UNSUSTAINABLE:

THE UGLY TRUTH ABOUT RIO TINTO
To maximize profits, Rio Tinto needs a social license to operate. Its ability to exploit the next great mineral deposit could be compromised without one. It is no surprise that Rio Tinto spends millions of dollars every year to portray itself as a socially responsible company that respects its stakeholders.

However, the facts tell otherwise. "Unsustainable: the ugly truth about Rio Tinto" examines Rio Tinto’s claims that it operates in a sustainable manner.

The company breaks what it calls its sustainable development strategy into four categories: Environment, Economic, Social, Governance. However, their claims about their performance in those categories are contradicted by the facts.

**Social**

Rio Tinto claims they are building enduring relationships and a zero harm culture.

**FACTS**

- 40 workers were killed at Rio Tinto fully or partially owned operations in 2013. In the case of a disaster in Indonesia that killed 28 of the workers, a national human rights commission found it could have been avoided.
- Over one-third of the company’s workforce is continually exposed to work noise levels at which hearing loss can be predicted.

**Economic**

Rio Tinto claims they are creating prosperity for their stakeholders.

**FACTS**

- Rio Tinto took huge losses on its investment in Mozambique, while at the same time forcing people off their land.
- Rio Tinto took huge losses on its Alcan acquisition, while at the same time laying off thousands of workers and provoking a costly labour dispute.

**Environment**

Rio Tinto claims they are managing valuable natural resources and addressing global challenges.

**FACT**

- In a single month last year, Rio Tinto had uranium spills at both of its uranium operations.

**Governance**

Rio Tinto claims they are maintaining high standards of responsibility and accountability.

**FACTS**

- Rio Tinto said it would seek free, prior and informed consent from communities before mining. However, affected communities say otherwise.
- Rio Tinto says that closure costs of its operations represent a significant financial liability, however they publish little detail on how they calculate those liabilities.

Rio Tinto’s blind pursuit of profit at any cost has caused disputes with numerous unions as well as environmental, community and indigenous groups. IndustriALL Global Union has launched a campaign working with civil society organizations to defend against Rio Tinto’s abuses. This report, “Unsustainable: the ugly truth about Rio Tinto” (www.industriall-union.org/riotinto) is part of that effort.

The report should be read by Rio Tinto stakeholders including workers, members of communities where Rio Tinto operates or plans to operate, regulatory agencies, elected officials, civil society organizations as well as shareholders and others in the investment community.

Through demonstrating that Rio Tinto does not operate in a sustainable manner, our aim is to force the company to live by its own claims.
Rio Tinto and sustainability reporting

Rio Tinto states that its sustainable development reporting is in line with guidelines of the Global Reporting Initiative (GRI), a voluntary sustainability reporting initiative used by 6,000 companies around the world.

However, when examining the sustainability reporting of leading Australian companies that apply the GRI guidelines, Catalyst Australia came to a different conclusion. It examined for inconsistencies between how these companies rank their application of sustainability guidelines and publicly available information used to verify this. It found that, even though Rio Tinto had its sustainability reporting externally assured, only 60 per cent of the company’s sustainability claims are accurate compared with information the company reports. Rio Tinto scored second worst out of the sixteen companies that Catalyst examined.

Even if the company’s reporting was in line with GRI guidelines, it does not necessarily mean that the company operates in a sustainable way. Ideally under the GRI, both sustainability accomplishments and failings would be reported. However, since a great deal of responsibility stays with companies to define the content of their reports, that often does not happen.

Rio Tinto has used aggregated data in their sustainability reporting without detailed breakdown by project. They have excluded areas of controversy including contractors, sub-contractors and their partially-owned operation in Papua. They have not been highly inclusive of stakeholders in their reporting. They seem to communicate more with the International Council on Mining and Metals – a mining industry association that Rio Tinto helped found – than with community stakeholders.

This report scrutinizes Rio Tinto’s reporting and performance in the four categories the company uses for sustainability reporting: Social, Governance, Economic, Environment.¹

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¹ Except where otherwise noted, information presented in this report about Rio Tinto’s sustainability reporting is drawn from two sources, Rio Tinto’s 2012 Sustainable Development Report (the company’s most recent annual sustainable development report) and Rio Tinto’s website.
Social

Rio Tinto claims to be building enduring relationships and a zero harm culture. The evidence points to the contrary.

Labour Relations

Rio Tinto reports that it has made voluntary commitments to the OECD Guidelines on Multinational Enterprises and the UN Global Compact. Both of these recognize the fundamental right of workers to establish and join trade unions. But Rio Tinto’s actual approach to labour relations is underpinned by what the company calls “direct engagement”. This principle frames unions as an undesirable third party in the employer-employee relationship.

In a formal submission to a government review of Australian labour law in 2012, Rio Tinto declares that it “is committed to establishing a direct relationship with every employee as a foundation from which to build employee engagement irrespective of the employment arrangement under which the employee has been employed”. In a further elaboration of the principle of direct engagement, a senior Rio Tinto executive claimed that “legislation must take account of the need for ‘direct engagement between management and the work force’ and that it is best to limit ‘the influence of third parties in areas of the business in particular that are more properly the province of management.”

Prior to the recent government review, Rio Tinto used previous Australian labour legislation to advance various forms of individual contracts over union collective agreements. Rio Tinto was successful in using these strategies to deunionise much of its Australian workforce.

Rio Tinto’s deunionization drive and general anti-union approach creates conflictual relations with unions that continue to represent its workers both in Australia and abroad. They have also provoked numerous strong responses from unions under attack by the company.

IndustriALL affiliate the International Longshore and Warehouse Union (ILWU) endured a bitter dispute with Rio Tinto in 2010 at a Borax mine in southern California, USA. Rio Tinto attempted to impose new precarious contracts on workers that would have increased overtime, scrap the seniority system in place at the time and give managers discretion to cut jobs and hours. After the ILWU put the issue to a vote that unanimously rejected the new conditions, workers who turned up for work the next day found they were locked out by the company. The ILWU mounted a successful global campaign that forced Rio Tinto to relent.

In 2012 Rio Tinto locked out 780 workers at an aluminium smelter in Alma, Quebec. Workers were effectively being punished for rejecting management attempts to halve salaries and outsource the workforce. The lock-out lasted for six months, but after taking on Rio Tinto and tarnishing the company’s image in its connection with the London Olympics, the United Steelworkers union was able to get the company to back down from its extreme demands.

IndustriALL affiliate the Australian Workers’ Union scored a historic victory by winning back collective bargaining rights at the Bell Bay aluminium smelter in 2013 after a multi-year organizing drive that Rio Tinto fought hard against.

In New Zealand, IndustriALL affiliate the New Zealand Engineering, Printing & Manufacturing Union brought a case to the courts that involved New Zealand Aluminium Smelters Limited, a Rio Tinto Alcan majority owned smelter. The company was ordered to pay back workers owed annual leave that they were legally entitled to but never received.

In Mongolia, a Rio Tinto worker was dismissed for protesting against discrimination over the remuneration paid to Mongolian employees. The unequal remuneration between Mongolian nationals and expatriates employed by Rio Tinto translated into a disparity of MNT 3 million for local Mongolian, to MNT 30 million for expatriates a month on average. The Ministry of Labour confirmed at the time that Rio Tinto was in violation of the Oyu Tolgoi Investment Agreement “in the most blatant, wanton manner and never made a single step towards enforcing this obligation”. Following similar rulings by two lower courts, the Supreme Court ruled that the termination of the employee was unjust and unlawful.

Despite strong fightbacks from unions, Rio Tinto’s abuse of workers and their unions as well as the attendant polarization of labour relations continues. Rio Tinto has a particularly bad record in increasing the use of precarious work and then abusing precarious workers.

In August 2013, Redpath Mongolia, a contractor that employs workers at Rio Tinto’s Oyu Tolgoi copper and gold mine, fired about 1,700 workers. The reason for firing the workers was never disclosed but was apparently linked to revenue sharing of the mine with the government of Mongolia, and other terms of the investment agreement. Turquoise Hill Resources, a subsidiary of Rio Tinto, announced on 12 August 2013 that until “matters can be resolved with the Mongolian government and a new timetable has been agreed”, the funding and development of the
mine’s underground expansion would be delayed. Redpath Mongolia was involved in the building of the underground portion of the mine.

Unions representing Rio Tinto employees in North America report that Rio Tinto is continuously seeking for ways to contract out work. Contracted out work is often more precarious and with less pay and benefits than direct employment. Unions in North America believe that Rio Tinto attempts to contract out more work in order to shrink the number of employees the unions represent and thereby weaken the unions so they have less bargaining power with Rio Tinto. Rio Tinto’s drive to contract out more work has been a primary contributing factor in labour disputes in the U.S. and Canada.

Precarious work in Madagascar

In Madagascar, Rio Tinto’s approach to unions and to precarious work is evident in its handling of the dispute with IndustriALL Global Union affiliate, the Fédération des Syndicats des Travailleurs de l’Energie et des Mines (FISEMA). QIT Madagascar Minerals (QMM) is majority owned by Rio Tinto. Since the end of 2008, the joint venture has been producing ilmenite near Fort Dauphin, in southern Madagascar.

In July 2013, QMM ended its contract with the security company OMEGA Risk Solutions and opted for two cheaper security companies. 300 workers were collectively dismissed with merely one month’s notice. When FISEMA tried to engage in dialogue with QMM regarding the dismissal, the company refused.

In August 2013, a regional tripartite labour committee was established to facilitate dialogue between the workers and OMEGA. Astoundingly, QMM was not represented as an employer but acted as one of the mediators.

A proposal was made that 85 per cent of the dismissed workers would be hired by the new security companies. It was also proposed that the remaining workers would have access to relevant training.

The dismissed workers who were hired by the new security companies are earning 20 per cent less than they were earning when employed by OMEGA. No training has yet been provided to the remaining workers, and many of these workers are today unemployed.

Dialogue between the workers and OMEGA has ended and OMEGA is no longer present in Fort Dauphin. FISEMA has tried to make an appeal to the Labour Inspectorate and the Labour Court, only to be given the answer that as the employer, OMEGA, is absent there is no possibility of appeal.

Workers’ health

Rio Tinto’s 2013 Annual report carries a headline message of a new corporate mission to “turn our safety performance around.” This follows 40 reported deaths at fully or partially owned Rio Tinto operations in 2013. However, their report contains unsubstantiated claims and refers to unreported data.

Rio Tinto presents limited information on the health of their workers. Their health and safety data is constructed using four metrics— the All Injury Frequency Rate, Lost-Time Injury Rate, Fatalities and new Occupational Illnesses. It is presented with some unsubstantiated narrative on corporate-aspirational targets on improvement.

There is no evidence that Rio Tinto’s management culture encourages the full reporting of health and safety data. On the contrary, a number of unions at Rio Tinto report that management creates a culture of fear by punishing people for getting hurt. As a result people are afraid to report their injuries at work, and so health and safety problems go unaddressed.

Targets referred to in company reports – on a 30 per cent reduction of new occupational illnesses and on a 10 per cent reduction in workers exposed to dangerous noise levels, and on the general “zero harm” target – have no credible account of how Rio Tinto will seek to achieve them. The Sustainable Development Report seems to hope for change based on “building a culture” which involves “workers’ ownership of their own safety”.

Rio Tinto’s focus on workers being responsible for their own safety is reflected in the company’s approach to silica dust at its operations in Labrador, Canada. The union representing Rio Tinto employees there reports that the company provides outdated dust collectors, puts a low priority on clean-up, and did away with the onsite full-time health and safety manager. The union reports the company instead focuses on forcing workers to wear masks that the workers find it nearly impossible to work with. Silica dust exposure can result in silicosis and cancer.

Evaluation of performance with regard to targets requires more disaggregated information than Rio Tinto provides. Occupational diseases are notoriously under-recognized, under-diagnosed and under-reported. Rio Tinto’s claim of radically reduced numbers of new cases of occupational illness per 10,000 employees over the space of five years, when many of the most serious occupational diseases take many years to develop and even longer to present symptoms, is simply not credible without extensive explanation.

The “Semi Quantitative Risk Assessment” which Rio Tinto reports to be in use implies a subjective
ranking of work risks by management. How are “high-frequency, low severity” risks compared to “low-frequency, high severity” risks? It’s not made clear in the reporting.

Over one-third of the workforce are continually exposed to work noise levels at which hearing loss can be predicted. Rio Tinto’s professed noise exposure reduction target is premised on reducing the number of workers exposed to average levels of more than 85 decibels over an 8 hour day. In comparison EU and other regulatory systems require more strict controls: mitigatory action at 80 decibels, shielding required at 85 decibels, and maximum peak allowable levels of 87 decibels. Many Rio Tinto employees work 12 hour shifts, so exposures need to be re-calculated for the longer work day.

Rio Tinto’s reporting is of new occupational illness only, although there is no information of how the data was obtained. Considering chronicity and latency of many occupational diseases, a dramatic and rapid drop in this number raises questions about the possible suppression of reporting. In mining, direct exposure to harmful respirable dust is a typical problem. Evidence of ongoing data collection on existing occupational illnesses are missing, even though it is well-known from ILO reports that occupational diseases kill about four times as many workers as sudden, violent accidents.

There is no account of why Rio Tinto was fined USD 23,000 for H&S violations in 2012, underscoring the limited transparency of their Health and Safety reporting.

Tunnel collapse kills 28 miners

On 14 May 2013, 28 miners died and several others suffered serious injuries when a tunnel roof collapsed during safety training at the Grasberg Big Gossan mine. Rio Tinto is in a joint venture with Freeport McMoRan (FCX) known as PT Freeport Indonesia (PTFI), which owns and operates the mine. Rio Tinto also sits on the Operating, Technical & Sustainable Development Committees overseeing the mine.

Indonesian officials from the Ministry of Energy, Natural Resources and Minerals and Ministry of Manpower and Transmigration conducted a fatal incident inquiry at the mine. PTFI also conducted their own inquiry. Reuters reported that PTFI issued a statement in late May stating that the “results of internal inspections confirmed that overall underground mine facilities were safe”. This was after another miner’s death following a premature re-start to underground mining.

The government inspectors during their inquiry were accompanied by PTFI managers, and the union CEMWU-FSPKEP-SPSI were only allowed a limited silent role without being enabled to see the final report.

IndustriALL organized a solidarity mission in September 2013 to investigate handling of the disaster. The mission, which was accompanied by leaders of the union representing workers at Grasberg, met with PTFI executives and with directors from the two ministries. It sought to discover why the national union had been denied access to the government inspectors’ report on the causes of the deaths and injuries, and whether PTFI and the government believed that they had implemented adequate safety processes. The ministries agreed to make available their inspectors’ report.

The report details missing worksheets from the time of the tunnel’s drilling in 1998, corroded roof supports, water ingress since 1998, recorded geological data indicating “a large amount of discontinuity - joints, fractures and cracks”, a lack of knowledge and training in responsible staff, and a lack of availability of equipment for monitoring the instability of the rock mass. The inquiry judged that the covering-up of rock surfaces made more effective monitoring of seismological change difficult.

It is absurd for Rio Tinto to argue that it cannot manage and control waste storage because of areal seismic activity while at the same time it expands deep mining at Grasberg without even basic and effective seismological activity monitoring.

The Indonesian National Human Rights Commission (Komnas HAM) released a report in February 2014 stating it found that company could have prevented the tunnel collapse.

“PT Freeport had the ability to prevent this from happening but didn’t. The lack of effort jeopardized the lives of others. The gravity of this case is serious,” Komnas HAM commissioner Natalius Pigai was quoted as saying by kompas.com.

He also found that human rights violations were committed and called on the government to follow up the commission’s report by thoroughly investigating the incident to uncover any indications of negligence.

Herders fight back in Mongolia

Rio Tinto own a controlling equity in Turquoise Hill Resources. Through Turquoise Hill Resources they own 66% of Oyu Tolgoi LLC, which operates an open-pit low-grades copper mine in the South Gobi province of Mongolia where nomadic herders look after flocks and herds. The Government of Mongolia [GOM] owns 34% under a 2009 Investment Agreement.
US government cables in 2009 revealed by wikileaks in 2012 that under the 2009 Investment Agreement, Rio Tinto got its required flexibility on “labour, technology, taxes and other issues”. GOM officials moved through parliament essential law changes on roads, taxation and water, including by amending laws to allow Rio Tinto to abstract groundwater.

As part of the development of the mine, from 2004 onwards some of the herders had been moved off their land and away from their traditional seasonal ranges and watering sources. At that point safeguard protections of the World Bank, a lender to the project, were officially triggered.

Rio Tinto was mandated to produce an Environmental and Social Impact Assessment (ESIA) as a result of seeking billions of dollars in loan finance and political risk insurance from development banks and export guarantee agencies. After the ESIA was published in late 2012, the US government [USG] decided to abstain on a vote to provide support for the project partly based on environmental policy concerns. This was consistent with NGO claims that the ESIA was inadequate with vital information completely missing or undeveloped, and that it dealt only with the construction phase of the project. The USG and NGOs shared concerns about water issues and the treatment of herders.

There have also been two “donor/client” independent project audits in connection with the banks’ loans and insurance for the project. The first audit in January 2013 reviewed information including non-public reports, and found with varying degrees of certainty that there are three areas where herders’ water resources have been lost or damaged in the west and north of the mine, and that nothing in the management plans provides a mechanism for promptly addressing this critical and widespread problem. It criticised the failure to make available a report on hydrogeologic conditions at the mine-site.

The latest audit published in February 2014 deals with a period when Rio Tinto continued to mine the open-pit and transport concentrates over dust roads but had shut down construction of the deep mine shafts. The shutdown resulted in 1700 workers employed by contractor Redpath being rapidly laid-off in August. The audit states that Rio Tinto failed to provide a mandatory advance notification to the Lenders of such a large-scale retrenchment.

This latest audit criticised Rio Tinto’s management approach as inadequate because it did not “reflect a precautionary approach”. The 2013 Operational Management Plans failed to provide any detailed assessment of how the operation manages acid-rock drainage. The wastes from the continuing excavation of two shafts were not being assessed effectively for potential acid generation, overall acid/base accounting was not sufficiently detailed, and potential acid generating rock was not being dumped adequately.

Nomadic herders are fighting back in the face of threats to their water and pastures. The herders filed complaints to the World Bank about their displacement and about the diversion of the seasonal Undai river. They remain frustrated with the slow pace and lack of commitment by the company to review and address their inadequate compensation program.

### Governance

Rio Tinto claims to maintain high standards of responsibility and accountability, and that its reputation for acting responsibly plays a critical role in its success as a business. But closer scrutiny reveals a company that deserves a reputation for being irresponsible.

### Closure

Rio Tinto state rightly that closure costs represent a significant financial liability with total provisions amounting to $8.9 billion. There is no published information on how the total figure is comprised. They don’t give any information on mandatory bonds posted during the life of mines. Net Present Value formulae said by Rio Tinto to calculate future liabilities as an approach to meeting future responsibilities for closure and post-closure monitoring are unrevealed and may under-provide for meeting such liabilities.

### Human rights

Rio Tinto state that they take various actions to support and respect human rights consistent with the UN Universal Declaration of Human Rights. They also state that they voluntarily comply with various other voluntary schemes such as the OECD Guidelines on Multinational Enterprises.

Rio Tinto use a widely-used Global Reporting Initiative (GRI) sustainability reporting framework to present some of their sustainability reporting.

Catalyst Australia reviewed Rio Tinto’s sustainability reporting and company performance as part of a wider Australian company analysis across “six topics – gender equality, labour standards, supply chains, environmental impact, sustainability engagement and community investment”.3

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3 Catalyst CSR Dashboard, GRI Reporting Snapshot, March 2014
In Catalyst’s judgment Rio Tinto achieved only very limited compliance with what the GRI reporting guidelines required. Catalyst judged Rio Tinto’s compliance at 50 per cent of what they need to report in order to comply with GRI framework reporting.

In several areas Rio Tinto are adamant in refusing to collate data – employees covered by collective bargaining agreements, composition of governance bodies and breakdown of employees by diversity indicators.

The big areas of omissions in reporting concern human rights. Catalyst analysed as inadequate Rio Tinto’s reporting on human rights clauses/screening in suppliers’ and contractors’ agreements; actions taken to support the rights to exercise freedom of association and collective bargaining where those rights are at “significant risk”; measures taken to eliminate forced labour in operations where there is significant risks of incidents of this. Rio Tinto state that it is compliant with these without providing any significant information.

Catalyst similarly found that Rio Tinto offered no significant information about how they approach “stakeholder engagement” nor on “key topics and concerns raised through stakeholder engagement and how the organisation has responded”.

Rio Tinto stated that they comply with GRI indicator “Public Policy development, participation in public policy development, and lobbying”, but only partially report on how their business units are analysed for corruption risks and nowhere do they describe their lobbying. It does become known however through various means.

Recent Freedom of Information Act responses from the UK Government show that the UK and Australian governments have persistently lobbied on behalf of Rio Tinto in the US courts dealing with litigation over their complicity in Papua New Guinea’s bloody suppression of an independence movement in Bougainville that developed from opposition the gross environmental harm caused by their Panguna copper mine. UK Government intervention were made in 2007, 2009 and 2011 against a class action being brought against Rio Tinto.

Rio Tinto describe briefly that they made organisational changes after the 2011 publication of the UN Guiding Principles on Business and Human Rights – [which are] “based on a shared responsibility between nation states’ duty to protect and a corporate responsibility to respect”.

The significance of their omission of “remedies” – the third leg of the 2011 UN Guiding Principles is in the fact that extractive and other multinationals like Rio Tinto lobbied hard to roll back the 2008 “Protect, Respect and Remedy” framework report which analysed the lack of access to justice for people living and working in weak governance zones against corporate power, and identified the need for effective sanctions. The corporate push against hard sanctions and remedies to the soft notion of local grievance mechanisms succeeded.

Rio Tinto state that they strive to achieve the free prior informed consent of indigenous communities. They claim that they apply “a participatory process so that local community members understand our operations and what is proposed in agreements [which are] evidence of Free, Prior Informed Consent (FPIC)… although we prefer to secure what we call broad-based, free, prior, informed support.”

In October 2013 the UN Working Group on Human Rights and TNCs reported to the General Assembly that much more needs to be done by business including Rio Tinto to protect indigenous peoples’ rights. The Working Group part of the UN Human Rights Council and the OHCHR’s approved and filed reports including the Annual report of the Rights and Resources Initiative which stated that:

“The mining giant Rio Tinto said in 2012 that it would seek “free, prior and informed consent” from communities before mining. But analysts of the company’s actions said in 2013 that the commitment was applied “where possible” and seemingly only if host governments approved. Many communities were unimpressed by Rio Tinto’s pledge, saying at the company’s annual meeting in London in April that their consent was not being obtained.”

The report specifically criticised Rio Tinto over its operations in Mozambique and Mongolia.

**Resolution copper and the rights of indigenous peoples**

**Rio Tinto is leading an effort to win permitting for an underground copper mine known as Resolution Copper in a semi-desert area of Arizona, USA.**

The Arizona Mining Reform Coalition reports that threats posed by the project have united Native American Tribes, local communities, concerned miners, recreation, conservation, and religious organization in opposition.

Mining companies have asked the US Forest Service several times for access to the areas, but each time this has been refused on the grounds that they are too important for ecological and recreational reasons. The entire area is also sacred to Native American Tribes.

Resolution is engaged in shortcircuiting normal US mining permitting by attempting to introduce a private bill into Congress proposing a land exchange in which they would offer the Forest Service other land in exchange for the public land where the mine would be located. This manœuvre is designed to avoid effective
public scrutiny and would limit the time it would take for permits to be vetted. It would also avoid the need to produce a mining plan that would disclose exactly what Rio Tinto is planning and what the total impacts to the land, water, air, and people might be.

Rio Tinto got their first land exchange bill introduced into US Congress in 2004. Since then, there have been 12 versions of the bill, all defeated.

Rio Tinto has also hired several Apaches who are working to undermine the Tribal government’s opposition to the land exchange.

The US supports the United Nations Declaration on the Rights of Indigenous Peoples through Executive Orders by President Clinton’s requiring US government consultation with Native American Tribes before any federal action is taken that would affect sacred sites or the sovereignty of Native American Nations. President Obama confirmed that his administration will abide by these orders, however they are not binding on the US Congress. Multiple U.S. Government agencies have testified at Congressional hearings that they cannot support the land exchange bills as written because, among other reasons, they do not require government to government consultation with the affected Tribes.

London Olympics

In 2013 an international coalition of labour and environmental groups released a report analysing what’s wrong with the Responsible Jewellery Council (RJC), which Rio Tinto is a founding member of. The RJC claims to promote responsible, ethical, social and environmental practices throughout the diamond and gold jewellery supply chain from mine to retail.

The report, titled “More Shine than Substance”, documented how the RJC is not transparent and is riddled with loopholes which can allow conflict minerals through its auditing and accountability system. For instance the RJC allows a company as a whole to be compliance-certified even when some of its facilities are clearly violating human rights protections or environmental safeguard laws.

Rio Tinto used RJC to accredit the metal it provided for the medals for the 2012 London Olympics even though Rio Tinto is complicit in continuing human rights violations and environmental destruction in Grasberg.

Dow Jones Business Manager for Europe and Asia Pacific Regions Denise Kestler in a large-scale media analysis by Dow Jones reporting on the games “true value” to its corporate sponsors, decided that Rio Tinto had fared worst of the games’ sponsors- in terms of weight of negative coverage, 4

Economic

Rio Tinto claims that it aspires to bring sustainable and net economic benefit to the regions and countries in which they have a presence. What do the facts say?

Rio Tinto paid $38.1 billion for aluminium producer Alcan in 2007. Aside from Alcan shareholders, who received a 65 percent premium on the value of their shares from Rio Tinto, few Rio Tinto stakeholders received economic benefit from this acquisition. The acquisition left Rio Tinto saddled with debt and looking for ways to cut costs. It shut numerous aluminium facilities, costing thousands of workers their jobs. It tried to squeeze all it could from remaining workers, including locking out workers in Alma, Quebec in 2012. This lockout culminated in Rio Tinto having its brand tarnished in connection with sponsoring the Olympics. The company eventually wrote down $25 billion of the purchase price of Alcan.

The NGO Publish What You Pay Norway recently found that there are over 100 Rio Tinto subsidiaries, many of which are offshore. Off-shore listing of subsidiaries can serve a number of purposes, including to pay lower rates of tax or to draw a veil over business activities. Rio Tinto’s Simandou project in Guinea for example is operated by an offshore joint venture company – Simfer – registered in Jersey. It is beyond the scope of this report to investigate the reasons for offshore listing of many of Rio Tinto’s subsidiaries.

In December 2013 Rio Tinto announced plans to sharply reduce capital expenditure in the coming years. Workers believe that capital expenditure should be directed to safety improvements on existing projects. Many of the land-based communities affected and displaced by Rio Tinto’s operations would argue that the company should pay just compensation.

Rio Tinto are challenged by Australian union CFMEU over the super-profits made in iron and in coal which the union believe should be “spread around”. The union contend that Rio Tinto and other mining industry majors are not paying their fair share under a recently implemented resource tax scheme. The union’s analysis is that the gross operating surplus from the Australian resources sector increased from AUD 28.6 billion in 2003 to AUD 113 billion in 2012. Recent polls indicate wide-spread support for increasing such taxation.

In Mozambique, Rio Tinto has failed to provide economic benefit to its stakeholders and has had a detrimental impact on communities. The company paid billions for the Riversdale coal project without first understanding challenges related to the mining transport logistics in the area. The people living in its concession still got forced off their land.

Mozambique

Two of the world’s largest mining companies, Vale and Rio Tinto are seeking to extract coal from huge coal fields in Mozambique’s Tete Province. It is possible that the two projects, if properly taxed could help Mozambique bring benefit to the people of Tete Province. However, for a number of reasons, there is little reason to believe the projects are going to benefit the people of Mozambique.

There is a lack of transparency and accountability and little publicly available information about the companies’ activities. Civil society cannot access development agreements and contracts between mining companies and government are confidential.

Although mining has brought a new lease of economic life to Tete province, this does not benefit local communities. In general only foreign companies are benefitting from the procurement of goods and services and local entrepreneurs are not involved.

The mining projects disrupt the way of life of the local people through resettlement, and cause an associated loss of livelihood and the lack of access to the natural resources on which those livelihoods were dependent.

Rio Tinto moved people from Capanga to Mwaladzi. At Capanga, residents relied on their proximity to the river not only for agriculture, but also to bathe, wash clothes, play and socialise. The land around Mwaladzi is arid and requires irrigation if it is to be farmed successfully. There are serious shortages of water for both agricultural and domestic use. Water pumps were provided but these fall into disrepair or cannot function during power cuts. Water has at times to be delivered by truck and sometimes people go without for three days.

Mwaladzi is also 40 km away from markets in the district capital in Moatize whereas before, they were within walking distance. This, plus the scarcity of baobab trees around the new settlement, means the people are not able to sell firewood, charcoal, and wild fruits with which they generated a cash income in addition to farming or if crops failed. Jobs generated by Rio Tinto (and Vale) in the construction phase were just short term.

Resetted community leaders have been instructed not to speak with civil society activists, journalists and other agencies without prior approval from the district administrator. Withheld permission has prevented UNICEF from conducting research and programming in the resettled villages. Such actions undermine the right to freedom of expression confirming the view of Human Rights Watch that the surge in mining in Tete Province can pose “grave risks to human rights.”

Environment

Rio Tinto claims that respect for the environment is central to its approach to sustainable development. However its environmental reporting is often murky and its performance toxic.

Rio Tinto report aggregated totals for the volume of water they say they withdraw, discharge and recycle. This meets the second lowest level of reporting “requirements” of the voluntary GRI scheme. There is little sense of the differential impact (depending upon whether it’s a wet zone or an arid zone) their withdrawal and use of water have on the environment and communities.

There are additional GRI water-use categories seeking information on “water sources significantly affected by withdrawal of water” and “water sources and related habitats significantly affected by discharge of water”. Rio Tinto does not use these categories and so provides less information on the impact of its water use.

Grasberg

Since 1995 Rio Tinto have been mired in continuing international criticism over their active involvement in Grasberg, in a joint venture with Freeport McMoRan (FCX) known as PT Freeport Indonesia (PTFI).

The Indonesian environmental group WALHI quantified the impacts of Grasberg’s controversial riverine waste dumping and their waste rock dumping filling in two adjacent valleys. They showed that 1.3 billion tons of mining waste had been dumped into the Ajkwa river system, and this would equate to 4 billion tons by the contractual end of the mining in 2041.

The Norwegian State Pension Fund disinvested from Freeport in 2006 on grounds of their investment risk being unethical because of Grasberg’s continuing serious environmental damage and unwillingness to improve environmental management. They disinvested from Rio Tinto in 2008 on similar ethical grounds.

The disinvestments were of $19 million in Freeport and $786 million in Rio Tinto. They noted but didn’t investigate reports of Freeport’s complicity in human rights violations.

The New Zealand State Superannuation Fund disinvested from Freeport in Sept 2012 over human rights abuses associated with the mine involving torture, illegal detentions, and killings by security forces protecting the mine. Sweden’s state-owned pension funds, on advice from its ethical advisory council, disinvested in Freeport in October 2013 over
its causing serious adverse environmental impacts that contravene the UN Convention on Biological Diversity through its mining operations in Papua.

What Rio Tinto continue to value most about mining Grasberg is the low operating costs, the lack of regulatory need for international good practice tailings management, the lack of liability to traditional owners for forcibly appropriated land, the very large increase in profits after 2021 at more predictable levels, and the planned increasing development of underground ores bodies using block-caving. It's clear that Rio Tinto’s involvement in Freeport can be lucrative. It’s also clear that it continues to be unethical.

Biodiversity

Rio Tinto claim that they are committed to not negatively impacting biodiversity. However they also acknowledge the fact that 50% of the areas where they mine are of very high or high biodiversity value. In order to justify mining in these areas, the company developed their Net Positive Impact (NPI) policy. Rio Tinto consider that their ilmenite dredge-mining in the forests of Madagascar is their “test case” of this policy. This mine is operated by QMM, of which Rio Tinto holds a majority.

Critical to Rio Tinto’s NPI policy is the idea of biodiversity offsetting. Biodiversity offsetting is creating or restoring biodiversity habitats in exchange for negative impacts on biodiversity of a project, in this case Rio Tinto’s ilmenite mining project. In reports published by International Union for Conservation of Nature (IUCN), an argument is made for biodiversity offsetting producing NPI by 2065. The modelling shows NPI over 50 years based on the assumptions that existing baseline forest as trees can be devalued to 40% value by using a crude assessment of canopy, and that positive net biodiversity outcomes can be forecast from restoration and from investment in “biodiversity offsets at several forest sites in the region, of c.6,000 ha of forest” and other unspecified offsetting. In terms of the depletion of several Critically Endangered species, the report does not consider “whether enrichment would be feasible or desirable”.7

In a recent interview Gemma Holloway, sustainable development consultant to Rio Tinto conceded that “QMM has struggled to engage communities and to implement effective social development projects to improve the wellbeing of local people affected by the mine.”8

Ethical Corporation quote her as saying that the “company’s track record on the environmental front has, however, been far from exemplary and its involvement in forest management in the areas around its existing and future mining sites has aggravated relations with local communities, and in some areas led to increased forest degradation and communities retaliating against their loss of ownership of local resources.

Waste

Rio Tinto state overall quantities of waste production – an “estimated 1,878 million tonnes of mineral waste (predominantly waste rock and tailings)”. They include a brief report on the acid rock drainage [ARD] hazards in the 24 of their mines that they have visited and assessed since 2004. They fail to describe or quantify the impacts of the ARD hazards particularly on local water sources and how they plan to manage such hazards. At their new copper mine in Mongolia, an independent audit found that their ARD management has specific failings in risk assessment and management decision-making.9 This underscore the need for Rio Tinto to report more informatively.

Energy

In 2010 EU environmental lawyers Client Earth complained to a UK financial regulator about the inadequacy of Rio Tinto’s public reporting of its risks and uncertainties assessments on several of its controversial operations and on the specific product uranium.10

Rio Tinto has uranium mining pollution legacy issues in Northern Territory Australia at its former Rum Jungle mine. The untreated polluted site has had two publicly-funded clean-up programmes since 2009 totalling over AUD 20 million seeking to remediate the still highly polluted site including continued leaking into surface water resources. The site has been a restricted area since 1989. The intensification of the pollution is caused by acid mine drainage.11

In December last year in almost identical incidents, defective concentrator tanks burst at Rio Tinto’s...
unsustainable: the ugly truth about rio tinto

uranium mining and oxide concentrator projects at rossing namibia and ranger in northern territory.

In namibia little is known except that the cause was identified quickly by rossing as being “external corrosive effects”. Other tanks were not examined internally and production quickly was allowed to re-commence. RT rossing didn’t reveal the volume of toxic slurry which escaped, nor discuss its problems with its containment.

pollution in salt lake county utah

Rio Tinto’s subsidiary Kennecott operates a huge open-pit copper mine, four coal-fired power plants and a smelter on the edge of the great salt lake wetlands and Utah’s largest urban area Salt Lake County.

Rio Tinto regard its Utah mine as an extremely low-cost, high-volume copper producer. In their 2010 review they assessed unit costs as minus 6c per lb of copper.

Utah Physicians for a Healthy Environment and other air quality groups however argue – using RT-Kennecott’s own data and American Heart Association modelling – that the company’s air pollution from this operation causes 150 premature deaths per year.

The environmental problems at the site go beyond air. There is also a legacy of mining-released selenium, sulphates and total suspended solids in groundwater and into the great salt lake.

Local media have found that Kennecott has posted virtually no bond for clean-up of the mine site. This means that if Rio Tinto were to abandon the mine, taxpayers could be stuck with the reclamation costs.

climate change

Rio Tinto reports composite greenhouse gases emissions – expressed as CO2 equivalent, or eq – as a total over all their operations, which is stated to be 41 million tonnes for 2012, a 0.05 per cent decrease.

They are completely equivocal in their reporting about the impacts of climate change which “will create risks and opportunities that will affect shareholder value” while at the same time stating that “Over the longer term, climate change threatens the stability of natural, social, economic and political systems, which risks significantly damaging the prospects for our businesses.”

Rio Tinto’s choice of 2008 as the base-year for their carbon emissions is significant because Rio Tinto focused that year on maximising production to pay-down extremely high debt levels. Emissions data for 2008 were extremely high and therefore such relative emissions reductions should easily be achievable.

The company does not disclose transparent let alone coherent programmes for reaching any of their goals for reduced carbon emissions. Rio Tinto and fellow miner BP announced in 2007 that they were constructing a carbon capture project in Australia, however they quietly dropped the plans less than a year later.

Rio Tinto must live by its own claims

Rio Tinto uses its sustainability reporting as a vehicle to burnish its image in order to secure a social license. This report shows that the truth about Rio Tinto is much more ugly.

Rio Tinto is currently not a socially responsible company operating in a transparent and sustainable manner. The company portrays itself as socially responsible because it must. If communities where Rio Tinto wants to operate believed that the company was not socially responsible, they may reject the company’s plans. We would prefer that Rio Tinto developed socially responsible plans in the first place.

The ultimate intent of this report is not to criticize Rio Tinto or damage its reputation. Rather, it is to be part of a process that transforms Rio Tinto.

IndustriALL is an organization composed of workers and their unions around the world. Thousands of these workers are employed by Rio Tinto, and our affiliated unions that represent these workers want them to have good jobs and be able to live in healthy communities where human rights are respected. Many of these workers also own shares of Rio Tinto and are concerned about earning a return on that investment.

It does not serve our members’ interests for Rio Tinto to file reports with misleading claims about social responsibility while blindly pursuing profits in a way that causes damaging conflict with numerous stakeholders.

We hope that this report will play a role in getting Rio Tinto to live by its own claims.

IndustriALL Global Union

IndustriALL Global Union represents 50 million workers in 140 countries in the mining, energy and manufacturing sectors and is a force in global solidarity taking up the fight for better working conditions and trade union rights around the world.

IndustriALL challenges the power of multinational companies and negotiates with them on a global level. IndustriALL fights for another model of globalization and a new economic and social model that puts people first, based on democracy and social justice.
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