

**RIO
TINTO**

2003

Social and
environment
review
highlights

Meeting
global needs
for minerals
and metals

Rio Tinto 2003

Introduction

Rio Tinto is a leader in finding, mining and processing the earth's mineral resources to supply essential minerals and metals. Our statement of business practice *The way we work* lies at the heart of our implementation of responsible corporate conduct.

The way we work summarises the Group's policies for all employees. It is designed to ensure that employees reflect in their daily work the high standards and values we share, key among which are accountability, fairness, integrity and openness.

The way we work

Rio Tinto embarked on the first major revision of *The way we work* in 2002, partly in the light of the Mining, Minerals and Sustainable Development (MMSD) report. The new version is the result of many months of wide internal consultation and discussion and represents shared values from around the Group.

The revised *The way we work* was approved by the Rio Tinto board before Group wide distribution in the first half of 2003. The document commits the Group to transparency consistent with good governance and commercial confidentiality, corporate accountability, and the application of appropriate standards and internal controls. Because of our international workforce, it is available in 18 languages. A business practice tool was developed to help operations assess their degree of implementation and performance in each of the nine policy areas.

To make our reporting more relevant and transparent, this year we have restructured our *Social and environment review* to be consistent with the nine corporate policies in the revised version of *The way we work*.

About this review

This document highlights elements of our programmes and performance presented in full in our web based *Social and environment review* accessible at www.riotinto.com/se

This summary document, and the web based *Review*, report on activities at the Rio Tinto Group level, comprising 30 managed businesses which in total control 83 active operations, eight development projects, five exploration regions and five closed operations. Data are also collected from head office and support functions.

The main changes from 2002 are divestment of the Peak Gold mine in Australia and Rio Tinto Zimbabwe's Patchway gold mine. In addition, the sale of the Fortaleza nickel mine in Brazil was agreed in 2003. Given that the sale transaction was not completed until January 2004, data for Fortaleza have been included for 2003.

Data are reported for calendar years. Unless otherwise stated, data are for operations managed by Rio Tinto in that year and are the total for the parameter at each operation even though equity ownership may be less than 100 per cent.

In 2003 the consulting firm, Environmental Resources Management (ERM), conducted a joint external assurance and data verification exercise. A statement from ERM is provided on page 12.

As a member of the International Council on Mining and Metals (ICMM), Rio Tinto is currently involved in the work of ICMM and the Global Reporting Initiative (GRI) to develop a Mining and Metals Sector Supplement to the 2002 Sustainability Reporting Guidelines. Our web based *Review* provides more information on how our reporting activities incorporate the principles outlined by the GRI. Where elements and indicators in the GRI are relevant to Rio Tinto, we aim to report against them. In other areas we have reported against indicators and elements that are more relevant to driving performance improvements within our business.

In addition to this Group level *Social and environment review*, each of our businesses and the Exploration group produce their own social and environment reports. The 2003 reports are available on the Rio Tinto website.

Feedback on the format or content of our *Social and environment review* is useful to us in preparing future *Reviews* and to our social and environment programmes. We welcome comments and input. Feedback opportunities are available on the website and details are also provided on the last page of this summary.

Details are presented in full on our website:

www.riotinto.com/se

WEBSITE MENU

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Message from the chairman, Paul Skinner

I am pleased to introduce the eighth annual review of Rio Tinto's social and environmental performance. This document highlights the main achievements and challenges of 2003. I invite you to explore the full *Social and environment review* on our website at www.riotinto.com/se where you can also access the local social and environment reports for each of our businesses.

As a signatory of the UN Global Compact, we report in our web based review on the ways in which we conduct our activities and carry out programmes to support the nine principles, including protection of human rights, freedom of association in the workplace and environmental responsibility.

As chairman of both Rio Tinto and the *Committee on social and environmental accountability* I take a close personal interest in both our past performance and the policies and programmes in place to drive future performance. We acknowledge the points made in the Environmental Resources Management (ERM) assurance statement and plan to use this as a basis for further performance improvement in 2004.

Leigh Clifford (left) and Paul Skinner at Argyle diamond mine, Australia.

Summary report from the chief executive, Leigh Clifford

Rio Tinto is regarded as an industry leader in terms of our economic contribution and social and environmental responsibility, the three pillars of sustainable development. However, we continue to seek improvement in our performance and in 2003 distributed the revised statement of business practice, *The way we work*, to all employees throughout the Group. This commits us to transparency, corporate accountability and policies that contribute to the global transition to sustainable development.

Rio Tinto's first priority is safety, a measure critical to good performance in other areas of the business. I very much regret to report that there were six deaths during 2003 at operations we manage. There were 468 lost time injuries and the lost time injury frequency rate decreased by five per cent to 0.81.

Setting standards and high but achievable targets are key drivers of performance improvement. To complement our safety standards, we are implementing Group wide occupational health and environment standards. We are targeting fewer workplace exposures and new cases of occupational disease. We seek improved efficiency of greenhouse gas emissions, energy use and fresh water withdrawn from the environment. The targets have been integrated into business plans to ensure that fully resourced and costed action plans are in place to achieve them.

All our businesses produce local social and environment reports and are beginning to use the reports as a basis for closer consultation with their communities. These reports underpin a genuine and widespread commitment to strong community relations. Operations are seeking to develop ways to integrate sustainable development considerations into key business decision making processes. Our global partnership programmes involving 15 organisations, such as Earthwatch, BirdLife International, and WWF Australia, help us focus our policies and programmes for shared objectives.

As in previous years, we welcome your feedback through the contact details on the back cover.

Progress against 2003 targets

Targets are an important element in driving performance improvements in certain areas, particularly health, safety and environment. In 2003 we set challenging targets. We met four, made progress on others while in two areas the achievements of previous years were partially reversed.

2003 Safety

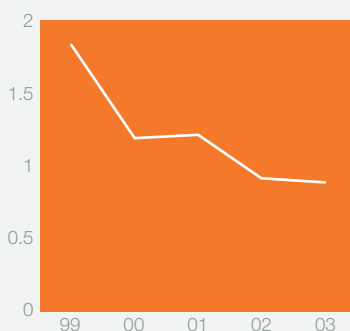
Target: Zero fatalities.

Result: Target not met with six fatalities.

Target: A 50 per cent reduction from 2002 in lost time injury frequency rate (LTIFR).

Result: Target not met. The LTIFR was 0.81, a five per cent reduction from last year. Over the last five years the LTIFR has decreased by 56 per cent.

Lost time injury frequency rate



2003 Occupational health

Target: Reduce new cases of occupational disease per 10,000 employees.

Result: Target met. New cases of occupational disease (per 10,000 employees) decreased by 11 per cent, compared with 2002.

Target: Make significant progress toward implementation of the Rio Tinto occupational health standards with full compliance by the end of 2004.

Result: Target on track. See page 5 for more details.

Target: Reduce the number of employees exposed to noise over 85 decibels (averaged over eight hours).

Result: Target not met. The reported number of employees (per 10,000) exposed to noise over 85 decibels increased by 17 per cent, compared with 2002. This is most likely a result of increased workplace monitoring as operations implement the occupational health standards.

2003 Environment

Target: Finalise comprehensive Rio Tinto environment standards and guidance documents.

Result: Target met. Standards have been finalised and released for implementation.

Target: Increase water use efficiency, especially for fresh water.

Result: Target met. There was a 1.6 per cent reduction in water used per tonne of product compared to 2002*.

Target: Reduce energy used per tonne of product.

Result: Target not met. There was a 3.7 per cent increase in energy used per tonne of product compared to 2002*.

Target: Reduce total greenhouse gas emissions per tonne of product.

Result: Target not met. There was a 4.2 per cent increase in total greenhouse gas emissions per tonne of product compared to 2002*.

Target: Achieve zero significant spills.

Result: Target not met. There were eight significant spills in 2003, however, this was a 50 per cent decrease from last year.

Future targets

During 2003 we worked with our operations to establish more specific and quantitative targets for Health and Environment performance. Some operations reach targets sooner than others and we focus on those that need additional support.

Key elements of the target setting process were:

- Ensuring targets are challenging but achievable
- Integrating targets with the business planning process so that action plans are fully costed and resourced
- Supplementing Group level targets with operation level targets, using indicators that reflect local issues.

For management areas like Employment, Human rights and Sustainable development, rather than setting targets, we develop programmes to deliver improved performance.



Safety

Target: Zero fatalities.

2004: We will continue to seek a 50 per cent reduction in the lost time injury frequency rate (LTIFR). However, we will also develop longer term targets that will build on our performance improvement over the past five years and help us continue toward our ultimate goal of zero injuries.

Setting stretch targets of an annual 50 per cent improvement in LTIFR for the past four years emphasised to all employees how serious we were about safety. This has not changed. However, for many businesses in the Group, and for the Group overall, continuing to set annual 50 per cent reduction targets is not realistic, and we recognise that unrealistic targets can negatively impact motivation and behaviour.

In the future, we anticipate that a mixture of leading and lagging indicators may be appropriate to measure safety performance. For better performers in particular, a combination of these measures can better reflect that business unit's achievements.



Occupational health

Target: Full implementation of occupational health standards by the end of 2004.**

Target: No employee exposed to a noise dose of more than 82 decibels (averaged over eight hours) by the end of 2004, after allowing for the use of hearing protection such as ear muffs or plugs.

Target: A 20 per cent reduction in the number of employees (per 10,000) exposed to a noise dose of more than 85 decibels (averaged over eight hours) between 2004 and 2008.

Target: A 40 per cent reduction in the number of new cases of occupational disease (per 10,000 employees) between 2003 and 2008.



Environment

Target: Full implementation of all environment standards by the end of June 2005.**

Target: A ten per cent reduction in fresh water withdrawn per tonne of product between 2003 and 2008*.

Target: A five per cent reduction in energy used per tonne of product between 2003 and 2008*.

Target: A four per cent reduction in total greenhouse gas emissions per tonne of product between 2003 and 2008*. A four per cent reduction due to improved efficiency is equivalent to approximately 1.3 million tonnes carbon dioxide equivalent (CO₂-e).

Target: Zero significant spills.

*Based upon operation level efficiency changes, which are considered better measures of underlying performance as they do not include the effect of changes in our mix of products eg as a result of acquisitions.

**Includes commencement of an effective verification process.



Safety

Context

Our industry involves large equipment, explosives, chemicals and high temperatures as well as the more typical industrial hazards such as working at heights and driving vehicles.

Policy

Safety is a core value and a major priority. We believe that all injuries are preventable and our goal is zero injuries.

Programmes

Everyone's behaviour contributes to workplace safety; full and consistent implementation of and accountability for Rio Tinto's comprehensive standards, guidelines, systems and procedures is required. Alongside this, we are building a supportive safety culture that requires visible leadership, ongoing education and training and a high level of participation by everyone in the workplace.

Rio Tinto's programme of interactive safety observations in the workplace, Safety Management Audit Training (SMAT), is modelled on a practice refined by DuPont Safety Resources into a daily routine. The process involves managers, supervisors and superintendents walking the workplace to talk safety one on one with employees as they work. It has become good practice throughout Rio Tinto and has contributed to major improvements in our safety record. However, there is still some way to go in achieving our goal.

Performance

In 2003, we regret to report that six people died at operations we manage: three were Group employees and three were contractors. Reductions in the lost time injury frequency rate (LTIFR) over the last five years slowed in 2003, with a five per cent reduction from 2002. The reduction since 1999 is 56 per cent. Increased focus is being placed on effective visible leadership and more rigorous compliance with the safety standards. A lost time injury (LTI) is an occupational injury that results in at least one day away from work or, as a result of the injury an employee or contractor is reassigned, works less than full time, or cannot perform all the duties of their permanently assigned job. The LTIFR is the number of LTIs per 200,000 hours worked.

Fines for infringement of occupational health and safety regulations involved 12 operations and totalled US\$162,000, compared to 12 operations and US\$80,000 in 2002. This includes a fine of A\$206,250 paid by Northparkes in relation to an underground collapse that resulted in four fatalities in November 1999. This event occurred under the previous owner and prior to any Rio Tinto involvement in Northparkes.



Safety is a core value and a major priority

Employment

Context

A company's success is judged by how its performance measures up to its stated objectives, values and policies, not only in relation to its shareholders but also to its employees. Whatever their personal beliefs, employees want to work for a company that not only respects their views as individuals but also represents best practice in the broader world.

Policy

We require safe and effective working relationships at all levels around the Group. Whilst respecting different cultures, traditions and employment practices, we share common goals, in particular the elimination of workplace injuries, and are committed to good corporate values and ethical behaviour.

Programmes

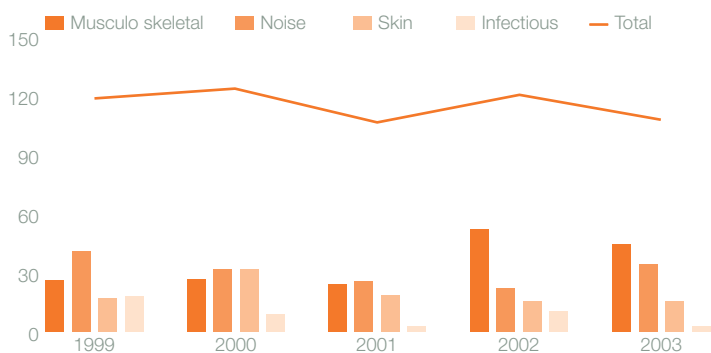
To optimise business performance we mobilise the whole workforce in pursuit of the same goals. We are striving to involve employees in the business by giving them explicit business information and seeking their views on the best way to achieve change, whether in production processes or aspects of culture.

Management systems cover consultation and dialogue, commitment to equal opportunity and diversity, Aboriginal employment, minimum standards regarding labour rights, and conflict procedures. Further human resources programmes include leadership development, systems to shape ethical behaviour, a corporate "whistle blower" system *Speak-OUT*, and cultural awareness training.

Performance

Areas of focus included articulating and measuring desired organisation culture; leadership development; direct communication; employee engagement; and providing incentives for individual and team performance.

Main types of new cases of occupational disease (per 10,000 employees)



Note: Total also includes lung disease, chemical intoxication, radiation and other disease (eg stress).

Occupational health

Context

Finding, mining and processing mineral resources involves work that may affect human health. This may include dusty or noisy workplaces, exposure to chemicals or radiation, heavy lifting and repetitive tasks.

Policy

We strive to protect our physical health and well being in the workplace.

Programmes

Our goal is to eliminate occupational disease in the Group by implementing effective practices to manage exposures in the workplace. Implementation of comprehensive Group wide occupational health standards is a key part of this and was a focus during 2003. Activities undertaken to support business units in their implementation of the standards include:

- Providing assistance and advice and carrying out gap analyses between the requirements of the standards and existing practices at business units; and
- Developing guidance to support the standards and sharing experience around the Group. For example, in response to various requests, fatigue guidelines to support implementation of the fitness for work standard have been developed. A number of operations have also shared their vibration measurements for certain pieces of equipment to assist others with implementation of the standards.

Setting quantitative occupational health targets to drive performance improvement has also been a focus during 2003. Business units are developing and implementing action plans to achieve the targets, consistent with implementation of the standards.

Performance

There were 341 new cases of occupational disease in 2003, equating to a rate of 107 cases per 10,000 employees. While a decrease from last year, new cases of occupational disease have remained relatively constant over the last five years, reinforcing the need for full implementation of the occupational health standards. The main types of new cases remain noise induced hearing loss, skin diseases and musculo skeletal conditions. Improved wellness programmes at businesses may have contributed to the decrease in musculo skeletal conditions since 2002.

Higher rates of workplace exposures have been reported in 2003. This is most likely a result of increased monitoring of workplace conditions, as required by the occupational health standards. For example, operations reported a 17 per cent increase in the number of employees (per 10,000) exposed to noise levels more than 85 decibels (averaged over eight hours) from 2002. Full compliance with the occupational health standards, targeted by the end of 2004, will continue to improve workplace monitoring and drive lower rates of workplace exposures.

Political involvement

Context

Mining is one of the most regulated activities which means companies are in continuous contact and dialogue with governments and public authorities at the national, provincial and municipal levels.

Policy

Rio Tinto does not directly or indirectly participate in party politics nor make payments to political parties or individual politicians.

Programmes

We represent our views to governments, inter governmental organisations like the United Nations, and others on matters affecting our business interests and those of shareholders, employees and others involved in our activities. By fostering public dialogue, we contribute to the development of sound legislation and regulation that is relevant and appropriate to our business interests. This means contributing to government enquiries, requests for information and regulatory drafts, engaging on issues, undertaking research on the implications of our activities and products, together with ongoing programme development to meet likely future requirements.

A *Business integrity guidance* addressing bribery and corruption and political involvement was issued in April 2003. This guidance is intended to help managers in the implementation of the policy to comply with relevant legislation, to confront dilemmas faced, and to improve our performance in this area.

Performance

Major issues in the public policy debate with which we were engaged in 2003 were transparency, climate change, human rights, biodiversity and product stewardship. We have supported the UK Government's Extractive Industries Transparency Initiative (EITI) and remain actively involved in helping to develop the EITI mining revenue reporting template with the UK Department for International Development.

We recognise and acknowledge that political contributions from individuals are an established part of the political process in many countries. In the US employees at some of our operations have formed political action committees.

Case study: Engagement at Simandou

At the Simandou iron ore project in Guinea, west Africa, substantial progress was made in 2003 to establish a sound community relations programme. The project is in its earliest stages and full scale operations are many years away. Nevertheless, small but potentially significant changes were already being felt by the three communities nearest the Rio Tinto Exploration camp. To set a baseline against which any future interaction can be understood, a preliminary study of these communities was completed in 2003.

The study examined the resources, livelihoods, infrastructure, vulnerabilities, strengths and overall well being of the three communities by collecting factual information on village histories, land use and natural resources, trading and village scale economic activity, seasonal farming cycles, the status of village health and education, as well as demographic and socio-economic data. The information was collected in a participatory manner, with

Human rights

Context

Respect for human rights is vitally important for the long term stability of our mining operations, as well as being integral to sound employee and community relations.

Policy

We support human rights consistent with the UN Universal Declaration of Human Rights and Rio Tinto respects those rights in conducting the Group's operations throughout the world.

Programmes

Rio Tinto continues to support and learn from the UN Global Compact. We also support the US/UK Voluntary Principles on Security and Human Rights. The Principles were crafted after extensive discussions between extractive and energy companies including Rio Tinto, non government organisations, the UK Foreign Office and the US State Department. We published a *Human rights guidance* in 2000 to provide direction to our managers on implementing our human rights policy. This was revised and republished in October 2003.

Performance

We provided a case study to the Global Compact on how our *Human rights guidance* was developed and promoted around the Group. We participated in the 2003 Global Compact workshops. We remain actively involved in semi-annual meetings to support the US/UK Voluntary Principles on Security and Human Rights.

We are developing Compliance training modules to support application of our human rights policy.

villagers drawing diagrams in the sand, discussing issues in small thematic groups, such as farmers, carpenters or women.

The findings of the study were reported back to those who participated by means of community forums. This was the first step in creating a systematic and methodical structure for regular consultation with the project's neighbours. At the first meeting it was agreed who would attend the community forums, how the meetings would be run and their objectives and purpose. Also agreed were the ways in which disagreements or disputes would be resolved.

The issue most important to villagers is employment. There were previous disagreements about who should have access to jobs. As a result of discussions at the forum, procedures were established on how job opportunities will be offered.

Communities

We set out to build enduring relationships

Context

Our operations have social, environmental and economic effects on the regions and communities within which we operate. One of Rio Tinto's challenges in contributing to sustainable development is to build an understanding of the implications of mining for local communities and the overall economy.

Policy

We set out to build enduring relationships with our neighbours that are characterised by mutual respect, active partnership, and long term commitment.

Programmes

Rio Tinto requires that every business prepares a five year community plan and updates this annually. The plans apply throughout the life cycle of the Group's activities from exploration to mine closure. In developing socio-economic programmes businesses undertake activities such as baseline studies and two way consultation to improve the strength and quality of the programmes, and hence the benefits provided.

We are currently seeking a deeper understanding of the linkages between mining activities and the economies in which they take place. In 2003 we completed a series of pilot studies at Comalco's Weipa operation, Australia; Rössing Uranium, Namibia; and at Rio Paractu Mineração, Brazil. The analyses explored the interface between the operations and the wider economy, focusing in particular on the regional and local levels.

Performance

The total contribution of Group operations to the global economy in 2003 was US\$11.8 billion, of which US\$6.3 billion was value added – wages and salaries paid to employees, taxes and royalties, interest payments, dividends provided to shareholders and cash retained in the business*.

Payments to suppliers for materials, facilities and services represent an additional important economic contribution, supporting employment and wealth creation in other parts of the economy and totalled US\$5.5 billion in 2003.

The charts below provide a breakdown of these payments.

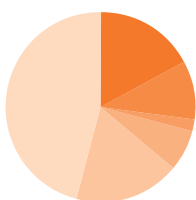
*Economic contributions data are based on Rio Tinto's equity share, and include non managed operations.



Included in the total economic contribution are the contributions our operations make to community programmes. Total community contributions by managed businesses in 2003 were US\$70 million (US\$48 million in 2002). Of this total, US\$25 million was community investment, aimed at supporting community programmes over the longer term, either directly or in partnership with other organisations.

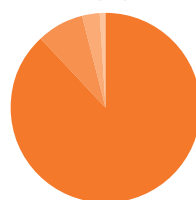
These numbers only measure the inputs rather than the outcomes of programmes. More detailed examples are provided in the web based *Review*.

Contributions to the economy in 2003 (%)



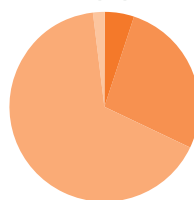
Payments to employees	17
Taxes and royalties	10
Interest	2
Dividends	7
Retained in the business	17
Payments to suppliers	47

Payments to employees by geographic level in 2003 (%)



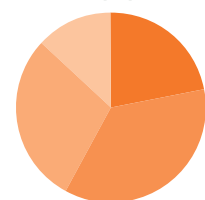
Local	88
Regional	8
National	3
International	1

Taxes and royalties by geographic level in 2003 (%)



Local	5
Regional	27
National	66
International	2

Payments to suppliers by geographic level in 2003 (%)



Local	22
Regional	36
National	29
International	13

Context

To mine metals and minerals, we need to access and use land on a temporary basis. This may compete with other uses and will change habitats affecting the survival and distribution of plants and animals.

Policy

We seek to secure the widest possible support throughout the life cycle of the Group's activities by coordinating economic, technical, environmental and social factors in an integrated process.

Programmes

In many regions of the world, Indigenous people have owned and occupied lands for many generations. It is appropriate, and frequently required under statute, that Rio Tinto negotiates a mining access agreement directly with the Indigenous landowners.

Biodiversity is recognised as a strategic issue for Rio Tinto. It bears a direct relevance to the industry's licence to operate, and hence future access to resources and markets. We are developing and implementing a biodiversity strategy and conducting strategic partnerships with organisations such as Royal Botanic Gardens, Kew, UNEP World Conservation Monitoring Centre, Fauna and Flora International, BirdLife International, Earthwatch Institute and the Eden Project.

In 2003, we worked to develop a closure standard to ensure that Rio Tinto operations undertake effective planning for closure. The overriding objective is to minimise adverse impacts on the socio-economic, cultural and natural environment and make a lasting contribution to community life in surrounding areas.

Performance

By the end of 2003, 23 per cent of our total footprint of 1,435 square kilometres had been rehabilitated. The remainder, also referred to as the rehabilitation deficit, has been disturbed for mining and related activities and requires rehabilitation at some time in the future. In some areas this rehabilitation can be done progressively. However, in others, the nature of the orebody and the presence of infrastructure such as processing plants, roads and railways means that some rehabilitation cannot be completed until closure.

Rio Tinto's footprint at the end of 2003 (km²)



Context

Mining, smelting and associated activities cannot occur without an impact on the environment. Similarly, there are issues relating to the safe use of metal and mineral products, their future availability and society's continuing need for them.

Policy

Wherever possible, we prevent or otherwise minimise, mitigate and remediate, harmful effects of the Group's operations on the environment.

Programmes

Management systems and associated Rio Tinto environmental standards provide a rigorous continuous improvement framework to support us in planning, implementing, checking and reviewing our environmental programmes. After significant Group wide consultation, Rio Tinto's environment standards were finalised and approved for implementation in the third quarter of 2003. One of the new requirements of the standards is that business units are required to certify their environmental management systems (EMS) by the end of June 2005. Other key environmental programmes undertaken during 2003 include:

- Setting quantitative Group wide environment targets for standards implementation and efficiency of greenhouse gas emissions, energy use and water withdrawn from the environment, as well as associated action plans to achieve them; and
- Continuing to develop strategies for key environmental issues, such as the impacts of withdrawing, using and returning water to the environment and the safe use of metal and minerals products, their future availability and society's continuing need for them, referred to as product stewardship.

Performance

By the end of 2003, 80 per cent of operations had implemented ISO 14001 or an equivalent EMS. We had hoped to have full implementation by the end of 2003. Many of the operations that have not yet implemented an EMS have been acquired or developed by Rio Tinto in the last three years and implementation is in progress. Sixty four per cent of Group operations have already had their EMS certified ahead of the June 2005 deadline.

In the last 12 months, total greenhouse gas emissions and energy use per tonne of product increased by 4.2 per cent and 3.7 per cent, respectively*. This is largely a result of decreased production at several of the largest smelters without a corresponding decline in emissions because mining and other related activities continued. Between 1998 and 2001, we had a target in place to reduce *on site* greenhouse gas emissions and achieved a 4.8 per cent reduction. The recent decline in performance reinforces the need for quantitative and specific targets to continue to drive improvement. We now believe that *total* greenhouse gas emissions provide a better measure of performance against which to set targets: these are on site emissions plus those that arise from the generation of purchased electricity and steam.

Over the last five years, total greenhouse gas emissions and energy use per tonne of product increased by 0.4 per cent and 3.4 per cent, respectively*.

Using a rigorous continuous improvement framework



Results for selected parameters

	1999	2000	2001	2002	2003
On site greenhouse emissions (million tonnes CO ₂ -e)	10.0	9.9	12.8	13.0	12.7
Total greenhouse gas emissions (million tonnes CO ₂ -e)	22.5	23.0	25.6	24.7	24.5
Energy use (petajoules)	197	196	222	224	227
Total water withdrawal* (million cubic metres)	NA	NA	NA	NA	720
Fresh water withdrawal* (million cubic metres)	NA	NA	NA	NA	411
Water use (million cubic metres)	603	595	762	764	720**
Significant spills	NA	16	17	16	8

*Definition changes in 2003 mean that comparable historic data are not available.

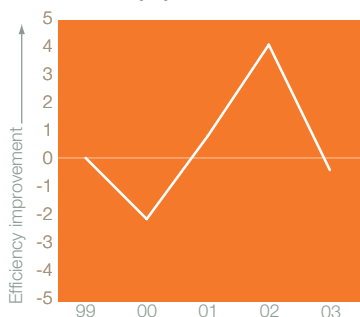
**Excludes some marine cooling water reported for the first time in 2003.

The amount of fresh water *withdrawn* from the environment per tonne of product has been selected as a future key performance indicator for the Group. However, we do not have historic data for comparison. Therefore, this year we are reporting changes in water *used* by our operations per tonne of product* – this is the total amount of water required by our operations, including recycled water. The 1.6 per cent decrease in water use per tonne of product in the last 12 months maintains some of the improvement over the last five years: a 2.5 per cent decrease in water use per tonne of product.

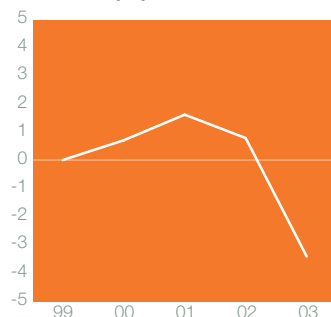
There were 16 significant environment incidents in 2003, a decrease from the 29 in 2002. Of these, eight were spills, which means we are still some way from our target of zero significant spills. Fines for infringement of environmental regulations involved four operations and totalled US\$126,000, compared to two operations and US\$2,000 in 2002. No environment incidents were classified as critical in 2003.

*Based upon operation level efficiency changes, which are considered better measures of underlying performance, as they do not include the effect of changes in our mix of products eg as a result of acquisitions.

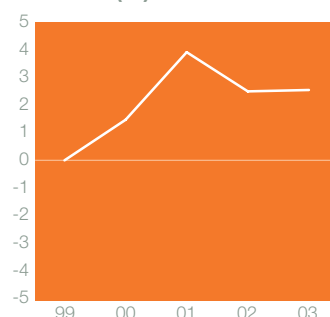
Total greenhouse gas emissions efficiency changes compared to 1999 (%)



Energy use efficiency changes compared to 1999 (%)



Water use efficiency changes compared to 1999 (%)



Sustainable development

Context

Within the next half century the population of the world will increase to more than eight billion people. Society must work to balance social, economic and environmental factors so as to meet the development needs of this population in a manner that also supports the planet's critical ecological foundations. As a responsible business, Rio Tinto has an important role to play in contributing to and supporting this process.

Policy

Rio Tinto businesses, projects, operations and products should contribute constructively to the global transition to sustainable development.

Programmes

All businesses are required to assess the sustainable development case for their activities. Particular focus is being applied to the development of specific tools to assist the integration of sustainable development considerations into key business decision making processes. Rio Tinto has committed itself to integrating lessons learned from the Mining, Minerals and Sustainable Development (MMSD) analysis of 2002 into the Group's policy and objectives, and is developing measures to assess implementation. As a founding member of the International Council on Mining and Metals, we are participating in dialogue and programmes to advance industry wide progress on key sustainable development priorities, including product stewardship, land use, biodiversity and sustainable development reporting.

Performance

A number of Rio Tinto managed businesses have developed, or are developing, locally relevant sustainable development indicators and targets. The intent is that these are derived in accordance with each business's specific circumstances and sustainable development related priorities, through consultation with local stakeholders. Progress against these indicators and targets is beginning to be integrated into existing internal business reporting systems, and communicated to external audiences in local social and environment reports. However, many of these initiatives are being led at the business unit level, and a key challenge for the Group moving forward is to further embed these changes at the operational level.

Group wide efforts to develop meaningful performance measures are in progress, for example the Global Reporting Initiative discussed in the Introduction.

- During 2003, direct sustainable development policy support was provided to over two thirds of Group businesses and almost all businesses have now commenced work to formally understand and respond to Rio Tinto's sustainable development policy and associated expectations.
- Over 95 per cent of all managed businesses have participated in a formal sustainable development awareness and planning workshop.
- Every managed business has appointed a sustainable development person to lead and coordinate policy implementation.
- Over 80 per cent of businesses have formed a specific cross function sustainable development team to support integration efforts.



Case study: Kelian food security

In 2000, pending the planned mine closure in 2005, Kelian Equatorial Mining (KEM) in Indonesia undertook a study of the livelihoods and resources of the villages in the vicinity of the mine. A number of issues associated with KEM's closure were identified, including the potential for food shortages in 28 local villages where agricultural activity did not satisfy local needs and where the mine was a significant source of direct and indirect income.

In 2001, KEM initiated a Food Security Programme to reduce the risk of closure related food shortages. The aim of the programme was to train and assist groups of farmers to open up a total of 420 hectares among the 28 villages using simple but productive changes to their farming practices. Although soil in the local area is generally very fertile, it is naturally acidic and highly compacted. These factors significantly limit yields from traditional growing methods and usually require slash and burn agriculture. By ploughing the land to open up the soil structure and adding lime to decrease the acidity, yields can consistently be increased by 300 per cent, while reducing the need for slash and burn.

At the end of 2003, 111 hectares were in production and an additional 122 hectares committed to the programme. The initial programme was formulated using an estimated increase in yield from 330 kg to 340 kg of milled rice per hectare from traditional growing methods to 530 kg. This has proven to be conservative, with a harvest of 1,540 kg per hectare already achieved.

Now that people have seen the results, there is more community interest in the programme, which may make it the catalyst for changes in farming practices that could provide far reaching social and environmental benefits.



Approach to assurance and verification

To be accountable and transparent we provide assurance – for ourselves and others – that Group policies are being implemented fully and consistently across our businesses and operations. Accordingly, Rio Tinto's social and environment assurance programmes are integrated from board level down to individual businesses and operations.

Our assurance process has four main components:

- External assurance of the content of Rio Tinto's 2003 *Social and environment review*;
- External verification of the data included in the *Review*;
- A strong internal assurance process of audits, reviews and reporting; and
- Direct liaison by individual businesses with their local communities regarding the content of the local social and environment reports.

The overall objective of the external assurance and verification components is to enhance the transparency and accountability of Rio Tinto's performance on social and environment issues by providing assurance that the material in the *Social and environment review* is relevant, complete and accurate, and that, in particular, Rio Tinto's policies and programmes are reflected in implementation activities at operations.

In 2003, Environmental Resources Management (ERM) undertook both the external assurance and data quality verification of our *Review** – their statement is on the next page. This was the second year that ERM carried out the external assurance programme, and the first year they have undertaken data verification. Data verification had previously been undertaken by ICF Consulting**, however, because of their long and continuing association with Rio Tinto, it was decided in 2003 that a new external party should undertake this verification activity. ERM and Rio Tinto have agreed a set of guiding criteria to prevent conflict of interest between ERM's assurance activities and other work undertaken for Rio Tinto by ERM.

We believe that it is important to learn from our assurance and verification activities. The recommendations made by ERM and ICF in the 2002 *Social and environment review* have been assessed, and actions taken during 2003 to address them are described in detail in the web based *Review*.

*ERM's fees for this work in 2003 were £215,200.

**In 2002, ICF Consulting acquired the Arthur D. Little Global Environment & Risk Practice – Americas, which has conducted similar verification work for Rio Tinto in previous years.

Assurance statement

Environmental Resources Management (ERM) was appointed by Rio Tinto to undertake an external assurance assessment and data verification of its 2003 *Social and environment review*. This is the second year of our involvement as assurers and we will repeat a similar exercise in 2004 and 2005.

Our approach allows us to provide commentary on the *Review's* relevance, completeness, accuracy and responsiveness, and on the effectiveness of Rio Tinto's implementation of its nine non financial business policies, as expressed in *The way we work*.

This year we built on our assessment of alignment between Rio Tinto's policies and implementation at operational level and looked more closely at how these policies drive performance at nine mining operations. We did this by conducting diagnostic workshops with the operations' general management team as we did last year. In addition, we interviewed local opinion formers, conducted diagnostic workshops with supervisor level employees and talked to people from the local community involved in Rio Tinto's community projects. We also reviewed data reporting processes at each operation.

At corporate level we repeated our structured interviews with ten external opinion formers (NGOs, investors, academics and government institutions) and six senior managers (including the chief executive and three product group chief executives) in Australia and the UK. We also reviewed data management and verification processes.

Finally, we reviewed the 2003 *Social and environment review highlights* and the full on line website review to form an opinion on how well they represent progress and performance on the ground.

Overall assessment

We believe that the 2003 *Social and environment review* is a fair and balanced representation of Rio Tinto's programmes and performance. Subject to the comments set out below, we believe that it covers the key issues that interested parties need to know to inform decision making (ie is relevant), does not avoid major issues (ie is complete), fairly reflects programmes and performance on the ground (ie is accurate) and that Rio Tinto has taken on board views from outside the company (ie is responsive).

Relevance

We discovered a high level of awareness of *The way we work* among general managers at all the operations we visited. We found that not all teams had thought through what particular policies mean in their operating context and that general managers were still having difficulty identifying and assessing local performance implications of the policies on human rights, political involvement and sustainable development.

Rio Tinto uses a number of mechanisms to guide implementation of the nine policies and these form a central link between corporate and operations. In some policy areas, such as safety and environment, these have been effective in helping operations understand what they need to do. For others, such as community, requirements such as the five year plan have in a number of cases been interpreted by operations as an administrative activity rather than as a forward planning tool. Similarly we found examples of operations using occupational health indicators that were focused on recording past ill health rather than preventing it.

Completeness

We believe the policy by policy structure of this year's *Review* is a clear way to organise reporting and helps to explain both context and progress.

We found that the company's corporate management team remains committed to implementing *The way we work*. Their main emphasis is on safety, which they see as a key driving force of good operational performance across the business.

Understanding and ownership of *The way we work* is strong among the senior managers who occupy business unit and operational leadership positions. We found that cascading this

understanding to non management employees remains a challenge. At some operations over emphasis on the documentary aspects of management systems has held back performance improvements by diverting attention away from encouraging appropriate behaviours among the workforce.

Accuracy

Rio Tinto uses aggregated global indicators to report performance across widely varied operations. We found that the data reported in this *Review* paints a fair and balanced picture of performance across the Group and that Rio Tinto's three year programme to strengthen environmental data quality around the business has been successful.

We found variability in both relevance and accuracy of data reported between different policy areas. This may reflect the relative maturity of policy areas, both for Rio Tinto and in the world at large.

Safety, environment and greenhouse gas reporting are well developed, with a range of strong indicators, robust data and well-used verification systems. For other policy areas such as occupational health (where workplace monitoring is less well developed) and for community and regional socio-economics (where outcome indicators are being developed) Rio Tinto has identified opportunities to improve the robustness of how it reports on programmes and performance.

Responsiveness

Rio Tinto has listened to comments from corporate level opinion formers and has improved this year's *Review* by reporting on performance under each policy area, by providing more context on why each policy matters and by including more succinct and informative material on its website.

Many corporate level opinion formers praised Rio Tinto's candour in reporting on a broad range of non financial issues and rated the company a sector leader.

A common criticism from these opinion formers, based on the 2002 review, was that the high aspirations in *The way we work* were not fully reflected in the depth of the company's public reporting, which focuses on more traditional issues such as occupational health, safety and environment (HSE).

Local opinion formers and community representatives were broadly positive about their dealings with Rio Tinto operations and commented on good responsiveness and a generally high standard of performance. Common calls for improvement focused on supporting local communities through the socio-economic stress of changes in the business operation, such as changes of ownership and closure.

Overall recommendations:

We recommend that Rio Tinto:

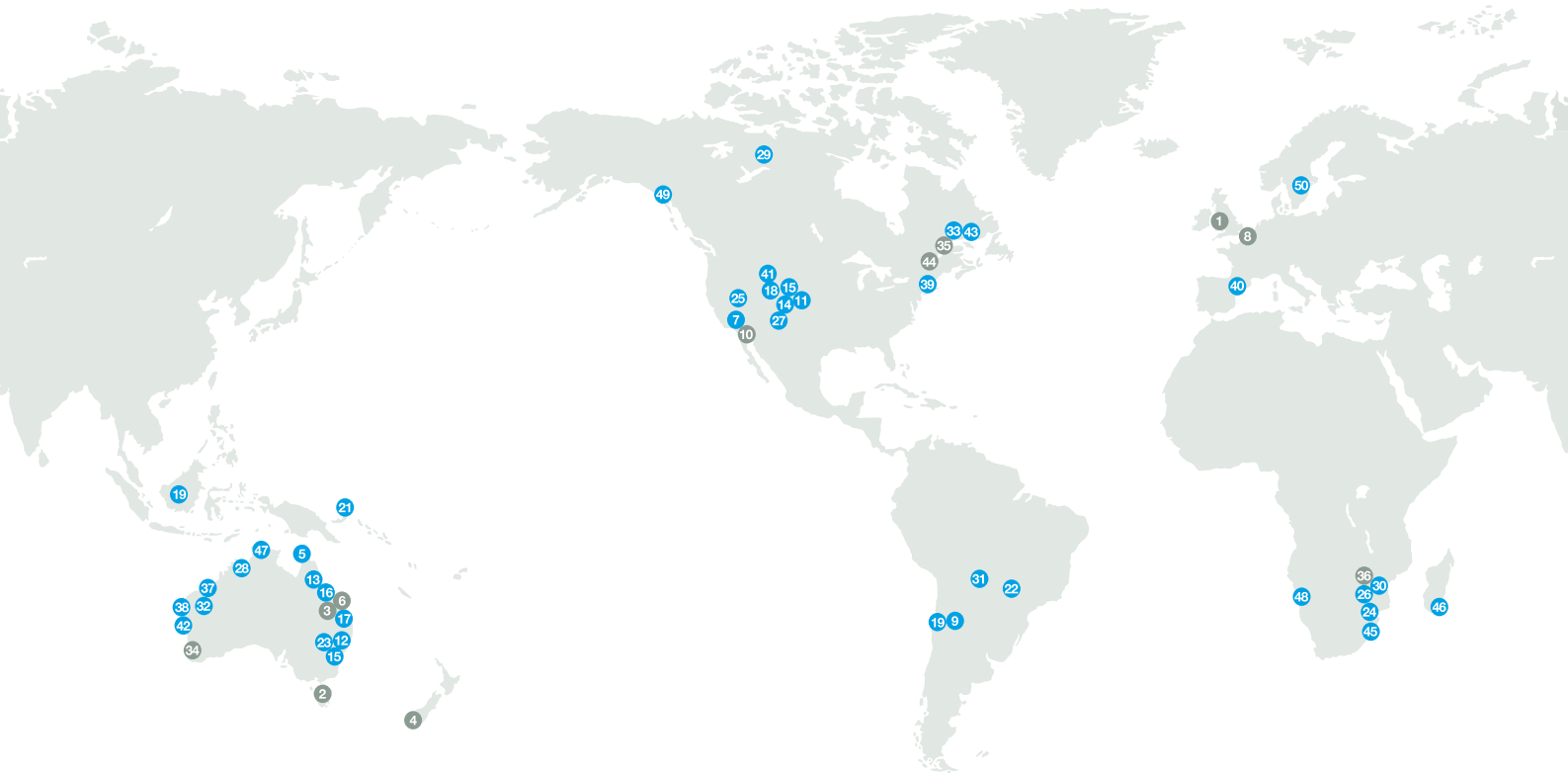
- Provides the same high level of corporate emphasis on sustainable development, occupational health and community relations as it does on safety and environment
- Ensures that more practical implementation advice is provided to operations, and that best practice is shared between them
- Develops more forward looking ('leading') and outcome focused indicators to help drive improved performance
- Reports how the information gathered from operations for public reporting is used in corporate decision making
- Continues to improve the quality of information and data collected by applying greater levels of internal checking and in some cases clarifying definitions.



Environmental Resources Management (ERM)
February 2004

Group managed operations

Equity ownership may be less than 100 per cent



ALUMINIUM

Operating sites

- 1 Anglesey Aluminium
- 2 Bell Bay
- 3 Boyne Island
- 4 Tiwai Point
- 5 Weipa

Projects

- 6 Comalco Alumina Refinery

BORATES

Operating sites

(only major sites are shown)

- 7 Boron
- 8 Coudekerque Plant
- 9 Tincalayu
- 10 Wilmington Plant

COAL

Operating sites

- 11 Antelope
- 12 Bengalla
- 13 Blair Athol
- 14 Colowyo
- 11 Cordero Rojo
- 13 Hail Creek
- 15 Hunter Valley Operations
- 11 Jacobs Ranch
- 16 Kestrel
- 15 Mount Thorley Operations
- 15 Spring Creek
- 17 Tarong
- 15 Warkworth

COAL CONTINUED

Projects

- 13 Clermont
- 12 Mt Pleasant

COPPER AND GOLD

Operating sites

- 10 Barneys Canyon
- 19 Kelian
- 18 Kennecott Utah Copper
- 21 Lihir
- 22 Morro do Ouro
- 23 Northparkes
- 24 Palabora
- 25 Rawhide
- 26 Renco

Projects

- 23 Northparkes Lift 2
- 27 Resolution

DIAMONDS

Operating sites

- 28 Argyle
- 29 Diavik

Projects

- 30 Murowa

IRON ORE

Operating sites

- 31 Corumbá
- 32 Hamersley Iron mines:
Brockman
Marandoo
Mt Tom Price
Paraburdoo
Yandicoogina
Channar
- 33 Iron Ore Company of Canada
- 32 Robe River mines:
West Angelas
Pannawonica

Projects

- 32 Eastern Range
- 34 Hlsmelt®
- 35 IOC Pellet Plant

NICKEL

Operating sites

- 36 Empress Plant

SALT

Operating sites

- 37 Dampier
- 38 Lake MacLeod
- 37 Port Hedland

TALC

Operating sites

(only major sites are shown)

- 39 Ludlow
- 40 Talc de Luzenac
- 41 Yellowstone
- 42 Three Springs

TITANIUM DIOXIDE FEEDSTOCK

Operating sites

- 43 QIT-Fer et Titane Lac Allard
- 44 QIT-Fer et Titane Sorel Plant
- 45 Richards Bay Minerals
- 44 Quebec Metal Powders

Projects

- 46 QIT Madagascar Minerals

URANIUM

Operating sites

- 47 ERA
- 48 Rössing

ZINC, LEAD, SILVER

Operating sites

- 49 Greens Creek
- 50 Zinkgruvan

- Mines and mining projects
- Smelters, refineries and processing plants remote from mine

RIO TINTO

2003

Social and environment review highlights

Through this highlight summary and our more detailed web based Review at www.riotinto.com/se, our aim is to provide a comprehensive account of our social and environmental policies, programmes and performance. We would appreciate your help in assessing whether we have accomplished this. Your comments will help to shape the content of future reviews. Contact us with comments or questions on any aspect of our performance.

Please use the feedback options on the website, or write to:

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