

Investor Briefing

RIO TINTO: MORE RISK TO INVESTORS

June 2016



In recent months, Rio Tinto leadership has reached out to some unions with the stated aim of improving industrial relations. IndustriALL Global Union, with members employed by Rio Tinto in a dozen countries, welcomes this outreach, but remains concerned at Rio Tinto's continued and in some cases worsening breaches of international labor standards. We therefore ask that you continue to use your voice as a responsible investor to engage the company on the issues raised here.

Our concerns fall into two main categories: (1) Rio Tinto's refusal to engage in good faith dialogue with its workers' representatives; and (2) its excessive, and in some cases increasing, use of precarious work. In both instances, the rights of workers are being violated. In addition, these practices may bring risks (reputational, financial, operational) to the company. Rio Tinto's failure to engage with unions has in some instances led workers to strike or publicly denounce company behavior. Also, as mentioned in [our previous investor brief](#), excessive use of precarious work can increase health and safety risks, and can have negative implications for employee morale and workforce stability. The following is based on recent information provided by unions at Rio Tinto in several countries.

Refusal to engage in dialogue

In February 2016, Rio Tinto's Iron Ore Company of **Canada** (IOC) and IndustriALL affiliate United Steelworkers (USW) produced a joint statement that included a number of principles agreed to by both parties during recent talks. But on 25 May USW released [a statement expressing frustration](#) at IOC's failure to meet the commitments it made in the February statement. USW at IOC now has over 3,000 outstanding grievances against Rio Tinto for management violations of their collective bargaining agreement, and Rio Tinto refuses to engage in genuine dialogue to begin to resolve these grievances.

Rio Tinto's refusal to engage in genuine dialogue with workers' representatives recently also caused the union UNIFOR to publicly campaign against Rio Tinto after the company refused to address [unsafe, unsanitary conditions](#) in a timely manner at its aluminum operations in Kitimat, British Columbia.

At Rio Tinto's aluminium smelter in **Iceland**, the company's refusal to bargain in good faith provoked a strike by dockworkers

at the smelter earlier this year. The company responded by importing strike-breakers from overseas and threatening that if all employees at the smelter struck, Rio Tinto would permanently close the smelter. Both of these measures are extreme cases of undermining workers' right to strike, a right that must be respected to effectively recognize collective bargaining rights.

Increasing precarious work

IndustriALL affiliates in several places report that Rio Tinto is now pursuing permanent reductions in labor costs through dramatically increasing the use of precarious work in ways that discriminate against precarious employees, undermine their health and safety, and prevent their fundamental association and bargaining rights:

MADAGASCAR: We previously reported that at Rio Tinto's QMM, precarious workers outnumber permanent workers, and Rio Tinto has refused to discuss concerns about the pay of contract employees doing work for Rio Tinto and compensated at a level that leaves them working-poor and on the verge of desperation. The company recently announced it intends to dismiss all workers in a number of departments that it no longer considers part of its "core business" and replace them with contractors. It did not disclose the terms of employment for these contractors, but experience to date at QMM indicates they will be significantly worse than for regular employees. Rio Tinto's precarious workers in Madagascar have also reported worse health and safety conditions than regular employees.

NAMIBIA: Mineworkers Union of Namibia (MUN) reports that the company has long resisted discussing its concerns about violations of contract employees' rights to freedom of association and the effective recognition of the right to collective bargaining. Without negotiating with the union or providing transparent information, the company has recently informed MUN that it will contract out all maintenance positions to a South African firm. Given contract employees are currently compensated at dramatically lower levels at the worksite, this will likely result in many more employees suffering from unequal, inferior compensation. MUN submitted petitions to Rio Tinto in 2015 raising concerns about excessive contracting out and resulting threats to workers' fundamental association and bargaining rights, but to date Rio Tinto has not responded. MUN reports that Rio Tinto is taking the lead among Namibian employers in casualizing its workforce.

SOUTH AFRICA: National Union of Mineworkers (NUM) reports that precarious workers outnumber permanent workers at Rio Tinto's Richards Bay Minerals operation. NUM reports that when permanent contractors join unions and raise concerns about their employment conditions including by requesting proper personal protective equipment, they are victimized, charged for minor transgressions and eventually dismissed. When fixed term contractors join unions and raise concerns, their contracts are not renewed when they expire. Contractors are paid much lower wages than regular employees and receive worse benefits. When NUM raises concerns with Rio Tinto about the violation of contractors' association and bargaining rights and their poor compensation, Rio Tinto responds that these issues are internal to the contractor companies and not Rio Tinto's responsibility.

IndustriALL affiliates in **AUSTRALIA, CANADA, FRANCE, ICELAND** and the **U.S.** have also reported Rio Tinto has recently increased or is now significantly increasing the use of precarious work, putting workers' livelihoods and fundamental rights at risk.

Requests to investors

Next month, Rio Tinto CEO Sam Walsh will retire and Jean-Sébastien Jacques will take his place. Given this change and the afore-mentioned recent outreach of the company to unions, it is an opportune time to press Rio Tinto on the disjuncture between this outreach on the one hand, and the ongoing, systematic breaches identified above, on the other. Rio Tinto must both engage key stakeholders and respect fundamental rights.

As in our last communication, we would like to ask investors to *urge Rio Tinto to provide better disclosure* on its workforce composition, an area on which its reporting is poor. This is increasingly seen as essential information about how a

company manages its most important asset: its "human capital." We would also like Rio Tinto to make an *explicit commitment to prevent discrimination against contract workers* and ensure their fundamental rights are respected.

Investor engagement on these points could encourage a productive dialogue on the concerns identified in this brief. Not only would this give investors an opportunity to address the risks associated with poor labor practices; it would also be an important step toward ensuring that the company respects workers' fundamental rights throughout its operations.