

## ANNEX D

Date Sent: 16/05/2019

From: [REDACTED] [S40]

Ministers/SpAds Attending	Ministers/SpAds Sent Briefing for Info
Secretary of State, Department for International Trade	SpAds

**Meeting with Jean-Sebastien Jacques, CEO Rio Tinto plc**  
**Venue: King Charles Street**  
**Wednesday, 22 May 2019**  
**0930hrs**

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### Objective

An introductory meeting with Jean-Sebastien Jacques, CEO of RioTinto plc (RT), at his request. Bio at Annex B. Jean-Sebastien wishes to brief you on RT's strategy, business priorities and performance, deepen its relationship with UK government and offer insights into doing business in important overseas markets as the UK seeks trade deals outside the EU.

For DIT the meeting offers the opportunity to:

- develop DIT's global strategic relationship with RT, particularly in China, and identify how we can support in overcoming trade barriers;
- obtain the view of a globally significant UK HQ'd plc on geopolitical issues affecting an important sector for the UK economy; and
- highlight DIT's engagement with RT operationally and explore opportunities for UKEF strategic engagement in RT's global projects in order to support UK mining supply chain access.

### Background

RT is a key client. The mining sector team and colleagues in post are currently supporting the company in key markets most notably their Oyu Tolgoi copper mine in Mongolia, Guinea and in South Africa.

### Attendees

Jean-Sebastien Jacques, CEO Rio Tinto plc

[REDACTED] [S40] Corporate Relations, UK

**Colleagues attending**

**[REDACTED]**, [S40] Mining Sector Manager, Sectors Group, Global Trade and Investment

## Agenda

Agenda item	Key facts and briefing
<p>DIT Support</p> <p>Mongolia (Oyu Tolgoi), Guinea, Kazakhstan, South Africa</p>	<p><u>South Africa</u></p> <p>Jean-Sebastien wrote to you on 23 April to thank you for DIT's support for RT's Richard's Bay Minerals project in South Africa (See Annex C)</p> <p><b>Congratulate Jean-Sebastien on this project and pleased that DIT and Foreign office colleagues were able to support.</b></p> <p><u>Mongolia Oyu Tolgoi (OT) Copper Mine</u></p> <p>Continues to be a controversial domestic political issue with the Government announcing various investigations and audits into aspects of the original Investment Agreement (IA). A Parliamentary Working Group was established to review and report on the IA.</p> <p>The completed report had been due to be discussed by Parliament last week but was postponed. In a written response, OT highlighted their disagreement with the report's recommendations, especially proposed changes to/termination of the investment agreements.</p> <p>Both HMA Philip Malone and HMTc Judith Slater met with RT to discuss next steps. HMA has also had a series of discussions with key Mongolian politicians [REDACTED] [S27] HMTc visited the mine site in April 2019.</p> <p><b>Re-state our support for the OT project. What further support do RT need from HMG at this time?</b></p> <p>Opportunity for UKEF involvement in the next tranche of finance (\$1.6bn) which would support UK supply chain access.</p> <p><b>Reconfirm our wish to work with RT's procurement teams on OT and other projects. Is there potential for UKEF involvement in next tranche of funding \$1.6bn?</b></p> <p>Trade Envoy to Mongolia, Julian Knight MP, has recently resigned stating an increase in Parliamentary duties, in particular as PPS to the Treasury as reason.</p> <p><b>Confirm we will consider options to appoint a replacement for Julian.</b></p>

	<p><u>UKEF</u></p> <p>UKEF have recently signed MoUs with major companies including Bechtel and Atkins to facilitate their project finance and in turn UK supply chain access.</p> <ul style="list-style-type: none"> <li>• <b>Welcome DIT mining team’s current engagement with RT in Mongolia, Guinea, Kazakhstan and elsewhere. Would like to look at how we might establish a more strategic approach to DIT and UKEF working with RT on early stage projects.</b></li> </ul>
China	<p>RT report their exports to China are worth more than the entire UK’s exports to China. RT have excellent senior relationships with the Chinese Government. Chinese state owned enterprise Chinalco is a 30% shareholder in RT. RT advise their relationship with China is in good shape. But RT would benefit from a closer relationship with DIT China. We want to share valuable insights on Chinese politics and economics to improve our understanding of RT’s priorities and market access barriers</p> <ul style="list-style-type: none"> <li>• <b>We are committed to a closer senior relationship with RT. Our HMTc Richard Burn keen for DIT to support RT in trade with China.</b></li> <li>• <b>Seek Jean-Sebastien’s political and economic insights on China (e.g. Impact of US-China trade war on market access in China, Opportunities for foreign companies from China’s Belt and Road initiative.)</b></li> <li>• <b>What trade/investment barriers is RT experiencing in China which could be raised at JETCO?</b></li> </ul>
US / Russia Sanctions	<p>RT supply bauxite to the Rusal owned Aughinish alumina refinery in Co Limerick Ireland and also purchase the alumina produced. Rusal is the largest supplier of alumina and aluminium to Europe. Rusal’s CEO and shareholder Oleg Deripaska was named in the US Sanctions. However Deripaska has now reduced his holding in Rusal and the US has lifted sanctions.</p> <ul style="list-style-type: none"> <li>• <b>Seek update from Jean-Sebastien on the impact the lifting of the sanctions on Rusal will have on RT. Are there further impacts of ongoing sanctions?</b></li> </ul>

## Annex A - Rio Tinto and DIT Background

Rio Tinto is one of the world's largest multinational minerals and mining corporations with net revenue of \$40Bn and 47,000 employees worldwide in 35 countries. Dual listed in Melbourne and London. Headcount at its London HQ is c120 – following a reduction of c100 after restructuring in May 2018. It has no operations in the UK. The company is involved a range of commodities including aluminium (bauxite), iron-ore, copper, diamonds, coal, uranium, however they are making a commercially driven strategic decision to divest entirely from fossil fuels, believing that climate change agenda will be a definitive issue. RioTinto is a key client for DIT's Mining High Value Campaigns particularly in Mongolia, Guinea and Kazakhstan.

### Mongolia

RT and the Government of Mongolia signed an agreement in May 2015 to deliver Phase II of Oyu Tolgoi (OT) Copper mine unlocking an investment of \$4.4 billion which will become the world's third largest underground copper project. HMG support, at highest levels, key to success.

Producing up to a third of Mongolia's GDP when fully operational, the project offers significant opportunities to UK suppliers as do a range of wider infrastructure projects from rail to power generation. Opportunity for UKEF involvement.

The Mongolian Government under political and public pressure which argued that Mongolia is not seeing sufficient benefits from the OT mine, established a Parliamentary Working Group to review the Investment agreement. There has been concern about comments by the Head of the Working Group that their report had concluded the Agreement (which authorised the construction of the underground phase) should be rewritten. This would [REDACTED] [S43] have serious implications for wider investor confidence.

### Guinea, Simandou

Simandou is a large world class iron-ore reserve. Rio Tinto and Chinalco have been partners in development of this iron-ore asset (an \$18bn investment is needed to build the mine, rail and port infrastructure). DIT and HMA Conakry have been following this project via the West Africa Mining High Value Campaign and supporting Rio Tinto in their engagement with the Government of Guinea.

However RT has been unable to raise the investment needed. DIT is now working with RT country lead to assess potential for collaboration with a DIT facilitated UK consortium led, mine enabled economic development project which could see RT utilising rail infrastructure to transport the ore to the coast for export.

### South Africa

On 8 April Rio Tinto approved the next stage in the development of Richards Bay Minerals (RBM) in South Africa through the construction of the Zulti South project. The \$463million (Rio Tinto share \$343 million) investment will sustain RBM's current capacity and extend mine life. Construction is scheduled to start in mid-2019, subject to the granting of all necessary permits, with first commercial production expected in late 2021. DIT in South Africa provided support for this investment.

### Kazakhstan

A new Mining Code ratified by Parliament in January 2018. This should improve the investment climate and increase current exploration levels. RT currently exploring for copper in Karaganda region. RT participate in DIT's Mining subgroup of the UK/Kazakh Inter Governmental Commission, the next meeting of the IGC is scheduled for October 2019 in London.

### Serbia

RT is developing the Jadar Lithium mine with production expected to commence by 2023. Currently at pre-feasibility stage, RT has spent more than US\$90 million on the project to date. RT signed a Memorandum of Understanding (MOU) with the Government of Serbia on 24 July 2017 on the development of the project and related infrastructure. An opportunity for UKEF involvement. DIT is engaging with RT locally.

### United States

Resolution Copper Mine (RCM), Arizona. A limited liability company owned 55 per cent by Resolution Copper Company, a Rio Tinto PLC subsidiary, and 45 per cent by BHP Copper, Inc., a BHP-Billiton PLC subsidiary. Permitting is under way.

## Annex B – Biography Jean-Sebastien Jacques CEO, Rio Tinto plc



*Chief executive, MSc*

**Appointment:** March 2016 (board), July 2016 (chief executive)

**Committee membership:** Chairman's Committee

**Skills and experience:** Jean-Sébastien, a British citizen, has strong executive leadership skills and expertise in leading significant growth projects. He is also highly respected for his thought leadership across a wide range of geopolitical and economic issues within the mining industry and more broadly.

Jean-Sébastien was appointed chief executive officer of Rio Tinto's Copper group in 2013 and chief executive of the Copper & Coal group in February 2015. He led the transformation of this group, delivering a step-change in both safety and cash performance while reshaping the portfolio to focus on a core of the highest-quality assets. He also had responsibility for two growth projects, Oyu Tolgoi in Mongolia and Resolution in the US, both of which saw significant progress during his tenure. Prior to joining Rio Tinto, Jean-Sébastien spent more than 15 years working in various roles across Europe, South East Asia, India and the US. He covered a wide range of operational and functional positions for the aluminium, bauxite and steel industries and notably served as group director, Strategy, for Tata Steel Group from 2007 to 2011.

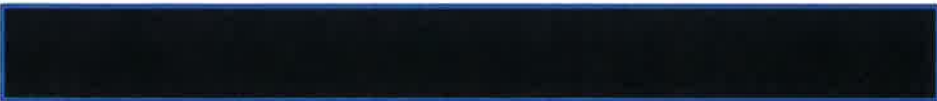
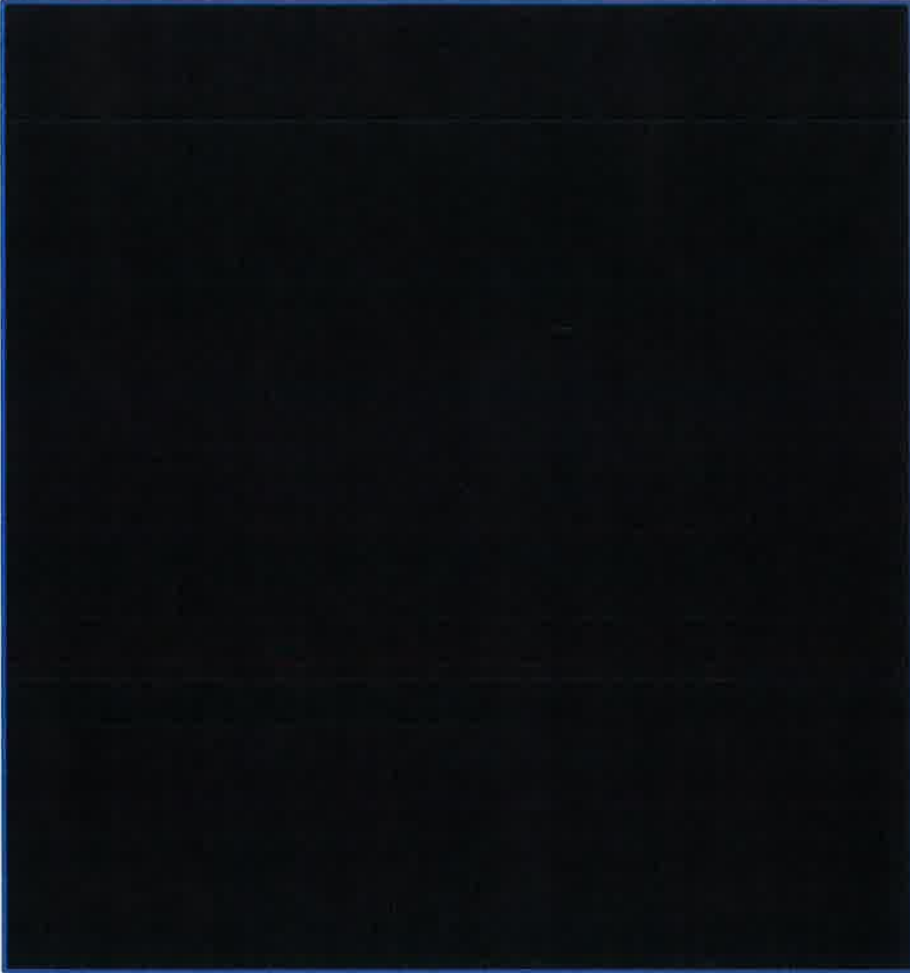
**External appointments (current and recent):** Chairman of the International Copper Association since late 2014.

[REDACTED]

[REDACTED]

[S40]

Annex C [redacted]



[out of scope]



## Readout:

SoS began by stressing that Jean Sebastien Jacques (JSJ) had been invited to the Mansion House Event in September. JSJ noted that DIT already did a lot to help Rio Tinto to operate in challenging countries through helping with contract negotiations amongst other things, but that DIT could do more to help create certainty for the future trading environment.

SoS raised the work of Rio Tinto in Mongolia and JSJ noted that it was a challenging country to operate in. There is political pressure on Govt of Mongolia to renegotiate the Investment agreement on RT's Oyu Tolgoi copper mine. JSJ stated [REDACTED] [S43] on this \$10bn investment. SoS asked what further support HMG could provide. DIT could help by liaising through existing diplomatic channels to understand issues and unblock them. [REDACTED] [S40], the external affairs adviser for Rio Tinto, noted that JSJ had met with the HMTC and HMA recently who were being helpful at creating relationships between Rio Tinto and post. JSJ stressed the value of having relationships with Post that often allowed doors to be opened in countries such as Mongolia. JSJ also mentioned support provided by HMG as key to establishing the right political and investment climate for RT's recent Richard's Bay Minerals investment in South Africa.

JSJ stated that [REDACTED] [S29] SoS refuted this point by pointing to recent FDI figures. JSJ also highlighted issue around attracting the right people.

On China JSJ said that Rio Tinto had been indirectly affected by the trade wars but that at the current time he was not overly concerned. [REDACTED] [S40] noted that Rio Tinto had experience expanding and China and would be willing to offer advice to the government on this issue as a standing offer. Similarly on the US JSJ noted that despite the trade wars trade was still flowing fairly freely as bulk of commodities supplied from RT operations in Australia. Stressed that as a key market it was important this remained the case. How Australia aligns could have a significant impact.

JSJ raised the importance of the free movement of people. SoS stated a modern economy needed free movement of labour as opposed to free movement of people. JSJ stressed that the most important element in helping Rio Tinto operate

and expand was improving 5G networks. SoS concurred that data was key to future trade development and emphasised that the EU needed to change into data localisation laws to accommodate modern ways of using data. SoS anticipated that on leaving the EU the UK would take a more liberal line on data usage. Both JSJ and SoS agreed that the gap between 4G and 5G was huge and that this needed to be expressed to governments more clearly.

JSJ ended on noting that Rio Tinto is launching its Resolution copper mine in Arizona which when operational will supply 25% of the USA's copper needs. Currently going through permitting process.