

## Rio Tinto plc AGM – Address by the chief executive

**J-S Jacques, chief executive**  
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**\*\*Check against delivery\*\***

Thank you, chairman. Good morning all.

I am privileged to be standing here as your chief executive for the first time.

I am very proud of our world-class assets, and our talented employees, and I'm also committed to delivering superior shareholder returns in the short, medium and long term.

2016 was all about delivering on our promises to maximise cash generation through our value over volume approach. To strengthen our world-class portfolio of assets. To invest in quality growth. To make our strong balance sheet even stronger.

We delivered our promises and most importantly we delivered superior cash returns, of US\$3.6 billion, to you, our shareholders.

I am very proud of what the team has achieved against a backdrop of volatile markets and geopolitical shocks.

Continuing change is the new norm and navigating uncertainty with excellence is what leading companies must do. And we've been very busy.

Every day, every shift, we look for ways to make further improvements in the business – from mine through to market – to drive superior cash performance.

This approach is what has set your company apart for over 144 years and it will continue to drive our future success.

Last year we confirmed our ten-year strategy, which outlines our path to sustainable and superior value creation. Value creation that will benefit us and should benefit our communities and employees, our suppliers and our customers.

At the centre of our value creation approach are our 4Ps: performance, portfolio, people and partners.

Let me touch on each of these in turn, starting with performance.

Of course, vital to our superior performance is making sure all of our employees around the world are safe. This is why at Rio Tinto safety comes first.

In 2016, most aspects of our safety improved which is positive, but getting better is simply not good enough. Our safety performance will never be good enough until every one of our employees and contractors returns home safe.

In June, we lost a colleague at one of our iron ore operations in the Pilbara, in Western Australia. I met with his family 48 hours after the accident. It was an experience I will never forget.

And at some of our non-managed joint ventures – Alumar in Brazil, Grasberg and Escondida – six people died during the year. This is a tragedy.

We are working very closely with our partners to support their safety performance.

Over the past 18 months we have implemented our critical risk management system, or CRM, across more than 60 sites and completed more than 1.8 million safety verifications to date.

CRM is an important tool in our drive for no fatalities, but of equal importance is excellent safety leadership.

One of my favourite jobs is presenting the winners of the Group's overall safety award.

In 2017, this went to the Aluminium group's Boyne Smelters in Gladstone, Australia.

This team has improved their safety performance year-on-year while also increasing productivity in a really tough operating environment. This is what great safety leadership is all about.

Now, let me move on from safety to talk about our financial performance.

As Jan outlined, 2016 was all about maximising cash flow from our world-class assets through our value over volume approach.

We are very focused on EBITDA margin performance and productivity in all of our businesses.

During 2016, we generated EBITDA of US\$13.5 billion, representing a margin of 38 per cent for the Group, up from 34 per cent in 2015.

We achieved this while maintaining a strong balance sheet, building compelling growth, investing for the future and, last but not least, returning cash to you, our shareholders.

Turning to the product groups, in 2016 our Iron Ore business delivered cash from operations of US\$5.6 billion and industry-leading FOB EBITDA margins of 63 per cent.

In Aluminium, we produced US\$2.1 billion in cash from operations, and EBITDA margins of 28 per cent.

The Copper & Diamonds product group delivered cash from operations of US\$987 million and had operating EBITDA margins of 35 per cent.

The Energy & Minerals product group matched production with market demand, generating significant cash from operations of US\$1.4 billion, and FOB EBITDA margins of 30 per cent.

Now, let's turn to productivity – a key driver of performance.

Since 2012, cost savings of more than US\$7 billion have been achieved and we are on track to deliver our promise of US\$2 billion in cost savings across 2016 and 2017.

In fact, we have already delivered US\$1.6 billion. So the momentum is there.

This level of success can only be reached through everyone across Rio Tinto working together with the same goal.

It is this commitment to achieve our goals that sets Rio Tinto apart and gives me the confidence that when we make promises we can, and we will, deliver them.

But it is clear that cutting costs can only deliver so much. We must also lift productivity.

Increasing the productivity of our US\$50 billion asset base is the highest return within our control.

We have promised to deliver an additional US\$5 billion of free cash flow over the next five years.

We will lift productivity across the entire organisation, through technology, and by improving the utilisation of our fixed assets, resources and systems.

Let me give you an example: on average, each of the 76 autonomous haul trucks in our Iron Ore business in the Pilbara operates at 15 per cent lower cost than a normal haul truck.

At the heart of our strategy are our world-class assets. And this brings me to the second P: portfolio.

It is important to note that 75 per cent of our world-class asset portfolio is located in the Australasia / Pacific region, and 100 per cent of our growth is here as well, with around 70 per cent of our sales to customers in Asia.

We see further growth in Asia on the back of the One Belt One Road initiative launched by President Xi.

And this is why I have spent a lot of time in Asia, visiting China five times in the last nine months.

And I have been to Australia eight times over the same period.

During the year, we strengthened our portfolio even further.

We announced disposals of more than US\$1.3 billion, including the sale of our aluminium assets in Lochaber in the UK in December, 2016.

We gifted our 53.8 per cent shareholding in Bougainville Copper Limited to an independent trustee. We believe this is the best way to once again deliver benefits to the communities and governments from this asset.

We also approved the gifting of the Bunder diamond project to the state government in India in 2017.

And in January 2017, we announced the divestment of our thermal coal business in Australia for up to US\$2.45 billion, which, subject to approvals, should complete later this year.

Our strong balance sheet has meant that our productivity drive is not at the expense of growth, and we will continue to invest wisely where we see quality opportunities for attractive returns.

In 2016, we progressed our three compelling growth projects, which play to our strengths.

In line with our strategy, they are all multi-decade in outlook and offer highly attractive returns.

They create jobs at a time in the cycle when many others are not able to invest.

In May, work started on the underground development at Oyu Tolgoi in Mongolia, the highest-quality copper project in the world.

First production is expected in 2020.

During the construction phase we expect there will be around 3,000 extra jobs.

The new Silvergrass iron ore mine forms part of our integrated Pilbara system which includes 1700 kilometres of rail and four ports to serve more than 100 customers globally.

Just last week we announced that around 500 new jobs will be required during the construction phase.

In Cape York, Australia, the Amrun bauxite project is progressing well and just over 1,200 people will join the site during construction later this year.

The project builds on our expertise as a supplier of quality bauxite from the area, first discovered by Rio Tinto more than 60 years ago.

The third P is about people.

I have been lucky enough to visit many sites and meet many of our great teams around the world since becoming chief executive.

I would like to thank our 51,000 people for their efforts during 2016 and their commitment to stepping up further in 2017. We know there is more to do.

We have a number of new initiatives under way in relation to our employees. For example, we are building both commercial and technical expertise, as these are key enablers of our performance.

We also plan to invest in our graduates and develop our top talent in a more focused way.

We are a dynamic company operating globally and we must do more to attract the best of the next generation.

We are actively working to further build the diversity of our teams, so they better represent the 35 countries in which we operate and improve our gender mix.

We know we have more to do to improve diversity across the entire company and we are working on it right now, starting with the top team.

Our Rio Tinto Executive Committee is now almost 30 per cent female and there are a number of nationalities represented at the top table including Australia, Canada and Mongolia.

This was an important first step and there is no room for complacency in this area. The change starts at the top and I expect all leaders across the business to do the same.

On a positive note, 46 per cent of our graduate intake were women.

We know that it is not just about diversity – inclusion also matters and we are working on this as well.

Clearly, how we do things is as important as what we do. Integrity and The way we work, our global code of business conduct, guide our actions and our commitment to them is non-negotiable.

Moving to the final P: partners. In a world that is becoming more and more connected, and increasingly complex, partnerships are absolutely vital for our long-term success.

They help us manage risk in the short term, and secure access to new resources and markets for the long term.

We see effective partnerships as a make or break for our industry. And this is why I have spent a lot of time meeting with our customers, for example in Japan and China – and by the way our first shipment to China was over 100 years ago.

I have also met with many officials from our host governments, in Australia, in Canada, in Mongolia and the US, to name but a few.

We know our partners and employees expect us to be responsible, especially when it comes to the environment.

On climate change, as Jan mentioned, we set our first emissions target almost 20 years ago and around 68 per cent of our electricity is from hydro, wind and solar power. And we work with many associations and partners to share best practice in this area.

Of course, sometimes it is easier to measure our partnership success by looking at the long-term picture. In the past 12 months we have celebrated achievements of real historical importance.

Last August in Australia, we marked 50 years of the company's first shipment of iron ore from the Pilbara to Japan. It was great to be part of the groundbreakers celebration in Perth and to see our pioneering spirit in action.

It reminded me that our operations take years and years to plan and deliver benefits for decades. The benefits of taxes, wages and procurement are shared across generations.

This year will mark 30 years of the Channar Mining Joint Venture in the Pilbara with Sinosteel Corporation. This was the first iron ore joint venture between Australia and China.

So, let me close with a summary of where we are today.

We are confident about the megatrends of population growth and urbanisation over the long term. But if the political and economic changes of the past year teach us anything, it is to expect the unexpected.

Rio Tinto is in a strong position.

Our strong balance sheet, world-class assets and talented employees will help us be more resilient during volatility.

We have the right strategy to make the most of all of the opportunities that come our way.

And no matter what the pace of economic growth or change is, Rio Tinto's purpose will continue to pioneer the production of materials essential to human progress, as we have done since we first set up shop 144 years ago.

In 2017, we will do all we can to improve safety, to maximise cash performance, to drive our productivity agenda, and again deliver superior returns to you, our shareholders.

Thank you for your support and confidence in our company.

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