

## Rio Tinto 2021 Investor Seminar

20 October 2021

### People and Culture Panel

**Menno Sanderse (Head of Investor Relations):** Good morning again, everybody, and welcome gentlemen. Arnaud, let's start with you, because clearly we heard from Jakob that there is room to improve our operating performance. And as our new Chief Operating Officer, you're clearly very well placed to attack that. What are you doing to drive Rio Tinto towards best operator?

**Arnaud Soirat (Chief Operating Officer):** So as Jakob mentioned, the performance of our assets are not where we would like them to be. The key issue that we have had, and therefore, the key opportunity to seize is to tackle variability. If you look at year-to-date, we have had assets that have performed extremely well and others that have struggled.

If you look at a single asset, we have had long periods of good performance and then some instability. And even if you go to the next step of comparing the performance of two assets that have got the same critical piece of equipment, one has been performing well. The other one is far from optimum.

So variability is destroying value. Therefore, the first phase of our approach is going to bring some stability. With stability, we will get, on average, a better performance. And that will be the basis on which we'll build the better performance up to becoming the best operator, which is one of the four priorities that Jakob described.

So what we've been doing in Rio is we are starting to build the Safe Production System of Rio Tinto. And that's a production system that will simplify the way we work. It will free people's time to be able for them to improve the way they do their work. We will be identifying best practices, sharing those practices, improving them and replicating quickly, and we will be upskilling our people from the shop floor all the way to executive leadership.

So, the Safe Production System will profoundly redesign the work and it will redefine the way we are safely, cleanly and productively working at Rio. We'll do it by focusing on upskilling our people, empowering them. And the logical consequence of this will be greater value being created.

**Menno Sanderse:** Thanks, Arnaud. Clearly, people in the room and online have seen many productivity systems and improvement programmes across different companies and for Rio Tinto. So, could you help us understand how this one is different and how you are trying to embed this in the organisation for sustainable success?

**Arnaud Soirat:** I think it's fair to say that we've tried several times in the past to improve productivity. Some people in the room and virtual room will remember some of our previous attempts. And it's fair to say that we have had mixed results. So, we've had a look at why has it been the case. And what we found is invariably over the past ten years we always tried top-down approach taking a number, decided from executives, imposing it to people and looking for delivering quick wins.

The problem is that approach didn't stick. You can get short-term value being created. But actually what is the long-term value – medium-term and long-term value being created? And the reason why it didn't stick is because fundamentally it's lagged to perform change in the way we worked in capability of our people with lasting positive impact. So, we've learned from this and we've designed our approach as a two-pronged approach.

On one hand, we're working on the fundamentals of the business and implementing the Safe Production System, which is a bottom-up approach, working with our people to find a more productive, safer and cleaner

way of working. And this is foundational work that will take years to implement. And so it will deliver benefits through the medium to long-term.

On the other hand, we are combining this with a more short-term approach, which is aiming at specific initiatives of improvement called Kaizen. And so, we are targeting the bottlenecks in our assets so that we can create short-term value. And it's the combination of short-term approach with medium-to long-term foundational work, which is going to make it sustainable and it's going to create value for many years to come.

**Menno Sanderse:** Thanks, Arnaud. And although the short-term is not a priority, can you give some examples of the specific improvements we're targeting at those bottlenecks?

**Arnaud Soirat:** So, in terms of examples. So first of all, we've started this approach six months ago, so it's early days. But we've been progressing at quite a fast pace. So to give you an idea over the past six months what have we done? We've completed a thorough benchmarking analysis, both internally and externally. We've compared the performance of each asset across Rio in terms of its best historical performance and we've compared it to the best performance in the industry.

From there, we created a prioritised list of activities that we want to do, both with the short-term improvement of the Kaizens but also with deploying the Safe Production System. We have also put together a team of representatives from different parts of Rio Tinto and we've designed the first Safe Production System. It's not perfect and it doesn't have to be, because actually what is important is to start. So we looked across all of our product groups, where are the best practices, and we've put it into the system and now we're deploying it.

And while we're deploying it, our people are fine-tuning it. And therefore, the continuous improvement is hardwired in the way we do business. And we've launched four deployment of the Safe Production Systems already in four different assets and we've done also some Kaizens.

So, to go into more specifics in terms of examples, I can talk about the first sites where we've deployed the Safe Production System is at Kennecott. We chose to deploy it at the concentrator because it's the bottleneck by design. And we are aiming at increasing the asset utilisation rates by 5 percentage points there.

Now think of it, the concentrator is just at the beginning of the value chain of Kennecott. This increased throughput, therefore, will have positive impact on the rest of the value chain. And the way we'll do that is by revisiting some of our equipment management strategy and reducing downtime, both planned and unplanned. The feedback that we've had from people, particularly from people on the shop floor has been extremely good. And because we're giving them a chance of being heard, they've got great ideas, they know the equipment extremely well and they want to contribute.

And the Safe Production System is giving them a chance to contribute to their best abilities. So, I'm absolutely convinced that that will create value and it will create value which is meant to last.

**Menno Sanderse:** Thank you, Arnaud. James over to you. You're clearly very new to Rio Tinto having joined in March. What do you see as our strengths and our weaknesses? And what can you do to make us better?

**James Martin (Chief People Officer):** Well, the first strength I'd point to is just the sheer quality of our people. We have fantastic people. I've been continually impressed by the calibre of the individuals I've met, not just intellect but in terms of drive, commitment, dedication, care, desire to do the right thing - to do it well.

And why am I so convinced of that? I've had the privilege of seeing elite teams through my life from my early days as a first jet pilot in the Air Force and later over 21 years at Egon Zehnder, I've assessed literally hundreds of leaders across many management teams in many sectors and many business centres of the world. And we benchmark extremely well. We've got great people.

So what are the weaknesses? I'd point to two. The first one, as with all of us, our weakness is often an overplayed strength. And we're diligent, analytical, we want to get it right. And that means that we can get analysis paralysis. We can get risk averse. We can get cautious. We can want to do another study rather than take a decision. And some of that's got a bit hardwired into our systems. So some of our systems have become overly meticulous and a little bit bureaucratic and a bit slow. And we're working on that.

The second area is more disappointing. It's pretty hard for any of us to open a newspaper in Australia without reading about some very distressing behaviour in the mine sites. And this is a mining industry problem and it's our problem as well. And we're not kidding ourselves that this is just Australia. There's a lot of work to do to improve the level of respect and inclusivity across all of our sites.

So what are we going to do about that? Well, we want to create an environment where everybody can feel at home, whatever their age, race, gender, sexual orientation, gender orientation. And we're absolutely determined to do that. The second thing we're going to do is work hard to unleash all the potential in all of us. All of us have got latent potential that we're not using and we're putting a lot of effort behind our development programmes to release that and restore the pride that exists in many centres already. I mean, I had an email just this week from a lady in our middle levels who – she was talking about very difficult issues she had to deal with. And at the end she said I feel so lucky to work in such a fantastic company. So there is so much pride to build on.

But I appreciate that some of you might want to know a bit more about the harassment issues we've been facing. And Kellie, I don't know if you want to come in here and just talk about that a little bit more.

**Kellie Parker (Chief Executive, Australia):** Thanks very much, James. And before I start, I just wanted to acknowledge the traditional owners on the land that myself and Sinead are sitting. That's the Jagera and Turrbal people. And I pay my respects to the elders past, present and emerging.

I've personally been appalled and really upset by what has been shared by current and former employees. It's just completely unacceptable to feel unsafe both physically and psychologically in the workplace. And we know that sexual harassment can happen when there's inequality.

So last year we actually knew that maybe we potentially have an issue and we should do some work. So we launched the Everyday Respect Taskforce just to discover and then to address the issues holistically and systemically. And we've broadened the scope to include sexual harassment, bullying and racism.

We engaged Elizabeth Broderick, who is an external expert who works for the UN Human Rights on discrimination against women and girls. And the team has just finished the discovery phase that's included focus groups, interviews, written submissions and a survey which had over 10,000 responses.

The findings are confronting. But as leaders of this business, we are committed to change. The recommendations will be made available by the end of the year and we will have an action plan to address. But James, do you want to talk about diversity?

**James Martin:** Sure. And I suppose let me start by talking about gender diversity. And there's some good news and some not so good news. As we've done okay in terms of our leadership ranks, so over the last five years, our gender diversity has improved from 19% to 26%. So we're making progress, not good enough but we're making progress.

The diversity in our front-line colleagues has stayed stubbornly flat at around 20%. So we need to do better. We're targeting 2% a year growth in gender diversity with most large corporations seem to manage between 1% and 1.5%. Obviously, we want to do better than that. And we have a number of initiatives in place and the results of these are very encouraging.

For example, we've got a women in pathways mining campaign that we just had and we had 3,000 applicants for 85 places. So I'm confident that there's more that we can do. Of course, diversity isn't just gender. If we think about Indigenous colleagues and let's focus on Australian Indigenous colleagues for a moment. We're actually already one of the largest employers of Australian Indigenous individuals. We have 1,500 today. Again, we don't think that's good enough and we're targeting a sevenfold increase in our Australian Indigenous leaders by 2025.

And to back that up, we're putting \$50 million into that, which will be spent on targeted recruitment campaigns, on leadership development, on coaching and mentoring. So we're determined to do better.

**Menno Sanderse:** Thanks, James. We've also changed our core values recently, as Jakob alluded to. Can you help us understand why we've changed this, and how the market should interpret those?

**James Martin:** Sure. If you think about any values, they need to be memorable and relevant. They need to kind of sing to your heart as well as make sense intellectually. They need to work for an organisation and they need to work for you as a person.

And when we started on this culture journey, we asked a lot of our colleagues about what do you think of the values today? And they gave us a lot of feedback. And most of it was kind of they're fine, but it wasn't quite hitting the mark. So we spent a long time just working out how we could articulate something that would play more to people today. And that's where we've ended up with care, courage and curiosity.

So care, of course, encompasses all of the physical safety, which we're so passionate about but extends it to caring in the broader sense and a psychological sense about the people we work with but also for the communities and counterparts with whom we interact.

We'd encourage, we're going to have to take some tough decisions. We're going to have to take some risks. We're going to have to face some difficult problems. Sometimes we're going to have to face difficult conversations. So courage is vital. And of course, curiosity is all about innovation, thinking of new solutions to complex problems. It's about seeking understanding when you're dealing with somebody else. And it's also about your self-development, how can I personally learn and grow.

So we're delighted with the response that we've had to these new values. They seem to have resonated extremely well with our colleagues. And I think they'll play a part in helping to change our culture.

**Menno Sanderse:** Thank you, James. And taking that forward, Mark, talking about cultural heritage and communities, what changes have you implemented to the communities and social performance function since the Juukan Gorge events of last year and do we now have the right structure in place?

**Mark Davies (Chief Technical Officer):** Yeah, look, there's probably been three key dimensions to our response, relationships, it's about capability and it's about culture. And if I start with the relationships, we've actually made it very clear that the accountability for traditional owner and community relationships sits with the site general manager, just like we do for safety. And that means that our traditional owners, our communities can just pick up the phone if there is an issue and resolve things much, much quicker.

On the capability front, we have created a CSP area of expertise that is a very small team of true experts that support our assets around the globe. And we've recruited as sort of a global expert, Melinda Buckland, to lead that team. And we've created a CSP leadership team where we actually get our CSP leaders from all of our assets together to really learn from one another to get better and better every day at how we do CSP.

And on the culture, we're going to build on the work that Arnaud was talking about respect, the values that James mentioned. But actually, we're going to add to that. I think the Indigenous leadership programme really getting Indigenous and First Nations people sitting around our management tables can really help build a culture of respect and inclusion. And we're also going to make sure that the whole organisation goes through cultural awareness training.

And when I've seen that in action at some of our sites at Weipa, where our leadership team went out into the field with the traditional owners. The engagement is just that much better.

**Menno Sanderse:** And staying on this topic, and Kellie this is also one for you but maybe Mark starting with you. You've clearly met with many, many traditional owner groups, many local communities. Do you both think mining is still wanted? And if so, what do you think the minimum requirements that communities are looking for?

**Mark Davies:** Look, Menno, I think the first important point is actually each of our traditional owners, each of our First Nations people, they're all unique. They all have their own perspectives, their own objectives. And really, so the first step is absolutely about listening, it's about relationship, it's about understanding what they need and what they want out of the relationship.

But I would say that all of – all the other ones that I've engaged with have been very supportive of mining. They just want a partnership. They want – they want this mutually beneficial outcome from this. But they actually see it as a core source of achieving some of their objectives.

One example is probably the Winu project where the Martu and Nyangumarta have been involved from the very beginning from exploration. And actually, we're sort of developing that project at a pace that suits them. So I would say in summary, yeah, absolutely very supportive. They just want the partnership and those mutually beneficial outcomes. Kellie?

**Kellie Parker:** Yeah, absolutely agree. No one that we talked to and work with doesn't want mining. The traditional owners that we work with want to have more say about cultural heritage and our mine planning process, how do they look after their culture, not only on current projects but prospective projects. And they're very supportive of mining and development but want to have more say, and that's where we want deep engagement and know that that requires more engagement and time from the traditional owners, but it's mutually beneficial and we're both looking forward to working that way across Australia.

**Menno Sanderse:** Thanks, Kellie. And staying on this topic, clearly the Western Australian government is in the process of updating the Heritage Act and there is more focus on cultural heritage across the industry in general. Can you give us your views on what you expect from that Heritage Act? And how do you expect it to impact our operations and our ability to develop projects in Australia?

**Kellie Parker:** So the first thing is that we're not waiting for the legislation. We're absolutely getting on with improvements. The full legislation hasn't been released. But what we do know and what we're very pleased with is the definitions of cultural heritage is being broadened to include tangible and intangible values, which

is very important and a very big lesson we learned from Juukan. And we also believe that agreement making is the primary means of determining heritage protection and mitigating unavoidable heritage impacts. And that is why we agreed to modernise our agreements and we're having ongoing conversations with different traditional owner groups that would like to modernise their agreement.

And look, the more we learn, the more our heritage practices evolve regardless of the pace of legislation reform. Traditional owners can freely oppose or comment on any aspect of our proposed or current operations. And we will maintain that going forward. And we are committed to meaningful engagement and acknowledge that this does take time for traditional owners and it will increase the dialogue, but we know that we'll get better participation and better mutual outcomes.

So we don't know the impact of the legislation because it hasn't been released, but we know that we are actively working on this every day.

**Menno Sanderse:** Thanks, Kellie. And Mark, back to you. Obviously, you're our Chief Technical Officer. You're also our Head of Projects and Head of CSP in the last couple of quarters. Based on the four priorities that we have set in the strategic direction that Jakob has set out, what specific people and technical skills do you think we need, especially in the Projects Division, to make that vision come to life?

**Mark Davies:** On the people front, I think there's probably two key elements. One is about the nimbleness. Business builder sort of learning from the juniors and moving faster. I think James talked about making decisions quicker and I think we absolutely need to reinforce that.

I think the second element on people is that what we just talked about is about partnerships. Many of the problems that we're trying to solve, climate, projects, we're never going to be able to do on our own. And so it's about how we work with others to get them done that would be really important. If I move on to the technology, I think there's two key elements. One is R&D and expanding our portfolio of R&D. We've had a great history of automation and productivity-driven R&D. Auto haul, automated trains, automated trucks, using that – bringing that system together but we need to expand that. If we're going to be able to grow in the future, we have to address ESG. We have to address green energy. And so, we've appointed a Chief Scientist this year to really expand our portfolio with R&D to leverage our strengths but actually to look at areas that allow us to grow.

And then the last area I think is our technical expertise. And having the right engineers, the right scientists to really drive it forward. And we've been very deliberate about a career path way for those technical experts, where they don't have to move into management. They can stay technical experts and still grow and develop. And we want to attract the best technical talent into Rio Tinto.

**Menno Sanderse:** Thank you. A final question, a short very answer from each four of you, please. So clearly beautiful words on the page, but can you just help the room understand and also people listening online how you are going to try and convert those beautiful words on a page into something that is really embedded in our culture and makes people change? And Arnaud, may I start with you please?

**Arnaud Soirat:** When thinking about the Safe Production System and all the opportunities that we've got in operations, I can see that it's firmly anchored into our new set of values of care, courage and curiosity. Just imagine, if we can empower our people, if we can engage each single of our employees and harness their creativity. And implement the ideas that they've got to improve our business, Rio will be looking like a significantly better place. That's actually my vision for SPS.

**Menno Sanderse:** Kellie, a few words from you, please?

**Kellie Parker:** We create environments that allow people to reach their full potential. They're safe. They're empowered. They're valued. We're listening to our communities. We're working in partnerships. We are absolutely going to kick goals on our performance.

**Menno Sanderse:** Thanks, Kellie. James?

**James Martin:** Culture change starts with all of us individually every day. And we are investing heavily in the development of our leaders. We've just finished a programme to put the top 110 through a programme, which is essentially about how can we be the best version of ourselves more of the time and that's what all of us are trying to do every day.

**Menno Sanderse:** Mark, any final words?

**Mark Davies:** Look, I think it's about leading by example. I think it's every day I have to demonstrate those values - the way I interact with my team, the way I interact with the rest of the business, the way I interact

with communities and partners. And I think if we do that and I expect that of my own leaders, we will move the culture.

**Menno Sanderse:** Great. Thank you very much everybody. That's the end of the first panel. And we'll now hand over to Vivek to talk about decarbonisation and the impact on commodity markets.

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