



# Resolution Flag Memo

## **Rio Tinto Plc / Ltd**

Annual General Meeting: **4 April 2024** (Plc in UK) and **2 May 2024** (Ltd in Australia)

*Proposals are flagged by Climate Action 100+ initiative for signatories to take into consideration during proxy season. Please note that the below information is provided by and accredited to the investor who is publicly predeclaring their voting intention and rationale to other Climate Action 100+ signatories, for routine votes as well as management or shareholder resolutions.*

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## Organisation requesting a 'flag' on resolutions

- As thematic lead investors on climate accounting in the European region of the Climate Action 100+ engagement initiative, **Sarasin & Partners LLP** supports the flagging of three resolutions.
- Public pre-declaration is here: <https://sarasinandpartners.com/stewardship-post/rio-tinto-2024-agm-how-we-are-voting-for-net-zero-accounting/>

## Votes on: Financial Statements, Auditor (KPMG) and Audit Committee Chair

Sarasin & Partners LLP is stating their intention to Abstain, as follows:

- **Financial Statements (Resolution 1)**: Abstain – Like last year, we are abstaining on Rio's financial statements. Rio's leadership on climate-related financial disclosures is clear, and we have welcomed the vigilance leading to the \$1.2bn impairment of two Australian alumina refineries linked to decarbonisation regulations. Despite this, we continue to have concerns: 1) the lack of disclosures for long-term commodity price assumptions; 2) the low carbon tax assumptions used for both the reference scenario and 1.5C scenario versus those suggested by the International Energy Agency; 3) how decarbonisation is considered in estimating closure provisions; and 4) lack of visibility on how physical impacts have been considered. We note that the Board highlights longer-term solvency risks from a faster roll out of green steel and the 'inclusion of closure considerations throughout the lifetime of the assets'.
- **Audit Committee Chair (Simon Henry) (Resolution 12)**: Abstain – Consistent with our voting on the Financial Statements, we are abstaining on the Audit Committee Chair's reappointment.
- **Auditor (Resolution 19)**: Abstain – KPMG's disclosures on how climate is considered in its audit is more detailed than most. We are missing, however, commentary on how climate was considered under their Key Audit Matters, notably on closure provisions, on the low carbon prices assumed by management, and potential sensitivity to a 1.5C pathway.

## Summary of why vote is being flagged

- These votes follow a long-standing engagement effort by a group of CA100+ investors with the Audit Committee Chair. Engagement activities to date maintain a focus on ensuring climate-related risks are fully reflected in Rio Tinto's financial statements. While Rio leads peers on its disclosures, in key aspects it has failed to provide transparency (commodity price assumptions) and its use of relatively low carbon prices raises potential questions over the reliability of impairment testing. Sarasin believes an abstain vote offers a mechanism to signal shareholder expectations for additional disclosures, whilst recognizing steps taken to date.