

RioTinto

Taxes paid in 2017

Reporting our economic contribution



145 YEARS

Pioneering progress



This report is designed to provide information on Rio Tinto's tax contribution that is relevant and easily understood

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Rio Tinto is transparent about how and where we pay taxes – an important part of the broader economic contribution we make to the regions in which we operate

Our global taxes and royalties paid in 2017¹ (US\$)

\$5.1bn



Australia

\$3,764m



Canada

\$387m



Chile

\$318m



Mongolia

\$228m



South Africa

\$93m



UK

\$81m



US

\$78m



Guinea

\$45m



France

\$43m



Singapore

\$24m



Peru

\$18m



Brazil

\$13m

¹ Includes corporate income tax, royalties, fees, property taxes, employment taxes, and irrecoverable indirect taxes borne by the Rio Tinto Group.



What is our global tax contribution?

“

During 2017, the Rio Tinto Group paid more than US\$5.1 billion in taxes and royalties. \$3.8 billion of this total was paid in Australia, where we also expect to pay a further final tax instalment of \$1.2 billion in June 2018, for the 2017 calendar year.”



Rio Tinto aims to make a positive, lasting contribution to the communities and countries in which we operate. Part of this contribution takes the form of taxes paid to national, regional and local governments. We believe it is important that our investors, communities and other stakeholders understand the significant economic contribution we make through the tax we pay.

During 2017, the Rio Tinto Group paid more than US\$5.1 billion in taxes and royalties. \$3.8 billion of this total was paid in Australia, where we also expect to pay a further final tax instalment of \$1.2 billion in June 2018, for the 2017 calendar year.

Investment capital is internationally mobile and a competitive tax system is important to encourage the development of new projects. We welcome the reduction in the US corporate tax rate from 35 per cent to 21 per cent.

We have a long-running commitment to transparency about how and where we pay taxes. This report is designed to provide this information in a way that is relevant and easily understood.

We welcome your feedback.

Chris Lynch
Chief financial officer

April 2018

Our taxes paid in 2017 (US\$)

\$5.1bn

Employee payroll taxes paid in 2017 (US\$)

\$1.4bn

Rio Tinto and tax transparency

In the mining industry Rio Tinto has led the way in the transparent reporting of taxes paid. We have published our taxes paid report since 2010.

Rio Tinto is supportive of countries publicly disclosing contracts and licences for the exploitation of oil, gas and minerals, as outlined in the Extractive Industries Transparency Initiative (EITI) standard.

Our support for transparency is also evidenced through the voluntary development of this report in which we disclose the tax payments that we make in all the main countries in which we operate. This report also meets the requirements of the Australian voluntary Tax Transparency Code.

We also file additional reports in order to satisfy mandatory requirements for entities in the extractive sector to disclose payments to governments connected to their extractive activity which have been introduced in the UK and Canada (Chapter 10 of EU Accounting Directive 2013/34 and the Extractive Sector Transparency Measures Act respectively).

While we support transparency in reporting of tax payments, and we have engaged constructively with governments to implement mandatory reporting, we are concerned about the proliferation of such new initiatives. Consistent reporting requirements are essential in ensuring the public receives meaningful tax information.

We therefore believe governments should work together to adopt a consistent global approach, which establishes disclosure requirements and thresholds that are proportionate.

We believe any mandatory rules need to remain focused on the ultimate objectives, both for governments and for companies, namely:

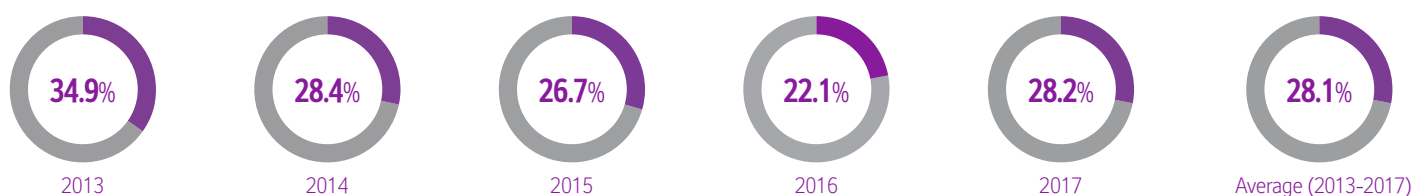
- good tax governance;
- accountability; and
- transparency.

This report shows how country disclosures can be made by groups on a voluntary basis. In a number of areas, including sustainable development reporting, voluntary transparency has been shown to encourage innovation in reporting, as well as proactive engagement with stakeholder audiences to develop reporting models.

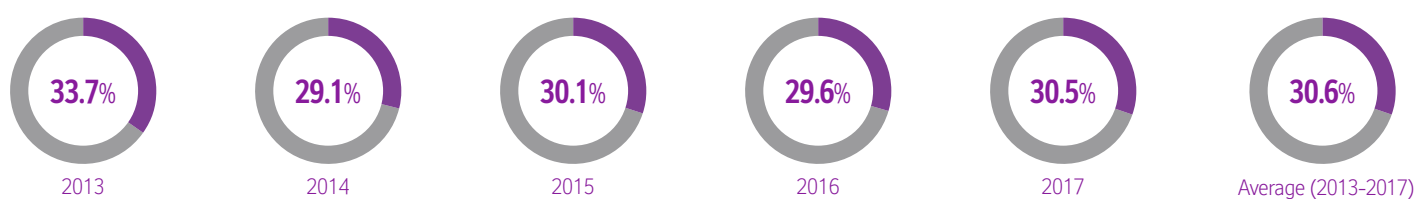
We will continue to keep our tax payment reporting under review, taking into account best practice and regulatory developments. We are committed to continuing to have a leading role in developing best practice in tax transparency.

We welcome feedback on this report.

Group effective corporate income tax rate on underlying earnings (accruals basis)



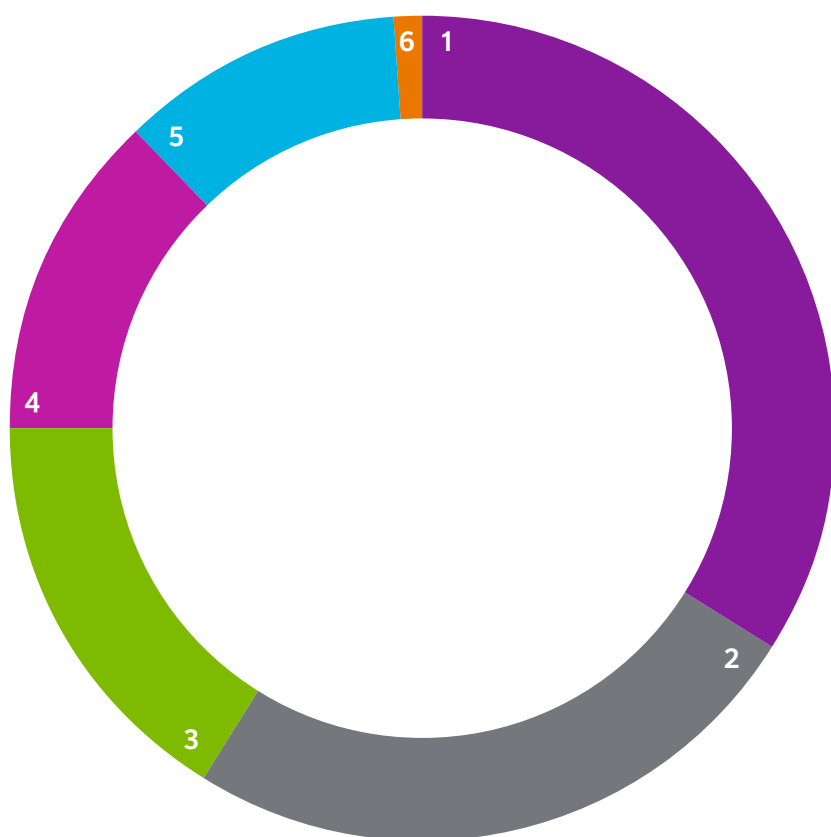
Australian effective corporate income tax rate on underlying earnings (accruals basis)



Sharing the benefits of the world's natural resources

Natural resources are an essential source of value for their country of origin and for our shareholders. As a mining and metals company, accessing these resources carries responsibility. It is important we share the benefits with our host communities in a fair and equitable manner.

Distribution of economic contribution (%)



1. Payments to suppliers

34%

2. Reinvested

25%

3. Payables to governments¹

16%

4. Dividends and finance items

13%

5. Salaries

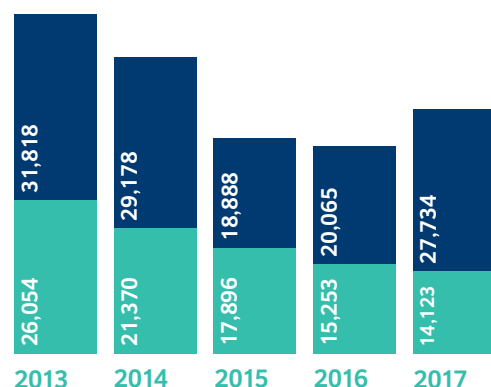
11%

6. Non-government royalties and other

1%

Direct economic contribution globally 2017 (US\$)

\$41.8bn



■ Payments to suppliers

■ Value add²



Rehabilitation nursery, Richards Bay Minerals, South Africa

¹ Payables to governments includes charges for corporate income tax, government royalties, employer payroll taxes and other tax charges.

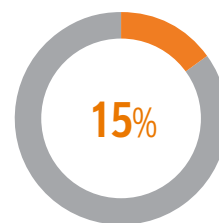
² US\$27.7 billion in value add, made up of payments to employees (wages), payables to governments (taxes and royalties), returns on capital invested in operations, non-government payments and community contributions.

Australia



Australia is home to about half of Rio Tinto's global assets. We continue to invest in Australia, with new developments such as the Silvergrass iron ore mine in the Pilbara, and the Amrun bauxite project in Cape York.

Of the \$5.1 billion Rio Tinto Group paid in taxes and royalties during 2017, \$3.8 billion was paid in Australia.



Percentage of investors based in Australia



Geologists in the field, the Pilbara, Western Australia

Total taxes paid (US\$)

\$3,764m

Total taxes paid in Australia

\$1,877m¹

The amount paid in corporate income tax in Australia

Royalties paid (US\$)

\$1,644m

The amount paid in royalties to Australian governments

Employee payroll tax (US\$)

\$739m

The amount of employee payroll tax paid in Australia

¹ A further instalment of \$1.2 billion will be paid in June 2018 in respect of 2017 and reported in 2018.



How can a community benefit from its natural resources?



Amrun is a new \$2 billion world-class bauxite mine, currently under construction, south of Rio Tinto's East Weipa and Andoom mines on the Cape York Peninsula. The mine is located in a significant area for the Wik-Waya Traditional Owners who were granted native title of their Wik and Wik-Waya lands in 2004, and who named the mine Amrun.

Australia is the world's biggest bauxite producer, accounting for about one-third of global output with some of the world's highest grade deposits found in north Queensland. There is growing demand globally for bauxite, the main raw material used in the production of alumina and aluminium metal. When operational, Amrun is initially expected to produce over 22 million tonnes of bauxite a year.



Stockpiles of bauxite, Queensland, Australia



An operator stands at a bauxite plateau, Amrun, Queensland, Australia

Supporting Traditional Owners and the Queensland economy

The Amrun Project includes a mine, processing facilities, power station and a port. The project extends mining activities on part of Rio Tinto's existing lease between Weipa and Aurukun that encompasses the land of the Wik-Waya people. The Rio Tinto Weipa mining lease covers an area of 380,000 hectares – almost five and a half times the size of Singapore.

Local benefits

1,250

On-site construction workforce as of December 2017

c.\$1bn

Amount spent with Queensland businesses

550

Indigenous people employed from Cape York across Weipa operations and the Amrun Project





Canada



Rio Tinto has invested over \$6 billion in Canada in the last seven years. With around 15,000 people working across 35+ locations, we are the largest metals and mining company in the country.

Total tax payments (US\$)

\$387_m

Taxes paid in Canada

\$129_m

Amount paid in corporate income tax in Canada

Employee payroll tax (US\$)

\$409_m

Amount of employee payroll tax paid in Canada



An employee prepares aluminium ingots to be shipped, Kitimat wharf, Canada

Can diamonds help lead the way in renewable energy?



Rio Tinto owns a 60 per cent interest in the Diavik Diamond Mine, based in the subarctic region of Canada's Northwest Territories.

Diavik produces over six million carats of diamonds each year, with total reserves of 15.1 million tonnes. The mine is instrumental in making Canada the world's third largest diamond producer by value.

Engaging local knowledge and tradition

Diavik employs over 1,000 employees and contractors, 282 (24 per cent) of whom are Indigenous. The mine's local connection extends further than employment opportunities.

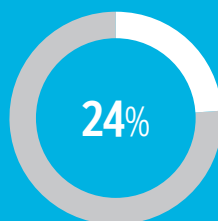
Diavik is committed to strong and respectful partnerships, including formal agreements with five local Indigenous communities. These partnerships engage local communities in environmental monitoring and management.

Investment (US\$)

\$348m

Investment made in infrastructure to ensure the continuation of existing production levels

Employment



of Diavik employees and contractors are Indigenous



Diavik is not just a leading supplier of diamonds in the high-end jewellery market. As part of Rio Tinto's commitment to the environment, Diavik operates the world's largest wind-diesel hybrid power facility and is the global leader in cold climate renewable energy. Since coming online in 2012, the wind farm has offset Diavik's diesel use by over 18 million litres and reduced its overall greenhouse gas emissions by 51 thousand tonnes.



Wind farm, Diavik Diamond Mine, Canada



Underground miners, Diavik Diamond Mine, Canada



Mongolia



Rio Tinto is a major contributor to the Mongolian economy. Oyu Tolgoi has consistently been one of the largest tax contributors in Mongolia since 2015. Rio Tinto's operations in the country contribute to Mongolia's development and prosperity – for instance in the partnership with the Mongolian Ministry of Education, Culture and Science.



Oyu Tolgoi employees talking to children from the local community, Khanbogd, Mongolia

Taxes paid to Mongolian governments (US\$)



1 National government

\$130m

2 Regional governments

\$98m

\$54m

Amount paid in royalties to the Mongolian National Government

How does Oyu Tolgoi support the Mongolian economy?



With more than 14,000 employees and contractors, Oyu Tolgoi is the largest private sector employer in Mongolia. By the end of 2017, 94 per cent of the workforce was Mongolian, as was over 74 per cent of its managerial team. Oyu Tolgoi also conducts business with more than 650 local suppliers.

The Oyu Tolgoi mine is a significant contributor to Mongolia's economy. Oyu Tolgoi is jointly owned by the Government of Mongolia (34 per cent) and Turquoise Hill Resources (66 per cent), of which Rio Tinto owns 51 per cent. Since 2010, Rio Tinto has provided strategic and operational management to Oyu Tolgoi on behalf of all stakeholders.



Training of employees, Oyu Tolgoi, Mongolia

Contributing to the national economy

Oyu Tolgoi is one of Mongolia's top corporate taxpayers, paying over \$1.8 billion in taxes and royalties since 2010. In 2017 Mongolian governments received \$228 million in taxes, royalties and other payments arising from the Oyu Tolgoi mine.

Under a Cooperation Agreement with local communities, Oyu Tolgoi makes an annual contribution to the Gobi Oyu Development Fund (DSF), an independent fund supporting sustainable development.

Investment (US\$)

\$7.2bn

Amount spent between 2010 and 2017



Water quality testing, Oyu Tolgoi, Mongolia



United States



The United States is home to some of Rio Tinto's longest-standing assets – including Rio Tinto Kennecott in Utah and Rio Tinto Borates in California, both of which have been in operation for over 100 years.

Total tax payments (US\$)

\$78m

Total taxes paid in the US, including to federal, state and county governments

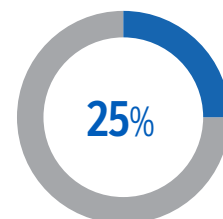
\$35m

Taxes paid to Salt Lake County, Utah

Employee payroll tax (US\$)

\$95m

Amount of employee payroll tax paid in the US



Percentage of investors based in the United States



In 2008, Rio Tinto Kennecott donated \$15 million towards the construction of the Natural History Museum of Utah at the Rio Tinto Center



How does a small town have a global impact?



Rio Tinto Borates' operation in Boron, California, is one of the most productive borates deposits in the world.

Boron is the name of both the town and the element. The operation, about 150 kilometres east of Los Angeles, is one of the richest borate deposits in the world.

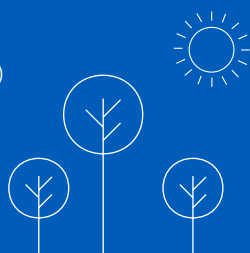
The element is used in products from ceramics and insulation to wind turbines and smartphones. Boron is not just valuable in consumer technology and energy; it is vital to agriculture and supporting plant development.

Helping local agriculture make a global impact

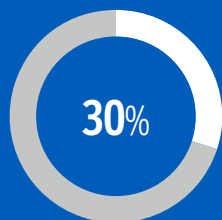
Rio Tinto Borates' current mine and refinery in the Mojave Desert has been providing borate minerals to customers around the world since 1927. Today, the operation produces approximately 30 per cent of the world's supply of refined borates. Boron is a micronutrient that is essential to plant development and to producing high-quality fruit. Rio Tinto Borates supplies boron to California growers who provide food exports all over the world.

Total taxes paid in California (US\$)

\$34m



Global contribution



Percentage of the world's supply of refined borates produced by Rio Tinto Borates



Rio Tinto Borates' 145th anniversary celebration, Boron, California, US



Boron aids in the growth of citrus fruit



Europe

**Rio Tinto pays taxes in eight European countries.
Our global headquarters are in London.**

Total tax payments (US\$)

\$146m

Total taxes paid in Europe

Employer payroll tax (US\$)

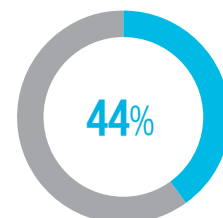
\$65m

Amount of employer
payroll tax paid in Europe

Employee payroll tax (US\$)

\$71m

Amount of employee payroll
tax paid in Europe



Percentage of investors
based in Europe



View of London skyline along the River Thames, UK



Africa

Rio Tinto has a range of operations, including mines, refineries and processing plants in Africa.

Tax contributions are paid in South Africa, Guinea, Namibia and Madagascar. Across Africa we extract ilmenite from mineral sand deposits as well as producing uranium and bauxite.



Richards Bay Minerals extracts heavy minerals from the dune sands in KwaZulu-Natal, South Africa

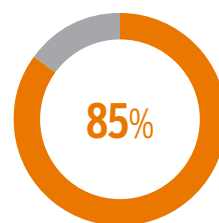
Total tax payments (US\$)

\$147m

Total taxes paid across Africa

\$93m

Total taxes paid in South Africa



of the taxes we pay in Africa are corporate income taxes (\$125 million)

Employee payroll (US\$)

\$33m

Amount of employee payroll tax paid in Africa



Latin America

Rio Tinto has interests in three Latin American countries – Chile, Brazil and Peru, including the mining of copper and bauxite, and an alumina refinery.



Community Relations employee and an agricultural expert give technical advice on how to improve productivity, La Iraca, Peru

Total taxes paid (US\$)

\$349m

Total taxes paid to Latin American countries

\$318m

Total taxes paid in Chile

\$13m

Total taxes paid in Brazil

\$18m

Total taxes paid in Peru

Rio Tinto has been exploring for mineral deposits in Peru since 1993, investing approximately \$900 million in exploration, infrastructure and community development.

Analysis by country and level of government

This table shows the total of all tax payments for each of the main countries where the Rio Tinto Group has revenue-generating operations or projects. The Group does not earn any significant amount of profit in countries not listed in this table. Within each country, total tax payments are reported by the national, regional or local government to which they are paid.

Country and level of government (US\$ millions)	Corporate income tax	Government royalties	Fees, dividends & other extractive- related payments	Employer payroll taxes	Other taxes and payments	Total tax payments borne	Employee payroll taxes
Australia Total	1,877	1,644	12	185	46	3,764	739
Australia Federal	1,877	7	-	45	7	1,936	739
Western Australia Government	-	1,313	2	85	13	1,413	-
Queensland Government	-	199	4	33	2	238	-
New South Wales Government	-	88	1	13	2	104	-
Northern Territory Government	-	37	5	5	(1)	46	-
Victoria Government	-	-	-	2	-	2	-
Tasmania Government	-	-	-	2	-	2	-
City of Karratha (WA)	-	-	-	-	5	5	-
Shire of Ashburton (WA)	-	-	-	-	4	4	-
Gladstone Regional Council (QLD)	-	-	-	-	3	3	-
Isaac Regional Council (QLD)	-	-	-	-	2	2	-
Central Highlands Regional Council (QLD)	-	-	-	-	2	2	-
Singleton Shire Council (NSW)	-	-	-	-	2	2	-
West Arnhem Shire Council (NT)	-	-	-	-	2	2	-
George Town Council (TAS)	-	-	-	-	1	1	-
Weipa Town Authority (QLD)	-	-	-	-	1	1	-
Other Australian Governments	-	-	-	-	1	1	-
Canada Total	129	61	-	80	117	387	409
Canada Federal	108	-	-	16	4	128	242
Quebec Government	(6)	53	-	57	(7)	97	166
Newfoundland Government	8	-	-	5	32	45	-
Northwest Territories Government	19	-	-	-	6	25	1
British Columbia Government	-	8	-	2	3	13	-
Ville de Saguenay (QC)	-	-	-	-	26	26	-
District of Kitimat (BC)	-	-	-	-	17	17	-
Ville de Alma (QC)	-	-	-	-	9	9	-
Labrador City (NL)	-	-	-	-	8	8	-
Ville de Sept-Îles (QC)	-	-	-	-	6	6	-
Ville de St-Joseph (QC)	-	-	-	-	2	2	-
Commission Scolaire du Lac-Saint-Jean (QC)	-	-	-	-	2	2	-
Commission Scolaire des Rives-du-Saguenay (QC)	-	-	-	-	1	1	-
Commission Scolaire de la Jonquière (QC)	-	-	-	-	1	1	-
MRC du Fjord-du-Saguenay (QC)	-	-	-	-	1	1	-
MRC Maria Chapdelaine (QC)	-	-	-	-	1	1	-
Municipalité de Sainte-Monique (QC)	-	-	-	-	1	1	-
Municipalité de Péribonka (QC)	-	-	-	-	1	1	-
Ville de Bécancour (QC)	-	-	-	-	1	1	-
Ville de Sorel-Tracy (QC)	-	-	-	-	1	1	-
Other Canadian Governments	-	-	-	-	1	1	-
Chile Total	305	-	2	-	11	318	15
Chile National	305	-	2	-	11	318	15
Mongolia Total¹	-	54	8	16	150	228	17
Mongolia National	-	54	-	-	76	130	-
Ulaanbaatar City	-	-	1	16	48	65	10
Umnugobi Aimag	-	-	-	-	26	26	7
Khanbogd Sum	-	-	7	-	-	7	-



Country and level of government (US\$ millions)	Corporate income tax	Government royalties	Fees, dividends & other extractive- related payments	Employer payroll taxes	Other taxes and payments	Total tax payments borne	Employee payroll taxes
South Africa Total	81	11	-	1	-	93	22
South Africa National	81	11	-	1	-	93	22
UK Total	47	-	-	14	20	81	39
UK National	47	-	-	14	7	68	39
Westminster City Council	-	-	-	-	13	13	-
US Total	(14)	10	-	24	58	78	95
US Federal	(47)	-	-	24	-	(23)	77
California Government	22	-	-	-	4	26	4
Utah Government	-	10	-	-	7	17	11
Alaska Government	5	-	-	-	-	5	-
Ohio Government	2	-	-	-	-	2	-
Colorado Government	-	-	-	-	1	1	1
Montana Government	1	-	-	-	-	1	-
Arizona Government	-	-	-	-	-	-	1
Salt Lake County (UT)	-	-	-	-	35	35	-
Kern County (CA)	-	-	-	-	8	8	-
Pinal County (AZ)	-	-	-	-	1	1	-
Other US Governments	3	-	-	-	2	5	1
Guinea Total	44	-	-	1	-	45	1
Guinea National	44	-	-	1	-	45	1
France Total	-	-	-	41	2	43	15
France National	-	-	-	41	(9)	32	15
Nord	-	-	-	-	7	7	-
Rhône-Alpes	-	-	-	-	4	4	-
Singapore Total	22	-	-	2	-	24	-
Singapore National ²	22	-	-	2	-	24	-
Peru Total	6	-	11	1	-	18	1
Peru National	6	-	11	1	-	18	1
Brazil Total	5	1	-	4	3	13	1
Brazil National	5	1	-	4	3	13	1
Iceland Total	-	-	-	8	4	12	11
Iceland National	-	-	-	8	1	9	11
Town of Hafnarfjörður	-	-	-	-	3	3	-
China Total	4	-	-	-	1	5	3
China Federal	4	-	-	-	1	5	-
Shanghai Municipality	-	-	-	-	-	-	2
Beijing Municipality	-	-	-	-	-	-	1
Other Total	15	9	1	2	2	29	34
Indonesia	7	2	-	-	-	9	-
Namibia	-	6	1	-	-	7	9
Netherlands	2	-	-	1	1	4	3
Luxembourg	2	-	-	-	1	3	-
Belgium	1	-	-	1	-	2	2
Madagascar	-	1	-	-	1	2	1
India	1	-	-	-	-	1	2
Switzerland	1	-	-	-	-	1	-
New Zealand	1	-	-	-	(1)	-	14
Japan	-	-	-	-	-	-	2
Germany	-	-	-	-	-	-	1
Total payments to governments	2,521	1,790	34	379	414	5,138	1,402

Total 2017 net refunds from governments on sales taxes, VAT, GST, excise duties, fuel credits and withholding taxes on supplier invoices not borne by Rio Tinto were US\$1,470 million. These refunds are not included in the table above.

¹The fiscal structure was agreed with the Government of Mongolia in 2009 and reaffirmed when the Underground Mine Development agreement was signed in 2015. In January 2018 the Mongolian tax authority issued tax assessments alleging under payment of \$155 million of tax. Rio Tinto does not agree with these assessments and has commenced action to resolve the dispute.

²The Group employs approximately 430 people in Singapore. Taxes on salaries are paid by the individuals, and therefore there is no employee taxes deducted by the company.

2017 reconciliation of corporate income tax

Reconciliation of accounting profit, tax charge and corporate income tax paid

Reconciliation of 2017 accounting profit and total tax charge US\$ millions

Profit before tax	12,816
Less: share of profit after tax of equity accounted units	(339)
	12,477
Expected tax charge at UK rate of 19%	2,371
Higher rate of tax on Australian underlying earnings at 30%	1,069
Impact of items excluded from underlying earnings (a)	494
Other tax rates applicable outside the UK and Australia	(92)
Write-down of previously recognised deferred tax assets	160
Other items	(37)
Total tax charge	3,965

(a) Impact of items excluded from underlying earnings

Impairment charges	10
Exchange and derivative gains / losses	(48)
Gains / losses on disposal of businesses	(123)
Deferred tax on planned divestments	202
Impact of changes in tax rates and laws	439
Other exclusions	14
Total impact of exclusions	494

Reconciliation of 2017 total tax charge and current tax charge US\$ millions

Total tax charge	3,965
Temporary differences	
Unrealised exchange losses	(36)
Tax losses	(12)
Provisions	(451)
Capital allowances	(278)
Tax on unremitted earnings	(4)
Post-retirement benefits	(149)
Other temporary differences	235
Current tax charge	3,270

Reconciliation of 2017 current tax charge and corporate income tax paid US\$ millions

2017 current tax charge	3,270
Add: current tax charge of equity accounted units	268
	3,538
Final tax instalment in Australia on 2017 profits due in H1 2018	(1,200)
Other timing differences between tax charges and tax payments	183
Corporate income tax paid	2,521

Reconciliation of effective corporate income tax rates on total earnings

	Profit before tax	Total tax charge	Effective corporate income tax rate (%)
Rio Tinto Group			
US\$ millions			
Underlying earnings	11,942	3,369	28.2
Exclusions from underlying earnings	535	596	111.4
	12,477	3,965	31.8
Add: Share of profit after tax of equity accounted units	339		
Profit before tax	12,816		



Payments to governments and the mining life cycle

The amount Rio Tinto contributes to governments varies depending on the life cycle phase a project is in.

Rio Tinto believes that it is essential for tax policy to take into account the cyclical nature of the industry and the significant upfront investment required to build world-class operations, and to respect agreements under which investment capital has already been committed. The risk of fiscal instability will influence the global flow of capital and a country's ability to attract and retain investment. In order to continue to support a country's investment, tax law should not be retrospective.



Exploration and evaluation 10-20 years

The first phase of a project is exploration and evaluation. Payments made to governments during this stage include employment-related taxes for small project teams, as well as payments for permits, fees and licences.



Design and construction Up to 10 years

There is usually an uplift in taxes paid during the second phase. This reflects increased expenditure created by the design and construction of a facility, as well as employment taxes associated with the greater number of staff employed to work on the project.



Operation Decades

Once the facility is operational, governments begin to receive royalty payments, which can span many decades. Corporate income taxes are related to profits and so commodity prices affect the tax revenue provided to governments. For a time, there may be no corporate income taxes paid, as allowances for the capital costs associated with construction are applied.



Closure and post closure 5+ years

Payments to governments in the final closure and post-closure phases will be significantly less than in the operating phase.

Pursuing a principled, transparent and sustainable tax strategy

The Group has established a Group tax policy (“the Policy”) governing its tax strategy, which was reviewed and approved by the board in 2017. This remains largely unchanged from previous years, and includes the following key points:

Tax risk management and governance

- The board reviews and approves the Policy, and management’s adherence to it, on an annual basis.
- Subject to this oversight by the board, the conduct of the Group’s tax affairs and the management of tax risk are delegated to a global team of tax professionals.
- The global tax team operates in partnership with the Group’s businesses to identify and mitigate tax risks.
- A manual of procedures is maintained in relation to tax risk management, and thorough risk assessments are completed before entering into any tax planning on significant transactions.
- This includes a commitment to ensure full compliance with all statutory obligations. The Group actively considers the implications of tax planning on its wider corporate reputation.

Dealings with tax authorities

- The Group values having good relations with tax authorities and is committed to full disclosure to tax authorities.
- The Group has entered into co-operative compliance agreements in relation to income tax and goods and services tax (GST) in Australia, and is participating in the Australian Tax Office’s (ATO) Justified Trust initiative.
- In other countries, it adopts more informal programmes of real-time communication with tax authorities.

Principles of tax planning and tax risk management

- Tax planning is aligned with our business strategy and conforms to our global code of business conduct, *The way we work*.
- The Group does not undertake aggressive tax planning.
- The Group manages its tax affairs in a proactive manner that seeks to maximise shareholder value, while operating in accordance with the Policy.
- The Group does not take positions that are considered unlikely to be sustained on examination.
- Where the Group takes an uncertain position in relation to a major business transaction or initiative, it will seek an opinion from an independent external adviser to support its position.

Tax incentives and concessions

- Profits should be taxed in the country in which the business and profit-generating activity is carried out.
- The Group should avail itself of tax concessions and incentives (including a lower company tax rate) offered by countries in which business activity is undertaken.
- The Group should pay no more tax than is due under a reasonable interpretation of the tax law.

Rio Tinto will not:

- Establish arrangements that are artificial and not linked to business requirements and that rely on non-disclosure.
- Artificially transfer profits from one business location to another to avoid taxation.

Tax havens

Rio Tinto defines a “tax haven” entity as a controlled entity which is resident for tax purposes in a country with a general corporate income tax rate of ten per cent or less.

There is no commonly accepted definition of the term “tax haven” and defining a country as a “tax haven” involves judgement.

For example, countries with relatively high headline tax rates commonly make policy decisions to exempt certain categories of income or gains from tax or to apply lower tax rates to certain activities by way of incentive. Other countries may choose to create a relatively low overall tax environment as a means of stimulating economic activity.

Tax haven entities

The Group has approximately 500 controlled entities of which nine are resident in “tax havens”. Three “tax haven” resident entities were liquidated in 2017. Out of the nine remaining entities, two are dormant and either in liquidation or scheduled for liquidation, and the others are summarised as follows:

- Three entities (two are tax resident in Bermuda and one in the British Virgin Islands) were established as investment holding companies to hold shares in operating companies prior to becoming part of the Rio Tinto Group via acquisition. No tax benefits are obtained from these entities but liquidating them would incur unnecessary costs.
- Three entities (two are tax resident in Jersey and one in Bermuda) provide interest-free loan funding to Group operating companies. The funding is in substance equity, but is required to have the legal form of debt to avoid diluting the equity rights of host governments pursuant to mine development and investment agreements. These entities eliminate a tax imbalance that would otherwise result in a tax charge in a situation where the Group generates no income.

- One entity was established in United Arab Emirates to provide in-country services prior to becoming part of the Rio Tinto Group via acquisition. Its business has been reduced such that it has less than US\$1 million of annual turnover and less than US\$50,000 profit.

Tax incentives and benefits

Rio Tinto has a small number of Singapore-resident companies which receive tax benefits under an incentive regime such that qualifying income is subject to an effective corporate income tax rate of ten per cent or less. Such incentives result from a policy decision by the Singapore Government to incentivise the qualifying activity. They are contingent on the location of significant economic substance in Singapore and are available to all qualifying taxpayers.

The Turquoise Hill Resources Group provides mine development funding in relation to the Oyu Tolgoi project through a Luxembourg financing entity where the application of a Double Tax Agreement (DTA) reduces withholding taxes.

This funding arrangement is transparent to the Revenue Authorities, underpinned by Revenue Authority rulings, and subject to international tax rules (specifically controlled foreign corporation rules) in the UK and Canada.

International related-party dealings

Singapore commercial centre

Rio Tinto has made further investments in its commercial centre in Singapore which undertakes marketing, shipping, procurement and other activities. In 2017, the centre employed more than 430 people. The commercial centre centralises best practice across product groups and other corporate functions, and includes centres of excellence for pricing and contracting strategies with a focus on managing risk and capturing value through all market conditions.

Rio Tinto entities based in Singapore generate income from activities carried out by the centralised marketing, shipping and procurement functions. This includes global and/or regional marketing activities of the product groups in respect of iron ore, bauxite, alumina, aluminium, copper, salt, uranium and borates.

These activities result in purchases, sales and services to global and regional Rio Tinto producer entities. Our Singapore commercial centre also provides financial services and global category management services in relation to the supply of certain strategic categories of goods, materials and services.

Rio Tinto Marine in Singapore provides ocean freight services to the Group. As a critical supply chain partner to our mining businesses, Marine adds value by providing global shipping services and acting as the central repository of maritime expertise for the Group.

All transactions with our Singaporean entities are undertaken on an arm's length basis and priced in accordance with OECD guidelines and local legal requirements. While we are satisfied these transactions align with tax requirements, differences of interpretation between companies and tax authorities can occur. In order to reduce the risk of dispute, we enter into Advance Pricing Agreements (APAs) which operate to agree the price charged with tax authorities. We have entered into APAs with the Australian Tax Office (ATO), Canada Revenue Agency and Inland Revenue Authority of Singapore in relation to some of the transactions involving the Singapore commercial centre. We are engaged in discussions with the ATO, and the ATO is reviewing its position in relation to the transfer pricing of marketing and procurement activities.

Other international related-party dealings

The Group's diamonds, borates and other minerals and products are sold from Rio Tinto producer entities to marketing and distribution entities operating principally in Europe and North America. All such transactions are undertaken on an arm's length basis.

The Group's Treasury function is based in London, and UK Group entities provide intra-group financing at market interest rates to the Group's businesses. Various other central support functions are also based in London, and management services relating to these functions are provided by UK Group entities to the Group's businesses. Management service costs are recharged to all businesses under a global service agreement.



Control room, Boron, California, US

Independent auditors' report to the directors of Rio Tinto plc and Rio Tinto Limited

Opinion

We have audited the Selected Information contained in the report 'Taxes paid in 2017 – Reporting our economic contribution' (the 'Report'). The 'Selected Information' comprises the totals included in the section of the Report entitled 'Analysis by country and level of government' for the year ended 31 December 2017 for the following balances:

- Total tax payments borne of US\$5,138 million
- Employee payroll taxes of US\$1,402 million

In our opinion, the Selected Information in the Report for the year ended 31 December 2017 is prepared, in all material respects, in accordance with the Basis of preparation set out in Appendix 2 to the Report.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 805, and applicable law. Our responsibilities are further described in the *Auditors' responsibilities* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of Rio Tinto (comprising Rio Tinto plc and Rio Tinto Limited and their respective subsidiaries) in accordance with the ethical requirements that are relevant to our audit of the Report in the United Kingdom, which include the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – Basis of preparation

We draw attention to Appendix 2 of the Report – Basis of preparation, which describes the basis of preparation. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the information included in the Report, but does not include the Selected Information and our auditors' report thereon.

Our opinion on the Selected Information does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Selected Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Selected Information or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and the directors for the Report

Management is responsible for the preparation of the Report in accordance with the Basis of preparation set out in Appendix 2 to the Report, and for such internal control as management determine is necessary to enable the preparation of the Report that is free from material misstatement whether due to fraud or error.

The directors are responsible for overseeing Rio Tinto's financial reporting process.

Auditors' responsibilities

Our objectives are to obtain reasonable assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually, or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Selected Information.

A further description of our responsibilities for the audit of the Selected Information is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for Rio Tinto in accordance with our engagement letter, to assist management and the directors in reporting Rio Tinto's taxes paid. We do not accept or assume responsibility for our work or this report to anyone other than the directors as a body and Rio Tinto save where terms are expressly agreed with us and with our prior written consent.

Simon Morley

for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants
London, United Kingdom
9 April 2018



Appendix 1:

Glossary of terms

The following terms have the meanings shown below:

Corporate income tax

All taxes that are based on the taxable profits of a company.

Current tax

The corporate income tax due in respect of taxable profits of an accounting period, as defined in the International Financial Reporting Standard IAS12.

Deferred tax

The corporate income tax due in respect of temporary differences between accounting values and tax bases, as defined in the International Financial Reporting Standard IAS12.

Effective corporate income tax rate

The corporate income tax charge in respect of an accounting period divided by the accounting profit before tax.

Government

Any governing body of a nation, state, region or district, but not including any commercial enterprises or financial institutions that may be controlled by a government.

Rio Tinto/the Group/Rio Tinto Group

Rio Tinto plc, Rio Tinto Limited and their subsidiaries, associates and joint arrangements.

Indirect tax

Tax that is required to be paid to a government by one person at the expense of another person.

Profit before tax

Accounting profit for a period before deducting a charge for corporate income taxes.

Tax

Any amount of money required to be paid to a government, whether by law or by agreement, including without limitation corporate income tax, government royalties, licence fees, permitting fees, property taxes, dividends (where the payment is related to extractive activities), employment taxes, sales taxes, stamp duties, and any other required payments.

Tax borne

Tax that a person or company is obliged to pay to a government, directly or indirectly, on that person's own behalf.

Tax charge

The amount of corporate income tax included in the income statement of a company for an accounting period.

Tax collected

Tax that a person is obliged to pay to a government on behalf of another person.

The report

The report on taxes paid in 2017 by Rio Tinto.

Underlying earnings

An alternative measure of earnings which is reported by Rio Tinto to provide greater understanding of the underlying business performance of its operations. Further information is included in note 2 of the Rio Tinto 2017 Annual report.



Appendix 2:

Basis of preparation

This Basis of preparation document supports the preparation and reporting of the data on tax payments presented in Rio Tinto's report entitled "Taxes paid in 2017" ("the report").

The report seeks to provide its users with an overview of the total payments made by Rio Tinto to governments worldwide to reflect the direct contribution made to public finances by Rio Tinto.

Rio Tinto includes Rio Tinto plc, Rio Tinto Limited and subsidiaries, associates and joint arrangements (hereafter and above – "Rio Tinto" or "the Group"). The scope of reporting is described further below.

The Basis of preparation supports the following data for Rio Tinto included in the report:

- Total tax payments borne
- Employee payroll taxes
- Taxes refunded

It is the responsibility of the management of Rio Tinto to ensure that appropriate procedures are in place to prepare reporting in line with, in all material respects, this Basis of preparation.

All data, unless otherwise stated, are prepared for the year from 1 January to 31 December 2017. Data as they relate to taxes paid, collected or refunded, are included when cash is released from, or received by, Rio Tinto.

Data are prepared based on a 100 per cent basis for all operations in which Rio Tinto has a controlling interest, and on Rio Tinto's share where Rio Tinto does not have a controlling interest.

Where an acquisition is completed in the year, or a company is newly consolidated in the year, the numbers relating to that business are included from the date of acquisition; where a disposal has been completed in the year, the numbers relating to that disposal have been included up to the point of disposal.

In addition to the above, where full information for non-controlled and divested entities' tax payments, consistent with the Basis of preparation, has not been available, no information on the tax payments, collections or refunds for that business is reported (none in 2017).

Restatements

The measuring and reporting of the data may in some circumstances involve a degree of estimation. In exceptional circumstances, restatements of prior year reported data may be required; this will be determined on a case-by-case basis (none in 2017).

Scope and methodology of reporting

Organisational reporting boundaries

The "Analysis by country and level of government" section of the report sets out taxes paid by Rio Tinto business units to governments in the countries in which they operate, by country and named level of government. Countries where the taxes paid in the year are less than US\$1 million are excluded from reporting. Taxes are reported at a named local, regional and national level for each government to which a Rio Tinto business unit has paid taxes greater than US\$1 million in 2017.

Scope of data reporting

The scope of the data reporting is presented in each definition below.

"Tax" in this report means any amount of money required to be paid to, or repaid by, a government. In overview, the key information shown is as follows:

Taxes borne

These are the taxes that the Group is obliged to pay to a government on its own behalf, or taxes that the Group is obliged to pay to a third party and that cannot be recovered from a government. A list of the main taxes we have included in this category are:

Corporate income tax

This comprises any tax on the business calculated on the basis of its profits including resource rent taxes, income or capital gains. Typically, these taxes would be reflected in corporate income tax returns made to governments, and tend to become payable, and are paid, either in the year the profits were made or up to one year later, depending on the local tax rules as to the timing of payments.

Government royalties

This comprises payments made to governments in the form of royalties, and resource rents, for example, for the extraction of minerals or metals. Typically, these taxes tend to become payable, and are paid, in the year to which they relate. These form part of operating costs.

Fees, dividends and other extractive-related payments

This comprises other payments required as a result of extractive industry projects which typically arise as a result of contractual obligations in relation to the extraction of minerals or metals. Typically, these taxes tend to become payable, and are paid, in the year to which they relate, though in the case of infrastructure improvements, the payments (none in 2017) will be reported when the infrastructure improvements are handed over to the government. These form part of operating costs.

Appendix 2:

Basis of preparation (continued)

Employer payroll taxes

This comprises payroll and employer taxes payable as a result of a company's capacity as an employer. Typically, these taxes would be reflected in payroll tax returns made to governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year, shortly after the submission of the return. These usually form part of operating costs.

Other taxes and payments

The "Other taxes and payments" column of the table in the "Analysis by country and level of government" section of the report includes:

Property taxes

This comprises any property-related taxes, including real property/land/estate tax (other than stamp duty which is described below). Typically, these taxes tend to become payable, and are paid, to governments throughout the year. These form part of operating costs.

Withholding taxes

This comprises tax charged on payments of dividends or other distributions of profits. Typically, this tax would be reflected in income tax returns made to governments and tends to become payable, and is paid, at the point of a distribution of profits from one territory to another rather than in the year the profits actually arise. These form part of the corporate income tax charge.

Customs duties

This comprises all customs/excise/import and export duties. Typically, these taxes tend to become payable and are paid to governments at the point where goods are imported and exported from territories. These form part of operating costs.

Stamp duty

This comprises taxes that arise on transfers of assets or capital. Typically, these taxes would be reflected in stamp duty returns made to governments and tend to become payable, and are paid, to governments shortly after capital or assets are transferred. These form part of operating costs.

Irrecoverable indirect taxes

This comprises sales tax, VAT and other taxes that arise on production or sale which cannot be recovered from governments. Typically these taxes would form part of a sales tax return made to governments and tend to become payable, and are paid, regularly (often quarterly) throughout the year. These form part of operating costs.

Environmental taxes

This comprises any carbon taxes or other payments to governments relating to government environmental policy. Typically these taxes tend to be payable and are paid on production.

Government grant receipts

These are grants received by Rio Tinto business units from governments, other than those given effect through corporate income tax legislation. Government grant receipts are often conditional on specific activity by the recipient business. Government grants may be either capital in nature (for example linked to specific assets) or income in nature.

Any other categories of payments to governments paid by Rio Tinto not described above are reported in the "Other taxes and payments" column of the table in the "Analysis by country and level of government" section of the report.

Employee payroll taxes collected

This comprises payroll and employee taxes withheld from employee remuneration, and paid to governments, ie tax collected by Rio Tinto and remitted to governments on behalf of employees. Typically, these taxes would be reflected in payroll tax returns made to governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year, shortly after the submission of the return.

Net taxes refunded

Taxes refunded reported in the footnotes to the table of the "Analysis by country and level of government" section of the report are as follows:

Sales taxes/VAT/GST/excise duties

This comprises net amounts refunded from governments that a company has paid on its supplies, for example on raw materials, and is entitled to recover. Such a refund does not result in a net cost to governments. Typically these taxes become repayable and are repaid by governments regularly (often quarterly) throughout the year, shortly after the submission of the sales tax returns.

Withholding taxes collected from suppliers

This comprises taxes that are required to be withheld in advance on payments made to suppliers. Typically, these taxes would be reflected in income tax returns made to governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year, shortly after the submission of the return.

Rio Tinto plc

6 St James's Square

London

SW1Y 4AD

United Kingdom

T +44 (0)20 7781 2000

Rio Tinto Limited

360 Collins Street

Melbourne

Victoria 3000

Australia

T +61 (0)3 9283 3333

Get more information online

Find out more about our business and performance:

riotinto.com

View our 2017 Annual report:

riotinto.com/ar2017

View our 2017 Sustainable development report:

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