Rio Tinto

Taxes paid: Our economic contribution

2018

The taxes we pay help governments provide essential services to communities and invest for the future

Contents

Cover image: Perth, Australia

Image: Concentrate, Oyu Tolgoi, Mongolia

Proud of our contribution and the positive, lasting difference we make

We are proud of the products we deliver to our customers – metals and minerals that are essential to human progress. In 2018, we refreshed our sustainability strategy, developing an integrated approach linked to the United Nations' Sustainable Development Goals. This approach ensures that material sustainability issues are integrated into our business strategy. The taxes and royalties we pay to national, regional and local governments are an important part of this approach, and of our contribution, enabling governments to provide essential services to communities and to invest for the future.

In 2018, the Rio Tinto Group paid $6.6 billion in taxes and royalties globally, including $4.8 billion paid in Australia. Since our first Taxes paid report in 2010, we have paid $63 billion in taxes and royalties globally, of which over 70%, or $46 billion, was paid in Australia.

We believe tax transparency promotes trust and credibility – not just in companies, but also in the tax regimes in which we operate. At the same time, it helps governments make policy decisions to support stable and effective tax systems. Our 2018 transparency statement seeks to translate this belief into action: we will disclose contracts with governments in relation to minerals development where they are not subject to a confidentiality undertaking, and encourage governments to allow such disclosure. We commit to continue to disclose taxes and royalties paid, and other payments to governments. We also support the disclosure of beneficial ownership and will strive to provide information that includes our joint venture relationships, in line with the Extractive Industries Transparency Initiative (EITI) and expectations.

We also commit to continuing to engage with communities, governments, civil society and investors to ensure that our economic contribution benefits intended localities and populations.

We are convinced that creating a consistent standard by which companies can report their contributions with integrity and responsibility is essential to promoting confidence in business. In 2018, we were proud to add our endorsement to the B Team Responsible Tax Principles[1], which define what leadership in responsible tax looks like. We also support the initiative by the Global Sustainability Standards Board of the Global Reporting Initiative in formulating a Tax & Payments to Governments standard, and we are committed to implementing the standard when it is finalised.

This report builds on our long history of transparency in relation to our economic contribution, and provides comprehensive disclosures over the tax and other payments we make to governments.

We welcome your feedback.

Jakob Stausholm
Chief financial officer
April 2019

Taxes and royalties paid in 2018
$6.6bn

Corporate tax paid in 2018
$3.8bn

Direct economic contribution in 2018
$42.8bn

Economic contribution since 2014 to the countries and communities where we operate
$200bn

Amount invested to strengthen health, education, cultural heritage and environment in 2018
$192m

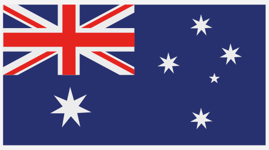
37,000 suppliers in **120** global locations

1. From bteam.org: 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, for the wellbeing of people and the planet.

Our global tax contribution

Our global taxes and royalties paid in 2018

$6.6bn

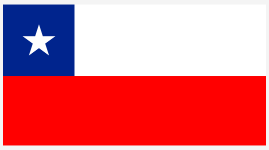


Australia

$4,837m

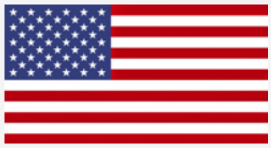
Canada

$386m



Chile

$332m



US

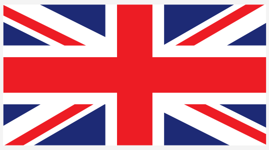
$331m

Mongolia

$308m

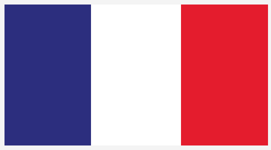
South Africa

$79m



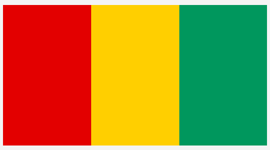
UK

$72m



France

$47m



Guinea

$39m

Singapore

$38m

Indonesia

$27m

Brazil

$13m

Our global tax contribution
continued

$6.6bn

Global taxes and royalties paid in 2018

$63.0bn

Global taxes and royalties paid since 2010

$4.8bn

Australian taxes and royalties paid in 2018

$45.8bn

Australian taxes and royalties paid since 2010

28.6%

Global effective corporate income tax rate on underlying earnings in 2018

37.4%

Global effective tax rate on underlying earnings inclusive of royalties in 2018

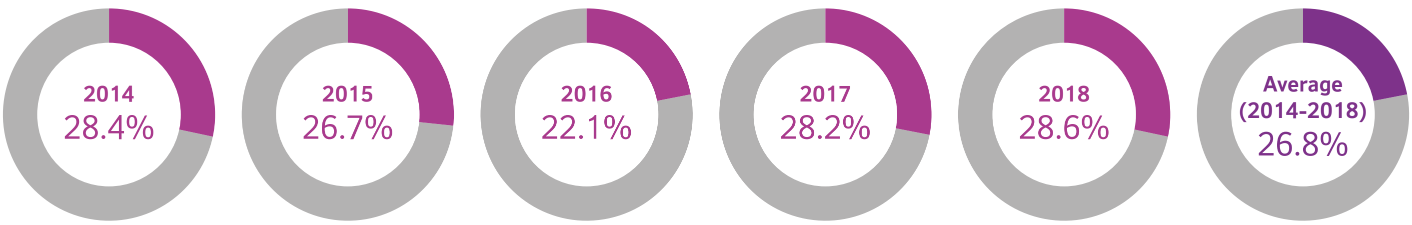
30.7%

Australian effective corporate income tax rate on underlying earnings in 2018

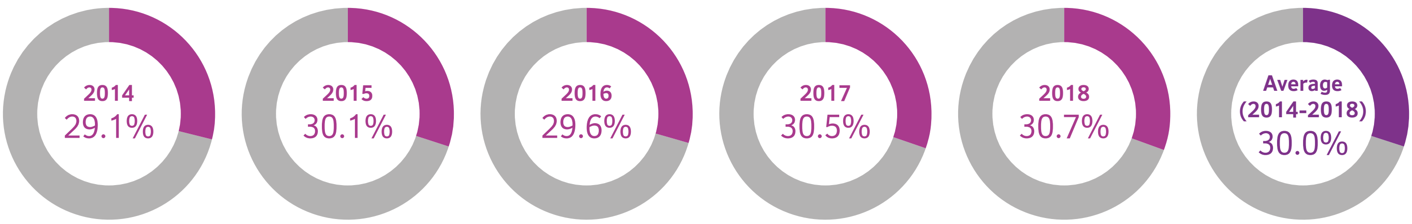
39.7%

Australian effective tax rate on underlying earnings inclusive of royalties in 2018

Group effective corporate income tax rate on underlying earnings



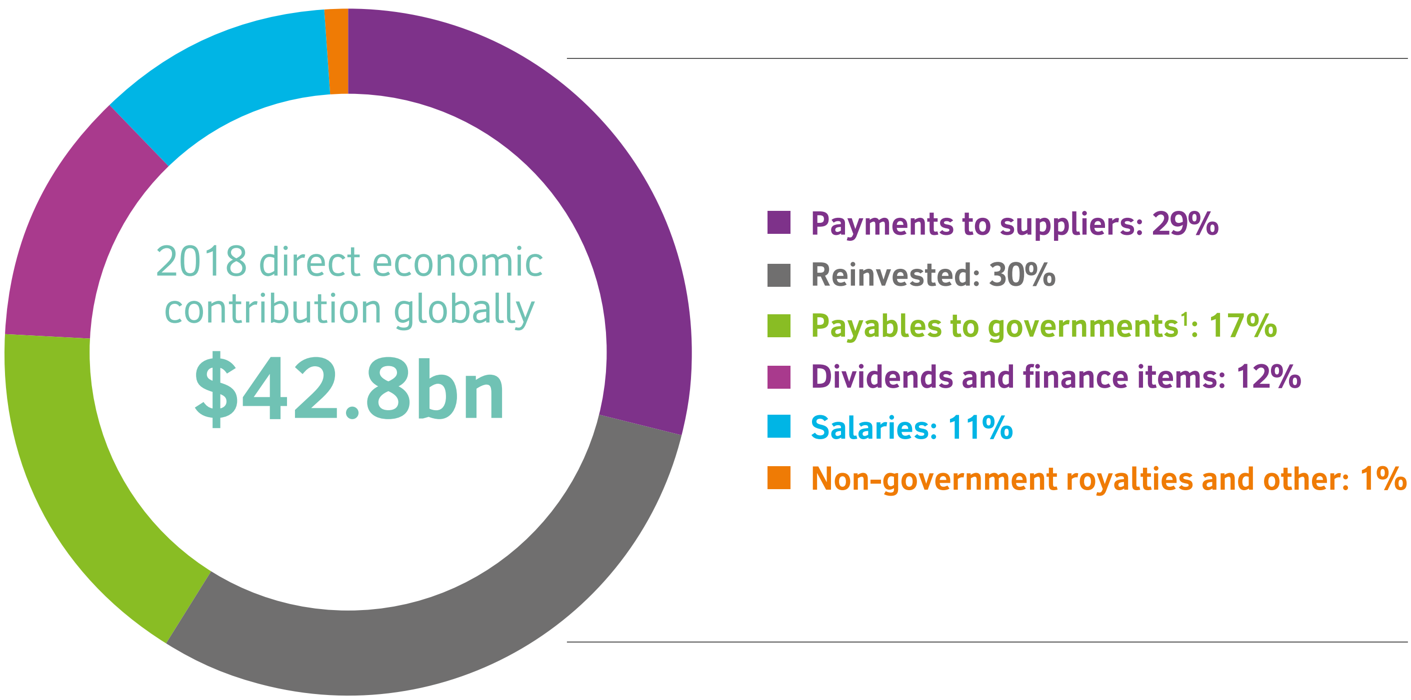
Australian effective corporate income tax rate on underlying earnings



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 while we operate, and rehabilitate the land when we cease operations. We must contribute our fair share to local and national economies, including through taxes, and do so transparently.

Direct economic contribution since 2014



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

Australia

Australia is home to around half of our global assets. We continue to invest in Australia, with new developments such as our new, intelligent Koodaideri iron ore mine in the Pilbara, and the Amrun bauxite mine in Cape York.

Of the $6.6 billion Rio Tinto paid in taxes and royalties during 2018, $4.8 billion was paid in Australia.

Total taxes and royalties paid

$4.8bn
Total taxes and royalties paid in Australia

$3.17bn
Corporate income tax paid in Australia

Royalties paid

$1.45bn
Total royalties paid to Australian governments

Employee payroll tax

$666m
Taxes collected on behalf of employees and remitted to Australian governments

Australian underlying earnings 2018	$10,025m
Australian effective corporate income tax rate on underlying earnings 2018	30.7%
Australian effective tax rate including royalties on underlying earnings 2018	39.7%
Total taxes and royalties paid in Australia from 2010 to 2018	$45,880m
Number of employees	19,029

Image: Brisbane, Australia

Koodaideri: Sharing the benefits of advanced technology

Image: Train carrying iron ore, Pilbara, Western Australia

In 2019, we'll begin the construction of our most technologically advanced mine – the Koodaideri iron ore mine in Western Australia. We're investing $2.6 billion (A$3.5 billion) in the operation, which has been designed to use the latest techniques in automation and digitalisation, making it safer and more productive while ensuring it creates value for businesses and communities throughout Australia.

Creating opportunity for Australian businesses

We expect Koodaideri to start producing our industry-benchmark Pilbara Blend™ iron ore product by late 2021, and we're connecting it to our main network through a 166km rail line. The project is expected to generate:

- more than A$3 billion in procurement spend with Australian-based businesses, with opportunities for A$2.5 billion for Western Australia-based businesses during development.
- jobs for 2,000 people during construction, with 600 permanent roles created once the mine is operational.

Leading the way in innovation

We've included more than 70 innovation projects in the design of Koodaideri, helping us connect technology and information across the whole operation in new ways. We've also applied our Mine of the Future™ programme to develop advanced extraction techniques that reduce environmental impacts and improve safety performance. The operation will feature:

- a digital replica of the processing plant, accessible in real time by workers in the field
- fully-integrated mine automation and simulation systems
- autonomous trucks, trains and drills
- advanced automation including an automated workshop
- numerous data analytics capabilities and control loops to optimise production and reduce downtime

Image: Operations Centre, Perth, Australia

Canada

We have invested over $8 billion in Canada in the last seven years. With more than 15,000 employees and contractors working across more than 35 locations, we are the largest mining and metals company in the country.

World leaders in responsible aluminium production

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. In fact, our Canadian energy portfolio is 100% carbon-free.

In 2016, we became the first company to introduce certified low-carbon aluminium to the market – RenewAl – and in 2018, we became the first company to have our metal certified responsible by the Aluminium Stewardship Initiative (ASI). In 2018, Nespresso announced that they will be using our ASI-certified aluminium for their coffee pods.

Also in 2018, Rio Tinto and Alcoa – with support from the Governments of Canada and Quebec, and Apple – announced the Elysis joint venture to further develop the world's first direct greenhouse gas emissions-free aluminium smelting process.

The inert anode technology being developed by Elysis is the most significant innovation in the aluminium industry for more than a century. This new joint venture is headquartered in Montreal, Canada and its Research and Development Center will be located at Rio Tinto's Complexe Jonquière, in the Saguenay–Lac-Saint-Jean region of Quebec, Canada.

Total taxes and royalties paid

$386m
Total taxes and royalties paid in Canada

$114m
Corporate income tax paid in Canada

Employee payroll tax

$412m
Taxes collected on behalf of employees and remitted to Canadian governments

Canadian underlying earnings 2018	**$1,380m**
Number of employees	**10,620**

7.0m

metric tonnes

potential reduction in greenhouse gas emissions if all aluminium smelters in Canada were to use Elysis technology

Image: Area near Kitimat, British Columbia, Canada

Mongolia

The Oyu Tolgoi copper mine is a major contributor to the Mongolian economy. The Oyu Tolgoi operation generated $308 million in taxes, royalties and other payments for Mongolian governments in 2018. Overall Oyu Tolgoi has paid more than $2.3 billion in taxes and royalties since 2010.

Oyu Tolgoi – creating value for Mongolia

Oyu Tolgoi is the biggest employer in the country, with over 17,000 employees and contractors (approximately 93% of whom are Mongolian). Oyu Tolgoi is jointly owned by the Government of Mongolia (34%) and Turquoise Hill Resources (66%), of which Rio Tinto owns 51%. Since 2010, we have provided strategic and operational management to Oyu Tolgoi. Between 2010-2018, Oyu Tolgoi has spent $2.7 billion nationally on procurement, $413 million of which was spent on procurement from South Gobi, where the mine is located.

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 $15 million in 78 sustainable development projects and programmes which have resulted in the creation of more than 350 permanent jobs, and delivered benefits to over 240,000 community members, including scholarships for 142 students.

Mongolian underlying loss 2018	**$(337)m**
Number of employees	**2,886**

$8.7bn

Invested in Mongolia between 2010 and 2018

Image: Community children, Khanbogd, Mongolia

Total taxes and royalties paid in Mongolia

$308m

of this:

Total taxes paid to the Mongolian national government

$149m

including royalties of $66m

Total taxes paid to four Mongolian regional governments

$159m

Employee payroll tax

$19m

Taxes collected on behalf of employees and remitted to Mongolian governments

United States

We have been creating value in the US for more than a century, and continue to invest in our future there. The Resolution project in Arizona, one of the world's largest copper deposits, is progressing through the US regulatory process with the potential to begin production in the late 2020s, more than 25 years after it was discovered.

Total taxes and royalties paid

$331m

Total taxes and royalties paid in the US

$17m

Corporate income tax paid in the US

$47m

Taxes paid to Salt Lake County, Utah

Employee payroll tax

$93m

Taxes collected on behalf of employees and remitted to US state and federal agencies

Meeting our customers' needs in one of our largest markets

In 2018, we opened our American commercial office in Chicago, which has long been one of the world's historic commodity hubs.

Our new location is designed to bring us closer to our existing and future customers, while also supporting the integrated aluminium supply chain between the US and Canada. It means we can better respond and adapt to market changes, which in turn will allow us to better respond to customer needs.

United States underlying loss 2018	**$(70)m**
Number of employees	**3,792**

Image: Brooklyn, New York, US

Europe

We pay tax in ten European countries:

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

Our global headquarters are in London.

Total taxes and royalties paid

$146m

Total taxes and royalties paid in Europe

Employer payroll tax

$64m

Employer payroll tax paid in Europe

$44m

Corporate income tax paid in Europe

Employee payroll tax

$71m

Taxes collected on behalf of employees and remitted to European governments

Europe underlying earnings 2018	**$104m**
Number of employees	**1,705**

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. After more than a decade of research and development, we have started the pre-feasibility study of our potential jadarite mine and processing facility. The study will 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.

Image: Europe at night from space

Africa

Our operations in Africa include mines, refineries and processing plants and, in 2018, we paid tax in South Africa, Guinea, Namibia, Madagascar and Zambia.

Total taxes and royalties paid

$132m

Total taxes and royalties paid in Africa

$79m

Total taxes and royalties paid in South Africa

$98m

Corporate tax paid in Africa

Employee payroll tax

$37m

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

Africa underlying earnings 2018	**$222m**
Number of employees	**4,758**

Image: Employee at Richards Bay Minerals

Latin America

Our interests in Chile, Brazil and Peru include the mining of copper and bauxite, and an alumina refinery. We are proud partners in the Escondida mine, the world's largest copper producer, located in northern Chile.

Image: School children, La Granja, Peru

Total taxes and royalties paid

$347m
Total taxes and royalties paid in Latin America

$13m
Total taxes and royalties paid in Brazil

$22m
Taxes collected on behalf of employees and remitted to Latin American governments

$332m
Total taxes and royalties paid in Chile

$2m
Total taxes and royalties paid in Peru

Latin America underlying earnings 2018 (including equity accounted units)	**$775m**
Number of employees	**1,499**

Analysis by country and level of government

This table shows the total of all tax payments for each of the main countries where the Rio Tinto Group has revenue-generating operations or projects. The Group does not earn any significant profit in countries not listed in this table.

Within each country, total tax payments are reported by the national, regional or local government to which they are paid.

Country and level of government (US$ millions)	Corporate income 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	**3,165.4**	**1,449.1**	**8.9**	**173.3**	**40.0**	**4,836.7**	**666.1**
Australian Taxation Office	3,165.4	6.0	0.1	42.6	5.9	3,220.0	666.1
State of Western Australia	–	1,247.9	2.2	87.4	13.2	1,350.7	–
State of Queensland	–	151.7	1.7	32.1	2.3	187.8	–
Northern Territory Revenue Office	–	43.5	4.9	4.6	(1.4)	51.6	–
State of New South Wales	–	–	–	2.5	0.3	2.8	–
State of Tasmania	–	–	–	2.5	0.1	2.6	–
State of Victoria	–	–	–	1.6	0.1	1.7	–
Shire of Ashburton (WA)	–	–	–	–	5.0	5.0	–
City of Karratha (WA)	–	–	–	–	4.9	4.9	–
Gladstone Regional Council (QLD)	–	–	–	–	3.4	3.4	–
West Arnhem Shire Council (NT)	–	–	–	–	1.4	1.4	–
Weipa Town Authority (QLD)	–	–	–	–	1.2	1.2	–
Central Highlands Regional Council (QLD)	–	–	–	–	1.0	1.0	–
Isaac Regional Council (QLD)	–	–	–	–	0.7	0.7	–
Shire of East Pilbara (WA)	–	–	–	–	0.7	0.7	–
George Town Council (TAS)	–	–	–	–	0.4	0.4	–
Town of Port Hedland (WA)	–	–	–	–	0.3	0.3	–
Cook Shire Council (QLD)	–	–	–	–	0.2	0.2	–
Other Australian Governments	–	–	–	–	0.3	0.3	–
Canada Total	**114.4**	**60.8**	**10.3**	**80.2**	**119.9**	**385.6**	**412.1**
Canada Revenue Agency	52.9	–	–	15.1	4.2	72.2	244.8
Revenu Québec	0.9	–	–	58.2	–	59.1	166.4
Ministre des Finances du Québec	–	52.3	1.3	–	3.1	56.7	–
Government of Newfoundland and Labrador	36.4	–	–	4.6	26.6	67.6	–
Government of Northwest Territories	24.2	–	4.6	0.5	2.2	31.5	0.9
Ministry of Finance of British Columbia	–	8.5	–	1.7	4.3	14.5	–
Ville de Saguenay (QC)	–	–	–	–	26.6	26.6	–
District of Kitimat (BC)	–	–	–	–	18.3	18.3	–
Ville d'Alma (QC)	–	–	–	–	9.1	9.1	–
Town of Labrador City (NL)	–	–	–	–	7.9	7.9	–
Ville de Sept-Îles (QC)	–	–	–	–	6.3	6.3	–
Innu Nation[1]	–	–	2.6	–	–	2.6	–
Ville de St-Joseph-de-Sorel (QC)	–	–	–	–	1.8	1.8	–
M.R.C. du Fjord-du-Saguenay (QC)	–	–	–	–	1.4	1.4	–
Tlicho Government[1]	–	–	1.2	–	–	1.2	–
Commission Scolaire du Lac-Saint-Jean (QC)	–	–	–	–	1.1	1.1	–
Commission Scolaire de la Jonquière (QC)	–	–	–	–	1.0	1.0	–
Ville de Sorel-Tracy (QC)	–	–	–	–	1.0	1.0	–
Commission Scolaire des Rives-du-Saguenay (QC)	–	–	–	–	0.9	0.9	–
Municipalité de Sainte-Monique (QC)	–	–	–	–	0.9	0.9	–

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
Ville de Bécancour (QC)	–	–	–	–	0.9	0.9	–
Municipalité de Péribonka (QC)	–	–	–	–	0.5	0.5	–
Municipalité de Havre-St-Pierre (QC)	–	–	–	–	0.5	0.5	–
Yellowknives Dene First Nation[1]	–	–	0.4	–	–	0.4	–
Municipalité de l'Ascension-De-Notre-Seigneur (QC)	–	–	–	–	0.4	0.4	–
Lutsel K'e Dene First Nation[1]	–	–	0.2	–	–	0.2	–
Ministry of Finance of Ontario	–	–	–	0.1	–	0.1	–
Other Canadian Governments	–	–	–	–	0.9	0.9	–
Chile Total	**322.1**	**–**	**1.3**	**0.1**	**8.1**	**331.6**	**19.7**
Servicio de Impuestos Internos	322.1	–	1.3	0.1	8.1	331.6	19.7
US Total	**16.6**	**11.4**	**56.3**	**26.3**	**219.9**	**330.5**	**92.7**
U.S. Customs and Border Protection	–	–	–	–	194.3	194.3	–
US Internal Revenue Service	(6.2)	–	–	25.4	0.2	19.4	74.9
Utah State Tax Commission	11.3	11.4	–	0.4	18.2	41.3	11.2
California Franchise Tax board	6.5	–	–	0.4	4.3	11.2	4.5
Ohio Treasurer of State	1.2	–	–	–	–	1.2	–
Minnesota Department of Revenue	1.2	–	–	–	–	1.2	–
Colorado Department of Revenue	–	–	–	–	1.0	1.0	0.6
Michigan Department of Revenue	0.6	–	–	–	–	0.6	–
Wisconsin Department of Revenue	0.4	–	–	–	–	0.4	–
New York Department of Taxation and Finance	0.3	–	–	–	–	0.3	–
Pennsylvania Department of Revenue	0.2	–	–	–	–	0.2	–
Oregon Department of Revenue	0.1	–	–	–	–	0.1	–
Tennessee Department of Revenue	0.1	–	–	–	–	0.1	–
New Jersey Department of Treasury	0.1	–	–	–	–	0.1	–
Kansas Department of Revenue	0.1	–	–	–	–	0.1	–
New Mexico Taxation and Revenue Department	0.1	–	–	–	–	0.1	–
Arizona Department of Revenue	–	–	–	–	–	–	0.6
Salt Lake County (UT)	–	–	46.7	–	–	46.7	–
Kern County (CA)	–	–	9.5	–	–	9.5	–
Pinal County (AZ)	–	–	–	–	0.4	0.4	–
Los Angeles County (CA)	–	–	–	–	0.3	0.3	–
Hidalgo County (TX)	–	–	–	–	0.1	0.1	–
Inyo County (CA)	–	–	–	–	0.1	0.1	–
Other US Governments	0.6	–	0.1	0.1	1.0	1.8	0.9
Mongolia Total[2]	**0.3**	**65.5**	**12.9**	**17.7**	**212.1**	**308.5**	**19.1**
General Department of Taxation	0.3	65.5	0.2	0.1	83.1	149.2	1.7
Ulaanbaatar City	–	–	1.0	17.6	87.1	105.7	10.5
Umnugobi Aimag	–	–	6.2	–	41.9	48.1	6.9
Khanbogd Sum	–	–	0.5	–	–	0.5	–
Gobi Oyu Development Support Fund[1]	–	–	5.0	–	–	5.0	–
UK Total	**35.5**	**–**	**–**	**12.4**	**24.2**	**72.1**	**39.0**
HM Revenue & Customs	35.5	–	–	12.4	17.7	65.6	39.0
Westminster City Council	–	–	–	–	6.5	6.5	–
France Total	**–**	**–**	**–**	**40.8**	**6.3**	**47.1**	**14.8**
Direction Générale des Finances Publiques National	–	–	–	–	(6.5)	(6.5)	–
Union de Recouvrement des Cotisations de Sécurité Sociale et d'Allocations Familiales	–	–	–	40.8	–	40.8	14.8
Direction Générale des Finances Publiques– Rhône-Alpes	–	–	–	–	3.6	3.6	–
Direction Générale des Finances Publiques– Nord	–	–	–	–	9.1	9.1	–
Direction Générale des Finances Publiques– Île-de-France	–	–	–	–	0.1	0.1	–

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
Iceland Total	**–**	**–**	**0.1**	**8.2**	**3.0**	**11.3**	**9.9**
Directorate of Internal Revenue	–	–	0.1	8.2	0.6	8.9	9.9
Town of Hafnarfjörður	–	–	–	–	2.4	2.4	–
China Total	**5.6**	**–**	**0.2**	**–**	**0.8**	**6.6**	**3.1**
State Administration of Taxation	5.6	–	0.2	–	0.8	6.6	–
Shanghai Municipality	–	–	–	–	–	–	2.3
Beijing Municipality	–	–	–	–	–	–	0.5
Other Chinese Governments	–	–	–	–	–	–	0.3
Netherlands Total	**2.2**	**–**	**–**	**1.4**	**2.3**	**5.9**	**3.2**
Tax and Customs Administration	2.1	–	–	1.4	2.0	5.5	3.2
City of Rotterdam	0.1	–	–	–	0.3	0.4	–
Switzerland Total	**1.3**	**–**	**–**	**–**	**0.3**	**1.6**	**0.2**
Federal Tax Administration	1.0	–	–	–	0.3	1.3	–
Stadt Zurich	0.3	–	–	–	–	0.3	0.2
Total Other	**167.0**	**52.0**	**3.1**	**10.5**	**4.5**	**237.1**	**62.0**
South Africa – South African Revenue Services	59.3	18.7	–	1.2	–	79.2	25.1
Guinea – Presidency of the Republic of Guinea	38.7	–	–	0.3	0.1	39.1	0.1
Singapore – Inland Revenue Authority of Singapore	35.3	–	–	3.0	(0.1)	38.2	–
Indonesia – Directorate General of Taxes	4.2	22.4	–	–	0.3	26.9	0.9
Brazil – Federal Revenue of Brazil	6.7	1.6	–	3.2	1.4	12.9	1.2
New Zealand – Inland Revenue Department	14.6	–	–	0.1	(2.0)	12.7	13.7
Namibia– National Taxation Authority	–	6.8	0.6	0.1	0.2	7.7	10.8
Madagascar – General Direction of Taxes	–	2.5	0.4	0.3	2.3	5.5	1.0
Luxembourg – Ministry of Finance	4.0	–	–	–	0.2	4.2	–
Belgium – Federal Public Service Belgium	1.5	–	–	1.2	–	2.7	2.0
India – Indian Tax Department	1.9	–	–	–	0.5	2.4	1.7
Peru – The National Superintendency of Customs and Tax Administration	(0.2)	–	1.7	0.7	–	2.2	1.0
Spain – Agencia Tributaria	0.1	–	–	–	0.8	0.9	–
Kazakhstan – State Revenue Committee	–	–	–	0.2	0.7	0.9	–
Japan – National Tax Agency	0.7	–	–	–	–	0.7	2.8
South Korea – National Tax Service	0.3	–	–	–	–	0.3	–
Serbia – Tax Administration	–	–	–	0.2	0.1	0.3	0.7
Zambia – Zambia Revenue Authority	–	–	0.2	–	–	0.2	–
Laos – Tax Department	–	–	0.2	–	–	0.2	0.1
Papua New Guinea – Internal Revenue Commission	–	–	–	–	–	–	0.1
Germany – Federal Ministry of Finance	(0.1)	–	–	–	–	(0.1)	0.8
Total payments to governments	**3,830.4**	**1,638.8**	**93.1**	**370.9**	**641.4**	**6,574.6**	**1,341.9**

Total 2018 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. Indigenous governments and other bodies have been included to comply with extractive industry reporting requirements in the United Kingdom and Canada.
2. The fiscal structure was agreed with the Government of Mongolia in 2009 and reaffirmed when the Underground Mine Development agreement was signed in 2015. In January 2018 the Mongolian tax authority issued tax assessments alleging underpayment of $155 million of tax. Rio Tinto does not agree with these assessments and has commenced action to resolve the dispute.

Tax payments 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 governments for EU Accounting Directive purposes**	Employer payroll taxes	Other taxes and payments	**Total payments to governments borne**	Employee payroll taxes
Iron Ore	**2,974.4**	**1,236.5**	**0.6**	**4,211.5**	**95.1**	**27.4**	**4,334.0**	**360.7**
Pilbara – Western Australia	2,974.4	1,236.5	0.6	4,211.5	95.1	27.4	4,334.0	360.7
Copper & Diamonds	**280.8**	**108.2**	**68.1**	**457.1**	**37.6**	**243.8**	**738.5**	**113.3**
Oyu Tolgoi – Mongolia	0.1	65.5	12.9	78.5	17.6	212.1	308.2	19.1
Kennecott Utah Copper – US	(20.0)	11.4	46.7	38.1	13.7	18.2	70.0	41.8
Resolution Copper – US	(13.9)	–	–	(13.9)	1.0	0.5	(12.4)	3.5
Grasberg – Indonesia	(0.2)	22.4	–	22.2	–	4.7	26.9	0.9
Argyle – Australia	(34.6)	8.9	1.0	(24.7)	3.6	0.1	(21.0)	15.0
Diavik – Canada	27.5	–	6.5	34.0	1.7	0.5	36.2	14.6
Escondida – Chile – EAU[1]	321.9	–	1.0	322.9	–	7.7	330.6	18.4
Energy & Minerals	**670.4**	**93.3**	**15.0**	**778.7**	**48.5**	**58.9**	**886.1**	**224.6**
New South Wales Coal – Australia	96.7	–	–	96.7	–	–	96.7	–
Queensland Coal – Australia	423.8	62.8	0.2	486.8	9.1	2.4	498.3	32.3
Rössing – Namibia	–	6.8	0.6	7.4	0.1	0.2	7.7	10.8
Rio Tinto Fer et Titane – Canada	(6.3)	–	1.3	(5.0)	13.4	6.4	14.8	43.9
QIT Madagascar Minerals	–	2.5	0.4	2.9	0.3	2.3	5.5	1.0
Richards Bay Minerals – South Africa	56.8	18.7	–	75.5	1.2	2.1	78.8	21.3
US Borax	31.4	–	9.5	40.9	6.3	5.8	53.0	21.2
Dampier Salt – Australia	1.8	2.5	0.4	4.7	2.7	1.2	8.6	10.0
Iron Ore Company of Canada[2]	66.1	–	2.6	68.7	15.2	38.5	122.4	83.4
Jadar – Serbia	–	–	–	–	0.2	–	0.2	0.7
Queensland Coal – Australia – EAU[1]	0.1	–	–	0.1	–	–	0.1	–
Aluminium	**45.3**	**133.9**	**6.3**	**185.5**	**16.2**	**3.5**	**205.2**	**41.3**
Gove – Australia	–	43.5	4.9	48.4	4.0	(0.3)	52.1	11.3
Weipa including Amrun – Australia	6.4	88.9	1.4	96.7	10.0	2.7	109.4	29.5
Sangaredi – Guinea – EAU[1]	38.7	–	–	38.7	–	–	38.7	–
Porto Trombetas – Brazil – EAU[1]	0.2	1.5	–	1.7	2.2	1.1	5.0	0.5
Exploration	**(17.4)**	**–**	**2.4**	**(15.0)**	**4.8**	**2.2**	**(8.0)**	**14.8**
Exploration – Australia	(11.2)	–	–	(11.2)	1.6	0.9	(8.7)	6.8
Exploration – Chile	0.2	–	0.2	0.4	0.1	0.3	0.8	1.3
Exploration – US	(8.0)	–	–	(8.0)	0.6	0.1	(7.3)	3.1
Exploration – Peru	(0.1)	–	1.7	1.6	0.7	–	2.3	1.1
Exploration – Brazil	0.2	–	–	0.2	0.8	0.1	1.1	0.7
Exploration – Simandou – Guinea	–	–	–	–	0.3	0.1	0.4	0.1
Exploration – Other	1.5	–	0.5	2.0	0.7	0.7	3.4	1.7
Non-extractive projects	**(123.1)**	**66.9**	**0.7**	**(55.5)**	**168.7**	**305.6**	**418.8**	**587.2**
Smelting and Refineries	209.5	60.9	0.2	270.6	115.6	279.8	666.0	367.4
Commercial, finance, head office and managed operations	(332.6)	6.0	0.5	(326.1)	53.1	25.8	(247.2)	219.8
Total payments to governments	**3,830.4**	**1,638.8**	**93.1**	**5,562.3**	**370.9**	**641.4**	**6,574.6**	**1,341.9**

1. 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.
2. Iron Ore Company of Canada is reported within Energy & Minerals, reflecting management responsibility.

Reconciliation of accounting profit and tax and royalties charges

Reconciliation of 2018 accounting profit and total tax charge
US$ millions

Profit before tax	18,167
Less: share of profit after tax of equity accounted units	(513)
	17,654
Expected tax charge at UK rate of 19%	3,354
Higher rate of tax on Australian underlying earnings at 30%	1,106
Impact of items excluded from underlying earnings [a]	(270)
Other tax rates applicable outside the UK and Australia	(47)
Write-down of previously recognised deferred tax assets	13
Other items	86
Total tax charge	**4,242**

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

Net gains/losses on consolidation and disposal of businesses	(251)
Exchange and derivatives gains/losses	32
Gains relating to surplus land at Kitimat	(81)
Losses from increases to closure estimates	30
Total impact of exclusions	**(270)**

Reconciliation of royalties expense to royalties paid
US$ millions

Royalties included in underlying earnings	1,680
Royalties charges greater than royalty payments (timing)	(41)
Total royalties paid	**1,639**

Reconciliation of 2018 total tax charge and current tax charge
US$ millions

Total tax charge	4,242
Temporary differences	
Unrealised exchange losses	(57)
Tax losses	30
Provisions	19
Capital allowances	(461)
Tax on unremitted earnings	33
Post-retirement benefits	(30)
Other temporary differences	(50)
Current tax charge	**3,726**

Reconciliation of 2018 current tax charge and corporate income tax paid
US$ millions

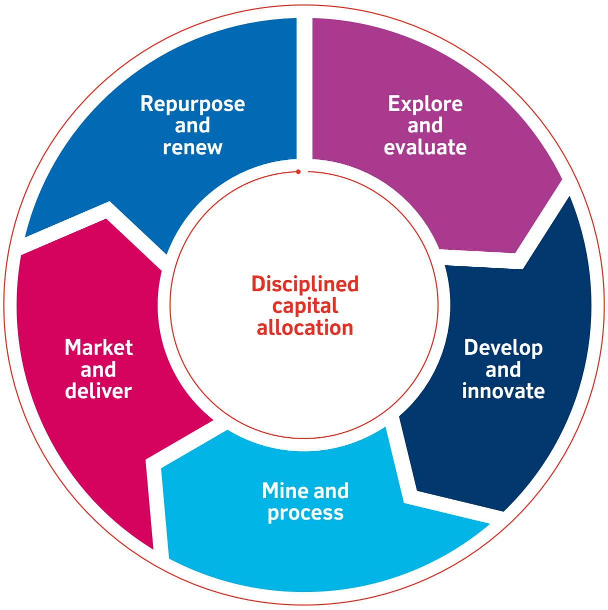
2018 Current tax charge	3,726
Add: current tax charge of equity accounted units	273
	3,999
Final instalment in Australia on 2017 profits paid in H1 2018	1,142
Final instalment in Australia on 2018 profits due in H1 2019	(1,300)
Tax charge greater than tax payments (timing)	(11)
Corporate income tax paid	**3,830**

Effective corporate income tax rates on total earnings

US$ millions	Profit before tax	Total tax charge	Effective corporate income tax rate
Underlying earnings	12,018	3,441	28.6%
Exclusions from underlying earnings	5,636	801	14.2%
	17,654	**4,242**	**24.0%**
Add share of profit after tax of equity accounted units	513		
Total profit before tax	**18,167**		

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. To be sustainable, we believe tax policy needs to 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 capital and a country's ability to attract and retain investment. In order to continue to support investment in a country, its tax law should not be retrospective.

Explore and evaluate – 10-20 years
The first phase of a project 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 licences. 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 staff employed to work on the project, mean there is usually more taxes paid during a project's second phase. Withholding taxes 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 will be paid. As corporate income taxes are related 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 will be significantly less than in the operating phase.

Our commitment to transparency and responsible tax principles

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.

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 us. By partnering with investors, governments and civil society, multinationals 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, for the wellbeing of people and the planet. 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.
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.

Building on a track record of transparency

We have long recognised the crucial role we play in growing strong, sustainable economies by contributing to the societies in which we operate. With this in mind we are committed to maintaining a leadership role in developing best practice in tax transparency. 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 best practice and regulatory developments. This report builds on our track record of transparency. Our disclosures include country-by-country data on taxes and payments to government, as well as project-by-project disclosures.

This report 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.

In 2018, we expanded our disclosure commitments through a transparency statement that responds to societal expectations of the active role companies can play in supporting strong mineral resource governance and equitable development. We are committed to disclose contracts with governments in relation to minerals development, where they are not subject to a confidentiality undertaking, and we encourage governments to allow such disclosures. We support beneficial ownership disclosure, and we strive to provide information concerning the beneficial owners of those entities that we have joint ventures with, in line with the EITI Standard and expectations.

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 practice. As our CFO made clear in the introduction to this report, 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, and we are committed to implementing the standard once it is finalised.

This report shows how country disclosures can be made by groups on a voluntary basis. In a number of areas, for example sustainable development, voluntary transparency has been shown to encourage innovation in reporting, while proactive engagement with stakeholder audiences 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 strategy, 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	Tax planning 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 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 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.	
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.**

Intra-group transactions

The operation of a large multinational company such as ours involves a large number of 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 guidelines issued by the OECD and in accordance with local country transfer pricing legislation. We apply globally-consistent transfer pricing policies so that the pricing of all transactions between intra-group companies reflects the underlying economic contribution made through the activities undertaken, assets utilised and risks assumed.

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 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 reduce 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 Rio Tinto by ensuring tax issues can be resolved in a timely and cost effective manner. For example, we recently supported the Australian Taxation Office and US Internal Revenue Service with information sharing under JITSIC regarding a cross-border transaction, which made for a faster resolution between the two tax authorities.

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.

Details of our material intra-group transactions are discussed in more detail below.

Commercial centre activities

Our commercial strategy is centred on partnering with Rio Tinto’s 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 65% of the Group’s sales are to customers in the Asia region, this is facilitated by the location of our global commercial centre in Singapore, supported by offices in Chicago, Frankfurt, China, Japan and South Korea.

With over 450 employees based in Singapore, our commercial centre brings together our global Sales & Marketing, Procurement and Marine & Logistics businesses, supported by functions including Market Analysis, Economics, Commercial Treasury, Insurance, HR, 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 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 Rio Tinto, 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 & Logistics business is responsible for providing safe and sustainable global shipping services and acts as the central repository of maritime and logistics expertise for the Group. A key focus is on ensuring high operational and safety standards, both in third party ships, across Marine’s fleet of owned ships, and in our third party and transload sites. We currently employ approximately 50 shipping professionals in Singapore, supported by offices in Montreal, Frankfurt, Chicago, Sorel and Brisbane. By volume, Rio Tinto is the largest dry bulk shipping business in the world, operating 17 vessels of its own 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 & 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 business delivers industry-leading value as the provider of easy-to-use, quality services that enable product groups to focus on core operational objectives. Procurement generates greater cash to Rio Tinto through lower costs, effective management of working capital and better productivity. Global category teams are located close to relevant assets, with non-asset specific global categories located in Singapore. Regional sourcing teams are located in regional hubs (mostly Montreal and Perth) partnering with local businesses co-located at key sites.

Rio Tinto also undertakes captive insurance activities in Singapore (see section on Insurance).

The total profit made by our Singapore entities from global sales and marketing activities in 2018 was $264 million. This represents less than 2% of our global profits of $18.2 billion and less than 3% of our Australian profits of $11.8 billion.

The profit made by our Singapore entities from other activities including marine, logistics, procurement and insurance in 2018 was $224 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 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 applied by Rio Tinto.

We are however currently in dispute with the Australian Taxation Office 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 Australian Taxation Office issued amended income tax assessments to Rio Tinto for the calendar years 2010 to 2013, requiring the company to pay additional tax of A$379 million plus interest of A$68 million, a total of A$447 million. This payment would be in addition to the A$25.5 billion of taxes and royalties Rio Tinto paid in Australia during the same four-year period.

The amended assessments 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. The issue in dispute is the allocation of value between Australia and Singapore. Rio Tinto voluntarily approached the Australian Taxation Office more than a decade ago seeking to confirm its pricing arrangements. The transfer price adopted by Rio Tinto in the years covered by the assessments is in line with the outcome agreed with the Australian Taxation Office for years prior to 2010.

We consider that our pricing is in accordance with the internationally recognised OECD guidelines and Australian domestic legislative requirements. Rio Tinto objected to the Australian Taxation Office assessments, which gave rise to an independent Australian Taxation Office review of the assessments. At the time of writing, the Australian Taxation Office has not determined (ie 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 Australian Taxation Office. 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 Australian Taxation Office is currently auditing later periods involving the same transactions.

Intra-group financing

Our Group funding requirements are met through a combination of external and intra-group financing arrangements. Excess cash from activities within the Rio Tinto Group is managed by a team of Treasury experts who facilitate cash management and loan financing, enabling efficient cash flow management between Rio Tinto entities. Rio Tinto entities located in the United Kingdom and Australia provide cross-border intra-group financing arrangements 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 normal 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 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. Rio Tinto self-insures these risks to an economically appropriate level, with excess risks reinsured 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 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 significant loss. For the financial year ended 2018, our captive insurance companies made losses in both Singapore and the US, reflecting the impact of losses suffered through, for example, a material power outage at our Dunkerque refinery, furnace explosions in Canada, and malicious damage at our Richards Bay Minerals operation in South Africa.

Rio Tinto 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 2018 a tax payment of approximately A$4 million was made to the Australian Taxation Office 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.

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, Rio Tinto has voluntarily entered into an Annual Compliance Arrangement (ACA) with the Australian Taxation Office 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 Australian Taxation Office in an open and transparent manner. Under the ACA, Rio Tinto agrees to disclose material transactions and changes to its business on a real-time basis. Rio Tinto also participates in the Australian Taxation Office'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 to enable capability building and 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.

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 Rio Tinto 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 Singaporean government. Provided we meet the substance and activity requirements of the incentive, Rio Tinto pays a reduced tax rate of 5% on eligible profits from these activities until 2022, after which the rate increases to 5.5% until 2027.

The Singapore government has also granted Rio Tinto 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.

In Canada, legislative changes to the Income Tax Act made in 2014 have expanded the application of Canada's shipping tax legislation, making Canada a competitive location for the international shipping community. The Rio Tinto North American shipping desk is located in Montreal and benefits from an income tax exemption on the profit generated on managed ships.

The Quebec government offers partial tax holidays on profits earned from government-certified capital investments of more than C$100 million. Over the years, Rio Tinto 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, for the past 10 years, we have invested more than C$100 million each year in Canada on R&D projects, giving us access to important tax incentives from Canadian 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 Rio Tinto has been granted incentives have been noted by the OECD as being a harmful tax practice.

As noted above, Rio Tinto has 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, in turn underpinning 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.

Tax haven entities

There is no commonly accepted definition of the term "tax haven"; consequently describing a country as a "tax haven" is a matter of judgement. Rio Tinto defines a "tax haven" entity as a controlled entity which is resident for tax purposes in a country with a general corporate income tax rate of 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.

The Group has approximately 500 controlled entities, of which eight are tax resident in "tax havens". We continue to make progress on reducing the number of entities tax resident in "tax havens" with an additional entity liquidated during 2018. 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, however liquidating will result in unnecessary cost
North IOC (Bermuda) Limited	Bermuda	1997	Holding company – entity is under review. 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	Provides in-country services. The business of this entity has been reduced such that it has less than $0.5 million of annual turnover.

Rio Tinto has a small number of additional entities which are incorporated in tax haven countries however these entities 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 2018" (the "Report") for the year ended 31 December 2018 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 2018 for the following balances:

- Total payments to governments borne of $6,574.6 million
- Employee payroll taxes of $1,341.9 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 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 Report is prepared in accordance with a special purpose framework for the directors for the specific purpose as described in the *Use of this report* paragraph below. As a result, the Report may not be suitable for another purpose.

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 2018 public report published over total taxes paid by Rio Tinto in accordance with our engagement letter dated 8 March 2019 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

8 April 2019

Glossary of terms

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

Current tax
The corporate income tax due in respect of taxable profits of an accounting period, as defined in the International Financial Reporting Standard 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 respect of an accounting period divided by the accounting profit before tax.

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

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

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

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

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.

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 2018.

Underlying earnings
An alternative measure of earnings which is reported by Rio Tinto to provide greater understanding of the underlying business performance of its operations. Further information is included in note 2 of the Rio Tinto 2018 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 made by Rio Tinto to governments worldwide, underscoring the direct contribution made to public finances by Rio Tinto.

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

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

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

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

All data, unless otherwise stated, are prepared for the year from 1 January to 31 December 2018. Data as they relate to taxes paid, collected or refunded, are included when cash is released from, or received by, Rio Tinto.

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

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

In addition to the above, where full information for non-controlled and divested entities' tax payments, consistent with the Basis of preparation, has not been available, no information on the tax payments, collections or refunds for that business is reported (none in 2018).

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 2018).

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 Rio Tinto 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 a Rio Tinto business unit has paid taxes greater than $0.1 million in 2018.

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 the Group is obliged to pay to a government on its own behalf, or taxes that the Group is obliged to pay to a third party and that cannot be recovered from a government. 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, 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 2018) 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
This comprises sales tax, VAT and other taxes that arise on production or sale which cannot be recovered from governments. Typically these taxes would form part of a sales tax return made to governments and tend to become payable, and are paid, regularly (often quarterly) throughout the year. These form part of operating costs.

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

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

Any other categories of payments to governments paid by Rio Tinto not described above are reported in the "Other taxes and payments" column of the table in the "Analysis by country and level of government" 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 collected by Rio Tinto and remitted to governments on behalf of employees. Typically, these taxes would be reflected in payroll tax returns made to governments and tend to be payable, and are paid, on a regular basis (often monthly) throughout the year, shortly after the submission of the return.

Net taxes refunded

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

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

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