Rio Tinto Pension Fund

Statement of Investment Principles – March 2023

1 Introduction

1.1 This Statement of Investment Principles (the "Statement") has been prepared by Rio Tinto Pension Fund Trustees Limited (the "Trustee"), the corporate trustee of the Rio Tinto Pension Fund (the "Fund"). The Statement sets out the principles governing the Trustee's decisions about the investment of the Fund's assets. The Trustee refers to the Statement when making investment decisions, to ensure that they are consistent with the principles set out in it.

1.2 The Statement is designed to meet the requirements of Section 35 of the Pensions Act 1995, the Occupational Pension Schemes (Investment) Regulations 2005 (the "Investment Regulations") and any other regulatory guidance or overriding principles that relate.

1.3 The Fund's investment arrangements, based on the principles set out in the Statement, are detailed in the Investment Policy Implementation Document ("IPID") which is appended to the Statement.

1.4 The Trustee has obtained and considered written professional advice from the Fund's Investment Consultant in preparing the Statement, as required under Regulation 2(2)(a) of the Investment Regulations. The Trustee believes its Investment Consultant is suitably qualified to give advice on such arrangements. In matters where the investment policy may affect the Fund's funding policy, input has also been obtained from the Fund Actuary. The Trustee will obtain similar advice when it reviews the Statement in the future.

1.5 The Trustee's investment powers are set out within the Fund's Trust Deed and Rules dated 10 November 2009 (as amended from time to time), subject to applicable legislation. If necessary, the Trustee will take appropriate legal advice regarding the interpretation of these. The Trustee notes that, according to the law, the Trustee has ultimate power and responsibility for the Fund's investment arrangements.

1.6 The Trustee seeks to maintain a good working relationship with Rio Tinto plc (the "Company") and has consulted the Company when preparing the Statement and will discuss any proposed changes to the Statement with the Company in the future, as required under Regulation 2(2)b of the Investment Regulations. The Trustee has entered into a Deed of Guarantee and Agreement with the Company that sets out the Trustee and the Company's position with regards to the funding of the Fund and the setting of investment strategy.

1.7 The Trustee does not expect to revise the Statement frequently because the Statement covers broad principles. The Trustee will review the Statement in response to any material changes to any aspects of the Fund, its liabilities, finances and the attitude to risk of the Trustee and the Company that it judges to have a bearing on the Statement and in any event, no less frequently than triennially. Any such review will again be based on written expert advice and will be in consultation with the Company.

1.8 The Statement is divided into three parts:

- Part A – Defined Benefit ("DB") Section;
- Part B – Defined Contribution ("DC") Section; and
- Part C – General

2 Fund Governance

2.1 The Trustee is responsible for the investment of the Fund's assets but is permitted to delegate execution of these responsibilities. When determining which decisions to delegate, the Trustee has taken into account whether it has appropriate training and is able to secure the necessary expert advice in order to take an informed decision. The Trustee's ability to execute the decision effectively is also taken into account. In general the Trustee aims to keep the investment strategy and structure as simple as possible, and only introduce complexity where it is justified from a risk reduction or return enhancement perspective. Details of the Trustee's duties and responsibilities are included in the IPID.

2.2 When choosing investments, the Trustee and the Investment Managers, to the extent delegated, are required to have regard to the criteria for investment set out in Section 36 of the Pensions Act 1995, the Investment Regulations 2005 and the principles contained in the Statement.

2.3 The Trustee has established the Investment, Funding and Covenant Committee (the "IFC") to focus on investment issues. Details of the IFC's duties and responsibilities are set out in a separate document maintained by the Trustee. This is available to members on request.

2.4 The Trustee has chosen to delegate day-to-day management of the Fund's investment to its investment managers ("Investment Managers"), in accordance with Section 34 of the Pensions Act 1995 and the Financial Services and Markets Act 2000 ("FSMA"). The terms of each Investment Manager's appointment are contained in the Investment Management Agreement issued by the Investment Manager to the Trustee. Where possible, to minimise the governance burden, the Trustee will use existing managers for new investment mandates unless an equivalent mandate can be offered by a new manager at a more competitive cost. For reasons of simplicity and governance, the Trustee will also use pooled funds where available rather than segregated portfolios.

Details of the DB Section of the Fund's strategic framework, within which the Investment Managers operate, are specified in the IPID. A listing of the Fund's current Investment Managers (including a description of their mandates, benchmarks and the basis of the remuneration) is also set out in the IPID.

Details of the funds in which the members of the DC Section invest in are specified within the IPID. Each fund is managed by an Investment Manager with a defined mandate.

2.5 The Trustee has entered into a bulk annuity policy with a Buy-in Provider to insure a portion of the DB Section's liabilities. This policy will provide cashflows which match the insured portion of liabilities. The details of the Buy-in Provider are set out in the IPID.

2.6 The Trustee has appointed a Performance Measurer separately to the Fund's Investment Managers. The name of the current Performance Measurer is set out in the IPID.

2.7 The Custodian is responsible for the safekeeping of the Fund's assets and performs the associated administrative duties (e.g. trade settlement, dividend collection, corporate actions, tax reclamation and proxy voting). The details of the Custodian's appointment and duties are set out in the contract between the Fund and the Custodian. Summary details of the Custodian's duties and responsibilities are included in the IPID.

2.8 The Fund Actuary performs a valuation of the Fund at least every three years in accordance with regulatory requirements. The main purpose of the actuarial valuation is to assess the extent to which the Fund's assets cover the accrued liabilities and to agree contribution rates. The name of the current Fund Actuary is set out in the IPID.

PART A – DEFINED BENEFIT SECTION

3 Investment Objective

3.1 Meeting the Fund's Liabilities

In preparing the Statement the Trustee has taken into account the circumstances of the Fund with particular regard to the following:

- The nature of the benefits being provided by the Fund.
- The level of maturity of the Fund (the higher the proportion of the value of the liabilities represented by pensioners and deferred pensioners, the more mature a fund is said to be).
- The solvency level of the Fund (the degree to which the liabilities of the Fund are covered by the assets of the Fund).

4 Risk and Return

4.1 The Trustee recognises that it is not necessarily possible, or even desirable, to select investments that exactly match the Fund's estimated liabilities. Given the financial position of the Fund, the strength of the Company's covenant and the Deed of Guarantee and Agreement with the Company, the Trustee is prepared to take on risk in a controlled manner by investing in equities, non-government bonds and other return-enhancing asset classes.

4.2 The Trustee intends to maintain an investment strategy which targets a sufficient level of investment return to meet the Fund's liabilities, taking account of the Trustee's funding objectives. Assuming a funding level of about 100% on the Technical Provisions basis, the Fund's assets would target a return that would be sufficient to support the funding framework. The level of returns required will fluctuate from time to time due to changes in the funding position. The Trustee will monitor the position and may alter the asset allocation to reflect the funding position, eg to reduce risk (and expected return) if there is a material surplus. If the funding position were to subsequently worsen, the Trustee would expect to move the investment strategy back towards that required to meet the Fund's liabilities if there were no funding surplus. The Trustee may also look to make short-term changes to the asset allocation necessary to facilitate other objectives, eg to reduce allocations to illiquid assets in preparation for a bulk annuity transaction. Were such a transaction not to proceed, then the Trustee would revisit the investment strategy to ensure it remains appropriate and continues to support the Trustee's funding objectives.

4.3 In deciding to take investment risk relative to the liabilities, the Trustee has carefully considered the following possible consequences.

- The assets might not achieve the excess return relative to the liabilities anticipated over the longer term. This would result in the deterioration of the Fund's financial position and consequently higher contributions than currently expected from the participating companies.
- The relative value of the assets and liabilities will be more volatile over the short term than if investment risk had not been taken. This will increase the likelihood of there being a shortfall of assets relative to the liabilities in the event of discontinuance of the Fund. This consequence is particularly serious if it coincides with the participating companies being unable to make good the shortfall.
- This volatility in the relative value of assets and liabilities may also increase the short-term volatility of the participating companies' contribution rates set at successive actuarial valuations, depending on the approach to funding adopted.

4.4 The Trustee has taken advice on these issues from the Investment Consultant and the Fund Actuary. It has also held related discussions with the Company.

4.5 The Trustee's willingness to take investment risk is dependent on the continuing financial strength of the Company and its willingness to contribute appropriately to the Fund. The financial strength and commitment of the Company to the Fund is monitored. The Deed of Guarantee and Agreement sets out actions that the Trustee and Company will take should either of these diminish.

4.6 There are many different combinations of assets and investment management approaches that could be adopted in targeting a particular level of investment risk and/or expected return. The Trustee's objective is to identify those combinations that it believes are likely to maximise the return (net of all costs) for the level of risk taken. The Trustee believes that some investment risks are expected to generate a return. These include equity risk, credit risk and illiquidity risk. The Trustee is therefore likely to invest in mandates that offer exposure to these risks, and will look to reduce exposure to other types of risk associated with the valuation and payment of liabilities, such as interest rate risk, inflation risk and currency risk where the Trustee has less conviction in the existence of a risk premium.

5 Diversification of Risks

5.1 In addition to targeting an appropriate level of investment risk, the Trustee seeks to spread risks across a range of different sources. The Trustee has taken on risk for which it expects to be rewarded over time, in the form of excess return. The Trustee believes that diversification limits the impact on any single risk.

5.2 To control the risk of deterioration in the financial position of the Fund, the Trustee requires that the Fund's assets should be adequately diversified between different asset classes.

5.3 The asset categories set out below are among those that have been considered for the Fund's investments.

5.3.1 UK Government bonds – although UK Government bonds are a low risk asset relative to the Fund's liabilities, they are not risk free. *Interest rate risk* exists if the cashflow profile of the UK Government bonds held differs from that of the projected liabilities. *Inflation risk* exists if the assets and projected liabilities have different linkages to inflation.

5.3.2 Non-Government Sterling bonds – in addition to interest rate risk and inflation risk, investing in non-Government bonds introduces *credit risk*. Credit risk reflects the possibility that the payments due under the bond might not be made by the borrower.

5.3.3 Non-Sterling bonds – in addition to the risks listed above, investing in non-Sterling bonds adds *currency risk*. The Fund's liabilities are denominated in Sterling but investing in non-Sterling assets means that the assets are not. Consequently, changes in exchange rates will impact the relative value and liabilities. Non-Sterling bonds may be issued by governments and non-governmental borrowers.

All interest bearing assets, including high yield bonds and emerging market debt as well as cash, share the risk characteristics detailed above to varying degrees.

5.3.4 Equities – equities, whether public or private, represent an ownership stake in a company. The value of this stake is determined by the buyer and seller of the stake and there is no certain value to this investment (unlike the payments contracted under a bond, subject to credit and currency risk). A periodic payment, in the form of a dividend, might be made to an equity holder although the timing and amount of this is uncertain. The uncertainty of the return from equities relative to the liabilities is captured in the form of the *equity mismatch risk*.

5.3.5 Property – property, whether held directly or via a pooled fund, represents an ownership stake in land or buildings. The value of this asset is determined by the buyer and seller of the asset and there is no certain value to this investment (unlike the payments contracted under a bond, subject to credit and currency risk). Periodic payments in terms of rental income payments, will typically be made to the owner of the property asset although the amount of such rental income may vary.

5.3.6 Bulk annuity policy – in return for an insurance premium, a Buy-in Provider assumes responsibility for a portion of the Fund’s liabilities and pays cashflows which match the insured portion of the liabilities. The Buy-in Provider is exposed to the underlying investment and longevity risk. The Trustee is subject to credit risk in relation to the solvency of the Buy-in Provider (and its ongoing ability to meet its obligations). This risk is mitigated by the strict capital requirements enforced within the insurance regulatory environment and protection by the Financial Services Compensation Scheme.

5.4 In general the Trustee prefers passive management to active management. However, the Trustee believes that in some asset classes active management can offer an advantage, including corporate bonds, property and for specialist environmental, social and governance (ESG) investments. Therefore, the Trustee has chosen to employ active management for a proportion of the Fund’s assets where no suitable passive option is available. Active management introduces *active risk* into the combination of assets held.

5.4.1 Active management within an asset category is defined as holding a combination of securities that differs from the asset class benchmark.

5.4.2 Active management across asset classes arises when the combination of asset categories held differs from that of the benchmark.

5.4.3 Manager selection risk arises because of the potential for selecting an active manager that underperforms its benchmark on a net of fees basis.

5.5 Some of the managers employ derivatives for the purposes of the efficient portfolio management and subject to agreed restrictions. In addition to the risks associated with the underlying asset categories, investment in derivatives may also introduce the following risks:

5.5.1 Leverage risk – if the exposure arising from the investment in a derivative is higher than the capital committed to the investment.

5.5.2 Counter party risk – arises from the derivative being arranged through an investment bank or other third party. This is usually managed by the investment managers’ collateral arrangements.

5.5.3 Administrative risk – may arise depending on the terms of the contract governing the derivative.

5.6 *Regulatory risk* arises from investing in a market environment where the regulatory regime may change. This may be compounded by *political risk* in those environments subject to unstable regimes.

5.7 *Liquidity risk* refers to the ease with which assets are marketable and realisable. This risk applies to all the asset categories listed above, albeit to varying degrees.

5.8 ESG factors are sources of risk to the Fund's investments, which could be financially material over both the short and longer term. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and from time to time review how these risks are being managed in practice.

5.9 The Trustee has selected two ESG themes as priorities to provide a focus for its monitoring of investment managers' voting and engagement activities:

5.9.1 Climate change - the Trustee believes climate change to be a source of financial risk that could have a material impact on member outcomes over the short-, medium-, and long-term as a result of the impact of the physical and transition risks on markets and, therefore, investors.

5.9.2 Corporate transparency - the Trustee believes that transparency helps to identify risks that could affect company (and ultimately investment fund) performance. A lack of transparency can also mask exposure to other ESG risks that could have potential reputational consequences for companies and affect company performance.

5.10 The Trustee believes stewardship is an appropriate tool to utilise when trying to manage and mitigate the risks identified above as well as other ESG risks. The Trustee has communicated these stewardship priorities to its investment managers and also confirmed its more general expectations in relation to ESG factors and voting and engagement activities, specifically how these factors are taken into account when making investment decisions with the aim of improving risk-adjusted returns.

5.11 If the Trustee's monitoring identifies areas of concern, it will engage with the relevant manager to encourage improvements.

5.12 The Trustee acknowledges that it is not possible to monitor all the risks listed above at all times. However, it seeks to take on those risks for which it expects to be rewarded over time, in the form of excess returns, in a diversified manner. The resulting combination of the assets and investment management approaches has been selected to be consistent with the investment objective, risk tolerance and return target detailed above.

6 Strategic Management

6.1 The Fund-specific Benchmark, a high-level asset distribution for the Fund's investments, has been determined to capture the strategic risk that the Trustee has decided to take. The detail of the Benchmark and the associated management structure is set out in the IPID.

6.2 Tolerance ranges, which are set out in the IPID, have been set to seek to keep the asset distribution broadly in line with the Benchmark and consequently manage the risk of unintended asset exposures. Compliance with these tolerance ranges is monitored at least quarterly.

6.3 A review of the investment strategy will result from observations that indicate that the risk tolerance has been breached.

6.4 Day-to-day management of the assets is delegated to professional Investment Managers who are all regulated by the Financial Conduct Authority (the "FCA"). The current investment managers are listed in the IPID.

7 Investment Managers

7.1 The Investment Managers have discretion to buy and sell investments on behalf of the Fund, subject to agreed constraints. They have been selected for their expertise in different specialisations and each manages investments for the Fund to a specific mandate, which includes performance objectives, risk parameters, and timescales over which their performance will be measured. The IPID gives details of each Investment Manger's mandate as set out in their respective investment management agreements.

7.2 The Trustee accepts that it is not possible to specify investment restrictions where assets are managed via pooled funds. Nevertheless, notwithstanding how the assets are managed, the Trustee has taken appropriate legal and investment advice regarding the suitability of the investment management agreements and relevant investment vehicles.

8 Cashflow Management and Rebalancing

8.1 In general, the Fund's Investment Managers and Buy-in Provider have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. When the cashflow of the Fund is negative, the Trustee decides how investments should be realised to meet these needs.

9 Additional Voluntary Contributions (AVCs)

9.1 The Trustee offers members the opportunity to invest assets in respect of AVCs in line with the main Fund assets.

PART B – DEFINED CONTRIBUTION SECTION

10 Investment Policy and Objective

10.1 The Trustee recognises that members of the Defined Contribution Section have differing investment needs, that these may change during the course of their working lives and that they may have differing attitudes to risk.

10.2 The Trustee's investment objective is to make available:

10.2.1 a range of funds which serve to meet in general the varying investment needs and risk tolerances of the members of the Defined Contribution Section.

10.2.2 a default option that the Trustee believes to be reasonable for those members that do not wish to make their own investment decisions (the "Lifestyle Default"). The objective of the Lifestyle Default option is to generate returns above inflation in order to provide a reasonable return on investment over the long-term taking into account the demographics of the Fund's membership.

10.2.3 a default option that the Trustee believes to be reasonable for those members that have their contributions redirected due to a temporary trading suspension (the "Cash Default"). The objective of the Cash Default option is to achieve a rate of interest on its investments, consistent with maintaining capital and ensuring that its underlying assets can easily be bought or sold in the market in normal market conditions.

11 Investment Strategy

11.1 The Trustee has made available a range of investment funds for members. Each member may specify one or more funds for the investment of their account, having regard to their attitude to the risks involved. Members also have the option to invest in lifestyle arrangement. Details of the current funds and arrangements available for members to choose are included in the IPID.

11.2 If a member does not choose an investment option, their account will be invested into a default arrangement that is selected by the Trustee. This is the Lifestyle Default option which is designed to be in the best interests of the majority of the members based on the demographics of the Fund's membership. Details of the Lifestyle Default investment option are included in the IPID.

11.3 If a fund is temporarily suspended from trading, and a member does not provide an alternative investment instruction, their account will be invested into a default arrangement that is selected by the Trustee. This is the Cash Default which is designed to be in the best interests of the members who require a short-term investment. The Trustee has selected to use the BlackRock Cash Fund as the Cash Default. Further details of the BlackRock Cash Fund are included in the IPID.

11.4 The Trustee will review the composition and performance of both default investment options on a regular basis, bearing in mind the time horizon and risk tolerance of the average member. In any event, the Trustee will review the suitability and performance of the default arrangements at least every three years and without delay after any significant change in investment policy or the demographic of the Fund's membership.

12 Management of Risks

12.1 Aside from those risks described in Part A, section 5, the Trustee considers that there are a number of different types of investment risk relating to the Defined Contribution Section that are important to manage and monitor. These include, but are not limited to;

12.1.1 Risk of inadequate returns: as members' benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the Lifestyle Default investment option.

12.1.2 Risk from excessive charges: if the investment management charges together with other charges levied on, for example, transfers or early retirement are excessive, then the value of a member's account will be reduced unnecessarily. The Trustee is comfortable that the charges applicable to the Fund are in line with market practice and assess regularly whether these represent good value for members.

PART C - GENERAL

13 Implementation of the investment arrangements

13.1 The Trustee will look to appoint managers whose investment strategy and decisions are consistent with the Trustee’s policies. The Trustee has limited influence over managers’ investment practices where the Fund’s assets are held in pooled funds. With the assistance of the investment adviser the Trustee monitors managers’ continuing compliance with the stated investment approach.

13.2 The Trustee intends that negotiated fee structures and termination rights incentivise managers to provide a high-quality service that meets the stated objectives, guidelines and restrictions of the fund.

13.3 The Trustee expects investment managers to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance.

13.4 The Trustee evaluates individual investment manager performance over both shorter and longer-term periods. Except in closed-ended funds where the duration of the investment is determined by the fund’s terms, the duration of a manager’s appointment will depend on strategic considerations and the outlook for future performance. The Trustee would not expect to terminate a mandate on short-term performance grounds alone.

13.5 The Trustee monitors total Fund performance against its long-term objectives, and periodically reviews the investment strategy to ensure it remains appropriate, taking into account risk, the need for diversification and liquidity. Each manager’s place in the Fund’s portfolio, remuneration and value for money is assessed in light of these considerations.

13.6 The Trustee requires its investment consultant to take into consideration portfolio turnover and resulting transaction costs, which impact investment performance figures, when advising on the Fund’s investment mandates.

14 Consideration of financially material and non-financial matters

14.1 The Trustee has determined that environmental, social and governance (“ESG”) and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Fund and its members in line with the following principles.

14.1.1 The Trustee provides each Investment Manager with a copy of the Rio Tinto Sustainable Development policy and the Rio Tinto “The way we work” document and asks them to acknowledge receipt.

14.1.2 The Trustee ensures prospective managers incorporate ESG issues into their investment approach, where possible by making this part of the selection process.

14.1.3 The Trustee has delegated responsibility for the selection and management of investments to its Investment Managers. This includes consideration of financially material considerations (including climate change and other ESG considerations where relevant). The Trustee will seek to appoint managers that have appropriate skills and processes to do this, and from time to time review how its Investment Managers are taking account of these issues in practice.

14.1.4 The Trustee acknowledges that it has limited influence over managers’ investment practices given the majority of assets are held in pooled funds, but it encourages its Investment Managers to engage in sound ESG practices where appropriate.

14.1.5 The Trustee does not explicitly take into account non-financial matters in the selection, retention and realisation of investments.

15 Stewardship

15.1 The Trustee recognises its responsibilities as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies and exercising voting rights attaching to investments protects and enhances the long-term value of investments. It has given the Investment Managers full discretion in exercising these rights, but encourages them to adopt good stewardship practices, in particular with respect to engaging with investee companies.

15.2 The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the Investment Managers to exercise ownership rights and undertake monitoring and engagement in line with the Investment Managers' policies on stewardship, taking into account the long-term financial interests of the beneficiaries.

15.3 The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

16 Compliance with the Statement

16.1 The Trustee will review its compliance with the Statement on a regular basis. The regular review will occur no less frequently than triennially to coincide with the Actuarial Valuation, in the light particularly of any changes to the funding position of the Fund.

16.2 The Statement will be reviewed without delay after any significant change in investment policy and, in any event, no less frequently than triennially. A review of the Statement may also be in response to any material changes to any aspect of the Fund, its liabilities, finances and the attitudes to risk of the Trustee and the Company, which it judges to have a bearing on the stated investment policy. The Statement will also be reviewed if any other pension fund is introduced into participation in the Fund.

Signed on behalf of Rio Tinto Pension Fund Trustees Limited (the Trustee of the Rio Tinto Pension Fund)

Signed: Tim Wilcox

Date : 30 March 2023

Name : Tim Wilcox