

# RIO TINTO AGM 8 May 2014 Melbourne

The CFMEU M&E Northern, Queensland and Western Australia Districts attended the Rio Tinto AGM along with Dan Walton of AWU.

The meeting was reasonably attended but with our 18 representatives, see Attachment 1, it allowed us an opportunity to have all of questions asked and answered. We had a CFMEU Construction welcoming committee dressed in IndustriALL shirts and banners and handing out the Unsustainable Report flyer. The AGM was held at the Sofitel in Melbourne, I am not sure how regularly they see people like us but CFMEU Construction guys did a great job in handing out the flyers to all entering the AGM.



*CFMEU Mining & Energy Officials and Delegates (Gary Wood, Joe Maw, Mitch Madden, Darren Watson, Robin Williams, Adam Dever, Darren Cassidy, Joanne Walker, Bruce Laidley, Andrew Rolfe, Luke Hinchey, Cesar Trigo, Gary Sinclair, Shaun Wynne, Duane Dowell, & Alan Scott) from Hunter Valley, Queensland & Pilbara*

The only other interest group present was from ACF, who with the London Mining Network & Mirarr, handed out flyers on Rio Tinto Responsibilities with ERA to rehabilitate Ranger Uranium Mine.

The AGM commenced with a short video from Rio describing their past 12 months. EMC requested a copy of this but it was denied. Chairman Jan du Plessis explained Rio's focus as a company was safety and community. They emphasised that they are one of Australia's

largest tax payers with a total of US\$5.7b total tax paid in Australia. Last year the board gave Sam Walsh the task to deliver three objectives:

- Improve operating and financial performance
- Strengthen the balance sheet through enhanced capital allocation processes and reduce net debt
- To deliver results by completing major approved capital projects and achieving significant proceeds from divesting non-core businesses.

Jan Du Plessis focus was on improving earnings and reducing cost and risk and he felt substantial progress was made in 2013 on all three objectives. Jan du Plessis address is available on Rio website.



*CFMEU Construction Official & Delegates (Rob Taylor, Izzy Miftari, Vin Childs and Another) handing out Unsustainable Report at the entrance to AGM*



*CFMEU Construction Delegates (Theo Theodorou, Rob Taylor & Vin Childs) welcoming shareholders to AGM*

Chief Executive Sam Walsh focus was on transforming the business, getting back to basics and moving forward with its 66,000 employees. Walsh's view is the company is in good shape, it's strong, leaner and hungrier and poised to take advantage of the many opportunities. Rio was a founding member of International Council of Mining & Metals aimed at establishing responsible mining practices and is the largest employer of indigenous people.

Walsh described safety as the heart of what they do and ensuring everyone returns home safely is a priority. Kestrel was used as an example of what Rio does well with safety.

There five key projects are:

- Pilbara Iron Ore expansion to 290 million tonnes was delivered under budget (US\$400 million) and ahead of schedule
- Mongolia's Oyu Tolgoi copper gold mine had its first shipment
- Kestrel Mine extension adds 20 years to the life of the mine
- Argyle Underground Diamond Mine starts production and will extend the life of the mine until 2020
- AP60 Aluminium Smelter in Quebec produces its first hot metal and is the most advanced aluminium smelter in the world

Sam Walsh's address is available on Rio website.

## AGM Questions

The Chairman then sought questions. The ones of interest to us were:

A shareholder from an association asked a number of questions, but one included contractors and what they are paid & Enterprise Agreements. Walsh responded that contractors are used for specialist work, to top up labour and they provide a quote or tender to Rio and the rates are set up by the Contractor not Rio.

**Dan Walton** of the AWU asked the second question of the day which was:

*“At the recent AGM in London you stated that Australia will transition from producing aluminium domestically to selling energy to Asia for the purposes of aluminium manufacturing that will then be imported into Australia –*

*Firstly, do you stand by this comment? Secondly is it Rio’s intention to abandon and or close its Australian aluminium facilities? – and if so, when?”*

Walsh’s response was:

That he did not recall the London reference but he believes there will be a transition in the Chinese Aluminium trade. Walsh commented on the significance of Asian growth over the next two to three decades. Walsh said that this growth will result in Australia shifting from producing aluminium itself to selling power to Asia – presumably for aluminium production (congealed electricity). According to Walsh, this would replicate the Japanese aluminium experience over recent decades. Walsh noted that Japan no longer produces aluminium. China will become a consumption lead economy, people will buy fridges, air conditions, TV’s etc and they will need power and the power will come from aluminium. This happened in Japan in 1970. Aluminium business is doing it tough but it’s a cyclical business and we have experienced a tough time. Rio is happy with improvement in the Aluminium business worldwide and here in Australia it went from US\$50million profit in 2012 to a US\$550 million dollar profit in 2013. Rio’s focus is on improving technology and that is why the AP Technology in Quebec is an advantage and we are on a journey and need to work through the cycle but we expect improvement particularly in China.

Question 4 was asked by **Robin Williams**, Northern District Vice President:

*“My question concerns the company’s commitment to local employment at its operations.*

*The local mining communities of the Hunter Valley and surrounds want to understand why the company continues to overlook hundreds of local workers for permanent employment opportunities. These workers, some of whom have more than 5 years mining experience, are employed precariously on either a temporary or casual basis, while the company brings in workers from interstate. These interstate workers cost tens of thousands of dollars to recruit, when there are local workers willing to do the job, and who are part of the Hunter Valley mining community.*

*Mr Chairman, could you please explain this discrimination against permanent employment for local workers.”*

Walsh’s response was that he was not familiar with the issue but that Rio wherever it operates in the world; Rio is committed to hiring local workers as it makes sense in relation

to costs and benefitting communities. Walsh referred the question to Henry Kenyon-Slaney Chief Executive Energy and asked him to meet with Robin after the meeting but it wasn't Rio policy to go elsewhere. Henry did meet with Robin & me at the end of the meeting and said he wasn't aware of the issues. Robin detailed examples of when Rio was recruiting in the Hunter, they predominantly engaged people from QLD and WA and our view was they did this as they were more likely to be non- Union. Henry tried to focus on the current day and the fact they are not employing anyone but when they do their policy is local employees. Robin gave further details that a number of these contractors that were well trained and experienced working for Rio were subsequently recruited by BHP. Henry indicated the lines of communication were open.

There were a number of questions on Ranger and Rossing but the most comprehensive question was asked from David Sweeney campaigner for Australian Conservation Foundation about the ERA Ranger clean up. Sweeney accused the board of shirking its responsibilities by refusing to guarantee that it would fund the rehabilitation of the Ranger uranium mine site in WA. Rio own 68% of ERA and as such is the parent company and ERA is the underperforming child and Rio need to accept and fully commit to rehabilitate Ranger. Walsh responded that ERA was a public company controlled by an independent board that would decide how to rehabilitate the area but as a major shareholder, Rio would play its part and is confident the work will be done. As such, the CFMEU dropped off its Ranger question as it was asked and answered.

In a separate question asked on Uranium and inadequate rehabilitation, Walsh indicated they were proud of their commitment in safety and it is real. Walsh said you would struggle to find a Company that is more passionate about safety and much of this work is done by Richard Goodmanson.

The next question was asked by **Gary Wood** WA District Secretary about Equal Pay for Equal Work. Gary referred to some recent Human Rights training that had occurred recently in WA, where Rio principles included discrimination and equal pay for equal work. Gary's question was then, well why is there people working side by side earning different amounts. These amounts are not awarded appropriately and done via performance pay. He also raised the fact that the recent increase in the EA that was offered in the Pilbara was below CPI and equivalent to 2.2% for meeting expectations.

Walsh thanked Gary for attending and stated that fair remuneration is important. We have performance pay as some employees contribute more than others and it encourages employees to do their best and performance pay applies at all levels. Salary adjustment is based on CPI and even Walsh's pay was adjusted by CPI as this is even handed and applies globally. Walsh suggested Andrew Harding, Chief Executive Iron Ore see Gary at the conclusion of the meeting.

Gary met with Andrew Harding after the meeting. Andrew was surprised the increase was 2.2% as iron ore had a good safety performance during the period and you follow up. Additionally, Gary raised the issue of employees not receiving a guarantee of at least CPI being paid to employees on an annual basis.

The next question by **Adam Dever**:

*"I am an employee working at Bengalla Mine in the Hunter Valley. My question concerns my workplace rights.*

*I have recently been involved in a dispute about periodic medical assessments, referred to as Order 41 medicals in the NSW coal industry.*

*Rio's code of business conduct, The Way We Work in the section titled Employment states that the company will;*

*“recognise the right of all employees to choose to belong or not belong to a union and to seek to bargain collectively;”*

*Mr Walsh, I choose to belong to a trade union (CFMEU), and I expect that union to be able to represent and support me when I am in dispute with the company. But in my case the company is denying me the right to be represented by my union. Mr Walsh, are you aware of, and do you condone, Bengalla site management denying me the right to be represented by my Union in my dispute with the company?”*

Walsh responded by saying you have the right to be represented but was not aware of the particular issue. Rio operate a range of employment vehicles and there is heavy involvement in union-based awards which are designed to make sure we do the right thing. Again this question was referred to Harry.

Harry met with Adam Dever & Duane Dowell both CFMEU delegates at Bengalla. At first I felt Harry was trying to confuse the matter and make it about medicals. We made it clear to Harry it wasn't about the issue it was about the process, any issue Adam or Duane have, when dealing with management they should be able to be represented by the CFMEU. Harry eventually took our issue on board and committed to respond to Robin Williams about these circumstances.

A question was raised about Namibia's Rossing Uranium mine which was also raised in London about the connection to illness and Rossing. The speaker referred to the large number of cancer cases in the area. The representative was seeking a commitment to a large scale study dating back to the 1970's and the rate of cancer.

Juan was frustrated that these issues were raised first in public forums and not in person and the first they saw this study was at the London AGM. Walsh further commented that Rio monitors the safety of their employees and he said there are medical reps on site. There is no medical evidence of a problem at Rossing. Following the tabling of the report at London AGM, we are seeking further details and was told the report was in draft form. We have committed to a review dating back to 1970 and we take the claim seriously.

The last question was from **Mitchell Madden** Hunter Valley United Delegate who asked:

*“I work at the Hunter Valley Operations mine in NSW. I have concerns about business decisions that are in conflict with your group announcement – SAFETY COMES FIRST – on 10 April 2014.*

*A decision was made 1 November 2013 to shift the stockpile dozer operation from permanent workers to contractors at the Newdell Train Loading facility. The dozer operation requires a high level of skill with substantial experience and competence.*

*This decision has had a major impact on safe operations, with an increase in safety incidents, both reportable and non-reportable. It has also had an adverse impact on training, fatigue management and production costs, for example:*

- A high turnover of contractors resulting in a high level of continuous training being required*
- Substantial costs to retrieve machinery*
- Trains cancelled or sent back at a substantial cost*
- Ships delayed at port resulting in higher demurrage*

*My question is:*

*Do you support a review of business decisions where there is evidence that decisions changes have compromised safety and safe work practices and that also create a loss to shareholders. If so, is there a review panel or an independent pathway to raise such concerns?*

Walsh's response was safety is our Number 1 priority. Harry would seek him out at the end of the meeting but contractors are hired for their specialist skills and peaks and troughs of the industry, maintenance schedules etc. In the mainstream we control and operate our core business, it's a strength we bring to the industry. We do it well and we apply the same standards for contractors that we have for our own employees. In the reports and slides the graphs on safety include contractors but Harry will talk to you about the particulars. Harry meet with Mitch and Robin after the meeting, we explained the particulars and Harry responded that he would look into it.

The AGM concluded at 1130 but without our questions, would have finished much earlier. The questions were well received by the audience and all in all it went really well. A number of the delegates advised me that this was a great experience and they were much more aware of their employer and their strategy.

Walsh stopped by with a few of our delegates and had a quick chat over coffee but security was never far away. Henry also spoke to the Clermont delegates and committed to visit the site soon and look up their roster.



*CFMEU M&E Officials and Delegates (Alan Scott, Joe Maw, Andrew Rolfe, Cesar Trigo, Dennis Jones, Gary Wood, Bruce Laidley, Darren Watson, Mitch Madden, Darren Cassidy, Gary Sinclair, Shaun Wynne, Chris Brodsky & Luke Hinchey) from Hunter Valley, Queensland & Pilbara after the AGM*

## **Media**

Essential Media Consultants did a great job in getting our story out there and it was picked up in the media despite the fact that Fairfax was out on strike that day. The angle was the CFMEU opposing Rio's industrial practises and safety standards and precarious work is a problem for Rio workers worldwide. It was reported in the following:

- Gary Wood on Melbourne 3AW radio in the morning of the AGM
- Online Newsletter [miningnewspremium.net](http://miningnewspremium.net)
- <http://www.news.com.au/finance/business/uranium-mine-leaks-dominate-rio-agm/story-e6frfkur-1226910566303>
- The Australian <http://www.theaustralian.com.au/business/mining-energy/rios-du-plexis-continues-downbeat-tone-on-economy/story-e6frg9df-1226910002736>



## Attachment 1 – CFMEU Delegation List

Gary Wood	WA District Secretary
Joanne Walker	CFMEU M&E Rio Tinto Network Coordinator
Robin Williams	Northern District Vice President
Darren Watson	Hunter Valley United Delegate
Mitch Madden	Hunter Valley United Delegate
Darren Cassidy	Hunter Valley United Delegate
Gary Sinclair	Mount Thorley Warkworth Delegate
Adam Dever	Bengalla Delegate
Duane Dowell	Bengalla Delegate
Chris Brodsky	Qld District - District Vice President
Joe Maw	Clermont Coal Delegate
Allan Scott	Clermont Coal Delegate
Andrew Rolfe	Kestrel Coal Delegate
Cesar Trigo	Hail Creek Delegate
Luke Hinchey	Hail Creek Delegate
Shaun Wynne	Cape Lambert Delegate
Dennis Jones	Rio Tinto Karratha Delegate
Bruce Laidley	Tom Price Delegate