience of the shareholders

Net (Loss)/Profit after tax excluding significant items

In setting priorities for management, the board works from first principles. For example, portfolio rationalisation and enhancement has been a key theme for several years. The Board charged its executives with ensuring that this topic had enduring focus within the Strategic Council and at asset company board meetings and, with supporting Alcoa on execution of closures, curtailments, and divestments.

In 2014, the Port Henry smelter (which was commissioned in 1963) was closed. For decades, Port Henry represented state of the art aluminium smelting and made a huge contribution to the city of Geelong. Sadly, after 51 years of operation, this plant was no longer competitive in global terms.

In December 2014, Jamalco (founded in 1959) was divested to Noble Group Limited.

These two operations were major assets and so the resultant negative adjustments to the profit and loss are significant – $90.8 million and $105.5 million respectively.

For the purposes of the STI, these adjustments have been excluded because:

» the board considers these decisions and actions to be positive ones for Alumina's investment

» they pre-date the current executives

» it is consistent with the Company's financial statements.

In deciding whether it is appropriate to use adjusted earnings within the STI scheme, the board considers factors including:

- The rationale and circumstances causing the adjustment or simply put was it the right thing to do
- The impact on shareholders
- Was the matter caused by error or poor judgement
- Was the matter within management's control (e.g. Legacy matters)
- The Audit and Risk Committees review of these matters.

2.3.3 CEO and Senior Executives Remuneration mix and comparables

Remuneration Mix Overview

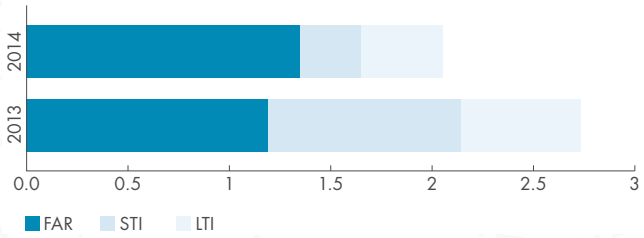
The Chief Executive Officer, other senior executives and professional employees all share the same remuneration principles.

However, there are differences in the structures and relativities. This is discussed further below.

In 2013, the CEO's remuneration was renegotiated such that his fixed remuneration includes an annual share right component. The initial grant value was $200,000 (or 15% of total fixed remuneration). This equity component of fixed remuneration is conditional on a minimum of 18 months service and deferred for 3 years from the date of the grant. It is subject to share price fluctuations and therefore the final value reflects the experience of shareholders over the deferral period. This reinforces the remuneration policy that the CEO acts in the longer term interests of the Company and its shareholders. Including the LTI component of 20 per cent of total remuneration, the CEO has approximately 30 per cent of his at target remuneration allocated as equity. (The CEO's STI is awarded in cash.)

The following bar chart compares the CEO's 2014 at target repositioned remuneration to the 2013 at target remuneration package, indicating the significant reduction in STI and LTI opportunities.

CEO at target remuneration (A$ million)



3. COMPANY PERFORMANCE AND REMUNERATION OUTCOMES

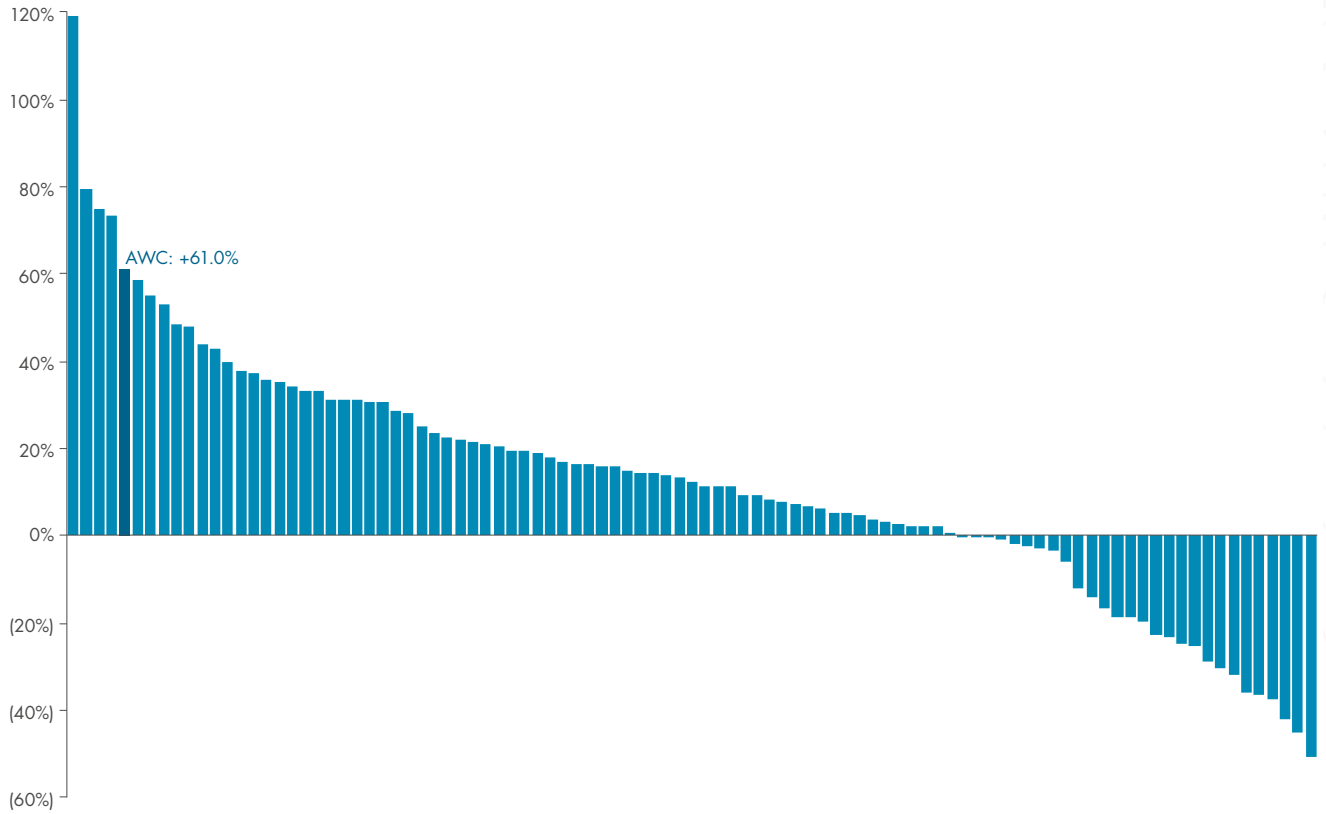
In 2014 Alumina's share price appreciated strongly by more than 60 per cent and its market capitalisation increased by $1.9 billion. This was the 5th highest return in the ASX100.

In 2014, Alumina's executives worked with their Alcoa colleagues to deliver important portfolio improvements including closures, divestments and sustainable developments in the form of Ma'aden and energy options. In addition, further balance sheet improvement was achieved in tenor and terms. Outperformance was delivered on free cash flow from operations and operating cost reduction at Alumina. Finally, the Company returned a dividend to shareholders, albeit a small one, not having done so since payment of the 2011 full year dividend.

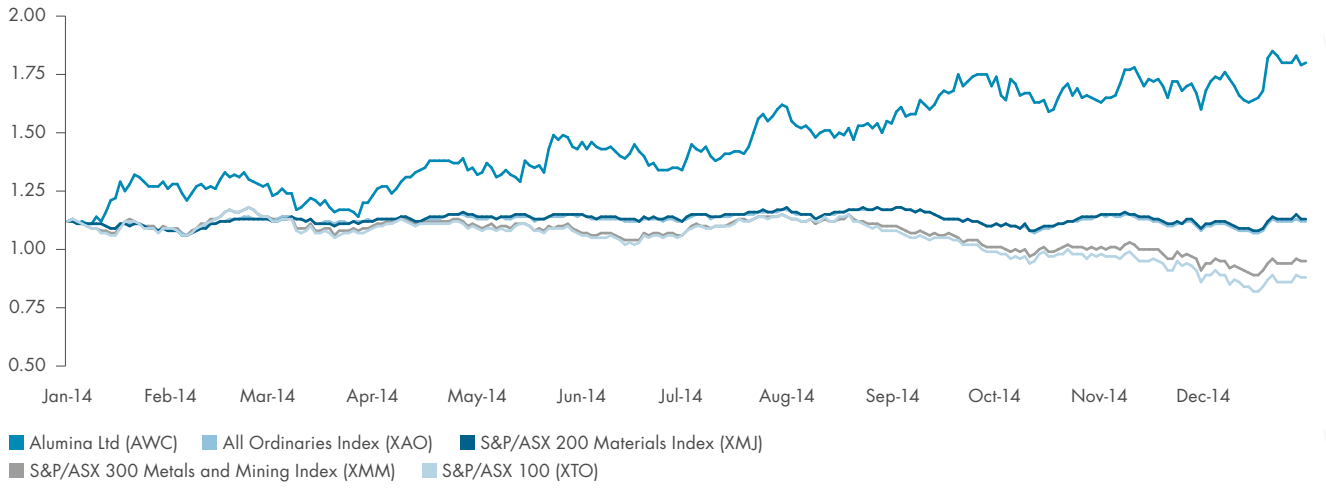
In this context of better shareholder returns, it was pleasing to see the corporate element of the STI scheme trigger for the first time in three years. In judging the performance of executives in 2014, the Board decided (on recommendation from the Compensation Committee) that they had delivered high quality outcomes, notably in terms of cash flow, debt, and cost base, and important portfolio improvements. However, on one of the strategic challenges, although they were successful in developing Alumina's case, no tangible outcomes resulted in the year. So whilst the Board decided that performance was worthy of incentives, the overall award was just below target. Also, some vesting of LTI occurred as the 2014 share price performance was sufficient to trigger a 2011 tranche of performance rights.

The diagrams that follow highlight Alumina Limited's improved share price performance over the year such that market capitalisation reached $5 billion and outperformance against market indices. In addition, debt was paid down further so that the balance sheet provides strength and flexibility.

ASX 100 TSR Year ended 31 December 2014



Alumina relative share price performance



2014 REMUNERATION OUTCOMES

The following table contains the components that form the total statutory remuneration paid in 2014 to the Company's CEO and senior executives. The remuneration outcomes are prepared in accordance with relevant accounting standards.

TABLE 2. CHIEF EXECUTIVE OFFICER'S AND SENIOR EXECUTIVES REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2014

KMP	YEAR	SHORT-TERM BENEFITS					POST-EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS			TERMINATION PAYMENT[8]	TOTAL REMUNERATION
		FAR[2]	STI[3]	Non-Monetary[4]	Other[5]	Total	Superannuation[6]	FAR[2]	Performance Share rights[7]	Total		
Peter Wasow (CEO)[1]	**2014**	**1,131,721**	**300,000**	**28,120**	**129,516**	**1,589,357**	**18,279**	**122,222**	**125,240**	**247,462**	**–**	**1,855,098**
John Bevan (CEO)[1]	2013	1,172,778	286,000	34,457	3,000	1,496,235	17,122	–	444,795	444,795	1,748,664	3,706,816
Chris Thiris (CFO)	**2014**	**638,021**	**344,000**	**23,368**	**–**	**1,005,389**	**29,979**	**–**	**168,690**	**168,690**	**–**	**1,204,058**
	2013	631,378	145,000	22,459	–	798,837	17,122	–	85,021	85,021	–	900,980
Stephen Foster (General Counsel/ Company Secretary)	**2014**	**476,739**	**255,000**	**22,105**	**–**	**753,844**	**22,261**	**–**	**161,748**	**161,748**	**–**	**937,853**
	2013	467,278	108,000	22,072	–	597,350	17,122	–	157,851	157,851	–	772,323
Andrew Wood (Group Executive Strategy and Development)	**2014**	**333,821**	**111,000**	**14,347**	**–**	**459,168**	**18,279**	**–**	**57,033**	**57,033**	**–**	**534,480**
	2013	324,678	60,000	15,481	–	400,159	17,122	–	54,345	54,345	–	471,626
Total Executive remuneration	**2014**	**2,580,302**	**1,010,000**	**87,940**	**129,516**	**3,807,758**	**88,798**	**122,222**	**512,711**	**634,933**	**–**	**4,531,489**
	2013	2,596,112	599,000	94,469	3,000	3,292,581	68,488	–	742,012	742,012	1,748,664	5,851,745

1 Mr Wasow was appointed Chief Executive Office, succeeding Mr Bevan from 1 January 2014.

2 Short-Term FAR is the total cost of salary, exclusive of superannuation. FAR for Mr Wasow includes a share based payment that is amortised over an 18 month (conditional) period.

3 Short-term incentive payments reflect the cash value paid for the years ended 31 December 2014 and 31 December 2013.

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

5 Other short -term benefits include personal financial advice allowance. For 2014 it is further include relocation costs for Mr Wasow.

6 Superannuation contributions reflect the SGC payment.

7 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.

8 Termination payment relates to the retirement benefit accrued in 2013 for payment in lieu of notice (nine months and 27 days including at target STI).

4. NON-EXECUTIVE DIRECTOR REMUNERATION

The maximum remuneration for Non-Executive Directors is determined by resolution of shareholders. The maximum aggregate remuneration approved for Non-Executive Directors is $1,250,000 per annum. A total of $1,092,168 was paid in Non-Executive Director fees in 2014.

In 2014, Non-Executive Director's fees remained unchanged from the fee level set in 2011. In addition to the base fee, Non-Executive Directors receive fees for participation on the Board Committees and Superannuation Guarantee Contribution.

Committee Member	$10,000 (aggregate)
Committee Chair	$10,000
Audit & Risk Committee Chair	$15,000

Non-Executive Directors do not receive any other retirement benefits or performance based incentives, rights or options.

The Board reviewed Non-Executive Directors' fees and determined in the context of business conditions that there would be no increase for the 2015 year.

Non-Executive Directors' remuneration details are set out in Table 3.

TABLE 3

		SHORT-TERM BENEFITS		POST EMPLOYMENT	
		Fees – Cash	Non-monetary benefits	Superannuation Guarantee[3]	Total Remuneration
John Pizzey	2014	358,191	–	18,279	376,470
	2013	359,347	–	17,122	376,469
Emma Stein	2014	169,395	–	15,905	185,300
	2013	169,806	–	15,492	185,298
Chen Zeng	2014	159,430	–	14,969	174,399
	2013	126,484	–	11,580	138,064
Peter Day[1]	2014	174,359	–	16,371	190,730
	2013	–	–	–	–
Mike Ferraro[1]	2014	151,059	–	14,210	165,269
	2013	–	–	–	–
Peter Hay[2]	2014	–	–	–	–
	2013	169,806	–	15,492	185,298
Peter Wasow[2]	2014	–	–	–	–
	2013	174,800	–	15,947	190,747

[1] Mr Day and Mr Ferraro joined the Board of Directors on 1 January 2014 and 5 February 2014 respectively and therefore do not have comparative figures for 2013.

[2] Mr Wasow and Mr Hay resigned as Non-Executive Directors on 31 December 2013.

[3] Non-Executive Directors receive, in addition to their fees, a Superannuation Guarantee Contribution (SGC). For 2014, this was initially 9.25 per cent (and adjusted to 9.5 per cent in July 2014). For 2013, this was initially 9 per cent (and adjusted to 9.25 per cent in July 2013). Non-Executive Directors do not receive any other retirements benefits.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014

	2014 US$ MILLION	2013 US$ MILLION
Current Assets		
Cash and cash equivalents	24.9	24.0
Receivables	0.2	0.1
Other assets	3.5	23.7
Total current assets	**28.6**	**47.8**
Non-current Assets		
Investments in associates	2,514.5	2,798.9
Property, plant and equipment	0.1	0.2
Other assets	-	117.1
Total non-current assets	**2,514.6**	**2,916.2**
Total Assets	**2,543.2**	**2,964.0**
Current Liabilities		
Payables	1.9	3.9
Interest-bearing liabilities	-	50.6
Derivative financial instruments	-	6.4
Provisions	0.2	0.3
Current tax liabilities	0.8	-
Other	0.2	0.2
Total current liabilities	**3.1**	**61.4**
Non-current liabilities		
Interest-bearing liabilities	111.5	108.6
Derivative financial instruments	4.1	-
Provisions	0.5	0.6
Total non-current liabilities	**116.1**	**109.2**
Total liabilities	**119.2**	**170.6**
Net assets	**2,424.0**	**2,793.4**
Equity		
Contributed equity	2,620.0	2,620.0
Treasury shares	(1.2)	(1.3)
Retained earnings	658.2	803.1
Reserves	(853.0)	(628.4)
Total equity	**2,424.0**	**2,793.4**

FINANCIAL HISTORY

ALUMINA LIMITED AND CONTROLLED ENTITIES

AS AT 31 DECEMBER	2014 US$ MILLION	2013 US$ MILLION	2012 US$ MILLION	2011 US$ MILLION	2010 US$ MILLION
Revenue from continuing operations	**0.1**	0.3	0.1	0.2	1.4
Other income	**3.1**	140.1	0.6	0.1	2.1
Share of net (loss)/profit of associates accounted for using the equity method	**(73.6)**	(97.4)	(7.5)	173.1	84.5
Finance costs	**(13.6)**	(25.3)	(29.4)	(28.5)	(38.7)
General and administrative expenses	**(13.5)**	(17.2)	(19.0)	(17.3)	(14.7)
Income tax (expense)/benefit	**(0.8)**	–	(0.4)	(1.0)	–
Net (loss)/profit attributable to owners of Alumina Limited	**(98.3)**	0.5	(55.6)	126.6	34.6
Total assets	**2,543.2**	2,964.0	3,311.4	3,350.4	3,542.5
Total liabilities	**119.2**	170.6	682.9	496.4	471.0
Net assets	**2,424.0**	2,793.4	2,628.5	2,854.0	3,071.5
Total equity	**2,424.0**	2,793.4	2,628.5	2,854.0	3,071.5
Dividends declared	**–**	–	73.2[2]	170.8	91.6
Dividends received from AWAC	**16.0**	100.0	86.0	232.2	234.4
STATISTICS					
Dividends declared per ordinary share	**US1.6c**	–[3]	–[3]	US6c	US6c
Dividend payout ratio (cash dividends)	**–**	–	–	136%	271%
Return on equity[1]	**(3.5)%**	0.02%	(2.0)%	4.1%	1.2%
Gearing (net debt to equity)	**3.4%**	4.6%	20.1%	14.1%	10.0%
Net tangible assets backing per share	**$0.77**	$0.91	$0.97	$1.06	$1.14

1 Based on net profit attributable to members of Alumina Limited.

2 Final dividend for the financial year ended 31 December 2011, declared and paid in 2012.

3 No interim or final dividend declared for the years ended 31 December 2013 and 31 December 2012.

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ALUMINA
LIMITED