Taxes paid:
Our economic contribution
2019

Rio Tinto

Contents

Cover image: Children playing in the East Kimberley region, Western Australia

Image: Dampier Port, Western Australia

Building trust through transparency

At Rio Tinto, our purpose is to produce materials essential to human progress. It is important to us to fulfil that purpose responsibly – and transparently.

A decade ago, we were the first company in our industry to disclose our payments to governments in detail, and we have been reporting on our taxes and royalties paid, and our economic contribution, in increasing detail ever since.

Jakob Stausholm, Chief Financial Officer

Today, we are open not only about our tax payments but also our mineral development contracts, beneficial ownership and a range of other commitments. We believe such transparency both encourages accountability – ours as well as others' – and allows us to have fact-based conversations about the issues at hand.

In 2019, the Rio Tinto Group paid \$7.6 billion in taxes and royalties globally, of which the vast majority – \$6.2 billion – was paid in Australia, home to the largest part of our business. Over the past 10 years we have paid over \$70 billion in taxes and royalties globally; more than 70%, or \$52 billion, was paid in Australia.

Why is this important? Because our business, including the taxes and royalties we pay, plays a critical role in the overall economic health and development of the regions where we operate – Western Australia to Québec. Our business and the funds we provide to governments and communities support the basic infrastructure of society – bridges and roads, schools and hospitals – as well as other local development priorities, like job creation and skills training. This is one, very important way we pioneer progress.

Being transparent about where these payments go helps our stakeholders better understand how these funds may be used.

This year, consistent with our commitment to building on transparency about our economic contribution, we for the first time release comprehensive financial and tax related disclosures for each country in which we operate. Our 2018 Country by Country report can be found on our website.

A consistent standard against which companies can report their contributions is also essential to promoting confidence in business. This year, we continue our reporting in line with the B Team Responsible Tax Principles and we commit to implementing in full, the "Tax & Payments to Governments" standard of the Global Sustainability Standards Board of the Global Reporting Initiative.

I believe this year's reports, together with the additional disclosures we have made beyond our Annual Report – including, for example, on climate change and sustainability – present a compelling view of the lasting, positive impact our company has, both on our host communities and the world at large.

We welcome your feedback.

Jakob Stausholm
Chief Financial Officer
April 2020

\$7.6bn
Taxes and royalties paid in 2019

\$4.8bn
Corporate tax paid in 2019

\$45.1bn
Direct economic contribution in 2019

\$210bn
Economic contribution since 2015 to the countries and communities where we operate

37,000
suppliers managed in more than 120 locations

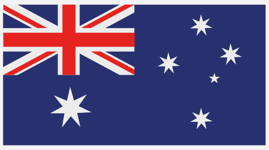
\$36m*
Community investment

* In 2019, we adopted new definitions and data collection processes for reporting discretionary community investments, non-discretionary development contributions, management costs and payments to landowners to align with GRI Reporting Standards. As a result of these changes, 2019 data is not comparable with previous years.

Our global tax contribution

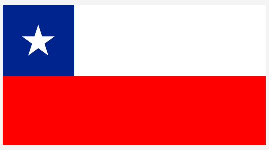
Total global taxes and royalties paid in 2019

$7.6 billion



Australia

$6.2bn



Chile

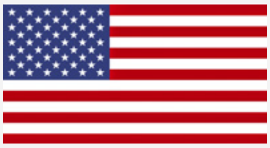
$311m

Mongolia

$305m

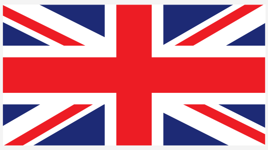
Canada

$291m



US

$178m



UK

$117m

South Africa

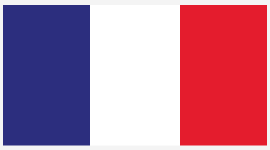
$80m

Guinea

$33m

Singapore

$24m



France

$20m

Brazil

$15m

Peru

$13m

$7.6bn
Global tax and royalties paid in 2019

$70.6bn
Global tax and royalties paid since 2010

$6.2bn
Australian tax and royalties paid in 2019

$52.1bn
Australian tax and royalties paid since 2010

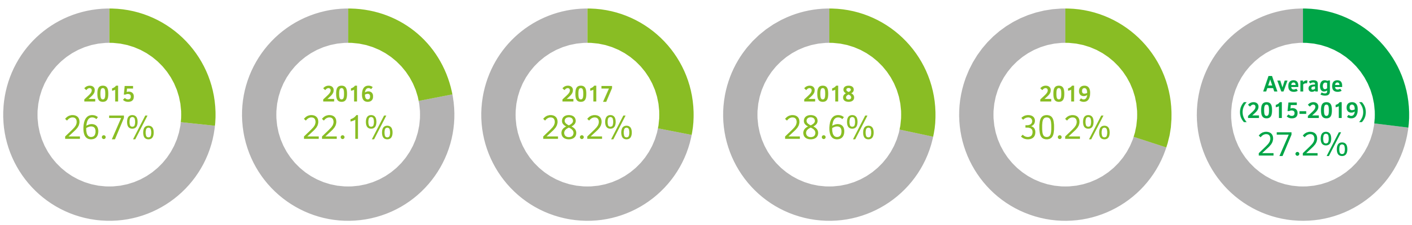
30.2%
Group effective corporate income tax rate on underlying earnings in 2019

38.3%
Group effective tax rate on underlying earnings inclusive of royalties in 2019

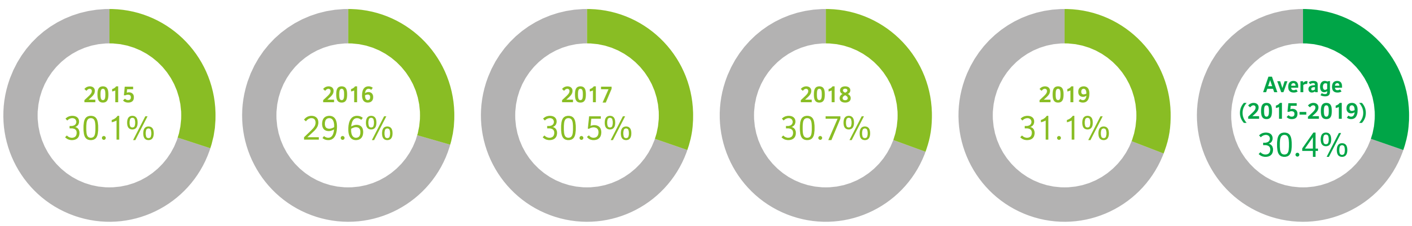
31.1%
Australian effective corporate income tax rate on underlying earnings in 2019

39.3%
Australian effective tax rate on underlying earnings inclusive of royalties in 2019

Group effective corporate income tax rate on underlying earnings

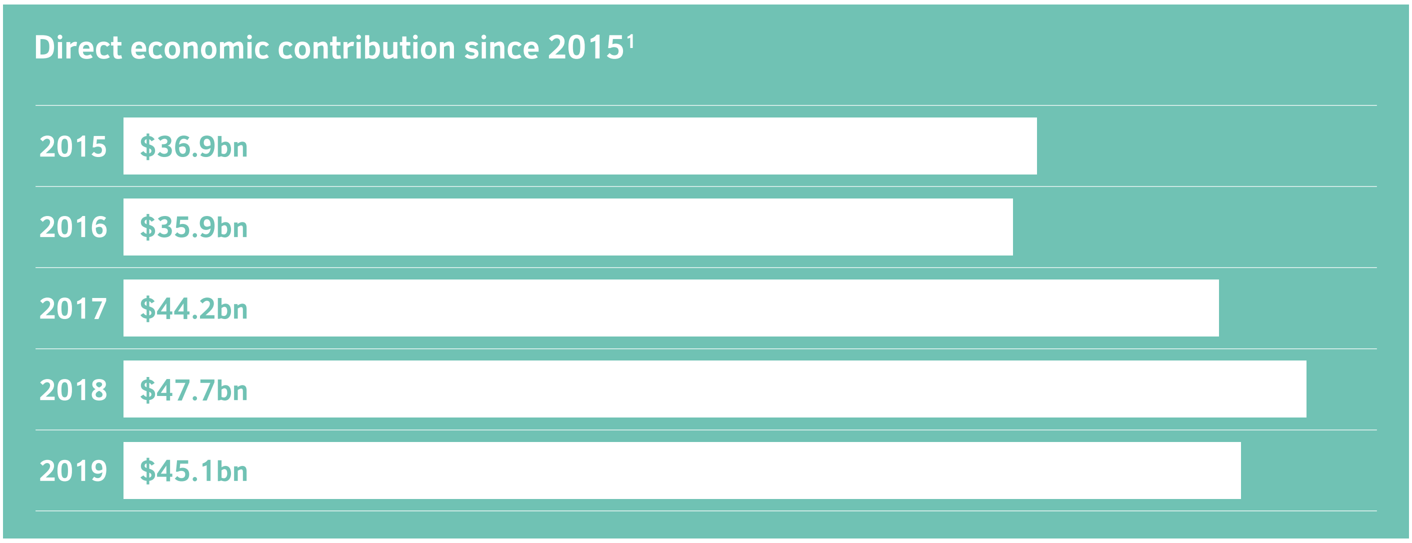


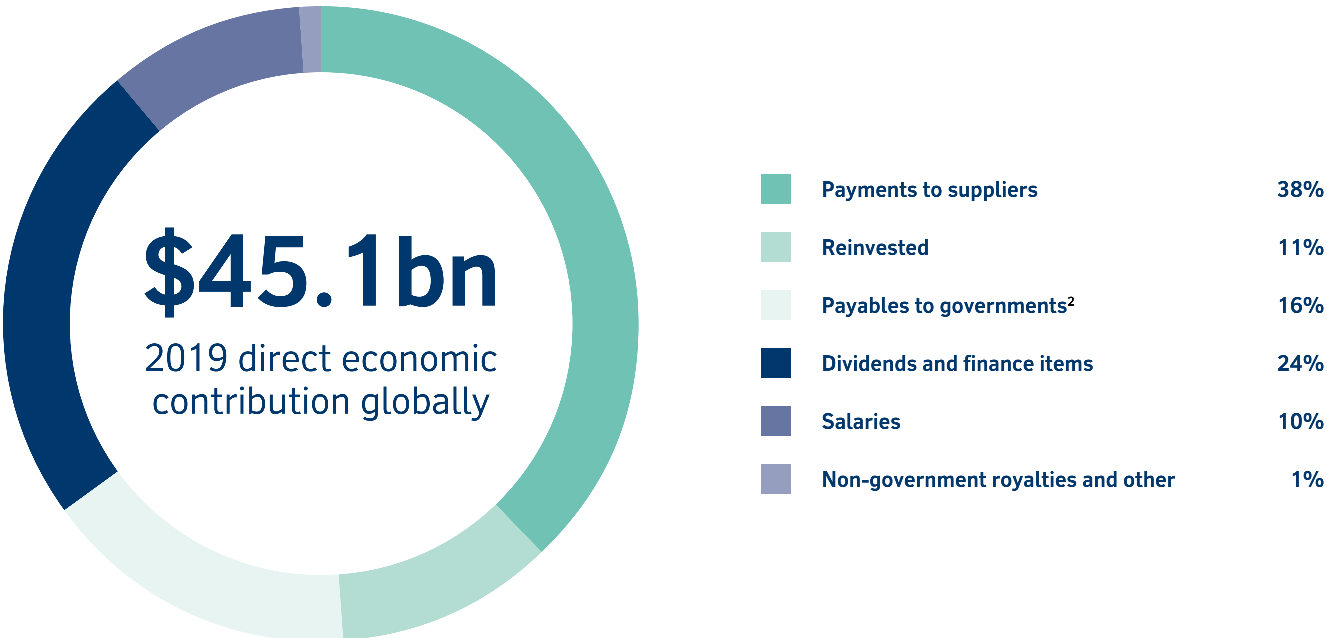
Australian effective corporate income tax rate on underlying earnings



Working with shared purpose

Our values, experience and history tell us that we must work in a way that delivers real, lasting benefits for the owners of our company as well as the wider communities in which we operate. We must care for our employees, respect and care for the environment when we explore, build and operate, and repurpose or rehabilitate the land when our operations come to an end. We must contribute our fair share to local and national economies, including through the payment of taxes and royalties, and do so transparently.





1. Numbers have been restated from those originally published to ensure comparability over time.
2. Payables to governments includes charges for corporate income tax, government royalties, employer payroll taxes and other tax charges.

Australia

Of the $7.6 billion Rio Tinto paid in taxes and royalties during 2019, $6.2 billion was paid in Australia. Australia is home to around half of our global assets, including Koodaideri – our new $2.6 billion iron ore mine – and Winu, our promising copper-gold exploration project. At our iron ore assets in the Pilbara, projects worth a combined value of $4.6 billion are underway. And we continue to invest in the country including with our partners. In 2019, we awarded our 400th scope of work through our local procurement portal, and partnered with over 1,900 Western Australian businesses – including Pilbara Aboriginal businesses.

$6.2bn
Total taxes and royalties paid in Australia in 2019

$1.7bn
Royalties paid in Australia in 2019

$4.2bn
Corporate income tax paid in Australia in 2019

$619m
Taxes collected on behalf of employees and remitted to Australian governments

Australian underlying earnings 2019	$13.5bn
Australian effective corporate income tax rate on underlying earnings 2019	31.1%
Australian effective tax rate on underlying earnings 2019, including royalties	39.3%
Total taxes and royalties paid in Australia from 2010 to 2019	$52.1bn
Number of employees	19,173

Image: Amrun Chith Export Facility, Queensland, Australia

AUSTRALIA CONTINUED

We awarded Mondium, a company based in Perth, an approximate $280 million contract for the design and construction of our Western Turner Syncline Phase 2 (WTS2) mine, part of our Greater Tom Price operations. This contract is expected to create 450 jobs starting in the first quarter of 2020.

We also awarded more than $42 million to nearly 50 Pilbara Indigenous-owned businesses to help develop Koodaideri – our most technologically advanced mine, as well as a landmark $14 million contract to Yurra Pty Ltd., which is majority owned by the Yindjibarndi Aboriginal Corporation, to provide civil maintenance services on and around our Pilbara rail network.

Last year, recognising that students need the skills to keep pace with a rapidly changing world, we launched an innovative partnership in Australia with leading start-up accelerator BlueChilli and Amazon Web Services. Our collective aim is to fast-track the development of skills needed for the digital future, including critical thinking, problem-solving, automation, systems design and data analytics. We will invest $7 million (A$10 million) in this four-year national programme, which will crowd-source ideas from other start-ups as well as schools and universities.

Image: Group of young employees at Boyne Smelters, Central Queensland, Australia

Helping Australians develop skills for the work of the future

We have scaled up our investment in education partnerships that help Australians, including our employees, develop skills for the future. One of our flagship programmes is our partnership with the government of Western Australia and South Metropolitan TAFE (Technical and Further Education) to develop the first nationally recognised qualifications in automation.

At a time of rapid change brought about by technology and innovation, these qualifications will give Western Australians easily transferable skills and training that can be used right across the resources industry – now and into the future.

Canada

We have invested over $9 billion in Canada in the last eight years. At the $0.5 billion Kemano project in Kitimat, British Columbia, we are constructing a second tunnel to de-risk our 100% owned hydropower facility. In 2018, we committed $187 million to extend operations at the Vaudreuil alumina refinery.

This investment will extend operations at the Vaudreuil plant beyond 2022, supporting over 1,000 jobs in the Saguenay—Lac-Saint-Jean region of Quebec, and generating annual regional economic benefits of around C$135 million.

With more than 15,000 employees and contractors working at over 35 sites and operations across the country, we are the largest mining and metals company in the country.

Demand for responsibly-sourced products is growing – and we are leading our industry by partnering with our customers to supply low carbon, certified aluminium. Our Canadian aluminium operations produce some of the highest quality, lowest carbon aluminium in the world. Across our global aluminium operations, our greenhouse gas emissions intensity is 60% lower than the industry average.

We were the first producer to offer Aluminium Stewardship Initiative (ASI) certified, responsible aluminium; in 2019, we received further certifications for our BC Works and Kemano sites in Canada.

$291m

Total taxes and royalties paid in Canada in 2019

$45m

Corporate income tax paid in Canada in 2019

$430m

Taxes collected on behalf of employees and remitted to Canadian governments in 2019

Canadian underlying earnings 2019	**$1.1bn**
Number of employees	**11,576**

Image: Train, Iron Ore Company of Canada, Labrador City, Canada

Helping communities drive their own progress

In 2019, we signed a historic agreement with the Innu community of Ekuanitshit in the province of Quebec. "Uauitshitun" or "mutual support" in the Innu language, the agreement is designed to generate economic development opportunities in a variety of ways. For example, we will support Innu businesses by providing health and safety training and improving their competitiveness in the procurement process. We will also partner in other areas such as environment, land stewardship and traditional practices and education, through pre-employment vocational training and school programmes.

This year, we also supported the creation of the "Centre en entrepreneuriat multi-ressources". Established in 2019, the centre supports entrepreneurs in the natural resources sector, helping them to run more efficient, sustainable and profitable businesses.

Image: Havre-Saint-Pierre, Quebec, Canada

Mongolia

The Oyu Tolgoi copper mine is a major contributor to the Mongolian economy. In 2019, this operation generated $300 million in taxes, royalties and other payments for Mongolian governments. Overall, Oyu Tolgoi has paid more than $2.6 billion in taxes and royalties since 2010.

Oyu Tolgoi – creating value for Mongolia

Oyu Tolgoi is the biggest employer in the country, with over 13,800 employees and contractors, approximately 93% of whom are Mongolian. Oyu Tolgoi is owned by the Government of Mongolia (34%) and Turquoise Hill Resources (66%), of which we own 51%. Since 2010, we have provided strategic and operational management to Oyu Tolgoi.

Between 2010-2019, Oyu Tolgoi has spent more than $3 billion nationally on procurement; in 2019 alone, we spent more than $366 million with local suppliers.

Investing in sustainable development

Under a cooperation agreement with local communities, Oyu Tolgoi makes an annual contribution of $5 million to the Gobi Oyu Development Support Fund (DSF), an independent fund supporting sustainable development. Since 2015, through the DSF, Oyu Tolgoi has invested $22.3 million in 180 sustainable development projects and programmes which has also resulted in the creation of more than 94 permanent jobs.

Mongolian underlying loss 2019	**$(403)m**
Number of employees	**3,215**

Image: Children in kindergarten class, Khanbogd, Mongolia

Total taxes and royalties paid in 2019

$305m

of this:

Total taxes paid to the Mongolian national government

$152m

including royalties of $71m

Total taxes paid to four regional governments

$153m

$22m

Taxes collected on behalf of employees and remitted to Mongolian governments in 2019

$10.3bn

Invested in Mongolia between 2010 and 2019

United States

We have been creating value in the US for more than a century, and continue to invest in our future there.

In April 2019, we committed $302 million of additional capital to advance our Resolution Copper project in Arizona. Permitting and studies are progressing well, following the release of the independently prepared draft Environmental Impact Statement (EIS) in August – a major permitting milestone for the project. Resolution, one of the world's largest copper deposits, has the potential to supply up to 25% of the United States' copper demand.

In 2019, we also announced a $1.5 billion investment at our Kennecott copper operation in Utah, extending operations to 2032. Kennecott delivers nearly 20% of the country's copper production. With this project, we have invested more than $5 billion in modernisation, environmental stewardship and mine-life extension initiatives since we acquired Kennecott in 1989.

Pioneering a new source of lithium

In 2019, we announced a $10 million investment to pilot the production of commercial grade lithium at our Boron operations in California. The lithium, discovered in nearly century-old borates tailings, creates additional value from existing waste rocks and as such, does not need to be mined. The pilot could potentially produce 10 tonnes per year of lithium-carbonate, needed in rechargeable batteries for electric vehicles and consumer electronics. In the coming year, we will consider an additional $50 million investment to build an industrial-scale lithium plant with capacity for 5,000 tonnes per year, or enough to make batteries for approximately 15,000 electric vehicles.

$178m
Total taxes and royalties paid in the US in 2019

$(19)m
Corporate income tax refund in the US in 2019

$47m
Taxes paid to Salt Lake County, Utah in 2019

$92m
Taxes collected on behalf of employees and remitted to US state and federal agencies in 2019

US underlying earnings 2019	**$120m**
Number of employees	**3,400**

Image: Boron operations, California, United States

Europe

We pay tax in ten European countries, and our global headquarters are in London:

- Belgium
- France
- Germany
- Iceland
- Luxembourg
- Netherlands
- Serbia
- Spain
- Switzerland
- UK

$160m

Total taxes and royalties paid in Europe in 2019

$98m

Corporate income tax paid in Europe in 2019

$40m

Employer payroll tax paid in Europe in 2019

$55m

Taxes collected on behalf of employees and remitted to European governments in 2019

Discovering a new mineral in Serbia

In 2004, we discovered a new mineral containing both borates and lithium in Serbia's Jadar Valley, which we called jadarite. In 2019, we continued the pre-feasibility study at our potential mine, to help us to understand the scale and quality of the mineral and develop new technology to extract and process it.

Alongside our environmental and social impact assessment, the study is allowing us to explore different ways to potentially develop the project – from logistics to economics, and environment to impact on local communities.

Europe underlying loss 2019	**$(149)m**
Number of employees	**1,149**

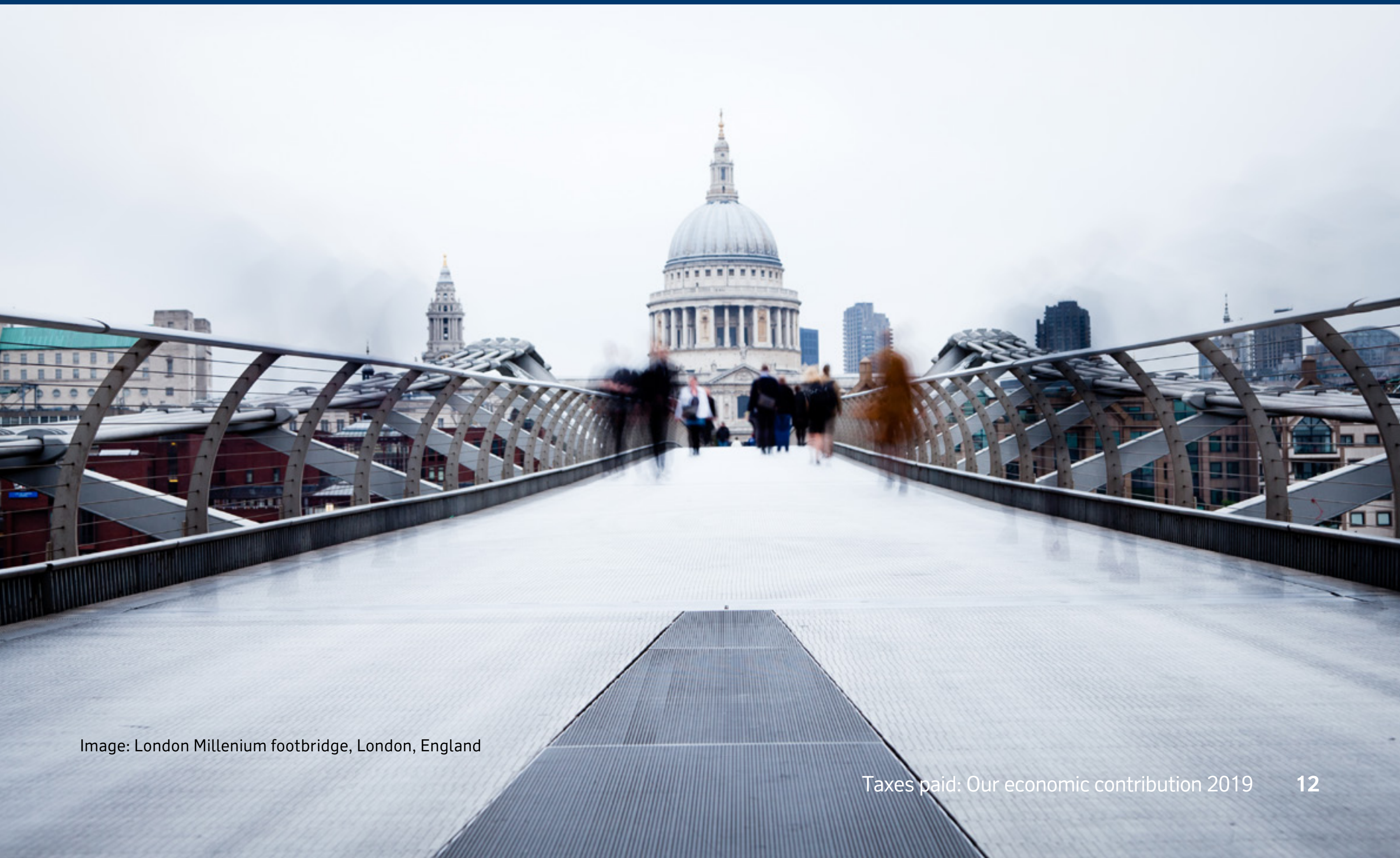


Image: London Millenium footbridge, London, England

Africa

Our operations in Africa include mines, refineries and processing plants and, in 2019, we paid tax in South Africa, Guinea, Namibia, Madagascar and Zambia.

QIT Madagascar Minerals (QMM), near Fort Dauphin in the Anosy region of south-eastern Madagascar, produces ilmenite which is a major source of titanium dioxide. Recognising that we have a role to play in promoting and supporting regional economic development, our QMM team funds business skills training to support local agricultural cooperatives. Also, partnering with local businesses is a key part of the procurement approach at QMM, and the procurement procedures ensure local suppliers are considered at every stage of the process.

In April 2019, we announced we would sustain current capacity and extend the life of our Richards Bay Minerals (RBM) operation, in South Africa, through the investment of $463 million in the Zulti South project. After a number of security incidents, construction of this project is currently on hold; we will assess restarting construction after operations normalise.

$120m

Total taxes and royalties paid in Africa in 2019

$80m

Total taxes and royalties paid in South Africa in 2019

$99m

Corporate income tax paid in Africa in 2019

$31m

The amount of taxes collected on behalf of employees and remitted to governments of five countries in Africa in 2019

Africa underlying earnings 2019 (including equity accounted units)	**$249m**
Number of employees	**4,371**

Image: Rehabilitation project at QIT Madagascar Minerals operation

Latin America

In Chile, Brazil and Peru, we own interests in copper and bauxite mines, as well as an alumina refinery. Escondida, in northern Chile, is the world's largest copper mine, producing around 1.2 million tonnes a year. We own a 30% share.

$340m
Total taxes and royalties paid in Latin America in 2019

$13m
Total taxes and royalties paid in Peru in 2019

$311m
Total taxes and royalties paid in Chile in 2019

$13m
Taxes collected on behalf of employees and remitted to Latin American governments in 2019

$15m
Total taxes and royalties paid in Brazil in 2019

Latin America underlying earnings 2019 (including equity accounted units)	**$453m**
Number of employees	**1,513**

Image: Alumar alumina refinery, a joint venture with South32 and Alcoa, São Luís, Maranhão, Brazil

Analysis by country and level of government

This table shows the total of all tax and other payments to governments for each of the main countries where the Rio Tinto Group has revenue-generating operations or projects. We do not earn any significant 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.

The analysis by country and level of government is prepared in accordance with the basis of preparation in Appendix 2.

Country and level of government (US$ millions)	Corporate income taxes paid (refunded)	Government royalties	Fees, dividends and other extractive related payments	Employer payroll taxes	Other taxes and payments	**Total payments to governments borne**	Employee payroll taxes
Australia Total	**4,244.9**	**1,736.4**	**13.6**	**175.9**	**39.5**	**6,210.3**	**619.5**
Australian Taxation Office	4,244.9	5.3	0.2	46.8	11.8	4,309.0	619.5
State of Western Australia	–	1,608.2	7.1	93.6	11.0	1,719.9	–
State of Queensland	–	84.3	1.8	25.0	1.7	112.8	–
Northern Territory Revenue Office	–	38.6	4.5	4.4	(1.6)	45.9	–
State of New South Wales	–	–	–	2.4	0.3	2.7	–
State of Tasmania	–	–	–	2.4	0.1	2.5	–
State of Victoria	–	–	–	1.3	0.1	1.4	–
City of Karratha (WA)	–	–	–	–	4.9	4.9	–
Shire of Ashburton (WA)	–	–	–	–	4.8	4.8	–
Gladstone Regional Council (QLD)	–	–	–	–	2.7	2.7	–
Weipa Town Authority (QLD)	–	–	–	–	1.2	1.2	–
Shire of East Pilbara (WA)	–	–	–	–	0.8	0.8	–
West Arnhem Shire Council (NT)	–	–	–	–	0.7	0.7	–
George Town Council (TAS)	–	–	–	–	0.3	0.3	–
Cook Shire Council (QLD)	–	–	–	–	0.3	0.3	–
Town of Port Hedland (WA)	–	–	–	–	0.2	0.2	–
Other Australian Governments	–	–	–	–	0.2	0.2	–
Chile Total	**297.6**	**–**	**1.1**	**0.3**	**12.3**	**311.3**	**10.7**
Servicio de Impuestos Internos	297.6	–	1.1	0.3	12.3	311.3	10.7
Mongolia Total[1]	**0.6**	**71.1**	**13.7**	**20.6**	**199.1**	**305.1**	**21.8**
General Department of Taxation	0.6	71.1	0.2	0.1	79.7	151.7	0.1
Ulaanbaatar City	–	–	1.4	20.5	91.3	113.2	14.0
Umnugobi Aimag	–	–	6.8	–	28.0	34.8	7.6
Khanbogd Sum	–	–	0.3	–	0.1	0.4	0.1
Gobi Oyu Development Support Fund[2]	–	–	5.0	–	–	5.0	–
Canada Total	**44.7**	**57.4**	**8.8**	**85.4**	**95.1**	**291.4**	**430.2**
Canada Revenue Agency	20.1	–	–	15.7	1.6	37.4	256.6
Revenu Québec	0.3	–	–	59.5	2.0	61.8	172.8
Ministre des Finances du Québec	–	49.7	0.2	–	1.3	51.2	–
Government of Newfoundland and Labrador	15.9	–	–	4.9	6.5	27.3	–
Ville de Saguenay (QC)	–	–	–	–	25.6	25.6	–
District of Kitimat (BC)	–	–	–	–	18.3	18.3	–
Ministry of Finance of British Columbia	–	7.7	–	4.7	3.8	16.2	–
Government of Northwest Territories	8.4	–	4.5	0.5	2.2	15.6	0.8
Ville d'Alma (QC)	–	–	–	–	8.9	8.9	–
Town of Labrador City (NL)	–	–	–	–	7.8	7.8	–
Ville de Sept-Îles (QC)	–	–	–	–	6.3	6.3	–
Innu Nation[2]	–	–	2.6	–	–	2.6	–
Ville de St-Joseph-de-Sorel (QC)	–	–	–	–	1.8	1.8	–

ANALYSIS BY COUNTRY AND LEVEL OF GOVERNMENT CONTINUED

Country and level of government (US$ millions)	Corporate income taxes paid (refunded)	Government royalties	Fees, dividends and other extractive related payments	Employer payroll taxes	Other taxes and payments	**Total payments to governments borne**	Employee payroll taxes
M.R.C. du Fjord-du-Saguenay (QC)	–	–	–	–	1.4	1.4	–
Tlicho Government[2]	–	–	1.2	–	–	1.2	–
Municipalité de Ste-Monique de Honfleur (QC)	–	–	–	–	0.9	0.9	–
Ville de Bécancour (QC)	–	–	–	–	0.9	0.9	–
Ville de Sorel-Tracy (QC)	–	–	–	–	0.9	0.9	–
Commission Scolaire du Lac-Saint-Jean (QC)	–	–	–	–	0.8	0.8	–
Commission Scolaire des Rives-du-Saguenay (QC)	–	–	–	–	0.7	0.7	–
Commission Scolaire de la Jonquière (QC)	–	–	–	–	0.7	0.7	–
Municipalité de Péribonka (QC)	–	–	–	–	0.5	0.5	–
Municipalité de Havre-St-Pierre (QC)	–	–	–	–	0.5	0.5	–
Municipalité de l'Ascension-De-Notre-Seigneur (QC)	–	–	–	–	0.4	0.4	–
M.R.C. de Maria-Chapdelaine (QC)	–	–	–	–	0.3	0.3	–
Lutsel K'e Dene First Nation[2]	–	–	0.2	–	–	0.2	–
Other Canadian Governments	–	–	0.1	0.1	1.0	1.2	–
USA Total	**(19.2)**	**13.7**	**58.9**	**26.5**	**98.1**	**178.0**	**92.0**
Internal Revenue Service	(36.2)	–	1.6	25.7	0.2	(8.7)	74.5
U.S. Customs and Border Protection	–	–	–	–	97.8	97.8	–
Salt Lake County (UT)	–	–	46.7	–	–	46.7	–
Utah State Tax Commission	3.7	13.7	0.1	0.3	(7.7)	10.1	10.7
California Franchise Tax Board	11.3	–	–	0.4	4.5	16.2	4.7
Kern County (CA)	–	–	10.2	–	–	10.2	–
Pinal County (AZ)	–	–	–	–	1.0	1.0	–
Ohio Treasurer of State	1.0	–	–	–	–	1.0	–
Los Angeles County (CA)	–	–	–	–	0.4	0.4	–
Harris County (TX)	–	–	–	–	0.2	0.2	–
Inyo County (CA)	–	–	–	–	0.2	0.2	–
Arizona Department of Revenue	–	–	0.1	–	0.1	0.2	0.7
Illinois Department of Revenue	0.2	–	–	–	–	0.2	0.6
Texas Department of Revenue	0.2	–	–	–	–	0.2	–
Tooele County (UT)	–	–	–	–	0.1	0.1	–
Sweetwater County (WY)	–	–	–	–	0.1	0.1	–
Fairfield County (CT)	–	–	–	–	0.1	0.1	–
Colorado Department of Revenue	–	–	–	–	0.1	0.1	0.2
Wisconsin Department of Revenue	0.1	–	–	–	–	0.1	–
Pennsylvania Department of Revenue	0.1	–	–	–	–	0.1	–
Kentucky Department of Revenue	0.1	–	–	–	–	0.1	–
Other US Governments	0.3	–	0.2	0.1	1.0	1.6	0.6
UK Total	**92.9**	**–**	**0.8**	**11.0**	**12.3**	**117.0**	**34.8**
HM Revenue & Customs	92.9	–	0.8	11.0	9.1	113.8	34.8
Westminster City Council	–	–	–	–	3.2	3.2	–
South Africa Total	**66.3**	**12.3**	**–**	**1.2**	**0.2**	**80.0**	**24.7**
South African Revenue Services	66.3	12.3	–	1.2	0.2	80.0	24.7

ANALYSIS BY COUNTRY AND LEVEL OF GOVERNMENT CONTINUED

Country and level of government (US$ millions)	Corporate income taxes paid (refunded)	Government royalties	Fees, dividends and other extractive related payments	Employer payroll taxes	Other taxes and payments	**Total payments to governments borne**	Employee payroll taxes
Guinea Total	**31.7**	**–**	**–**	**1.1**	**–**	**32.8**	**0.2**
Presidency of the Republic of Guinea	31.7	–	–	1.1	–	32.8	0.2
Singapore Total	**22.7**	**–**	**–**	**1.1**	**0.7**	**24.5**	**–**
Inland Revenue Authority of Singapore	22.7	–	–	1.1	0.7	24.5	–
France Total	**–**	**–**	**–**	**18.0**	**1.6**	**19.6**	**5.4**
Directorate General of Public Finance	–	–	–	–	1.5	1.5	–
Union de Recouvrement des Cotisations de Sécurité Sociale et d'Allocations Familiales	–	–	–	18.0	–	18.0	5.4
Other French Governments	–	–	–	–	0.1	0.1	–
Brazil Total	**7.3**	**1.7**	**–**	**3.2**	**3.2**	**15.4**	**1.5**
Federal Revenue of Brazil	7.3	1.7	–	3.2	3.2	15.4	1.5
Peru Total	**–**	**–**	**12.3**	**0.3**	**0.7**	**13.3**	**0.9**
The National Superintendency of Customs and Tax Administration	–	–	12.3	0.3	0.7	13.3	0.9
Iceland Total	**–**	**–**	**0.1**	**8.0**	**3.9**	**12.0**	**10.1**
Directorate of Internal Revenue	–	–	0.1	8.0	1.5	9.6	10.1
Town of Hafnarfjörður	–	–	–	–	2.4	2.4	–
Netherlands Total	**1.0**	**–**	**–**	**1.6**	**1.6**	**4.2**	**3.4**
Tax and Customs Administration	0.9	–	–	1.6	1.3	3.8	3.4
City of Rotterdam	0.1	–	–	–	0.3	0.4	–
China Total	**1.8**	**–**	**0.1**	**0.8**	**0.8**	**3.5**	**2.7**
State Administration of Taxation	1.8	–	0.1	–	0.8	2.7	0.4
Shanghai Municipality	–	–	–	0.4	–	0.4	2.1
Beijing Municipality	–	–	–	0.4	–	0.4	0.2
Switzerland Total	**0.8**	**–**	**–**	**–**	**0.1**	**0.9**	**–**
Federal Tax Administration	0.6	–	–	–	0.1	0.7	–
Stadt Zurich	0.2	–	–	–	–	0.2	–
Other total	**7.3**	**3.6**	**1.2**	**2.1**	**1.7**	**15.9**	**25.7**
Oman – Ministry of Finance Secretariat General for Taxation	5.7	–	–	–	–	5.7	–
Madagascar – General Direction of Taxes	0.6	2.4	0.2	0.3	1.5	5.0	1.0
Belgium – Federal Public Service Belgium	0.9	–	0.4	1.1	–	2.4	–
Luxembourg – Ministry of Finance	1.9	–	–	–	0.1	2.0	–
Namibia – National Taxation Authority	–	1.2	0.3	–	0.1	1.6	5.6
Japan – National Tax Agency	1.3	–	–	–	–	1.3	3.2
India – Indian Tax Department	0.9	–	–	–	0.4	1.3	2.0
Spain – Agencia Tributaria	0.1	–	–	0.2	0.5	0.8	–
Germany – Federal Ministry of Finance	0.7	–	–	–	–	0.7	–
Serbia – Tax Administration	–	–	–	0.2	0.1	0.3	0.9
Zambia – Zambia Revenue Authority	–	–	0.3	–	–	0.3	–
Malaysia – Inland Revenue Board of Malaysia	0.3	–	–	–	–	0.3	–
Kazakhstan – State Revenue Committee	–	–	–	0.2	–	0.2	0.2
South Korea – National Tax Service	0.1	–	–	–	–	0.1	–
Papua New Guinea – Internal Revenue Commission	–	–	–	–	–	–	0.1
New Zealand – Inland Revenue Department	(5.2)	–	–	0.1	(1.0)	(6.1)	12.7
Total payments to governments	**4,800.4**	**1,896.2**	**110.6**	**357.1**	**470.9**	**7,635.2**	**1,283.6**

Total 2019 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 $1.6 billion. These refunds are not included in the table above.

1. The fiscal structure was agreed with the Government of Mongolia in 2009 and reaffirmed when the Underground Mine Development agreement was signed in 2015.
2. Indigenous governments and other bodies have been included to comply with extractive industry reporting requirements in the United Kingdom and Canada.

Tax and other payments to governments made on a project-by-project basis

The analysis by project is prepared in accordance with the basis of preparation in Appendix 2.

Product group and project (US$ millions)	Corporate income taxes paid (refunded)	Government royalties	Fees, dividends and other extractive related payments	**Total payments to goverments for EU Accounting Directive purposes**	Employer payroll taxes	Other taxes and payments	**Total payments to governments borne**	Employee payroll taxes
Iron Ore	**3,490.9**	**1,599.6**	**5.9**	**5,096.4**	**108.3**	**27.4**	**5,232.1**	**360.1**
Pilbara – Western Australia	3,485.7	1,597.6	5.6	5,088.9	105.4	26.6	5,220.9	351.3
Dampier Salt – Australia[1]	5.2	2.0	0.3	7.5	2.9	0.8	11.2	8.8
Copper and Diamonds	**319.2**	**93.4**	**68.4**	**481.0**	**42.2**	**206.0**	**729.2**	**108.9**
Oyu Tolgoi – Mongolia	0.5	71.1	13.7	85.3	20.5	199.1	304.9	21.7
Kennecott Utah Copper – US	62.9	13.7	46.7	123.3	14.6	(7.7)	130.2	44.6
Resolution Copper – US	(19.3)	–	–	(19.3)	1.1	1.0	(17.2)	3.7
Argyle – Australia	(14.5)	8.6	1.1	(4.8)	4.1	0.1	(0.6)	14.6
Diavik – Canada	(7.7)	–	5.8	(1.9)	1.9	1.5	1.5	14.9
Escondida – Chile – EAU[2]	297.3	–	1.1	298.4	–	12.0	310.4	9.4
Energy & Minerals	**959.3**	**15.9**	**13.4**	**988.6**	**37.4**	**33.3**	**1,059.3**	**188.8**
Queensland Coal – Australia[3]	855.4	–	–	855.4	–	–	855.4	–
Rossing – Namibia	–	1.2	0.3	1.5	–	0.1	1.6	5.6
Rio Tinto Fer et Titane – Canada	(1.2)	–	0.2	(1.0)	13.1	6.1	18.2	46.5
QIT Madagascar Minerals	0.5	2.4	0.2	3.1	0.3	1.5	4.9	1.0
Richards Bay Minerals – South Africa	66.0	12.3	–	78.3	1.1	1.9	81.3	21.4
US Borax	2.5	–	10.1	12.6	6.3	5.3	24.2	20.1
Iron Ore Company of Canada[4]	36.1	–	2.6	38.7	16.4	18.3	73.4	93.3
Jadar – Serbia	–	–	–	–	0.2	0.1	0.3	0.9
Aluminium	**32.4**	**124.6**	**6.2**	**163.2**	**15.0**	**6.0**	**184.2**	**40.6**
Gove – Australia	–	38.6	4.5	43.1	3.5	2.7	49.3	11.2
Weipa including Amrun - Australia	(0.6)	84.3	1.7	85.4	9.6	2.4	97.4	29.0
Sangaredi – Guinea – EAU[2]	31.7	–	–	31.7	–	–	31.7	–
Porto Trombetas – Brazil – EAU[2]	1.3	1.7	–	3.0	1.9	0.9	5.8	0.4
Exploration	**(31.1)**	**–**	**15.7**	**(15.4)**	**5.2**	**2.4**	**(7.8)**	**16.1**
Exploration – Australia	(17.4)	–	0.1	(17.3)	1.8	1.2	(14.3)	7.4
Exploration – Chile	0.2	–	0.1	0.3	0.3	0.3	0.9	1.3
Exploration – US	(14.2)	–	2.0	(12.2)	0.6	–	(11.6)	3.3
Exploration – Peru	0.1	–	12.3	12.4	0.3	0.7	13.4	0.9
Exploration – Brazil	0.2	–	–	0.2	0.6	–	0.8	0.5
Exploration – Simandou – Guinea	–	–	0.8	0.8	1.0	0.1	1.9	0.2
Exploration – Other	–	–	0.4	0.4	0.6	0.1	1.1	2.5
Non-Extractive Projects	**29.7**	**62.7**	**1.0**	**93.4**	**149.0**	**195.8**	**438.2**	**569.1**
Smelting and Refineries	968.9	57.4	0.2	1,026.5	94.0	179.2	1,299.7	345.0
Commercial, Finance, Head Office and Managed Operations	(939.2)	5.3	0.8	(933.1)	55.0	16.6	(861.5)	224.1
Total payments to governments	**4,800.4**	**1,896.2**	**110.6**	**6,807.2**	**357.1**	**470.9**	**7,635.2**	**1,283.6**

1. To reflect a change in management responsibility, Dampier Salt is now reported within Iron Ore.
2. EAU: Equity accounted units will not be included in the formal UK filing of the "Reports on Payments to Governments" to be filed at Companies House.
3. Queensland Coal assets were divested in 2018 - This amount represents the final income tax payment on the coal divestment.
4. Iron Ore Company of Canada is reported within Energy & Minerals, reflecting management responsibility

Reconciliation of accounting profit and tax and royalties charges

Reconciliation of 2019 accounting profit and total tax charge
US$ millions

Profit before tax	11,119
Less: share of profit after tax of equity accounted units	(301)
	10,818
Expected tax charge at UK rate of 19%	2,055
Higher rate of tax on Australian underlying earnings at 30%	1,495
Impact of items excluded from underlying earnings [a]	411
Other tax rates applicable outside the UK and Australia	(110)
Write-down of previously recognised deferred tax assets	42
Other items	254
Total tax charge	**4,147**

(a) Impact of items excluded from underlying earnings
US$ millions

Impairment charges	340
Net gains/losses on consolidation and disposal of businesses	55
Exchange derivatives gains/losses	(22)
Other exclusions	38
Total impact of exclusions	**411**

Reconciliation of royalties expense to royalties paid
US$ millions

Royalties included in accounting profit	1,984
Difference between royalties paid and royalties accrued	(88)
Total royalties paid	**1,896**

Reconciliation of 2019 total tax charge and current tax charge
US$ millions

Total tax charge	4,147
Temporary differences	
Unrealised exchange losses	(21)
Tax losses	(164)
Provisions	175
Capital allowances	181
Tax on unremitted earnings	(5)
Post-retirement benefits	(18)
Other temporary differences	141
Current tax charge	**4,436**

Reconciliation of 2019 current tax charge and corporate income tax paid
US$ millions

2019 Current tax charge	4,436
Add current tax charge of equity accounted units	190
	4,626
Final instalment in Australia on 2018 profits paid in H1 2019	1,237
Final instalment in Australia on 2019 profits due in H1 2020	(1,165)
Tax charges less than tax payments (timing)	102
Corporate income tax paid	**4,800**

Effective corporate income tax rates on total earnings

US$ millions	Profit before tax	Total tax charge	Effective corporate income tax rate (%)
Underlying earnings	15,039	4,538	30.2%
Exclusions from underlying earnings	(4,221)	(391)	9.3%
	10,818	**4,147**	**38.3%**
Add share of profit after tax of equity accounted units	301		
Total profit before tax	**11,119**		

Payments to governments and the mining life cycle

Our projects are long-term investments, and the amount we contribute to governments varies depending on where the project is in its life cycle.

It takes significant upfront investment to build world-class operations. We believe tax policy should take into account the cyclical nature of our industry, and to respect agreements under which investment capital has already been committed.

The risk of fiscal instability can influence the global flow of investment and a country's ability to attract and retain it. In order to maintain or develop a business and investment-friendly landscape, national tax policy should not be retrospective.

Explore and evaluate – 10-20 years
The first phase of a project (before it becomes a mine) is exploration and evaluation. Payments made to governments during this stage usually include employment-related taxes for small project teams, as well as payments for permits, fees and licenses. Generally, no corporate taxes or royalties are paid in this phase.

Develop and innovate – Up to 10 years
The increased expenditure created by the design and construction of a facility, as well as employment taxes associated with the greater number of people employed to work on the project, mean there is usually more taxes paid during a project's second phase. Withholding taxes, custom duties and unrecoverable GST/VAT on payments supporting the development of the project may be relevant. As tax losses will generally arise, there may be no corporate taxes paid in this phase.

Mine and process | Market and deliver – Decades
Once the facility is operational, governments begin to receive royalty payments, which can span many decades. In the initial years of operation, there may be no corporate income taxes paid, as allowances for the capital costs associated with construction are applied or tax losses from the design and construction phase are utilised. Once tax losses have been utilised, corporate income taxes begin to be paid. As corporate income taxes relate to profits, commodity prices affect the tax revenue collected by governments. Profitable operations can result in a significant economic contribution in the form of taxes and royalties as well as other benefits to local economies in the form of employment, payments to suppliers and support to local communities.

Repurpose and renew – 5+ years
Payments to governments in the final closure and post-closure phases, when the mine is no longer operational, are significantly less than in the operating phase.

Our commitment to transparency and responsible tax principles

Transparency is an enabler of sustainability, which is why it sits as a foundational base of our approach. We are committed to supporting the meaningful disclosure of our economic contribution, including payments to local and national governments.

We believe that greater transparency and accountability are key to building trust, encouraging sustainable business practices and translating taxes and royalties into beneficial development outcomes for those communities that host our businesses. By partnering with investors, governments and civil society, multinational companies like ours can be at the forefront of collaborative efforts to restore integrity and support stable and effective tax systems. That is why we are a founding member of the Extractive Industries Transparency Initiative (EITI), and a signatory to the B Team Tax Principles.

The B Team is a not-for-profit initiative formed by a global group of business leaders to catalyse a better way of doing business. The B Team Responsible Tax Principles define what leadership in responsible tax looks like, and were developed by a group of cross-sector, cross-regional companies to articulate best practice in seven key areas.

Our disclosures in this report demonstrate our approach to the seven Responsible Tax Principles:

1. Tax is a core part of corporate responsibility and governance, and is overseen by the board of directors (the board).
2. We comply with the tax legislation of the countries in which we operate, and pay the right amount of tax, at the right time, in the countries where we create value.
3. We will only use business structures that are driven by commercial considerations, are aligned with business activity and which have genuine substance. We do not seek abusive tax results.
4. We seek, wherever possible, to develop cooperative relationships with tax authorities, based on mutual respect, transparency and trust. Transparency is an enabler of sustainable development, which is why it sits as a foundational base of our refreshed integrated sustainability approach. We are therefore committed to supporting the meaningful disclosure of our economic contribution, including payments to local and national governments.
5. Where we claim tax incentives offered by government authorities, we seek to ensure that they are transparent and consistent with statutory or regulatory frameworks.
6. We engage constructively in national and international dialogue with governments, business groups and civil society to support the development of effective tax systems, legislation and administration.
7. We provide regular information to our stakeholders, including investors, policy makers, employees, civil society and the general public, about our approach to tax and taxes paid.

“By partnering with investors, governments and civil society, multinational companies like ours can be at the forefront of collaborative efforts to restore integrity and support stable and effective tax systems.”

Building on a track record of transparency

We recognise the role we play in building strong, sustainable economies by contributing to the federal, state, provincial and local governments where we operate. We have been making comprehensive disclosures around our tax payments since publishing our first Taxes Paid report in 2010, and we aim to continue to improve our tax payment reporting by adopting new best practices and meeting evolving regulatory requirements. Our annual disclosures include country-by-country data on taxes and payments to government, as well as project-by-project disclosures. For the first time we have also released comprehensive financial disclosures for each country in which we operate to supplement the data we disclose on taxes and payments to governments. Our 2018 Country by Country report can be found on our website.

This report also meets the requirements of the Australian voluntary Tax Transparency Code. We also file additional reports to disclose payments to governments connected with extractive activity to meet requirements in the UK and Canada (Chapter 10 of EU Accounting Directive 2013/34 and the Extractive Sector Transparency Measures Act respectively). These reports include the project-by-project information disclosed in this report.

As required by UK law we publish our Tax Strategy on an annual basis as part of this document. The statements on page 23 explain our approach to tax for the year ended 31 December 2019 as required by paragraph 16, Schedule 19 of Finance Act 2016. These statements are reviewed annually by the Board and were last approved on 29 October 2019.

In 2019, we made an initial disclosure of our contracts with governments relating to mineral development, and we will continue to add to this over time. We have disclosed contracts relating to large, well-progressed projects that justify having specific contracting arrangements. We have not included contracts with a minimal or indirect connection to mineral development, nor licenses and legislation which also apply to other companies and projects. This disclosure table can be found on our website.

We continue to engage with governments and other stakeholders to share our experiences on disclosure and transparency, and we encourage the harmonisation of reporting obligations aligned with global best practices. We believe that the creation of a consistent standard by which companies can report their contributions with integrity and responsibility is essential to promoting confidence in business. We support the initiative by the Global Sustainability Standards board of the Global Reporting Initiative (GRI) in formulating a Tax & Payments to Governments standard. We are committed to meeting the full requirements of the standard during 2021 as required under the standard.

This report, along with our new Country by Country report, shows how country disclosures can be made by groups on a voluntary basis. In a number of areas, including sustainability, voluntary transparency has been shown to encourage innovation in reporting, while proactive engagement with stakeholders has been shown to support the development of improved reporting models. We support these trends.

Our approach to tax

Our Group Tax Policy ("Policy") governs our approach to tax, and is reviewed and approved by the board each year.

The primary responsibility of the Group in relation to taxation is to ensure compliance with the law and relevant statutory compliance obligations. Within the limits established by these statutory requirements, and subject to the principles set out in this policy, the Group manages its tax affairs in a proactive manner that seeks to maximise shareholder value in accordance with the Group's strategy.

Rio Tinto Tax Policy

Tax risk management and governance	The board reviews and approves the Policy, and management's adherence to it, on an annual basis. Management enforces the Policy and monitors the appropriateness, adequacy and effectiveness of the tax risk management systems.	Subject to oversight by the board and management, the conduct of the Group's tax affairs and the management of tax risk is delegated to a global team of tax professionals. The Group complies with documented tax risk management procedures and thorough risk assessments are completed before entering into significant transactions.	The Group adopts formal processes to identify and manage risks. Material risks are reported to the board Audit Committee. We apply the arm's length principle to cross-border transactions in line with guidelines issued by the Organisation for Economic Co-operation and Development (OECD).
Dealings with tax authorities	The Group values having good relations with tax authorities and is committed to transparency with tax authorities.	The Group proactively engages with tax authorities on a real-time basis, including participation in co-operative compliance arrangements (for example in Australia).	Where there is uncertainty or disagreement in the application of the law we work with tax authorities to seek clarity or resolve disagreements on a timely basis.
Principles of tax planning and tax risk management	The Group's tax planning and management of tax risk is aligned with our business strategy and conforms to our global code of business conduct, *The way we work*. The Group actively considers the implications of tax planning and risk management activities on the Group's corporate reputation.	The Group pays the tax that is due under a reasonable interpretation of the tax law. We use business structures that are driven by commercial considerations, aligned with business activity.	Where the Group takes an uncertain position in relation to a major business transaction or initiative, we seek an opinion from an independent external adviser to support its position.
Tax incentives and concessions	We pay tax on profits according to where business activity occurs and value is created.	The Group avails itself of tax concessions and incentives offered by countries to eligible taxpayers who undertake genuine business activity.	Where we access incentives or concessions aligned with our business objectives we comply with the relevant statutory framework and meet all reporting requirements.
Supporting effective tax systems	We support simple, stable and competitive tax laws and administration.	We engage constructively in local and international tax reform dialogue to contribute to the development of sustainable and effective tax systems.	We actively promote transparency and responsible tax practices and engage with civil society on initiatives to advance transparency over tax and payments to governments.
Rio Tinto will not:	**Undertake aggressive tax planning.**	**Take positions that do not have a reasonable basis or which rely on non-disclosure.**	**Artificially transfer profits from one business location to another to avoid taxation.**

Tax risk management and compliance

The Group has a robust governance, control and risk management system in place to ensure its approach to tax is embedded in the organisation. The Group's team of tax professionals are provided with regular training on the Group's approach to tax, and provide an annual attestation to their familiarity with the Tax Policy and associated policies, procedures and controls. Regular internal audits are conducted to provide assurance over compliance.

We are committed to conducting our business fairly, in compliance with the law, and in accordance with our core values of safety, teamwork, respect, integrity and excellence. We are also committed to fostering a culture where people feel safe to report conduct which does not align with those values. This is an essential component within our broader risk management framework, and key to our ongoing success and ability to operate. The Group's *Speak Up* Procedure is key in meeting our commitment to protect and prevent retaliation against those who speak up.

Intra-group transactions

The operation of a large multinational company such as ours involves many transactions between Group entities located in different countries. Transactions between Group entities are driven by commercial reality, and pricing for these transactions is set to ensure that remuneration for each entity involved is aligned with its underlying business activities and the risks assumed. We set our transfer prices using the arm's length principle in line with transfer pricing guidelines issued by the OECD and in accordance with local country regulation. We implement globally-consistent transfer pricing policies so that the pricing of transactions between intra-group companies reflects the underlying economic contribution made through the activities undertaken, assets utilised and risks assumed by the relevant entities involved.

To reduce the risk of dispute and achieve certainty on taxation outcomes, we have in some cases entered into Advance Pricing Agreements (APAs) with tax authorities to agree on the pricing for international related party transactions. If there are disputes over transfer pricing, we prefer to seek agreement between the relevant tax authorities so we can obtain certainty and mitigate double taxation.

We support international co-operation between tax authorities by proactively providing information to be shared through networks such as the Joint International Taskforce on Shared Intelligence & Collaboration (JITSIC). We believe this approach can enhance relationships with tax authorities, optimise compliance with international and national tax rules, and shorten examination processes related to cross-border business activities. This helps reduce costs for both the revenue authorities and our company by ensuring tax issues can be resolved in a timely and cost effective manner.

We disclose our material intra-group transactions with revenue authorities through the lodgement of our tax returns and other co-operative compliance arrangements such as our Annual Compliance Arrangement (ACA) with the Australian Taxation Office (see below). We also comply with the OECD's country by-country reporting requirements. This reporting provides tax authorities in each jurisdiction in which we operate with a clear overview of our intra-group transactions, of where our profits, sales, employees and assets are located, and of where taxes are paid and accrued. This ensures a wide dissemination of information among tax administrations. For the first time, we have also published country by country financial and tax data for the 2018 year in our Country by Country report. Details of our material intra-group transactions are discussed in more detail below.

Commercial centre activities

Our commercial strategy is focused on partnering with our product groups, customers and suppliers to generate insights and unlock value for all stakeholders. Being closer to our customers enhances opportunities to identify and respond to market developments. As over 70% of the Group's sales are to customers located in the Asian region, it makes commercial sense to have our global commercial centre based in Singapore. We have other commercial offices close to other key regional markets located in Chicago and Frankfurt, with regional sales support offices located in China, Japan and South Korea.

With over 430 employees based in Singapore, our commercial centre brings together our global sales and marketing, procurement and marine and logistics businesses, supported by functions including market analysis, economics, commercial treasury, insurance, human resources, legal, corporate relations and finance. This enhances collaboration and the sharing of commercial best practices across product groups and other corporate functions. Singapore offers a stable regulatory and legal environment that encourages trade and investment, and is a recognised centre for global commodities trading. The country's critical mass of global commodities experience and depth of commercial, marine and logistics capability, along with its highly educated population, provides access to a large, diverse and highly-trained talent pool. Many of our major customers, trading partners and service providers have offices in Singapore.

Our sales and marketing teams work hand-in-hand with our product groups to enable us to better address customer needs and adjust our operations to meet market demands. Our customer and supplier interactions provide us with unique insights and data that we can use to create and unlock value today, as well as shaping our future resource investment decisions. Obtaining the best value for our products maximises the value to our company, our shareholders and to the countries in which we produce our commodities via the taxes we pay.

As a critical supply chain partner to our mining businesses, our marine and logistics business is responsible for providing safe and sustainable global shipping services and acts as the central repository of maritime and logistics expertise. A key focus is on ensuring high operational and safety standards, both in third party ships, across our fleet of owned ships, and in our third party and transload sites. We currently employ approximately 50 marine professionals in Singapore, supported by teams in Montreal, Chicago, Perth, Gladstone and Shanghai. By volume, we are the largest dry bulk shipping business in the world, operating 17 vessels and contracting a fleet of around 200 vessels at any given time. Logistics supports inbound and outbound physical distribution using rail, truck, container, barge and warehouse facilities, providing a global framework of both international and domestic freight services. Our marine and logistics business has been able to benefit from Singapore's position as a leading international maritime centre, tapping into its ecosystem of maritime and logistics service providers and talent pool.

Our procurement teams work with our assets and operations to help deliver their business objectives, procuring the majority of the goods and services necessary for the company's operations. Procurement maximises value by maintaining a focus on cost-reduction, including through improved productivity. Global category teams (mining equipment and raw materials) are located close to relevant assets, with non-asset specific global categories (global services) located in Singapore. Regional sourcing teams are located in regional hubs – mostly Montreal and Perth – partnering with local businesses co-located at key sites.

We also undertake captive insurance activities in Singapore (see section on Insurance).

The net profit before tax made by our Singapore entities from global sales and marketing activities in 2019 was $459 million. This represents approximately 4% of our global and Australian net profit before tax of $11.1 billion and $12.3 billion respectively.

The profit made by our Singapore entities from marine, logistics and procurement in 2019 was $199 million.

The Singapore government legislates tax incentives which are available to all taxpayers who meet significant economic substance requirements. Details of the tax incentives which apply to the activities in our Singapore commercial centre are outlined in the "Tax Incentives" sections below. The entities in Singapore are subject to the application of the UK Controlled Foreign Corporations legislation which does not generally subject those profits to any significant level of UK taxation.

All transactions with our Singaporean entities are on an arm's length basis, and are priced in accordance with OECD transfer pricing guidelines and local legal legislative requirements. Determining appropriate pricing can be a matter of interpretation, so for many new transactions we have sought guidance from relevant revenue authorities.

Various revenue authorities have reviewed the pricing of transactions between entities in their jurisdiction and the Singapore commercial centre, and accepted the pricing that we applied.

We are however, currently in dispute with the Australian Taxation Office (ATO) in relation to the valuation of certain transactions with our Singapore commercial centre. As with all disputes over transfer pricing valuation, it ultimately concerns the interpretation of transfer pricing rules and the arm's length principle, which can be open to differing interpretation and differences of view, including between the relevant countries involved.

In 2017, the ATO issued amended income tax assessments to our company for the calendar years 2010-2013, requiring us to pay additional tax of A$447 million in relation to sales of Pilbara iron ore. This payment would be in addition to the A$25.5 billion of taxes and royalties that we paid in Australia during the same four-year period.

The issue in dispute is the allocation of value between Australia and Singapore in relation to sales of Pilbara iron ore. We voluntarily approached the ATO more than a decade ago seeking to confirm our pricing arrangements. The transfer price that we adopted in the years covered by the assessments is in line with the outcome agreed with the ATO for years prior to 2010.

We objected to the ATO assessments, which gave rise to an independent ATO review of the assessments. At the time of writing, the ATO has not determined (i.e. reviewed and decided upon) those objections. In accordance with normal administrative practice, we have paid 50% of the tax amount under the assessments to the ATO. The assessments also result in double taxation as a consequence of the tax which has been paid in Singapore in respect of the transactions which are in dispute. The ATO is currently auditing later periods involving the sale of iron ore.

In March 2020, the ATO issued amended assessments to our company for the 2010 through 2016 calendar years in relation to the pricing of the sale of aluminium between Australia and our Singapore commercial centre. The amended assessments are for a total amount of A$86.1m.

The issues in dispute are similar to those outlined above in relation to sales of iron ore – that is the allocation of value between Australia and Singapore in relation to sales of aluminium. We intend to object to the ATO assessments, which will give rise to an independent ATO review of the position.

The amended assessments for both the iron ore and aluminium matters do not relate to any tax avoidance schemes as confirmed by the Australian Taxation Office, and no penalties have been levied by the Australian Taxation Office.

We are committed to paying the right amount of tax due in all countries in which we operate, and consider the pricing of our iron ore and aluminium transactions to be in accordance with the OECD guidelines and Australian and Singapore domestic tax laws.

Intra-group financing

Our Group funding requirements are met through a combination of external and intra-group financing arrangements. Cash from activities within our Group is managed by a team of Treasury experts who facilitate cash management and loan financing, enabling efficient cash flow management between entities. Treasury entities located in the United Kingdom and Australia provide the majority of cross border intra-group financing to group companies. Consequently, any income including interest received by these Rio Tinto companies, is subject to tax in the United Kingdom or Australia at statutory corporate tax rates. The pricing of these intra-group financing arrangements is consistent with the arm's length principle as set out in the OECD transfer pricing guidelines, and we are transparent with all relevant tax authorities in respect of our intra-group financing.

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 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.

Insurance

Our captive insurance companies that are tax resident in Singapore and the US provide commercially available insurance solutions to manage risks for our global businesses. These locations offer appropriate expertise, strong regulatory rules and access to global insurance and reinsurance markets. We retain acceptable risks in individual entities, self-insure these risks to an economically appropriate level and reinsure excess risks with third party insurers in the market. The pricing of these intra-group insurance arrangements is consistent with the arm's length principle as set out in the OECD transfer pricing guidelines.

The mining insurance industry can be cyclical as a result of low frequency, high impact loss events which often result in periods of stable results punctuated by years of instability.

Our entities in some locations pay tax on premiums paid to the captive insurance entities. For example, Australian tax laws require foreign residents to pay tax in Australia on premiums received from Australia resident entities. In 2019, a tax payment of approximately A$4.5 million was made to the ATO on behalf of our captive insurance company.

Group services functions

Our services functions perform an important role within our Group operating model, focusing on activities across headquarters, central support and shared services. These functions include exploration, productivity, innovation, health, safety and environment, finance, human resources, information systems and technology, legal and external affairs. Personnel from these functions are based all around our global business, supporting product groups, business units and other functions. A fee is typically charged for services provided between the Group entities consistent with OECD transfer pricing guidelines.

Relationships with tax authorities

We value good relations with tax authorities and we are committed to transparency, and to working in a proactive and collaborative manner. In line with our code of conduct, *The way we work*, we follow established procedures and channels in all our dealings with tax authorities and government officials, and we conduct engagements with them with integrity and professionalism.

The Group proactively engages with tax authorities on a real-time basis, including through co-operative compliance arrangements. For example, in Australia, we have voluntarily entered into an Annual Compliance Arrangement (ACA) with the ATO in respect of both income tax and goods and services tax (GST). The ACA is a voluntary administrative arrangement used to manage an overall compliance relationship with the ATO in an open and transparent manner. Under the ACA, we agree to disclose material transactions and changes to our business on a real-time basis. We also participate in the ATO's Justified Trust approach to obtaining a level of assurance around the tax treatments we adopt in our tax filings.

In the UK, US, and Canada, we participate in relevant large business compliance programmes, and work co-operatively with the examination teams to help them understand our transactions and tax reporting.

We also aim to help tax authorities understand our industry and our activities by participating in consultation processes, and through presentations and site visits that allow the authorities to gain a deeper understanding of our business.

Where there is uncertainty or disagreement in the application of the law, we work with tax authorities to seek clarity or resolve disagreements on a timely basis. In many instances, we approach tax authorities in advance of entering into transactions, in order to seek guidance or confirmation of the tax outcomes by way of a ruling.

Given the size and complexity of our business activities, it is inevitable that disagreements with tax authorities will arise from time to time. We engage proactively with tax authorities to provide information and support for our tax positions, and look for ways to resolve disagreements.

In January 2018 the Mongolian tax authority issued tax assessments alleging underpayment of $155 million of tax. Rio Tinto accepted $7m of the amount assessed, but disputes the remaining amount, and has referred the matter to international arbitration in accordance with the terms of the 2009 Investment Agreement.

Tax incentives

Tax incentives are an important mechanism used by countries and regions to attract investment and stimulate growth in their economies, and we avail ourselves of concessions and incentives where they align with our business activities and commercial objectives.

In Singapore, the government has granted our company a tax incentive that applies to the income made by our Singapore marketing and procurement businesses. This is one of a range of incentives that is legislated and open to all taxpayers in Singapore if they can demonstrate significant contribution to the economy and meet the criteria set by the government. If we meet the substance and activity requirements of the incentive, we will pay a reduced tax rate of 5% on eligible profits from these activities until 2022, after which the rate increases to 5.5%, which will be effective until 2027.

The Singapore government has also granted our company a full exemption on income from qualifying shipping activities until 2027 under the Maritime Sector Incentive – Approved International Shipping (MSI-AIS) Enterprise Scheme, and income from qualifying insurance activities until 2023 under the Tax Exemption Scheme for Captive Insurers carrying on Offshore Insurance Businesses. These incentives are also contingent on the location of significant economic substance in Singapore, and are available to all qualifying taxpayers.

Canada is a competitive location for international shipping. Our North American shipping desk is located in Montreal and benefits from an income tax exemption on the profit generated on managed ships.

Quebec's (Canada) government offers partial tax holidays on profits earned from government-certified capital investments of more than C$100 million. Over the years, our subsidiaries have had six capital investment projects approved for such tax holidays.

We invest heavily in research and development (R&D), and take part in incentives designed to encourage investment in R&D. For example, more than C$100 million was invested each year in Canada on R&D projects, giving us access to important tax incentives from federal and provincial governments.

In Belgium, our diamond-trading business is subject to the Carat Tax regime. It is compulsory for diamond-trading companies that are registered in Belgium, and is applicable to turnover generated by genuine and habitual diamond trade. Under the Carat Tax regime, the standard corporate tax rate of 33.99% is applied to 2.1% of gross turnover less allowable deductions, however taxable income cannot be lower than 0.55% of turnover.

None of the regimes under which we have been granted incentives have been noted by the OECD as being a harmful tax practice.

As noted above, we have also committed to disclose contracts with governments in relation to minerals development that are not subject to confidentiality undertakings, and we encourage governments to allow such disclosure.

Supporting effective tax systems

Stable, competitive and effective tax systems are important to incentivise investment which in turn, underpin the growth and development of economies. The competitiveness of different tax systems can influence investment decisions through the impact on after-tax returns. Stability and certainty are vital for the significant, long-term investments inherent in our industry. Effective tax systems minimise distortions to business investment decisions and ensure that the mix of taxes support economic efficiency and growth.

The efficiency of tax administration supports effective investment environments and ensures that the taxes we pay benefit the communities in which we operate. These factors are important in both developed and developing countries.

We engage constructively in national and international dialogue with governments, business groups and civil society to support the development of effective tax systems, legislation and administration. We do this by engaging both directly and via industry associations such as the International Council on Mining & Metals (ICMM), Business at OECD (BIAC), the Minerals Council of Australia (MCA), Business Council of Australia, the Organization for International Investment (OFII) and the National Mining Association in the US, The Mining Association of Canada (MAC), and local taxpayer associations.

We actively promote transparent and responsible tax practices and engage with civil society on initiatives to advance transparency over tax and payments to governments. Our year on year advances in transparency are directly informed by feedback from our stakeholders.

Tax haven entities

There is no commonly accepted definition of the term "tax haven". We define 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 10% or less. Countries with relatively high headline tax rates often 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. We have disclosed details about incentives applied to our business activities above.

We have approximately 490 controlled entities, of which eight are tax resident in "tax havens," as defined above. We continue to make progress on reducing the number of entities tax resident in "tax havens". Details of the eight remaining entities are summarised in the table below.

Name	Jurisdiction of Tax Residence	Year of Incorporation	Nature of Activities
THR OYU TOLGOI LTD.	British Virgin Islands	2000	Dormant holding company – targeted for liquidation
THR Aruba Holdings LLC A.V.V.	Aruba	2006	Dormant holding company – targeted for liquidation
North IOC (Bermuda) Holdings Limited	Bermuda	1997	Holding company – no tax benefit is obtained from this entity. Entity is under review.
North IOC (Bermuda) Limited	Bermuda	1997	Holding company – no tax benefit is obtained from this entity.
QIT Madagascar Minerals Ltd	Bermuda	1986	Provides 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.
Simfer Jersey Finance 1 Ltd	Jersey	2013	
Simfer Jersey Finance 2 Ltd	Jersey	2013	
Rio Tinto Alcan Middle East DMCC	United Arab Emirates	2007	Historically provided in-country services. Targeted for liquidation in 2020.

We have a small number of additional entities which are incorporated in tax haven countries but which are tax resident in either the UK, US or Australia and are therefore subject to taxation at the rates applicable in those jurisdictions.

A list of our subsidiaries can be found in our Annual report.

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

Report on the audit of the Selected Information

Opinion

In our opinion, the Selected Information in the report "Taxes paid: Our economic contribution 2019" (the "Report") for the year ended 31 December 2019 has been properly prepared, in all material respects, in accordance with the basis of preparation in Appendix 2 to the Report.

We have audited the Selected Information, included within the Report, which comprises the totals included in the section of the Report entitled "Analysis by country and level of government" for the year ended 31 December 2019 for the following balances:

- Total payments to governments borne of $7,635.2 million
- Employee payroll taxes of $1,283.6 million

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the Selected Information* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of Rio Tinto (comprising Rio Tinto plc, Rio Tinto Limited, and their respective subsidiaries) in accordance with the ethical requirements that are relevant to our audit of the Selected Information in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – Basis of preparation

In forming our opinion on the Selected Information, which is not modified, we draw attention to Appendix 2 of the Report which describes the basis of preparation. The tax payment information in the Report is prepared in accordance with a special purpose framework to give its readers an overview of the total payments made by Rio Tinto to governments worldwide. As a result, the Report may not be suitable for another purpose. Our audit report is for the specific purpose as described in the *Use of this report* paragraph below.

In addition, we draw attention to the fact that the Report has not been prepared under section 394 of the Companies Act 2006 and is not Rio Tinto's statutory financial statements.

Reporting on other information

The other information comprises all of the information in the Report other than the Selected Information and our auditors' report thereon. Management is responsible for the other information. Our opinion on the Selected Information does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance 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 we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Selected Information or a material misstatement of the other information. 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 based on these responsibilities.

Responsibilities for the Selected Information and the audit

Responsibilities of management and the directors for the Selected Information

Management is responsible for the preparation of the Selected Information in accordance with the basis of preparation in Appendix 2 to the Report and for determining that the basis of preparation is acceptable in the circumstances. Management is also responsible for such internal control as they determine is necessary to enable the preparation of Selected Information 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 for the audit of the Selected Information

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 the 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's directors as a body for providing independent assurance over the 2019 public report published over total taxes paid by Rio Tinto in accordance with our engagement letter dated 20 March 2020 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.

Partner responsible for the audit

The engagement partner on the audit resulting in this independent auditors' report is Simon Morley.

PricewaterhouseCoopers LLP
Chartered Accountants
London

7 April 2020

Glossary of terms

Corporate income tax
All taxes that are levied on the taxable profits of a corporate entity.

Current tax
The corporate income tax due in respect of taxable profits of an accounting period, as defined in the International Financial Reporting Standard IAS 12.

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 IAS 12.

Effective corporate income tax rate
The corporate income tax charge in a given accounting period divided by the accounting profit before tax.

Effective income tax and royalty rate
The corporate income tax charge plus royalty charge in a given accounting period divided by the accounting profit before tax and royalties.

Government
Any governing body of a nation, state, region or district, excluding any commercial enterprises or financial institutions that are wholly or partially government-owned.

Indirect tax
Taxes imposed on goods and services rather than on income or profits. Examples include VAT, GST, sales tax, excise duties, stamp duty, services tax, registration duty.

Project
Operationally and geographically integrated contracts, licences, leases or concessions giving rise to tax liabilities in relation to extractive activities in accordance with Chapter 10 of the EU Accounting Directive.

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

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

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 their 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
Taxes Paid: Our Economic Contribution 2019.

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 our 2019 Annual report.

Basis of preparation

The tax payment information in this report has been prepared on the following basis:

The report gives its readers an overview of the total payments that we made to governments worldwide, underscoring the direct contribution that we make to public finances.

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 our company included in the report:

- Total payments to governments borne
- Employee payroll taxes
- Taxes refunded

It is the responsibility of the management of our company 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 2019. Data as they relate to taxes paid, collected or refunded, are included when cash is released from, or received by our company.

Data are prepared based on a 100% basis for all operations in which we have a controlling interest, and on our share where we do 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 2019).

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 2019).

Scope and methodology of reporting

Reporting currency

All payments to governments have been reported in US dollars unless indicated otherwise.

Organisational reporting boundaries

The "Analysis by country and level of government" section of the report sets out taxes paid by our business units to governments in the countries in which they operate, organised by country and named level of government.

Countries where taxes paid in the year are less than $0.1 million are excluded from reporting. Taxes are reported at a named local, regional and national level for each government to which one of our business units has paid taxes greater than $0.1 million in 2019.

Analysis by project

The report also includes an analysis of our taxes paid by project. Where payments are not directly referable to a specific extractive project, they are included in aggregate as "non-extractive project related payments". Payments that are related to corporate head office, commercial, financing and managed operations are not attributed to a specific project. Project amounts include payments/refunds between entities within tax groups where the final payments to government are paid by the head/representative entity on behalf of the tax group. Where project related payments have been made, the amount paid is included by project to the nearest $0.1 million.

Scope of data reporting

The scope of the data reporting is described 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:

Payments to governments borne

These are the taxes that we are obliged to pay to a government on our behalf, or taxes that we are obliged to pay to a third party and that cannot be recovered from a government. 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 together with withholding taxes on payments of dividends or other distributions of profits. 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 distributed, or up to one year later, depending on local tax rules.

Government royalties

This comprises payments made to governments in the form of royalties and resource rents (non-profits based), 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 2019) will be reported when the infrastructure improvements are handed over to the government. These form part of operating costs.

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" and "Analysis of tax paid by project" sections 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.

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
Typically, a business can reclaim indirect taxes such as VAT or GST against the GST or VAT on the sales it makes. However, in some circumstances a business may have non-recoverable VAT or GST costs, where offset is not available or permitted. 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 company 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 that we have paid not described above are reported in the "Other taxes and payments" column of the table in the "Analysis by country and level of government" and "Analysis of tax paid by project" sections of the report.

Employee payroll taxes collected

This comprises payroll and employee taxes withheld from employee remuneration, and paid to governments, for example tax that we have collected 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.

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