

Corporate governance

The directors of Rio Tinto believe that high standards of corporate governance are essential to its objective to maximise the overall long term return to shareholders through a strategy of investing in large, cost competitive mines and businesses. The following describes how this belief is applied in practice.

As Rio Tinto's three main listings are in London, Melbourne and New York, the directors have referred to The Combined Code on Corporate Governance, published by the UK Financial Reporting Council (the Code), the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations (the ASX Principles), and the New York Stock Exchange (NYSE) Corporate Governance Standards (the NYSE Standards), as well as the Sarbanes-Oxley Act of 2002. See compliance statements on page 122.

Communication

Rio Tinto recognises the importance of effective communication with shareholders and the wider investment community.

To ensure that trading in its securities takes place in an informed market the Group has adopted *Continuous disclosure standards* which are appended to the *Corporate governance standards* and posted on its website. All information released to the markets is posted on the website immediately.

In addition to statutory documents, the website features in-depth information on health, safety and the environment, as well as general investor information, publications and Group policies. Full and half year results as well as any major presentations are also webcast. Presentation material from investor seminars is also made available on the website.

Full advantage is taken of the annual general meetings to inform shareholders of current developments and to give shareholders the opportunity to ask questions. As recommended by the ASX Principles, Rio Tinto Limited's external auditor attends the annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. Rio Tinto Limited shareholders are also able to submit written questions regarding the statutory audit report to the auditors via the Company. Any questions received and answers provided are made available to the members at the Rio Tinto Limited annual general meeting. Rio Tinto plc's auditors attend the annual general meeting in London and are available to respond to audit related shareholder questions.

The main channels of communication with the investment community are through the chairman, chief executive and finance director, who have regular meetings with the Companies' major shareholders. The senior independent director and other non executive directors are also available as appropriate.

The Group organises regular investor seminars which provide a two way communication with investors and analysts; the valuable feedback is communicated to the board. An annual survey of major shareholders' opinion and perception of the Group is presented to the board by the Group's investor relations advisors.

The Board

The Companies have common boards of directors which are collectively responsible for the success of the Group and accountable to shareholders for the performance of the business. Throughout this report, they are described as 'the board'.

The board currently consists of 15 directors: the chairman, three executive directors and eleven non executive directors. The Nominations committee continually assesses the balance of executive and non executive directors and the composition of the board in terms of the skills and diversity required to ensure it remains relevant in the current environment. The skills, experience and expertise of each director together with their terms in office are shown in the biographical details on pages 95 to 97.

The role and responsibilities of the board

The role of the board is to provide the Group with good governance and strategic direction. The board also reviews the Group's control

and accountability framework. The directors have agreed a formal schedule of matters specifically reserved for decision or consideration by the board, including strategy, major investments and acquisitions. This is available in the Governance section of the Rio Tinto's website at www.riotinto.com.

Responsibility for day-to-day management of the business lies with the executive team, with the board agreeing annual performance targets for management against the Group's financial plan. The board is ultimately accountable to shareholders for the performance of the business.

To ensure an efficient process, the board meets regularly and, in 2007, had eight scheduled and 11 meetings at short notice. Details of directors' attendance at board and committee meetings is set out on page 120.

The board has regular scheduled discussions on aspects of the Group's strategy, as well as two separate strategy review meetings, one half day and one two day meeting, which are dedicated to in-depth discussions on Group strategy.

Directors receive timely, regular and necessary management and other information to enable them to fulfil their duties and to have access to the advice and services of both company secretaries. The board has agreed a procedure for directors to obtain independent professional advice at the Group's expense.

In addition to these formal processes, directors are in regular communication with senior executives from the product and global support groups, at both formal and informal meetings, to ensure regular exchange of knowledge and experience between management and non executive directors. To continue building on the formal induction programmes, which all new non executive directors undertake, they are encouraged to take every opportunity to make site visits to the Group's operations and to meet local staff. The full board also takes the opportunity to combine attendance at the annual general meeting in Australia and at the two day strategy review meeting with site visits.

The chairman holds regular meetings with non executive directors without the executive directors being present.

Board performance

The board completes a formal annual process, facilitated by external consultants, to evaluate its effectiveness and that of the board committees and individual directors.

Each director's performance is appraised by the chairman and, in a meeting chaired by the senior independent non executive director, the non executive directors assess the chairman's performance, taking into consideration the views of executive colleagues.

The evaluation process aims to cover board dynamics, board capability, board process, board structure, corporate governance, strategic clarity and alignment and the performance of individual directors. The directors believe that, through this evaluation process, they comply with the requirements of Clause A.6 of the Code, Principle 2 of the ASX Principles, and the NYSE Standards.

Independence

The tests of director independence in the jurisdictions where Rio Tinto has listings are not wholly consistent. The board has, therefore, adopted a formal policy for the determination of the independence of directors. This policy, which contains the materiality thresholds approved by the board, has been posted on the website. Among the key criteria are independence of management and the absence of any business relationship which could materially interfere with the director's independence of judgement and ability to provide a strong, valuable contribution to the board's deliberations or which could interfere with the director's ability to act in the best interest of the Group. Where contracts in the ordinary course of business exist between Rio Tinto and a company in which a director has declared an interest, these are reviewed for materiality to both the Group and the other party to the contract. Applying these criteria, the board is satisfied that the majority of the non executive directors: Sir David Clementi,

Vivienne Cox, Sir Rod Eddington, Michael Fitzpatrick, Yves Fortier, Richard Goodmanson, Andrew Gould, Lord Kerr, Sir Richard Sykes and Paul Tellier are independent.

The board is also satisfied that the strength and objectivity of Sir Richard Sykes contribution to the board, as a non executive director since 1997, is fully consistent with that of an independent director and so continues to regard him as independent. He was re-elected at the 2007 annual general meetings, to support the board during a period of executive transition, and will retire at the conclusion of the 2008 annual general meetings. Sir Richard will be replaced by Andrew Gould as the senior independent director and chair of the Remuneration committee.

David Mayhew, who is chairman of one of Rio Tinto plc's stockbrokers, is not considered independent in accordance with the Code.

Paul Skinner was, until his appointment as chairman in 2003, an independent non executive director in compliance with the Code. He also satisfies the tests for independence under the ASX Principles and the NYSE Standards.

The directors' biographies are set out on pages 95 to 97.

Election and re-election

Directors are elected by shareholders at the first annual general meetings after their appointment and, after that, offer themselves for re-election at least once every three years. Non executive directors are normally expected to serve at least two terms of three years and, except in special circumstances, would not normally serve more than three such terms.

Committee membership

	Audit committee	Remuneration committee	Nominations committee	Committee on social and environmental Accountability
Chairman	Andrew Gould	Sir Richard Sykes	Paul Skinner	Richard Goodmanson
Members	Sir David Clementi Vivienne Cox Michael Fitzpatrick Lord Kerr Paul Tellier	Sir David Clementi Michael Fitzpatrick Richard Goodmanson Andrew Gould Paul Tellier	Sir Rod Eddington Yves Fortier David Mayhew Sir Richard Sykes	Sir Rod Eddington Yves Fortier Lord Kerr

Notes

- Ashton Calvert resigned from the *Nominations committee* and *Committee on social and environmental accountability* on 7 November 2007.
- Yves Fortier was appointed to the *Nominations committee* and *Committee on social and environmental accountability* on 25 October 2007.
- David Mayhew attends the *Audit committee* in an advisory capacity.
- Paul Tellier was appointed to the *Audit committee* and *Remuneration committee* on 25 October 2007.

Chairman and chief executive

The roles of the chairman and chief executive are separate and the division of responsibilities has been formally approved by the board.

Executive directors' other directorships

Executive directors are likely to be invited to become non executive directors of other companies. For full details of the Group policy and fees, see page 110.

Board committees

There are four board committees, the Audit committee, Remuneration committee, Nominations committee and the Committee on social and environmental accountability. Each committee plays a vital role in ensuring that high standards of corporate governance are maintained throughout the Group. Committee terms of reference are reviewed annually by the board and the committees to ensure they continue to be at the forefront of best practice and are posted on the Group's website. Minutes of all committee meetings are circulated to the board, with oral reports at the next board meeting. None of the executive directors are members of any of these committees.

The reports of the Audit and Nominations committees are on page 123 and the report of the Remuneration committee is on page 103.

Directors' attendance at board and committee meetings during 2007

	Board – scheduled		Board – short notice		Audit committee		Remuneration committee		Nominations committee		Committee on social and environmental accountability	
	A	B	A	B	A	B	A	B	A	B	A	B
Tom Albanese	8	8	11	10								
Ashton Calvert	7	6	10	7					3	3	4	3
Sir David Clementi	8	8	11	8	7	7	5	5				
Leigh Clifford	3	3	3	3								
Vivienne Cox	8	8	11	8	7	7						
Sir Rod Eddington	8	8	11	11					4	4	4	3
Guy Elliott	8	8	11	11								
Dick Evans	1	1	2	2								
Michael Fitzpatrick	8	8	11	9	7	4	5	5				
Yves Fortier	1	1	2	2					1	1		
Richard Goodmanson	8	8	11	9			5	5			4	4
Andrew Gould	8	7	11	9	7	7	5	4				
Lord Kerr	8	8	11	10	7	7					4	4
David Mayhew	8	8	11	11					4	4		
Paul Skinner	8	8	11	10					4	4		
Sir Richard Sykes	8	7	11	8			5	5	4	4		
Paul Tellier	1	1	2	1	1	1	1	–				

Notes

A = Maximum number of meetings the director could have attended

B = Number of meetings attended

Audit committee

The Group is required by the Code, the NYSE, and the ASX to establish an *Audit committee*. Each of the Code, the NYSE and the ASX lay down rules and guidelines for the composition of the committee and the work to be undertaken by it. The *Audit committee* is governed by a Charter which the committee reviews and assesses each year for adequacy and is approved by the board. The Charter is available on the website and is summarised below.

The primary function of the *Audit committee* is to assist the board in fulfilling its responsibilities by reviewing:

- The financial information that will be provided to shareholders and the public;
- The systems of internal control that the board and management have established;
- The Group's auditing, accounting and financial reporting processes.

In carrying out its responsibilities the committee has full authority to investigate all matters that fall within its Charter. Accordingly, the committee may:

- Obtain independent professional advice in the satisfaction of its duties at the cost of the Group;
- Have such direct access to the resources of the Group as it may reasonably require including the external and internal auditors.

The *Audit committee's* main responsibilities include the review of accounting principles, policies and practices adopted in the preparation of public financial information, review with management of procedures relating to financial and capital expenditure controls, including internal audit plans and reports, review with external auditors of the scope and results of their audit, the nomination of auditors for appointment by shareholders, and the review of and recommendation to the board for approval of Rio Tinto's risk management policy. Its responsibilities also include the review of corporate governance practices of Group sponsored pension funds.

To ensure the committee discharges its responsibilities, it meets

not less than four times per year and has a number of training sessions which may cover new legislation and other relevant information. The Group's finance director, other senior financial management, external auditors and internal auditor are available to attend all meetings.

The *Audit committee* is chaired by Andrew Gould who will be replaced by Sir David Clementi after the 2008 annual general meetings. The members of the committee are independent and free of any relationship that would interfere with impartiality in carrying out their responsibilities. They meet the requirements of the Code, the ASX Principles and the NYSE Code, as well as the composition, operation and responsibility requirements of the ASX.

Responsibilities of the directors

The directors are required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group as at the end of the financial period and of the profit or loss and cash flows for that period. This includes preparing financial statements in accordance with UK company law which give a true and fair view of the state of the Company's affairs, and preparing a Remuneration report which includes the information required by Part 3 of Schedule 7A to the UK Companies Act 1985, the Australian Corporations Act 2001 and Accounting Standard AASB 124 "Related Party Disclosures".

To ensure that these requirements are satisfied, the directors are responsible for establishing and maintaining adequate internal controls, including disclosure controls and procedures for financial reporting throughout the Group.

The directors consider that the 2007 *Annual report* and *Full financial statements* present a true and fair view and have been prepared in accordance with applicable accounting standards, using the most appropriate accounting policies for Rio Tinto's business and supported by reasonable and prudent judgements and estimates. The accounting policies have been consistently applied. The directors have received a written statement from the chief executive and the finance director to this effect. In accordance with

ASX Principles Recommendation 7.3, this written statement relies on a sound system of risk management and internal compliance and controls which implements the policies adopted by the board and confirms that the Group's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

The directors, senior executives, senior financial managers and other members of staff who are required to exercise judgement in the course of the preparation of the financial statements are required to conduct themselves with integrity and honesty and in accordance with the ethical standards of their profession and/or business.

The directors are responsible for maintaining proper accounting records, in accordance with the UK Companies Act 1985 and the Australian Corporations Act 2001. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The directors are also responsible for ensuring that appropriate systems are in place to maintain and preserve the integrity of the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from current and future legislation in other jurisdictions. The work carried out by the auditors does not involve consideration of such developments and, accordingly, the auditors accept no responsibility for any changes, should any be made, to the financial statements after they are made available on the website.

Principal auditors

Rio Tinto has adopted policies designed to uphold the independence of the Group's principal auditors by prohibiting their engagement to provide a range of accounting and other professional services that might compromise their appointment as independent auditors. Details of these policies have been set out in the Directors' report.

The remuneration of the Group's principal auditors for audit services and other services, as well as remuneration payable to other accounting firms, has been set out in note 44 to the 2007 *Full financial statements*.

Corporate Assurance

The Corporate Assurance function provides independent and objective assurance on the adequacy and effectiveness of the Group's systems for risk management, internal control, and governance together with ideas and recommendations to improve those systems. The function has adopted international auditing standards set by the Institute of Internal Auditors Inc.

The function operates independently of management, under a mandate approved in March 2007 by the *Audit committee* and the *Committee on social and environmental accountability* (CSEA) and has full access to all functions, records, property and personnel of the Group.

This mandate expands the function's role from traditional financial based internal audit to cover all risk types. Progressively all assurance activities across the Group will be consolidated within Corporate Assurance.

The head of Corporate Assurance reports functionally to both the *Audit Committee* and *CSEA*, providing each committee with information relevant to their specific Charters.

A risk based approach is used to focus assurance activities on high risk areas and audit plans are presented annually to the *Audit Committee* and *CSEA* for approval.

Remuneration committee

The *Remuneration committee* is responsible for determining the policy for executive remuneration and for the remuneration and benefits of individual executive directors and senior executives. Full disclosure of all elements of directors' and relevant senior executives' remuneration can be found in the Remuneration report on pages 103 to 117, together with details of the Group's remuneration policies. The committee is chaired by Sir Richard Sykes who will be replaced by Andrew Gould at the conclusion of the 2008 annual general meetings.

Nominations committee

The *Nominations committee* is chaired by the chairman of Rio Tinto, Paul Skinner. The committee is responsible, on behalf of the board, for ensuring that a suitable process is in place to meet the recruitment requirements of the board. It reviews the mix, structure and experience of the board and the desired profiles of potential candidates for membership. In consultation with external search consultants it oversees the review and recruitment process to fill vacancies as they arise. The recruitment process itself includes identification of suitable candidates, followed by a formal assessment of each candidate, leading to a final selection process. Proposals for new members are submitted to the full board for approval. On behalf of the board it also reviews proposals for senior executive appointments and succession planning.

The committee further reviews the time required to be committed to Group business by non executive directors and assesses whether non executive directors are devoting sufficient time to carry out their duties.

Under the Code, two members of the committee are not considered independent: Paul Skinner, following his appointment as chairman, and David Mayhew. The Code specifically allows the chairman to chair the *Nominations committee*. As stated above, the board takes the view that Sir Richard continues to be an independent director and the composition of the committee is therefore compliant with the Code.

Committee on social and environmental accountability

The *Committee on social and environmental accountability*, which is chaired by Richard Goodmanson, reviews the effectiveness of management policies and procedures in place to deliver those standards in our statement of business practice, *The way we work*, which are not covered by the other board committees and, in particular, those relating to health, safety, the environment and social issues. The overall objective of the committee is to promote the development of high quality business practices throughout the Group and to develop the necessary clear accountability on these practices.

Business practice

Statement of business practice

The way we work provides the directors and all Group employees with a summary of the global policies and controls in place to help ensure that high governance and business standards are communicated and maintained throughout the Group. Group businesses then put them into practice through local codes of conduct and report on their implementation.

Global policies are adopted by the board after wide consultation, externally and within the Group. Once adopted, they are communicated to business units worldwide, together with mandatory standards and guidance notes to support implementation. Business units are required to devote the necessary effort by management to implement and report on these policies and standards.

The following global policies are currently in place: access to land; communities; corporate governance; employment; environment; human rights; information management; occupational health; political involvement; risk; safety and sustainable development. To complete the suite of policies, the following are being revised: business integrity; information systems security management and information technology; internal controls and reporting; and transparency. Each of these policies is supported by standards expanding on the minimum expectations on topics such as antitrust, continuous disclosure, compliance, cultural heritage and health, safety and the environment. Many of these standards are supplemented by guidance notes. These policies and standards apply to all Rio Tinto managed businesses.

Where the Group does not have operating responsibility for a business, Rio Tinto's policies are communicated to its business partners and they are encouraged to adopt similar policies of their own.

'Whistle blowing' programme

There is also a Groupwide 'whistle blowing' programme called *Speak-OUT*. Employees are encouraged to report any concerns, including any suspicion of a violation of the Group's financial reporting or environmental procedures, through an independent third party and without fear of recrimination. A process has been established for the investigation of any matters reported with clear lines of reporting and responsibility in each Group business.

Sustainable development

Rio Tinto's report on Sustainable development follows the guidelines of the Global Reporting Initiative and the Association of British Insurers. This report can be found on page 83. Details of the Group's overall and individual businesses' social and environmental performance continue to be published on the website.

Dealing in Rio Tinto securities

The Group has a policy in place to govern the dealing in Rio Tinto securities by directors, executives and employees. The policy, which prohibits dealings when in possession of price sensitive information and shortly before a results announcement, can be viewed on the website.

Compliance statements**The Code**

By virtue of its UK listing, Rio Tinto is required to disclose whether it has complied with the provisions set out in Section 1 of the Code and to provide an explanation where it does not.

Rio Tinto confirms that it has continued to comply fully with the detailed provisions of Section 1 of the Code.

ASX Principles

Pursuant to the Listing Rules of the ASX, Rio Tinto is required to report the extent to which it complies with the ASX Principles and the reasons for any non compliance.

Rio Tinto confirms that it has continued to comply fully with the ASX Principles.

NYSE Standards

Rio Tinto plc, as a foreign issuer with American Depositary Shares listed on the NYSE, is obliged by the NYSE Standards to disclose any significant ways in which its practices of corporate governance differ from the NYSE standards.

The Company has reviewed the NYSE Standards and believes that its practices are broadly consistent with them, with one exception. The NYSE Standards state that companies must have a nominating/corporate governance committee composed entirely of independent directors and with written terms of reference which, in addition to identifying individuals qualified to become board members, develops and recommends to the board a set of corporate governance principles applicable to the Company. Rio Tinto has a *Nominations committee*, information about which is set out on page 121. This committee does not develop corporate governance principles for the board's approval. The board itself performs this task and approves the Group's overall system of governance and internal controls.

New Zealand Stock Exchange

Rio Tinto Limited is also listed on the New Zealand Stock Exchange (NZX) which has introduced a Corporate Governance Best Practice Code (the NZX Code). As an overseas listed issuer on the NZX, Rio Tinto Limited is deemed to comply generally with the NZX Listing Rules, including the NZX Code, while it remains listed on the ASX. Whilst the ASX Principles and the NZX Code are substantially the same, there may be some ASX Principles or other ASX corporate governance rules which differ materially from the NZX's corporate governance rules or the NZX Code. The ASX Principles and other corporate governance rules can be found on the ASX website: www.asx.com.au.

Going concern

The directors report that the financial statements have been prepared on a going concern basis as they have satisfied themselves that the Companies and the Group are a going concern with adequate financial resources to continue in operational existence for the foreseeable future.

Board's statement on internal control

Rio Tinto's overriding objective is to maximise the overall long term return to shareholders through a strategy of investing in large, cost competitive mines and businesses. The directors recognise that creating shareholder return is the reward for taking and accepting risk. A description of some of the risks is found on page ten in Risk factors.

The directors are responsible for the Group's system of internal controls and for reviewing its effectiveness in providing shareholders with a return on their investments that is consistent with a responsible assessment and mitigation of risks. This includes reviewing financial, operational and compliance controls and risk management procedures. The directors confirm that they have completed their annual review for 2007. Due to the limitations inherent in any such system, this is designed to manage rather than eliminate risk and to provide reasonable but not absolute assurance against material misstatement or loss. Certain risks, for example natural disasters, cannot be mitigated to an acceptable degree using internal controls. Such major risks are transferred to third parties in the international insurance markets, to the extent considered appropriate.

The directors have established a process for identifying, evaluating and managing the material business risks faced by the Group. This process was in place during 2007 and up to and including the date of approval of the 2007 *Annual report* and *Full financial statements*. The process is reviewed annually by the directors and accords with the guidance set out in *Internal Control: Guidance for Directors on the Combined Code*.

Two of the Group's management committees, the Executive committee and the Disclosures and procedures committee regularly review reports related to the Group's control framework. This information is presented to the Audit committee to enable its members to assess the effectiveness of the internal controls and the management of material business risk. In addition, the board and its committees monitor the Group's material business risks on an ongoing basis. These reports and risk management processes satisfy Recommendation 7.2 of the ASX Principles.

Assurance functions, including internal auditors and health, safety and environmental auditors, perform reviews of control activities and provide regular written and oral reports to directors and management committees. The directors receive and review minutes of the meetings of each board committee, in addition to oral reports from the respective chairmen at the first board meeting following the relevant committee meeting.

Each year, the leaders of the Group's businesses and administrative offices complete an internal control questionnaire that seeks to confirm that adequate internal controls are in place, are operating effectively and are designed to capture and evaluate failings and weaknesses, if any exist, and take prompt action as appropriate. The results of this process are reviewed by the Executive committee, then presented to the Audit committee and the board as a further part of their review of the Group's internal controls. This process is continually reviewed and strengthened as appropriate.

The Group has material investments in a number of jointly controlled entities and associates. Where Rio Tinto does not have managerial control, it cannot guarantee that local management of mining and related assets will comply with Rio Tinto standards or objectives. Accordingly, the review of their internal controls is less comprehensive than that of the Group's managed operations.

Disclosure controls and procedures

The common management of each of Rio Tinto plc and Rio Tinto Limited, with the participation of their common chief executive and

finance director, have evaluated the effectiveness of the design and operation of the Group's disclosure controls and procedures as of the end of the period covered by this report and have concluded that these disclosure controls and procedures were effective at a reasonable assurance level.

Internal control over financial reporting

The common management of each of Rio Tinto plc and Rio Tinto Limited is responsible for establishing and maintaining adequate internal control over financial reporting. The Companies' internal control over financial reporting is a process designed under the supervision of their common chief executive and finance director to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of the Group's published financial statements for external reporting purposes in accordance with EU IFRS.

Because of its inherent limitations, internal control over financial reporting cannot provide absolute assurance, and may not prevent or detect all misstatements whether caused by error or fraud, if any, within each of Rio Tinto plc and Rio Tinto Limited.

The Group's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with EU IFRS, and that receipts and expenditures are being made only in accordance with authorisation of management and the directors of the Companies; and provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements.

There were no significant changes in the internal controls or in other factors that could significantly affect internal controls of each of Rio Tinto plc and Rio Tinto Limited subsequent to the date of their most recent evaluation.

REPORT OF THE AUDIT COMMITTEE

The *Audit committee* met seven times in 2007. It monitors developments in corporate governance in the UK, Australia and the US, to ensure the Group continues to apply high and appropriate standards.

The *Audit committee* charter is subject to regular discussion and review.

The committee reviews the independence of the external auditors on an annual basis and their effectiveness to ensure that the Group continues to receive an efficient and unbiased service. The committee advised the directors that it is satisfied that the provision of non audit services by the external auditors during 2007 is compatible with the general standard of independence for auditors imposed by the Australian Corporations Act 2001. Furthermore, as part of its responsibility to foster open communication, the committee meets separately with management, the external auditors and the internal auditor.

Financial expert

The committee reviewed the SEC requirements for audit committees' financial experts and the Code and ASX Principles requirement that at least one committee member should have recent and relevant financial experience. The committee recommended to the board that Michael Fitzpatrick, Andrew Gould and Sir David Clementi be identified as the committee's financial experts in the 2007 *Annual report*. The committee has also concluded that Michael Fitzpatrick, Andrew Gould and Sir David Clementi possess the requisite skills, experience and background to qualify for the purpose of clause C.3.1 of the Code.

2007 Full financial statements

The committee has reviewed and discussed with management the Group's audited financial statements for the year ended 31 December 2007.

The committee discussed with the external auditors the matters described in the American Institute of Certified Public Accountant Auditing Standard No. 90, *Audit Committee communications*, and in the International Standard on Auditing (UK and Ireland) 260, *Communication of Audit Matters with those charged with governance (ISA 260)*, including their judgements regarding the quality of the Group's accounting principles and underlying estimates.

The committee has discussed with the external auditors their independence, and received and reviewed their written disclosures, as required by the US Independence Standards Board's Standard No. 1, *Independence Discussions with Audit Committees* and ISA 260.

Based on the reviews and discussions referred to above, the committee has recommended to the board of directors that the financial statements referred to above be approved.

Andrew Gould (Chairman)
Sir David Clementi
Vivienne Cox
Michael Fitzpatrick
Lord Kerr
Paul Tellier

REPORT OF THE NOMINATIONS COMMITTEE

The *Nominations committee's* activities during 2007 covered executive and non executive succession and appointments. Tom Albanese succeeded Leigh Clifford as chief executive in May 2007. Following the acquisition of Alcan Inc., Yves Fortier, Paul Tellier and Dick Evans were appointed directors with effect from 25 October 2007. Dick Evans also became the Chief executive of the combined aluminium group, Rio Tinto Alcan.

Each of the new directors bring extensive North American and international business experience to the board. A short biography of each is set out on pages 95 to 97.

As part of his annual performance assessment of individual directors, Paul Skinner, who is chairman of the committee, has also reviewed the time committed by directors to Group business and confirmed this to be appropriate in each case.

Paul Skinner (Chairman)
Sir Rod Eddington
Yves Fortier
David Mayhew
Sir Richard Sykes