Rio Tinto

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Thank you Sylvain and good afternoon everybody. It's great to speak to you all today, although it would - of course - have been much nicer to see you all in person, in Paris. Let me start by setting the scene.

Rio Tinto's purpose is to produce the materials essential to human progress, now and in the future.

Slide 3 - As pioneers in mining and metals we produce materials essential to human progress

In February, we talked about how we are 'performing today' and 'transforming for tomorrow'. Since then, the world has fundamentally changed. However, our overall approach, underpinned by our 4Ps strategy, built on portfolio, people, performance and partners, is even more relevant, as we navigate a Covid-19 world. And this is what I would like to talk about today.

There is no doubt our industry has been affected by the tragic recent events. However, unlike other industries who face significant impacts, the mining business continues to perform despite various challenges. And performance right now is about keeping our people and communities healthy and safe and producing and shipping products.

Transforming is about preparing ourselves for the future.

- By building a portfolio of products underpinned by world-class assets to support the transition to a low-carbon economy.
- By operating our assets in an economic and sustainable way, underpinned by technology and innovation. Looking at things like land re-use and recovery of minerals from tailings.
- And by enhancing our value chain through a partnership ecosystem approach – this includes connecting resources to end markets, working with local communities and building stronger relationships with both suppliers and customers. Such as our partnership with Tsinghua University and Baowu, our largest steel customer, around value chain emissions.

As history has shown, new M&A opportunities can arise from a crisis too. We are focused on capturing these, but recognise that this current crisis is more a social and economic one and that asset prices in our sector have not really been affected.

Before I move on, let me say a few words on the unfortunate situation relating to a heritage site in the Juukan Gorge area around our Brockman mine in the Pilbara. We acknowledge that our actions in late May caused the Puutu Kunti Kurrama and Pinikura People (PKKP) deep distress and we are deeply sorry for this. We expressed this to the PKKP in person and we are working hard to find a way forward with this group, which we have worked closely with since 2003. We are taking actions in three key areas: Firstly, as a matter of urgency we are reviewing the plans of all other sites in the Juukan Gorge area, together with the PKKP. Secondly, with Board and Indigenous leader oversight, we are conducting a comprehensive review of our heritage processes within iron ore, with a specific focus on the Juukan Gorge area. The aim of the review is make recommendations for improvements to the effectiveness of our heritage processes in iron ore. And thirdly, even though we continue to work within all legal frameworks which incorporate the consent of Traditional Owner groups, we will provide input to any initiatives of the Western Australian government to reform Heritage Act legislation.

Slide 4 - Enhance resilience, strengthen partnerships and continue to adapt

There is no doubt that higher volatility and uncertainty in our business environment is the 'new norm'. As recent events have shown, we need to expect the unexpected. And I do not see this changing in the decade ahead. To outperform, companies must be resilient. Enhancing resilience is what we have been focussing on for a number of years to create optionality.

Resilience comes from having a clear strategy, and a deep knowledge of your customers and markets. At Rio, we remain committed to our value over volume strategy, to drive performance, productivity and free cash flow per share. We will also continue to strengthen our understanding of the market and develop our relationships with customers.

Let me say a few more words on partnership. Traditionally the mining industry has been hyper-competitive. We compete for access to the best resources, the best talent, the best markets. Although there has been greater recent collaboration, for sure – which we have started doing on tailings management, climate change and others, supported by industry associations.

Collaboration in the future also needs to extend to partners across the value chain to unlock new sources of value creation. Like partnerships for growth and access to resources and partnerships in new frontiers for the industry, like digital and technology, block chain and automation.

Partnerships are key to enabling us to solve problems, to create new solutions, to contribute to both shareholder value and society and - most importantly - to enable us to adapt quickly. They are also vital when it comes to sustaining our license to operate, in particular when we operate in sensitive environments such as the Pilbara.

Let me turn to the most immediate example of our ability to adapt with pace: due to Covid-19, we moved all of our Australian iron ore employees to different rosters within a week, where previously it may have taken a year. We have screened more than 9000 of our employees over the course of a few weeks through testing facilities at Perth airport which we set-up from scratch, with the full support of the government both at the Federal and State levels. And we have maintained business as usual across 36 countries and also rapidly re-shaped some of our products to fit with changing customer requirements.

In a world where capital may be scarce, and the tolerance for risk lower, we want to maintain this agility to unlock new sources of growth, financing and market opportunities.

<u>Slide 5 – Robust performance</u>
So let's take a look at some key financials. This year we have continued to deliver. All our assets are running and demand for our key products such as iron ore and bauxite remains strong. Our Q1 production report shows our iron ore assets are performing well in a strong pricing environment. We are on track to meet our 2020 iron ore guidance.

We paid the 2019 final dividend of $3.7 billion in April and continue to invest in our business, despite flagging lower capex for 2020, due to the impacts of the pandemic – a combination of supply chain issues, people availability and potentially, permitting delays.

Over the last four years we have:

- Delivered an industry leading margin with an 18% average ROCE, including a 24% ROCE in 2019;
- Invested $18 billion in capex to grow and sustain our business;
- Returned $36 billion to shareholders in the form of dividends and buy-backs;
- And contributed to society, paying $67 billion to suppliers and $23 billion in taxes and royalties.

So, we have a strong track record and have shown we are both robust and resilient. The key will be maintaining this in a challenging operating environment, in the days, months and years ahead. So far so good but we are not complacent.

<u>Slide 6 – We generate strong cash flows</u>
Our robustness and resilience are clearly demonstrated by our ten year cash flow performance. The key drivers of this stability are our capital allocation framework, which we changed in 2013, and our shareholder returns policy, which dates from 2016.

<u>Slide 7 – Disciplined allocation of capital</u>
Our capital allocation framework is here to stay. We will continue to invest in safely managing our assets and improving their performance. This means that sufficiently spending on sustaining capex is always a priority.

The next priority for allocating capital is to our shareholders - through our ordinary dividend. Then we carefully consider allocating to growth opportunities, balance sheet strength, and further shareholder returns.

Our investment decisions are carried out with incredible rigour, using the most diligent process I have experienced in my career. I believe that this is the best assurance for our shareholders - that we will only invest in opportunities that create value.

Slide 8 - Growth is all about value: invest in assets and create options through exploration

Growth for us is all about sustainable value generation and returns for our shareholders. It is not about volume. It is about building sustainable cash flow.

We have two levers to improve our portfolio:

- Firstly, new high-quality assets, with a primary focus on organic options. Our ventures team has a continuous and rigorous commitment to M&A and we have reviewed more than 200 opportunities. However, we will only transact if it is value accretive to do so.
- And secondly, we will continue to improve our margins and carbon footprint at our existing assets through operational and commercial excellence, enabled by technology and innovation.

We are patient and take the long-term view. We have managed to reinvest and transform ourselves throughout our history and will continue to do so.

For example, in the 1960s, around 80% of our profit was from copper and uranium. Our job is to create options, which we can progress to meet market demand.

Slide 9 - Our strong balance sheet

We have continued to de-lever our balance sheet over the last few years, ending 2019 with just $3.7 billion of net debt.

We are very comfortable with the strength our balance sheet. During uncertain times, this gives us comfort that we are able to invest in our business and continue to provide superior returns to our shareholders.

Slide 10 – Shareholder returns based on a well-defined policy

Our shareholder returns have consistently exceeded our dividend policy, which is to pay out 40 to 60 per cent of underlying earnings on average through the cycle. As you can see, over the last four years, our ordinary dividend has been at the top of that band and in each year we have made additional returns from our strong operating cash flows, bringing the average payout ratio to just over 70 per cent.

We have also returned the proceeds from divestments. If you take these into account, the average pay-out has been in excess of 100%.

Slide 11 – $36bn cash returns since 2016 including $3.9bn paid in 1H 2020

Let's look at the cumulative numbers from 2016 to 2019. Over this period, our underlying business generated over $62 billion. 80%, or $50 billion of this, came from cash from operations.

On the back of this, we paid $36 billion to our shareholders and a further $3.9 billion in the first half of this year. That is equivalent to over 67% of our market capitalisation at the beginning of 2016.

We strengthened the portfolio, divesting $12 billion of assets. We paid down $12 billion of our debt, and invested $18 billion in growth and in sustaining our world-class assets.

Slide 12 – Our investment case

So, to summarise, Rio Tinto, today, is a stronger and more resilient company, because we have the right strategy to perform and transform.

Last year we delivered industry-leading profitability, strong cash flow and significant returns to shareholders. We continue to invest in the future: in both organic growth and in sustaining our operations.

We have a world-class portfolio of long-life, competitive, expandable assets and have one of the strongest balance sheets in the sector. This provides us with unique strength and resilience, which is absolutely vital in an increasingly complex and volatile world. It also positions us well for the future.

With that, over to you Sylvain for some questions.