Key performance indicators

Our key performance indicators (KPIs) enable us to measure our financial and sustainable development performance. Their relevance to our strategy and our performance against these measures in 2015 are explained on these pages.

Some KPIs are used as a measure in the long-term incentive arrangements for the remuneration of executives. These are identified with this symbol:

See the Remuneration Report

KPI trend data

The Group’s performance against each KPI, and explanations of the actions taken by management to maintain and improve performance against them, are covered in more detail in later sections of this Annual report. Explanations of the actions taken by management to maintain and improve performance against each KPI support the data.

Performance

Our AIFR has improved by 34 per cent over the last five years. We improved our AIFR by 25 per cent from 2014. However, we did not meet our goal of zero fatalities and four people died while working at Rio Tinto managed operations in 2015.

Underlying earnings of US$4.5 billion, were US$4.8 billion lower than 2014, with cash cost improvements, higher volumes, lower energy costs, positive currency and other movements (totalling US$2.9 billion) partly offsetting the US$7.7 billion (post-tax) impact of lower prices.

The Group generated net cash from operating activities of US$9.4 billion, as lower taxes paid and further improvements in working capital partly offset the impact of lower prices.

Notes:
(a) The accounting information in these charts is extracted from the financial statements.
(b) Underlying earnings is a key financial performance indicator which management uses internally to assess performance. It is presented here as a measure of earnings to provide greater understanding of the underlying business performance of the Group’s operations. Items excluded from net earnings to arrive at underlying earnings are explained in note 2 to the 2015 financial statements. Both net earnings and underlying earnings deal with amounts attributable to the owners of Rio Tinto. However, IFRS requires that the profit for the year reported in the income statement should also include earnings attributable to non-controlling interests in subsidiaries.

More Information
The aim of our strategy is to maximise shareholder value. This KPI measures performance in terms of shareholder wealth generation. We also monitor relative TSR performance against the Euromoney Global Mining Index of peers and the MSCI World Index.

Net debt is a measure of how we are managing our balance sheet and capital structure. A strong balance sheet is essential for withstanding external pressures and seizing opportunities through the cycle.

We are committed to a disciplined and rigorous investment process – investing capital only in assets that, after prudent assessment, offer attractive returns that are well above our cost of capital.

We are committed to reducing the energy intensity of our operations and the carbon intensity of our energy, including through the development and implementation of innovative technologies. Our GHG performance is an important indicator of this commitment and our ability to manage exposure to future climate policy and legislative costs.

Rio Tinto’s TSR performance from 2011 to 2015 has been impacted by volatility in global equity markets, with particular impacts on the mining sector. Rio Tinto plc and Rio Tinto Limited share prices ended significantly lower in 2015. With a TSR of (26.6) per cent in 2015, the Group outperformed the Euromoney Global Mining Index of peers by ten percentage points but underperformed the wider market measured by the MSCI World Index which was up 2.6 per cent in 2015.

Net debt increased from US$12.5 billion to US$13.8 billion, with free cash flow partly funding the US$2.0 billion share buybacks, which were completed during 2015.

We have reduced capital expenditure by US$3.5 billion to US$4.7 billion in 2015, including US$2.1 billion of sustaining capital expenditure, benefiting from the completion of major projects and continued capital discipline.

We have exceeded the targeted ten per cent reduction in GHG emissions intensity from 2008. At the end of the target period we have reduced our total GHG emissions intensity by 21.1 per cent between 2008 and 2015. This is largely a result of the aluminium smelter divestments (Ningxia in 2009, Sebree and Saint Jean in 2013, Alucam in 2014); closures of the Anglesey smelter in 2009 and the Lynemouth smelter in 2012; and commencement of low-intensity operations (Kitimat smelter and the Oyu Tolgoi copper-gold mine) in 2015.

TSR combines share price appreciation and dividends paid to show the total return to the shareholder.

Net debt is calculated as: the net borrowings after adjusting for amounts due to equity accounted units originally funded by Rio Tinto, cash and cash equivalents, other liquid resources and derivatives related to net debt. This is further explained in note 24 "Consolidated net debt" to the 2015 financial statements.

Capital expenditure comprises the cash outflow on purchases of property, plant and equipment, and intangible assets.

Our GHG emissions intensity measure is the change in total GHG emissions per unit of commodity production relative to a base year. Total GHG emissions are direct emissions, plus emissions from imports of electricity and steam, minus electricity and steam exports and net carbon credits purchased from, or sold to, recognised sources.