



RioTinto

# Governance engagement

Hosted by The Investor Forum and  
Australian Council of Superannuation Investors

14th and 18th December 2020

# Board

## Audit Committee

Simon Henry (chair)

Hinda Gharbi

Simon McKeon

David Constable

## Sustainability Committee

Megan Clark (chair)

Simon Thompson

Hinda Gharbi

Simon Henry

Sam Laidlaw

Michael L'Estrange

Jennifer Nason

Ngaire Woods

David Constable

## Remuneration Committee

Sam Laidlaw (chair)

Simon Thompson

Megan Clark

Simon McKeon

Jennifer Nason

Ngaire Woods

## Nominations committee

Simon Thompson (chair)

Megan Clark

Hinda Gharbi

Simon Henry

Sam Laidlaw

Michael L'Estrange

Simon McKeon

Jennifer Nason

Ngaire Woods

David Constable

## Chairman's Committee

Simon Thompson (chair)

Chief Executive

Chief Financial Officer

# Introduction and Board overview

Simon Thompson





# Juukan Gorge – summary of events

## 2012/13

Juukan rockshelters included in mine plan. Section 18 legal consent obtained

## 2014

Three archaeological excavations, undertaken as a mitigation measure, identify the site as being of ‘national significance’.

No change in mine plan. Site reclassified from ‘protected’ to ‘cleared’ and removed from Mine Planning Information System

## 2018

Final report from archaeologists “highest archaeological significance in Australia” Not escalated to senior management

## 2019/20

Poor communications with PKKP

## May 2020

Formal request from PKKP to change the mine plan received after the blasting sequence had commenced. Slow and confused response from Rio Tinto

Note: For a comprehensive timeline and details see Rio Tinto Board Review published on 24 August and Rio Tinto’s submissions to the Parliamentary Inquiry dated 31 July, 3 September, 6 and 20 November on our [website](#).



# Board-led review – key recommendations

**Strengthening communities and heritage systems, processes and teams within operations to ensure that heritage issues are accorded equivalent priority alongside safety and operational performance.**

This includes improved processes for escalating heritage issues to more senior decision-making levels and the need for a greater prioritisation of partnerships and relationships with Traditional Owners and First Nations people from senior operational leaders and teams;

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**Strengthening the Group's audit capability** through the introduction of more effective internal audits to ensure conformance with Rio Tinto and independent International Heritage Standards and Guidelines;

**Strengthening oversight of operational, communities and heritage practices and performance by establishing a new Social Performance function reporting to the Group Executive, HSE, Technical and Projects.**

This aims to ensure that communities and heritage issues are managed with the same rigour and discipline as applies to health, safety and the environment. This team will regularly review the operational performance of communities and heritage at Rio Tinto's global operations in accordance with our standards and provide best practice sharing and knowledge;

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**Strengthening board oversight and assurance** to enhance governance and overall accountability.



# Juukan Gorge – implementing recommendations of the Board Review

**Committed to modernising Participation Agreements** (See slide 8 for principles)

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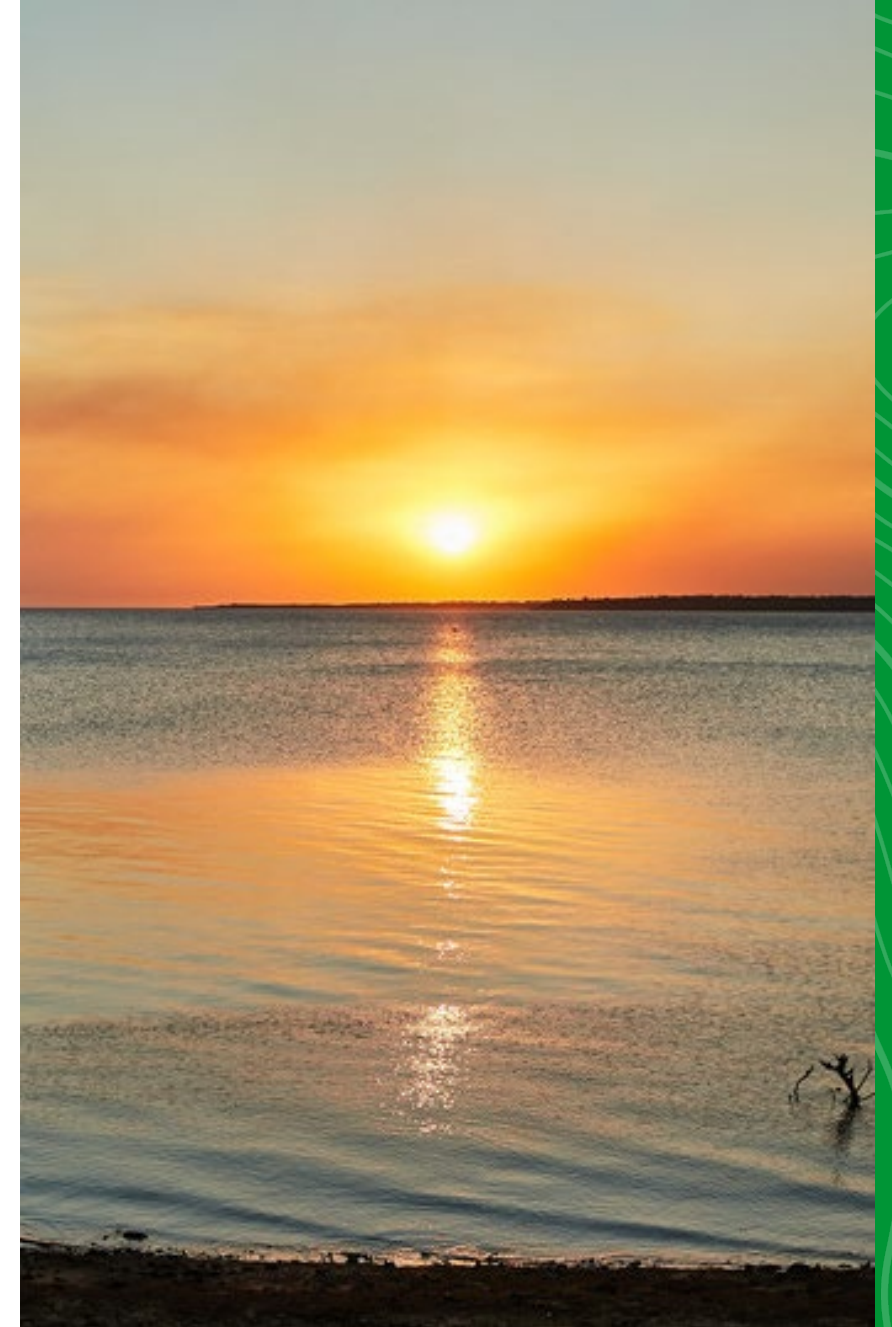
## **Communities and Social Performance Area of Expertise established**

- Aligned with the existing Health, Safety, Environment function
  - Reporting to Mark Davies, Group Executive Safety, Technical and Projects and member of the Executive Committee.
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Integrated Heritage Management Plan- Instituted an **enhanced level of governance** over the impact on sites of heritage significance

- All approvals to disturb sites directly or indirectly now made on a risk-managed basis by relevant Product Group Chief Executive; referrals of decisions as appropriate are directed to recently established Heritage Sub-Committee of Rio Tinto Executive Committee, and if necessary, to the Board

***All recommendations of the Board Review and other lessons learned from Juukan Gorge will be applied (as appropriate) across the entire Group, not just within Rio Tinto Iron Ore.***





# Principles for modernising Participation Agreements

**Not enforcing any clauses that restrict Traditional Owners from raising concerns about cultural heritage matters with anyone**, or any clauses that restrict Traditional Owners from applying for statutory protection of any cultural heritage sites

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**Improving transparency of any revised agreement** and more impactful realisation of economic and social benefits

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We intend to engage with the Traditional Owners on how an independent review can be sought to support this modernisation process.

**Introducing mechanisms into our agreements to respond better to new information that may emerge about cultural heritage sites, including those affected by Section 18 approvals.**

We will seek to agree an appropriate mechanism in our revised agreements so that there is a clear path for resolution of any differences of view that may emerge



# Free Prior and Informed Consent

**Proposing the introduction of new mechanisms to respond to material new information that may arise about heritage sites, including those subject to section 18 legal consents.**

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**Mine planning needs to become a more iterative process** with continuing consultation and co-management of heritage as the mine plan is refined and implemented over time.

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**Introduction of improved grievance and dispute resolution mechanisms**

**Reassessing all activities which have the potential to impact heritage sites, with an immediate focus on those sites that could be impacted over the next 18 to 24 months**





# Diversity and culture

## **Strengthening the voice of indigenous Australians at Rio Tinto**

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**Appointed a Chief Advisor, Indigenous Affairs** who reports directly to the Chief Executive.

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**Set up a US\$50 million investment** to advance Indigenous leadership in our Australian business

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## **Cultural Awareness training refresh**

Want to ensure that managers attach the same priority to Communities and Heritage as they do to health and safety, which represent our most mature and embedded risk management processes

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**We are focused on restoring the company's historic reputation as a leader in social performance.**

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Since the destruction of the rock shelters, Rio Tinto has worked with the PKKP on a rehabilitation programme for the Juukan 1 and Juukan 2 rock shelters and with the PKKP is assessing ways to protect the area for the future. This includes extending a mining moratorium around the Juukan Gorge and establishing a purpose-built facility to store artefacts discovered during heritage preservation works.



# Strengthening engagement

**Site visit to Brockman and Juukan Gorge** by Simon Thompson and Megan Clark

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Rio Tinto **Board meeting with PKKP** on 24 November

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Simon Thompson and Megan Clark held **meetings in the Pilbara with 9 of 10 Traditional Owner groups**

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**Engaging with industry bodies to ensure sharing of best practice**

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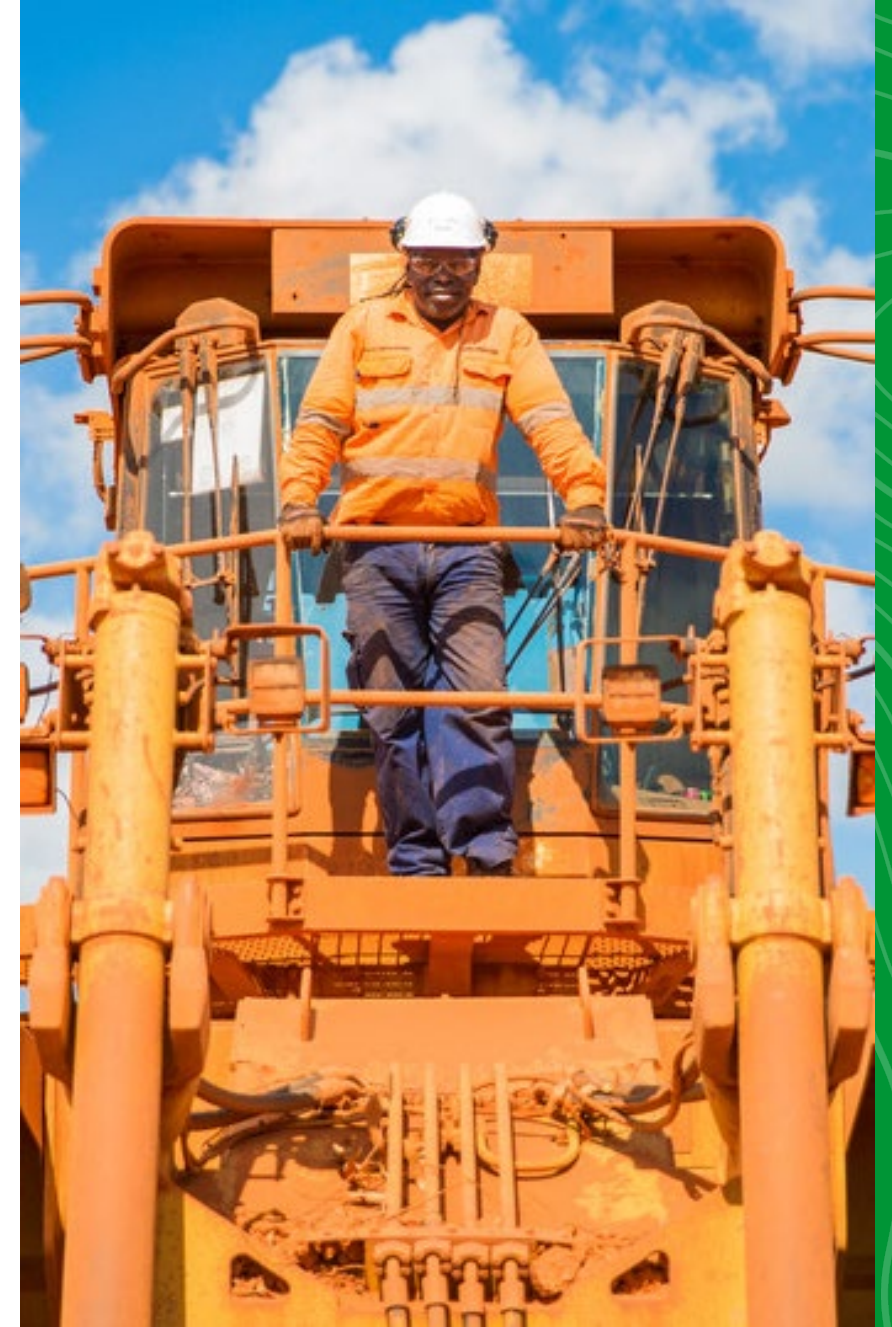
**Appointed a Chief Advisor, Indigenous Affairs** who reports directly to the Chief Executive.

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Indigenous community leader, **Wayne Bergmann, to consult with Traditional Owners** about a proposal to establish an Indigenous Advisory Group

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**Continue to contribute to the reform of the Aboriginal Heritage Act 1972 (WA).** We support an appeal right in the Western Australian government's Section 18 review process to give a greater voice to Traditional Owners in the decision-making in relation to mining on their land





# Sustainability Committee

Megan Clark





# Sustainability Committee

## Key areas of oversight

Safety



Security (people and assets)



Health



Communities and social performance, including:



- cultural heritage management and relationships with Traditional Owners
- economic and social development of the communities in which we operate
- sustainable development issues relating to suppliers and supply chains; and
- land access.

People and assets security



Environment (including water management; closure and legacy management)



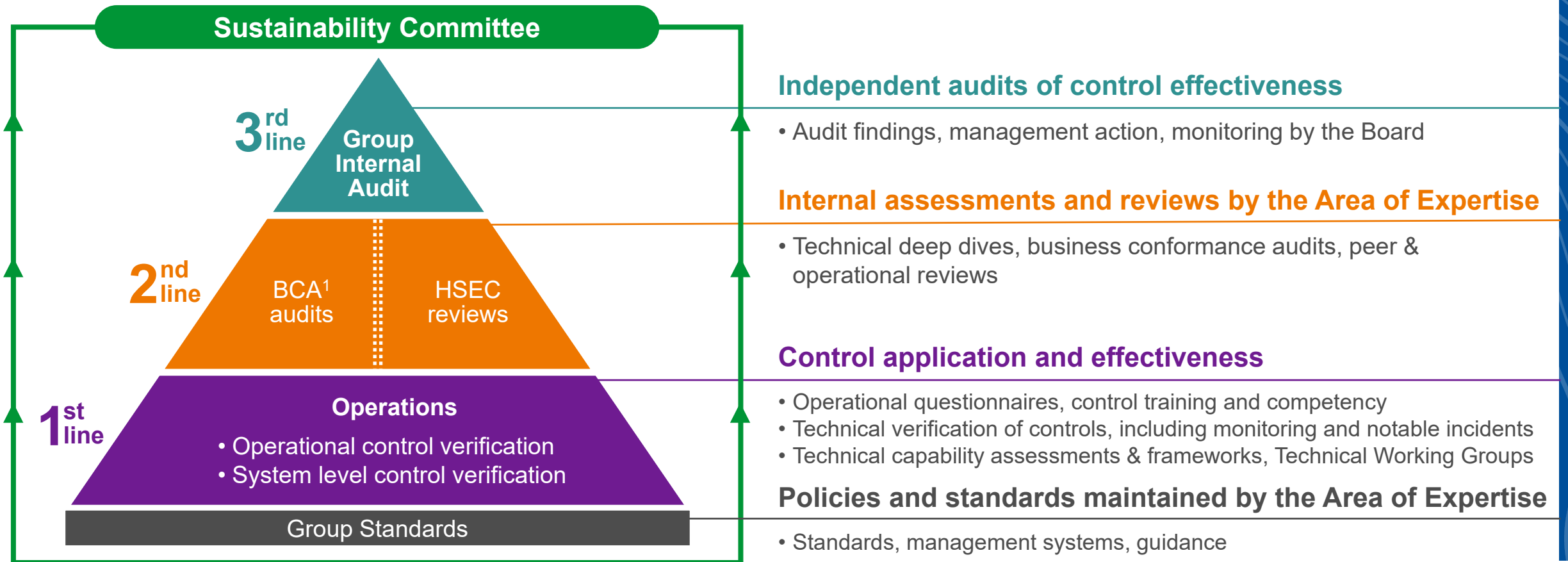
Monitor on behalf of the Board the Group's strategies, responses and disclosures in relation to climate change



# Model for Communities and Social Performance risk assurance

Governance of CSP structure now mirrors governance for safety and environment

Cultural change with reinvigoration of empowerment of heritage practitioners and prioritisation by leadership



# Audit committee

Simon Henry





# Audit Committee remit

## Key areas of oversight

Financial reporting



Internal control, including internal control over financial reporting (SOx)



Risk management



Internal audit



External auditors



Ethics & Integrity, including the *Talk to Peggy* whistle-blowing programme



# Risk management processes and the role of the Audit Committee

Responsible for overseeing the Group’s framework of risk management and internal controls and monitoring their effectiveness

The risk management framework includes a “three lines of defence” approach to managing risks and controls:

## First line assurance

All operational leaders manage their risks, including verifying internal controls have been implemented and are effective

## Second line assurance

Provided by Areas of Expertise teams. They develop, maintain and communicate the control framework for risks. Provide objective verification of compliance and assess effectiveness of internal controls

## Third line assurance

Conducted by Group Internal Audit providing independent assurance that risk management and internal controls are effective



# Remuneration committee

Sam Laidlaw





# Remuneration Committee remit

## Key areas of oversight

Determining the remuneration for the CEO, Executive Directors, Senior Management, Chairman and Non-Executive Directors



Determining the Group's Remuneration structure and policies and:

1. Ensuring they reward fairly and responsibly with a clear link to corporate and individual performance and the company's long term strategy and values
2. Assessing their cost and competitiveness
3. Ensuring that both short and long term incentive plans are appropriately stretching and reward the right behaviours
4. Ensuring there is alignment between executive remuneration and wider company pay policy
5. Monitoring gender pay



# Remuneration policy due for renewal at 2021 AGMs

Overall, the existing policy has served shareholders and the company well

The intent is to largely roll forward the current policy with some changes that are considered necessary and appropriate to respond to stakeholder expectations and evolving market practice

Retention of long-term incentive awards for three executives stepping down following the Juukan Gorge events: in line with our Group Remuneration Policy and their applicable contractual terms

Intend to introduce an ESG performance component into the Short Term Incentive Plan. The guiding principles are for these to be meaningful, linked to the strategy and measurable (quantitative and qualitative).

