

# Rio Tinto

## Board Response to Plc AGM Resolution 24 / Ltd AGM Resolution 21 (the "Resolution")

March 2025

**The Board considers the Resolution  
is against the best interests of shareholders and of Rio Tinto as a whole and  
unanimously recommends voting AGAINST it.**

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# 1. Summary

- **The Board regularly evaluates options to maximise sustainable value for all Rio Tinto shareholders. In this context, the Board has periodically reviewed the merits of retaining the dual listed companies (“DLC”) structure**
  - In 2024, the Board undertook a comprehensive review, with substantial input and advice from external financial (GS, JPM), legal (Linklaters, Allens) and professional services advisers (EY)
  - The findings were carefully considered by the full Board including all independent non-executive directors. Rio Tinto engaged with Palliser seven times in 2024/25 and carefully considered our wider shareholder feedback.
- **The DLC provides clear benefits in terms of capital markets access, shareholder returns policy and franking credits utilisation**
- **Based on this comprehensive review, it is clear a DLC unification would destroy value for Rio Tinto shareholders**
  - DLC unification would result in expected tax costs in mid-single digit US\$ billions. Palliser significantly under-stated expected tax costs of a DLC unification
  - A DLC unification would result in significant wastage of franking credits and would likely result in Rio Tinto being unable to pay fully franked dividends in the longer term
  - Palliser’s claim that the share price of the unified Rio Tinto would trade up to, and ultimately surpass, the current price of Rio Tinto Limited is flawed and unsubstantiated
- **Palliser’s comparisons and frame of reference with other DLC structures (including BHP) are overly simplistic and misleading**
  - Unlike BHP, Rio Tinto holds almost all operations outside Australia under Rio Tinto plc, and 77% of our shares are in plc, while only 23% are under Rio Tinto Limited
- **Palliser’s assertions of an alleged c.US\$50 billion value loss due to the DLC are unfounded**
  - Rio Tinto has outperformed key peers and indices since the DLC was formed on a total shareholder return basis (see appendix p17)
- **The highly caveated Grant Thornton desk-top report largely repeats Palliser’s previously published arguments, already considered by the Board**
- **The Board believes an additional independent expert review would be duplicative and publishing the full findings would be prejudicial to shareholders’ interests**
  - Another review **diverts significant company resources and time away from critical focus on strategy execution** (such as integration of Arcadium Lithium)
- The Resolution requires the formation of a committee to review a unification of the DLC structure, **with an “external shareholder representative” in attendance**, which marks a **clear deviation from established governance principles and risks undermining the Board’s role**

## **The Board’s recommendation:**

- The requisitioned **Resolution is against the best interests of shareholders** and of Rio Tinto as a whole
- **The Board unanimously recommends voting AGAINST the Resolution**

## 2. Context and governance for the DLC Unification Review

### Context

- The Board, including all independent non-executive directors, regularly evaluates options to maximise sustainable value for all Rio Tinto shareholders
- In this context, the Board has periodically reviewed the merits of retaining the DLC structure
- In 2024, the Board undertook a comprehensive review (the “DLC Unification Review”), with the benefit of extensive external advice
- In May 2024, Palliser presented the concept of unifying Rio Tinto’s DLC under Rio Tinto Limited at a conference, and in December 2024 Palliser issued a public letter, presentation and proposed resolution

### The Board’s DLC Unification Review

- **Conducted over several months in 2024** with substantial input and advice from leading external financial, legal and tax advisers:
  - Financial advisers (Goldman Sachs and J.P. Morgan)
  - Legal advisers (Linklaters LLP and Allens)
  - Professional services firm EY (detailed tax analysis)
- **The review accounted for the specific characteristics and circumstances of Rio Tinto’s DLC structure** (including: (i) the geographic footprint of the Group’s businesses, growth outlook and therefore tax profile; and (ii) the distribution of shareholders that is heavily weighted towards Rio Tinto plc)

### Process and governance

- **Findings carefully considered by the full Board**, including independent non-executive directors, at a specially convened meeting in June 2024
- **Conclusions and recommendations were critically and comprehensively tested and challenged by the Board**
  - Rio Tinto has carefully considered feedback received from shareholders on a DLC unification
  - **Rio Tinto met Palliser 7 times** in 2024 / 2025 to discuss a DLC unification, including sessions with CEO, CFO and Chair. Having requested Palliser’s analysis in May, Palliser published this in December
- The Board reviewed Palliser’s materials published in December 2024, against the DLC Unification Review and unanimously reaffirmed its conclusion

### Conclusion

- **The Board believes an independent expert review would be duplicative and publishing the full findings would be prejudicial to shareholders’ interests**

# 3. The Rio Tinto Board has directly relevant experience with half the directors with tenures <3 years

## Rio Tinto plc / Limited Board



**Dominic Barton**  
Tenure: 3 years  
*Chair*

### Independent Non-Executive Directors<sup>1</sup>

**Sam Laidlaw**  
Tenure: 8 years  
*Senior Ind.*



**Simon Henry**  
Tenure: 8 years

**Ngairé Woods**  
Tenure: 5 years



**Jennifer Nason**  
Tenure: 5 years

**Ben Wyatt**  
Tenure: 4 years



**Susan Lloyd-Hurwitz**  
Tenure: 2 years

**Kaisa Hietala**  
Tenure: 2 years



**Joc O'Rourke**  
Tenure: 2 years

**Dean Dalla Valle**  
Tenure: 2 years



**Martina Merz**  
Tenure: 1 year

**Sharon Thorne**  
Tenure: 1 year



### Executive Directors<sup>1</sup>



**Jakob Stausholm**  
Tenure: 4 years (*CEO*)  
2 years<sup>3</sup> (*CFO*)

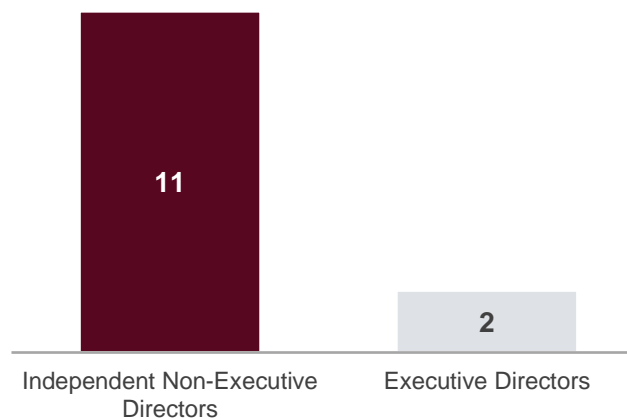
**Peter Cunningham**  
Tenure: 4 years  
*CFO*



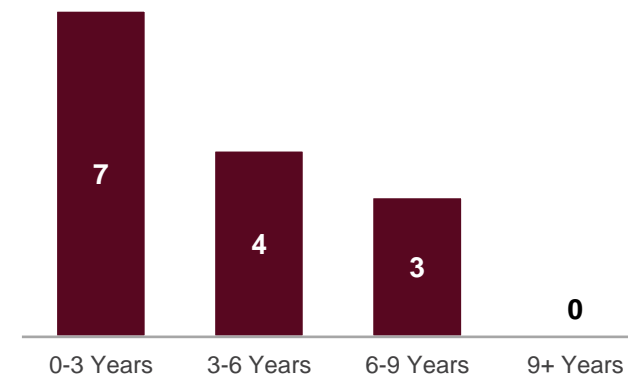
## Responsible Governance

- **Board independence:** Board consists of the Chair, CEO, CFO and **eleven independent non-executive directors**
- **Fresh Board perspective:** 50% of tenures between 0-3 years and c.30% having between 3-6 years
- **Several Board members bring direct relevant experience:** For example, Jennifer Nason and Sharon Thorne bring **>30 years of capital markets and financial services expertise**, having worked at J.P. Morgan and Deloitte, respectively

### Board Independence<sup>2</sup>



### Board Tenure



# 4. Impact of DLC unification: destruction of value for Rio Tinto shareholders

## 4.1 Tax costs

DLC unification would result in expected tax costs in mid-single digit US\$ billions

Detailed tax analysis was undertaken by EY

Palliser significantly under-stated expected tax costs of a DLC unification

## 4.2 Franking credits

If the DLC is unified, significant “wastage” of franking credits

In this scenario, Rio Tinto is unlikely to be able to pay fully franked dividends in the longer term

This may adversely affect the share price of a unified Rio Tinto in the longer term

## 4.3 Post unification share price

Palliser’s claim that the share price of the unified Rio Tinto would trade up to, and ultimately surpass, the current price of Rio Tinto Limited is flawed and unsubstantiated

**Palliser’s economic case for a DLC unification significantly under-states potential value leakage and over-states the benefits**

## 4.1 Tax: unification is not a “low-cost” decision, according to detailed tax analysis from EY

- As part of the review conducted in 2024, **detailed tax analysis was undertaken by professional services firm EY**
- Results of the tax analysis confirmed that **Palliser has significantly under-stated the expected tax costs of a potential unification**
- **Grant Thornton’s desk-top report relied on the assessment of Palliser’s own undisclosed “independent” tax adviser and purely publicly available information**
- The **nature and scope** of these tax costs are specific to Rio Tinto, taking into account:
  - Rio Tinto's structure, with **almost all operations outside Australia being held by Rio Tinto plc**
  - **Tax positions across the large number of jurisdictions** in which Rio Tinto operates
- **It is therefore misleading and overly simplistic to compare the costs of unification for Rio Tinto to other companies**

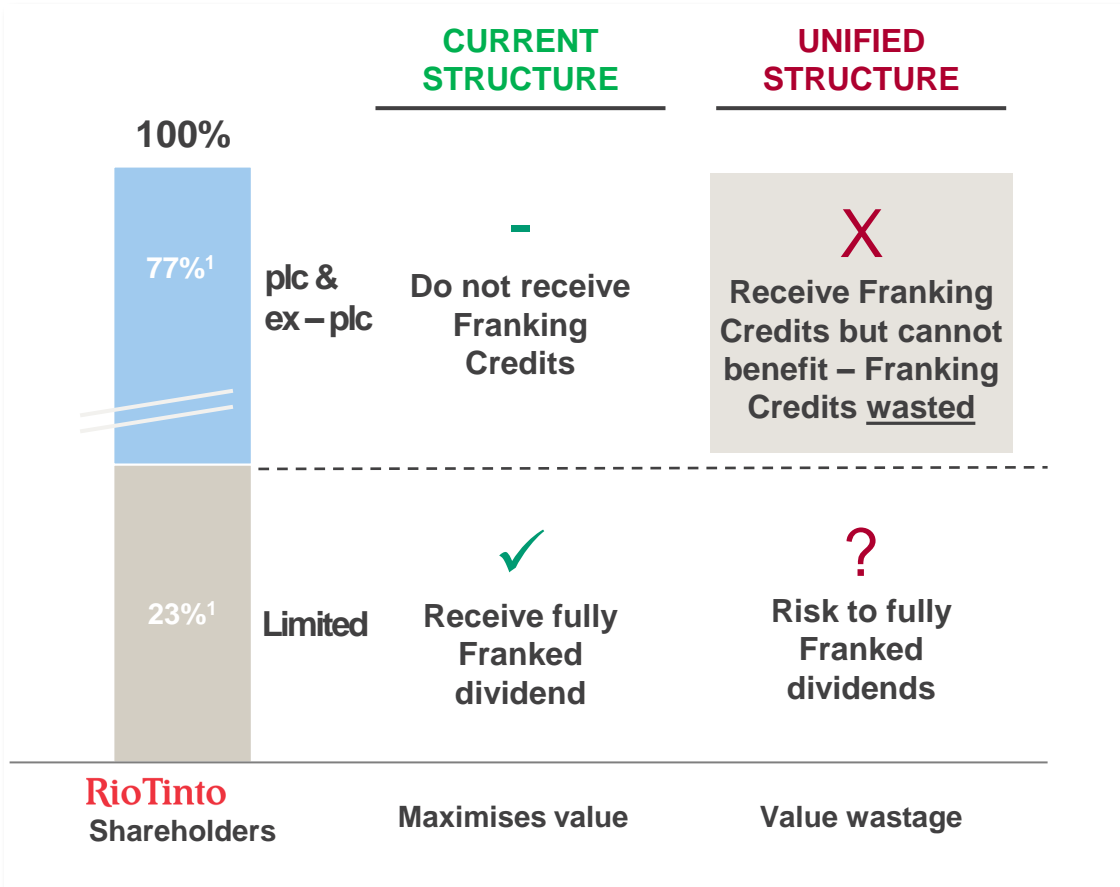
**Unification would result in tax costs in mid-single digit US\$ billions...**

**...representing a mid-single digit percentage of Rio Tinto’s current market cap**

**Palliser significantly under-stated expected tax costs of a DLC unification**

# 4.2 Franking Credits: unification would result in significant wastage

The DLC structure provides for the efficient use of franking credits, by allowing for the payment of franked dividends to only Rio Tinto Limited shareholders who are more likely to be Australian tax-resident



## DLC Scenario:

- Ltd dividends to remain fully franked
- Use of franking credits through DLC dividends likely to dissipate as plc earnings progressively ramp up
- **Basis of Ltd premium today:** Equity research estimates suggest that franking credits alone justify a premium of 10-15% of Rio Tinto Limited to Rio Tinto plc<sup>2</sup>

## Unified Scenario:

- **Under a unified Rio Tinto:** every shareholder would receive franked dividends, but only Australian tax-resident shareholders would benefit
- **Result:** the Group would unlikely be able to pay fully franked dividends over the longer term
- **Impact on future unified Ltd shareholders:** Removal of franked dividends may adversely affect the share price over the longer term

## 4.3 Post unification share price: expect trend to weighted average of the Rio Tinto plc and Limited share prices

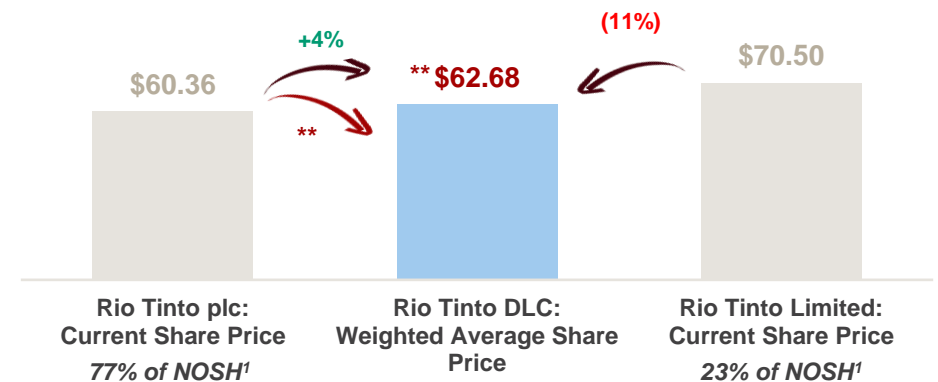
- **Palliser's claim** that the share price of the unified Rio Tinto would trade up to, and ultimately surpass, the current price of Rio Tinto Limited **is flawed and unsubstantiated**
- The difference between Rio Tinto plc's and Rio Tinto Limited's share price is influenced by:
  - Additional value that is ascribed by Australian investors to franking credits
  - Broader market sentiment<sup>2</sup>
  - Equity market flows
  - Index composition

### The Board believes:

- It is **highly unlikely** that the Rio Tinto Limited share price over the longer term would be maintained at pre-unification levels
- It is more likely that the share price would **trend towards the weighted average** of the Rio Tinto plc and Rio Tinto Limited share prices

### Unified share price is more likely to move towards the weighted average

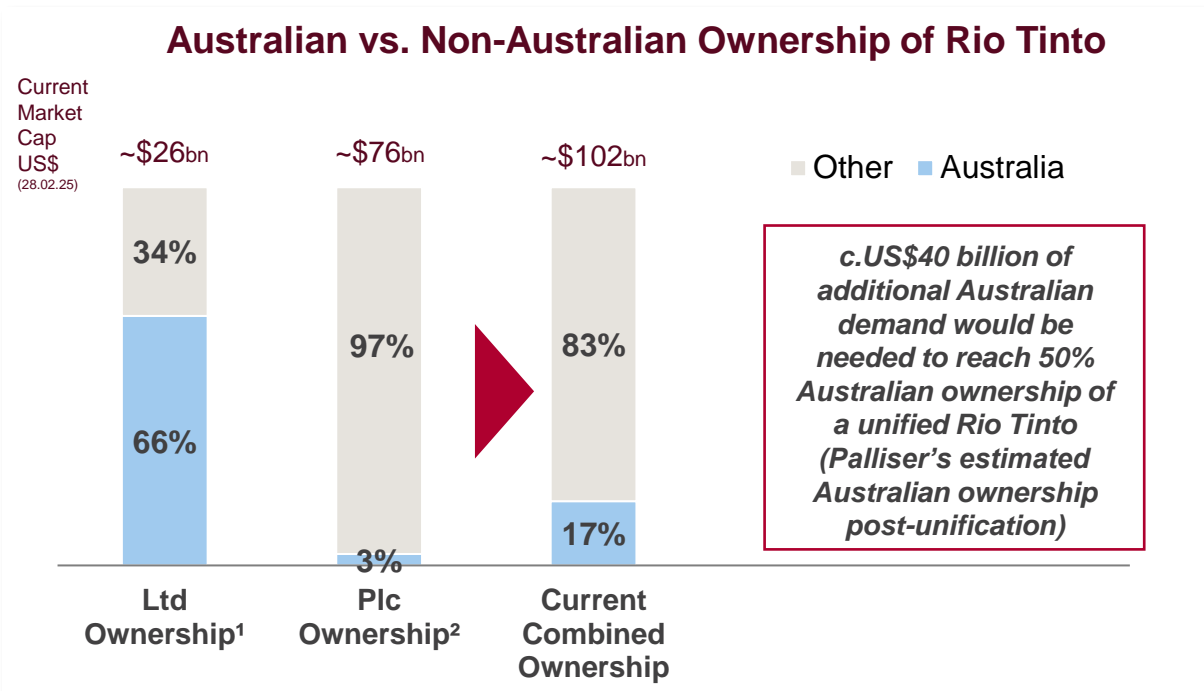
(all share prices shown in US\$)



**\*\* Impact of mid-single digit US\$bn tax leakage would likely offset any gain on plc side**

**Palliser's analysis ignored the full value leakage**

## 4.3 Post unification: c.US\$40 billion of additional Australian demand needed to reach majority Australian ownership of a unified Rio Tinto and avoid significant downward pressure on Limited share price



In the context of the Australian market, this demand can be compared to:

**US\$27.5bn**

Average annual equity capital markets issuance in Australia over the past 10-years

**US\$8.9bn**

Largest IPO in the history of ASX (Telstra Corporation, 1997)

**US\$3.9bn**

Largest follow-on offer in the history of the ASX (CSL, 2021)

- **For a unified Rio Tinto to trade in line with the current Rio Tinto Limited share price**, the Board believes it would require incremental demand of c.US\$40 billion from Australian tax-resident investors, and/or otherwise for international investors to reassess how they value Rio Tinto today
- **This volume of demand from Australian investors is meaningfully higher than other Australian references** (see above)
- **Rio Tinto Plc represents 77% of the DLC – meaningfully higher than BHP Billiton Plc's share of its DLC, prior to unification (42%). Unified BHP has still not reached the BHP Limited pre-unification share of 67% Australian ownership<sup>3</sup>, being at 56% Australian ownership today<sup>4</sup>**

Source: FactSet as at 28th February 2025, company information Dealogic.

1. Current Rio Tinto Limited Australian ownership as per Rio Tinto Fact Book (April 2024).
2. Current Rio Tinto plc Australian ownership as per Refinitiv on 5 March 2025.
3. As per BHP unification shareholder circular (08-Dec-2021).
4. As per disclosed in the Bank of America Global Metals, Mining & Steel Conference presentation (14-May-2024).

## 5. DLC structure provides clear benefits: capital markets access, shareholder returns policy and franking credit utilisation

### Access to global capital markets

- The DLC structure provides access to significant depth of liquidity in demand for, and trading of, Rio Tinto shares
- This is achieved through primary listings and premium index inclusion in two major capital markets and mining investment centres
- Rio Tinto plc has a pre-eminent position in the UK market as the default investment in the mining sector
- One of the ten largest companies and top five dividend payers in the FTSE-100 index

### Full support of shareholder returns policy

- Since implementing its shareholder returns policy in 2016, the Group has consistently delivered cash returns to shareholders at the upper end of the 40% to 60% range, in line with or above key peers
- Total cash returns to shareholders over the longer term are expected to be in a range of 40% to 60% of underlying earnings in aggregate through the cycle

### Efficient utilisation of franking credits

- The DLC structure enables a more efficient utilisation of franking credits
- Since the formation of the DLC structure in 1995, Rio Tinto Limited has always paid fully franked dividends to its shareholders
- It is anticipated that Rio Tinto Limited will continue to pay fully franked dividends in the longer term under the DLC structure
- A DLC unification may limit Rio Tinto's ability to pay fully franked dividends to Rio Tinto Limited shareholders

# 6. Palliser's value assertions are unfounded

**The Board believes Palliser's assertions of an alleged c.US\$50 billion value loss due to the DLC are unfounded, misleading and based on highly selective assumptions**

- **Palliser argues that the “inability to issue stock for M&A” under Rio Tinto's existing DLC structure has cost shareholders c.US\$35.6 billion in value**
  - Palliser's analysis is based on hypothetical assumptions for historical acquisitions, i.e., on retrospectively applying an “industry average of 68:32 stock to cash” to fund most of Rio Tinto's past acquisitions
  - Palliser has failed to consider the matrix of factors that would have been considered at the time of each acquisition, including Rio Tinto's capital allocation framework, the expectation of shareholder returns under different funding scenarios, and each acquisition counterparty's willingness to accept Rio Tinto shares
- **Palliser argues that, since the formation of the DLC structure in 1995, c.US\$14.7 billion of additional franking credits would have been utilised without the DLC structure in place**
  - Palliser's analysis is based on an unreasonable assumption that there would have been sufficient incremental demand for unified Rio Tinto shares from Australian tax-residents
  - Palliser does not account for the risk of Rio Tinto Limited being unable to pay fully franked dividends over the longer term under a unified structure
- **We note that the Grant Thornton report neither provides any supporting evidence to back up Palliser's assertions regarding the alleged US\$50bn value destruction, nor addresses this argument at all**

- Rio Tinto's continuous focus on sustainable shareholder value creation and effective capital management has been core to its financial success.
- Rio Tinto plc outperforming the FTSE-100 and Rio Tinto Limited outperforming the ASX200 over the 30-year period since 1995 referenced by Palliser (see appendix slide 17)

# 7. Dispelling misconceptions about the DLC

- |                                                                    |                                                                                                                                                                                                                                                                                                                                                         |                                                                   |                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1</b><br>Value creation from unification                        | <ul style="list-style-type: none"><li>▪ Uncertain – <b>re-rating towards weighted average share price is more likely as a very immediate step</b></li><li>▪ <b>Rio Tinto has outperformed key peers and indices since the DLC was formed</b> on a total shareholder return basis</li></ul>                                                              | <b>4</b><br>Strategic flexibility limited by DLC structure        | <ul style="list-style-type: none"><li>▪ Rio's cash deals not indicative of inability to issue stock; <b>acquisition financing always reviewed case by case</b></li><li>▪ <b>Several precedents of stock utilisation by DLCs</b>, including by Rio Tinto (<i>cf. pg.17</i>)</li></ul>                                                                               |
| <b>2</b><br>Supportive dynamics from AUS capital markets           | <ul style="list-style-type: none"><li>▪ For unified Rio shares to trade up, <b>tens of billions of US\$ demand needed</b> – likely beyond market capacity</li><li>▪ <b>Significant flowback expected</b>, unclear whether fully offset by flow-forward, <b>further exacerbated by 77/23 PLC/LTD ratio</b> (vs. 42/58 for BHP pre-unification)</li></ul> | <b>5</b><br>Complexity of DLC Governance                          | <ul style="list-style-type: none"><li>▪ DLC structure has not inhibited Rio Tinto's ability to have <b>effective governance over the last 30 years</b></li><li>▪ <b>Friction costs are de minimis</b></li><li>▪ Well-established and understood governance processes</li></ul>                                                                                     |
| <b>3</b><br>Value from franking credit framework under unification | <ul style="list-style-type: none"><li>▪ <b>Significant wastage of credits post unification</b> – outweighing current credits spent on DLC dividend</li><li>▪ <b>Downside</b> from unified Rio Tinto <b>no longer being able to fully frank dividends longer-term</b></li></ul>                                                                          | <b>6</b><br>Tax implications – triple-digit million amount at max | <ul style="list-style-type: none"><li>▪ <b>Assessment</b> by Grant Thornton relies on the assessment of Palliser's undisclosed "independent" tax adviser and <b>significantly understates Rio Tinto's own assessment</b></li><li>▪ Detailed tax analysis cannot be published – <b>commercially sensitive, prejudicial to Rio shareholders' interests</b></li></ul> |

**No new arguments in Grant Thornton's report –  
Rio Tinto's Board has already considered these arguments as part of the in-depth DLC Unification Review**

## 8. The Board's recommendation: additional expert review is duplicative and publication prejudices shareholders' interests

Rio Tinto's Board has **already completed an extensive DLC Unification Review**, including with five leading external financial, legal and tax advisers.

- 1** The findings of this review and shareholder feedback were carefully considered by the full Board, including independent directors, at multiple meetings, and were comprehensively challenged by the Board. There is **no basis to suggest a further review would deliver a different conclusion**.
- 2** The Resolution requires the formation of a committee to review a unification of the DLC structure, despite the full Board, with all independent directors, having done so, with an "external shareholder representative" in attendance. This marks a **clear deviation from established governance principles and fundamentally risks undermining the Board's role**.
- 3** The Board has already set out its conclusions in the notices of meeting, and **disclosure of further analysis in key areas would be materially prejudicial to shareholders' interests**, given it is highly commercially sensitive.
- 4** A further review of a DLC unification is **duplicative and would divert company resources and time** away from critical focus on strategy execution.

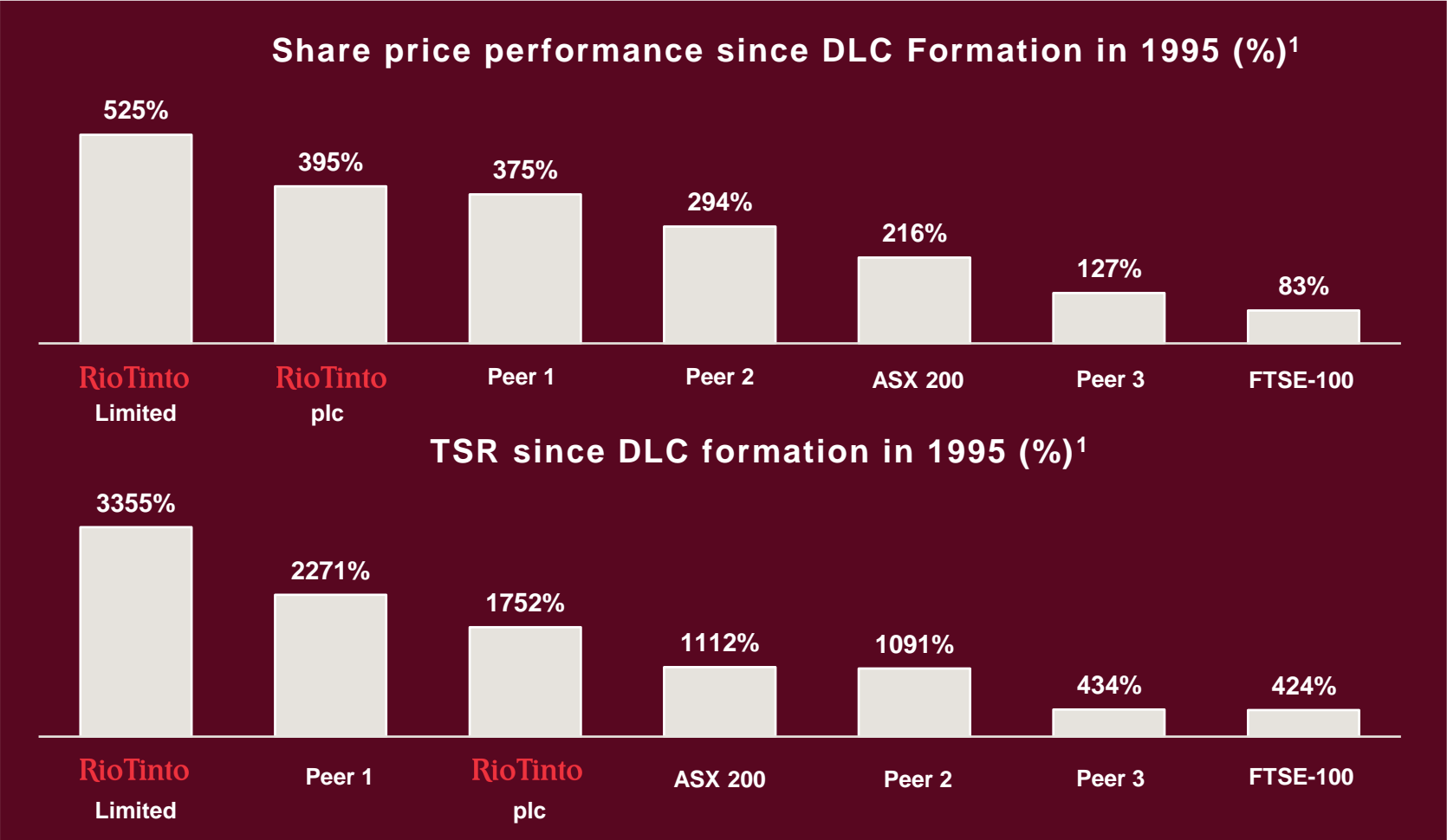
### The Board's recommendation:

- The requisitioned resolution is against the best interests of shareholders and of Rio Tinto as a whole
- The Board unanimously recommends voting AGAINST the Resolution

# Appendix

# Rio Tinto has outperformed since DLC formation









- Rio Tinto has continuously focused on sustainable shareholder value creation and effective capital management, both of which have been core to the financial success of the Group
- This is supported by factors such as:
  - ✓ Rio Tinto plc outperforming the FTSE-100 index and Rio Tinto Limited outperforming the ASX 200 index, in each case over the “30-year period since the inception of the DLC structure”, as referenced by Palliser both in terms of share price performance as well as on total shareholder return basis.
  - ✓ Rio Tinto outperforming key peers in the same period as well



# DLC provides optionality for raising capital and strategic M&A

- **DLC has not been, and is not, a constraint on the Group undertaking strategic M&A**
  - Provides the ability to offer equity in either Rio Tinto plc or Rio Tinto Limited to raise capital or use as share consideration in acquisitions
  - Choice of cash or equity to fund acquisitions is a function of a broad range of factors including:
    - Balance sheet capacity
    - EPS accretion / dilution
    - Target shareholders' preferences
- Rio Tinto carefully evaluates all acquisition funding options on a case-by-case basis, and **optimises to deliver the optimal outcome for shareholders**

## Proven ability of DLC structures to accommodate complex / significant M&A

	2000	A\$1.5bn	2000	\$0.4bn	2008	c.£44bn	2010	£0.4bn
Equity Deals	 <p>Rio Tinto acquisition of remaining stake in Comalco</p>	 <p>Rio Tinto acquisition of Ashton Mining</p>	 <p>BHP proposed acquisition of Rio Tinto</p>	 <p>Investec acquisition of Rensburg Sheppards</p>				
	Cash Deals	 <p>Rio Tinto acquisition of North</p>	 <p>Rio Tinto acquisition of Alcan</p>	 <p>Rio Tinto acquisition of Turquoise Hill Resources</p>	 <p>Rio Tinto acquisition of Arcadium Lithium</p>			

# Franking credits: unification would result in significant wastage

- The franking system was introduced to reduce the double taxation of corporate profits on dividends, by providing Australian shareholders with a credit for the Australian corporate tax already paid by the company
- When filing tax returns, Australian tax-resident shareholders will use franking credits to net against the tax on dividends that would otherwise be payable (up to a maximum rate of 30%)
- Only profits that have borne Australian corporate tax give rise to franking credits
- A company can issue fully franked dividends if the profits from which the dividend was paid were subject to full Australian corporate tax
- Unutilised franking credits can be carried forward to future periods
- **A key benefit of the DLC is that Rio Tinto Limited (which has significant Australian tax paying assets) pays fully franked dividends to its shareholders, a significant majority of whom are Australian tax-resident**
- **Dividends paid by Rio Tinto plc are not eligible to be franked to any extent (a significant majority of Rio Tinto plc shareholders are not Australian tax-residents and will therefore not benefit from franking credits)**
- Wasted franking credits through DLC dividends likely to dissipate as plc earnings progressively ramp up

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