

Rio Tinto plc AGM – Address by the chairman

London, 15 April 2014
Jan du Plessis, chairman

** Check against delivery **

Good morning ladies and gentlemen.

It is my great pleasure to welcome you to Rio Tinto's 2014 annual general meeting.

Thank you for joining us today.

This is my fifth AGM as chairman of Rio Tinto and I am pleased to see a number of familiar faces in the auditorium.

I know there are also some shareholders joining us today via webcast, so I also want to welcome them to today's proceedings.

I hope you enjoyed the opening film that just played. It not only reflects our progress as a company but also:

- Our contribution in the 40 countries and communities in which we operate
- Our passion for innovation that is changing the face of the industry
- And our commitment to create greater value, for you, our shareholders

At Rio Tinto we take the safety and welfare of all of our employees very seriously.

We focus on safety in everything we do, not just at our operations around the world and with this in mind let us start with a short safety briefing.

(QE II CENTRE SAFETY ANNOUNCEMENT)

Thank you for your attention to that announcement.

All your directors are present at today's meeting, either in person or via video link. May I extend a warm welcome to our Australian non-executive directors, Mike Fitzpatrick and Richard Goodmanson, who - as has been our custom in recent years - are joining us today by video from Melbourne.

As Chairman, I remain committed to ensuring we have the right mix of skills and international experience on your board and it is my great pleasure to welcome our two new directors, Anne Lauvergeon and Simon Thompson.

Anne and Simon bring impressive track records to the board as executives working across multiple industries, in particular including mining.

In addition, both have extensive experience as non-executive directors of a number of leading international businesses.

Anne is a mining engineer by education and a French citizen with over 30 years' experience across a number of fields.

She started her career in the steel industry, where she held a variety of senior roles at leading industrial companies, before becoming chief executive of AREVA Group, the French nuclear power company.

Simon is a geologist by education and brings a wealth of international finance and mining experience. He held investment banking positions before he joined the Anglo American group in 1995, where he held a number of senior roles, including that of executive director.

I would also like to take this opportunity to thank Vivienne Cox for her significant contribution on the Rio Tinto board over the past nine years, and wish her well as she retires at the conclusion of this meeting.

Before we discuss any of the resolutions on today's formal agenda, I would like to say a few words about the year that has passed and about the future of your company.

At last year's meeting Sam Walsh, our chief executive, and I both said that 2013 would be a year in which we focus the organisation on delivering greater value for our shareholders.

To achieve this, the board tasked Sam, together with our chief financial officer, Chris Lynch, and our 66,000 employees around the world, to deliver three key objectives:

- First, to improve the operating and financial performance of the business.
- Second, to strengthen the balance sheet through enhanced capital allocation processes and reduce net debt.
- Third, to deliver results by completing our major approved capital projects and achieving significant cash proceeds from divesting non-core businesses.

I am pleased to report that substantial progress was made during 2013 on meeting all three of these objectives and your company is now able to move forward with even greater confidence.

In 2013, we achieved underlying earnings of US\$10.2 billion and, importantly, improved cash flows from operations by 22 per cent when compared to the prior year.

Our net earnings of US\$3.7 billion reflect non-cash exchange losses and impairments. The impairments relate to a previous non-cash accounting uplift on first consolidation of Oyu Tolgoi, a significant cost overrun at the Kitimat project, and the curtailment of the Gove alumina refinery.

Sam and his team exceeded our stretching cost reduction targets, achieving operating cash cost improvements of US\$2.3 billion in 2013, as well as exploration and evaluation savings of US\$1 billion.

These significant cost reductions were delivered while setting production records in our bauxite, thermal coal and iron ore operations. Sam will talk more about our strong operational performance in just a few moments.

Your board is committed to striking the right balance between disciplined investment, strengthening our balance sheet and returning cash to shareholders.

During 2013 greater discipline and accountability was delivered throughout the business, particularly in the allocation and management of capital.

This is reflected in our capital expenditure of US\$12.9 billion in 2013, a reduction of 26 per cent on the previous year. Importantly, we were able to lower capital expenditure and deliver five successful growth projects which are now in production.

As a board we are determined to grow value for you by only investing in the very best projects.

The breakthrough plan to optimise the growth of our world-class iron ore business in Western Australia is an excellent example of our commitment to focus on allocating capital to opportunities that generate the best returns for shareholders.

The pathway that has been identified, combining brownfield expansions and unleashing low-cost productivity gains, means mine production capacity will rapidly increase towards 360 million tonnes a year at an estimated capital cost of approximately US\$3 billion below previous projections.

We have also strengthened our balance sheet. In 2013, we announced or completed divestments of US\$3.5 billion, including a binding agreement for the sale of the Clermont thermal coal mine which we expect to complete in the first half of this year.

I'm pleased to say that the US\$2.5 billion in proceeds from these divestments, together with our improved cash generation, resulted in our net debt falling to US\$18.1 billion at year end. In February of this year, Standard & Poor's removed the negative outlook which they had previously attached to our rating, meaning that we now have a stable single A credit rating across all major agencies.

Our focus for 2014 will be to continue to pay down debt and further strengthen the balance sheet and I expect net debt to fall further during the course of the year.

The discipline of returning cash to investors is an important part of our strategy and I'm delighted that the board was able to raise the 2013 full year dividend by 15 per cent.

This increased dividend represents an important milestone on the road to delivering shareholder value.

So, all-in-all your company exited 2013, as a leaner, stronger and more resilient business.

Let me now move on to talk about some of the other areas of focus for the board last year.

The board's role is to challenge and support the executive team as they deliver the company's strategy, while maintaining the highest standards of corporate governance.

As your chairman, I believe it is important that all of your directors from time-to-time see the company's operations with their own eyes. This enables us to see first-hand how the strategy is delivered, and provides us with a deeper insight into the many challenges and opportunities faced by the business.

With this in mind, the board last year visited both our KUC copper operations at Salt Lake City, as well as our iron ore operations in Western Australia.

In the Pilbara, the on-the-ground view of our operations: 2.5 kilometre long trains; 330 tonne dump trucks; and the new 1.5 kilometre Cape Lambert wharf rising some 20 metres above the ocean, is incredibly impressive. It is not only a world away from our office in London, but the perspective yet again provided a firm reminder of the world-class nature of our operations and our people.

Good governance is essential to the long-term success of the Group and your board continues to provide oversight of a robust corporate governance framework.

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Given the current interest and evolving best practice in executive remuneration we continue to review and adapt our approach.

Our aim is to strike an appropriate balance between executive attraction, motivation and retention and the Group's overall performance.

As a dual listed company, Rio Tinto must align with practices in the UK as well as requirements in Australia and, indeed the United States as a result of our SEC registration.

With this in mind, we have four resolutions pertaining to remuneration before the meeting today and I have invited our remuneration committee chairman, John Varley, to speak briefly on this later in proceedings.

Let me share with you a few thoughts on the future of the Group.

Over the past five years we have experienced market volatility unlike anything we have ever seen before. It can be hard to navigate a business through this volatility, but a clear and consistent strategy helps steady the course.

During 2013 we recommitted to the strategy that has worked so well for us over many years: to invest in and operate, long-life, low-cost, expandable operations in the most attractive industry sectors.

We believe executing this strategy well, will allow us to take advantage of the opportunities ahead and to deal with the challenges of a volatile environment.

Financial markets continued to be volatile in 2013 and while the outlook is now brighter in some parts of the world, we believe that volatility looks set to remain in the short to medium term as a number of structural deficiencies remain unresolved.

Tensions remain in Europe, and the pace of reform and structural re-adjustments is slow.

The combination of low interest rates, low growth and low inflation leaves that continent with considerable challenges.

And in the United States the unwinding of quantitative easing represents uncharted territory.

While the fundamental drivers of the Chinese economy remain intact, we can expect some variability in the near term as authorities endeavour to steer the economy along a more sustainable and steady path of growth. There is no question, however that the Chinese leadership remains committed to pursuing economic reform which offers potential benefits for the global economy in the long term, even if there is some variability along the way.

This backdrop of continued market uncertainty makes it even more important that we execute our strategy well, locking in the changes and improvements we have made, and making them sustainable over the long term.

As a company with very long-term investment horizons, we recognise that in order to continue to create sustainable shareholder value we must be an open, innovative, transparent and trusted business.

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Our ability to operate globally is supported by this commitment. It allows us to access high-quality resources, to effectively manage risks and opportunities, to engage with communities, and to attract talented employees.

Last month, we published our annual Taxes Paid Report, which outlined the Group's 2013 total global tax contribution of US\$7.5 billion.

We also paid a further US\$1.9 billion of taxes on behalf of our employees.

This report demonstrates the significant contribution Rio Tinto makes to public finances in the countries where we operate around the globe. Tax transparency also assists in the fight against corruption and enhances the scope for communities and citizens to hold their governments to account.

So, let me finish by making a few comments on the longer term outlook for your business.

I am very confident in the future prospects of Rio Tinto.

Let me illustrate with just one example. Today, there are about 500 million people in Asia's middle class - by 2030 there will be some three billion, a six-fold increase in just 15 years.

The metals and minerals we produce will be fundamental to driving the development of this surging middle class by helping to build their homes, provide their transport links, empower their communications and create new jobs.

I believe your company is well positioned to benefit from this future demand.

In closing, I feel privileged to be the chairman of this wonderful business.

We have made some significant improvements over the last year and we have emerged a stronger and more resilient company.

Through our improved earnings and reduced costs, we are financially stronger.

Through our actions, we are reducing risk and increasing discipline.

Our strategy and priorities are clear.

I see great opportunities ahead for your company as we build a long-term future for your business. On behalf of the board, I would like to thank you, our shareholders, for your continued support.

And that, ladies and gentlemen, concludes my opening remarks and I now have the pleasure of handing you over to our chief executive, Sam Walsh.

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