

# RIO TINTO

Rio Tinto is a leading international mining group headquartered in the UK, combining Rio Tinto plc, a London listed public company, and Rio Tinto Limited, which is listed on the Australian Securities Exchange. Rio Tinto's business is finding, mining and processing mineral resources. Major products are aluminium, copper, diamonds, energy (coal and uranium), gold, industrial minerals (borates, titanium dioxide, salt, talc), and iron ore. Activities span the world but are strongly represented in Australia and North America with significant businesses in South America, Asia, Europe and southern Africa. The Group's objective is to maximise the overall long-term return to shareholders through a strategy of investing in large, cost competitive mines, driven by the quality of each opportunity, not the choice of commodity.

## Governance

Rio Tinto's management structure is based on six product groups and two global support groups. The chief executive of each group reports to the CEO of Rio Tinto.

There are four board committees at the global level, including a Committee on Social and Environmental Accountability that ensures that Rio Tinto management has in place the policies, standards, systems and people required to meet Group social and environmental commitments. The committee reviews the compliance of business units with the Corporate Policies set out in *The way we work*, Rio Tinto's statement of business practice, and provides assurance to the Board for the performance of the Group businesses on these issues. The committee receives regular reports on the implementation of the Group's Corporate Policies from the head of Health, Safety and Environment (HSE), the head of Communications and External Relations, and from other executive managers as appropriate.

Rio Tinto's Sustainable Development Leadership Panel (SDLP) is composed of senior executives from the six product groups and different corporate functions like HSE, economics or procurement. Part of the Panel's mandate is to ensure that sustainability is built into the operating processes of each business, and to develop tools to ensure the consistent application of sustainability policies across the Group. The SDLP developed a set of sustainable development decision-making criteria to help Rio Tinto businesses and departments incorporate sustainable development considerations into their formal and informal management systems. At the corporate level the criteria are included in project evaluation guidelines.

The SDLP is currently developing a set of key performance indicators that include sustainability factors for use at the group and business levels. Rio Tinto currently has targets in its corporate scorecard for HSE, human resources, human rights, and economic. The Board reviews performance against each of these targets.

Rio Tinto's Operational and Technical Excellence Group (OTX) provides a central platform to support Rio Tinto's operations, future growth and profitability. OTX consists of several "centres of excellence", including HSE and Project Development and Evaluation.

At the business unit level, all Rio Tinto managed operations have a senior manager to champion sustainable development, and many have developed cross-functional work teams.

## Business Processes

### **Strategic Planning:**

In 2006, the SDLP drafted a sustainable development integration strategy for 2006-2010. The focus areas of the strategy include developing a sustainable development culture, key performance indicators, and effective communication; and taking account of sustainable development in business processes such as risk management, long term planning for mines of the future, and supply chain management.

**Business Planning:** Rio Tinto uses sustainable development decision-making criteria to address sustainability issues in the business planning process. These criteria (in the form of questions) are to be used in everyday decision-making and built into formal decision-making processes. These criteria ensure that formal and informal decisions are effective in balancing economic, social and environmental aspects, that they consider the effects of actions on future generations, and that they make a positive contribution towards society's transition to sustainable development.

If the answer to any of the sustainable development decision-making criteria is "yes", the proponent must specify direct and indirect benefits and negative effects and describe risk mitigation and stakeholder engagement and participation measures, and must also describe how:

- Stakeholder relationships will be affected;
- Conflicts will be resolved;
- Capacity will be built in stakeholder groups (where needed);
- Learning will be captured and shared across Rio Tinto; and
- Verifying that sustainability measures have been properly implemented.

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**Business Development:** Rio Tinto's decision-making process to identify locations for exploration and the subsequent assessment process takes into account the economic, social and environmental considerations of extracting the mineral at the location through the use of the sustainable development decision-making criteria. The criteria must be used for projects over \$100,000, and projects over \$1 million require use of the criteria as well as active engagement with other key Rio Tinto personnel.

Broadening the scope of application of sustainable development criteria, in 2006, the SDLP developed a set of guidelines defining the minimum sustainable development criteria for new joint ventures in which Rio Tinto would be a non-managing partner.

Stakeholder mapping is a business development requirement for all business units, and consideration of input from stakeholders is part of the sustainable development decision-making criteria.

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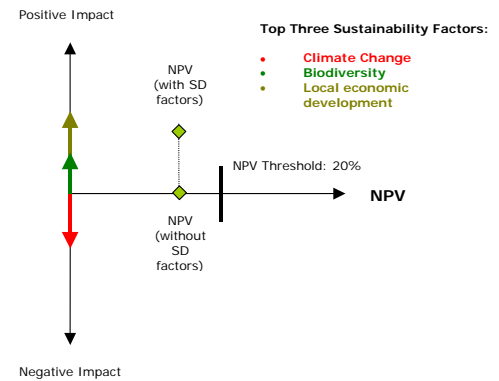
**Risk Management:** Rio Tinto uses corporate-level risk assessment where HSE is explicitly identified in the risk matrix. In considering new projects, Rio Tinto uses evaluation guidelines that involve a rigorous approach to identifying, assessing and managing threats and maximizing opportunities. Risk assessment applied to the country level evaluates "threats and opportunities". Threats may include political threats/social conditions (e.g. wars, ethnic or religious tensions, resource nationalism, health issues, and Indigenous peoples' issues), human rights, extortion, personal security risks, or unfair distribution of benefits. Opportunities may include facilitation of cleanup of community contaminants; preserving and highlighting local heritage; and facilitating business development training and capacity building in the local community.

Business units also have a variety of risk management processes that integrate sustainability risks.

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**Project Management:** The Evaluation team in the OTX Group provides independent reviews and advice on the adequacy of risk identification and mitigation at key "gates" in the project approvals process: concept; order of magnitude; pre-feasibility; feasibility; and execution. The sustainable development decision-making criteria are considered at each "gate" and are factored into decision-making. The Evaluation team also works to the company's Health, Safety, Environment and Community (HSEC) standards. The Evaluation team can bring additional expertise to the table if needed, including on other sustainability aspects.

Ideally, every decision runs through a sustainable development decision-making process that would incorporate the sustainability analysis conducted at each “gate”. The Project Development and Evaluation Group within OTX has developed a tool for qualitative ranking of the importance of sustainability factors in the net present value (NPV) assessment of a project. Up to five key sustainability factors are identified relevant to the project and applied to the NPV assessment to determine whether the project will have a net positive or negative impact on sustainability (see figure).



**Disclosure:** Rio Tinto’s Annual Report includes one page on sustainable development and discusses issues such as biodiversity, climate change, and water use. The Annual Report also references Rio Tinto’s Sustainable Development Review.

Rio Tinto’s Annual Review discusses the company’s approach to managing sustainable development, and also includes numerous references to the Sustainable Development Review.

**Assurance:** Rio Tinto implements a number of internal and external assurance processes. The annual Internal Control Questionnaire (ICQ), completed on an annual basis by the managing director of each business unit, confirms that Rio Tinto’s internal controls have been appropriately implemented. Senior management and the Corporate Assurance Team review the results of the ICQ before its presentation to the board. If there is evidence of deviation from Rio Tinto policies in the ICQ, the business unit will have six months to demonstrate corrective action back to the Board.

This process is housed in Rio Tinto’s new Corporate Assurance Function, which was created in 2006. The Corporate Assurance function has accountability and responsibility for providing internal assurance to the Board that Rio Tinto’s policies, standards and controls, as endorsed by the Board, are adequately designed and effective for their intended purpose, and that these policies, standards and controls are consistently implemented by all Rio Tinto sites on a timely basis and as designed.

Rio Tinto also implements an external assurance process for its Sustainable Development Review. In 2006, Environmental Resources Management (ERM) undertook both the external assurance and health safety and environment data quality verification of the review. ERM also reviews the results in the Internal Control Questionnaires.

In 2006, Rio Tinto implemented a dedicated sustainable development reporting panel consisting of external stakeholders to comment on the 2006 Sustainable Development Review and determine whether the approach to reporting was balanced, sufficient, clear, and met their expectations. The panel will help Rio Tinto improve future reports.

## Stakeholder Engagement

**Community Relations:** Rio Tinto’s Community Relations Policy guides its stakeholder engagement activities. All operations must submit and update rolling five-year community plans to Rio Tinto on an annual basis. The plans are set within the context of this policy and apply throughout the life cycles of the Group’s activities. These plans seek to ensure that at each stage of the mining cycle, programs are in place to ensure that communities know and understand the operation. These plans include systematic attention to baseline studies and community surveys,

two-way consultation, and delivery of socio-economic programs.

Rio Tinto surveys a range of stakeholders in a number of countries, and the survey results are used to focus Rio Tinto's policy and program development across its business. At the Group level, Rio Tinto is involved in a number of partnerships and projects with environmental, educational and Indigenous non-government organisations (NGOs) under their global partnership programme that facilitates stakeholder input into Rio Tinto's operations.

Stakeholder engagement is different for each business unit. At Rio Tinto's Diavik Diamond Mines Inc. operation, the Diavik Community Advisory Board, Environmental Monitoring Advisory Board, and Participation Agreement Implementation Committee are all bodies created to ensure integration of stakeholder considerations into project management processes. Diavik is currently devising a plan to involve communities in business development. It has individual agreements with five local Aboriginal groups and the commitment with four of them to create a Participation Agreement Implementation Committee.

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**Investor Relations:** Rio Tinto conducts an annual seminar where key investment houses are invited to talk about a variety of business challenges, including sustainable development issues. These seminars are posted online as web-casts and are available on Rio Tinto's website.

## Human Resources

**Recruitment and Orientation:** Rio Tinto uses its website to attract potential employees, and provides a considerable amount of sustainability-related information online. Rio Tinto also has an active graduate recruitment program, and information on Rio Tinto's sustainability initiative is integrated into recruitment presentations. At Diavik Diamond Mines Inc., a description of the company's goals and objectives – including sustainable development – is provided in job advertisements. IOC also uses sustainable development information on its website to communicate with prospective employees.

Rio Tinto's employee induction process incorporates sustainability topics. The Group-level provides a basic presentation that is used by all businesses, with some local adaptation.

In 2006, Rio Tinto conducted an employee survey to gather information about the safety culture at its operating sites. The survey revealed that Rio Tinto is good at developing and implementing strong systems but the workforce needs to become more deeply convinced of their value.

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**Training:** Rio Tinto has introduced training and awareness-raising tools to explain the concept of sustainable development throughout the Group. Business units are asked to customize this training to their specific operations. Another, more detailed training program is used for managers, based on the e-learning tool, Chronos, developed by the World Business Council for Sustainable Development and Cambridge University in the UK. The company uses "Chronos" – an e-learning tutorial on the business case for sustainable development, designed to equip employees with the knowledge they need to deliver on corporate priorities.

Rio Tinto also conducts safety, cross-cultural, and human rights training. Undertaking "The way we work" training is mandatory for all Group employees, and training on the company's business integrity guidance is required for all managers. Diavik Diamond Mines has an induction program for superintendents and senior managers that integrates environmental and social issues. A specific module on sustainable development will be developed.

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**Performance Appraisal and Compensation:** Sustainable development performance targets are communicated externally in the Annual Rio Tinto Sustainable Development Report. Senior managers'

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remuneration, in many cases, is also based on safety, environmental and community relations performance. It is anticipated that a current initiative underway will result in long- and short-term targets for sustainability that will be integrated into employee incentive programs. Every employee also has a personal HSE plan that outlines personal commitments that he/she is willing to make (e.g. stay healthy, giving up smoking, volunteer for cleanup days). For employees with a short-term incentive plan, their performance appraisal is used to assess the extent to which they have delivered on the items in their personal plan.

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