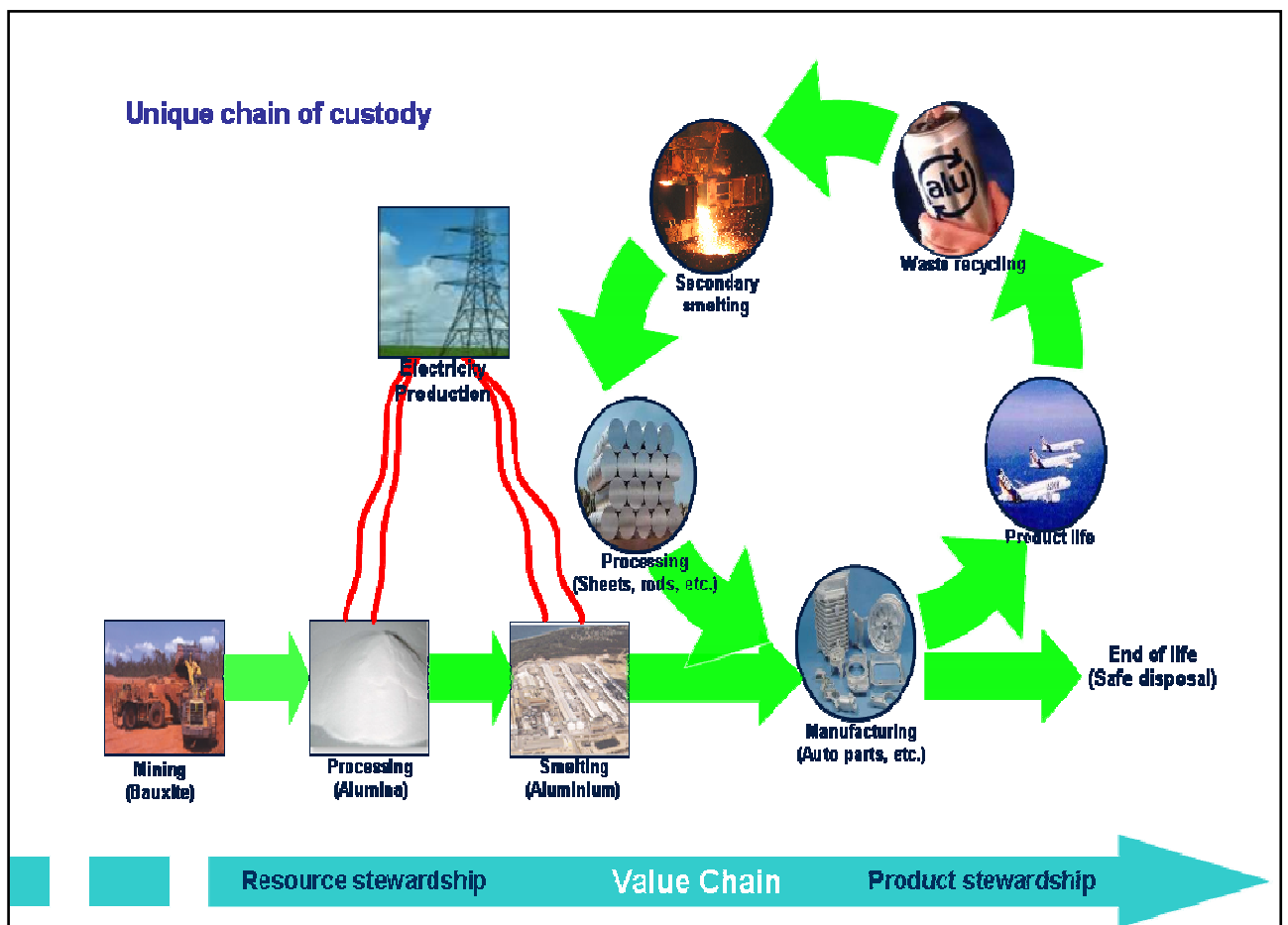


# RIO TINTO

## PRODUCT STEWARDSHIP STRATEGY



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## 1. INTRODUCTION

Rio Tinto recognises the need to better understand both the impacts and benefits of its products across their life cycles. This has resulted in the development of a Rio Tinto product stewardship (PS) Strategy. This strategy draws upon a number of corporate documents including PS Principles, PS Guidance and a PS White Paper as well as several Rio Tinto business programmes. This Strategy allows for the alignment of business PS policies and programs with Rio Tinto corporate strategy and provides the opportunity to coordinate the longer-term management of the risks and opportunities for PS across the Rio Tinto Group. The PS Strategy defines the vision and major objectives of PS in Rio Tinto by drawing together existing programs and initiatives together with the identification of further work.

Rio Tinto has made a strategic commitment to contribute to societal sustainable development (SD). To that end, Rio Tinto has developed a sustainable development policy, which is: to ensure our businesses, operations and products contribute to the global transition to sustainable development. As the way forward on SD across the Group, Rio Tinto is pursuing an approach with five separate tracks<sup>1</sup>. One key component of this approach is a commitment to PS and understanding the product value chain.

Drivers for a PS Strategy include emerging environmental regulations (new chemicals policies and integrated product policy), increased consumer and stakeholder awareness about producers' retaining some responsibility for their products throughout their life cycles, the potential for reputation building and product branding, and the potential for cost savings. Initial evidence indicates that through building our understanding of PS and how it relates to Rio Tinto products, there is potential for Rio Tinto to differentiate itself from its competitors, enhance its reputation in the market place and become a 'brand of choice' for metals and minerals products. This PS Strategy aims at ensuring that Rio Tinto can be effectively positioned to maintain and grow its product markets over the longer term.

This document presents:

- A context for product stewardship
- The elements of Product Stewardship Strategy:
  - Position statement
  - Principles
  - Goals
  - Objectives
- Supporting documents for Rio Tinto's business case for PS, PS guideline, and PS fact sheets

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<sup>1</sup> Internal Rio Tinto document – "Five Tracks of Work Moving Forward"

## 1.1 Context

There is a broad and growing recognition in the market place and in regulatory circles that producers should retain certain responsibilities for their products throughout their life cycles. While this is not well defined for the mining industry, there is recognition that a primary responsibility exists at company sites during production and that some shared responsibility exists beyond the “production gate”. As a result of this growing recognition, many countries have initiated “regulatory integrated product policies”.

Fundamentally, policies of this nature often include:

- Product classification where there are health or environmental concerns related to the product or downstream use or processing;
- Extended producer responsibilities which make producers responsible for downstream and upstream environmental or social impacts, eg from the use or reprocessing of their products or for raw materials supply;
- The identification and development of products, which are considered to be eco-friendly through initiatives such as eco-labelling or green procurement.
- An emphasis on green procurement practices, especially in relation to government contracts.

In response to these developments and the desire to demonstrate SD credentials, several industry sectors, including the mining sector, have increased their product stewardship efforts.

## 1.2 Product Stewardship Strategy in Rio Tinto

Rio Tinto defines product stewardship (PS) as a programme of action that recognizes the need to ensure that products are produced, used and managed at end of life in a socially and environmentally responsible manner in order to support societal goals of sustainable development and commercial goals of sustainable markets.

Rio Tinto’s recognition of the value and importance of PS or ‘value chain’<sup>2</sup> approach as a key component of Rio Tinto’s five tracks to sustainable development is shown conceptually in Figure 1. Within the “Five Tracks” document the broader concept of ‘value chain’ is explored. Specifically, within the value chain track the product stewardship strategy encourages Product Groups and businesses with specific market interests to focus on:

- **Life cycle assessment:** using life cycle methodologies where appropriate to gain value and to understand the benefits and impacts of our products along the full value chain and to explore where shared responsibility exists beyond the production gate;

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<sup>2</sup> Within the “Five Tracks to Work Moving Forward” the boarder concept of ‘value chain is explored.

- **Ecoefficiency:** assuring that our processes are as eco-efficient as possible and the mineral and metal resource is used wisely;
- **Product disclosure:** disclosing information on product health and environmental effects as well as providing information on safe methods of handling and disposal;
- **Customer/Supplier engagement:** engaging with our customers and suppliers to identify opportunities and to assess and manage risks. This knowledge can be used to better meet the needs of customers and (where the risks are justified) protect existing markets, grow sales, develop new markets, and also to leverage supply arrangements;
- **Market protection:** participating in scientific, regulatory and political arenas to influence policy and regulation that have the potential to limit market access or restrict product uses in ways that constrain sustainable development;
- **Research:** identification and filling data gaps on issues related to product and process health and environmental effects.

In our changing world, new paradigms are emerging in relation to the sale of products so that continued access to markets cannot be assumed. A timely and proactive strategy, designed to address issues that threaten both our licence to mine and market our new and existing products, will allow Rio Tinto to position itself to maintain and grow its markets in the face of stiff competition.

Additionally, it is evident that PS will help identify and manage the safety, health, environmental, social and economic risks and benefits of our products across their value chain (i.e. from mineral extraction to end of life). This will allow Rio Tinto to maximise product value, minimise wastes and conserve resources in the best interests of customers, the workforce, shareholders and the community. The potential reputational benefits from such product activity remain largely untapped within Rio Tinto and amongst our competitors.

While considerable commitment is required by businesses to address the PS issues associated with their own value chains there is also a need at the Group level to provide guidance<sup>3</sup> and assistance on issues, threats, risks and market opportunities that cut across the Group. To that end, there is a need for a strategic approach to PS across the Group incorporating clear positions on relevant issues and guidance for implementation at the business unit or communities level.

Rio Tinto's approach to SD, as a diversified group, has been to encourage the development of local solutions taking account of, and bringing together, particular economic, community and environmental factors.

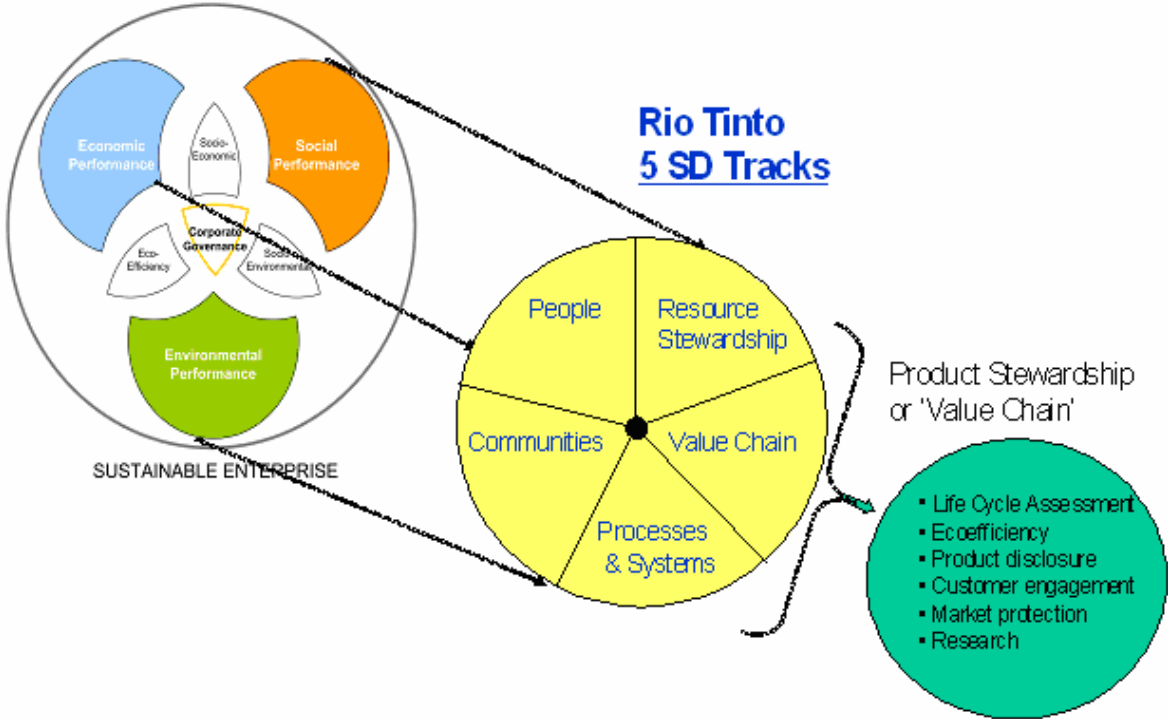
To date the development of PS has followed a similar path, with a number of businesses moving forward in the development and implementation of PS policy and

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<sup>3</sup> Rio Tinto Product Stewardship Guidance has been drafted. This guidance is directed towards Rio Tinto's products throughout each of their supply chains where Rio Tinto businesses can control or materially influence PS issues.

programs either as an initiative to achieve greater market share and reputation or in response to a product related concern or risk.

**Figure 1 Sustainable Development and Product Stewardship Framework.**



## 2. RIO TINTO PRODUCT STEWARDSHIP STRATEGY

### 2.1 Product Stewardship Position Statement

Rio Tinto's goal is to be recognised as a leader in the industry on PS issues, thus reflecting its commitment to sustainable development, differentiating its products and commercial reputation, protecting its markets and thereby delivering value to the business and to society at large.

As part of this commitment, Rio Tinto recognises that the effective stewardship of products across the value chains, from resource extraction to product recycle or disposal, is crucial. Rio Tinto believes that being a recognised leader and performer in PS issues will create value for our business units through better customer relationships and sustainable market access. Rio Tinto also believes that its products contribute to sustainable development by contributing to sustainable communities, sustainable markets and a sustainable stock of goods that can be used and recycled for centuries to come.

Further, Rio Tinto is committed to managing its processes and products in a responsible manner that balances environmental, social, and economic values for the benefit of society at large. To achieve this goal, Rio Tinto will proactively:

- **Assume responsibility** for our processes and share responsibility for our products along their value chains.
- **Manage the natural resources for which we have charge and our processes** in a eco-efficient manner to reduce environmental impacts.
- **Utilize life cycle assessment** appropriately across our business units as a means of evaluating potential impacts of our products throughout their life cycle in order to create value for the business units.
- **Engage with key customers** to develop preferred customer-supplier relationships leading to increased value for Rio Tinto products
- **Develop product environmental safety and health data**, as appropriate, to **ensure** that our products are safe for the environment and health in all their intended uses. Much of this work will be done in conjunction with commodity and trade associations, though some will be company-focused.
- **Monitor and evaluate emerging issues** and plan for appropriate regulatory and stakeholder engagement.
- **Develop minimum sustainable development standards** over time for major supplier contracts for products delivered to and purchased by Rio Tinto.
- **Facilitate and encourage** recycling of Rio Tinto products where appropriate.
- **Develop greater awareness** amongst our workforce about the value of product stewardship.

- **Disclose information** on our products to insure a high degree of transparency in our business with the public.
- **Seek the agreement and alignment of all Rio Tinto businesses** with Rio Tinto's corporate position and principles on product stewardship, whilst preserving their freedom to implement these according to their own business specifics.

## 2.2 Product Stewardship Principles

1. Product stewardship is part of the way in which we do business and is a key component of sustainable development.
2. Product stewardship involves active management along the value chain to maximize value, minimize waste, conserve resources and to minimize health and environmental impacts of products through their life cycle.
3. Life cycle approaches and thinking can contribute to advancing the understanding, appraisal and management of minerals and metals.
4. Value can be created or destroyed across a product's life cycle. Value can be maintained by keeping metal and mineral intrinsic properties intact, minimizing dissipative uses and by efficient recycling.
5. Continuous improvement in processes and products is key to improving eco-efficiency and minimizing health and environmental impacts.
6. Protection of markets and license to market requires active monitoring of health, environment and life cycle issues associated with products beyond the gate as well as proactive engagement with regulators and the public.
7. Downstream and upstream communication is essential to protect market share, evaluate life cycle issues beyond the gate and to create and sustain value.
8. Accountability for stewardship actions includes public reporting on actions taken.
9. Development and disclosure of data on products regarding their potential for health and, environmental effects as well as their safe use is key to maintaining transparency and public trust.
10. A long-term perspective is important to insure the success of our products in the marketplace. Our decision-making will reflect both the need to manage short-term demands and the need to look to the future of all our products.

### 3. RIO TINTO PRODUCT STEWARDSHIP GOALS AND OBJECTIVES

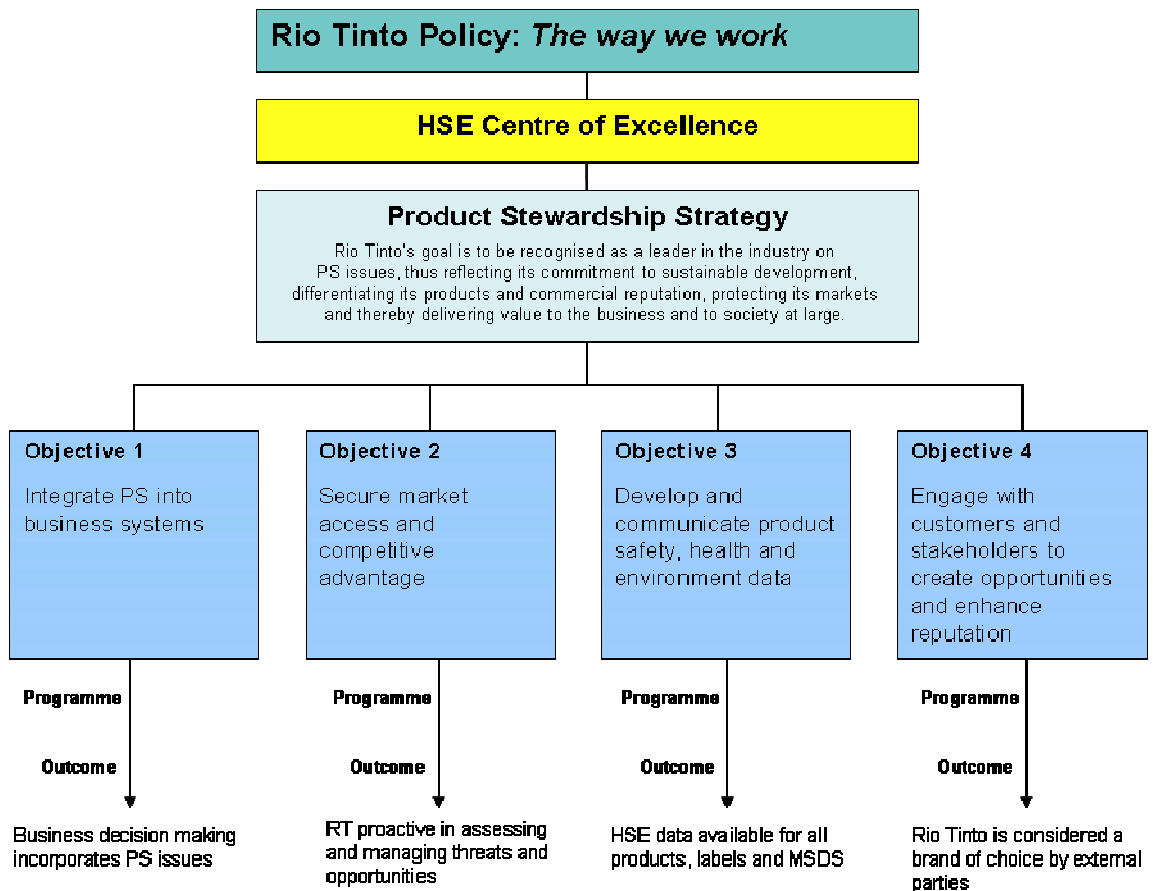
#### 3.1 Goals

To achieve our goals of:

1. Contributing to societal sustainable development (SD);
2. Sustaining our access to minerals and markets;
3. Demonstrating the benefits of our products and understanding their impacts and across their life cycles; and
4. Gaining shareholder value from our PS programme and becoming a recognised leader in the industry on PS and supplier of choice.

Four objectives have been defined which are shown below. These objectives provide a strategic approach for implementation of the PS Strategy.

#### 3.2 Objectives



The path forward lies in the refinement and implementation of the PS strategy at the business unit level. This will require business units to develop individual, comprehensive approaches that fulfil our commitment to PS and maximize added value to our products and shareholders.

The four objectives have been identified as part of the Strategy. Key elements for each objective are presented in Appendix 1.

Each of these elements requires different corporate and operational perspectives and plans to achieve the objectives. While the development of PS programmes for various products will largely be driven by businesses, perhaps through “value-chain ” or PS teams (refer below), the focus on improving public perception and advocating public policy positions will require input from both business and corporate perspectives.

### **3.3 Establish Product “Value- Chain” Teams**

One option to ensure the comprehensive coverage of all product-stewardship related issues would be to establish a small “value-chain” team for each product at the business level. One team may cover several similar products. The aim of such teams would be to maintain and grow the Rio Tinto product lines through maintaining an expert knowledge of respective products and to engage stakeholders/customers/regulators/policy makers, as required. Ideally, these teams would feature one or more of the following:

- **Product Group control**, with 3-4 company specialists who cover all the company-specific issues related to the product lines. These may be specialists in procurement, mining, processing, refining, marketing, sales, and HSE.
- **A product “life cycle” type approach** covering all the impacts/benefits attached to each product line from suppliers, through extraction and processing to marketing sales, reuse and disposal. There may be perhaps, ten or so product “lines” for the Aluminium Group, as an example. Product lines may be grouped where appropriate.
- **Corporate assistance to the value-chain team**, particularly as regards external impacts and opportunities for each product line. Rio Tinto companies have expressed the need for assistance to improve coverage of potential impacts from regulatory/policy (national and international), NGO and research developments.
- **Assigned accountability of the “value-chain team”** for the breadth of social, environmental, health and economic issues surrounding each product value chain.

## 4. THE BUSINESS CASE

The range of product stewardship issues currently before Rio Tinto presents both opportunities (e.g., product branding) and risks (e.g., potential market restrictions).

Many of these risks and opportunities are common to other health, safety and environment matters, and reflect the business case for our Group commitment to SD. Long-term business value is delivered through:

- Continued **licence to operate** granted by our neighbours, regulators and society;
- better **access to resource** development opportunities;
- Better **access to markets** for our products;
- **preferred** supplier status; and
- product **branding**

A detailed discussion on the business case for PS is presented in supporting document 6.7.

## 5. PRODUCT STEWARDSHIP GUIDANCE

Guidance on the implementation of PS at the Business Unit level is available through contact with RT HSE on the HSE portal and the following attached document: “Rio Tinto Draft Product Stewardship Guidance.” Other documents of interest are also listed below.

## 6. SUPPORTING DOCUMENTS

1. Product Stewardship Taskforce List
2. Rio Tinto Draft Product Stewardship Guidance
3. Rio Tinto Draft PS White Paper – The Business Case Examples
4. Product Stewardship LCA Fact Sheet
5. Product Stewardship Fact Sheet Glossary
6. Five Tracks of Work Moving Forward

## APPENDIX 1: STRATEGY OBJECTIVES AND KEY ELEMENTS

### Objective 1. Integrate PS into business systems.

#### Key elements:

- Rio Tinto would provide strategic guidance in PS, through the development of Rio Tinto PS Guidance for potential implementation and adaptation by business units
- Rio Tinto would encourage the alignment of product groups/business units with the Rio Tinto PS strategy and thereby the development of their own supporting PS policies and programmes
- Rio Tinto and business units would build internal capacity to; evaluate and interpret life cycle assessment (LCA) to understand full 'value chain' (i.e. the environmental impacts of the production, use, recycling and disposal processes) of Rio Tinto products and to compare gains in ecoefficiency when production processes change or production improvements are made and; to evaluate trade offs between identified issues. Rio Tinto and Business Units should seek to:
  - understand the benefits and significant environmental impacts of our products along the value chain;
  - develop baseline and progressive life cycle inventories (LCI) on key products, for internal use and to make these available to customers (e.g. through reports, declarations or labels) as appropriate, in line with ISO14040;
  - utilize LCI information together with technology evaluations to assess production process improvements and process eco-efficiencies, including potential integration of LCI with environmental management systems like ISO 14001;
  - engage with customers regarding their need for life cycle information on Rio Tinto products and with suppliers regarding life cycle information on the products and raw materials they supply to us; and
  - use the information to enhance business reputation and gain leverage in the market place by using the information collected.

### Objective 2. Secure market access and competitive advantage.

#### Key elements:

- Ensure that each business unit has a program to monitor for existing and emerging health, environment, economic and social issues across the value chain of key Rio Tinto's products:  
Business Units would seek to:
  - Identify regulations, groups, science-related activities, and technical developments that pose serious threats and opportunities to our operations and markets;
  - Prioritize and respond to issues of greatest concern and coordinate with Rio Tinto.
  - Implement a programme responding to regulatory and other stakeholder agendas that may threaten product markets or create opportunities in conjunction with Rio Tinto.
  - Report on significant health and environmental aspects (ISO 14001) related to products

and mining processes.

- Evaluate and fill key information gaps for product in order to deflect market threats and to position for market advantages e.g., through early research.
- Voluntarily disclose information to the public on products placed in the market as a key to maintaining transparency and public trust.
- Engage with customers and suppliers as appropriate to identify opportunities to assess and manage risks (note – so that customer needs are better met, existing markets were appropriate are protected and supply arrangements can be leveraged).
- Engage with key customers regarding identified market threats to focus efforts in the proper direction;
- Communicate threats and opportunities within and across appropriate business units and with trade associations.

### **Objective 3. Develop and communicate product safety, health and environmental data.**

#### **Key elements:**

Business Units will participate in and develop environmental research programmes where appropriate to ensure that Rio Tinto's licence to operate (mineral access) and licence to market (market access) is maintained.

Business Units should seek to:

- identify and search for market opportunities that provide competitive advantage;
- engage with customers and trade associations in order to identify opportunities for product design, product branding and eco-efficiency design that add value to products;
- identify opportunities for product differentiation to gain financial reward; and
- leverage product performance data and Rio Tinto and business unit reputations.
- Participate in and contribute to trade association programs where appropriate.
- Develop appropriate research programmes to obtain data as need to support regulatory and market issues.

### **Objective 4. Engage with customers and stakeholders to create opportunities and enhance reputation.**

#### **Key elements:**

Business Units with assistance from Rio Tinto should seek to:

- Identify strategic priorities and issues.
- Actively engage with customers, regulatory authorities, policy makers and the public across all levels of the business to ensure each Business Unit is viewed as a responsible producer'
- Communicate and participate with corporate Rio Tinto programmes aimed at risk/benefit identifications and market access such as the Sustainable Product Group (SPG) for facilitating internal communication pathways.
- Report on PS programmes and progress; preferably in the public reporting process as a part of the Rio Tinto move away from S&E Reports to SD Reports.