

## Partnering for progress

**Simone Niven, Group executive, Corporate Relations  
Mongolian British Chamber of Commerce Forum, London**

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**\*\*Check against delivery\*\***

Thanks for the kind introduction.

I would like to begin by acknowledging:

- His Excellency, and the former Prime Minister of Mongolia, Ambassador Bayar;
- Mr Damdinsuren, State Secretary, Mongolian Ministry of Foreign Affairs; and
- Raphael Goue, Senior Advisor, Erdenes Mongol.

It is a real privilege to be here today to support the Mongolian business forum and to discuss Mongolia's world-class copper and gold business, Oyu Tolgoi.

I feel like I know Mongolia well, and have to admit I've grown to really love it over the years.

My first trip to Mongolia was over seven years ago.

Seven years ago, Oyu Tolgoi was under construction and at that time we were meeting to plan our approach to building a world-class business.

We were keen to make sure Oyu Tolgoi was a Mongolian business: employing Mongolians, supporting Mongolian suppliers and exporting Mongolian know-how to the world.

Seven years on, in the most part I believe we have achieved this, with the most exciting times ahead.

That is not to say there were not many challenges along the way, but there always are with pioneering projects. And that is what leadership is about.

Our progress so far was not possible without the leadership of many people, including the Ambassador, over many decades from first exploration in the 1950s through to first production in 2013.

In many ways, Oyu Tolgoi has been a pioneering project, for Rio Tinto and for Mongolia.

In my presentation today I will make a few forward looking statements, so I draw your attention to the standard disclaimer.

I think the image on the screen captures the true spirit of Mongolia.

Our Oyu Tolgoi team is 95 per cent Mongolian and one of the most diverse operations in all of Rio Tinto's 60 sites around the world.

It is by far, also Rio Tinto's most engaged workforce, almost 50 per cent more engaged than any other business in our portfolio.

So, we must be doing something right.

# Rio Tinto

We are so proud of Oyu Tolgoi that we used this image on the cover of Rio Tinto's sustainable development report which was issued last month.

Take a look at our report if you get the chance. It highlights the many social, environment and economic programmes Rio Tinto is involved in around the world as a partner in progress.

Oyu Tolgoi is a showcase example of Rio Tinto's activities:

- from technical expertise;
- as a template for how partnering with government and international financial institutions can de-risk a project and build a positive investment environment; and
- an example of what an engaged and committed team can create. Not just for a community, but for a country.

I will touch on these examples a little more in a moment.

But let me first give you some context about Rio Tinto and what is happening at Oyu Tolgoi today.

Rio Tinto is 144 years young.

In 1873 our company was registered here in the city of London to focus on the redevelopment of a historic abandoned copper mine in Spain.

Today we are a global company. We operate in around 35 countries with a team of 51,000 people.

More than 85 per cent of our assets are in the OECD.

This reflects, in part, the investments made in Australia, Canada and the US across many decades, cycles and generations.

We hope that will be the case for Mongolia too – transformational investment over generations. And while our operational footprint may be predominantly OECD our customer markets are predominantly not.

We are a company that sells most of what we produce outside of where we produce it – which is why a level playing field and fair and inclusive growth is so important to us.

Our strategy at Rio Tinto is clear and consistent – to deliver value through the cycle.

It is around what we call the 4Ps:

- Portfolio – world-class assets;
- Performance – cash, productivity at its heart, with a strong balance sheet and returns policy;
- People – using our talented employees – particularly nurturing local talent – to drive operating excellence; and,
- Partners – working with governments, communities, suppliers and customers for win-win solutions.

In terms of compelling investment opportunities, projects such as Oyu Tolgoi are a rarity – it is one of the best development opportunities in our industry today.

Projects like Oyu Tolgoi do not happen overnight. They require decades of patience with partners and stakeholders willing to also take a long-term view.

The 2009 Investment Agreement signed between the Mongolian government and Oyu Tolgoi's project partners was a major achievement.

It broke new ground for Mongolia, the project partners, and the wider international investment community.

The government sent a clear message of Mongolia's commitment to provide a safe, stable and consistent regulatory environment on matters such as taxation, permitting and licencing.

That commitment has been, and remains, vital to the confidence needed for long-term investment.

This is a requirement we have anywhere we operate in the world.

It also set out the obligations and commitments by the project partners to develop Oyu Tolgoi in a way that led to:

- employment, training and skills development;
- local procurement and business opportunities;
- environmental protection;
- cultural protection and conservation; and
- the transparent reporting of the progress being made on all these.

The agreement has seen the largest capital investment in the country's history – US\$6.1 billion to date.

And now we are in the next stage of Oyu Tolgoi – the US\$5.3 billion underground development which was supported by the signing of the Underground Development Plan.

The project finance for the underground development – involving a range of financial institutions, export credit agencies and 15 commercial banks – really does highlight the importance of partnerships in modern mining development.

While the Investment Agreement, and related contracts, provide the framework, the real value lies in the relationships that give life and purpose to the project and the outcomes we deliver together.

Before touching on those outcomes, let me briefly provide an overview of the Oyu Tolgoi underground development.

In our view, it is one of the best copper projects in development in the world today.

Over 80 per cent of Oyu Tolgoi's value lies underground, in an orebody approximately 1,300 metres below the surface.

To date we have about 17 kilometres of tunnels.

By 2020 there will be 65 kilometres. We are looking to develop up to 200 kilometres over a number of decades.

What does all this mean for production?

Last year, in 2016, Oyu Tolgoi produced just over 200,000 tonnes of copper and 300,000 ounces of gold.

In 2027, copper production will be more than 500,000 tonnes. Averaging 560,000 tonnes per annum<sup>1</sup> of copper between 2025 and 2030.

Copper has wired the world and still has a vital role to play.

It remains an essential material in our modern world.

According to the Copper Institute, a conventional car has between eight and 33 kilograms of copper. A hybrid car has 40-65 kilograms. A fully electric car has 94 kilograms.

It is just one example of how copper can help create a greener, healthier and more sustainable world.

Oyu Tolgoi is still a relatively young project.

But in 2016 it paid more than US\$210 million in taxes, fees and other payments to the Mongolian government.

This is a significant sum for a project still expanding.

One that is investing heavily in people and technology, and creating opportunities for local businesses.

As significant as the taxes and fees are, local procurement can have a direct, deeper and broader economic impact.

That is why Oyu Tolgoi is committed to building a safe, sustainable and local supply chain.

Since 2010 more than 6.1 billion US dollars has been spent in country.

Today, 80 per cent of the total procurement spend is within Mongolia.

In 2016 alone, Oyu Tolgoi has worked with more than 600 Mongolian businesses.

And in the South Gobi it has almost 90 suppliers and 15 per cent of Oyu Tolgoi's procurement is spent there.

To build on this, in January, Oyu Tolgoi hosted its second Supplier Forum. More than 675 businesses and 1,200 visitors took part.

We want the forum to be a catalyst. A catalyst for:

- new procurement opportunities;
- community and business networking; and ultimately,
- a more resilient economy.

In addition to focusing on broadening the economic impact of its activities, Oyu Tolgoi is involved in a number of community projects.

These range from education to cultural heritage and assisting local herders.

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<sup>1</sup> This production target was previously reported in a release to the market on 6 May 2016. All material assumptions underpinning the production target continue to apply and have not materially changed

In 2011, Oyu Tolgoi launched a programme to protect and preserve traditional herding and nomadic lifestyles.

It is focused on identifying new sources of livelihood for local herders and residents independent of Oyu Tolgoi's mining activities.

This includes work such as:

- Pastureland planning – developed by the herders themselves to find the most appropriate use and protection of pastureland;
- Improving water management;
- Assisting with livestock health initiatives; and
- Formation of cooperatives – to organise training, study tours and share information.

One of the things that sets Oyu Tolgoi apart is the depth of its public reporting.

If you go to Oyu Tolgoi's website and look at its Scorecard you can see everything from:

- Monthly safety performance; to
- Water efficiency data;
- Taxes and fees paid; to the
- In-country spend.

It really is leading the way on public transparency.

It highlights that the privilege we have to operate in the communities goes hand-in-hand with a commitment to communicate and share progress.

A commitment not just to celebrate historic anniversaries.

But to show what is happening every day – in the “here and now”.

To show the very real human impacts, the real progress being made.

I hope my short words have given you an insight into the many great things occurring in Mongolia and at Oyu Tolgoi.

Oyu Tolgoi has achieved a great deal in a short space of time, but there is still so much to be achieved, and on many fronts.

The construction and development to occur over the next decade at the Oyu Tolgoi underground is as technically challenging, and significant, as has been achieved in the past ten years of planning, construction, commissioning and ramp-up.

We have our best team on the ground and we are partnering with the best Mongolia has to offer in terms of talent. It is one of the more complex block caves that will ever be built.

We do not take Oyu Tolgoi's current success for granted.

For we know bankers, brokers, the industry, communities and the government all have a keen interest.

# RioTinto

A keen interest, not just as observers, but as partners.

Partners in working together to ensure the success of Oyu Tolgoi.

Oyu Tolgoi set a vision some years ago to make a real difference to Mongolia.

A vision described as *“natural wealth to enduring value, knowledge and skill.”*

We see our role as a catalyst both to create value for our partners but also long-term value for Mongolia and its people.

I will finish where I started and urge you to go and take a look at Mongolia yourself.

Thank you.

# RioTinto

## Contacts

media.enquiries@riotinto.com

riotinto.com



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### Media Relations, United Kingdom

Illtud Harri

T +44 20 7781 1152

M +44 7920 503 600

David Outhwaite

T +44 20 7781 1623

M +44 7787 597 493

David Luff

T +44 20 7781 1177

M +44 7780 226 422

### Investor Relations, United Kingdom

John Smelt

T +44 20 7781 1654

M +44 7879 642 675

David Ovington

T +44 20 7781 2051

M +44 7920 010 978

Nick Parkinson

T +44 20 7781 1552

M +44 7810 657 556

### Media Relations, Australia

Ben Mitchell

T +61 3 9283 3620

M +61 419 850 212

Anthony Havers

T +61 8 9425 8557

M +61 459 847 758

### Investor Relations, Australia

Natalie Worley

T +61 3 9283 3063

M +61 409 210 462

Rachel Storrs

T +61 3 9283 3628

M +61 417 401 018

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### Rio Tinto plc

6 St James's Square  
London SW1Y 4AD  
United Kingdom

T +44 20 7781 2000

Registered in England  
No. 719885

### Rio Tinto Limited

120 Collins Street  
Melbourne 3000  
Australia

T +61 3 9283 3333

Registered in Australia  
ABN 96 004 458 404