

Professor Peter Newman
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Policy Office
Department of the Premier and Cabinet
15th Floor, 197 St Georges Tce
PERTH WA 6000

29 April 2002

Dear Peter,

State Sustainability Strategy

We welcome the opportunity to provide input into the State Government's development of a State Sustainability Strategy.

The document *Focus on the Future: Opportunities for Sustainability in Western Australia* provides an excellent overview of the sustainability issues facing our State. It also outlines a well-planned and comprehensive approach to addressing the issues through partnerships, leadership and innovation.

The establishment of the Government's Sustainability Policy Unit, the early public seminar series and your own extensive participation in lectures are all examples that reflect strongly the Government's commitment to sustainable development.

We know that you are familiar with Rio Tinto's approach to sustainable development in Western Australia and have personally witnessed "sustainability in practice" at various Rio Tinto operations. We are confident that the philosophy and goals of Rio Tinto in developing a more sustainable future are aligned with those of the State Government.

We also see tremendous capacity to promote sustainability understanding and practice through the new Rio Tinto WA Future Fund, through a range of partnerships with Government, non-Government and community groups and with other businesses.

To this end, we are excited about the potential to work with the Government to pursue opportunities in sustainability that benefit the communities of Western Australia.

Our submission to the State Sustainability Strategy is attached. This submission provides an account of Rio Tinto's approach to sustainable development, responses to the key questions posed in the *Focus on the Future* brochure, and views about sustainability priorities for Western Australia.

Please feel free to contact me at any time should you require further information about this submission. We look forward to the opportunity to provide further input into the Government's strategy development.

Yours sincerely

Bruce Larson
General Manager External Affairs

Focus on the Future: Opportunities for Sustainability in Western Australia
State Sustainability Strategy

RIO TINTO SUBMISSION

Introduction

This submission is structured in three sections. Firstly, we have provided an overview of Rio Tinto's approach to sustainability and examples of sustainability in practice at our Western Australian operations.

Secondly, we have provided responses to key questions posed at the back of the *Focus on the Future* document.

Finally, we have outlined views about sustainability priorities for Western Australia, based on Rio Tinto survey work undertaken during 2001.

A. Rio Tinto and sustainability

1. About Rio Tinto

Rio Tinto is a world leader in finding, mining and processing the earth's mineral resources. Rio Tinto takes a long-term responsible approach to exploring for first class ore bodies and developing large, efficient operations capable of sustaining competitive advantage.

Western Australia is a state of great importance to Rio Tinto. The headquarters of Rio Tinto Iron Ore, one of the six Rio Tinto global product groups, is in Perth and Rio Tinto operates eight iron ore mines (managed by Hamersley Iron and Robe River Iron Associates) in the Pilbara region. Another component of the Rio Tinto Iron Ore group is the HIs melt reduction project at Kwinana.

Rio Tinto companies in Western Australia also include Argyle Diamonds in the Kimberley, Dampier Salt in the Pilbara and the Gascoyne and the Three Springs Talc Luzenac project in the mid-west. Further, Rio Tinto conducts an ongoing exploration program for the Australasian region from its Belmont (Perth) headquarters.

Together, the above projects represent some 20% of Rio Tinto's worldwide assets and provide employment for approximately 4000 Western Australians. These projects have created a substantial legacy for Western Australia through the establishment of new communities, indigenous education and training programs, road, rail and port infrastructure and the many benefits that have flowed to the community and the economy over the past 40 years.

2. Rio Tinto and Sustainability

Rio Tinto is strongly focused on sustainability and issues surrounding sustainable development, both on a global level and, more locally, in Western Australia. In 2001, Rio Tinto was the “Sustainability Leader” for its sector in the Dow Jones STOXX Sustainability Index, and 10th in the Business in the Environment Survey of FTSE100 companies.

Rio Tinto is a signatory to the Global Mining Initiative (GMI) and a sponsor of the GMI study project *Mining, Minerals and Sustainable Development*. GMI is a program that was developed to ensure that the mining industry is conducted in a way that contributes to sustainable patterns of economic development.

Rio Tinto seeks to work with stakeholders – whether they are governments, communities or industry groups – to achieve outcomes that are socially, environmentally and economically beneficial for all parties over the longer term.

Rio Tinto business units share a common commitment to sustainable development, with definitions of sustainability tailored according to the unit. For example, Rio Tinto Iron Ore’s definition of sustainable development is as follows:

The operations of Rio Tinto Iron Ore are sustainable when they balance the needs of the environment, community and markets over time by delivering competitively priced iron ore to bring quality of life now without compromising the ability of future generations to meet their needs and reducing ecological impacts and resource intensity throughout the product lifecycle.

In general, Rio Tinto seeks to achieve social equity, environmental care and economic success in tandem, through programs and initiative that complement stakeholder goals and expectations.

3. Sustainability in practice at Rio Tinto

Sustainability is a broad, all-encompassing concept that has at its heart a philosophy and vision about moving forward in a way that balances current and future needs.

However, sustainability needs to be much more than a vision. To truly work towards a better future, words need to be translated into actions with quantifiable goals and outcomes. These actions are as much about internal company processes as they are about interacting with various stakeholder groups to achieve sustainable outcomes.

At Rio Tinto’s operations in Western Australia, there are many examples of sustainability in practice. Some programs that encompass the principles of sustainable development have been in place for many years, but have only recently been “classified” as sustainable development initiatives. Others have been developed and implemented over the past couple of years in recognition of the growing importance of operating and developing sustainably. There are further programs that are still in the pipelines but will be implemented in coming years.

Examples of programs that contribute to economic, environmental and social sustainability, or the “triple bottom line”, can be seen in many areas of Rio Tinto’s operations. Below are just a few examples of programs and initiatives.

3.1 Environment

Rio Tinto is committed to minimising the impact of its operations on the environment, and works hard to reduce emissions and pollution, preserve the natural state of land, sea and water and protect native flora and fauna. Examples of this approach are as follows:

Bats in the Pilbara. Hamersley has embarked on a project to preserve the Pilbara’s bat population. The Pilbara has a diverse range of bat species and is home to a number of rare species, including the Ghost Bat, Australia’s only carnivorous bat, and the Orange Leafnosed Bat. Hamersley is developing an artificial bat roost at its Tom Price minesite in an effort to provide a new home for bats in the Pilbara.

Northern Ponds. Dampier Salt is committed to an ongoing monitoring program at Lake MacLeod’s Northern Ponds, which are 30 kilometres north of the company’s operations and within its mineral lease. The Northern Ponds contain the largest area of inland mangroves in the world and provide a major migratory stopover and drought refuge for wading birds. Dampier Salt is committed to determining the health and productivity of the wetland and increasing scientific understanding of the ecosystem.

Use of molasses to suppress dust. Argyle Diamonds is trialing the use of molasses on mine access and haul roads to suppress dust. Dust is both an environmental and safety concern at Argyle’s operations, and, until recently, water had been the primary suppressant used. Molasses is a by-product from a sugar company in Kununurra. Trials to date have been successful and the project is ongoing.

Native species use in rehabilitation. Argyle Diamonds has in place a program to rehabilitate land disturbed by mining operations by using native species of importance to local Aboriginal communities. Argyle is working with communities to restore the landscape in a manner that maintains biodiversity of ecosystems and at the same time provides food and medicine sources, and a knowledge capture mechanism, for Aboriginal people.

3.2 Social

Understanding and interacting constructively with local communities is fundamental to the long-term success of Rio Tinto. In particular, the cohesiveness of social resources - individuals, families and groups - is extremely important to the future of regional areas, as well as to minesite, rail and port operations.

Rio Tinto has in place a number of programs that are focused on achieving social benefits, particularly in terms of community development. Many of Rio Tinto’s operations are located in places where Aboriginal stakeholders have a valid and genuine stake in the land. Rio Tinto respects this stake and aims to work with Aboriginal communities to develop and maintain relationships that are based on the

community relations principles of mutual respect, active partnership and long-term commitment.

There are some strong examples of indigenous community support within Rio Tinto:

Aboriginal Training and Liaison (ATAL) unit (Hamersley). Since its formation in 1992, ATAL has developed and implemented a range of programs, including: earthmoving operator training; an Aboriginal and Torres Strait Islander Apprentice School; clerical traineeships; business development; cross cultural training; and heritage projects. The team has won many awards for its endeavours, including the National Reconciliation Award in 1997.

Gumala Mirnuwarni Education Project. ATAL facilitates this project, which provides mentoring and education enrichment support for Aboriginal high school students in Roebourne and Karratha. The project, which is also supported by Dampier Salt, Woodside Energy, the Polly Farmer Foundation, the Education Department of Western Australia and the Commonwealth Department of Education, Training and Youth Affairs, provides after-school centres and support.

Active Girls Program. Through Argyle Diamonds, Rio Tinto partners the Kimberley region's Garnduwa Amboorny Wirnan, an Aboriginal body, in hosting the annual Active Girls Program. This program aims to increase the number of young women in community leadership roles through participation in sport, recreation and leadership activities.

Programs such as these assist in the sustainability of the regions in which Rio Tinto's operations are located, through providing increased employment opportunities, lifting the skill and experience levels of communities and encouraging the economic development of the regions.

More broadly, Rio Tinto business units in Western Australia are involved in sustainable development through programs that encompass sporting, education, welfare, the arts, industry and regional development outcomes.

3.3 Economic

Rio Tinto is a strong contributor to Western Australia's economy. The group is cognisant of the need to maintain globally competitive operations that will continue to support a robust resources industry in this State well into the future.

In 2001, Rio Tinto companies paid approximately \$235 million in taxes and royalties to the State Government. More than \$1 billion was spent on goods and services in Australia, with the majority spent in Western Australia.

Rio Tinto's business units are continually assessing new ways to prolong the life of operations, work smarter and achieve world-class productivity and efficiency.

This work has flow-on effects for Western Australia. For example, at Argyle Diamonds, the life of the mine has been extended to 2007 – approximately six years greater than expectations – following innovative processes to expand the open pit. A

feasibility study is currently under way to determine the possibility of mining underground, which would potentially add another 12 years to the mine's life. This extension will bring about increased employment opportunities, particularly in local communities, and continue the flow of economic benefits to Western Australia.

3.4 Rio Tinto WA Future Fund

A new initiative that has at its core the principles of sustainability is the Rio Tinto WA Future Fund.

The Fund was launched in August 2001, with the aim of supporting programs that can contribute to the future development of Western Australia – the welfare of its people and overall economic prosperity.

The Fund commits \$2 million each year to support projects that clearly demonstrate the capacity to make a difference.

Prior to launch of the Fund, Rio Tinto conducted a survey of opinion leaders in Western Australia, in order to gain a better understanding of the issues and challenges facing this State. Funding decisions are largely based on the priorities identified in this survey.

To date, the Fund has agreed to support 16 different projects throughout the State. These projects are in the areas of child health, welfare, conservation, biodiversity, sustainability, sport, education, community leadership, vision and youth development.

Examples of projects supported by the Fund include:

- The Global Centre for Sustainability. Through the cooperation of Western Australian universities and the involvement of government and industry, a Global Centre for Sustainability will be developed, with the aim of pursuing research about sustainability and its application.
- Conservation Volunteers of Australia in North West WA. The Fund will support the introduction of CVA to the Pilbara region. A number of potential projects involving local people, including indigenous people, are in the pipeline.
- Biodiversity Mapping and Regional Sustainability in the Pilbara. In a project facilitated by the Australian Museum, the issue of biodiversity in the Pilbara will be explored, primarily through the development of a “knowledge map” that will enable better planning for sustainability.

4. Hamersley Iron: a case study in planning for sustainability

All Rio Tinto companies have approached the need to plan for a sustainable future differently. Hamersley Iron's Sustainability Project provides an interesting case study.

Hamersley has developed an evaluation methodology that will help it to incorporate social, economic and environmental criteria in its decision-making processes. In so doing, Hamersley aims to establish a strong competency in sustainability.

Firstly, Hamersley developed a framework for sustainability and tested this on a pilot case. Pastoral station management was the topic of the pilot. Hamersley owns and operates four pastoral stations in the Pilbara, as a means of maintaining strategic land access. Hamersley's future strategy for stations is important for a broad range of stakeholders.

The framework had defined steps, based on definition and analysis of the issue and decision-making processes. Steps included stakeholder consultation and the creation of measurement tools. Options were developed to assist in the decision-making and planning processes, and ultimately an option was decided upon.

The framework was then applied to a complex business issue for Hamersley – the sourcing of Marra Mamba ore for Direct Sinter Ore products in 2010. Again, the framework was applied and a number of options developed before a decision was made.

Hamersley is currently addressing a number of issues that have arisen from Sustainability Project work to date, including the application of the methodology to other decisions.

5. The Pilbara Study

Rio Tinto is a key player in the Pilbara region, and in recognition of this has initiated a "Pilbara Study" to better understand some of the issues associated with individuals, families and communities in the Pilbara.

The study is based on the belief that social resources that affect communities are extremely important to the future of the Pilbara and the sustainability of Rio Tinto's workforce there. The cohesiveness of people living close to and working at Rio Tinto mine sites, rail and port operations is a fundamental factor in Rio Tinto's success and sustainable development.

The study will incorporate research about and understanding of: key demographic trends in the Pilbara; the major social issues currently facing Pilbara towns; government services provided in the region; non-government providers of social services and leisure activities; and the role of Rio Tinto in determining the future of the communities.

A clear intention of this study is that it does not just provide an understanding, but that it also provide a way forward for acting on identified issues.

6. HIsmelt – large-scale development leading the way in environmental management

On 24 April 2002 Rio Tinto announced it would build a \$400 million HIsmelt plant at Kwinana. The plant will produce high quality iron at a lower cost and with a superior environmental performance to any other iron-making process, as well as enabling Rio Tinto to use lower grade and lower value iron ore fines such as the higher phosphorus

ore prevalent in the Pilbara. HIs melt is a new direct smelting technology that transforms iron ore into high quality pig iron, a feedstock for the steelmaking industry. Pig iron is used both in modern electric arc furnaces – a fast-growing industry that has developed in response to the need for steel-making technology that is “cleaner” than traditional blast furnaces - and other types of steelmaking.

The plant will be the culmination of an intensive \$600 million Australian research and development program, conducted over 20 years and is a significant step in the development of new-generation technology for the world steelmaking industry.

Importantly, HIs melt will encourage a cleaner steel industry as it does not require coke ovens and sinter plants, and produces less greenhouse gas per tonne of hot metal. Greenhouse gas produced will be 1.86 tonnes of CO₂ per tonne of hot metal – compared with between 2.2 and 2.4 tonnes of CO₂ per tonne of hot metal for traditional blast furnaces of comparable size.

B. Responses to key questions in *Focus on the Future*

1. Is sustainability a worthwhile pursuit?

Without question, sustainability is a worthwhile pursuit. We need to work hard today to build a more secure tomorrow. We need to consider the needs of future generations without compromising current needs and expectations. Long-term thinking is the key to developing outcomes that provide environmental, social and economic outcomes that last well into the future.

From a mining industry perspective, many of the practices of years gone by are no longer valid. There has been a gradual recognition that a healthy economic bottom-line will only come if environmental and social goals are pursued in tandem. The growth of factors such as ethical investment, community expectations and human rights movements are driving significant change in the resources sector.

2. What benefits could flow if sustainability was taken more seriously?

The benefits are potentially immeasurable and could include increased employment, greater economic prosperity, a more pristine environment, more connected communities and improved health and education standards.

3. In your experience, what opportunities exist to pursue sustainability?

Partnerships between industry, government and communities are a key way of pursuing sustainability programs. Rio Tinto has numerous examples of partnerships that are making a difference, and some of these have been outlined in the previous section.

4. What is the role of government, business and the community in facilitating change to be more sustainable?

These three areas all have a responsibility to facilitate change, however the greatest change will come about if these areas work together.

Strong leadership must be shown in all sectors, and debate and discussion must be encouraged and embraced.

The Government has a role to play in fostering a business environment that is more conducive to sustainable development, initially through a better conceptual understanding.

5. What best practice examples exist, if any, to demonstrate how sustainability is being progressed?

Some examples from Rio Tinto are outlined in the above section.

6. What research and development is needed to ensure sustainability outcomes can be achieved?

See below views about priority issues.

7. In a more general sense, what else should Western Australia be doing to contribute nationally, regionally and globally to progress sustainability?

An exciting initiative that will get under way this year is the Global Centre for Sustainability, supported by the Rio Tinto WA Future Fund (*outlined in section 3.4 above*). This will potentially provide a forum for research about sustainability initiatives, and provide an opportunity to share and gain information about best practice.

Western Australia should be reviewing sustainability programs and initiatives from around the world, to ensure approaches taken in this State represent best practice.

C. Views about sustainability priorities in Western Australia

In 2001 Rio Tinto conducted a stakeholder survey, interviewing 50 key opinion leaders throughout Western Australia to gain their views about the issues and initiatives capable of helping shape our State's future.

We have used this research as the basis for some of our planning, and in particular in shaping the framework for the Rio Tinto WA Future Fund. Opinion leaders related to us their concerns as well as their ideas and solutions about sustainable growth.

These views are categorised according to four topics and summarised as follows:

1. Developing Western Australia. Interviewees felt that overcoming a lack of shared vision and leadership was intrinsic to developing a more sustainable community.

- Western Australia must become a state that values intellectual and creative drive;

- Western Australia needs to aim for a more compassionate society, embrace diversity and acknowledge differing opinions;
- Universities, non-government organisations and communities all have roles to play as leaders;
- Partnerships are central to achieving vision and there is untapped potential for partnerships between business, government and community; and
- Independent debate and discussion about issues impacting Western Australia's future should be encouraged.

2. Industry.

- There is a need for more funded research in Western Australia, particularly in areas where Western Australia has a dominant role (eg natural resources, water management);
- There needs to be greater promotion and generation of innovation and entrepreneurship skills;
- Talent and expertise needs to be attracted to and retained in this state; and
- Western Australia needs to access and make use of innovative technical skills and the latest communications and information technology.

3. Community. Opinion leaders believed that disconnected communities and fractured families pose one of Western Australia's biggest challenges.

- Communities and family structures are breaking down, leading to a variety of social problems;
- Poverty is a key concern;
- Youth are not made to feel part of communities;
- Lifelong learning needs to be promoted and early intervention initiatives are required; and
- The funding of education, health and economic development opportunities in Aboriginal communities should be a priority.

4. Environment. Sustainability, protection of biodiversity and salinisation are the biggest environmental issues facing Western Australia, according to the survey.

- Western Australia has great skills and knowledge in environmental management that can be shared internationally and used to create a centre of excellence;
- There is a need for ore research on environmental matters;
- Government, business, community and environmental groups need to work together to find solutions to environmental problems;
- Salinity is having an enormous impact on the community, both environmentally and socially; and
- Currently there are few incentives for farmers and other land managers to consider the impact of their activities on the environment.

Conclusion

Sustainability is a challenge, but where there is challenge there is usually opportunity.

Rio Tinto has embraced the challenge and is making gains in laying the foundations for a more sustainable future. However, we recognise that there is enormous potential to optimise the opportunities that exist in sustainable development.

This will occur through the collaboration of the mining industry, other industries, government and the community. Partnerships and leadership are the keys to future growth.