

Bauxite

Methodology, specifications and use

November 2017

Metal Bulletin

 **INDUSTRIAL
MINERALS**

Mission statement

Industrial Minerals is part of Metal Bulletin Group, which aims to provide leading pricing intelligence, including independent industry benchmarks for the metals, minerals and mining industries. The group's global portfolio of news, analysis, conferences and insight services complement these price benchmarks.

Industrial Minerals, as the leading global provider of information and prices for the industrial minerals markets, has been producing price assessments since the 1980s. Industrial Minerals employs a team of reporters located in Europe, Asia and North America to cover a wide variety of markets across the world.

The reporters are required to abide by a code of conduct and clear pricing procedures during their market reporting and pricing activities. Industrial Minerals is completely independent and has no vested commercial interest in any of the markets it prices.

The aim of this document is to provide a clear overview of the Industrial Minerals methodology and the specifications of the prices it assesses. If you have any questions, contact Industrial Minerals editor, Barbara O'Donovan, bodonovan@indmin.com.

Introduction

Methodology rationale

Industrial Minerals produces independent, fair and representative price assessments of industrial minerals prices on a weekly basis.

The Industrial Minerals rationale is to adopt and develop the price discovery process and the methodology described in the present guide to produce assessments that are a consistent and representative indicator of the value of the market to which they relate, for the trading period they measure.

During the price discovery process, the goal of the price reporters is to discover at what representative level market participants have concluded business, made offers or received bids over a certain defined trading period – generally the period since the conclusion of the previous price quotation (for instance, if data is submitted to a weekly price after 4pm on the day of the assessment, it will be

included in the following week's assessment). The time period, or window, identified to assess a market (eg, daily, bi-weekly, weekly) is determined by Industrial Minerals after considering the number of data points that Industrial Minerals can reasonably expect to collect on a consistent basis over the selected period to support the price assessment process.

Methodology

Data collection and quality

Industrial Minerals reporters aim to talk to a broad sample of market participants specifically involved in the buying and selling of the mineral of interest, with a good representation of both sides of the market, including producers and consumers, as well as traders.

Data is collected from market participants directly involved in spot and contract business primarily by telephone, but also by email, digital messaging or direct submission. All input data received is kept confidential and stored in a secure network. Industrial Minerals encourages organisations to submit all their pricing data, especially all the concluded transactions. Depending on market liquidity Industrial Minerals reserves the right to base its prices also on bids, offers, deals heard and market participant assessments or indications of prevailing values.

Metal Bulletin Group's [Data Submitter Policy](#) provides guidelines to ensure the high level of data quality and integrity that we expect from contributing organisations providing pricing data. The policy can be found on Industrial Minerals' website or is available upon request.

Industrial Minerals encourages data sources to provide data on all their concluded transactions and welcomes provision of data from employees in back office functions.

All data supplied to Industrial Minerals is kept strictly confidential and Industrial Minerals may sign Non-Disclosure Agreements (NDA) with any data provider, if requested to do so.

Our price reporters use a number of methods to collect data, including phone calls, email, and digital messenger service.

Industrial Minerals has clear specifications for all the price points that it covers. All the reference units, such as currency

and volume, are in line with recognised metals markets trading conventions.

Industrial Minerals specifications detail the material's characteristics or quality, location and the incoterm accepted. The specifications are determined in consultation with market participants and follow industry conventions. Reporters ensure the information they receive matches these specifications.

Pricing guidelines

The exercise of judgment by price reporters

To produce the price assessment greater weighting is given to actual concluded transaction data, bids/offers are second in order of importance, followed by data sources' own assessment of the market when they have no business to report. However, other considerations might also intervene such as, the trustworthiness of a data source, based on past data submissions or their willingness to provide data on a consistent basis.

Industrial Minerals seeks price information for trades with a relevant minimum lot size. When volume information is available, this is also taken into consideration in the assessment process, for instance typically a deal with a bigger volume will carry more weight in the price reporter judgement than a smaller volume transaction. However, price reporters will also consider, for instance, to normalise or discard a price reported for a deal with an abnormally large or small volume.

As commodity markets differ in liquidity levels at different periods, the methodology does not set any minimum number, or threshold, of transactions to be gathered on which to base the assessment.

A pricing session typically includes bids/offers, contributors' assessment as well as concluded transactions. This means that market data will typically be contributed by several separate sources and that there is no key submitter dependency. However, should a significant proportion of the data (defined as more than 50% of the data points) on which the assessment is based be provided by a single source, the reporter, peer reviewer and the senior editorial person signing-off the price prior to publication will analyse the data and consider, if it is the case, to publish an assessment based on the data collected or rather not to move the price and roll it over from the previous session.

Normalisation

Occasionally Industrial Minerals might receive price data for material where specifications differ in some element from our specifications – for instance, different material quality, delivery terms or delivery location, different cargo size or payment terms. In such cases, when appropriate, Industrial Minerals normalises data to our typical specification.

A typical example would be a price that is either net-back or net-forward due to delivery terms different from Industrial Minerals's specification.

Criteria to discard pricing data

Industrial Minerals will use its expert judgment to exclude outlying or unrepresentative numbers, and discount or discard prices that it believes may otherwise be questionable and unreliable.

When required, for instance when a transaction appears questionable or outside the range reported by other market participants, Industrial Minerals may seek to confirm information on deals either by requesting a signed copy of the contract or other materials as evidence of claimed deals, or by checking the deal information with the counterparty. If no evidence of the deal is provided, Industrial Minerals may discard the data from the pricing process.

Consistency in the price discovery procedures

All Industrial Minerals price assessments are set by a first reporter who covers that specific market, peer reviewed by a second reporter, and always signed-off and approved by a senior reporter or editor prior to publication. This peer review process ensures that pricing procedures and methodologies are correctly and consistently applied and to ensure integrity and quality of the published prices.

Price reporters are formally trained in the price discovery process and must abide by a written Code of Conduct and Pricing Procedures.

Publication

At the end of the pricing session, from the information that Industrial Minerals receives and reviews it sets a price range, to reflect the representative spread of prices at which business has been transacted, offered or bid.

Methodology and price specifications review process

Industrial Minerals continually develops and revises its methodologies in consultation with industry participants, aiming to adopt product specifications and trading terms and conditions that actually reflect and are representative of typical working practices in the industry.

Changes to the methodology and/or price specification are implemented following a consultation process which starts with Industrial Minerals posting on its website an advance pricing notice providing clear details and a timeframe for the change proposed. The objective of the consultation process is to give market participants sufficient time and opportunity to provide feedback and views about the change proposed.

Price correction policy

Publication of price errors can occasionally happen for reasons that may include technical, input errors or incorrect application of the methodology.

To minimise as much as possible the inconvenience to our subscribers, Industrial Minerals aims to investigate each error immediately as it becomes aware of it and to publish a correction promptly on its website through a pricing notice with an explanation of the reason for the correction.

Industrial Minerals will publish a correction of a price only where it has established that undeniably there has been an error. Industrial Minerals price assessments are produced based on the best data available at the time of the assessment. It will not retroactively change a price based on new information or additional submission of data received after a respective pricing session has closed.

Become a contributor to the price discovery process

Industrial Minerals continually seeks to increase the number of market sources willing to take part in the price discovery process. The main condition Industrial Minerals requires from contributors is to be active participants in the spot market. Metal Bulletin Group's [Data Submitter Policy](#) provides guidelines defining the high level of data quality and integrity that Industrial Minerals expects from a contributing organisation providing pricing data. The policy can be found on Metal Bulletin's website or upon request.

All data sources are subject to review before their data submitted is fully taken into account in the pricing process. The aim is to make sure that submitters are trustworthy and have sufficient visibility and understanding of the market to be able to provide viable price data.

If you want to become a contributor to Industrial Minerals pricing, or have questions or comments about the methodology and price specifications, please contact the editor of Industrial Minerals, Barbara O'Donovan, bodonovan@indmin.com.

Refractory-grade bauxite

85%/2.0/3.15-3.2 (0.6mm)

Price

US\$ per kg FOB Xingang, Tianjin

Location

China

Basis

FOB Xingang, Tianjin

Price type

Assessment, spot contract

Min lot size

20 tonnes

Quality

Min 85% Al₂O₃, 2.0% iron, 3.15-3.2 bulk density

Form

Crushed, sized between 0-1mm, 1-3mm, 3-5mm, normally in 1-tonne big bag

Publication

Fortnightly, Thursday by 4pm, London

86%/2.0/3.15-3.2 (0.6mm)

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Contacts

For more information about Industrial Minerals prices, please do not hesitate to contact the Industrial Minerals team:

General pricing enquiries

pricing@indmin.com

Martim Facada

martim.facada@indmin.com

+44 20 7779 8363

Charlotte Radford

charlotte.radford@metalbulletin.com

+44 20 7827 6463

Davide Ghilotti

davide.ghilotti@indmin.com

+44 207 827 6444

Barbara O'Donovan

bodonovan@indmin.com

+44 207 827 6482

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