



Wonderful results from a drifting ship

Company/ASX Code	Rio Tinto/RIO
AGM date	Thursday 6 May 2021
Time and location	BelleVue Ballroom, Level 3 Perth Convention Centre, 21 Mounts Bay Road, Perth
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Duncan Seddon
Pre AGM Meeting?	Yes, with Chairman, Simon Thompson

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

Summary of issues for meeting

Under normal circumstances this would be a splendid reporting year with great returns to shareholders (see table below). But as we know this is not a normal year for RIO. The company is like a Marie Celeste sailing along in full sail, generating cash and distributing it to the shareholders. But the Captain and his officers are missing. The Board appears in a complete mess.

The initial cause of the problem was the destruction of the Juukan Gorge caves in May 2020 but the main problem was and remains the Boards mismanagement of this disaster. The report (written by Michael L'Estrange, who is not standing for re-election) into the cave's destruction was rejected by the main Aboriginal advisory bodies. Three senior executives held accountable for the incident by Rio were later cleared of any direct responsibility but were fired and were paid out their full contractual bonuses. Several members of the Board have also not stood for re-election this year. Furthermore, the chairman has announced his intention to leave the company at the end of this upcoming term.

The ramifications of this are not only the damage to the company but to the Australian mining industry at large. Mining companies now face greater scrutiny by state regulatory bodies and various anti-mining groups, many of whom are publicly funded. Rio itself and its JV partners now face increasing opposition to new developments, for instance in new copper developments in WA and the JV with BHP at the Resolution mine in the USA. In addition, this has not helped the on-going technical and political issues with the Oyu Tolgoi operations in Mongolia.

It is reported that many of the institutional shareholders in the UK have used the AGM to vote against the remuneration reports as a protest about the Board performance.

Clearly the Board has been challenged and found wanting. It does not appear to be fit for purpose and should be restructured from the ground up as soon as possible.

Although it is tempting to vote against all of the board members, this would leave RIO rudderless as well as drifting. However, as matter of urgency, RIO must recruit directors with Australian

mining expertise to help put matters right. Maybe it is time to request the reversal of the dual listing and re-establishment of CRA charged with operating and developing all of the company's Australian assets.

Item 1	Receipt of the Annual Report
ASA Vote	No vote required

Summary of ASA Position

Rio has delivered a full set of exemplary reports covering all aspects of corporate governance but none show how the current mess is to be put right for the long term interests of the shareholders.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	12,684	11,433	19,323	11,233	6,381
UPAT (\$m)					
Share price (\$)	121.17	101.57	72.90	72.02	57.10
Dividend (cents)	723	632	779	372	235
TSR (%)	20.70	40.40	9.30	32.50	40.70
EPS (cents)	920	1037	720	628	390
CEO total remuneration, actual (GBP); Jean-Sebastien Jacques	7.224 (~A\$13.4M)	5.999	4.551	3.821	3.116

For 2020, the CEO's total actual remuneration was **150 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2020 data from the Australian Bureau of Statistics).

Item 2	Approval of remuneration policy
ASA Vote	AGAINST

Summary of ASA Position

In our discussion with the chairman, we discussed the unsettling fact that the former CEO has departed with a very large remuneration package whilst being held accountable for the Juukan Gorge (JG) disaster. The point we made this seemed to be a policy failure. The chairman gave a history of the tightening of remuneration policy as a reaction to events over the past decade and including now as to how these current events will impact and change the remuneration policy. In other words, the remuneration policy is always playing catch up. For this reason we will vote against the remuneration policy.

Item 3	Approval of Directors Remuneration Report: Implementation Report
ASA Vote	ABSTAIN

Summary of ASA Position

This resolution is primarily aimed at the UK requirements and we will abstain from voting.

Item 4	Approval of the Directors Remuneration Report
ASA Vote	FOR

Summary of ASA Position

This resolution is primarily aimed as Australian shareholders. Two successive 25% votes against would trigger a board spill but is meaningless for dual listed companies since all the board stand for re-election every year. The main issue is that although the former CEO was held accountable for the JG affair, he left with an exceptionally large package. The legal problem is that under the remuneration policy in the pertinent year there was no ability in law to withhold any of the payments, including long term incentive payments which accounted for much of the package. Recognising this we will vote for the remuneration report.

Item 5	To re-elect Megan Clark AC as a Director
ASA Vote	FOR

Summary of ASA Position

As noted above, with the actual and planned departures from the Board, we believe there is a chronic lack of mining experience on the proposed Board so we have viewed all appointments in this light and will oppose election of those with little or no mining experience.

Ms Clark was appointed in 2014; Fees US\$240,000; Shares 6,370, value \$764,000 (for this and the following share holdings and values it is assumed that PLC and Limited shares have parity and are valued at A\$120 each).

Megan Clark, an Australian citizen, is the ex-head of the CSIRO and prior to that was with BHP as the VP technology. She has a background in economic geology, so passes the test of having suitable mining experience. She is chair of the company's sustainability committee. She is a director of CSL and CARE Australia and is chair of the advisory board of the Australian Space Agency. She is not fully loaded.

Megan Clark has attracted criticism from some institutional shareholders as the chair of the sustainability committee following the destruction of the Juukan Gorge caves. However, she has appropriate mining experience and until we understand the full nature of the restructure of the Board it would be imprudent to lay her off. For this reason, we will not vote against her re-election.

Item 6	To re-elect Hinda Gharbi as a director
ASA Vote	AGAINST

Summary of ASA Position

Appointed 2020; Fees US\$ 162,000; Shares 1,400, Value \$168,000

Hinda Gharbi is executive vice president of Reservoir and Infrastructure at Schlumberger Limited and has 25y experience in engineering, functional and line management. Since she is a full-time employee of another corporation we regard the proposal to elect her as placing her in an unacceptable conflict of interest in terms of allocation of time and will oppose her election unless she retires from her current position at Schlumberger.

Item 7	To re-elect Simon Henry as a director
ASA Vote	FOR

Summary of ASA Position

Appointed 2017; Fees US\$214,000; Shares 1500, value \$180,000

He is the ex-CFO of Shell and would be an asset to the company. He has external directorships with Harbour Energy PLC and PetroChina and is on several advisory panels. We regard him as fully loaded. We will vote for his re-election due to his experience in the industry.

Item 8	To re-elect Sam Laidlaw as a director
ASA Vote	FOR

Summary of ASA Position

Appointed 2017; Fees US\$264,000; Shares 7,500, value \$900,000

As a solicitor with extensive experience in the oil and gas industry he took up a board position in February 2017. He is a director of Neptune Petroleum and has several advisory board positions and is not considered to be overloaded. We supported his election to the board last year.

Post the RIO TINTO PLC AGM he has been instrumental in defending the company's payment of bonuses to the executives terminated because of the destruction of the Juukan Gorge caves.

Item 9	To re-elect Simon McKeon AO as a director
ASA Vote	FOR

Summary of ASA Position

Appointed 2019; Fees US\$239,000; Shares 10,000, value \$1,200,000

Simon McKeon practiced as a solicitor before his 30 year executive career with Macquarie Group. His executive and director experience was gained specialising in financial services law, government, and charities. He was formerly the chairman of AMP. Simon McKeon is Chancellor of Monash University and serves on the board of NAB. He is the senior independent director for Rio. We will continue to support his election as it provides continuity to the board.

Item 10	To re-elect Jennifer Nason as a director
ASA Vote	FOR

Summary of ASA Position

Appointed 2020; Fees US\$153,000; Shares 1,765 value \$211,800

Jennifer has over 30y experience in corporate finance and capital markets, more recently with JP Morgan as managing director of investment banking. She formerly held positions at JP Morgan. Whilst Jennifer has strong financial skills, her actual mining experience appears limited. Despite her lack of mining experience, we will vote for her election as she provides diversity and balance of skills to the board.

Item 11	To re-elect Jakob Stausholm as a director
ASA Vote	FOR

Summary of ASA Position

Appointed 2018; Fees/salary US\$ 2.094M; Shares 30,298, value \$3,635,760

Jakob Stausholm was the company CFO and was appointed to the CEO role in January 2021 following the resignation of J-S Jacques. He has no other commitments. We will support his election.

Item 12	To re-elect Simon Thompson as a director
ASA Vote	FOR

Summary of ASA Position

Appointed 2014; Fees US\$939,000; Shares 7,458, value \$894,960

Simon Thompson was elected to the board in 2014 and is now chairman of the company. He is fully loaded with the chairmanship the 3i Group PLC. Interestingly Simon has a degree in geology and extensive work experience with Anglo American (base metals and aggregate) and fits our requests for a mining expert on the Board. We have supported his election since 2014. He has announced his intention to retire this year.

We will vote for his election on the grounds that he is in the prime position to identify and recruit suitable candidates for the board.

Item 13	To re-elect Ngaire Woods CBE as a director
ASA Vote	FOR

Summary of ASA Position

Appointed 2020; Fees US\$60,000; Shares none

Ngaire Woods is a professor of economic governance at Oxford. She also has a string of advisory roles to various international panels. She joined the Board in September. She is not overloaded. Whilst Ngaire has strong governance skills, her actual mining experience appears to be limited. Despite of her lack of mining experience, we will vote for her election as provides diversity and balance of skills to the board.

Item 14	Re-appointment of auditors
ASA Vote	FOR

Summary of ASA Position

This is a procedural vote required under UK law and hence required to be passed as part of the Dual Listing structure by Rio Tinto Limited

Item 15	Remuneration of auditors
ASA Vote	FOR

Summary of ASA Position

Audit fees for 2020 were US\$17.3M; 2019, \$US16.4M. In addition, non-audit fees were US\$2.3M; 2019, US\$2.8M.

Item 16	Authority to make political donations
ASA Vote	FOR

Summary of ASA Position

The ASA is opposed to political donations and the company states that it is Rio's policy not to make political donations. However, UK law in this matter may embrace donations to trade organisations and the like which may involve them (the trade organisations) in political activities. This resolution may have its merit in making the point that the shareholders sanction the company that it can donate to such trade organisations which conduct lobbying and other quasi-political activity on behalf of an industry sector (e.g. the aluminium industry, mineral council etc.) in which the company has a relevant interest. We supported this motion last year and will do so again.

Item 17	Renewal and amendment of Rio Tinto Global Share Plan
ASA Vote	FOR

Summary of ASA Position

The amendments to the share plan are minor in nature and we support the concept of the employees of RIO owning a share interest in the company.

Item 18	Renewal of off-market and on-market buyback authorities
ASA Vote	For

Summary of ASA Position

We have voted against this in the past as we have a concern that this authority will cause an undue loss of Franking Credits, which are considerable in the Rio Tinto Ltd accounts and which would be useful to Australian resident shareholders. Despite this we supported the previous year's buyback as it facilitates capital management, and we will continue to support the resolution this year.

Item 19	Requisitioned resolution on emissions targets
ASA Vote	FOR

Summary of ASA Position

This resolution is a non-binding resolution proposed by shareholders to set short-, medium- and long-term targets for greenhouse gas emissions reduction of scope 1 & 2 emissions and for the company to report on performance against those targets. Since the company is effectively doing this in their annual climate change report, the motion is being supported by the board.

However, it potentially unfairly exposes Australian operations (Tomago, Bell Bay, Gladstone Alumina) to withdrawal of necessary investment and premature closure because of the high level of coal use in the electricity generation sector relative to operations in other jurisdictions such as Canada.

In the past we have voted against this type of motion but after discussion with the chairman and noting the boards support for the motion we will in this instance vote for the motion.

Item 20	Requisitioned resolution on climate related lobbying
ASA Vote	FOR

Summary of ASA Position

This resolution is a non-binding resolution proposed by shareholders to ensure its annual review of industry associations identifies inconsistency with the Paris Agreement. Because the Board believes it is already doing this and that it is better to sit at the table with these associations , in order to influence their direction, the Board proposes to support this resolution.

In the past we have opposed such motions as they potentially expose the company to undeserved criticism and restrict actions of the board. Furthermore, we see this as an attempt to undermine the Australian coal industry by denying its principal advocacy body, the Minerals Council, fees and support or otherwise neutering its lobbying on behalf of the coal industry (Australia's second largest export industry). Rio no longer has an interest in coal.

After discussion with the chairman and noting the boards support for the motion we will in this instance vote for the motion.

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Appendix 1

Remuneration framework detail

Note in Millions of Pounds Sterling

CEO rem. Framework for FY 2021	Target GBP M	% of Total	Max. Opportunity GBP M	% of Total
Fixed Remuneration	1.394	29%	1.394	17%
STI - Cash	0.581	12%	1.161	14%
STI - Equity	0.581	12%	1.161	14%
LTI	2.277	47%	4.562	55%
Total	4.844	100.0%	8.294	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

An additional bonus is envisaged should the share price increase over 50% in the year to give a maximum payout of GBP 10,594M.

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