

ESG Roundtable

J-S Jacques, Chief Executive Officer

26 November 2018, Sydney, Australia

Thank you Simon and good morning everyone.

It is great to be with you in Sydney today to talk about an important topic that we see as absolutely vital to our company's success.

I will cover four key areas:

1. How management sees ESG or what we call, sustainability, as a core part of our strategy;
2. How the mining business can be part of the solution;
3. Our sustainability framework and key metrics; and
4. What we are doing to manage both the risks and opportunities, with some practical examples.

Let me start with a simple fact: mining is essential to human progress, and this is likely to be the case for centuries to come.

Mining makes every part of our lives possible: from the minerals used in beauty products and the homes you live in, to the metals needed in transportation such as cars and airplanes...and so on and so forth.

So, the world needs mining. And we believe our industry is part of the solution to some of the world's challenges, starting with climate change.

And this is the starting point of our strategy on sustainability.

Now, thinking around environment, social and governance matters in investment decision making is not new.

And at Rio Tinto we have been managing it for over 146 years.

It has many names – social investment, ESG, sustainable development, and so on and so forth.

At Rio Tinto we call it sustainability, because we see it as absolutely vital to running a long-term, successful business that creates value.

Now if I am very honest, it matters less about what you call it and more about what you do on the ground to manage it, every single day, every shift, with our communities and employees and how we partner with customers and our suppliers.

Actions speak louder than words, but I fully understand that in the 21st Century we must communicate more.

This is very important in what we call the Business to People era (B2P) where business must connect with society in very different ways. Which is why we are here, today.

Put simply, sustainability makes good business sense. We see it as a make or break for us. And we take it very, very seriously.

Clearly, our job as a management team is to create value for all of our shareholders over the short, medium and long term in a responsible way.

This is increasingly challenging in a business environment that is changing very quickly. We need to be ahead of the game as expectations of business increase. And in an industry where sustainability plays out over decades.

This year, as part of our strategy process we spent even more time on sustainability issues from climate change to safety and communities.

What you need to know is this: ESG is fully integrated into our business strategy. It is part of our short term actions and long-term thinking.

So, how do we manage it?

Our approach is both risk and opportunity based, with a strategy that is focused on material sustainability issues reinforced by key public targets. Importantly, our work is linked to the Sustainable Development Goals.

We have all the things you would expect us to have to manage our material risks well – such as an integrated risk framework, clear policies, standards, and assurance, including third party audit where it makes sense.

We have also spent a lot of time developing the capabilities of our leaders and people to manage sustainability, because ultimately it is not just about systems and processes. It is about people.

We have a clear framework to guide our actions - you can see it on the slide. Let me talk you through it quickly. There are three key elements.

1. Running a safe, responsible and profitable company

This is the foundation of what we do. At Rio safety comes first. It is not just a priority it is a value, underpinned by the wellbeing and engagement of our employees.

Inclusion and diversity is also key, as is operating in an ethical way aligned with our values.

Our core responsibility also includes care for the environment, especially water and climate change.

Ultimately, we need to be a safe and responsible business, but also a profitable one. If we are profitable we can also enable social and economic development wherever we operate, which brings me to our next pillar...

2. Collaborating to deliver long term economic benefits

We believe our industry is a force for good and does bring benefits to the communities and governments where we operate.

We do this by providing jobs, supporting supply chains and paying taxes and royalties.

We also contribute to education programs, health and environment projects, and so on.

Each of our asset leaders have a local employment and procurement target which they must meet by 2020. We also aim to understand our human rights risks and make sure they are managed well.

Our stakeholder engagement approach is not just about communities and governments, it is also about customers, suppliers, and other partners.

The last pillar of our approach is linked to our purpose –

3. Pioneering materials for human progress.

This is about long-term solutions to drive innovation and leadership in sustainability to make sure our business adapts to changing needs and also continues to offer solutions to the world's needs.

It is about intelligent mining and showing leadership in the role of automation and the impacts this may have on the workforce of the future.

It is also about innovative and new partnerships in areas such as urban mining, recycling and green products.

It is really about making sure we understand the long term trends facing our business and also those that will change the world – and providing positive solutions.

And our approach is not just about what we do, we must work with others to raise standards and learn how to do better. So, we take part in a number of voluntary commitments, external benchmarking and accreditation, such as, our work with the ICMM, the Aluminum Stewardship Initiative, and The Responsible Jewellery Council.

We are also members of the FTSE4Good, the UN Global Compact and many more.

We also produce a Taxes Paid Report, a Climate Change report and our global code of conduct, The Way We Work. This is part of our goal to be transparent.

Before I go on to share some examples, I want to cover some of our sustainability challenges and opportunities.

At a macro level, there is absolutely no doubt that some of our recent portfolio based decisions, made for commercial reasons, will mean our ESG related risk exposure changes.

The sale of coal gives us a differentiated position versus other mining majors. The anticipated sale of our interest in Grasberg will reduce, if completed, our sustainability vulnerabilities.

We have world class green aluminium and opportunities in Copper, for example in Resolution.

But, as you would expect we do have some challenges – we have sovereign risk challenges in our Minerals Sands businesses in Africa (RBM and QMM) and in Mongolia, as well as a requirement to build a coal fired power plant.

We are facing the need to manage closure well as some of our assets reach the end of their lives.

In my view we understand both the risks and opportunities, many of which are simply part of being in the mining business. Our focus is on mitigating the risks and making the most of the opportunities, and in that way we think we are a good ESG investment proposition.

Now I will share some examples of the first pillar of our sustainability framework – *Running a safe, responsible and profitable business*.

Safety is one of Rio Tinto's core values because nothing is more important to us than everyone coming home safely after every shift.

We do have a history of improvement in AIFR versus the industry, as you can see in the chart, but we know that while we have fatalities in our business we are not doing enough.

Sadly, two people did not make it home from work after their shift this year. And one of our security colleagues lost his life on the job.

These events are a tragedy for all of us at Rio Tinto and we feel it very deeply. This year we have a focus in a few key areas: Embedding our fatality management system, CRM;

Process safety and reducing hazards; and improving employee mental health and wellbeing.

But, really safety is about active care in the field. This means being on the ground with our people and living safety as a value.

In a low carbon future, we believe our products have a role to play. However, we know it takes a lot of energy to mine and process our materials.

Climate change requires long-term planning and presents complex challenges for not only companies, but governments and society as a whole.

To help us understand the impacts of climate change, we engage in partnerships with key external stakeholders.

Since 2008 we have reduced our greenhouse gas emissions by 27%. We are focussing on emissions intensity reductions and abatement.

Let me give you an example. Copper can be part of the solution for global electrification and we are considering renewable power options at KUC, improvements in energy efficiency, and reducing our KUC haul fleet with electric vehicles.

We are well positioned to meet the challenges of a low carbon future. 68% of our energy is from renewables with hydro powered Canadian aluminium.

Aluminium, is a great material to reduce carbon and increase recycling. Copper is key to electrification and we are exploring opportunities to be part of the battery revolution. Iron ore has low scope 1+2 emissions with scope 3 emissions from steelmaking.

Climate change, has been part of our portfolio thinking for many years and we are have a clear climate change strategy, with our first TCFD report to be released in Q1 of next year.

Rio has been in business for 146 years but we know our workforce of the future will be more focused on purpose and our contribution to society.

This is one of the reasons why we released our purpose in 2017, "As pioneers in mining and metals, we produce materials essential to human progress".

Supporting the new purpose was the development of our refreshed values and *The Way we Work*, our code of conduct.

We have 47000 employees and over 100,000 contractors, and it matters to us what our employees think.

We have an employee engagement survey twice a year and act on the feedback. We know that the best way to engage employees is to get on the ground and speak with them.

I have been to visit many of our sites this year – doing 14 town halls with employees and 20 leaders events. I regularly use Yammer to connect directly with our employees across the world.

We now have over 23,000 Yammer users across the company which is best in class.

Moving to the second pillar, *collaborating for economic development*.

Construction on the Amrun Project, is now approximately 97 per cent complete and we expect first bauxite to be shipped very soon.

The construction workforce peaked at just over 1,200 people and we currently have approximately 900 people onsite. Out of the total project costs of A\$2.6 billion almost all has been spent with Australian companies.

A key aim was to provide opportunities for local and Indigenous businesses.

Over seventeen Aboriginal and Torres Strait Islander businesses have been engaged by the project. And since 2016, close to 400 Indigenous people, including over 120 local Aboriginal people, have been employed.

Provision for closure, restoration and environmental rehabilitation was almost \$10 billion at the end of 2017 in our accounts.

We have several sites coming up for closure over the next 10 years. As more mines approach the end of their lives, closure is going to become a bigger issue for the industry.

At Rio, closure is a core business function. The approach is to build closure in from the outset – in other words to consider what happens at the end of the life of a mine (or smelter, refinery, mill or manufacturing site) while the planning for the construction of the mine is underway.

Closure planning needs to be a highly collaborative process, including employees, landowners, local communities, governments and NGOs.

Let me now give you an example of our pioneering work.

In May this year we announced a pioneering joint venture – Elysis – with Alcoa and Apple supported by the Canadian and Quebec governments. A combined investment of \$188 million (CAD).

Elysis includes a revolutionary new technology aimed at eliminating all greenhouse gas emissions from the aluminium smelting process and producing pure oxygen instead - inert anodes.

This is the most significant innovation in the aluminium industry in more than a century, with the potential to transform the carbon footprint of products ranging from cars to consumer electronics. We have also just announced a new partnership with Nespresso, so now even coffee capsules can also be green.

Let me now play a short video on this and the Aluminium Stewardship Initiative. This video is also part of a campaign we are running in Australia to help tell our story to a broader group of stakeholders.

In summary, mining is an absolutely vital industry that contributes to society by producing the materials that are used in everyday life.

At Rio Tinto our purpose is to pioneer human progress and provide the materials that are used in the home, in work, and to connect people.

We want to do this in a responsible way – with care for the communities and the environment.

At the same time our role is to deliver sustainable financial performance and superior value over the short, medium and long term.

Sustainability is absolutely vital to achieving this. It is not a 'nice to have' but a vital and integrated part of our strategy.

We understand and manage our sustainability risks and opportunities, with strong systems, processes and third party validation.

But ultimately this is really about people and partnership – we can not do this on our own.

We have been managing sustainability for 146 years and we believe we are well positioned for future success but we are not complacent

And this is why we are also thinking of where the world will go next and what we need to do to keep pioneering solutions.