

Mining Indaba 2020 – Keynote Address

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Thank you for that very kind introduction.

Let me begin by recognizing and thanking His Excellency, Gwede Mantashe, the South African Minister of Energy & Mineral Resources who has been a true partner to Rio Tinto, as well as to the entire industry; and, the many other government partners and industry friends in the room.

It is great to be back at Indaba.

I have been coming to Africa, and South Africa in particular, regularly for the past few years. Every time I come, I am struck by the energy, vibrancy and commitment I see around me.

As you know, I come from Mongolia, a resource rich country that has many similarities with countries on the continent.

I joined Rio Tinto about seven years ago and witnessed first-hand how a partnership and investment in Mongolia enabled my home country to more than double its GDP within a five year period.

There are 14,000 Mongolians building the future together at one of the largest underground copper mines in the world, 1,200 meters below in the Gobi desert

The challenges and opportunities Africa faces are similar, in many respects.

So, the question I want to cover today is how will Africa, and the mining industry, make the most of its opportunities in our rapidly changing world?

A world where global forces – such as changes in geopolitics, disruptive technology and emphasis on sustainability – are reshaping our industry.

First, let us address geopolitics and its impact on free trade.

The unequal impact of globalization, amongst other things, is resulting in more trade disputes and barriers, particularly between the US and China.

However, Africa, importantly, is heading in the opposite direction. We are standing today in the world's largest free trade area. A market covering in excess of 1.2 billion people. Where, despite many challenges, for example, women entrepreneurs outnumber male entrepreneurs.

This represents an opportunity, and it bucks the global trend right now.

Rio Tinto is a fair trade company – 95% of what we produce is traded across borders.

Next, there is the development and the disruptive impact of new technologies on how we work.

Driverless trucks and trains, automated drills and robotics are already a reality – and are having a significant impact on our operations. Artificial intelligence and sensors that predict equipment breakdowns and enable predictive maintenance are being implemented across the industry.

The impact of technology in our industry is hugely positive for the environment and for safety, but it is also disruptive. It poses questions, for instance, on the future of jobs, the skills we will need to develop and how the mining industry must adapt to these new realities.

However, I would like to focus our conversation today on a third force, sustainability, which is very much a theme at this year's Indaba.

We believe this is a 'make or break' moment facing our industry and our business. How we adapt, operationalise and integrate sustainability will define successful mining companies in the years ahead.

It is often dubbed 'ESG', 'Society 2.0', and 'social license to operate'.

I see it has clear two distinct components that are deeply interlinked, but yet different: First, we have the environment - with climate change at the epicenter, which drives a laser focus on our ability to manage the impact we have on water, air and our carbon footprint.

The second is the social compact with our host communities and beyond.

Let me start with the first one... the environment.

The good news and the opportunity is this: the world's transition to a low carbon economy will rely on Africa and its materials.

At Rio Tinto, we supply the materials essential to building a low carbon economy.

For instance, the titanium dioxide we produce here in South Africa and in Madagascar is an important coating for wind turbines.

Rare earth elements such as neodymium are essential for permanent magnets – a critical component for electric vehicles.

Lithium is vital to battery technology; scandium is a key component, which can help create super alloys which makes electric cars more efficient and aeroplanes lighter.

Our JV with Alcoa successfully shipped first tons of carbon free Aluminium to Apple, and its Elysis smelting technology emits oxygen instead of greenhouse gases during smelting.

And let us not forget copper, the backbone to the electrification of our future.

We believe our industry is part of the solution, but oftentimes it is forgotten that everything – everything – we use, consume, or live in, is either grown or mined.

However, this is not the full story.

We must play an active and deliberate role in reducing emissions for future generations. Meeting this challenge will drive structural changes across the industry.

Investment in oil, thermal coal and coal-based power generation is already facing severe limitations. The pressures on our industry will only increase, become more vocal and be more visible. So, we must balance the trade-offs and benefits, by listening intently to the communities that live within, and alongside, our operations, our employees and our suppliers.

We have much to learn from them as we continue to adapt and transform.

We all understand that governments have a responsibility to improve the quality of life of its citizens, reduce poverty and provide opportunities.

However, jobs are created through investments, including foreign investments. Therefore, it is important that the environment is attractive to that investment.

Host governments and communities want to build downstream industries that process raw materials in their country, as these beneficiation processes create far more jobs than the mining industry can alone.

We are part of that enabling environment.

However, an essential building block of the processing industry is reliable, efficient and affordable power generation and that, inevitably, is capital intensive.

Ever more, power solutions that are fossil fuel based will become increasingly difficult to finance and fund.

The energy and mining sectors are largely intertwined but the collaboration, coordination and integration are, too often, not aligned.

So what does this mean for our industry looking forward?

Africa has an abundance of hydro resources. If those resources are harnessed, developed and utilised on an industrial scale, Africa will be at the forefront of having a sustainable and renewable power sector.

Renewable energy solutions exist and there are many examples of how smaller scale distributed power generation are being successfully deployed.

For instance, our solar power solution at Amrun in Australia and wind power generation at our Diavik diamond mine in Canada.

Across our operations, 71% of our electricity now comes from renewable sources, including hydro.

This represents significant investment and foresight but there is much more to do.

As an industry, to really make a step change in reducing our carbon footprint, we have to rely on government collaboration and support not just in a financial sense, but also as the author of forward looking policies, fair and equitable rules of the game and effective licensing authorities.

Now let me come back to the second component of sustainability, in addition to environment, which is about community and social performance. Society expects much more of our industry, including investors and shareholders. Our business model is increasingly being subjected to scrutiny.

This will gather in momentum so we must have answers to the questions that are being asked.

The purpose of business, as Sir Paul Collier, Oxford professor and author of a recent book examining the future of capitalism, said to me recently - is to help and solve societal problems profitably.

Creating shareholder value and in turn value for society is the outcome we seek and why we are in business.

However, our approach needs to be pragmatic, responsive and honest. Business is driven by profits.

Only profitable businesses survive. And they are the only ones that can provide sustainable benefits to shareholders, communities and governments.

So if we examine what it takes to stay successful as a mining business, it would include key elements such as a stable regulatory environment; effective political institutions; investment in infrastructure, education, and training; and, the application of the rule of law and security.

However, we still need to do more in our engagement with people, politicians and civil society as part of communicating and delivering the positive economic impact we have.

This includes job creation and employment, royalties, shared benefits to name but a few.

But, we will also need to ensure we collaborate and engage more effectively with those that host our presence.

Rio Tinto has been working and investing in Africa, in some shape or form, for more than half a century.

Over these many years, the model that we sought to develop was one of shared value.

The expectation was that companies like ours create profit, and then invest some of that profit into the communities and countries where we operate.

And so the private sector has built hospitals, schools, power plants and roads – with the aim of supporting our host communities.

Collectively, we poured hundreds of millions of dollars into programs that aimed to spur economic development, and these programs had a significant and enduring impact.

However, we are in the business of continuous improvement, and this model too, can be improved and must be improved:

What if we collectively pooled our resources for communities?

What if companies operating in the same regions and in clusters worked together to provide, far better services that will solve more problems for more people.

What if we sought to collaborate and integrate our supply chains?

The transformational effect of local sourcing and content within the regions around our assets is understood by us all.

So why not collaborate to achieve better outcomes?

I am very proud of Rio Tinto's approach in this respect.

In my home, Mongolia, our Oyu Tolgoi operation has 75% local procurement from within the country.

There are several very successful women-led co-operatives; they make everything from the PPE overalls to the safety boots that keep everyone safe while they work.

And how we tie in regional economic development, is not just about one company.

It is continually improving the dialogue, between miners, our suppliers, and our contractors.

It is supporting local businesses, encouraging local economic opportunities.

It is seeding and encouraging local businesses that survive long after the mine is closed.

So let us find ways to pool our financial resources, utilise our experience and collectively address some of the challenges that impact us all such as power, water and roads.

Let's measure success by the impact we collectively have:

This is "shared purpose" – a shared vision of progress.

We need to learn together, progress together and ultimately, succeed together.

The famous futurologist Alvin Toffler once remarked that

"The illiterate of the 21st century will not be those that cannot read and write but those who cannot learn, unlearn and relearn."

We too need to learn, unlearn and relearn

The final point I will make is that shared purpose has an added benefit. It nurtures and sustains trust.

For the mining industry, our very existence depends on trust.

Building, establishing and embedding trust between companies and communities, companies and governments, and, between ourselves – company to company

We exist because of the trust our stakeholders continue to have in us.

Trust is hard won, it must be continually nurtured, as it can, in this world of social media be so easily degraded, questioned and lost.

So trust going forward will be our ability to not only deliver our products, but to do so in a way that meets high standards of sustainability, transparency and collaboration

So let me conclude by saying that I think it is fair to say that today, Africa stands at a pivotal moment.

However, I believe there are many business opportunities in addressing these challenges and that collectively we can play a leading role in the future of Africa's mining industry.

At Rio Tinto we strongly believe in forming partnerships based on the principles of shared purpose, and broadening the range of organizations we partner with.

Rest assured, Rio Tinto will play its part in this shared, successful future.

Thank you very much

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