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CDSB Secretariat
The Carbon Disclosure Project
40 Bowling Green Lane
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Dear Sir/Madam,

Invitation to Comment on the CDSB Framework

Thank you for the opportunity to comment on the proposed Carbon Disclosure Standard Board (CDSB) Framework.

We would welcome a Standard across industries for the disclosure of greenhouse gas emissions on the basis that this will be an important building block in the development of a global carbon market. We also support applying financial reporting principles and the inclusion of commentary on GHG emissions performance in the Annual Report.

I attach to this letter our responses to the questions posed in the draft CDSB Framework. In addition, we would like to raise two general concerns. While we recognise that the CDSB is proposing a voluntary and flexible reporting framework, we believe that these are important conceptual issues.

1. We believe that the core objective of the CDSB Framework should be the disclosure of reliable GHG emissions data on a consistent basis. This will provide stakeholders with the information needed to make performance decisions. We are concerned about the scope of some of the proposed disclosures, particularly those around risk.
2. On the assumption that the CDSB is proposing enhanced disclosure within the Annual Report, we are concerned that this would create an imbalance with the disclosure of other important areas of business activity. We believe that it is important for companies to have flexibility as to how they meet the needs of stakeholders.

We also believe that the CDSB should adopt all six characteristics of the IASB's conceptual framework. The scale of GHG emissions reporting work required of companies is significant and we believe that the principle of cost-benefit analysis to support disclosures is an important one.

We are available to discuss our response with you, if you have any queries. Please refer any questions on this submission to Tobias Puhlmann as tobias.puhlmann@riotinto.com.

Yours faithfully,

Peter Cunningham
Managing Director, Energy & Climate Strategy

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Appendix

Introductory questions

1. **Do you agree that a single global framework for climate change-related disclosure in mainstream reports is necessary and/or possible, notwithstanding the background of different national developments? If not, please explain why.**

   In principle, a global framework for disclosure of climate change-related information as defined by the four reporting templates in the CDSB in mainstream reports is indeed useful and necessary. This will aid convergence of national reporting protocols, particularly in countries where climate change legislation and reporting is not yet mandated.

   The adaptation of such a global reporting framework however would require some industry-specific modifications to account for the different nature of business activities.

   Currently, the Framework does not prescribe specific rules, instead saying that national rules, on financial reporting and corporate disclosure, will take precedence over the Framework. This does not help comparability, which is one of the enhancing characteristics it is seeking to achieve. A standardised global framework should be the ultimate objective.

   Some further considerations and recommendations to the four reporting templates proposed by the CDSB are outlined in our commentary below.

2. **Do you agree with CDSB's overall approach of aligning its Guiding Principles to existing relevant principles and objectives of financial reporting so as to elicit information of value primarily for investors? If not, please explain why and share with us your ideas for a new/different approach to climate change-related reporting.**

   In general, the CDSB's guiding principles are conducive to ensure that decision-useful information is reported to investors and to provide flexibility for specific requirements of businesses. It is also appropriate to apply financial reporting principles to GHG emissions data and to move the disclosures from the historic Sustainable Development reporting to the "management commentary" due to the financial value attributed to GHG emissions as defined by the six Kyoto Protocol gases in emerging climate change legislation.

   However, the framework alignment with the existing relevant principles and objectives of financial reporting is incomplete as only 5 of the 6 characteristics of the IASB's Conceptual Framework are adopted. "Cost" is ignored because the CDSB is confident that the benefits of disclosure outweigh the costs. All 6 characteristics should be adopted, because cost is a valid concern for companies and should not be dismissed.

   Further, in aligning itself to the IASB framework, the CDSB seeks to "elict information of value primarily for investors". In fact the IASB focus is "a wide range of users external to the entity", and includes a full spectrum of external stakeholders, not only investors.

3. **At the current stage in its development, the CDSB Reporting Framework, including the Reporting Templates, are designed for general use by all companies within the stated scope of applicability. Do you agree that further work is required to develop the Reporting Framework, including the Reporting Templates, to take account of particular sector-specific issues related to climate change? If so, please provide your recommendations, referring to particular sector specific climate change-related initiatives if possible.**

The CDSB reporting template will require some industry-specific modifications. Of particular concern to Rio Tinto is a meaningful reporting of GHG intensity. The suggested approach by the CDSB is to report GHG intensity by reference to revenue. The more appropriate intensity reference for the mining industry is by tonne of product mainly due to the volatility associated with commodity prices. Further, GHG intensity data referenced to revenue within the mining industry will not provide a meaningful comparison for investors due to the difference portfolio of mining companies.

A similar approach as adopted by the CDP dividing energy intensive, non-energy intensive, and utilities is favoured. This would enable sector specific adjustments to reporting.

Characterizing decision-useful information

4. **Do you agree with the principles and characteristics of decision-useful information that CDSB recommends for making judgments on the information to be disclosed under CDSB's Reporting Framework? If not, what additional principles or characteristics are required, or which ones suggested in the Framework would you change?**

   As mentioned in our response to question 2 above, we believe that the CDSB should adapt the IASB's qualitative characteristic of cost for the purposes of the Framework, because this is a valid characteristic that companies consider when preparing their financial statements and management commentary, and investors will not want companies to spend significant amounts of money capturing, recording, analysing, verifying and preparing information, if the costs outweigh the benefits.

   It is premature to pre-emptively assume that the benefits will always outweigh the costs, without performing an appropriate analysis of the costs and benefits. The IASB have not made such an assumption, and we believe the CDSB should adapt all six characteristics, if it plans to use the IASB's Conceptual Framework for Financial Reporting as a base for its own Framework.

5. **Do you agree that the CDSB characteristics of decision-useful information are practical for companies to apply and sufficient to limit the amount of information disclosed to the most relevant content for users? If not, what additional guidance or information do you suggest CDSB include?**

   As mentioned in our response to question 4 above, we believe that the CDSB should adapt the IASB's qualitative characteristic of cost for the purposes of the Framework. Without this guiding principle, companies would be required to disclose information that could be very costly to capture, record, analyse, verify and prepare for disclosure.

   The information on GHG emissions requested by CDSB to be disclosed seems overwhelming and not particularly decision-useful for investors. It is out of proportion with other relevant information equally affecting financial performance of an organisation as well as health, safety, and environment data.

   The following two areas are seen as particularly lengthy in relation to their relevance to business value:

   Regulatory risks from climate change (Reporting Template 2) – It is not relevant to include a description of all existing climate change related regulation and its application affecting the company. As a comparison, changes in tax legislation and royalties having similar if not greater financial implications are generally not disclosed in the annual report. Such significant regulatory changes would be widely discussed and communicated publicly such as this information is readily available to stakeholders analysing a company.

   Direct and Indirect Physical Risks from Climate Change (Reporting Template 3) – It is pertinent to provide a high level assessment of risks and opportunities to

the business. However, the level of detail requested by CDSB is not decision-useful to investors. Proposed disclosure of current and short term risks are not relevant to climate change and the long term impacts over the coming decades would be very difficult to quantify financially and therefore not relevant to a purely financial scrutiny by investors. Also, the climate change predictions and their current level of confidence impede an unambiguous reporting of detailed risks on a resolution required for operations located around the world.

Further, the proposed disclosure under Reporting Template 2 and 3 present considerable duplication of information that is also requested in the Strategic Analysis of Template 1. The relevant disclosure of Template 2 and 3 can easily be addressed in Template 1.

In order to reduce the disclosure volume, the possibility of a restricted CDSB report in the Annual Report should be considered with more detailed disclosure on the company web page.

The concept of materiality should be applied any disclosure under the CDSB.

Content

6. **Do you agree with the content that CDSB recommends for potential inclusion in disclosures under the CDSB Reporting Framework? If not, what additional areas would you recommend or which types of information in the Reporting Templates would you change?**

   Rio Tinto does not publicly disclose any kind of specific forecasts of costs and forward looking statements. This is due to strict legal and commercial sensitivity associated with such statements.

   Within an energy intensive business such as Rio Tinto, GHG emissions forecasts are a proxy for production. Therefore, Rio Tinto will be unable to submit any specific forecast of GHG emissions.

   Further, any forecast of GHG emissions may be seen by external stakeholders as targets. Any discrepancy between projections and targets can easily lead to confusion with environmentally sensitive investors and stakeholders and could result in possible adverse reputational implications.

   Also, see comment on GHG intensity reporting referenced to tonne of product in response to Question 3.

7. **Does one or more of the jurisdictions in which you operate already have requirements for any of the content in the Reporting Templates to be disclosed according to local rules? If yes, are the requirements consistent with the proposed CDSB Framework including the Reporting Templates? If they are not consistent, what are the major areas of conflict or difference?**

   The following national legislative and voluntary reporting registries are applicable to Rio Tinto Group:

   - European Union Emission Trading System (EU ETS)
   - Australia – National Greenhouse and Energy Reporting Framework (NGER)
   - US: The Climate Registry, The California Climate Action Registry, and The California Air Resource Board's Mandatory Reporting Program

   In general, the reported data and information proposed by CDSB are not in conflict with but more comprehensive than the information requirements by the above outlined registries.

The national legislation and voluntary reporting registries quantify materiality and facility threshold for reporting of scope 1 and 2 GHG emissions (six Kyoto gases).

However, the CDSB requires more extensive reporting of qualitative information on climate change. Disclosure of a strategic analysis, regulatory risks and physical risks from Climate Change (templates 1 to 3) is not required under any of the legislative and voluntary reporting schemes outlined above.

Further, no scope 3 emissions and no GHG intensity metrics (by reference to production or revenue) are reported under any of the above reporting schemes.

8. **CDSB's proposed Reporting Framework requires companies to define and explain the performance measures and indicators they use to track and demonstrate their progress in responding to climate change. CDSB considers performance measures and indicators to be crucial elements of decision-useful information as they aid understanding and comparability over time, provided that consistent metrics are used year on year. Do you foresee particular challenges in setting and explaining performance measures and indicators, and using those metric on a consistent basis over time? If so, please explain those challenges.**

   Rio Tinto does not see any difficulties in setting and describing externally its GHG emissions targets. However, GHG emissions targets may not be directly relevant to financial performance, depending on the type of targets set. Therefore, if the focus of the CDSB reporting template is aimed at investors, then the disclosure of GHG emissions targets would be less relevant.

   An aggregated target in a multi-commodity group may not necessarily be very meaningful. In the future, performance measures and indicators for a subset of more controllable emissions associated with a particular commodity or process may be considered.

Practicalities

9. **How do you anticipate information for compliance with the CDSB Reporting Framework will be collected in your organization? If possible, please state whether in-house or proprietary software is likely to be used, which departments would be involved in the collection and review of information, and how long the annual information collection process is likely to take.**

   In order to comply with the CDSB Reporting Framework, Rio Tinto needs to capture, record, analyse, verify and prepare information for disclosure, relating to four main categories – climate change strategic analysis, regulatory risks, physical risks and greenhouse gas emissions.

   The greenhouse emissions data requested by the CDSB is already being collected by Rio Tinto operations within Business Units and reported to Rio Tinto corporate for external disclosure for a number of years. Both, in-house software and proprietary software tailored to Rio Tinto's requirements are used for this purpose.

   Currently, at the majority of operations, the environmental team is responsible for the collection, collation, and reporting of GHG emissions data. The corporate Health Safety & Environment department and the Energy & Climate Strategy team are involved in the verification and external disclosure of the GHG emission data.

   Given that Rio Tinto has numerous operations, consolidating into many Business Units, with geographical locations around the world, the process to collect, analyse, internally verify and prepare the detailed information as outlined in templates 1 to 3 for external disclosure is significant. The corporate departments involved would include, but not be limited to – Energy & Climate Strategy (analysis, data verification, preparation); Health, Safety & Environment (analysis,

data verification); Corporate Assurance (verification of process and controls); Controllers (external reporting).

10. **What practical issues do you envisage when disclosing under the CDSB Reporting Framework? For example, constraints on the length of the mainstream report or particular requirements applicable in the jurisdiction in which you operate. What could CDSB do to limit any practical difficulties associated with reporting under the CDSB Reporting Framework?**

    The four skeleton templates are nine pages long, and the length of the disclosures in the "management commentary" will increase significantly if the proposed disclosures are included.

    It will be important to avoid any duplicate submission and disclosure of the information provided to CDSB and to any other voluntary and legislative reporting requirements. Rio Tinto assumes that any request for information by CDSB will substitute the request by the CDP.

    As outlined in Question 7, there are a number of national reporting requirements for part of the content under the proposed CDSB reporting. For the CDSB to be effective it would need to ensure that it did not duplicate information captured and reported elsewhere or at least enabled an easy roll up of this information in order to meet the Framework's requirements. From a cost and effort perspective this would be an area of importance to Rio Tinto.

11. **Is there anything else of relevance you would like to raise?**

    The illustration for business climate change and GHG emissions reporting information provided in the CDSB reporting framework (Appendix 2 – Typico plc) is inconsistent with the four reporting templates, because it provides significantly more detailed information.