

Addendum to 2020 Notice of annual general meeting

This addendum forms part of the Rio Tinto Limited 2020 Notice of annual general meeting

Resolutions requisitioned by shareholders Update on annual general meeting arrangements

This addendum sets out additional resolutions for the 2020 annual general meeting and supporting statements which have been served on Rio Tinto Limited in a notice from shareholders, together with the Board's response to those resolutions and the Board's recommendation on how to vote on those resolutions.

Consistent with the Australian Government's recently announced limitations on large gatherings, Rio Tinto strongly encourages shareholders NOT TO ATTEND THIS YEAR'S ANNUAL GENERAL MEETING IN PERSON.

We continue to monitor closely the impact of the COVID-19 virus in Australia and how this may affect the arrangements for the holding of our 2020 annual general meeting. Against this rapidly evolving situation and various public health scenarios, we are investigating possible arrangements for shareholders to participate in the annual general meeting remotely, including holding it as a "hybrid" meeting.

We will update shareholders as soon as practicable on these arrangements (including how questions can be submitted and answered). Updates will be available at riotinto.com/invest/shareholder-information/annual-general-meetings.

In the meantime, we would encourage shareholders to register their votes on the resolutions to be put to the annual general meeting by completing the proxy form that accompanies this addendum in accordance with the instructions printed on the proxy form and on page 5 of the original notice of meeting dated 10 March 2020, or by lodging their proxy forms online at investorvote.com.au.

You should note that Rio Tinto will strictly comply with the applicable limitations on gatherings in force at the time of the meeting. If you seek to attend the meeting in person, Rio Tinto or the venue may be required to deny you entry.

Rio Tinto Limited

ABN 96 004 458 404

Registered office:

Level 7, 360 Collins Street

Melbourne

Victoria 3000

Letter from the Chairman

Dear shareholders,

This is an addendum to the Rio Tinto Limited 2020 Notice of annual general meeting dated 10 March 2020.

Resolutions requisitioned by shareholders

The law in Australia allows shareholders to give notice to a company requiring resolutions to be voted on at a general meeting. Rio Tinto Limited has been served with a notice from shareholders representing approximately 0.02% of the shares on issue in Rio Tinto Limited proposing two resolutions for the 2020 annual general meeting.

These resolutions seek:

- an amendment to the constitution of Rio Tinto Limited to allow non-binding advisory resolutions; and
- that from 2021 the company, in its annual report, disclose short, medium and long-term targets for its scope 1, 2 and 3 greenhouse gas emissions and performance against those targets, and that all targets should be independently verified as aligned with the climate goals of the Paris Agreement.

As in previous years, your Board opposes the first requisitioned resolution (Resolution 23) because it is likely to create uncertainty and gives rise to a number of practical difficulties, including in relation to the authority and accountability of the directors.

Your Board also opposes the second requisitioned resolution (Resolution 24). As announced on 26 February 2020 the Board aims to reach net zero greenhouse gas emissions by 2050, and has set new targets for a 15% reduction in absolute emissions and 30% reduction in emissions intensity by 2030. We will report performance against these targets in our Annual reports in the decade ahead. Rio Tinto will also invest around \$1 billion over five years in emissions reduction projects, research and development, and activities to enhance the climate resilience of our business. Our targets are based on our current analysis of technical and commercial feasibility, including the existing legal and fiscal framework in each of our countries of operation.

We also recognise the need to reduce greenhouse gas emissions throughout the mining and metals value chain, including the emissions of our customers (Scope 3 emissions). We have therefore established partnerships to develop new technologies to decarbonise the value chains for both steel and aluminium. But since we cannot control or even accurately quantify the emissions of our customers, and the reduction of these emissions will depend upon the speed of deployment by our customers of new low-carbon technologies over the coming decades, we cannot set specific targets for Scope 3 emissions. Nevertheless, we will continue to invest in technology partnerships and joint advocacy for policies that support the decarbonisation of these 'hard to abate' sectors.

The requisitioned resolutions and explanatory notes, together with statements provided by the requisitioning members for circulation to shareholders, are set out in this addendum. The accompanying proxy form for the annual general meeting includes the two additional resolutions.

Annual general meeting arrangements for COVID-19

In my letter to shareholders in Rio Tinto Limited's original notice of meeting dated 10 March 2020 I noted that in the lead up to the annual general meeting, we would be closely monitoring the impact of the COVID-19 virus in Australia and how this may affect the arrangements for the holding of our Australian annual general meeting.

In our effort to help contain the spread of COVID-19 and protect the wellbeing of our employees and contractors, you our shareholders, and the wider community we continue to investigate possible arrangements for shareholders to participate in the annual general meeting remotely through an online platform (including how questions can be submitted and answered). We will update shareholders as soon as possible on these arrangements.

Further, in light of international travel restrictions and in an effort to minimise the risk to our people, we do not currently expect to have any directors attending the meeting in person at The Sofitel Brisbane Central. We are putting in place arrangements to have some of our directors attend the meeting by way of either video or audio link. There will therefore not be an opportunity to meet with directors after the meeting, and no catering will be provided for the meeting.

Consistent with the Australian Government's recently announced limitations on large gatherings, and in anticipation of further developments in that regard as the situation in Australia evolves, I strongly advise all of our shareholders not to attend this year's annual general meeting in person.

In the circumstances I encourage all shareholders to complete and submit their proxy form in line with the instructions on page 5 of the original notice of meeting. You will also be able to view the webcast at riotinto.com/invest/presentations/2020/agm-2020.

There is no change to the date or time of the Rio Tinto Limited annual general meeting. It will be held at **9.30am (AEST) on Thursday, 7 May 2020**. However, as noted above, while the place of the meeting remains the Ballroom Le Grand, at The Sofitel Brisbane Central, we do not expect to have any directors in attendance at that venue.

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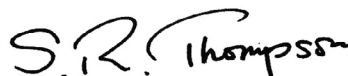
As set out in the original notice of meeting, your directors are unanimously of the opinion that resolutions 1 to 22 set out in that notice are in the best interests of shareholders and of Rio Tinto as a whole, and accordingly **recommend that you vote FOR on resolutions 1 to 22.**

Resolutions 23 and 24 set out in this addendum are **not endorsed by your directors**. Your directors consider that resolutions 23 and 24 are not in the best interests of shareholders or of Rio Tinto as a whole, and **recommend that you vote AGAINST resolutions 23 and 24.**

Further explanation for the reasons for your directors' recommendation to vote against resolutions 23 and 24 are set out in the explanatory notes to the resolutions on pages 4 to 6 of this addendum.

Resolutions 23 and 24 will be put to shareholders of Rio Tinto Limited only. No equivalent resolutions have been requisitioned by shareholders in Rio Tinto plc.

Yours sincerely



Simon Thompson
Chairman
25 March 2020

Additional resolutions

The resolutions in this addendum have been requisitioned under section 249N of the Australian Corporations Act 2001 by shareholders of Rio Tinto Limited. The requisition has been submitted by Market Forces as agent for 109 shareholders representing approximately 0.02% of the shares on issue in Rio Tinto Limited.

The numbering of these resolutions is a continuation of the numbering used in the Rio Tinto Limited 2020 Notice of annual general meeting dated 10 March 2020.

Resolution 23 will be proposed as a special resolution. Resolution 24 will be proposed as an ordinary resolution. However, resolution 24 will be a valid resolution only if resolution 23 is approved by the required majority – that is, the validity of resolution 24 is conditional on resolution 23 being passed.

The Board recommends that you vote AGAINST resolutions 23 and 24.

Resolution 23

Requisitioned resolution to amend our company's constitution (special resolution)

To amend the constitution to insert beneath Clause 57 'Annual general meetings' the following new sub-clause: "The company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the company partially or exclusively vested in the directors has been or should be exercised. However, such a resolution must relate to a material risk as identified by the company and cannot either advocate action that would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the directors or the company."

The Board recommends that shareholders **vote AGAINST resolution 23** for the reasons set out in the explanatory notes.

The chairman of the meeting intends to vote undirected proxies **AGAINST** resolution 23.

Resolution 24

Requisitioned resolution on emissions targets

Recognising the company's commitment to the Task Force on Climate-related Financial Disclosures and the aims of the Climate Action 100+, shareholders request that the company, in subsequent annual reporting, disclose short, medium and long-term targets for its scope 1, 2 and 3 greenhouse gas emissions and performance against those targets.

All targets should be independently verified as aligned with the climate goals of the Paris Agreement.

The Board recommends that shareholders **vote AGAINST resolution 24** for the reasons set out in the explanatory notes.

The chairman of the meeting intends to vote undirected proxies **AGAINST** resolution 24.

By order of the Board



Tim Paine
Joint Company Secretary



Steve Allen
Joint Company Secretary

Rio Tinto Limited

ABN 96 004 458 404

Registered office:

Level 7, 360 Collins Street
Melbourne, Victoria 3000

25 March 2020

Explanatory notes to the resolutions

Resolution 23 – Requisitioned resolution to amend our company's constitution

Resolution 23 is a special resolution proposing an amendment to the constitution of Rio Tinto Limited. (There is no proposal to amend the articles of association of Rio Tinto plc.)

Statement by the Board

The Board considers that the proposed constitutional amendment to allow non-binding advisory resolutions is likely to create uncertainty and gives rise to a number of practical difficulties, including in relation to the authority and accountability of the directors.

This resolution proposes to amend the constitution of Rio Tinto Limited to enable shareholders, by ordinary resolution, to express an opinion or request information about the way in which a power vested partially or exclusively in the directors has been or should be exercised. The proposed amendment expressly provides that any shareholder resolution made pursuant to the proposed constitutional amendment would be advisory only and would not bind the directors or Rio Tinto.

Under the constitution of Rio Tinto Limited, the Board is vested with the power to manage and control the business and affairs of Rio Tinto. In fulfilling their duties, the directors are required to take into account a wide range of considerations. It is important that the directors be able to exercise this power as they see fit and be clearly accountable to the shareholders as a whole for doing so.

Whilst Rio Tinto fully supports the principle of engagement with shareholders to ensure that their views are taken into account, the position under Australian law in relation to the status of non-binding advisory resolutions is unclear. The Board believes that any introduction of a framework to permit non-binding advisory resolutions should be by legislative change in order to provide clarity of the consequences and implications of such resolutions for companies and their directors. Any proposal for legislative change would be subject to full public consultation and debate and would take into account the views of all stakeholders. This approach would ensure that a framework is established for non-binding advisory resolutions that applies consistently to all companies and their directors. In the absence of such legislative change, the proposed constitutional amendment is likely to result in confusion for shareholders and wider stakeholders.

The proposed constitutional amendment allowing shareholders to “express an opinion” about how your directors should exercise their powers would undermine both the authority and accountability of the Board and, consequently, is not conducive towards effective administration and governance.

In addition, shareholders already have means to voice their views and opinions, including the right to ask questions or make comments at an annual general meeting. There is also regular and extensive engagement between Rio Tinto (at chairman, non-executive director and management level) and its institutional shareholders around the world.

Ultimately, shareholders contribute to the course and direction of Rio Tinto by voting on the composition of the Board.

Recommendation

For the reasons set out above, the Board has formed the view that the resolution is not in the interests of shareholders or of Rio Tinto as a whole and therefore recommends that shareholders vote **AGAINST** resolution 23.

The chairman of the meeting intends to vote undirected proxies **AGAINST** resolution 23.

Resolution 24 – Requisitioned resolution on emissions targets

Resolution 24 is an advisory resolution. The validity of resolution 24 is conditional on resolution 23 being passed by the required majority.

Statement by the Board

Rio Tinto is committed to being part of the solution to the unprecedented challenge of climate change.

The materials we produce are an essential part of the energy transition – including iron ore for wind turbines, aluminium for electric vehicles, and copper for electrification of the wider energy system – and our portfolio is well positioned for the transition to a low carbon economy. Approximately 75% of our power consumption already comes from renewable energy and we are the only major diversified company in the industry that does not mine coal or extract oil and gas.

Rio Tinto has a strong track record of climate action over more than two decades. Since 1998 we have used carbon pricing in our capital allocation decisions. Since 2008 we have reduced absolute greenhouse gas (GHG) emissions by 46%¹, and we own and operate some of the most carbon-efficient assets in the industry.

Given this track record, further reductions inevitably become more challenging. But our ambition remains high. In accordance with our support of the Paris Agreement, we aim to achieve net zero GHG emissions across our operations by 2050 and we have set new targets for 2030, to achieve a 15% reduction in absolute Scope 1 and Scope 2 GHG emissions, and a 30% reduction in emissions intensity across our managed and non-managed operations². This means that our overall growth between now and 2030 will be carbon neutral.

These targets were informed by a year-long process of determining asset-by-asset mitigation (abatement) options and long-term decarbonisation pathways. We have presented examples of this detailed analysis in our 2019 Climate Change Report, and will measure and report annual progress against these targets, as we have done against our previous targets since 2008.

More rapid unilateral action to reduce our emissions would require the closure of some of our operations, which would have negative consequences for our employees, our customers and suppliers, the communities around our operations, governments, and our shareholders.

To achieve our targets, we will invest around \$1 billion over the next five years in research and development, and emissions reduction and climate resilience projects. Some of this funding will be invested in partnerships with our customers and suppliers, to reduce emissions and improve environmental performance throughout the mining and metals value chain.

As such, Rio Tinto is already largely in compliance with the Resolution proposed by Market Forces. The major exception is the request that we set targets for Scope 3 emissions. These relate to the Scope 1 and 2 emissions of our customers and suppliers, predominately the GHG emissions of our steel-making customers. We cannot control these emissions, nor can we accurately measure or report on them. Accordingly, we cannot set targets for our customers' emissions.

However, Rio Tinto is committed to establishing partnerships and initiatives aimed at addressing these Scope 3 emissions. Rio Tinto has clearly set out its role and ambition in finding climate solutions. We will do this by continuing to provide essential materials for the transition to a low carbon future; by reducing emissions from our operations; by increasing our climate resilience; and through collaborative partnerships in our value chain. We believe that this is the best approach to deliver long term, sustainable value for our shareholders and for society as a whole. We also believe that setting targets for activities that we cannot control or even measure would undermine the integrity and the credibility of our climate change strategy.

As such, the Board is recommending that the shareholders vote **AGAINST** resolution 24.

Further background in support of this recommendation is set out on the following two pages.

¹ From our managed operations. 18% reduction since 2008 when excluding divestments.
² On an equity basis, from a 2018 baseline.

Further background in support of the Board's recommendation

Definitions: Scope 1, 2, 3 emissions

Scope 1: direct emissions from operations that are owned or controlled by a company.

Scope 2: indirect emissions from the generation of purchased electricity and steam

Scope 3: indirect emissions (not included in Scope 2) that occur in a company's value chain including both upstream and downstream emissions. The GHG Protocol's Standard defines 15 categories of Scope 3 emissions including: production of capital goods, leased assets, transport / distribution, processing of goods sold and use of goods sold. The calculation of Scope 3 emissions depends on how companies define the boundaries of their value chains. For example, when we consider Scope 3 emissions we estimate the emissions of our iron ore customers, typically steel makers in China, Japan and Korea, but we do not estimate the emissions from their customers (such as automotive manufacturers or construction companies).

Our approach to climate governance is set out in our 2019 Climate Change Report published on 26 February 2020 alongside our financial results. This is our second report on climate change which has been guided by the recommendations of the Task Force on Climate-related Financial Disclosures. The report sets out in detail the actions we are taking to reduce emissions across the business and our value chain. You can read it at riotinto.com/sustainability/climate-change.

Our approach to setting our scope 1 and scope 2 emissions targets to 2030

In 2019, we completed an asset-by-asset analysis of mitigation (abatement) options to inform our 2030 targets and long-term decarbonisation pathways. Our Energy and Climate Change Centre of Excellence worked with our Product Groups to identify emissions reductions opportunities across our asset portfolio. We assessed 60 projects in detail and developed marginal abatement cost curves (MACC) for all our major assets. The MACCs for the Pilbara and Yarwun are published, as examples, in our Climate Report.

From the 60 projects identified in our initial analysis, we selected those projects where it is technically and commercially feasible to achieve completion within the next 10 years. Collectively, these projects are expected to deliver a 15% reduction in absolute emissions and 30% reduction in emissions intensity by 2030 across our managed and non-managed operations (on an equity basis, from a 2018 baseline). Implicit in these targets is the assumption that overall growth between now and 2030 will be carbon neutral.

Repowering our aluminium assets and increasing the share of renewable electricity more broadly will be central to our decarbonisation strategy to 2030. We have already announced a \$98 million investment in a solar plant and battery at our Koodaideri iron ore project in the Pilbara, Australia.

Accelerating the reduction of emissions could have the undesirable outcome of prompting plant closures, particularly of our Australian aluminium assets, with negative consequences for our employees, customers and suppliers, many of whom are based in relatively remote communities that rely on mining and smelting for their livelihoods. It is therefore critical that we work with all stakeholders as we pursue the longer term ambition of net zero by 2050.

Our targets are based on our current analysis of technical and commercial feasibility, including the existing legal and fiscal framework in each of our countries of operation. While we continue to make significant progress, we are reaching the limits of what a responsible business, acting alone, can achieve through incremental change. Enabling legal, fiscal and regulatory changes are urgently required to provide a business case for full decarbonisation of the 'hard to abate' sectors in the mining and metals value chain, within the timeframe contemplated under the Paris Agreement.

In 2019 we benchmarked our Scope 1 and Scope 2 targets against available tools, such as the Science-Based Targets initiative (SBTi), and evaluated different decarbonisation pathways aligned with the Paris Agreement. However, these tools currently have a number of shortcomings. Specifically, they do not adequately take account of the decarbonisation pathways of different industry sectors. For example, the power sector must decarbonise ahead of 'hard to abate' industrial sectors, in order to provide those sectors with renewable energy and carbon-free intermediate products, such as hydrogen, that will be required to decarbonise certain industrial processes. Furthermore, many of these tools currently fail to take account of historical decarbonisation and the relative carbon intensity of existing businesses. Rio Tinto has applied carbon pricing to its capital allocation decisions for the past 22 years. Partly as a result, many of our assets already have very low

carbon-intensity and further reductions will necessarily be technically and commercially more challenging.

We are working with the International Aluminium Institute (IAI), building on the data and analyses it has generated with its members over the past three decades, to articulate sector specific technological pathways towards a net zero or 1.5 degree future for the industry. The IAI's work is aligned with the SBTi's Sectoral Decarbonisation Approach and has attracted broad participation from many member companies across the aluminium sector and along the value chain. Outcomes of the group's meetings are available from the IAI Secretariat.

Our approach to calculating and reporting our value chain emissions

Rio Tinto's Scope 3 emissions reflect the Scope 1 and 2 emissions of our customers and suppliers in our various value chains. It is impossible for Rio Tinto to accurately quantify these emissions, as we cannot measure them directly and there is currently no accepted standard methodology for estimating them.

The Taskforce for Climate-change related Financial Disclosure (TCFD) recommends that companies 'should provide their Scope 1 and Scope 2 GHG emissions and, if appropriate, Scope 3 GHG emissions and the related risks'. It notes that gaps in emissions quantification methodologies make reliable and accurate estimates difficult.

Despite these limitations, we report estimates of the most significant emissions in our value chain. These arise from the shipping and processing of our products by our customers – principally the conversion of iron ore into steel, and the conversion of bauxite and alumina into aluminium. Based on industry average emissions factors, we estimate that our customers' emissions in 2019 were 373Mt CO₂ from processing our iron ore products into steel and 112Mt CO₂ from processing our bauxite and alumina into aluminium. We estimate that emissions from shipping all our products added a further 6Mt CO₂, based on shipping sector emissions factors. Steel-making therefore represents approximately 75% of Rio Tinto's estimated Scope 3 emissions.

Why Scope 3 emissions targets are problematic for companies that do not produce fossil fuels

Focussing on the steel value chain, the following section describes why it is highly problematic for Rio Tinto to set Scope 3 emissions targets.

Iron ore is an essential ingredient of steel, and steel is an essential material for human progress. In a wide range of applications including infrastructure, buildings, agricultural and industrial machinery, transportation and energy generation, there is no viable, low-carbon alternative to steel.

The true steel use in developing economies, such as India, is currently around 50-100 kg per person. Analysis by The Energy and Resources Institute suggests that developed economies' steel consumption tends to saturate at around 500 kg per person³. While thriftiness and increased recycling are expected to reduce future demand, continued use of iron ore in the production of primary steel is therefore an essential part of closing the gap between rich and poor nations. And while there are opportunities for improved energy and resource efficiency within the steel industry, there is currently no commercially viable alternative to the use of metallurgical coal in the steel-making process. That is why the Energy Transitions Commission has categorised steel as a 'hard to abate' sector unlike, for example, the power industry where the transition pathway is clear.

Following the divestment of our coal assets in 2018, Rio Tinto does not produce or sell carbon. Unlike many of our peers, that continue to produce coal, oil and gas, we cannot reduce our Scope 3 emissions by altering the mix of energy products that we sell to our customers, for example by replacing coal or oil with gas, or through the depletion of fossil fuel reserves.

Our reported Scope 3 emissions largely arise because our customers directly or indirectly consume fossil fuels purchased from other mining or energy companies. As discussed above, we cannot control the volume of these purchases, nor can we accurately measure them.

Various technically feasible pathways do exist to significantly reduce carbon emissions from the production of steel. Steel-makers could, for example, replace the metallurgical coal they consume with another reductant, such as hydrogen, which does not generate GHG emissions. Several steel companies

3 Source: Towards a Low Carbon Steel Sector: Overview of the Changing Market, Technology, and Policy Context for Indian Steel; The Energy and Resources Institute. Analysis based on data from the World Steel Association's Steel Statistical Yearbook 2018. True steel use is apparent steel use minus net indirect exports. Apparent steel use is production plus net imports minus net exports.

are actively engaged in research and development in this field. However, the probable pathway towards industrialisation of this technology extends over decades and is highly dependent upon the climate change policies adopted by governments around the world, including the introduction of market mechanisms, such as carbon pricing, which are necessary to make this low-carbon, but higher-cost production process commercially competitive with traditional steelmaking.

Another alternative is to continue to use metallurgical coal in steel-manufacturing, but to use carbon capture and storage (CCS) to remove the resulting GHG emissions. Again, the pathway towards industrialisation of CCS on the required scale extends over decades and is dependent upon government policy.

While we will actively collaborate with our customers, we have very limited control over the speed, economic viability and ultimate deployment of these new technologies.

Our actions to address emissions across our value chain

We fully acknowledge that we have an important role to play in advancing climate action but we cannot do this alone. Everyone, including business, government, customers, suppliers and consumers, has a role to play.

We are working with partners, including many of our customers, through the value chain to develop solutions to tackle climate change and collectively improve environmental performance. The nature of these partnerships depends upon our position in each product value chain. During 2019 we started a number of new environment and climate change partnerships and further developed existing ones.

In September 2019, we signed a Memorandum of Understanding (MOU) with China's largest steel producer, China Baowu Steel Group and Tsinghua University, one of China's most prestigious and influential universities, to develop and implement new methods to reduce carbon emissions and improve environmental performance across the steel making process.

While progress has inevitably been delayed by the outbreak of COVID-19, we have had a number of meetings with our MOU partners and we are focussing our initial action in three key areas:

- explore technical cooperation and capacity-building to strengthen greenhouse gas inventory and reporting programmes;
- research, design and implement initiatives to reduce greenhouse gas emissions across the whole steel value chain;
- cooperate to advance multilateral and subnational action on climate change.

We also actively participate in the Energy Transitions Commission, which takes a multi-sector approach to 'hard to abate' sectors, including steel.

We continue to believe that the consistent and reliable supply of our high-grade, low-impurity iron ore products will position us competitively as our steel-making customers seek to reduce their contribution to GHG emissions.

Our Aluminium business works with customers throughout the value chain to provide technical support to improve the efficiency of their refineries and smelters. In 2018, in partnership with Alcoa and with support from Apple and the governments of Canada and Québec, we announced the formation of ELYSIS, a joint venture to develop a breakthrough inert anode technology – the most significant innovation in the aluminium industry for more than a century – that will eliminate all direct GHG emissions from the aluminium smelting process. In Canada alone, the use of ELYSIS technology has the potential to reduce GHG emissions by 7Mt CO₂.

In August 2019, ELYSIS marked the start of construction on its new Research and Development Centre at Rio Tinto's Complexe Jonquière in Canada. The C\$50 million construction project is expected to be fully operational in 2020, employing 25 technical experts. Our technology team in France is creating commercial scale designs for the ELYSIS technology so it can be retrofitted into existing smelters or used for new ones. In December 2019, Apple purchased the first commercial batch of aluminium from ELYSIS.

We intend to create other commercial partnerships to develop new emissions reduction technologies in the steel and aluminium value chains and to explore and develop abatement projects that can be deployed across the value chains in other commodities. These initiatives demonstrate our commitment to work in collaboration with others to decarbonise the critical global supply chains of which Rio Tinto forms a part.

Engagement with stakeholders and reporting

Our ongoing engagement with key stakeholders has been constructive in the finalisation of our new climate change targets and approach. We are actively engaging with Market Forces and will continue to engage with investors and other interested stakeholders as part of our ongoing commitment to understanding our shareholders' and the communities' views on this issue and in improving our performance.

Rio Tinto has published two climate change reports aligned to the TCFD framework over the last two years. The level of detail and transparency we have shared shows we are willing to play our part in an open manner. Our 2018 climate disclosure was referenced as an example of good practice in the most recent TCFD status report (2019). The status report also notes that few companies are able to quantify Scope 3 emissions let alone set targets.

We have set a clear ambition to achieve net zero by 2050, aligned with the goals of the Paris Agreement. We also have clear medium term targets to reduce Scope 1 and Scope 2 GHG emissions across our operations based on detailed analysis, and we will report performance against these in our annual reports in the decade ahead. We will partner with our customers and suppliers, and invest in co-creating solutions that can advance mutual climate action in a tangible way. But we cannot set targets for activities that we do not control and cannot even measure.

Recommendation

For the reasons set out above, the Board has formed the view that the resolution is not in the interests of shareholders or of Rio Tinto as a whole and therefore recommends that shareholders vote **AGAINST** resolution 24.

The chairman of the meeting intends to vote undirected proxies **AGAINST** resolution 24.

Appendix – Statements provided by requisitioning shareholders

The requisitioning shareholders have requested, pursuant to section 249P of the Australian Corporations Act 2001 that the following statements in relation to resolutions 23 and 24, set out below, be provided to shareholders. By publishing the statements, Rio Tinto does not make any representations as to their truth or accuracy and disclaims any liability for their contents.

Statement by the requisitioning shareholders in support of resolution 23

Shareholder resolutions are a healthy part of corporate democracy in many jurisdictions other than Australia. For example, in the UK shareholders can consider resolutions seeking to explicitly direct the conduct of the board. In the US, New Zealand and Canada shareholders can consider resolutions seeking to advise their board as to how it should act. As a matter of practice, typically, unless the board permits it, Australian shareholders cannot follow the example of their UK, US, New Zealand or Canadian cousins in this respect.

A board of Directors is a steward for shareholders and accountability for the discharge of that stewardship is essential to long-term corporate prosperity.

In rare situations the appropriate course of action for shareholders dissatisfied with the conduct of board members is to seek to remove them. But in many situations such a personality-focused approach is unproductive and unwarranted. In those situations a better course of action is to formally and publicly allow shareholders the opportunity at shareholder meetings such as the AGM to alert board members that the shareholders seek more information or favour a particular approach to corporate policy.

The Constitution of Rio Tinto is not conducive to the right of shareholders to place resolutions on the agenda of a shareholder meeting.

In our view, this is contrary to the long-term interests of Rio Tinto, the Rio Tinto board and all Rio Tinto shareholders.

Passage of this resolution – to amend the Rio Tinto constitution – will simply put Rio Tinto in a similar position in regard to shareholder resolutions as any listed company in the UK, US, Canada or New Zealand.

We encourage shareholders to vote in favour of this resolution.

Statement by the requisitioning shareholders in support of resolution 24

The Paris Agreement on climate change aims to hold global warming to well below 2°C above pre-industrial levels and pursue a 1.5°C limit¹, and has been ratified by 185 countries.

Governments and markets are expected to accelerate climate action in order to achieve these goals.

According to the IPCC, “In model pathways with no or limited overshoot of 1.5°C, global net anthropogenic CO₂ emissions decline by about 45% from 2010 levels by 2030... reaching net zero around 2050.”²

Scope 1 and 2 emissions

On 26 February 2020, Rio Tinto announced it plans to reduce absolute scope 1 and 2 greenhouse gas emissions by 15% by 2030 from a 2018 baseline. These targets fall well short of what can be considered consistent with the Paris Agreement. Following the Science Based Targets initiative’s Absolute Contraction Approach, Paris-alignment would require at least a 30% reduction on Scope 1 and 2 emissions over the same timeframe.

Scope 3 emissions

Rio Tinto aspires to achieve “a substantial decarbonisation of our business by 2050,”³ and plans to “set new targets to replace the current [scope 1 and 2] emissions intensity target before it expires in 2020.”⁴ However, these targets will only deal with 5% of the total emissions our company is exposed to.

Rio Tinto’s 2018 greenhouse gas emissions were:⁵

- Scope 1: 17.8 million tCO₂e
- Scope 2: 10.8 million tCO₂e
- Scope 3: 536.0 million tCO₂e

The vast majority of Rio Tinto’s scope 3 emissions are generated by its iron ore customers in the steelmaking process. In 2018, Rio Tinto’s iron ore business accounted for \$11.3 billion of our company’s total Underlying EBITDA of \$18.1 billion (62%)⁶. According to IPCC analysis, holding warming to 1.5°C will require emissions from industry, including steelmaking, to fall by around 40% from 2010 levels by 2030 and more than 80% by 2050.⁷

Meeting the Paris climate goals will require the steel industry to either decarbonise or decline. Rio Tinto must therefore demonstrate Paris-aligned decarbonisation plans in order to manage down the transitional climate risk posed by its large exposure to the steelmaking sector.

Last year’s agreement with China Baowu Steel Group and Tsinghua University to explore methods to reduce carbon emissions across the steel value chain lacks any detail or commitment to ensure Paris-aligned emission reductions.⁸

Rio Tinto lagging peers

In a July 2019 speech, then BHP CEO Andrew Mackenzie stated BHP’s commitments “to work with the shippers, processors and users of our products to reduce scope 3 emissions,” and “To measure our stewardship of BHP’s products in 2020 we will also set public goals to address scope 3 emissions.”⁹

BHP has since confirmed:¹⁰ These goals will be set consistent with all of the following principles:

- Risk-based: focused on material risks and opportunities;
- Measurable, accountable and time-bound: clearly defined with clear responsibilities for delivery and against which it is possible to measure progress over a defined timeframe;
- Paris-aligned: support decarbonisation pathways for our products in line with the goals of the Paris Agreement;
- Collaborative: engage the right partners to support action at the point of operational control;
- Outcomes-focused: deliver tangible outcomes and value rather than focus only on activity;
- Attainable: recognise our stewardship role relating to sold products as compared to the operational control of our managed facilities;
- Based on consultation: engage with external expert and/or academic parties to inform the development of appropriate goals;
- Assured: reporting will be subject to external verification and assurance.

Vale in December 2019 committed to “reduce greenhouse gas emissions aligned with the Paris Agreement and be carbon neutral by 2050,” and will soon set targets for its steelmaking and shipping scope 3 emissions.¹¹

By contrast, Rio Tinto’s board last year recommended shareholders vote against a resolution calling for emission reduction targets, claiming:¹²

Rio Tinto cannot commit to provide Scope 3 emissions reduction targets (as required by the resolution) as these are targets, ultimately, for our customers. We have very limited control over the emissions themselves or future measures to abate them.

Our company’s position inaccurately characterises scope 3 emission reduction targets as directives towards our customers, rather than a sensible risk-mitigation measure. This is underscored by our major competitors committing to do what our board has said it cannot.

5 Ibid 26

6 <https://www.asx.com.au/asxpdf/20190228/pdf/4431vcxw1yny9l.pdf>, 27

7 https://www.ipcc.ch/site/assets/uploads/sites/2/2019/02/SR15_Chapter2_Low_Res.pdf, 139

8 <https://www.riotinto.com/news/releases/MOU-with-Chinese-partners>

9 <https://www.bhp.com/media-and-insights/reports-and-presentations/2019/07/evolving-our-approach-to-climate-change>

10 <https://www.bhp.com/environment/climate-change>

11 http://www.vale.com/EN/investors/information-market/presentations-webcast/PresentationsWebcastsDocs/Vale%20Day%20NY%202019_%20Vsite.pdf, 24-25

12 <https://www.asx.com.au/asxpdf/20190318/pdf/443kwnkw7pzh2.pdf>, 3

1 https://unfccc.int/sites/default/files/english_paris_agreement.pdf, Article 2(1)(a)

2 <https://www.ipcc.ch/sr15/chapter/summary-for-policy-makers/>, C.1

3 Climate Change Position Statement (available at <https://www.riotinto.com/sustainability/climate-change/>)

4 Climate Change Approach 2018 (available at <https://www.riotinto.com/sustainability/climate-change/>), 29

Investor and regulator expectations

The G20 Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) published its final recommendations in 2017, designed to allow investors to "appropriately assess and price climate-related risk and opportunities."¹³ Regulators and investors now expect companies to fully comply with the TCFD recommendations.

The Australian Government welcomed the TCFD recommendations, encouraging "all stakeholders to carefully consider the recommendations of the Taskforce."¹⁴ ASIC foreshadowed regulatory action after its September 2018 report found many companies were breaking the law by failing to adequately consider and disclose climate risk.¹⁵

All respondents to Morrow Sodali's 2019 Institutional Investor Survey believe companies with material exposures to climate-related risks should adopt the TCFD recommendations.¹⁶ The Australian Council of Superannuation Investors (ACSI) expects TCFD adoption to ensure companies can "successfully identify and manage the climate risks and opportunities [they] face."¹⁷

Rio Tinto signed up as a supporter of the TCFD in 2017,¹⁸ but is yet to fully comply with the recommendations.

A core TCFD recommendation is to:¹⁹

Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Elaborating on this recommendation, the TCFD states:²⁰

Organizations should describe their key climate-related targets such as those related to GHG emissions... in line with anticipated regulatory requirements or market constraints or other goals.

Given Rio Tinto's significant exposure to climate change transition risks, our company must apply this integral recommendation of the TCFD to its scope 3 emissions.

We therefore encourage shareholders to vote in favour of this resolution.

13 <https://www.fsb-tcf.org/publications/final-recommendations-report/>
14 [https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Carbonrisk/disclosure45/Government Response](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Carbonrisk/disclosure45/Government%20Response), 3
15 <https://download.asic.gov.au/media/4871341/rep593-published-20-september-2018.pdf>
16 <https://www.morrowsodali.com/news/institutional-investor-survey-2019>, 20
17 <https://www.acsi.org.au/images/stories/ACSIDocuments/ACSI-Governance-Guidelines-Nov17.pdf>, 26
18 https://www.riotinto.com/documents/RT_Our_approach_to_climate_change_2018.pdf, 9
19 <https://www.fsb-tcf.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf>, 14
20 <https://www.fsb-tcf.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf>, 23