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Company report review

Rio Tinto

**2004 Sustainable Development Review:
Meeting global needs for minerals and
metals**

Presented by: Maplecroft

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Note

This review is based on information contained in the electronic version of Rio Tinto's Sustainable Development Review 2004 available online at: <http://www.riotinto.com>. This review is intended as a summary only and does not provide full and complete discussion of all the issues contained in the report.

1 Company background

Rio Tinto is engaged in the exploration, development and mining of a number of the earth's mineral resources, including aluminium, copper, diamonds, energy products (coal and uranium), gold, industrial minerals, and iron ore. Rio Tinto's activities span the world but are strongly represented in Australia and North America, where many of the company's 33,000 employees are based.

Rio Tinto comprises 30 managed businesses which in total control 57 mining operations, five smelters/refineries remote from operations, 19 other operations (including rail, port, power generation, plant, mill, loading/packing facilities and land development), seven development projects, five exploration regions and 19 closed operations. Rio Tinto businesses include wholly owned subsidiaries (such as Borax, Comalco, Hamersley, Rio Tinto Coal Australia, Kennecott and Rio Tinto Iron & Titanium), partly owned subsidiaries (Coal & Allied and Palabora) and non-managed, (Escondida) and joint ventures (Grasberg) in which public shareholders, other companies or governments are partners.

Rio was formed in 1962 by the merger of two British companies, The Rio Tinto Company, established in 1873 to mine the ancient copper workings at Rio Tinto in Spain, and The Consolidated Zinc Corporation, incorporated in Australia at the turn of the century.

2 Reporting

2.1 Materiality

Rio Tinto's Sustainable Development Review is structured to reflect the nine policies incorporated in the company's statement of business practice, *The way we work*¹. A brief discussion of the relevance of the issue from the company's perspective is provided at the beginning of each section. According to the independent assurers of the report, external opinion formers requested more comprehensive reporting on how Rio Tinto is tackling key challenges at all levels of the business, notably climate change, responsibility for products throughout their lifecycle, which operations are material contributors on key issues and how sustainable development affects business performance.

2.2 Indicators and targets

Rio Tinto reports that all its managed businesses are developing sustainable development metrics, derived through consultation with local stakeholders. These metrics are designed to measure progress in implementing programmes and improving processes such as business planning, supplier engagement, product stewardship and stakeholder engagement rather than focusing solely on numerical measures, such as energy consumption or emissions.

At the global level, relevant performance measures in assessing the degree to which a mining company is contributing to sustainable development have not yet been agreed. According to a candid statement by Preston Chiaro, CEO of Rio Tinto Energy, included in the report: 'Sustainable development in our organisation is not yet well defined, there are no standards or formal learning tools.' However, as a member of the International Council for Mining and Metals (ICMM), Rio Tinto participated in the work of the ICMM and the Global Reporting Initiative (GRI) to develop a Mining and Metals Sector Supplement to the 2002 Sustainability Reporting Guidelines. Rio Tinto and other ICMM member companies have committed themselves to report in accordance with the guidelines in future.

Rio Tinto's present *Sustainable Development Review* includes key economic, social and environmental data, and reports performance against targets in the areas of occupational health, safety and the environment.

¹ *The way we work* encompasses nine policy areas (communities; employment; environment; human rights; land access; occupational health; political involvement; safety; and sustainable development) and is available at http://www.riotinto.com/library/reports/PDFs/corpPub_BusPract_English.pdf.

2.3 Assurance

Rio Tinto's assurance programmes include audits, reviews and public reporting at both the Group and local business levels. Thus in addition to the present report, Rio Tinto businesses publish a *Social and environmental report* or *Sustainable development report* which are available on the Group website at: <http://www.riotinto.com/library/reports/SEReports/2004-01.aspx>. These reports are currently being developed to include forms of assurance through community consultation.

The consulting firm, Environmental Resources Management (ERM), conducted an external assurance and data verification exercise of Rio Tinto's Group level *Sustainable Development Review* for the third year. The company's response to recommendations from the previous year is detailed in the report. This year's assurance was based on interviews at the local level at nine operations (with local opinion formers, employees at the supervisor and non-management levels, and local community members), and at the corporate level with eight senior managers and nine external opinion formers in Australia, the US and UK.

Assurors found Rio Tinto's new operations to be most successful in embedding the principles of sustainable development into management activities. Of the nine policy areas, Rio Tinto's safety and environment policies were found to be most consistently implemented across the Group, in contrast to the company's human rights and political involvement policies.

2.4 Certification

Rio Tinto was selected a Mining Sector Leader in the Dow Jones Sustainability World Index for 2004, as well as a Basic Resources Sector Leader in the Dow Jones STOXX Sustainability Index for 2004. The company shares sector leader ranking in both the World Index and the STOXX Index. Rio Tinto is excluded, however, from the FTSE4Good Index which does not recognise companies associated with the nuclear industry.

Rio Tinto was named sector leader for the second consecutive year in the Business in the Community Corporate Responsibility Survey in 2004. Rio Tinto was ranked second in the Business in the Environment Survey, and was also a finalist in the Business in the Community Impact on Society Award.

3 Management

Rio Tinto has established a *Committee on social and environmental accountability*, one of four board-level committees whose terms of reference are available on the company website. In 2003, Rio Tinto developed a statement of business practices, *The way we work*, with associated guidance materials on business integrity, human rights, compliance and corporate governance, also available on the company website.

Further, in 2004 Rio Tinto formed a high-level *Sustainable Development Leadership Panel* (SDLP) to set the company's priorities and strategy in this area. The ten-person Panel is chaired on behalf of the executive committee by the CEO of Rio Tinto Energy, and is balanced in membership between the northern and southern hemispheres. The first of the Panel's quarterly teleconference meetings was held in May 2004 and since then, a number of action points have been identified, notably to initiate sustainable development awareness training and create a collaborative forum on the Group Intranet. At the end of 2004, the SDLP published sustainable development criteria against which business decisions should be assessed.

4 Review of core issues

4.1 Safety

Rio Tinto's programme of workplace safety is based on a practice refined by DuPont Safety Resources. The process involves discussions about safety with individual employees as they work. During 2004, four safety task force teams, led by members of the Safety Leadership Panel, worked on specific priorities in the company's safety plan 2004-06, for example to improve the quality of safety interaction (see report for further details).

In 2004, one contractor lost his life at a managed operation, compared to six fatalities in 2003. Significant improvements were also recorded in the lost time injury frequency rate (LTIFR) and the all injury frequency

rate (AIFR). A case-study of improvements in the safety culture at the Zinkgruvan mine in Sweden is presented in the report.

4.2 Occupational health

Rio Tinto is in the process of implementing a set of Occupational Health Standards developed at the end of 2002. These require risk assessment, workplace monitoring and occupational medical surveillance. Every business and site has a health policy and strategy in place which addresses key health issues relevant to the facility, a guide to setting objectives and targets, and a means of making them readily understood by employees, contractors and the local community.

Although Rio Tinto did not meet its target to fully implement the Occupational Health Standards by 2004, 81% of employees work at operations that have implemented the standards. Further, in 2004, there were 72 new cases of occupational disease per 10,000 employees, a 32% improvement on the previous year. The main types of new diseases are noise induced hearing loss and musculo skeletal conditions. Rio Tinto's southern African operations are nearing full implementation of the Group HIV/AIDS strategy which provides access to affordable antiretroviral therapy. A case-study of Rio Tinto's HIV/AIDS programme is presented in the report. Rio Tinto also reports that fines for infringement of occupational health regulations in 2004 involved four operations, amounting to a total of US \$257,000, compared to US \$900 in 2003.

4.3 Communities

Rio Tinto businesses implement the communities' policy through rolling five year community plans updated annually. In 2004, Rio Tinto reports two significant additions to the overall community relations framework. First, a Communities standard was developed, setting out the requirements business units need to consider in the design and implementation of an effective community relations programme. Second, a new internal assurance mechanism – Site Management Assessments (SMA) – was launched to assess relationships between Group businesses and communities. A number of pilot projects are planned for 2005.

Rio Tinto provides figures on its community contributions according to the LBG (formerly London Benchmarking Group) framework. Total contributions to communities in 2004 were US\$87.8 million, a 25% increase from 2003.

4.4 Environment

By the end of 2004, 84% of Rio Tinto operations had implemented ISO14001 or an equivalent environment management system (EMS), and 72% of operations were certified. The company also developed that year strategies for water, product stewardship and biodiversity.

Rio Tinto reports on total greenhouse gas (GHG) emissions, energy use, freshwater use and significant spills over the last five years. GHG emissions per tonne of product increased by 0.5% in 2004, while energy consumption was 0.5% lower. Total freshwater withdrawn was 378 gigalitres, an 8% decrease from 2003. There was on change in the number of significant environmental incidents (16) compared to 2003. There was a decrease, from eight to four, in the number of significant spills.

Fines for infringements of environmental regulations involved three operations and totalled US\$53,800 compared to US\$125,000 in 2003.

4.5 Human rights

Rio Tinto has developed a guidance document on human rights for managers. A computer based training module is currently being developed to help employees understand human rights policies. Compliance is subject to regular verification through internal control procedures, notably the annual assurance letter from managing directors of all business units and whistle-blowing programme *Speak-OUT*.

During 2004, Rio Tinto participated in discussions on the Voluntary Principles on Security and Human Rights, Business Principles for Countering Bribery as part of a steering committee under the chairmanship of Transparency International, and report by the United Nations Commission on Human Rights (UNHCR) to identify options on strengthening the human rights responsibilities of transnational corporations.

4.6 Partnerships

The Rio Tinto global partnership programme currently involves 16 organisations. These include BirdLife International, the Earthwatch Institute and Worldwide Fund for Nature Australia (WWF), and the Eden project and Royal Botanic Gardens in the UK. With an emphasis on active engagement, Rio Tinto's role involves not only the provision of funds, but also technical and business management skills in planning and implementing each project. A case-study of Rio Tinto's involvement in an avitourism programme (the presence of birds is an indicator of the health of the environment) is presented in the report.

4.7 Land access

Rio Tinto executives participated in The World Conservation Forum, the world's biggest gathering of conservation organisations, held in Thailand in 2004. Rio Tinto marked the occasion with the launch of its biodiversity strategy and participated in a workshop on business partnership with conservation organisations. At the end of 2004, 25% of the 1,473 square kilometres disturbed by company activities and no longer in use were rehabilitated, and plans are in place to rehabilitate the remainder in the future.

5 Our comment

Rating: ★★★★★

Rio Tinto's report is testament to the solid framework of corporate responsibility management in place. Sustainable development issues are clearly on the agenda of senior management, both through the board-level Committee on Social and Environmental Affairs and the recently established Sustainable Development Leadership Panel. (The difference between the roles of these two bodies could, however, have been more clearly explained in the report). Rio Tinto's statement of business practice, *The way we work*, incorporates policies in nine areas. In addition, Rio Tinto has launched standards, guidance and strategies relevant to specific issues, most recently community engagement and biodiversity.

As a result of these management practices, Rio Tinto is able to report numerous positive developments in 2004, although reporting against key performance indicators is currently fairly limited. Positive trends are reported in the areas of health and safety, community investment and the implementation of certified Environment Management Systems. In most cases, data is provided for the previous year for comparative purposes. The review also discloses instances of regulatory non-compliance with regards safety and the environment.

The credibility of Rio Tinto's efforts with regards sustainable development is underpinned by its assurance programme. Public reporting is carried out at both the Group and local levels. These local reports will soon include forms of assurance based on community consultation, as well as a more comprehensive range of sustainable development metrics. An independent consultancy undertook both the external assurance and data quality verification of the present Group-wide review. Again, a sense of continuity is provided by a one-page response to assurers' recommendations from the previous year. Rio Tinto has committed itself in future to report in accordance with the Mining and Metals Sector Supplement of the Global Reporting Initiative, which it helped to develop.

The report itself is clearly structured and well presented, with a good balance of text, case-studies, photographs and diagrams.



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