Rio Tinto

UN Global Compact

Communication on Progress 2013

Content

UN Global Compact

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact**.

We welcome feedback on its contents.

Chairman's statement of support for the UN Global Compact

Rio Tinto was a signatory of the United Nations Global Compact at its inception in 2000. More than a decade on, Rio Tinto is as ever committed to its Ten Principles and to promoting the Global Compact wherever we operate. As Chairman of Rio Tinto, I am proud of our continued support to this fundamental initiative as demonstrated by the progress outlined in this report.

The Global Compact's principles on human rights, labour, the environment and anti-corruption are fully reflected in Rio Tinto's policies, standards and guidance. As such, they are embedded in the way our employees work and in our company's overall approach to sustainable development.

In 2013, we updated our online human rights training and rolled it out across the Group. We developed more tailored and practical training for high-risk sites and functions, notably in the human rights awareness programme delivered to our Simandou employees in Guinea and France.

We also recognise the need to understand and adapt to the physical impacts of climate change. In 2013, we not only met but achieved more than our five-year target for a six percent reduction in total greenhouse gas emissions intensity: since 2008, our emissions intensity has decreased 17.3 percent.

Here you will find our 2013 Communication on Progress and learn more about how we are implementing all Ten Principles of the UN Global Compact across Rio Tinto.

Jan du Plessis, Chairman Rio Tinto plc

The Ten Principles

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption. The principles enjoy universal consensus and are derived from:

- The Universal Declaration of Human Rights

- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work

- The Rio Declaration on Environment and Development

- The United Nations Convention Against Corruption

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: The effective abolition of child labour; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

UN Global Compact Communication on Progress 2013 and GC Advanced COP Self-Assessment

All the information in the Communication on Progress 2013 is compiled from our Annual Report 2013, Sustainable Development Report 2013 and Rio Tinto public website. Below is our self-assessment on how we have met the GC Advanced Level criteria and links to our implementation of the best practices, followed by our report on the ten principles. We consider a criterion is met when we communicated its implementation or planned implementation.

Implementing the Ten Principles into Strategies & Operations

Criterion 1: The COP describes mainstreaming into corporate functions and business units

Best practices	Our Implementation
Place responsibility for execution of sustainability strategy in relevant corporate functions (procurement, government affairs, human resources, legal, etc.) ensuring no function conflicts with company's sustainability commitments and objectives	'Sustainable Development' in Annual Report 2013 'Corporate governance' in Annual Report 2013
Align strategies, goals and incentive structures of all business units and subsidiaries with corporate sustainability strategy	'Sustainable Development' in Annual Report 2013 'Strategy' in Sustainable Development (SD) Report 2013
Assign responsibility for corporate sustainability implementation to an individual or group within each business unit and subsidiary	'Corporate governance' in Annual Report 2013
Design corporate sustainability strategy to leverage synergies between and among issue areas and to deal adequately with trade-offs	'Sustainable Development' in Annual Report 2013 'Strategy' in SD Report 2013
Ensure that different corporate functions coordinate closely to maximize performance and avoid unintended negative impacts	'Corporate governance' in Annual Report 2013

Criterion 2: The COP describes value chain implementation

Best practices	Our Implementation
Analyse each segment of the value chain carefully, both upstream and downstream, when mapping risks, opportunities and impacts	'Principal risks and uncertainties' in Annual Report 2013
Communicate policies and expectations to suppliers and other relevant business partners	Procurement principles 'Human Rights' in SD Report 2013
Implement monitoring and assurance mechanisms (e.g. audits/screenings) for compliance within the company's sphere of influence	'Corporate governance' in Annual Report 2013 'Performance' in SD Report 2013

Undertake awareness-raising, training and other types of capacity building with suppliers and other business partners	'Suppliers' in SD Report 2013
	Procurement principles
	Case Study: Collaborating with local suppliers in the Hunter Valley
	Case Study: Introducing new community vendors at Richards Bay Minerals'

Robust Human Rights Management Policies & Procedures

Criterion 3: The COP describes robust *commitments, strategies or policies* in the area of human rights

Best practices	Our implementation
Commitment to comply with all applicable laws and respect internationally recognized human rights, wherever the company operates (e.g., the Universal Declaration of Human Rights, Guiding Principles on Human Rights) (BRE1 + ARE1)	*The way we work* Human rights policy 'Human Rights' in SD Report 2013 Our Commitment: Human Rights *Why human rights matter*
Integrated or stand-alone statement of policy expressing commitment to respect and support human rights approved at the most senior level of the company (BRE 1 + BRE5 + ARE 1 + ARE 5)	Human rights policy 'Human Rights' in SD Report 2013
Statement of policy stipulating human rights expectations of personnel, business partners and other parties directly linked to operations, products or services (BRE 1)	Procurement principles 'Human Rights' in SD Report 2013
Statement of policy publicly available and communicated internally and externally to all personnel, business partners and other relevant parties (BRE 1 + BRE 5 + ARE 1 + ARE 5)	'Human Rights' in SD Report 2013 'Communities' in SD Report 2013 Case study: 'Raising human rights awareness in Simandou'

Criterion 4: The COP describes effective *management systems* to integrate the human rights principles

Best practices	Our implementation
Process to ensure that internationally recognized human rights are respected	'Human Rights' in SD Report 2013 'Communities' in SD Report 2013 *Why human rights matter*

On-going due diligence process that includes an assessment of actual and potential human rights impacts (BRE 2 + BRE 3 + ARE 2 + ARE 3)	'Human Rights' in SD Report 2013 *Why human rights matter*
Internal awareness-raising and training on human rights for management and employees	'Human Rights' in SD Report 2013 'Communities' in SD Report 2013 Case study: 'Raising human rights awareness in Simandou' *Why human rights matter*
Operational-level grievance mechanisms for those potentially impacted by the company's activities (BRE 4 +ARE 4)	'Human Rights' in SD Report 2013 Community complaints, disputes and grievance guidance *Why human rights matter* *Why gender matters* *Why cultural heritage matters*
Allocation of responsibilities and accountability for addressing human rights impacts	'Human Rights' in SD Report 2013 *Why human rights matter* *Why gender matters* *Why cultural heritage matters*
Internal decision-making, budget and oversight for effective responses to human rights impacts	'Human Rights' in SD Report 2013 *Why human rights matter* *Why gender matters* *Why cultural heritage matters*
Processes to provide for or cooperate in the remediation of adverse human rights impacts that the company has caused or contributed to (BRE 3+ BRE 4 + ARE3 + ARE 4)	'Communities' in SD Report 2013 Community complaints, disputes and grievance guidance Communities standard

Process and programs in place to support human rights through: core business; strategic philanthropic/social investment; public policy engagement/advocacy; partnerships and/or other forms of collective action (BRE 6 + ARE 6)	'Human Rights' in SD Report 2013 'Helping business manage human rights risks' Case study: Building lasting relationships with Aboriginal Peoples Case study: Supporting Indigenous capacity building through partnerships *Why human rights matter* *Why gender matters* *Why cultural heritage matters*

Criterion 5: The COP describes effective *monitoring and evaluation mechanisms* of human rights integration

Best practices	Our implementation
System to monitor the effectiveness of human rights policies and implementation with quantitative and qualitative metrics, including in the supply chain (BRE3 + ARE3)	'Human Rights' in SD Report 2013 'At the frontline: security and human rights' *Why human rights matter*
Monitoring drawn from internal and external feedback, including affected stakeholders	*Why human rights matter* Community consultation and engagement guidance
Leadership review of monitoring and improvement results	*Why human rights matter*
Process to deal with incidents the company has caused or contributed to for internal and external stakeholders (BRE 4 + ARE 4)	'Human Rights' in SD Report 2013 Community complaints, disputes and grievance guidance *Why human rights matter*

Grievance mechanisms that are legitimate, accessible, predictable, equitable, transparent, rights-compatible, a source of continuous learning, and based on engagement and dialogue (BRE4 + ARE4)	'Human Rights' in SD Report 2013 *Why human rights matter* Community complaints, disputes and grievance guidance Community consultation and engagement guidance
Outcomes of integration of the human rights principles	'Human Rights' in SD Report 2013 *Why human rights matter*

Principle 1: Business should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

Rio Tinto supports and respects human rights, consistent with the United Nations Universal Declaration of Human Rights. It is our aim to make sure we are not complicit in human rights abuses.

The way we work, our global code of business conduct, supported by our recently revised Human rights policy and related guidance, provides the framework for our approach. In implementing our policies, we are subject to the local laws of the many countries in which we operate. We build on compliance with local laws and where our policy and procedures are more stringent, we operate to these standards.

We have made voluntary commitments to the OECD Guidelines on Multinational Enterprises, and the UN Global Compact, and participate in its Human Rights Working Group. We also participate in the Voluntary Principles on Security and Human Rights (VPSHR). We are committed to avoiding violations of fundamental human rights through our security arrangements and to taking steps to avoid complicity in such violations by private and public security personnel.

We also supported the development of the Human Rights and Business Country Guide created by the Danish Institute for Human Rights. The Guide provides country-specific guidance to help companies respect human rights and contribute to development.

We are adapting our human rights approach to the human rights due diligence process outlined in the UN Guiding Principles on Business and Human Rights. This includes drawing together internal controls that incorporate related issues such as those dealing with communities and social performance, security, human resources, procurement, and health, safety and the environment. We integrate human rights into our risk analysis, impact assessment, complaints, disputes and grievance processes. At locations which are high risk for human rights violations, we may conduct additional risk analyses and impact assessment including standalone human rights studies.

Our responsibility to respect human rights includes avoiding involvement in human rights-related abuses through our business relationships. The Rio Tinto Procurement principles set out the expectations we have of our suppliers, including that they should maintain policies that respect human rights, and have processes to assure compliance. We make every effort to ensure that the standards of conduct in *The way we work*, including those relating to human rights, are respected at all times when we work with joint venture partners and non-controlled companies.

We respect the land connection of Indigenous communities and seek specific agreements with affected communities in the development and performance of our operations. We strive to achieve the free, prior and informed consent of Indigenous communities as defined in the 2012 International Finance Corporation Performance Standard 7 and supporting guidance and also support the ICMM Position Statement on Indigenous Peoples and Mining. We are obliged to respect the law of the countries in which we operate, hence we will also seek consent as defined in relevant jurisdictions and ensure agreement-making processes are consistent with such definitions.

Speak-OUT is our confidential, free telephone line for our people to bring their concerns to senior management's attention, and may be used for human rights issues. Incidents relating to human rights can also be logged through our incident reporting system. Under our Communities standard, all businesses must have a community complaints, disputes and grievance procedure.

In 2013, we developed a human rights guidance note, replacing the 2003 guidance. The guidance note will support the human rights policy and explains what human rights mean in practice at Rio Tinto. It will highlight existing internal controls and other tools for managing human rights risks and explains key escalation and governance processes. We also updated the human rights online training programme and rolled it out across the company. In 2013, a human rights section was included in the mandatory training for *The way we work*. Approximately 21,000 people completed this. We also developed more tailored, practical training for high-risk sites and functions. In 2013, we delivered a human rights awareness programme to employees of our Simandou iron ore project in France and Guinea. The objectives included highlighting how Simandou could impact on human rights and the associated business risks. Focus areas of the programme were chosen by preliminary risk analysis. Around 100 people including senior managers participated in the programme.

We continued to focus on fully integrating security and human rights principles in 2013, including appropriate use of force and respect for gender equality, into day-to-day management of security operations. Since 2011, we have conducted security and human rights assessments at all our high and critical-risk sites and provided contextualised instructions to each of these sites on how to implement the VPSHR. We have developed practical guidelines on implementing the VPSHR, a Security and Human Rights Toolkit and training courses. Our online training on the VPSHR became mandatory for all security personnel at high security risk sites from January 2014, and is strongly recommended for all others. We strive to provide training to relevant public private security forces when a gap is identified between their current training and the VPSHR.

Working with our partners, the Danish Institute for Human Rights and the Centre for Social Responsibility in Mining, we continued to roll out *Why human rights matter*, our guide for integrating human rights into communities and social performance work.

A multi-function and cross-product group human rights working group supports the implementation of our human rights approach. In 2013 we worked to refresh the mandate of the working group to continue to build internal networks and identify systemic challenges.

We actively participate in national and international business and human rights dialogues. In 2013 this included:

- Rio Tinto employees presenting at the <u>UN Annual Forum on Business and Human Rights</u> as well as several other thematic and regional events convened by the <u>UN Working Group on Business and Human Rights</u>
- Rio Tinto participation in the <u>UN Global Compact's Human Rights Working Group</u>'s event at the UN Annual Forum on Business and Human Rights as well as in its webinar on grievance mechanisms.
- Rio Tinto participation in regional multi-stakeholder human rights and Indigenous Peoples' workshops organised by the <u>International Council on Mining and Metals</u>
- Membership of the <u>Business for Social Responsibility Human Rights Working Group</u> and other peer learning forums
- Contributions to various case-study publications including a human rights publication from the Global Compact Network Australia and the Minerals Council of Australia and participation in multi-stakeholder dialogues convened by civil society
- Active participation in human rights events convened by UN Global Compact local networks to which Rio Tinto belongs

We also engage with investors and other stakeholders on our human rights approach including briefings, responses to general and site-specific requests and participation in socially responsible investor indices.

Robust Labour Management Policies & Procedures

Criterion 6: The COP describes robust *commitments, strategies or policies* in the area of labour

Best practices	Our implementation
Reference to principles of relevant international labour standards (ILO Conventions) and other normative international instruments in company policies	*The way we work*
Reflection on the relevance of the labour principles for the company	'People' in SD Report 2013 *The way we work* Employment policy Diversity and inclusion policy
Written company policy to obey national labour law, respect principles of the relevant international labour standards in company operations worldwide, and engage in dialogue with representative organization of the workers (international, sectoral, national).	'People' in SD Report 2013 *The way we work* Employment policy Diversity and inclusion policy
Inclusion of reference to the principles contained in the relevant international labour standards in contracts with suppliers and other relevant business partners	'Human Rights' in SD Report 2013 'Supplier' in SD Report 2013 'People' in SD Report 2013 Procurement principles *The way we work*

Specific commitments and Human Resources policies, in line with national development priorities or decent work priorities in the country of operation	Employment policy Diversity and inclusion policy Case study: Rio Tinto College goes from strength to strength Case study: Indigenous training and employment at Weipa

Criterion 7: The COP describes effective *management systems* to integrate the labour principles

Best practices	Our implementation
Risk and impact assessments in the area of labour	'Principal risks and uncertainties' in Annual Report 2013
Allocation of responsibilities and accountability within the organization	Diversity and inclusion policy Employment policy 'Corporate governance' in SD Report 2013
Internal awareness-raising and training on the labour principles for management and employees	Case study: Raising human rights awareness in Simandou Case study: Rio Tinto College goes from strength to strength
Active engagement with suppliers to address labour-related challenges	'People' in SD Report 2013 'Suppliers' in SD Report 2013 Case study: Training suppliers in global procurement principles
Grievance mechanisms, communication channels and other procedures (e.g., whistleblower mechanisms) available for workers to report concerns, make suggestions or seek advice, designed and operated in agreement with the representative organization of workers	'Corporate governance' in Annual Report 2013 'People' in SD Report 2013

Criterion 8: The COP describes effective monitoring and evaluation mechanisms of labour principles integration

Best practices	Our implementation
System to track and measure performance based on standardized performance metrics	'People' in SD Report 2013 Diversity and inclusion policy
Audits or other steps to monitor and improve the working conditions of companies in the supply chain, in line with principles of international labour standards	'Suppliers' in SD Report 2013 'People' in SD Report 2013 *Why gender matters*
Process to positively engage with the suppliers to address the challenges (i.e., partnership approach instead of corrective approach) through schemes to improve workplace practices	'Suppliers' in SD Report 2013 *Why gender matters*
Outcomes of integration of the Labour principles	'People' in SD Report 2013 *Why gender matters*

Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: The effective abolition of child labour; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

We recognise everyone's right to choose whether or not they wish to join a union consistent with local labour laws. We recognise the right of all employees to choose to belong to a union and seek to bargain collectively.

Rio Tinto does not use or employ forced, bonded or child labour. We require all recruitment to be consistent with the Human rights policy, equal opportunity requirements, relevant employee protection legislation and appropriate pre-employment screening. Our business codes of practice are designed to ensure that all staff reflect in their daily work the high ethical standards set by the company.

We invest in and engage our people over the long term, in line with our People strategy. We do this by fostering diversity, providing challenging and exciting work and development opportunities, and rewarding good performance, while being driven by quality leadership at every level. Together, we put our collective strengths to work, creating value for both the organisation and our employees.

We recruit based on skills and experience, to meet the requirements of each role. We do not discriminate on grounds of age, ethnic or social origin, gender, sexual orientation, politics, religion or physical abilities and we do not employ forced, bonded or child labour.

We actively favour employment where local candidates meet job requirements and laws provide. Where local capacity does not meet our employment standards we – in partnership with communities and government – implement programmes to develop skill levels and work readiness. We help indigenous people engage in the local economy through various strategies, including direct employment.

We use the following to drive action and build awareness about diversity and inclusion:

- Governance models

- Policies, practices and targets

- Leadership and cultural competence

- Stakeholder relationships

- Education and communication

Our employees' diversity of skills, ideas and experience helps to ensure that we can find innovative responses to the challenges our business faces. We encourage collaboration within and across our businesses, cultures and countries to build cohesiveness and raise performance.

We are focused on increasing the representation of women, and achieving a better balance in gender in the short term, and in ethnicity and nationality in the medium term. We are also focused on developing a more diverse leadership team, specifically to ensure that local nationals in emerging regions have the capability and experience to lead our operations.

Some of the activities and initiatives relating to diversity that we undertook during the year are:

- Expansion of executive-sponsored diversity and inclusion plans within the product groups and geographies in alignment with business goals and the Group Diversity and Inclusion strategy aimed at increasing the diversity in our workforce at all levels and building a more inclusive culture.

- Increase of male champions of change within Rio Tinto through the active involvement of senior leaders and the establishment of our next generation of executives from around our operations leading the Group Diversity Council.

- Tracking diversity and inclusion progress on scorecards that accompany the above plans with metrics in three areas: 1) who we are (demographics); 2) how we behave (performance and development); and 3) what we stand for (values)

- Active involvement with Women in Mining groups, professional women's associations and other targeted research efforts to support improving gender balance in the mining sector and within Rio Tinto to increase the attraction, development and retention of talented women wherever we operate.

- Expansion of our diversity champions network group to include additional geographies and operations and the establishment of several new business unit

diversity councils and committees across Rio Tinto. These are increasing leadership engagement, cross-company collaboration, and the sharing and replication of best practices.

- Expansion of training programmes aimed at countering unconscious bias. These have targeted senior leaders, hiring managers and recruiters to help minimise the impact of bias in recruitment and development practices, as well as to improve cross-cultural interactions and relationship building needed to globalise our business.

- The continuation of a three-year commitment by the chairman to mentoring high-potential female board candidates through the FTSE100 Cross-company Mentoring Programme.

Our Group diversity targets for 2015 are:

- Women to represent 20 per cent of our senior management

- Women to represent 40 per cent of our graduate intake

- 15 per cent of our graduate intake to be nationals from regions where we are developing new businesses

In 2013, women represented 14 per cent of senior management, 17 per cent of the board, 19 per cent of our total workforce and 28 per cent of our graduate intake. Our graduate intake in 2013 included 30 per cent of nationals from regions where we are developing new business.

Throughout 2013, we remained the largest private sector employer of Indigenous Australians, who represented approximately 7.5 per cent of our Australian workforce.

Robust Environmental Management Policies & Procedures

Criterion 9: The COP describes robust *commitments, strategies or policies* in the area of environmental stewardship

Best practices	Our implementation
Reference to relevant international conventions and other international instruments (e.g. Rio Declaration on Environment and Development)	'Environment' in SD Report 2013 'Sustainable Development' in Annual Report 2013
Reflection on the relevance of environmental stewardship for the company	'Environment' in SD Report 2013 'Sustainable Development' in Annual Report 2013
Written company policy on environmental stewardship	Environment policy
Inclusion of minimum environmental standards in contracts with suppliers and other relevant business partners	Procurement principles Rio Tinto Climate Change Position Statement
Specific commitments and goals for specified years	'Environment' in SD Report 2013 'Sustainable Development' in Annual Report 2013 Rio Tinto Climate Change Position Statement Rio Tinto Biodiversity Strategy

Criterion 10: The COP describes effective *management systems* to integrate the environmental principles

Best practices	Our implementation
Environmental risk and impact assessments	'Sustainable Development' in Annual Report 2013 'Environment' in SD Report 2013 'Diamonds and Minerals – development project' in Annual Report 2013 Case study: Partnering with IUCN on our biodiversity goal

Assessments of lifecycle impact of products, ensuring environmentally sound management policies	'Environment' in SD Report 2013 Case study: Remediating bauxite residue in Jamaica Case study: knowledge sharing in noise management Case study: New wave in water treatment at ERA Case study: Collaboration brings a boost for Burntisland
Allocation of responsibilities and accountability within the organisation	'Corporate governance' in Annual Report 2013
Internal awareness-raising and training on environmental stewardship for management and employees	'Sustainable Development' in Annual Report 2013 Environment policy Case study: Rio Tinto College goes from strength to strength
Grievance mechanisms, communication channels and other procedures (e.g. whistleblower mechanisms) for reporting concerns or seeking advice regarding environmental impacts	'Sustainable Development' in Annual Report 2013

Criterion 11: The COP describes effective *monitoring and evaluation mechanisms* for environmental stewardship

Best practices	**Our implementation**
System to track and measure performance based on standardized performance metrics	'Environment' in SD Report 2013 Rio Tinto Climate Change Position Statement Performance data
Leadership review of monitoring and improvement results	'Corporate governance' in Annual Report 2013
Process to deal with incidents	'Sustainable Development' in Annual Report 2013
Audits or other steps to monitor and improve the environmental performance of companies in the supply chain	'Environment' in SD Report 2013

| Outcomes of integration of the environmental principles | ‘Environment’ in SD Report 2013 |
| | Performance data |

Principle 7: Business should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Respect for the environment is central to our approach to sustainable development. Wherever possible we prevent – or otherwise minimise, mitigate and remediate – harmful effects of our activities may have. We have developed a range of practical programmes for environmental management, and work on these in partnership with our stakeholders – such as local communities and conservation groups. This collaborative approach helps us increase our understanding of the risks we face – both challenges and opportunities – and how best to manage them.

Air

Our operations release gases and particulates into the atmosphere that may have an effect on people and the environment. These emissions are the result of burning fossil fuels, moving ores and wastes, and smelting metals.

To avoid or minimise related health or environmental impacts, we constantly review our emissions, look for ways to improve our performance and apply controls. Our work is guided by our strict air quality control standards. We also monitor particulate gas and vapour exposure in the workplace, in line with our occupational health standards.

Biodiversity

Since 2004, Rio Tinto has had a biodiversity strategy, which includes a goal to achieve a net positive impact (NPI) on biodiversity at our sites where there are high biodiversity values.

We have developed a number of procedures, tools and methodologies to help us manage our impact on biodiversity. These have been developed following rigorous debate both inside and outside Rio Tinto, and with the help of our biodiversity partners, external specialists and NGOs. They include a set of NPI and offset principles that our operations work towards. We acknowledge the ongoing contributions made by our partners, BirdLife International, Fauna & Flora International and the International Union for Conservation of Nature (IUCN), to assist us in defining, implementing and measuring our performance. In 2014 we will continue to work with them to build capacity at our sites, to implement the mitigation hierarchy and to develop appropriate plans for the highest-risk sites.

In 2007, we introduced an assessment protocol to identify which of our operations are located in the most sensitive areas. The protocol helps us assess the biodiversity values of

our landholdings and surrounding areas. It looks at land in proximity to biodiversity-rich habitats, species of conservation significance, additional site-specific biodiversity values and threats, and the external conservation context.

Operations are ranked as being in areas that have "low", "medium", "high" or "very high" biodiversity values. This helps prioritise our actions and channel resources to the very high and high value sites. For sites with high or very high biodiversity values, we have a goal to achieve a NPI on biodiversity by closure of the operations. This is determined by proximity to biodiversity rich habitats, species of conservation significance and the site conservation context. We've set ourselves targets to ensure that our high-risk priority sites are implementing NPI programmes within defined timeframes.

In 2013, 33 of our operations were prioritised with either high (nine) or very high (24) biodiversity values. These sites which are included in the target group must have developed and implemented a Biodiversity Action Plan (BAP) by the end of 2015. The BAP requires an operation to work with biodiversity stakeholders to identify the important biological features – both on and off site – in the area in which it operates. A site must understand the impacts and risks that its activities might have on those features, and develop and implement a plan to avoid, mitigate, restore and offset those impacts.

Climate change

Our strategy on climate change is to maximise shareholder returns by making our assets more resilient against uncertain carbon and energy market risks. Our climate change programme focuses on reducing the energy intensity of our operations, as well as the carbon intensity of our energy. This includes the use of renewable energy and reduction in emissions intensity from chemical processes.

Setting targets, and regularly reporting against them, is a priority and helps us to manage our performance. We recognise the long term nature of the need to decarbonise our business and that our efforts to reduce emissions will need to increase over time.

Reduction of our greenhouse gas (GHG) intensity index is one of seven Group key performance indicators. In 2008 we set a target of ten per cent reduction in total greenhouse gas emissions intensity, to be achieved by 2015. Current performance exceeds this target. We will continue to seek opportunities to maintain and improve our performance, and will establish a new target beyond 2015 that takes account of our performance to date.

Between 2008 and 2013, Rio Tinto's GHG emissions intensity had reduced 17.3 per cent, largely due to the 2009 divestment of the Ningxia aluminium smelter in China, closure of the Lynemouth aluminium smelter in 2012, divestment of the Sebree smelter in 2013 and improved measurement methodology for coal seam gas at our Australian coal mines. In 2013, our total GHG emissions were 37.2 million tonnes of carbon dioxide equivalent (CO_2-e), a decrease of 3.4 million tonnes from 2012.

Despite the lack of progress towards a global agreement on climate change, legislation that puts a price on greenhouse gas emissions is in place in Europe, Australia, New Zealand, and various US states and Canadian provinces. As a result, over two-thirds of emissions from our operations are covered by market-based carbon regulation.

Rio Tinto businesses report emissions to regulators in seven countries or regions, including under the Australian National Greenhouse and Energy Reporting (NGER) Act.

Energy

A secure, energy-efficient and cost-efficient electricity supply is important to help our operations respond to energy and climate challenges. As well as improving the energy efficiency of our operations, we try to reduce the energy intensity of new projects by using energy-efficient asset design and alternative sources of energy, and developing step-change technologies for our products.

Technology development is at the heart of improved energy solutions. The starting point is to understand our current and future energy use and emissions. To support this, we have developed a solid technical and economic understanding of current and future power generation technologies, including trials of identified, prospective-generation technologies. We have also built a portfolio of renewable energy demonstration projects. We are currently looking to identify opportunities for a commercial scale renewable investment in solar photovoltaic technology. We also provide guidance and expertise to our businesses as they undertake energy supply option analysis.

In 2013, our operations used 483 petajoules of energy. The 20 petajoule decrease from 2012 was a result of operational efficiency gains and divestments at the aluminium and copper commodities. However, through our coal and uranium sales, we supplied 4,133 petajoules of world energy demand. Our energy supply was over eight times our own energy use in 2013.

In 2013, 48 per cent (233 petajoules) of the energy we used was electricity. Of that total, 135 petajoules was electricity purchased from commercial networks and 116 petajoules was electricity we generated at our hydroelectric, natural gas, coal, diesel and fuel oil power stations. We exported 17 petajoules of the electricity we generated to remote communities near our operations or to commercial networks where our generation exceeded our needs.

Seventy one per cent of our total electricity use was sourced from hydro, nuclear and other renewable power sources.

Land

Rio Tinto's land management approach emphasises improved rehabilitation performance. It encourages improvements in the quantity and the quality of rehabilitation and engages new projects and existing operations to improve their performance in land management.

An important component of improving our rehabilitation performance is integrating closure planning into operational activities through strong technical support and knowledge sharing. This includes an aim to progressively rehabilitate as much land as possible prior to the closure of an operation by optimising areas that can be rehabilitated without compromising production. Integration involves ensuring that Rio Tinto is on track to deliver post-mining land uses and landforms that are aligned with community and regulatory expectations.

By the end of 2013, 25 per cent of our disturbed land (excluding land disturbed for hydroelectricity dams) had been rehabilitated. External stakeholders play an important

role in determining the end-use of the land prior to rehabilitation. In most cases (83 per cent), land we disturbed is returned to native vegetation.

Rio Tinto works with a number of external organisations and research institutions. These relationships enable us to access the necessary expertise to improve our rehabilitation performance. As a member of the International Council on Mining and Metals, we also help to develop industry policies and practices on protected areas and long-term access to land.

Waste

During our mining and processing operations, we generate both mineral and non-mineral waste. In order to limit the negative environmental impact of our waste, and reduce our operating costs and risks, we focus on characterising, planning and managing waste effectively.

To manage mineral waste, all operations that generate mineral waste are required to develop a mineral waste management plan. These are designed to ensure appropriate management that minimises environmental impacts and controls all chemical and physical hazards posed by the waste. For non-mineral waste, we promote reuse and recycling where possible and ensure responsible storage, treatment and disposal for the remaining waste. To prevent or minimise potential environmental impact of Acid rock drainage (ARD), we have adopted leading practice in mine planning, operation and waste management. We are an active and founding member of The International Network for Acid Prevention (INAP).

Our approach allows us to improve our understanding of the true cost of managing our wastes. This in turn helps when planning for acquisitions, new projects, and for closure – as costs associated with wastes have historically been underestimated. One of our main focuses is on the high-risk area of chemically reactive waste. This is a lesser percentage of our total mineral waste but potentially the most harmful. It requires careful planning and management to avoid creating long-term legacies and to minimise existing liabilities.

Effective waste management programmes lead to more than just the management of costs, they also help us protect water quality and successfully rehabilitate land. Rio Tinto's environment standards place due emphasis on managing our various waste streams. These enable us to set Group-wide minimum expectations for mineral and non-mineral waste management.

Water

Our approach to water management is based on the identification, assessment and control of water-related risks. At Rio Tinto, we use water from different sources and of different qualities. We focus on ways to minimise the amount of water we remove from the environment, reuse it whenever we can, and return it to the environment, meeting regulatory limits.

We have developed a number of programmes to improve our performance, including:
- A **Group water target** that aims to reduce freshwater use per tonne of product by six per cent by 2013 from a 2008 baseline.

- A **water standard** that is audited and sets the minimum expectations for each operation when managing water.
- A **water risk review** that helps operations assess their water risks and opportunities.

We work closely with those directly or indirectly affected by our businesses. We have worked with international organisations committed to sustainable water management such as the <u>International Council for Mining and Metals</u> (ICMM), governments and national industry water organisations to support the development of water policy. We have used the <u>World Business Council for Sustainable Development</u> global water tool to identify which of our operations and projects are located in water-scarce environments.

At the end of the 2008-2013 target period, we met the targeted six per cent reduction in our freshwater use per tonne of product. We achieved a 6.1 per cent reduction during this period. In 2013, our freshwater withdrawal decreased by 3.9 per cent to 516 billion litres. Through specific programmes, such as recycling, businesses improved their freshwater use. However, this metric does not accurately reflect the improvement in water efficiency at many sites, with the target impacted by production levels and extreme rainfall events unrelated to water efficiency.

Our new Group target requires all managed operations with material water risk to have reviewed and improved their management of their material water risks, and have achieved their approved local water performance targets by 2018. The target reflects the geographic diversity of our operations, and the nature of their water challenges. This approach allows our sites to have targets that focus on issues of reduced water supply, managing surplus water, or discharge water quality. All of our sites have plans in place to manage their specific material risk and in 2014 we will begin reporting our performance against this target.

Robust Anti-Corruption Management Policies & Procedures

Criterion 12: The COP describes robust *commitments, strategies or policies* in the area of anti-corruption

Best practices	Our implementation
Publicly stated formal policy of zero-tolerance of corruption (D1)	'Integrity and compliance' in SD Report 2013 *The way we work* Business integrity (anti-corruption) standard Antitrust standards and guidance notes
Commitment to be in compliance with all relevant anti-corruption laws, including the implementation of procedures to know the law and monitor changes(B2)	*The way we work* Business integrity (anti-corruption) standard 'Integrity and compliance' in SD Report 2013
Statement of support for international and regional legal frameworks, such as the UN Convention against Corruption (D2)	'Integrity and compliance' in SD Report 2013
Detailed policies for high-risk areas of corruption (D4)	Business integrity (anti-corruption) standard
Policy on anti-corruption regarding business partners (D5)	Business integrity (anti-corruption) standard

Criterion 13: The COP describes effective *management systems* to integrate the anti-corruption principle

Best practices	Our implementation
Support by the organization's leadership for anti-corruption (B4)	'Integrity and compliance' in SD Report 2013
Carrying out risk assessment of potential areas of corruption	'Internal controls' in SD Report 2013 'Integrity and compliance' in SD Report 2013

Human Resources procedures supporting the anti-corruption commitment or policy, including communication to and training for all employees (B5 + D8)	'Integrity and compliance' in SD Report 2013 Case study: Understand where our risks are Case study: A new era of face-to-face training
Internal checks and balances to ensure consistency with the anti-corruption commitment (B6)	'Internal controls' in SD Report 2013
Actions taken to encourage business partners to implement anti-corruption commitments (D6)	Business integrity (anti-corruption) standard
Management responsibility and accountability for implementation of the anti-corruption commitment or policy (D7)	'Corporate governance' in Annual Report 2013 'Integrity and compliance' in SD Report 2013
Communications (whistleblowing) channels and follow-up mechanisms for reporting concerns or seeking advice (D9)	''Integrity and compliance' in SD Report 2013 'Internal controls' in SD Report 2013

Criterion 14: The COP describes effective *monitoring and evaluation mechanisms* for the integration of anti-corruption

Best practices	Our implementation
Leadership review of monitoring and improvement results (D12)	'Integrity and compliance' in SD Report 2013 'Internal controls' in SD Report 2013
Process to deal with incidents (D13)	'Corporate governance' in Annual Report 2013 'Integrity and compliance' in SD Report 2013
Use of independent external assurance of anti-corruption programmes	'Assurance' in Annual Report 2013
Outcomes of integration of the anti-corruption principle	'Integrity and compliance' in SD Report 2013 'Internal controls' in SD Report 2013 Taxes paid in 2013
Internal accounting and auditing procedures related to anticorruption	'Internal controls' in SD Report 2013

Principle 10: Business should work against corruption in all its forms, including extortion and bribery.

Good governance helps to ensure we operate ethically as responsible corporate citizens, wherever we are in the world. It requires open and transparent dealings with our stakeholders, and it supports our commitment to conducting our business with integrity. *The way we work,* our global code of business conduct which sets out our overall commitment to integrity and compliance, and our *Business integrity (anti-corruption) standard* helps ensure that we meet this obligation. It is clearly stated that bribery and corruption in all its forms are prohibited at Rio Tinto. The standard contains mandatory requirements that all our businesses must integrate into their processes to help counter bribery and corruption.

The way we work is also core to our Integrity and Compliance programme, supported by our standards covering antitrust, anti-corruption, fraud, conflicts of interest, data privacy and third party due diligence. Acting with integrity is one of the key components of our programme and relates to one of our core values. Preventing misconduct before it occurs is a key objective. We continue to review our standards to keep them current and in keeping with the external environment. While we are aware there is increased regulatory and legislative activity in this area, our approach is driven by our corporate values, particularly our commitment to undertaking business with integrity.

Through our training and guidelines, our employees are made aware of their responsibility to act with integrity at all times. If there is any inconsistency between our standards and the local laws where we operate, we will comply with the higher standard.

Our Integrity and Compliance programme reflects the size and geographical spread of the Group as well as the diverse activities of our businesses, including making efforts to address concerns within our smaller localised communities. It also implements a communications strategy to raise awareness of our values, principles and internal controls.

 We continue to work with external organisations in furthering our commitment to transparency. Since its launch in 2002, we have actively supported the Extractive Industries Transparency Initiative (EITI), the aim of which is to strengthen governance by improving transparency and accountability in the extractive sector. Our Group executive for Legal, External & Regulatory Affairs sits on the board of the EITI.

We communicate views to government and others on matters affecting our business interests. By furthering public dialogue, we contribute to the development of sound legislation and regulation that is relevant and appropriate to our business interest.

Speak-OUT, the Group's whistle-blowing programme, is a confidential and independently operated service. It offers an avenue for reporting any significant concerns about the business, or behaviour of individuals, anonymously if they so choose, subject to local law. We encourage employees to raise their concerns initially to management and human resources, however if they are uncomfortable doing so, *Speak-OUT* is always available. Our *Speak-OUT* case management system acts as a single, secure repository for all case management and related investigations with an improved data analysis of case statistics and reporting.

Taking Action in Support of Broader UN Goals and Issues

Criterion 15: The COP describes core business contributions to *UN goals and issues*

Best practices	Our implementation
Align core business strategy with one or more relevant UN goals/issues	'Group strategy' in Annual Report 2013
	'Strategy' in SD Report 2013
	UN Global Compact in SD Report 2013
	Millennium Development Goals in SD Report 2013
	Communities Standard
	Human rights policy
Develop relevant products and services or design business models that contribute to UN goals/issues	'Business model' in Annual Report 2013
	UN Global Compact in SD Report 2013
	Millennium Development Goals in SD Report 2013
	Communities Standard
	Human rights policy
Adopt and modify operating procedures to maximize contribution to UN goals/issues	Millennium Development Goals in SD Report 2013
	Communities Standard
	Human rights policy

Criterion 16: The COP describes strategic social investments and philanthropy

Best practices	Our implementation
Pursue social investments and philanthropic contributions that tie in with the core competencies or operating context of the company as an integrated part of its sustainability strategy	'Communities' in SD Report 2013 'Economic contributions' in SD Report 2013 Case study: Fairness and transparency at Simandou' Case study: Introducing new community vendors at RBM' Case study: Award-winning heritage work Case study: Supporting indigenous capacity building through partnerships
Coordinate efforts with other organizations and initiatives to amplify and not negate or unnecessarily duplicate the efforts of other contributors	'Engagement' in SD Report 2013 Case study: Supporting indigenous capacity building through partnerships Case study: Partnering with IUCN on our biodiversity goal
Take responsibility for the intentional and unintentional effects of funding and have due regard for local customs, traditions, religions, and priorities of pertinent individuals and groups	'Communities' in SD Report 2013

Criterion 17: The COP describes advocacy and public policy engagement

Best practices	Our implementation
Publicly advocate the importance of action in relation to one or more UN goals/issues	UN Global Compact in SD Report 2013 'Sustainable Development' in Annual Report 2013 'Chief executive's message' in SD Report 2013 'Human rights' in SD Report 2013 'Millennium Development Goals' in SD Report 2013 *The way we work*

Commit company leaders to participate in key summits, conferences, and other important public policy interactions in relation to one or more UN goals/issues	'Integrity and compliance' in SD Report 2013

Criterion 18: The COP describes partnerships and collective action

Best practices	Our implementation
Develop and implement partnership projects with public or private organizations (UN entities, government, NGOs, or other groups) on core business, social investments and/or advocacy	'Communities' in SD Report 2013 'Engagement' in SD Report 2013 'Environment' in SD Report 2013 'Human Rights' in SD Report 2013 'Integrity and compliance' in SD Report 2013
Join industry peers, UN entities and/or other stakeholders in initiatives contributing to solving common challenges and dilemmas at the global and/or local levels with an emphasis on initiatives extending the company's positive impact on its value chain	'Communities' in SD Report 2013 'Engagement' in SD Report 2013 'Environment' in SD Report 2013 'Human Rights' in SD Report 2013 'Integrity and compliance' in SD Report 2013

Corporate Sustainability Governance and Leadership

Criterion 19: The COP describes CEO commitment and leadership

Best practices	Our implementation
CEO publicly delivers explicit statements and demonstrates personal leadership on sustainability and commitment to the UN Global Compact	'Chief executive's message' in SD Report 2013 'UN Global Compact' in SD Report 2013
CEO promotes initiatives to enhance sustainability of the company's sector and leads development of industry standards	'Chief executive's message' in SD Report 2013
CEO leads executive management team in development of corporate sustainability strategy, defining goals and overseeing implementation	'Chief executive's message' in SD Report 2013 'Strategy' in SD Report 2013
Make sustainability criteria and UN Global Compact principles part of goals and incentive schemes for CEO and executive management team	'Chief executive's message' in SD Report 2013

Criterion 20: The COP describes Board adoption and oversight

Best practices	Our implementation
Board of Directors (or equivalent) assumes responsibility and oversight for long-term corporate sustainability strategy and performance	'Corporate governance' in Annual Report 2013
Board establishes, where permissible, a committee or assigns an individual board member with responsibility for corporate sustainability.	'Corporate governance' in Annual Report 2013
Board (or committee), where permissible, approves formal reporting on corporate sustainability (Communication on Progress)	'Corporate governance' in Annual Report 2013

Criterion 21: The COP describes stakeholder engagement

Best practices	Our implementation
Publicly recognize responsibility for the company's impacts on internal and external stakeholders	'Engagement' in SD Report 2013
Define sustainability strategies, goals and policies in consultation with key stakeholders	'Engagement' in SD Report 2013 'Community' in SD Report 2013 *Why human rights matter*
Consult stakeholders in dealing with implementation dilemmas and challenges and invite them to take active part in reviewing performance	'Engagement' in SD Report 2013 'Community' in SD Report 2013 Community consultation and engagement guidance *Why human rights matter*
Establish channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect 'whistle-blowers'	'Engagement' in SD Report 2013 'Human rights' in SD Report 2013 'Integrity and compliance' in SD Report 2013 Community complaints, disputes and grievance guidance *Why human rights matter*

Annex: Business & Peace

The COP describes policies and practices related to the company's core business operations in high-risk or conflict-affected areas

Best practices	Our implementation
Information on how policies, strategies and operating practices have been adapted to the specific high-risk/conflict context based on due diligence	'Internal controls' in SD Report 2013 'Human rights' in SD Report 2013
Adherence to best practices even where national law sets a lower standard, including in the management of security services	'Human rights' in SD Report 2013 'Integrity and compliance' in SD Report 2013
Management of the supply chain to avoid contributing to conflict through purchasing decisions and practices	'Human rights' in SD Report 2013 Case study: Training suppliers in global procurement principles

The COP describes policies and practices related to the company's government relations in high-risk or conflict affected areas

Best practices	Our implementation
Assessment of opportunities for constructive engagement with government actors in order to support peace	'Engagement' in SD Report 2013
Measures undertaken to avoid complicity in human rights violations by government actors	'Engagement' in SD Report 2013 'Human rights' in SD Report 2013 'Integrity and compliance' in SD Report 2013
Management practices aimed at preventing corrupt relationships with government officials	'Engagement' in SD Report 2013 'Internal controls' in SD Report 2013 'Integrity and compliance' in SD Report 2013

The COP describes local stakeholder engagement and strategic social investment activities of the company in high-risk or conflict-affected areas

Best practices	Our implementation
Stakeholder engagement mechanisms across company and contractor operations	'Engagement' in SD Report 2013 *Why human rights matter*
Approaches to stakeholder engagement involving civil society, international organisations, etc.	'Engagement' in SD Report 2013 *Why human rights matter*
Sustainable social investment projects	'Communities' in SD Report 2013