



Rio Tinto Ltd 2022 AGM Report

ASX Code	RIO
Meeting Time/Date	9:30am May 5 2022
Type of Meeting	Hybrid, Sofitel Melbourne and Lumi platform
Monitor	Duncan Seddon, assisted by Mike Robey
Pre-AGM Meeting?	Yes, with Chair Simon Thompson and IR Manager Tim Paine

The end of the old guard, start of de-carbonisation

What the Company Does

Rio Tinto is one of the world's large mining companies, with operations in a number of countries, including Australia, US, Brazil, South Africa, Chile, Mongolia, Canada, Madagascar and Guinea. The four major product groups are: Iron ore, alumina, copper and minerals (such as lithium, borates, Argyle diamonds, titanium dioxide). Roughly two thirds of the sales and earnings before interest and tax are from iron ore sales, with China representing the largest customer.

Developments in the Financial Year

1. An exceptional year for shareholders

Rio had an exceptional year in business terms, owing to record prices for its major product groups. The table below gives the commercial picture, and the charts show the extraordinary demand growth for the major commodities they mine.

2. A major pivot to sustainability

In addition, they have repositioned the company as being one of the key global companies which can enable the low carbon future needed to avert catastrophic climate change. The major product groups are all instrumental in the transition to a low carbon future, though at the same time they represent very large scope three emissions (those from the customers of their products), particularly from the iron ore customers, in the manufacture of steel. This repositioning is a part of their comprehensive sustainability strategy. As part of their scope 2 emissions reduction, they have conducted significant scale production of zero emissions Aluminium, by a breakthrough technology in the smelting process called ELYSIS, which using an anode technology, which releases oxygen as a by-product instead of carbon dioxide. They have a number of other initiatives to decarbonise, including using renewables in the Pilbara iron ore mining to replace gas in electricity production, and have set targets of 50% reduction in greenhouse gas generation by 2030.

Resolution 17 of this year's AGM is effectively a non-binding vote on "say on climate", where Rio is asking shareholders to vote on their climate action plan. After BHP they are the second ASX-listed company to do this. We expect that this will become the norm for those large companies which have a big impact on the climate and is part of the move away from finance-only orientation to including detailed ESG targets and plans.

3. Fair partnerships with traditional owners.

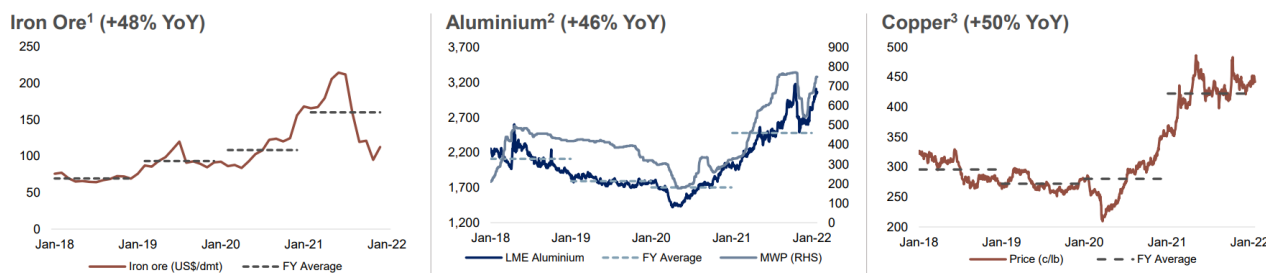
Alongside the climate related changes to the business operations, Rio has committed to a significant deepening of their relationships with traditional owners throughout its mining operations, after a horror year in 2020 when the 46,000-year-old Juukan gorge cave site was destroyed. Because of Juukan, the CEO and some senior Executives stepped down and the existing chairman Simon Thompson announced he would step down at the end of this AGM. The incoming chairman, Dominic Barton, was the former Canadian Ambassador to China, who brings a welcome background in Chinese cultural understanding and high-level Chinese contacts to the RIO board. Ben Wyatt, the indigenous former WA Minister for Aboriginal Affairs, was appointed to the board during the year, in part to help improve the relationships with traditional owners.

4. Commitment to addressing sexual harassment and racism in the business

Along with other major miners in the top end, Rio was aware of many instances of sexual harassment and racism among its workforce, and to their credit they appointed a former long term Sex discrimination commissioner, Ms Liz Broderick to conduct a company wide review of these practices. The review painted a picture of widespread sexual harassment and racism among the workforce and was published publicly. There is reason to believe these behaviours are endemic among other mining companies and it to Rio's credit that they commissioned and published this independent review. They have committed to implementing all 26 recommendations from Ms Broderick's report.

Table 1. Financial results

(\$bn, except for per share data)	2021	2020	Comparison
Consolidated sales revenue	63.5	44.6	+42%
Underlying EBITDA	37.7	23.9	+58%
Underlying earnings	21.4	12.4	+72%
Net earnings	21.1	9.8	+116%
Underlying ROCE	44%	27%	n/a
Cash flow from operations	25.3	15.9	+60%
Capital expenditure	7.4	6.2	+19%
Free cash flow	17.7	9.4	+88%
Total dividend	16.8	9.0	+87%
Total dividend per share (\$)	10.40	5.57	+87%
Net cash / (debt)	1.6	(0.7)	

Table 2. Demand growth for commodities

Source: RIO results presentation ASX 23/02/2022

Summary of Historical ASA Issues with the Company

The ASA voted against the remuneration report at the last AGM because the remuneration scheme had inadequate financial sanctions against the executives who had an appallingly poor relationship with the traditional owners of cultural heritage sites, which led to the destruction of the cave in the Juukan gorge. RIO has subsequently changed CEO, some senior Executives and with Mr Thompson's departure at the end of this AGM, will replace the chairman. They have put in place a top to bottom structure to holistically manage the relationships with all the traditional owners of their mining leases around the globe and appear to be on the right track.

The ASA had also an issue with the relative lack of mining experience on the board, which became an issue after the Juukan cave destruction, when sections of the media were demanding the sacking for the only two members with significant mining experience, namely the chairman Mr Thompson and the chairman of the sustainability committee, Ms Megan Clark.

Debate and Voting at the AGM

The presentations from the outgoing chairman, Mr Simon Thompson and the new CEO, Mr Jakob Stausham are [here](#) and [here](#).

The overwhelming focus of the questions was about climate and environmental and equity issues with traditional owners, submitted by climate lobbyists and NGOs representing the owners. In general, these were handled with respect and humility mostly by the chairman and occasionally by the CEO. The chairman was on top of the detail and the positions taken by the lobbyists and could give the audience the background and state of play in all instances, even for questions which were not submitted in advance.

The ASA was given space for two questions, one on geo-political risk with Russian joint venture company Rusal, two of whose directors were sanctioned after the Ukraine invasion and the other asking for more depth in the published skills matrix for directors, given that there has been a historic lack of mining experience on the board and a very significant turnover of board members in the past 18 months. On the issue of political tensions with China the chairman stated that their business relations with China were strong and were never conflated with politics. He also stated that the Chinese business interests are so integrated into the global trading system that they could not afford to be subject to sanctions.

The thrust of the climate related questions was why Rio hasn't set targets for scope 3 emissions, given they sell to the largest scope 3 emitters in the world. The response was that these are emissions from Rio's customers and Rio cannot set targets on behalf of its customers. Doing so

would undermine their target setting in areas which they can control. They are however collaborating with their major customers in developing new technologies to reduce these.

All 17 resolutions were passed with strong support (all over 90%). The Say on Climate resolution (Climate action plan) passed with 84.3% and the resolution 19, a provisional resolution in the event of a second remuneration strike, received only 2.3% support. And was not required as the remuneration report received 96% support.

Meeting Statistics

Number of Holdings Represented by ASA	545			
Number of Shares represented by ASA	600K (equivalent to 20 th largest holder)			
Value of Shares represented by ASA	\$66.8 m			
Number Attending Meeting		In room	Virtual	Total
	s/holders	61	46	107
	visitors	52	140	192
	total	113	186	299
Market capitalisation	\$41.3b			
Were proxies voted?	Yes, on a poll, collated with votes received from UK-listed Rio PLC			

Monitor Shareholding

The individual(s) (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

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