

## Rio Tinto Limited 2013 AGM

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### Address by the chief executive Sydney, 9 May 2013

#### **SAM WALSH** **CHIEF EXECUTIVE, RIO TINTO**

##### **Introduction**

Thank you Jan.

Good morning ladies and gentlemen.

It's great to be here back in Australia addressing you for the first time, as chief executive of our great company, Rio Tinto.

I'd also like to start by acknowledging Michael West of the Gad-e-gal people of the E-YORA nation, traditional custodians of the land on which we gather today.

'Welcome to Country' is an important part of our culture and as an Australian, it makes me proud to recognise the rich 60,000 year history, of our country's custodians, the Aboriginal people of Australia.

Thank you again, Michael for your wonderful welcome.

I address you today after being chief executive for just over three months, and during this time, my focus has been on aligning the company firmly, around the pursuit of greater value for you, our shareholders.

##### **Pursuing greater value for shareholders**

It's my single-minded goal, and I'm working with my executive team to ensure that all of our 71,000 employees from around the world, are aligned in this pursuit.

I'm heartened that in becoming chief executive, after 21 years of service, many of the things I've learnt about this company have been reinforced. We have great people, we have many strong assets, we are truly committed to doing the right things, staying true to our values, and being a responsible and transparent business.

All of these are vitally important to our success, and makes us a strong company in which to invest.

But, I'm also very clear that there are things we need to improve and change.

Most disappointingly, in recent times, our focus on shareholder returns has become diluted.

Importantly, we're committed to delivering sector leading financial performance. A strong Rio Tinto means better returns for shareholders; it means employment, and economic development in the countries where we operate. It means we will continue to be a strong contributor to the modern world by providing the metals and minerals that are needed in everyday life from cars to mobile phones, through to the houses we live in.

Indeed, there is no better example of the contribution mining can make to society, than

here in Australia. Mining has been part of our culture and part of our development since before the 1850s gold rush. Since then, mining has grown to become a pillar of the Australian economy.

Today, the mining industry contributes over 120 billion dollars a year to the Australian economy. The industry provides jobs for the people of this country, significant support for the communities of Australia, and a substantial tax contribution to our governments.

So, there's no doubt that mining has an important role to play in society. And, with this opportunity comes responsibility.

Ensuring the safety of each and every one of our workers is a responsibility we take seriously.

### **Safety**

Let me now move on, to discuss our operating performance in 2012 and I would like to start, by making a few remarks on safety.

Sadly, in 2012 there were two fatalities at our managed operations at Rio Tinto Alcan in Canada, and our Palabora Copper mine in South Africa.

This year we've also had two tragic fatalities – one at our La Granja project in Peru, and recently, one at Rio Tinto Alcan in Canada.

My thoughts and prayers are with the families, friends and colleagues impacted by these terrible tragedies.

Through my eight years heading up our global Iron Ore operations, and before that working in our Aluminium, and Industrial Minerals businesses, I've learnt that understanding the root cause of fatalities, and all the serious incidents at each of our sites, is a critical part of our safety journey.

I also know that improving safety isn't just about creating the right controls, systems, and processes; ultimately, it's about people.

With this in mind we have been focusing our efforts on creating the right kind of safety culture and leadership behaviour.

Our aim is to continuously improve our safety performance.

We owe it to the people who have lost their lives, their family, friends and colleagues, to get this right.

### **Strong operating performance**

Our challenge in recent months, and indeed years, has been to navigate volatile markets and economic times, as well as dealing with major sectoral shifts which have challenged some of the commodities we produce.

Yet despite this, and as mentioned by Jan, our underlying financial results in 2012 were solid, demonstrating our strong operational performance.

Our Iron Ore business delivered record production and shipments in 2012, following a series of debottlenecking and productivity improvements, with minimal capital.

This achievement is even more remarkable, given the major expansion programme that we have underway alongside our current operations.

Our Copper business showed a second half recovery in volumes, as grades improved at our major operations last year. And we've had production increases in bauxite, in alumina, in thermal coal, and in titanium dioxide feedstock.

But of course, just pulling more tonnes out of the ground is not enough. The mining sector has experienced significant cost increases in recent years, and it continues to do so. In addition, stakeholder expectations of the industry have also grown.

Stable fiscal and regulatory frameworks provide the foundation for investing in, and operating, long-life, capital intensive assets. With this in mind, I expect an Australian government to see it in the nation's best interest to maintain business-friendly investment policies, thus ensuring that Australia maintains its competitive position.

The recent decision by the New South Wales Land and Environment Court to overturn the approval of our Mount Thorley Warkworth Mine extension is an example where the future of an Australian business has potentially been compromised.

I remain hopeful that we will reach a solution that meets the needs of all parties involved.

### **Industry leading Mine of the Future™**

We are always striving to improve productivity in all of our operations and our industry-leading technology and automation will reward our business for many years to come.

I am particularly proud of our Mine of the Future™ programme.

Launched in 2008, the programme introduces next-generation technologies for mining operations, including driverless haul trucks, automated trains, and advanced tunnel boring and drilling systems.

This programme, builds on our leading position, and competitive advantage in technologies such as hydropower, our AP Technology for aluminium smelting, exploration, and block cave mining.

Put simply, there's no other mining company in the world, attempting or achieving, the scale and breadth of industry innovation that we have.

Of course, none of this would be possible without the support of our partners around the world, many of whom are Australian.

To date, three of our five global research centres are here in Australia, with one of them in this city.

The Rio Tinto Centre for Mine Automation – in collaboration with the Australian Centre for Field Robotics – is based here at the University of Sydney.

It is exciting work and these partnerships, and our many others partnerships around the world, reflect Rio Tinto's long-term commitment to science and innovation.

### **Investments in high value projects**

In 2012, our total capital expenditure was 17.4 billion US dollars, which is likely to be our peak year of investment.

We've invested nearly 10 billion dollars here in Australia, on the expansion of our world-leading iron ore operations in the Pilbara; the commissioning of the Yarwun 2 alumina refinery in Queensland; and our Kestrel mine expansion, also in Queensland.

During 2012, we invested in a number of other high quality projects including: our copper-gold project, Oyu Tolgoi, in Mongolia, our Simandou iron ore project in Guinea in West Africa, and our Cornerstone Project at Bingham Canyon, our copper mine in Utah.

On the 10th of April this year, we experienced a pit wall slip due to a natural occurrence at our Bingham Canyon mine which will have a significant impact on our refined copper production this year.

A recovery plan is being implemented.

Even so, based on an early assessment of information currently available, it's estimated that 2013 refined copper production at Kennecott will be approximately 100,000 tonnes less than we had previously anticipated.

This is highly disappointing but most importantly not one of our employees was injured or harmed in any way during this unfortunate incident.

This was in part is due to our high-tech monitoring using ground-probing radar, our significant preparations, and the pre-emptive measures we took to ensure employee safety, prior to the slide.

As part of our approach to pursuing even more value for our shareholders, we also need to continually review our portfolio, and divest of assets that no longer fit our strategy.

In 2012, we made some progress in this area with the sales of the Lynemouth Power Station, the Alcan Cable business, the Specialty Alumina business as well as the binding agreement we reached to sell our interest in Palabora.

### **The year ahead**

My executive team and I are fully committed to ensuring our people around the world focus on the delivery of our strategy.

Our efforts in 2013 will be in four key areas:

- reducing costs and improving performance at all of our operations,
- delivering approved growth projects,
- strengthening capital allocation and discipline; and
- divesting assets that are not core to our strategy.

We are making good progress in all of these areas, but you will appreciate there is a lot more that we need to do.

### **Delivering on our promises**

We are targeting cumulative cost savings of 5 billion US dollars, over the next two years, compared to 2012.

This will be achieved through a relentless focus on cost reduction and productivity improvement across all aspects of our business.

We're on track to deliver our Iron Ore expansion plans in the Pilbara, and our Oyu Tolgoi project is due to start shipping to customers in the first half of this year.

This will depend on the ongoing discussions with the Government of Mongolia, where constructive progress is being made.

To strengthen our capital allocation, we've bolstered our existing Investment Committee controls and procedures.

This will ensure that we thoroughly scrutinise all capital allocation decisions so that we invest only in projects that deliver returns well above our cost of capital, and in doing so deliver greater value for you, our shareholders.

And at every turn, we will evaluate the alternative uses for cash between

- disciplined investment,
- strengthening our balance sheet, and
- cash returns for shareholders.

We're targeting cash proceeds from divestments, and are reviewing a number of potential non-core assets for divestment, in addition to those we've already announced such as Pacific Aluminium and Diamonds.

We're working flat out to deliver our commitments.

### **Building a stronger, more focused and accountable business**

To help us do this, in a sustainable way, my aim is to build a stronger, more focused and accountable business.

Transformational leadership starts with me and my executive team. I have the buy-in and I have the support from my team as we progress on this journey.

Earlier this year, I streamlined the Executive Committee from 11 to nine members, and this included the appointment of Jean-Sébastien Jacques as the chief executive of the

Copper business and Andrew Harding has moved across to head up Iron Ore.

And, as Jan mentioned, I am very pleased to have Chris Lynch join us as chief financial officer.

I'm confident we have a strong executive team, fully aligned around the need to pursue greater shareholder value.

To support the delivery of our objectives, we have strengthened the alignment of our short-term incentive plans across the Group.

My team's performance measures now have a greater individual and Group focus on the delivery of cost reductions and productivity improvements and these have been cascaded through the business.

We are also de-layering the organisation to improve efficiency and accountabilities, as well as looking at our operating model to determine what work gets done where.

It's imperative, though, that while we transform the business we remain absolutely true to our values of teamwork, integrity, respect, and accountability wherever we operate around the world.

### **A clear direction**

Over the longer term, my vision is to build a company that's greatly admired and respected.

A company that's even more attractive to investors, a company that customers, suppliers, governments and communities want to partner with, and a company that employees and shareholders are proud to be part of.

This will enable us to capitalise on the positive long-term demand for our products.

### **Delivering value for the next 140 years**

So, let me close.

We are a long-term business,  
and we want to be here delivering value for the next 140 years and beyond.

But, to do this I realise we need to gain the full confidence of our shareholders in our investment decisions, and we need to deliver on our promises.

We have a solid plan to do just this, with a renewed and strong leadership team, supported by outstanding people all around the world.

### **Conclusion**

I would like to thank all of our employees for their commitment during some pretty testing times.

I would also like to thank Jan and the Board for the confidence they have personally placed in me to lead this business.

Please be assured I will deliver and I will improve our business with the single-minded aim of pursuing long-term value for you, our shareholders.

Thank you very much. And I will now hand you back to Jan.

## About Rio Tinto

Rio Tinto is a leading international mining group headquartered in the UK, combining Rio Tinto plc, a London and New York Stock Exchange listed 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, thermal and metallurgical coal, uranium, gold, industrial minerals (borax, titanium dioxide and salt) and iron ore. Activities span the world and are strongly represented in Australia and North America with significant businesses in Asia, Europe, Africa and South America.

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