

Partnering for success

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****Check against delivery****

Mongolia is at a pivotal moment in its history.

Thank you for the kind introduction. It's great to be here in Mongolia again. And it's an honour to be at the Mongolia Economic Forum.

Nearly 10 years ago Rio Tinto came to this country with such a rich history, and incredible prospects, and chose to put its faith into the magical hills of the South Gobi, the home of our Oyu Tolgoi mine.

Over this time and on my many trips to this country, I have been impressed by what our Mongolian employees and team have built over a short period of time and today I wanted to share some ideas on how we can continue to work together to make Mongolia proud of its mining industry.

I want to specifically thank and acknowledge our host today, as well as the President, Prime Minister, Ministers, and Members of Parliament.

I lead Rio Tinto's Copper & Diamonds product group.

We have operations across the globe including a range of open pit and underground mines in USA, Chile, Indonesia and OT supplying important metals and minerals that make modern life work.

Our talented work force uses industry-leading mining processes and technology to make our operations safer, low cost efficient. We also operate two leading diamonds mines in Australia and Canada.

I note this conference is about all of us, the public sector, the private sector civil society, coming together to accelerate the development of Mongolia.

This is very important, as the only real way, in my experience, to get sustainable economic and social development in a country is to form strong partnerships between government, business and society.

I have had the privilege of spending 25 years in the metals and mining industry, living and working across five continents and I have seen first-hand how the mining industry can develop and transform a country's economy over time – I can see that Mongolia is already well on its development path and this has only happened because some government and business leaders made some brave choices along the way.

Since 2010, OT spent \$7.5 billion in country on suppliers, salaries, taxes and royalties.

Together with TT and Erdenet this is a vital contribution to the economy. So, to be clear, I think the opportunity for Mongolia is significant and I believe the country is at a pivotal, important moment.

Mongolia now has the chance, together with partners, to really encourage faster growth, investment and development, if we work together. It is up to us to seize this moment and show visionary leadership. The kind of leadership that Mongolia has displayed over many centuries.

Rio Tinto: pioneering progress with partners

Let me start with a few quick words about Rio Tinto for those who are not familiar with us.

Our purpose is to supply the essential materials that drive human progress – and we've been doing this for 145 years. We supply the metals and minerals used in everyday life from Tesla cars to your favourite mobile phone, Rio Tinto's technology and know-how make it one of the most efficient miners worldwide. The business is also pioneering in its commitment to sustainability and responsible mineral development.

Let me give you an example of this commitment in action.

A week or so ago, Rio Tinto announced a new partnership with Alcoa, the government of Canada and Apple to invest in technology called inert anode which will help to create the world's first carbon-free aluminium.

This is a step-change for the industry, something metals companies have been chasing for decades. We are proud together with Alcoa to partner with our customer, Apple, and the Canadian & Quebec governments. Real leaders.

It is an exciting time for the mining industry – particularly as we continue to transform to meet the Business to People, or "B2P" era.

This means we must get much better at explaining what we do, how we do it and the contribution we make to society – this is as true here in Mongolia, as it is wherever we operate around the world.

As you may know, we are a publicly traded company – on the New York, London and Sydney stock exchanges – and with this comes specific requirements and global standards that need to be met and maintained.

We take this responsibility seriously and are guided by our 4Ps strategy: Performance, Portfolio, Partners and People.

More specifically, last year we invigorated our company values Safety, Teamwork, Respect, Integrity and Excellence and conducted leadership workshops with all leaders in Rio Tinto and Oyu Tolgoi to reinforce our commitment to doing the right thing.

We are very committed to our efforts in transparency, safety and responsible mining.

We are successfully transferring the best practices from our other business, particularly from Kennecott copper mine in US which has been operating over 115 years.

In terms of state of the art operations, first and foremost for us is Oyu Tolgoi, our newest copper mine. It is one of the best performers in terms of safety across Rio Tinto's global portfolio.

And we are also leading here in contract transparency with international bodies, such as the Extractives International Transparency Initiative, applauding our efforts to disclose our investment agreements publicly.

In Rio Tinto's global code of conduct, The Way We Work, we outline our approach and commitment to being a good corporate citizen. This is not just lip service we expect all of our employees around the world, to behave in accordance with our values wherever they are.

We accept zero tolerance to breaches.

So, for us the way we work is as important as what we do. We must form and grow long-term partnerships with governments, communities and civil society. As we are trying to do in Mongolia.

Oyu Tolgoi: one of the most exciting copper businesses in the world

As I said a moment ago, we manage the Oyu Tolgoi, "OT" for short, operation in the South Gobi, on behalf of all shareholders – Turquoise Hill Resources, the Government of Mongolia and ourselves.

We are proud to be associated with one of the most exciting copper and gold businesses in the world. A business that once fully operational, will provide high quality copper at a time the world needs it.

Our strategic partnership with Mongolia was formalized in 2009 through the signing of the OT Investment Agreement. And it was reaffirmed in 2015 with the signing of the UDP.

These agreements have allowed shareholders to invest heavily in Mongolia. The shareholders have invested more than US\$7 billion in this country – and together with a consortium of 15 financial institutions a further US\$5.5 billion could be committed.

By the end of the underground development we could have invested US\$12 billion. To put that into context, that's more than Mongolia's entire annual GDP.

This investment is already having a huge impact across Mongolia:

- OT is now one of Mongolia's top corporate tax payers – paying approximately US\$1.7 billion in the form of taxes and royalties, since 2010.
- OT is the largest private sector employer in Mongolia – currently employing 14,000 people, 94 percent of whom are Mongolian. 75 per cent of whom are engineers, professionals and in leadership roles.
- We committed about \$1 billion investment in the country per year for underground development and more to come. We are pioneering a Made in Mongolia strategy – aiming to bring more value in the supply chain into Mongolia and Mongolian supplier community and bringing new technology and capacity to Mongolia.

This impact may continue to expand if we work together to successfully deliver OT's underground. It is critical that all project partners work towards this objective – as it is the only way shareholders will receive a return.

Once underground mine starts producing, OT will be one of the world's largest copper mines with a potential productive life lasting several generations. It represents many opportunities to bring sustainable development to Mongolia.

In addition to our investment in OT we also opened an office in UB in January of this year. It houses our exploration team and the Mongolia Delivery Centre – about 80 data analysts and software engineers are providing reporting and analytic supports to our global operations.

We will consider growing our business beyond OT and utilize the extraordinary talent here throughout our global businesses – this is truly a competitive advantage for Mongolia in attracting international investment and growing the country's wealth.

Mongolian copper will be the source of much of tomorrow's innovation

Let me zoom out for a moment – and share some thinking on the global commodities markets, specifically copper:

The long term outlook for copper is positive. We anticipate further demand growth and a supply deficit that are combining to produce a positive pricing environment.

The drivers on the demand side are new and exciting such as: large-scale infrastructure projects all over the world –plus new applications in renewable energy and the transition to electric vehicle transportation.

All of these trends point to a positive picture for copper to 2020 and beyond.

This bodes well for Oyu Tolgoi – which will supply copper for many of the world's latest technologies.

For example, OT will play a critical role in supplying materials for things like smart phones and electric vehicles.

In many ways, Mongolian copper will be the source of much of tomorrow's innovation.

What do investors look for?

Finally, because we are here today to talk about how to accelerate the growth of Mongolia and enhance its ability to attract further investment, I will offer three observations on how I have seen other countries flourish and how Mongolia can also build on its work in these areas.

Number One: provide certainty for investors and safeguard their investments

Protecting agreements and honouring contracts is critical – particularly in mining where time horizons are long and upfront investment is massive.

This is what the OT IA, UDP and other agreements represent – just like in other countries, such as Chile, that have had fiscal stability agreements which set tax and royalty rates for 30 years with no changes to attract investment after the move to democracy and privatization of its industry.

At OT, we rely on the sanctity of the key investment agreements which serve as the foundation of the shareholders potential US\$12 billion investment in Mongolia.

These agreements provide a foundation for the development of Oyu Tolgoi and ensure the Government of Mongolia receives more than 50 per cent of economic benefits over the life of the project.

In a globally competitive environment for mineral investment, complex and very capital-intensive mining projects need to clearly set out from the beginning their investment terms, the efficiency of regulatory bodies responsible for licensing and permitting, and the stability of agreed investment terms.

Simply put: no major investor can invest without such agreements in place.

When agreements and contracts are honored – it gives international investors' confidence the same will be done for them.

Number Two: Rule of law and a strong regulatory framework is essential

Fair and consistent application of the law requires working with partners and investors so they have confidence in the system.

The aim should be to foster dispute resolution mechanisms and forums that yield fair and fact-based results.

The most successful countries continue to promote their commitment to democracy and the strength of their institutions.

Number Three: Promote the country's value proposition abroad

Oyu Tolgoi is already a world-class mining operation. For example, Mongolia has a highly talented and motivated workforce.

Our 94 per cent Mongolian workforce has made OT one of the safest mines not only in Rio Tinto, but also in the world. Our team has also made OT one of the world's most innovative operations – especially when it comes to the environment.

In Gobi region, water is truly precious resource, and Oyu Tolgoi leads the industry in water recycling at 85 per cent. We are particularly proud that the project uses previously unknown underground saline aquifer and we help the community to increase their water reserves and provision of new local town water supply is under way.

While we are currently the largest international investor in Mongolia– we want many more here with us.

A diversified economy can only be good for Mongolia and all investors. And this will only happen if OT is a success.

A model for success: the power of mining for sustainable development

As I mentioned earlier, I have worked for a quarter century in the mining industry and I want to quickly illustrate a real world example of successful resource development.

Part of my job is to manage Rio Tinto's interests in the copper mine joint venture, Escondida, in Chile – the largest copper operation in the world.

Chile is a relevant benchmark for Mongolia, in many respects.

Fifty years ago, Chile, today's largest copper producer, had a small population with a small and isolated economy. It has since been the fastest growing economy of Latin America. Back then, Chile's mining sector was driven by one large copper company, Codelco.

Codelco still owns and operates mines, but the country's position as pre-eminent producer is largely due to important free market reforms and the rights that were afforded to private companies.

In fact, copper has underpinned Chile's economic growth mostly since private investment was unleashed in the 1980s.

New companies flooded in, looking to tap into the country's massive copper potential and exploration peaked in the mid-1990s.

Copper production exploded making Chile one of the largest global copper producers and this remains the case today.

Copper production has increased ten-fold since the 1990s. And yet, Chile's most important economic story has been about diversification. Even with the massive growth, Chile's copper dropped from 80 per cent to about 50 per cent of exports in the same period.

Lessons point to an improvement in government capabilities and purposeful broad-based growth policies with sector specific targeting and state support.

The same success can happen right here.

Mongolia has all the ingredients to become a successful resource nation and to use her mineral revenue to fuel sustainable, long-term, diversified growth.

But the three things I talked about are critical: a safe and secure climate for investment... adherence to the rule of law...and a clear signal to the world about the value of doing business here in Mongolia.

Partnering for success

The world is watching how Oyu Tolgoi develops. It is a test case for future investment in Mongolia which brings with it jobs, new business opportunities and community development.

There is no doubt OT Underground is a complex and difficult project and it will require Rio Tinto's balance sheet and technological competence to succeed.

We are confident we can pull it off but we do need your trust, patience and support, please let us get on with the work of continuing to build a world class business.

A business we can all be proud of, and generations of Mongolians can enjoy for decades to come. Mongolia has huge opportunity in front of it: an ability to leverage its great mineral resource for broad growth and prosperity.

Rio Tinto is a long-term partner with Mongolia and we want to partner for progress and success.

The RioTinto logo consists of the word "RioTinto" in a white, serif font, centered within a solid red rectangular background.

Success counts on expertise, consistency and revenue management.

We will succeed together or fail together. Let's join together to take Mongolia forward.

Thank you.

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