

2021 Rio Tinto Resolution



Shareholder Resolution

Shareholder Resolution 2

Ordinary resolution on climate-related lobbying

Shareholders request that our company enhance its annual review of industry associations to ensure that the review identifies areas of inconsistency with the Paris Agreement[7].

Where an industry association’s record of advocacy is, on balance, inconsistent with the Paris Agreement’s goals, shareholders recommend that our company suspend membership, for a period deemed suitable by the Board.

Nothing in this resolution should be read as limiting the Board’s discretion to take decisions in the best interests of our company.

Supporting Statement

Shareholders affirm our company’s commitment to the goals of the Paris Agreement, its commitment to net-zero emissions by 2050, and its plan to invest US\$1 billion over the next five years in emissions reduction projects[8]. According to our company’s Chairman, “urgent, co-ordinated government action is essential” to meet the goals of the Paris Agreement[9].

Despite this statement, thinktank InfluenceMap scored our company’s indirect climate policy footprint -57 (on a scale of -100 to +100), ranking it the third most oppositional company operating in Australia[10].

Weak Australian climate policy

This resolution seeks to improve the advocacy on climate and energy policy by our company’s industry associations, in light of the failure of successive Australian governments to implement policies designed to reduce emissions consistent with the Paris Agreement. ACCR has engaged with our company for over three years on this issue.

In February 2021, Bloomberg ranked Australia’s climate policies as the weakest of the largest developed economies[11]. Australia’s commitment to reduce emissions by 26-28% by 2030 (from 2005 levels) is generally accepted to be inadequate[12]. Australian government forecasts suggest that emissions will decline by just 22% by 2030[13]. In response to the economic impact of the COVID-19 pandemic, the Australian government is proposing a “gas-fired recovery”, involving the development of multiple new gas basins[14]—a program at odds with the Paris Agreement yet supported by our company’s key Australian industry associations. Our company states that it “do[es] not support advocacy for policies that undermine the Paris Agreement or discount Nationally Determined Contributions (NDCs)”[15].

Since 2018, our company has preferred to engage with its industry associations rather than suspend or

terminate its membership, even when they have shown insufficient progress[16]. This engagement has not produced outcomes that align with mainstream investor standards. Our company remains a member of several industry associations that continue to oppose Paris-aligned climate policy, including the Chamber of Minerals and Energy of Western Australia, the Minerals Council of Australia, the Minerals Council South Africa, the (US) National Mining Association, the Queensland Resources Council and the US Chamber of Commerce.

In its latest review of industry associations, our company failed to identify any misalignment with its Australian industry associations. This review focused primarily on policy rather than advocacy. We set out below some of the most recent, oppositional advocacy by these groups.

Queensland Resources Council (QRC)

InfluenceMap score: F

The QRC published its first three page climate change position statement in August 2020. It made no mention of the Paris Agreement or net-zero emissions[17].

Throughout 2020 the QRC: welcomed government subsidies of \$125 million for fossil fuel exploration[18]; called for further subsidies and the fast-tracking of approvals of coal mining projects[19]; called for government subsidies of \$500 million for new gas pipeline infrastructure, incentives for further coal and gas exploration, and significant deregulation of the resources industry[20]; claimed to have influenced the federal government’s announcement of subsidies for the gas industry, including funding plans for five new gas basins and potentially underwriting new gas pipelines[21].

Ahead of the Queensland state election in October 2020, the QRC ran a partisan advertising campaign against political parties proposing decarbonisation policies[22]. Following the campaign, BHP Group and Origin Energy subsequently suspended their memberships[23]. In its 2020 review of industry associations, our company stated that the campaign was “inconsistent with [its] own policies regarding electoral political processes”, but that it would retain its membership and simply “encourage advocacy in line with our policies”[24].

In February 2021, the QRC welcomed a federal government inquiry into the “woke” banking and finance sector, for implementing policies to limit investment in and lending to the coal industry[25].

Minerals Council of Australia (MCA)

InfluenceMap score: E+

Throughout 2020 the MCA: lobbied to weaken the Environmental Protection and Biodiversity Conservation (EPBC) Act, including opposing the assessment of new projects’ greenhouse gas (GHG) emissions[26]; called for government subsidies for fossil fuel exploration[27]; and opposed the inclusion of Scope 3 emissions in Australia’s National Greenhouse and Energy Reporting scheme[28].

Despite our company’s position that “advocacy on the use of coal do[es] not support subsidies”, in February

and in 2021 the MCA called for an amendment to Australia's Clean Energy Finance Corporation, which would allow it to invest in coal-fired power generation[29]. This coincided with an almost identical proposal from Nationals Party MP Barnaby Joyce[30].

Chamber of Minerals and Energy of Western Australia (CME)

InfluenceMap score: E+

The CME does not have a public climate change policy. Despite its notional support for the Paris Agreement[31], it continues to advocate for the expansion of the gas industry in Western Australia[32].

In 2019, the CME opposed state-based regulation that would have required new emissions intensive projects to offset their emissions, stating that the proposed regulations would "negatively impact WA gas projects and potentially prevent some projects proceeding"[33].

In 2020, the CME opposed the assessment of new projects' greenhouse gas (GHG) emissions under the EPBC Act[34] and welcomed the Australian government's proposed "gas-fired recovery"[35].

Case for support

The activities of our company's industry associations stand in conflict with our company's commitment to net-zero emissions by 2050[36] and our company's long term financial and strategic interests.

Global leaders have a once in a generation opportunity to accelerate decarbonisation through wide-ranging economic policy commensurate with the seriousness of current crises. If our company is unwilling or unable to ensure that its industry associations support that transition, then shareholders should support the request that membership of those groups is suspended.

ACCR urges shareholders to vote for this proposal.

Further Information

1. See <https://shareaction.org/wp-content/uploads/2017/10/InvestorReport-AimingForA-Shell.pdf>
2. Filed with Royal Dutch Shell and BP in 2015 and Anglo American, Rio Tinto and Glencore in 2016. As Rio Tinto is dual listed it also included the Aiming for A resolution on the ballot at its 2016 Australian AGM, held in Brisbane. Although this was not technically required, the company stated that it did so in order to ensure the equality of rights between all of its shareholders.
3. Each resolution passed with well above the 75% threshold required to make the resolution a 'special resolution' that now forms part of each company's constitution (section 17 Companies Act 2006).
4. sections 249D and 249N of the Corporations Act 2001 (Cth)
5. S198A provides that "[t]he business of a company is to be managed by or under the direction of the directors", and that "[t]he directors may exercise all the powers of the company except any powers that this Act or the company's constitution (if any) requires the company to exercise in general meeting."
6. National Roads & Motorists' Association v Parker (1986) 6 NSWLR 517; ACCR v CBA [2015] FCA 785). Parker turned on whether the resolution would be legally effective, with ACCR v CBA [2016] FCAFC 80 following this precedent on the basis that expressing an opinion would be legally ineffective as it would usurp the power vested in the directors to manage the corporation.

7. Principle 1 of the Investor Principles on Lobbying, set out in IIGCC's European Investor Expectations on Corporate Lobbying on Climate Change, October 2018; Disclosure Indicator 7, Climate Action 100+ Net-Zero Company Benchmark, December 2020
8. <https://www.riotinto.com/en/invest/reports/climate-change-report>
9. <https://www.riotinto.com/-/media/Content/Documents/Invest/Shareholder-information/AGMs/RT-plc-agm-2020-speech-chair.pdf>
10. <https://influencemap.org/report/Australian-Industry-Groups-And-their-Carbon-Policy-Footprint-c0f1578c92f9c6782614da1b5a5ce94f>
11. <https://www.bloomberg.com/professional/blog/webinar/bnef-g20-zero-carbon-policy-scoreboard-whos-doing-it-best/>
12. <https://www.theguardian.com/australia-news/2021/jan/05/australias-new-climate-pledge-to-un-criticised-for-not-improving-on-2030-target>
13. <https://www.industry.gov.au/data-and-publications/australias-emissions-projections-2020>
14. <https://www.pm.gov.au/media/gas-fired-recovery>
15. <https://www.riotinto.com/-/media/Content/Documents/Sustainability/Corporate-policies/RT-Industry-association-disclosure-2020.pdf>
16. <https://www.riotinto.com/-/media/Content/Documents/Sustainability/Corporate-policies/RT-Industry-association-disclosure-2020.pdf>
17. <https://www.qrc.org.au/wp-content/uploads/2019/09/QRC-Climate-and-Energy-Policy.pdf>
18. <https://www.qrc.org.au/media-releases/qrc-welcomes-federal-governments-125-million-exploration-boost/>
19. <https://www.qrc.org.au/media-releases/qrc-urges-queensland-government-to-copy-wa-plan-for-resource-role-in-covid-19-recovery/>
20. https://www.qrc.org.au/wp-content/uploads/2020/10/Resource-Industry-Recovery-Agenda_Oct20.pdf
21. <https://www.qrc.org.au/media-releases/canberra-answers-qrc-calls-to-hit-the-gas-for-covid-recovery/>
22. <https://www.abc.net.au/news/2020-10-07/qld-state-election-origin-bhp-suspend-qrc-membership-greens-ad/12732652>
23. <https://www.riotinto.com/-/media/Content/Documents/Sustainability/Corporate-policies/RT-Industry-association-disclosure-2020.pdf>
24. <https://www.qrc.org.au/media-releases/qrc-welcomes-inquiry-into-impact-of-woke-banking-and-finance-policies-on-resources-sector/>
25. <https://www.theaustralian.com.au/commentary/why-mining-will-be-ground-zero-of-the-nations-recovery/news-story/2afefc504f833d477819707abd2deeb0>
26. <https://minerals.org.au/news/reform-priorities-support-faster-recovery>
27. <https://minerals.org.au/news/submission-standing-committee-environment-and-energy-national-greenhouse-and-energy-reporting>
28. <https://minerals.org.au/news/time-bring-nuclear-mix-australia's-zero-emissions-future>
29. <https://www.theguardian.com/environment/2021/feb/17/barnaby-joyces-call-to-allow-cefc-to-invest-in-coal-rejected-by-frydenberg>
30. https://cmewa.com.au/wp-content/uploads/2020/06/191129-ENV-State-Climate-Change-Policy-Submission-Final_signed.pdf
31. <https://cmewa.com.au/media-release/wa-gas-development-to-provide-multi-billion-dollar-boost-to-the-nation/>
32. <https://cmewa.com.au/media-release/cme-response-to-epa-environmental-factor-guideline-for-greenhouse-gas-emissions/>
33. <https://cmewa.com.au/wp-content/uploads/2021/02/200501-EPBC-Act-Review-Submission-Final-redacted.pdf>
34. <https://cmewa.com.au/media-release/cme-welcomes-federal-support-for-wa-mining-and-resources-sector/>
35. <https://www.riotinto.com/en/invest/reports/climate-change-report>