

JASON FAIRCLOUGH (Head of EMEA Metals & Mining, BofA Global Research):

Jakob, thanks so much for your presentation. So now we will go on to our fireside chat. Just to remind everybody of the format, audience members can ask a question via the Veritas panel and James and I will try to work those into our questioning for Jakob. We do have a couple of prepared questions so we will start with a couple of those.

Jakob, you are not a miner by trade, you come from outside the industry, and you have spent time at Shell and at Maersk. What has surprised you about the mining industry either positively or negatively or both?

JAKOB STAUSHOLM (Chief Executive, Rio Tinto):

You are absolutely right, Jason. I've barely had my first three years in mining. There are a lot of similarities to my previous industries of oil and gas and shipping in terms of being long-lived and capital intensive, but what really struck me when I joined Rio Tinto and the mining industry is actually how profitable the industry is.

Yes, it's cyclical but I tell you the cyclicity I knew from shipping meant that some days you earned money and some days you lost money; here it is kind of either you have an average profitability or you have a very good profitability, so somehow I like the cyclicity of mining more.

The other thing I want to say is, what really, really strikes me, is how real ESG is. It's so foundational. Any company on earth, including banks, are talking about ESG, but for a mining company like Rio Tinto it is so foundational; I hadn't realised that before joining. Thanks.

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JAMES REDFERN (Australia Metals & Mining, BofA Global Research):

Hi Jakob, it's James here. Let's talk about Rio Tinto now and more specifically the Juukan Gorge situation if I may. The last 12 months or so have been a tough time for Rio Tinto in terms of the negative headlines and I guess perception issues.

Can you please talk to what have you addressed so far and what else needs to be done in relation to the Juukan Gorge issue and the market assessment of Rio Tinto and, beyond the immediate stress issues, what other things need to change within the organisation? Thank you.

JAKOB STAUSHOLM:

Thank you, James. This has been a traumatic experience for the company, and it has been hard for all of us, not just to get it wrong which we clearly got, but also to live with the consequences of bad press for all our staff for a long period of time.

It is a fundamental re-set of a company, a company that is very strong, built on very strong foundations but a few things needed to change. We obviously needed to address the issue of Juukan Gorge, rebuild relationships with PKKP and that will take time. We also needed to look over our whole cultural heritage.

But that's only the narrow part. The reality is we are now a complete new management team, the whole executive team, everyone are new in roles, a few people have come from the outside and we have also seen changes to our Board. So it's a very seismic change that we are going through right now.

I am trying to address it with the four objectives that I have laid out and behind those four objectives if you look carefully you can see that there are some cultural changes as well.

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But I simply believe we can unleash more value from the organisation, we can be more valuable to society at large by addressing those things, and that's what I am doing with the new team.

I have deliberately not gone out and talked too much in detail externally yet because my new team is only in place for months and really it is teamwork.

One of the key things that we need to be even better at is teamwork and that's what we are trying to practice from the top, so I am looking forward to later in the year to talk more and we can also look back and see and talk about what has changed.

But, quite frankly, I do think we are progressing significantly on our agenda on rebuilding the relationships with Traditional Owners and implementing all the actions that were agreed as part of the Board Review in the autumn. Thank you.

JASON FAIRCLOUGH:

Jakob, let's talk a little bit about Mongolia. That's another challenging situation for you, Oyu Tolgoi, Turquoise Hill, you have got a large challenging underground copper mine to build, it's behind schedule, it's over budget, you also seem to be re-visiting the Investment Agreement with the government, and of course Covid isn't making life any easier. So, can these assets ever create value for Rio Tinto?

Then I also have a question that has come in on the Veritas, which is why aren't you recycling peak iron ore cash flows into copper through M&A? So, a couple of different questions in there.

JAKOB STAUSHOLM:

Look, let's talk about Mongolia first. I am very, very proud of what Rio has been building in Mongolia. It is an impressive development and it is going to be a great mine that is getting closer to completion right now. So, the starting point is, that it is not just an engineering achievement, it is also, I firmly believe, really in the interests of the people of Mongolia.

And then the question is, can we ever get value out of it? I think so. It's very clear that we still have some discussions with the government of Mongolia, but I just firmly believe that there is so much "win-win" for both parties.

We have now set up a new team that is supporting the development leading the effort. Bold Baatar from my executive team is leading the effort; he is doing a very, very good job on rebuilding relationships in Mongolia.

But it's very difficult of course to progress things there less than a month ahead of a presidential election. But after the presidential election I hope we will be able to progress fast, as we are also getting to a point where we will get into the so-called Undercut decision.

But Jason, you are making a good point. The Covid situation in Mongolia is very serious right now and I really feel for people there. We have had to take a number of cautionary measures, which has had an impact on how much we have been able to operate and develop on the site, but I remain optimistic that we will come through that as well.

Jason, you added in another question, why not just swap iron ore for copper? Well, I would argue that copper assets are not cheap at this point in time and people are saying you have too much iron ore. Quite frankly, I am very happy to have iron ore assets right now. So yes, of course we are looking at the development of our

portfolio for the longer term but right now we are very, very happy with the portfolio we have. It's delivering very, very well.

And, quite frankly, more copper? Yes, we are developing much more copper. We are progressing the Winu development. We were just talking about developing Oyu Tolgoi underground; that will become the world's fourth largest copper mine. We have a number of other prospects around the world, so we are progressing it organically at this point in time. But, as you know, copper prices hit a 10 or 12 year high the other day, so it's probably not the best time to buy a mine. Thank you.

JAMES REDFERN:

Jakob, while we are talking about iron ore, I have two questions on iron ore please. The first one is, there is a perception in the market that the iron ore business has been under-invested over the years by previous management teams. Is it a fair comment?

And then the second question relates to the proposed Simandou iron ore project in Guinea. I was just wondering if you could please provide an update on Rio's plans for Simandou, Blocks 3 and 4 in the south? Thanks very much.

JAKOB STAUSHOLM:

Yes, thank you. It's a good question about the past. I wasn't there so it's difficult for me to judge, but I would say to you a couple of things. I think there were very few. When I joined in 2018 only a couple of months afterwards, we sanctioned the Gudai-Darri project that will be finalised by the end of this year. That was before Brumadinho and I think no-one of course had expected something tragic like this to happen.

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I think we have also been positively surprised about how strong the Chinese economy has developed. So, your question, the risk of answering the question, is with the benefit of hindsight which we don't have. I do think that there was a lot of rationale in what Rio did.

The challenge that we're doing right now is of course to complete a number of investments that we took in 2018 because it is right now a very, very tight market and as you have seen over the last couple of years we have slowly but surely ramped up both our developments, capex and our sustaining capex, so I think we are getting into a better situation.

Then of course we have another prospect far away in Guinea. We are keen to develop it with our Chinese partners. The problem we are facing right now is just that there are four Blocks, we are in two of the Blocks and there are two other Blocks – you will not have two separate projects with separate infrastructure - so the two consortia have to find a plan together and that's probably what needs to happen over the next couple of months.

If we can find how to do that, for me what is critical is to look at the economics on a standalone basis and more, above everything, assure ourselves that we can do it to the right ESG standards.

If so, we are very committed to progressing that development and I think we have a lot to offer. We are the only iron ore producer in the two consortia, we have been in Guinea for 50 years and we have had good experience of working in Guinea as well. So that's our position on Simandou. Thanks.

JASON FAIRCLOUGH:

Thanks Jakob. Well, let's pick up on the ESG comment that you made and we will talk a bit more specifically about carbon emissions. So, Rio Tinto was the first big miner to fully exit production of fossil fuels.

Obviously, you are still a major supplier to the steel industry which is about 8 per cent of the world's CO₂ emissions, so how do you think about this challenge? What is Rio Tinto doing? And your peer Fortescue is actually investigating making iron in the Pilbara - is this something that you'd ever consider?

JAKOB STAUSHOLM:

Well, I guess that we and BHP have been producing steel in the past in Australia. But look, it's a fascinating world and I do think we are entering a decade of enormous technological development. The reality is we don't exactly know what the solutions are but in order to achieve the targets that the world has set and that Rio Tinto has set we will have to learn a lot, develop a lot on technology and push it to application.

So one area where we are pretty advanced actually is in the aluminium industry where we have a very integrated chain and where we are focusing on ELYSIS. It has taken in my view, my humble view, far too long but that's how science works.

You build something in the lab and you scale it up and right now we have just announced that we are going to apply it to one of our smelters in the Saguenay, the new technology that would be basically making the smelting process carbon neutral. And the same thing has to happen in the steel supply chain, because as you rightly say, it is one of the major emitters of CO₂ and we have to play a role here.

That's why this year we went from only talking about Scope 1 and 2 to Scope 3 as well. What we have done is we have set up joint ventures with our major customers, Baowu in China and Tsinghua University, Nippon Steel in Japan and also a joint venture with European players, because we don't really know what the answer is. We have something to bring, they have a lot to bring and together we can find the technologies to develop that and implement it.

It's a long drive and, yes, I have seen that Fortescue is going hard in and I complement them for their effort there. We are absolutely looking at the same things, but I have to be humble and say we don't exactly know what the exact solutions will be yet.

JAMES REDFERN:

Jakob, let's talk about aluminium. Rio Tinto is one of the world's largest producers of aluminium and also producers of lower carbon aluminium as well. China seems to be moving towards exporting less aluminium, and prices have recovered very strongly this year on back of those supply restrictions but also improved demand.

I'm just wondering given the strong aluminium prices that we are seeing now, how do you think about the future for aluminium and could it now start to attract capital to grow? Thank you.

JAKOB STAUSHOLM:

Thanks James. I have always tried to defend our aluminium business, which has been under enormous pressure, and I do not know how many investor comments I have got in my 2½ years here about aluminium. They have certainly had some really tough years - and now it looks better.

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But on top of that, the economics look better, we have a very unique portfolio. On average our CO₂ emissions on producing aluminium is only one fifth of what the average CO₂ emissions are of the whole world, plus we are focusing on the technology that can significantly further reduce the CO₂.

So I would argue aluminium is a material for the future and we have the best portfolio and we have a chance also for making it better and the industry seems to get into a slightly better position, so I am very, very happy with what we have.

Now what we have not cracked yet, James, is the ability to grow. So, first things first, we still have a number of challenged assets in the PacAl portfolio and we are trying to see whether we can find solutions for those. I am very committed to try to find the right energy solutions, we are working on that, but beyond that of course it would be nice if we could find a pathway forward also to grow the portfolio. But that is probably years out.

JASON FAIRCLOUGH:

Okay, thanks for that Jakob. Well, with that I think we have about one minute to go and I don't want to run over. It just remains for me to thank Jakob so much for his time. You have been very generous, very patient, with your answers to our questions, so thank you for that, sir, and we hope to see again in 12 months.

JAKOB STAUSHOLM:

Absolutely. Thank you.

(End of Q&A Session)