

Sustainable development

Many successes

- Our commitment to sustainable development is delivering a range of long term benefits, such as the successful start up of our new mineral sands mining project in Madagascar.
- The World Economic Forum invited Rio Tinto to join its Project Board for a major water initiative.
- We maintained our status as a leading company on various business leadership and sustainability indices.
- We were invited to join the new World Ocean Council to promote “sustainable use, development and stewardship” of the ocean.
- Our approach to biodiversity management in the littoral forests of Madagascar is regarded as leading practice.
- We are the largest private sector employer of Indigenous Australians.
- We made several investments in lower emissions and energy efficient technologies.
- Rio Tinto Alcan effectively manages a 73,800 sq km water catchment area in Canada for hydroelectricity generation.
- Hail Creek and Diavik mines, and Rio Tinto Marine received safety awards.

Continuing opportunities

- A new Energy and Climate Strategy team will provide increased direction in this critical area.
- Our increased focus on critical risk, process safety and contractor management seeks to eliminate fatalities.
- We commenced work on a global framework to support health and wellbeing programmes across the Group.
- We made slow progress on our target to increase the representation of women in senior management, but met our target for increasing gender diversity in our graduate intake.
- We sponsor a substantial programme to demonstrate the commercial feasibility of carbon capture and storage technology.
- All Rio Tinto products manufactured or imported into Europe were pre-registered under the new EU REACH legislation.
- The inflation mitigation strategy implemented at our new Madagascar project could present opportunities in other projects.
- Our “Achieve Health” programme offers potential wellbeing, safe work and productivity benefits.

To maintain progress, we intend to set new Group targets across a range of sustainable development metrics by mid 2009, and will report on these targets and our strategies for implementation in the Sustainable development section of the 2010 *Annual report*.

Overview

Rio Tinto's strategy of investing in large, long life mines and businesses means we operate on long time horizons with some projects lasting 40 years or more from mineral discovery to mine closure. These are often situated in remote locations and represent large sums of immovable capital.

The continued success of our business therefore requires a strong commitment to sustainable development, to maintain a reputation that ensures ongoing access to people, capital and mineral resources. This commitment has a sound business case that goes beyond safeguarding the health of the planet for future generations. We believe this yields a range of long term benefits such as:

- Better return for our shareholders.
- Improved management of risk.
- Reduction in our operating costs.
- More business opportunities.
- Attracting and retaining high calibre employees.
- Maintaining or improving the value and quality of our products with less impact on the environment.
- Better development and employment opportunities for and relations with local communities.
- Local and regional economic development that, over time, reduces operating costs.

These factors help differentiate Rio Tinto from its competitors and contribute to our goal of being the undisputed sector leader in maximising value for our stakeholders.

Sustainable development has become an integral part of the way in which Rio Tinto

conducts its business activities, with leadership coming from the board of directors, the chairman and the chief executive.

Our statement of business practice, *The way we work*, was revised and updated in 2008 to reinforce this commitment to integrate sustainable development thinking in the way we make decisions about finding, acquiring, developing, and operating assets around the world.

Production from our operations supplies society with materials, while creating wealth to support community infrastructure, health care, education programmes and dividends to shareholders. It also provides the means and opportunity to develop new approaches to solving the world's environmental and human development challenges, such as climate change and poverty.

The board *Committee on social and environmental accountability* ensures that we have the policies, standards, systems and people in place to meet our commitment to sustainable development outlined in *The way we work*.

Rio Tinto took an industry leadership role in the creation of the Global Mining Initiative (GMI) in 1998, an industry programme that, ahead of most sectors, identified how mining can make a positive contribution to sustainable development.

We remain an active member of the International Council on Mining and Metals, which resulted from the GMI and aims to provide leadership on scientific and policy matters, maintain dialogue with all stakeholders, and promote best practice performance standards employing

sustainable development principles.

Reporting boundaries

Rio Tinto's sustainable development data are reported for calendar years and, unless otherwise stated, represent 100 per cent of the parameter at each managed operation, even though Rio Tinto may have only partial ownership. With the exception of the Engineered Products and Packaging units, which are in the process of being divested, former Alcan operations have adopted Rio Tinto definitions and are included in the 2008 Rio Tinto dataset.

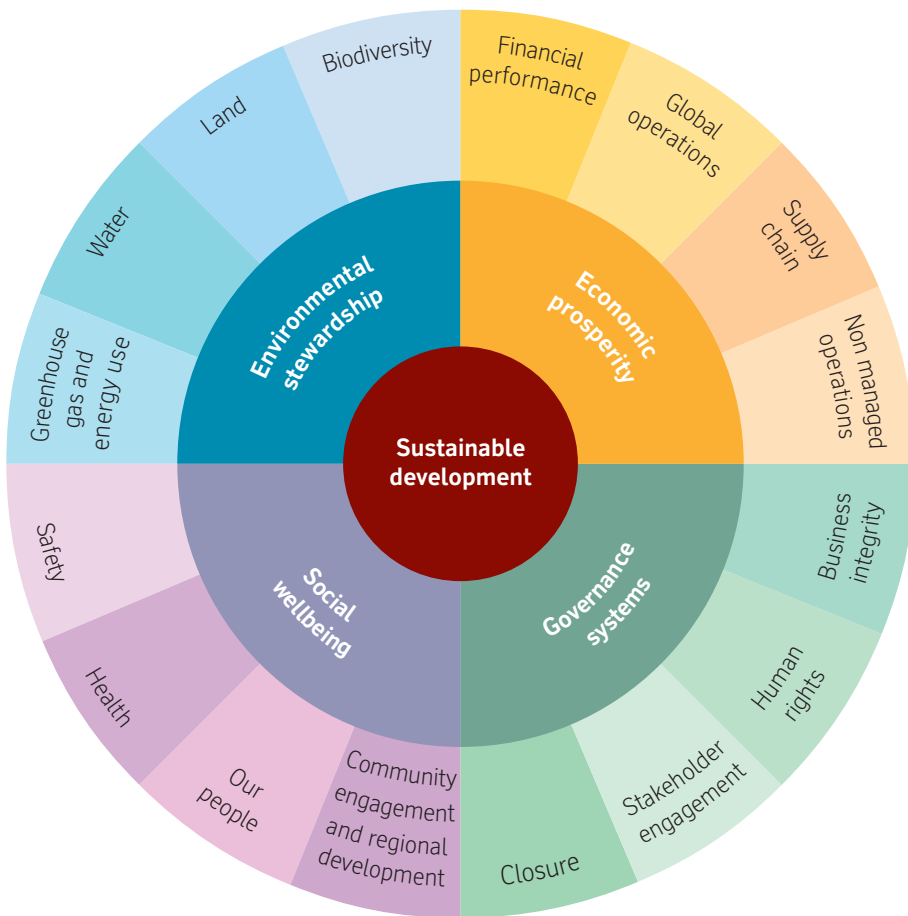
Integrated Rio Tinto and Alcan 2007 databases have been developed for greenhouse gas emissions, energy use and safety, but not for other sustainable development measures, due to significant definition and measurement differences for historic datasets.

Former Alcan operations are not included in the reporting of performance against our 2003 to 2008 health, safety and environmental targets due to the time scale associated with these targets and differences in the definition and measurement of data.

Rio Tinto reports in line with the Global Reporting Initiative (GRI) G3 guidelines. Accordingly, we use a materiality assessment to help us focus this report on those issues that are most important to our internal and external stakeholders (see diagram).

Omission from the material issues covered in our report does not mean that the issue is not managed by the Company. A full account of our 2008 economic, social, environment and governance programmes and performance, including information on

Sustainable development materiality assessment



our data definitions and sustainable development reporting criteria, are available in the sustainable development section of our website: www.riotinto.com/ourapproach.

We self declare that our web based GRI report is aligned with GRI Application Level A+.

Our business units also produce their own local sustainable development reports. These reports will be available online from May 2009.

External recognition

In 2008, Rio Tinto was listed on the FTSE4Good and Dow Jones Sustainability World and STOXX Indexes and the Climate Disclosure Leadership Index. We maintained platinum ratings on the Business in the Community Corporate Responsibility and Environment Indexes and achieved a gold rating on their Workplace Index.

ENVIRONMENTAL STEWARDSHIP

Respect for the environment is central to Rio Tinto's approach to sustainable development. We have developed and

implemented a number of practical programmes covering the management of climate change, water, land stewardship, biodiversity, mineral and non mineral waste, air quality, and closure. These programmes include input from our local communities as well as from experts in these fields.

A gap analysis against Rio Tinto environment standards has been conducted at the former Alcan sites and the identified gaps are being addressed according to the level of risk.

In 2004 we set five year performance improvement targets in key environment areas against a 2003 baseline. These targets have improved measurement and monitoring and our overall understanding of performance.

Greenhouse gas emissions

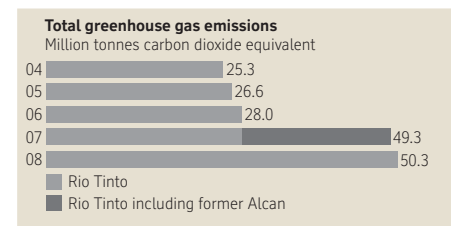
We accept the urgent need for climate change action and recognise the issue as being one of our greatest challenges and opportunities. We aim to progressively reduce the greenhouse gas (GHG) emissions and energy footprint of our operations, and

have targets to incrementally improve the energy and GHG intensities of all our operations. However new technologies offer step change improvements when developing large projects.

During 2008 a new Energy and Climate Strategy team was formed to provide strategic direction and support to the businesses. This includes generating long term forecasts to understand opportunities for material reductions in emissions.

Rio Tinto continues to participate in a number of collaborative efforts to promote effective public policy frameworks to address climate change, including the US Climate Action Partnership (USCAP) and submissions on proposed legislation to governments in Australia, the US and Canada.

The aluminium product group now represents approximately 65 per cent of the Group's total GHG emissions. Following alignment of the Rio Tinto and Alcan energy and GHG reporting methodologies, Rio Tinto's GHG emissions baseline for 2007 including Alcan's bauxite, alumina and smelting operations was 49.3 million tonnes. In 2008 Rio Tinto's total GHG emissions, made up of on site emissions and those from the net purchase of electricity and steam, was 50.3 million tonnes of carbon dioxide equivalent (CO₂-e). 30.3 million tonnes of this total were on site emissions, over which Rio Tinto has direct control.



There are significant GHG emissions associated with the transportation, processing and use of Rio Tinto's products. In 2008, these included:

- Approximately 6.8 million tonnes of CO₂-e associated with third party transport of our products and raw materials.
- An estimated 359 million tonnes of CO₂-e associated with customers using our coal in electricity generation and steel production.
- Approximately 286 million tonnes of CO₂-e associated with steel production from our iron ore. These emissions are not additive to the coal use emissions above, as some customers use both our iron ore and our coal to produce steel.

The combined Group's GHG emissions efficiency performance decreased by 0.8 per cent from 2007. Performance of the former Rio Tinto operations decreased during 2008, but this was offset by a small improvement

from the former Alcan operations.

Within the aluminium product group, the increased portfolio of hydro sourced electricity has contributed to a 17 per cent reduction in total GHG emissions per tonne of aluminium smelted, and a 14 per cent reduction in the intensity of our alumina refining activities in 2008.

We did not meet our 2003 to 2008 greenhouse gas emissions target, with a 3.8 per cent increase in emissions per tonne of product (excluding former Alcan operations), compared to a four per cent reduction target.

Over the target period, improved anode use and PFC emission control at aluminium smelting operations contributed to overall group performance improvements compared to 2003. However, these were overshadowed by additional waste movement required to access bulk commodities such as coal and iron ore. Lower grade ore was also mined and processed at some operations. Land clearance rates increased associated with mine expansion and development to meet the changing market conditions. These changes resulted in increased GHG emissions per unit of production.

We believe it is important to understand the impact of our products along the value chain, including product life cycle emissions. We continually seek ways to lower our on site emissions. Where we can influence our customers, we work to develop efficient downstream processes, and our metals and minerals can bring energy and emissions benefits. Uranium is used in low carbon power generation; borates improve insulation products; aluminium makes cars lighter, reducing the amount of fuel used during their operation; and it can be efficiently recycled.

Where our activities are an energy intensive part of the product lifecycle, we seek to improve our performance. For example, Rio Tinto Alcan is a leader in the development of energy efficient aluminium smelting technology. Its smelters have reduced on site emissions intensity by more than 65 per cent since 1990.

For commodities where processing or using our products is energy intensive, we are developing lower emission technologies. Due to global demand, coal is likely to remain a significant source of energy for the foreseeable future. We are therefore investing in developing and commercialising carbon capture and storage (CCS) technology. We sponsor one of the most comprehensive subsurface monitoring programmes in Australia, the Otway project, which demonstrates the feasibility of CCS. Rio Tinto is a founding member of the Global CCS Institute as well as a member of the

FutureGen CCS project in the US.

Rio Tinto is a joint venture partner in the HIs melt® direct smelting iron making technology, which has lower emissions than industry best practice.

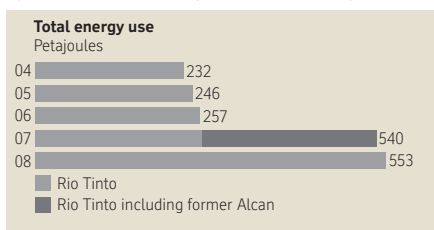
Energy use

Rio Tinto both consumes energy in its operations and produces it. Our smelting and mineral processing operations are energy intensive and depend on hydroelectricity, coal, oil, diesel and gas to keep them running. At the same time, Rio Tinto is one of the world's leading producers of coal and of uranium for the energy industry.

During 2008 several operations announced investments in lower emissions and energy efficient technologies. Rio Tinto Alcan continues to invest in clean hydropower, Rio Tinto Iron Ore announced an upgrade of its Pilbara power station using more efficient technology, and Kennecott Utah Copper is constructing and Richards Bay Minerals is developing co-generation plants.

For our large new projects Rio Tinto has been collaborating with the Rocky Mountain Institute to explore various alternative energy sources. We are also currently developing step change technologies for several of our products, including the drained cathode cell for aluminium production. This has the potential to significantly reduce the amount of energy required to make aluminium metal.

Our energy use has more than doubled over the last year mostly related to the inclusion of the former Alcan operations. Importantly, this acquisition has greatly contributed to Rio Tinto's use of greenhouse friendly hydro and nuclear power which has increased from 48 per cent to 67 per cent of our electricity use. A number of new projects and technology upgrades that are either underway or planned in Canada will ensure that we use electricity available from these hydro sources with greater efficiency.



The combined Group's energy efficiency performance decreased by 1.7 per cent from 2007. Performance decreased during 2008 at both Rio Tinto and former Alcan operations.

We did not meet our 2003 to 2008 energy use target, with a 2.2 per cent increase in energy use per tonne of product

(excluding former Alcan operations), compared to a five per cent reduction target.

During the target period, production increases at many operations to meet market requirements resulted in energy efficiency improvements as plant and equipment utilisation improved. However, more effort was required to access and transport ore at some open cut coal and iron ore mines. Lower grade ore was processed at some operations and mine expansions and development activities further increased our energy use per tonne of product.

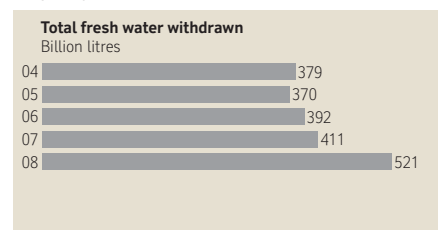
Water

Water is a resource with social, environmental and economic value at both the local and global level. Access to water resources is a key business risk that we manage using leading practices.

We have a long term approach to water management that aims to improve our performance, recognise the value of water, and work with others to contribute to sustainable water management. We have had a water strategy since 2005 which provides a framework for addressing water related business risk and improving performance. This year the World Economic Forum invited Rio Tinto to join its Project Board for a major water initiative from 2008-2010. Rio Tinto's participation at the forum is a unique opportunity to participate at a leadership level in the water debate, to learn from other leading companies about their successful approaches, and to enable others to recognise the good work we have already undertaken on water management.

We continue to focus on ways to minimise the amount of water we remove from the environment, to reuse it whenever we can, and to return it to the environment meeting regulatory limits.

In 2008 fresh water withdrawal increased 27 per cent to 521 billion litres. The acquisition of Alcan in 2007 contributed the majority of this increase.



At the end of the 2003-2008 target period, we did not meet the targeted ten per cent reduction in fresh water withdrawal per tonne of product, achieving a 6.3 per cent reduction (excluding former Alcan operations). Since 2003, about 30 per cent of our operations have improved their

freshwater withdrawal efficiency through plant optimisation projects focused on increasing production throughput, water efficient processing and increasing use of recycle water. However, these improvements were offset by extreme climatic events in eastern Australia where flooding necessitated impoundment of large volumes of freshwater for later use and treatment. Additionally, iron ore expansion and development activities in Western Australia resulted in increased mining below the water table that required additional dewatering.

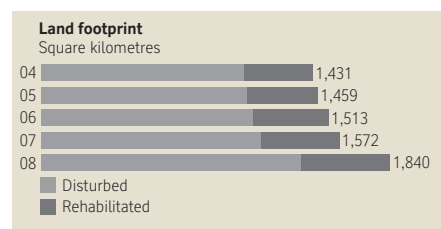
We promote the development of business level water strategies aligned with the Rio Tinto water strategy. Water management support is also being provided to new projects to ensure that efficient practices are in place at mine commencement. Water risk reviews were carried out at four new projects in 2008, with further support planned for 2009.

Rio Tinto is also engaging with government on emerging water policy, for example, in Australia we chair a water working group as part of the Minerals Council of Australia. We also engage on key water initiatives with organisations committed to sustainable water management, such as the World Business Council for Sustainable Development.

Land

Our mining and processing activities require access to and management of land and the ecosystems associated with this land. We manage 38,000 square kilometres of land, excluding our exploration leases.

At the end of 2008 less than five per cent of this area was disturbed for mining activities. In line with leading practice, we aim to rehabilitate land as it comes out of mining use rather than waiting until all operations at the site have ceased.



Our footprint increased by almost 17 per cent in 2008, 175 square kilometres of which was related to the acquisition of Alcan.

By the end of 2008 almost 26 per cent of the disturbed land had been rehabilitated, a similar figure to 2007.

Through the implementation of our land use management standard we are positioning Rio Tinto to take full advantage of the future opportunities that ecosystem

service assessment methodologies and green markets will present. Former Alcan operations continue to refine their understanding of their land holding through implementation of the Rio Tinto land use stewardship standard.

During 2008 we participated in the World Resources Institute (WRI) ecosystem service assessment project, where we piloted the WRI methodology at our La Granja copper project in Peru. We are also a participant in the Business for Social Responsibility (BSR) Environmental Services, Tools and Markets Corporate Working Group, which as part of its programme is conducting comparative assessments of various ecosystem service assessment methodologies. The outcomes from these processes will be applied to our development projects to ensure that we adopt an integrated approach to land management through ecosystem service assessment.

Biodiversity

The potential for impact on biodiversity makes our projects potentially sensitive for regulators, local communities, investors, non government organisations and employees. Rio Tinto's long term success depends on our ability to understand and manage these issues. Our biodiversity strategy was launched in 2004 to provide a framework to do this. A key aspect of the strategy is our goal to have a "net positive impact" (NPI) on biodiversity.

To achieve NPI we first need to reduce our impacts on biodiversity values through avoidance, minimisation and rehabilitation. We then aim to achieve a positive impact through the use of biodiversity offsets and additional conservation actions. We continue to work with our conservation partners to refine our understanding and improve implementation of the strategy. Rio Tinto's approach to management of the littoral (coastal) forests in Madagascar is regarded as leading practice.

At the IUCN World Conservation Congress held in Barcelona, Spain, during October 2008 we communicated the advances we have made since we launched our biodiversity strategy. In particular, a series of tools and methodologies have been developed including a methodology for assessing the biodiversity values of Rio Tinto's landholding. During 2008, 25 per cent of the operations assessed ranked as having very high biodiversity values and 15 per cent ranked with high values. This understanding will enable resources and action planning assistance to be given to our highest priority sites. Biodiversity value assessments for Rio Tinto Alcan sites will be undertaken in 2009.

In 2008 we implemented biodiversity action plans at seven locations in Australia, southern Africa, Madagascar and South America. Biodiversity action planning will continue through 2009 and 2010 at sites that have been ranked as having very high and high biodiversity values.

The development of land use management plans, which incorporate biodiversity management and conservation, commenced in mid 2008. This will complete the biodiversity profile mapping across the Rio Tinto Group.

SOCIAL WELLBEING

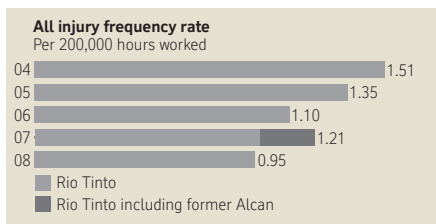
Ethical integrity and social responsibility are critical to the way we conduct our business. We aim to build enduring relationships with our stakeholders that are characterised by mutual respect, active partnership and long term commitment. In the long run, the trust that is engendered by solid relationships will reinforce Rio Tinto's ability to gain preferential access to resources.

Safety

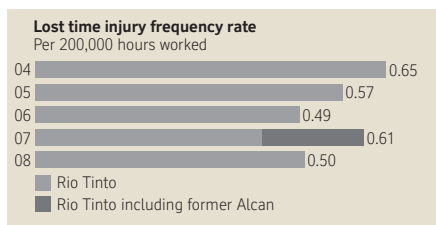
We are committed to an incident and injury free workplace. Our goal is zero harm. We believe that all injuries are preventable and our aim is for everyone to go home safe and healthy at the end of each day. We strive to create an environment where all employees and contractors have the knowledge, skills and desire to work safely. Our safety performance statistics include both employees and contractors at managed operations.

Regrettably we did not meet our goal of zero fatalities. Eighteen people were fatally injured while working at Rio Tinto managed operations this year, including ten lives that were lost when a helicopter crashed while travelling from our La Granja copper development in Peru, and two at Alcan Engineered Products operations. We have thoroughly investigated each of these incidents, and communicated and are continuing to act upon the lessons learned. We continue to provide support and counselling to the families impacted by these incidents.

Following application of the Rio Tinto safety definitions to the former Alcan statistics, Rio Tinto's combined 2007 all injury frequency rate (AIFR) baseline increased from 0.97 to 1.21 as of December 2007. Our AIFR for the enlarged Rio Tinto Group has improved by 21 per cent this year.



Similarly, as a result of the integration of Rio Tinto and Alcan data in 2007, our lost time injury frequency rate (LTIFR) baseline increased from 0.42 to 0.61. Our LTIFR for the enlarged Group improved by 18 per cent during 2008.



We met our 2003 to 2008 AIFR and LTIFR targets with a 53 per cent and 51 per cent reduction respectively (excluding former Alcan operations), compared to the 50 per cent reduction target. We also set revised AIFR and LTIFR improvement targets for 2007-2008 for the enlarged Group of 1.05 and 0.56 respectively. These were both met with year end rates of 0.95 and 0.50.

We understand that low injury rates do not mean that fatalities will not happen, and that we must actively manage the safety of all those who work on our sites – employees and contractors alike.

We have a number of initiatives to assist us in achieving our goals including:

- The Safety Leadership Development Programme, which aims at ensuring all levels of supervision understand what is expected of them while in a leadership role and why it is so important.
- The Semi Quantitative Risk Assessment (SQRA) process which identifies critical risks at a business by utilising historical data and input from a cross section of key personnel. All businesses are required to carry out an SQRA and action plans are in place for mitigating the critical risks.
- Our rigorous approach to process safety management, through our health, safety environment and quality management system, application of the SQRA approach for process safety hazard risk and control analysis, a process safety risk review programme, and the adoption of leading indicators for process safety management.

A gap analysis against Rio Tinto safety

standards has been conducted at the former Alcan sites and the identified gaps are being addressed according to the level of risk.

In 2009 we will continue the focus on contractor management. A complete review will be conducted with internal and external benchmarking of best practice. The results will be used to formulate a strategy for creating a consistently high standard of contractor safety performance.

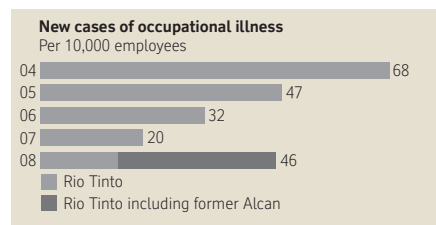
Health

An important element of our approach to sustainable development is the health and wellbeing of our employees, contractors and the people in the communities in which we operate.

We are committed to reaching our goal of no new cases of occupational illness and believe that we will only achieve this through excellence in health risk management and the promotion of good health for all our employees. We firmly believe that by supporting healthy lifestyles, health related risks such as fatigue, stress and obesity will be reduced, with resultant improvements in safety performance and productivity.

A gap analysis against Rio Tinto health standards has been conducted at the former Alcan sites and the identified gaps are being addressed according to the level of risk.

The inclusion of the former Alcan operations has altered our health exposure profile as a result of the expansion in our smelting and refining business. Rates of occupational illness in 2008 at former Alcan sites are higher than comparable Rio Tinto sites. In many cases this most likely reflects the stricter and different reporting definitions required by Rio Tinto. Consequently, the rate of new cases of occupational illness increased by almost 110 per cent to 46 per 10,000 employees in 2008. This increase was mainly a result of noise induced hearing loss, musculo-skeletal and stress cases reported at former Alcan sites.

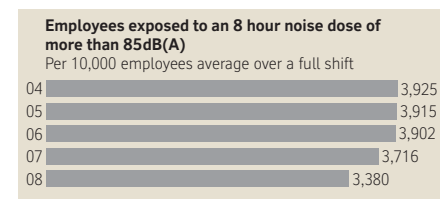


We met our five year target to reduce the rate of new cases of occupational illness by 40 per cent (excluding former Alcan operations). We reduced the rate of new cases by 85 per cent over the 2003 to 2008 target period, achieving a rate of 15 new cases per 10,000 employees at former Rio Tinto sites by the end of 2008. Most

significant has been the reduction in musculo-skeletal and noise induced hearing loss cases over this period. We attribute this to significant improvements in our risk management approach that have allowed us to identify our most harmful exposures and focus control strategies to reduce them.

However, we have not seen any improvement in the number of stress cases reported during the target period, which accounted for about 28 per cent of all cases reported at former Rio Tinto sites in 2008. For the first time the rate of reported stress cases exceeded hearing loss and almost matched musculo-skeletal cases. This is a global trend affecting most companies, and it will be an increasing focus of our health and wellbeing programmes.

The rate of employees exposed to an eight hour noise dose of more than 85db(A) at both former Rio Tinto and Alcan sites decreased by nine per cent to 3,380 per 10,000 employees in 2008, consistent with the previous efforts of both Rio Tinto and Alcan operations to achieve such a reduction driven by stretch targets.



Our 12 per cent reduction in the number of employees exposed to a noise dose of more than 85 decibels between 2004 and 2008 (excluding former Alcan operations) fell short of our 20 per cent reduction target, but was nevertheless a significant improvement. Monitoring improvements enabled us to better understand our exposure, but also resulted in an increased reporting of exposed workers after the baseline had been established. In addition, the complexity involved in assessing key contributing noise sources and then implementing practical and cost effective noise controls, particularly for heavy mobile equipment and diverse noise sources in smelters, was underestimated.

Although we recognise that further reductions will prove challenging, we are committed to continually improving our performance in this area over the next few years. We will therefore be establishing a noise community of practice to share learning and assist with the development of more effective noise improvement strategies. In addition we will continue to pursue engineering solutions and alternative ways of doing our work.

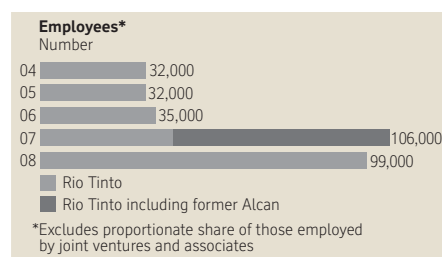
In 2008 we began introducing "Achieve Health", a health and wellbeing programme

developed for our Australasian businesses. We also commenced work on a global framework to support health and wellbeing programmes across the Group, with prioritised implementation starting in 2009 with our US based businesses.

Rio Tinto operates in countries where the prevalence of HIV, tuberculosis and malaria is high. We are working closely with the international community of government agencies and NGOs concerned with these problems not only in Africa, but globally. For example, where we have operations located in regions with a generalised HIV epidemic (as defined by UNAIDS) we actively encourage all employees to know their HIV status through voluntary testing. We also require that all employees and their nominated partner have affordable access to treatment, care and support, including antiretroviral drugs. In 2008 we received a commendation from the Global Business Coalition against HIV, TB and Malaria for our commitment to community based HIV programmes.

Our people

Rio Tinto employs on the basis of job requirements and does not discriminate on grounds of age, ethnic or social origin, gender, sexual orientation, politics or religion. We actively favour local employment where local candidates meet job requirements and laws provide. We do not employ forced, bonded or child labour.



In 2008, we directly employed about 99,000 people with a further 7,000 people indirectly employed at our equity accounted units. Employee numbers increased during the first two quarters of 2008 due to expansion of operations. Many of these are recruited from the local areas in which we operate, but an increasing number of employees are sourced internationally. We employ graduates from many disciplines including mining and process engineering; geology and geosciences; finance; human resources; health, safety and environmental sciences.

During the fourth quarter of 2008, Rio Tinto released a detailed package of measures to preserve value for shareholders by conserving cash flow and reducing levels of debt. This package identified a reduction in global headcount of 14,000 roles (8,500

contractor and 5,500 employee roles) to be completed across the Group during 2009.

We recognise that attracting, developing and retaining a skilled workforce is critical to business performance. We believe that our employee strategy is one of the most competitive in the industry and is based on:

- Engaging with employees about the business, valuing each individual's contribution, and working with people to achieve ongoing change and improvement.
- Addressing talent gaps and managing our internal talent pool to tap into employee potential and jointly discuss career aspirations.
- Entrenching a performance culture, conducting performance reviews, individual development planning, coaching and feedback processes.
- Offering opportunities for technical, professional and leadership development.
- Offering opportunities for working across a range of our international businesses in different geographies and multi-cultural environments.
- Developing workforce plans that define business requirements for jobs and skills needed to hire and train employees.
- Embracing a diverse workforce and introducing flexible working arrangements to accommodate the workforce with multi-generational, gender diverse, dual career needs in many parts of our business.

Our policy of increasing opportunities for Indigenous Australians is reflected in directly negotiated community benefit agreements. During 2008, we increased Australian indigenous employment by 181 people to 1,393 or eight per cent of Rio Tinto's Australian workforce, making us the largest private sector employer of Indigenous Australians. In northern Canada, 32 per cent of the Diavik diamond mines workforce were northern Aboriginals at year end.

We made slow progress on our target to increase the representation of women in senior management to 20 per cent by 2009, achieving nine per cent representation in 2008. As at January 2009, 20 per cent of our executive committee were women. We achieved our target to increase the proportion of women in the graduate intake to 30 per cent from a 2004 baseline, with 31 per cent representation in 2008. Rio Tinto expects managers to abide by the highest standards of behaviour. All employees are expected to treat each other and external contacts with dignity, fairness and respect. Harassment in the workplace is guarded against and neither abuse nor misuse of position or facilities for any purpose is tolerated. Obligations to colleagues and the Group are respected, and

collaboration is encouraged within and across businesses, cultures and countries.

Our *Speak-OUT* programme provides employees with an independent and confidential means of reporting concerns to senior managers.

In world class mines and processing facilities such as those we operate, the workforce is becoming increasingly skilled, requiring a high level of training and capability. 2,100 people attended regional and global leadership and functional development programmes in 2008 and 266 graduates attended the Rio Tinto Graduate Development Programme. Overall, approximately 150,000 attendances were recorded for role specific and relevant training courses across all technical and functional areas and among all levels of the organisation.

We are increasing our use of simulator based and technology driven experiential learning and have also developed our own approach to coaching.

Rio Tinto's total rewards strategy is designed to attract, retain and motivate the skilled workforce essential to the success of our business. Base pay is reviewed regularly and adjusted as necessary taking into account the individual's role, local market trends and, for many employees, business and personal performance. This process allows us to ensure that employees are paid competitively against the external market and consistently with their internal peers. In addition we also offer allowances, bonuses, share plans and healthcare benefits appropriate to the local markets.

Employee engagement levels were measured on a consistent basis across the Group for the first time in December 2008. Where levels of employee engagement are higher, performance on key operational metrics is also higher. Throughout the course of 2009 targeted actions will be implemented across the Group to increase levels of employee engagement, thereby maximising the positive impact of our people on the performance of the organisation.

Community engagement and regional economic development

Wherever we operate we seek to understand the social, environmental and economic implications of our activities, both for the local community and for the overall economy. Mutual benefits and obligations are discussed with local governments and community representatives. Objectives are agreed to secure long term results.

By understanding our socio-economic interaction with the communities where we operate we can optimise benefits and reduce

negative impacts for communities and our operations alike. This interaction includes relationships with local suppliers, training and local employment, small enterprise support, the optimal distribution of taxes and royalties, and multilateral socio-economic programmes. The infrastructure developed for a particular mine or processing plant can also greatly benefit local communities and other regional players such as local businesses and governments.

Increased wealth in areas where there was previously little can have an adverse effect on inflation of goods and services. Rio Tinto actively manages such scenarios to avoid these negative outcomes. For example, together with the local community, we developed and implemented an inflation mitigation strategy at our QMM mineral sands mining project in Madagascar. This included:

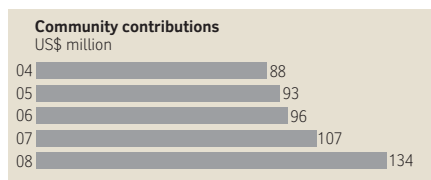
- A rice purchasing plan.
- Diversifying the local market by improving regional transport.
- Awarding catering contracts to local community gardens.
- Building a boarding house and temporary camp to alleviate rental inflation.

To enable us to target the delivery of socio-economic programmes reflecting the priorities of local communities, we conduct community baseline, social impact and social risk assessments to identify potential positive and negative impacts of our presence. We use this information along with community input to develop our multi-year communities plans, which include local measures of success that are internally and externally monitored.

Our engagement has developed in sophistication over the years to where we now have systems that actively involve communities in decision making processes about issues affecting them. At our Weipa bauxite mine for example, land management processes ensure that all relevant traditional landowners make decisions together with our staff about all land clearing on the mining lease.

In 2008, our Rio Tinto businesses supported more than 2,500 socio-economic programmes covering a wide range of activities including health, education, business development, housing, environmental protection and agricultural development.

We spent an estimated US\$134 million on community assistance programmes and payments into benefits receiving trusts set up in directly negotiated community impact benefit agreements. This is exclusive of economic multiplier contributions, such as salaries and wages, local procurement, infrastructure, housing and utilities support.



In 2007 we reported 18 high exposure sites requiring site managed community assessments before the end of 2008. During the year we re-evaluated the schedules for high exposure sites. From these reassessments the number of high exposure sites requiring assessment is 12, of which nine have been completed. The backlog was due to competing site priorities in a period of extraordinary workload. These assessments are on track for completion in 2009.

ECONOMIC PROSPERITY

The Group's continuing financial success is based on its ability to secure access to land, people and capital. We use our expertise to harness these resources, creating prosperity for our shareholders, employees, communities, governments and business partners.

We spent US\$7.0 billion in wages and salaries in 2008, representing an important injection of revenue into the local and regional economies where we operate.

The Group incurred US\$5.8 billion in corporate income tax and royalty charges.

Global operations

The global nature of Rio Tinto's operations can expose the Group to risks unique to the social, legislative and political environment of particular countries. These risks range from expropriation of the Group's assets (nationalisation) to individual security matters such as kidnapping. Our personnel may also face situations arising from bureaucracy, official processes and local customs that increase the risk of non-compliance with our ethical practices and other voluntary agreements we are committed to.

New country entry is regarded as a high risk activity. Rio Tinto business development and exploration teams are commonly approached to review projects and properties in new countries/territories and require a robust yet flexible methodology to ensure that a risk based decision is taken before committing staff, resources and money to follow up on an opportunity. We are developing a new threat based assessment to safeguard Group staff through this process.

For our existing operations, the unique country operational risks are considered as part of the annual business planning and operational risk analysis and management processes.

Supply chain

We apply a life cycle approach to our sustainable development actions up and down the supply chain, encouraging those we work with to adopt similar sound practices.

We engage our suppliers and believe that payments to suppliers constitute a strong additional benefit to the economy, generating employment and creating wealth in other sectors. Across the world in 2008, we spent US\$30 billion on goods and services with over 58,000 suppliers. Our procurement practice is explained in *The way we buy*, available on our website. Rio Tinto has developed a programme of supplier engagement that includes sustainable development criteria in its contracts.

An example of how our operations contribute locally is the Diavik diamond mine in the Northwest Territories of Canada. In 2008 Diavik spent C\$724 million on capital and operating expenses with 70 per cent going to northern businesses. Of this northern spend, 35 per cent or C\$254 million was with northern Aboriginal business. Since construction of the operation was approved in 2000, over C\$1.7 billion has gone directly to local indigenous companies.

By understanding the health and environmental impacts and benefits of our products over their complete lifecycle, we can potentially improve our processes, enhance our reputation in the marketplace, differentiate our products from our competitors and become a "brand of choice" for metals and minerals products. The enhanced reputation we earn by adopting a lifecycle "know your products from mine to end of life" approach helps improved access to land, markets and financial assets.

Rio Tinto has maintained a programme of developing life cycle assessments (LCA) for all of its major products, including aluminium, iron, copper, coal, uranium, gold and silver. The LCA outputs have proved useful in understanding our carbon footprint, engaging customers and assessing process improvements.

Our approach to product stewardship has created tangible business value by providing scientific input to developing regulations affecting market access, ensuring ongoing engagement with customers, maintaining access to markets and successfully securing premium prices based on product differentiation and corporate reputation.

Rio Tinto has been chosen as a gold and diamond supplier to the world's largest retailer, Wal-Mart, which places gold and diamond traceability foremost in its jewellery supply chain scrutiny. Wal-Mart aims to market products which are known to be both socially and environmentally responsible.

In keeping with its life cycle approach

to the stewardship of its products, Rio Tinto is developing a marine stewardship strategy related to the transport of its products to market, focused on the possible environmental impacts arising from Rio Tinto's port and shipping activities. This approach improves our product credentials as it takes our responsibility beyond the "mine gate" to the customer.

In 2008, Rio Tinto was invited into a new partnership with the recently established World Ocean Council, the only cross sectoral international organisation focusing on the ocean environment. Its vision is "a healthy and productive global ocean and its sustainable use, development and stewardship by a responsible ocean business community".

To protect its European markets, Rio Tinto implemented a proactive programme to ensure compliance with the European Union REACH legislation (regulation concerning the Registration, Evaluation, Authorisation and restriction of Chemicals) that went into effect on 1 June 2007. Actions were taken to ensure that all Rio Tinto products manufactured or imported into Europe as well as all substances used at business units were pre-registered by the deadline of 1 December 2008.

Non managed operations

The Rio Tinto Group consists of wholly and partly owned subsidiaries and jointly controlled assets, as well as other entities and associated companies, some of which we do not manage.

Although Rio Tinto may not be directly involved in managing these operations, we remain closely engaged through membership of the boards of directors and of technical committees. We encourage them to adopt our policies and standards in community relations, human rights, environmental stewardship, health and safety.

Examples of these non managed operations include the Escondida copper mine in Chile and the Grasberg copper-gold mine in Indonesia.

Escondida, Chile

Rio Tinto has a 30 per cent interest in the Escondida copper mine in Chile, which is managed by BHP Billiton. Our seat on the mine's Owners' Council allows us regular input on strategic and policy matters.

Rio Tinto also played a part in helping to establish the Escondida Foundation. The Foundation is funded by about one per cent of the mine's pre-tax profits and is the vehicle through which Escondida fulfils its social responsibilities.

Grasberg, Indonesia

The Grasberg copper-gold mine in Indonesia is owned and operated by Freeport-McMoRan Copper & Gold. Rio Tinto has a 40 per cent joint venture interest in Grasberg's 1995 mine expansion and is represented on the joint venture's operating committee.

As well as providing substantial economic benefits to the state, Freeport Indonesia is the largest private employer in Papua and one of the largest in Indonesia.

Both Rio Tinto and Freeport-McMoRan support the Voluntary Principles on Security and Human Rights and continue to work together to ensure practice is consistent with these principles.

To meet the mine's social obligations to local communities, at least one per cent of the mine's net sales are committed to support village based programmes and cumulative funding is more than US\$20 million. In addition, two trust funds were established in 2001 in recognition of the traditional land rights of the local Amungme and Komoro tribes.

The mine continues to refine its strategic management of its tailings discharge, including understanding revegetation and long term closure options.

GOVERNANCE SYSTEMS

Sound governance and high ethical standards of conduct are a source of competitive advantage in securing access to resources. Environmental performance, community relations, employee wellbeing and transparency are just as important as the technical aspects of mining and processing. If Rio Tinto is to succeed in positioning itself as a "developer of choice" it has to be equipped to manage complex stakeholder relationships.

Accordingly, our operating philosophy has a strong focus on corporate responsibility clearly outlined in our code of conduct, *The way we work*. This covers issues such as human rights, political involvement, transparency and zero tolerance of corruption.

We also actively engage with a wide range of external stakeholders to promote leading business practices. As a member of the International Council for Mining and Metals (www.icmm.com), we are continuously improving our economic, social and environmental performance and we regularly report our progress against the ten principles of the United Nations Global Compact and in line with the Global Reporting Initiative.

Rio Tinto is a founding member of the Council for Responsible Jewellery Practices (www.responsiblejewellery.com) which commits members to promote responsible

ethical, social and environmental practices which respect human rights throughout the diamond and/or gold jewellery supply chain, from mine to retail. It also seeks to maintain consumer confidence in diamond and gold jewellery products and the trust of all interested stakeholders in the industry. We are also a member of the Kimberley Process (www.kimberleyprocess.com), a joint government, industry and civil society initiative to stop trade in diamonds that fuel conflict.

Additionally, we have a long standing partnership with the Dundee University Centre for Energy, Petroleum and Mineral Law and Policy to sponsor post graduate studies contributing to the creation of a stable international legal and investment environment in which the mining industry can contribute to sustainable development (www.dundee.ac.uk).

Business integrity

We are committed to maximum transparency, consistent with good governance and commercial confidentiality. Rio Tinto strives to conduct its business with integrity, honesty and fairness, building from a foundation of compliance with relevant local laws, regulations and international standards wherever we operate.

Training on our business integrity guidance is required for all managers. These guidelines cover bribery, anti-corruption and political involvement. We do not directly or indirectly participate in party politics or make payments to political parties or individual politicians.

Mining is a heavily regulated industry and we maintain continuous dialogue with many governments and public authorities at national, provincial and municipal levels. We speak out and make representations on matters affecting our business interests and those of our shareholders, employees and others involved in our activities.

In addition to internal policies and activities, Rio Tinto is active in promoting transparency and good corporate governance more widely. We were a member of the steering committee which developed and which continues to assist implementation of the Transparency International Business Principles for Countering Bribery (www.transparency.org). Through the International Council for Mining and Metals (www.icmm.org) we are also a company endorsing member of the Extractive Industries Transparency Initiative (EITI) (www.eitransparency.org). Business units engage in the promotion and implementation of the EITI in those candidate countries in which the Group has operations. More details can be found on our

website. Rio Tinto also endorses the World Economic Forum's Partnering Against Corruption Initiative (www.weforum.org).

There were no reported incidents of breaches of Rio Tinto's political involvement policies during 2008.

Human rights

Rio Tinto actively supports the United Nations Universal Declaration of Human Rights. Our commitment to human rights is reflected in our code of conduct *The way we work* and our complementary guidance documents on Human Rights and Business Integrity.

In implementing human rights policies, Rio Tinto is subject to the local laws of the many countries in which we operate. We build on compliance with local laws and where our policies and procedures are more stringent, we operate to those standards wherever our operations are located.

Rio Tinto is a signatory to a host of international commitments and standards and remains dedicated to meeting them. We were involved from the inception of the Voluntary Principles on Security and Human Rights (www.voluntaryprinciples.org) and have supported these principles since their announcement in 2000.

We were also a founding member of the United Nations Global Compact (www.unglobalcompact.org) and we are active members of the UK Network and the Communication on Progress Working Group. The United Nations Global Compact is a voluntary initiative for businesses committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti corruption. Our Communication on Progress is published annually on our website.

Our human rights policies and procedures have been strengthened and are supported by an online web based ethics and compliance training system. Training on the human rights module, which is compulsory at the general manager level or above is valid for two years. During 2007 and 2008 more than 3,300 employees completed human rights training.

There were no reported incidents of breaches of our human rights policy during 2008.

Rio Tinto operates in a manner consistent with the United Nations Declaration on Indigenous Peoples (UNDIP) and sovereign obligations. We respect the land connection of indigenous communities and work with them in a spirit of reciprocity, transparency and recognition of their culture. We also recognise that every indigenous community is unique and we reach specific agreement with each affected community on how it wants to engage with us in the development

and performance of our operations.

Stakeholder engagement

Genuine engagement with stakeholders is a critical element of successful business practice. Many issues, such as climate change and poverty elimination, are globally complex and require stakeholders to work together to explore and develop appropriate solutions. Building strong working relationships with those who are affected by, or have an interest in, what we do is essential to our future operations. We engage with a broad range of organisations and individuals including our employees, investors, governments, communities, academia, industry bodies, and civil society groups.

We are a member of a number of industry associations and of representative bodies including the World Business Council for Sustainable Development (www.wbcsd.org), the Commonwealth Business Council (www.cbcbglobeink.org) and the International Chamber of Commerce (www.iccwbo.org), and we work closely with international and non governmental organisations to develop appropriate standards and guidelines for our industry. Rio Tinto also maintains an active partnership programme with other external organisations to address issues of mutual interest. By working together, we can achieve our shared goals more effectively.

During 2008, the US\$1 million annual Rio Tinto Prize for Sustainability continued to recognise significant contributions made by non profit, non governmental, or civil society organisations promoting and implementing sustainable development. The Utthan Centre For Sustainable Development & Poverty Alleviation (www.sietalld.org) was the most recent recipient of the prize.

Closure

The closure of an operation poses risks to both Rio Tinto and those communities who have often come to depend on the operation for their wellbeing. We have therefore adopted an approach of planning for closure early in the life of an operation to minimise unforeseen financial impacts and ensure stakeholder expectations can be met. These requirements are outlined in our closure standard which applies to all parts of our business.

We approach closure planning as a multi disciplinary responsibility, involving community relations, human resources, environmental specialists, engineers and financial specialists. Integrating closure planning into all aspects of decision making in a business, from the earliest stages of project development to the decommissioning of facilities, is essential in order to leave a

positive legacy of sustainable development. We believe that achieving a reputation for positive closure outcomes will assist us to gain future access for new projects.

In 2008 we conducted five closure management plan reviews designed to ensure that our site closure plans are current and financial provisions are adequate to meet our sustainable development objectives. In addition, financial provisions for all former Alcan operations were analysed and updated through a series of on site reviews and workshops to ensure they met the Rio Tinto closure standard and financial reporting requirements. During these on site reviews opportunities were identified to further improve closure planning and progress remediation.

As a member of the International Council for Mining and Metals, Rio Tinto participated in the development of *Planning for integrated mine closure*. This publicly available toolkit is intended to guide best practice closure planning throughout the mining industry to achieve sustainable development outcomes.

Through our partnership with the Eden Project (www.edenproject.com), we continued to work with the Post Mining Alliance (www.postmining.org) which aims to encourage and promote the regeneration of old mine sites for the sustainable benefit of the local community and natural environment. The alliance provides us with the opportunity to participate in a multi-stakeholder discussion intended to address issues regarding abandoned mines, and to encourage good practice across the industry in closing mines.

Assurance

Our Corporate Assurance function has accountability and responsibility for providing internal assurance to the board that:

- Rio Tinto's policies, standards and controls as endorsed by the board are adequately designed and effective for their intended purpose; and that
- these policies, standards and controls are consistently implemented by all Rio Tinto sites on a timely basis and as designed.

In addition, we engaged an independent external assurance organisation to provide assurance over selected Group performance data included in the Sustainable development section of the 2008 *Annual report*. The data that have been externally assured are explained in the Assurance report below.

Independent Assurance Report to the directors of Rio Tinto plc and Rio Tinto Limited on selected sustainable development performance data

For the purposes of this report, the Group comprises Rio Tinto plc and Rio Tinto Limited and the entities they control as at 31 December 2008 (hereafter "Rio Tinto").

We have been engaged to provide limited assurance on selected sustainable development performance data (the "selected data") included in the Sustainable development section of Rio Tinto's *Annual report* for the year ended 31 December 2008.

The selected data were chosen by Rio Tinto after considering the sustainable development risks that it assessed as material to the Company and after considering the areas of high importance identified by Rio Tinto management.

The selected 2008 data consists of the following:

- Total greenhouse gas emissions
- Total energy use
- Total freshwater withdrawn
- Number of fatalities
- All injury frequency rate
- Lost time injury frequency rate

Respective responsibilities of the directors and PricewaterhouseCoopers

The directors of Rio Tinto are responsible for preparing the selected data based on the *Rio Tinto Criteria for reporting on sustainable development performance indicators* (the "Reporting criteria"). The Reporting criteria are available on Rio Tinto's website at <http://www.riotinto.com/ourapproach/>

Our responsibility is to express a conclusion on the selected data based on our procedures. The procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the selected data.

We read other information included within the Sustainable development section in the *Annual report* and consider whether it is consistent with the knowledge obtained through our procedures. We consider the implications for our report if we become aware of any apparent material inconsistencies with the selected data. Our responsibilities do not extend to any other information. Historic data has not been subject to assurance.

This report, including the conclusion, has been prepared for Rio Tinto to assist the directors in reporting Rio Tinto's sustainable development performance. We consent to

the inclusion of this report within the *Annual report* to enable Rio Tinto's members to verify that the directors have discharged their governance responsibilities by commissioning an independent assurance report in connection with the selected data. We do not accept or assume responsibility for our work or this report to anyone other than the directors as a body and to Rio Tinto save where terms are expressly agreed and with our prior consent in writing.

Inherent limitations

Non financial performance information is often subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods adopted for the definition and gathering of information. There are no generally accepted reporting standards applicable for sustainable development performance information. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgments. It is important to read the data in the context of Rio Tinto's Reporting Criteria.

Assurance work performed

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – "Assurance Engagements other than Audits and Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board ("ISAE 3000"). Our procedures applied to the selected data primarily comprised:

- Making enquiries of relevant management of Rio Tinto
- Evaluating the design of the key processes and controls for managing and reporting the selected data
- Testing, on a selective basis, the preparation and collation of the selected data prepared by the management of Rio Tinto
- Undertaking analytical procedures over the reported data
- Reviewing a sample of relevant management information including reports to Rio Tinto's *Committee on social and environmental accountability*.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. It excludes procedures such as testing controls effectiveness and corroborative data testing.

Conclusion

On the basis of our procedures, nothing has come to our attention which causes us to conclude that the selected data for the year

ended 31 December 2008 have not been prepared in all material respects in accordance with the Reporting criteria.

PricewaterhouseCoopers

PricewaterhouseCoopers
Liza Maimone, Partner



Melbourne
6 March 2009

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