

Beauty with integrity: Drilling into the diamonds business

**Alan Davies, chief executive, Diamonds & Minerals
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It's great to be here today to shine the spotlight on the modern diamond business.

As they have done throughout the centuries, diamonds continue to enthrall us with their beauty and mystique.

This is not surprising: the earth's very history dances at their core.

Given their pure and ancient provenance, and their inevitably diminishing availability, it is hard to imagine that our passion for diamonds will ever fade.

What is shifting rapidly, however, are expectations of the diamond business as new generations heed the call to live more thoughtfully and ethically, to protect the long term future of our planet.

Many of you in the room are involved with the legal protection of luxury for your clients. In the luxury sector, diamonds rate as the ultimate, not least because they are both rare and hard to find, long before they feature in the fine watches and jewellery of the brands some of you represent.

Our job at Rio Tinto Diamonds includes a different element of protection, including protecting the environment and nurturing a workforce to safely do their daily jobs in what I can honestly say are among the world's most challenging places.

Today's consumer wants to know that the diamond they are buying is not just rare and beautiful, but has an honourable pedigree – that the process of extracting it from the earth, refining it and taking it to the market, has been a careful and respectful one and has not done any harm.

The focus on the final product – as fabulous as that product might be – is no longer enough: fabulous must also be fair.

This is a very reasonable expectation that is steadily reshaping the diamond industry for the better and I am very proud of the leading role that Rio Tinto Diamonds is playing in this regard.

Today I will talk just briefly about Rio Tinto's Diamonds business and then dig a little bit deeper into our Diavik diamond mine in Canada, as an example of our Diamond business's commitment to beauty with integrity.

Rio Tinto is one of the world's largest diamond producers. We currently produce around 20 million carats per year from our Australian and Canadian diamond mining operations.

We are essentially an upstream producer of rough diamonds with a niche polished diamond business for the rare pink diamonds we mine in Australia.

What is interesting however is whilst we are primarily a B2B operation, we have significant influence downstream as we work very closely with diamond cutters, skilled polishers, jewellery designers and luxury retailers, to create a pull through demand for our diamonds.

RioTinto

So we are on the junction of the mining world, which is very much the industrial world, and the luxury world.

Who are our customers?

Probably some of your clients – Graff, Tiffany, Nirav Modi in India, Chow Tai Fook in China ...and the list goes on.

A key aspect of our diamond business is how you work with the hand you are dealt.

In our case you couldn't imagine two more contrasting environments for our two major diamond mines – Argyle in the Kimberley region of Western Australia, and Diavik in the Northwest Territories of Canada.

Both are very remote. When it is a roasting 40 degrees at Argyle in Australia, it is a very very cold minus 40 degrees at Diavik.

Even more interesting is the product that comes from these two mines. The diamonds from Diavik look like ice: pristine, white and pure.

The product that comes out of Argyle in Australia looks like the earth – browns, pinks, occasionally rare reds.

The marketing story that sits behind our diverse productions is for another time.

What I want to stress today is the unilateral importance of provenance and how increasingly, the value of a diamond is tied to where and how the diamond was mined, how it was cut and polished and the process of bringing it to sale.

Today's consumer wants to be able to hold their diamond up to the light.

At Rio Tinto we value the diverse landscapes that are home to our operations, for they are not only the very life blood of our business but precious resources in themselves.

Being allowed to mine is a privilege. And we honour that by working respectfully and keeping the long term future of these natural treasures always in our sights.

Let's now look at this in practice at our Diavik Diamond Mine, up far above the snow line.

Known as the Barren Lands, located 220 km from the Arctic Circle, the birthplace of our Diavik diamonds is beneath a frozen lake in one of the world's most delicate ecosystems.

I have travelled to the Diavik mine many times. I am still not immune to its beauty, to the profound forces of nature, to the sheer scale of the landscape and to the miraculous story of its buried treasure.

Whilst Diavik diamonds are two billion years old, it was only relatively recently that they were discovered, and then it took some more time and considerable fortitude, finesse and technology to recover them from their icy home.

Establishing the mine infrastructure in a pristine sub-arctic landscape, with minimal impact, was perhaps the first demonstration of innovation.

RioTinto

Mining could only safely operate at Diavik if the waters of Lac de Gras could be held at bay with certainty, so a unique 3.9 kilometre rockfill dike had to be built into the lake.

The new and innovative engineering technologies that were developed to achieve this task received Canada's highest award for engineering excellence.

In another feat of ingenuity, a brief, seasonal ice highway – operating eight weeks per year and bridging frozen lakes and portages – was created to transport absolutely everything required for a 24 hour a day, 365 days a year underground mining operation and the home of over 900 people who work, in shifts, at Diavik.

It is used each year as a vital resupply artery to truck in the infrastructure for the Diavik community.

Everything, including every banana chopped on hot porridge eaten by a miner before his or her shift, goes up that road, and everything, including that banana skin comes back down.

And then there is the wind farm that on a strong wind day can power half the site's energy needs.

Looming one hundred metres above the flat, barren, icy landscape, Diavik's four 9.2 megawatt wind turbines are towering evidence of the mine's commitment to sustainability.

Given the isolation of the mine site and its extremely cold climate, the 31-million-dollar project presented a number of knotty transport, construction and engineering challenges – and no guarantee of success.

Innovative ways were found to prevent the turbines from freezing into inaction in temperatures plummeting below minus 40 degrees. Four years later, the wind farm is significantly reducing the mine's carbon footprint.

Diavik now operates the world's largest wind-diesel hybrid power facility at its off-grid mine site and is a world leader in delivering cold climate renewable energy.

As a guest in a very wild and precious landscape – where grizzlies roam and caribou follow centuries old paths across the tundra – at Diavik wildlife always have the right of way.

Much work is being done to ensure that no damage is done to the water resources that provide a habitat for local wildlife, particularly caribou, whose existence is so important to the traditional lifestyles and culture of local Canadian Aboriginal people.

Diavik has also collaborated on the largest grizzly bear study ever undertaken, to establish if mining has influenced their numbers.

This involved the collection of grizzly bear DNA samples over a 16,000 square kilometre area, drawing on the advice of community elders and land users. Using grizzly bear hair samples this study has shown that the local bear population is stable or increasing.

The story of Diavik's diamonds is not complete without explicitly mentioning the inspired collaboration between the local indigenous people and a modern mining company.

This collaboration has only been possible through a sense of shared endeavour.

New knowledge married with old wisdom.

RioTinto

Right from the initial planning stages at Diavik, local communities have been consulted about the operation and the impact of the mine.

I am particularly proud of Diavik's female employment record.

Also Diavik's aboriginal employment record, and indeed, the record of aboriginal female employment at Diavik is impressive.

We are passionate about leaving a positive legacy and nowhere more so than in the dreams and aspirations of the people from the North, who bring the diamonds to the earth's surface.

Diamond production began in Diavik in 2003.

We went fully underground in 2012.

Yet everything will be gone by about 2025.

Because this is a modern mine, the end was in the beginning.

Since day one, there has been a plan to leave no trace behind.

In about ten years, in a land where it is dark all winter long, a controlled thaw of the ice dykes which hold back the water, will begin.

What was a mine will once again join the lake.

In closing, I would like to say we are in a new era of business, where we must do everything we can to bring gems to market that are 360 degree beautiful, in every facet.

In today's diamond business, in which we are proud to be a leader, what was once just a clever advertising slogan, today comes with responsibility - diamonds can only be forever, if we put at the very core of big business a respect for the fragile earth from which they come and which we all share.

Thank you.

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