

# RIO TINTO

## REMUNERATION COMMITTEE (the “Committee”)

### TERMS OF REFERENCE

Adopted by the Board of Rio Tinto plc and Rio Tinto Limited (collectively, the “Group”) on 26 February 2019

---

#### 1. Purpose

The objective of the Committee is to assist the Board to fulfil its oversight responsibility to shareholders to ensure that remuneration policy and practices are designed to support strategy and promote long-term sustainable success; to ensure executive remuneration is aligned to company purpose and values, and clearly linked to the successful delivery of the Group’s long-term strategy; and establish a formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration.

#### 2. Scope

The Committee shall focus primarily on:

- a) Remuneration policies, including long and short term incentives;
- b) The Group’s policies regarding pension and superannuation arrangements and other benefits; and
- c) The engagement and independence of external remuneration advisers.

#### 3. Membership

- 3.1. The Committee shall comprise at least three independent non-executive directors.
- 3.2. The Chair of the Board may be a member of, but not chair, the Committee if he or she was considered independent upon appointment.
- 3.3. The Committee Chair shall be an independent non-executive director appointed by the Board. In the Committee Chair’s temporary absence, one of the other Committee members, either nominated by the Committee Chair or elected by the Committee, will act as Committee Chair.
- 3.4. Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 3.5. Members of the Committee shall be appointed by the Board, on the recommendation of the Nominations Committee and in consultation with the Committee Chair.
- 3.6. Appointments to the Committee shall be for a period of up to three years extendable by no more than two additional three-year periods, so long as

members (other than the chairman of the Board, if he or she is a member of the Committee) continue to be independent.

- 3.7. Non-executive directors should have sufficient skill and experience to manage the remuneration setting process and should have served on a remuneration committee for at least a year before being appointed as Committee Chair.

#### **4. Secretary**

The Group Company Secretary, or a nominee, shall be the secretary of the Committee.

#### **5. Quorum**

- 5.1. A quorum of the Committee shall comprise any two Committee members.
- 5.2. Members of the Committee may attend in person or participate by other means, including teleconference or video conference.

#### **6. Meetings**

The Committee shall meet not less than four times a year and at other such times as any member, or the secretary of the Committee, shall require.

#### **7. Notice of Meetings**

- 7.1. Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee Chair.
- 7.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee. Supporting papers shall (where appropriate) be sent to Committee members and to other attendees, as appropriate, at the same time, unless the Committee Chair (acting upon the advice of the Group Company Secretary), determines that it would be inappropriate for any one or more individuals to receive them.

#### **8. Reporting procedures**

- 8.1. The Committee Chair shall report to the Board after each meeting on the matters discussed and the minutes of each Committee meeting shall be received by the full Board (as appropriate).
- 8.2. The Committee will report to the Board on its work in discharging its responsibilities during the year and the outcomes of its formal evaluation and provide a summary report on these matters for inclusion in the Group's Remuneration report.
- 8.3. The Committee Chair (or another Committee member nominated by the Committee Chair) will attend the annual general meetings of the companies to respond to any shareholder questions on the Committee's activities or the Remuneration report.

- 8.4. The Committee shall produce an annual report of the Company's remuneration policy and practices which will form part of the Company's annual report. The report shall include:
- a) an explanation of the strategic rationale for executive directors' remuneration policies, structures and any performance metrics;
  - b) reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;
  - c) a description, with examples, of how the remuneration committee has addressed the factors in paragraph 3 in the appendix to these terms of reference;
  - d) a description of whether the remuneration policies operated as intended in terms of company performance and quantum, and, if not, what changes are necessary;
  - e) a description of what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes;
  - f) a description of what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy;
  - g) a description of the extent to which discretion has been applied to remuneration outcomes and the reasons why; and
  - h) where a remuneration consultant is appointed, the name of the consultant alongside a statement about any other connection it has with the company or individual directors.

## **9. Delegation**

- 9.1. The Committee has the delegated authority of the Board in respect of the functions and powers in these Terms of Reference. The Committee may sub-delegate any or all of its powers and authority as it thinks fit, including, without limitation the establishment of sub-committees to analyse particular issues or themes and to report back to the Committee.
- 9.2. Where appropriate to ensure the ongoing operating efficiency of the Committee, the Committee may delegate responsibility to the Committee Chair to execute decisions on its behalf. In these instances, the Committee Chair would, where appropriate, solicit the views of fellow Committee members.

## **10. Resources**

- 10.1. The Committee shall have full authority and resources to investigate all matters falling within its Terms of Reference and, accordingly, the Committee may:
- a) obtain, at the Group's expense, any external independent professional or expert advice, as it considers necessary in connection with its purpose and, if required, secure the attendance of such advisors at its meetings;

- b) have such direct access to the Group's resources as it may reasonably require, including access to Management; and
- c) oversee the provision of an induction programme following the appointment of members and determine the ongoing training and development of members, taking into account individual requirements.

## **11. Review and Evaluation**

The Committee will undertake a formal annual review of its effectiveness, including the role and responsibilities of the Committee, its organisation and effectiveness. This shall include a review of these Terms of Reference.

## **Appendix - Committee Responsibilities**

1. Determining the policy for executive director remuneration and setting remuneration for the executive directors and senior management (the “Executive Group”). The framework and policies should support strategy and promote long-term sustainable success whilst executive remuneration should be aligned to the company purpose and values, and be clearly linked to the successful delivery of the company’s long-term strategy.
2. Setting remuneration for the Chairman. For the avoidance of doubt, the remuneration of non-executive directors shall be determined in accordance with the Articles of Association, or, alternatively, by the Board.
3. When determining policy and practices in relation to the Executive Group, to address the objectives:
  - a) that remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce;
  - b) that remuneration arrangements should avoid complexity and their rationale and operation should be easy to understand;
  - c) that remuneration arrangements should ensure that the following risks are identified and mitigated: reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans;
  - d) that the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy;
  - e) that there should be a clear link between individual awards, the delivery of strategy and the long-term performance of the Company and outcomes should not reward poor performance; and
  - f) that incentive schemes should drive behaviours consistent with the Company’s purpose, values and strategy.
4. Review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration.
5. In determining the remuneration framework and policies, exercise independent judgment and discretion, taking account of company and individual performance and wider circumstances.
6. Ensure that provisions regarding disclosure of information are fulfilled and produce a Remuneration Report for Rio Tinto plc and Rio Tinto Limited to be included in line with local law, regulations and, where appropriate, guidelines, in the relevant jurisdictions and ensure that it is included in the annual report and, where relevant, put to shareholders for approval at the annual general meetings.
7. Give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors (and senior executives) of listed companies and formation and operation of share schemes including but not limited

to the provision of the local law, regulations and, where appropriate, guidelines, within the relevant jurisdictions, as well as guidelines published by the significant investor bodies and shareholder groups as appropriate.

8. Review and approve the terms of service upon appointment and any subsequent changes, including the total individual remuneration package, for:
  - a) the Chairman;
  - b) each member of the Executive Group; and
  - c) any other employee if, in the opinion of the Chief Executive, it is appropriate.

No individual should be involved in deciding their own remuneration outcome.

9. Review the on-going appropriateness and relevance of the Remuneration Policy.
10. Review and approve the policy for, and scope of, the pension and superannuation arrangements for the Executive Group, including considering pension contribution rates when compared with workforce arrangements and that only basic salary should be pensionable.
11. Ensure employment conditions in the Group generally and Management's approach to developing future leaders are taken into consideration in determining the remuneration policies and levels for the Executive Group.
12. Determine contractual notice periods and termination commitments and approve any retention and termination arrangements for the Executive Group and any other employee if, in the opinion of the Chief Executive, it is appropriate (the Committee having delegated authority for the provision of 'good leaver' status for other employees to the Chief Executive with power to sub-delegate).
13. Ensure that contractual terms on termination, and any consequent payments made to the Executive Group are fair to the individual and the Group and consistent with the remuneration policy.
14. Approve the use of short and long term incentive plans for the Executive Group.
15. Oversee the operation of the Group's short and long term incentive plans as they relate to the Executive Group, including the review and approval of awards, setting of performance criteria, where applicable, and approval of any vesting, recovery, withholding of awards and holding periods, as appropriate, including the development of formal policies for post-employment shareholding requirements encompassing both vested and unvested shares.
16. Review and approve the rules, and where appropriate awards (and exercise of malus and claw-back) under the Group's long term incentive plans.
17. Review reports from Management on major changes in benefits for the all-employee population.
18. Annually review a report from Management regarding compliance with standards on employment policies, including remuneration by gender.
19. Agree the policy for authorising claims for expenses from the Directors.

20. Keep abreast of external remuneration trends and market conditions, including receiving an annual presentation from its external remuneration advisers.
21. Through the chair of the Committee and/or Chair of the Board, ensure that the Group maintains contact as required with its principal shareholders about remuneration.
22. Ensure any payments to Directors are within the shareholder approved Remuneration Policy, or have prior approval by shareholders, before any payment is made.
23. Exercise any discretion or judgement on remuneration issues in accordance with the Remuneration Policy.
24. Establish the criteria for the selection and appointment of, the remit for, and compensation of any remuneration advisers to the Committee, and ensure that such engagement and any provision of advice is directly with the Committee and independent of Management in accordance with any laws and governance requirements as applicable from time to time.

### Approvals History

<b>Date</b>	<b>Version</b>	<b>Approved By</b>	<b>Details</b>
10/02/2015	1.0	The Board of Directors	
01/08/2017	2.0	The Board of Directors	Inclusion of substantive changes agreed by the Remuneration Committee on 6 February 2017 and format change for consistency across all Committee Terms of Reference
26/02/2019	3.0	The Board of Directors	Revisions to incorporate new 2018 UK Code