

Rio Tinto 2024 AGM report

ASX code	RIO
Meeting date	Thursday, 2 May 2024
Type of meeting	Hybrid
Monitors	Duncan Seddon, Mike Robey with Paul Donohue attending the AGM
Pre AGM-meeting	Yes, with Dominic Barton (Chair) and Tim Paine (Company Secretary)

Meeting Statistics

Number of holdings represented by ASA	468
Number of shares represented by ASA	515,563
Value of shares represented by ASA	\$66.5m
Total number attending meeting	525 (350 in person and 175 online)
Market capitalisation	\$179bn
ASA open proxies voted	ASA voted in favour of all resolutions

My first impression of this year's Rio Tinto AGM was just how big their Board is. There were 15 people on stage, including 11 Non-Executive Directors, the Chair, CEO, CFO and Company Secretary. I realise Rio is a large and complex enterprise, but this seemed excessive.

Behind the stage was a big sign saying, "finding better ways to provide the materials the world needs". This was clearly the message that Rio wanted to project, and they often mentioned that responding to climate change and advancing global growth will require a lot of the resources they extract.

There was an engaging "Welcome to Country" by a young Indigenous man called Jahmarley Dawson who also played didgeridoo and weaved a few jokes into his welcome.

The speeches by the Chair and CEO touched on their impressive operating results, strategic objectives, cultural improvements, commitment to ESG, and the importance of a social license to operate.

The Chair also talked up some of the big operations coming online, i.e. Simandou in Guinea (Iron Ore), Oyu Tolgoi in Mongolia (Copper) and Rincon in Argentina (Lithium). He had an interesting fact for each of these. Simandou needs 600km of railway line, Oyu Tolgoi has an ore deposit the size of Manhattan and Rincon needed a new airstrip 3.8km above sea level.

He also mentioned that electricity usage by their Pacific operations accounts for 26% of the group's carbon emissions, which explains why they have invested so heavily in renewables at Gladstone.

With the speeches out of the way it was time for the formal proceedings. Voting is complicated by the dual listing in UK and Australia. The UK meeting was held on 4th April, but the results are not published until after the Australian AGM. Also, some resolutions are only for the Australian shareholders.

Most AGMs I attend address each resolution in turn with a short explanation, questions from the audience and then a vote. Rio prefers to bundle all the questions in together which can make it hard to determine to which resolution a question relates. In another departure from convention, there were no election pitches from the Directors.

The ASA asked two questions and were satisfied with the answers:

ASA: Underlying return on capital employed (ROCE) for the Rio Tinto Group is 20% with the bulk of this, 64%, coming from the iron ore business. Aluminium and copper both generate a return on capital employed of only 3%. Can you provide some insights into these low returns and how they might be improved in the future?

Chair: the low return comes from things we can control and things we can't control. Outside of our control are commodity prices, which have been low for the operations in question. Hopefully we will see an uptick in these prices as these minerals are vital for a low carbon future. Within our control is capital allocation. We have made significant investments in these commodities, particularly copper, and during that period we have not seen much of a return.

ASA: Ms Susan Lloyd-Hurwitz holds eight board positions, including Rio Tinto. Five of these are not for profit organisations, one is an unlisted company, and the other is Macquarie Group. While acknowledging that not all board roles require equal time and attention, that seems like a high workload. How can we be sure that she has the bandwidth to effectively perform her role at Rio Tinto?

Chair: they are very excited to have Ms Lloyd-Hurwitz joining the board. As you pointed out, not all her positions require the same level of attention. She prioritises the two listed companies, i.e. Rio Tinto and Macquarie.

There were a few questions from other shareholders on topics such as performance bonus hurdles, why has profit and dividend reduced so much, why is the dividend getting paid later each year, why is the board so large and how long will the Pilbara iron ore deposits last. These were all well answered by the Chair, CEO and CFO.

The remainder of the questions related to the impact of Rio's operations on people living close to their mines and processing facilities. We heard about water quality in Madagascar, First Nations peoples' opposition to uranium mining in Kakadu, tailings in Bougainville, and disruption to nomadic lifestyle in Mongolia.

Two questioners were particularly impactful. Leanne Evans, from the Robe River Kuruma Aboriginal Corporation in the Pilbara, spoke in her traditional language before switching to English. She asked why Rio extracts between 6 to 8 gigalitres of water from the Bungaroo aquifer each year when the impact on the dry landscape is obvious. Rio Tinto has agreed to build a desalination plant, but it won't be online for many years and even then, it will only supply a fraction of the water required.

The second was Henry Muñoz, a former miner from Arizona with 23 years of underground experience. He was concerned about the "block walling" technique proposed for the Resolution copper mine in Arizona. This will result in a massive subsidence up to 1,000 feet deep, including areas sacred to the San Carlos Apache tribe.

Each of these concerns from around the world were responded to sensitively and comprehensively. Often the board would defer to an expert team member for more information. A common theme was that Rio inherited many of these problems from companies they had acquired and even though they had not enjoyed the benefits of the mines in question, they were committed ensuring an effective rehabilitation.

I left the meeting with the impression that Rio are genuinely trying to do the right thing but perhaps they haven't learnt as much from the Juukan Gorge fiasco as we hoped.

All resolutions were easily passed with "for" votes in the high 90% range. Interestingly, 72% of issued capital was voted in the UK vs only 60% in Australia.

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