

Speech to the ANZCCJ Joint Chamber Event

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“INNOVATE OR STAGNATE; THE ROLE OF LEADERSHIP IN TRANSFORMING BUSINESSES”

Thank you Melanie Brock [Chair of the ANZCCJ]. It is my great pleasure to be with you this evening.

[Acknowledgements]

I would also like to thank the Australia-New Zealand Chamber of Commerce in Japan for putting this wonderful event together... as well as the American, British, Canadian, and South African Chambers of Commerce for giving their support.

You are all good friends and great partners of Rio Tinto.

Indeed, if you think about our global footprint, with a presence in 40 countries across six continents I am very pleased to say Rio Tinto has demonstrated a strong commitment to each of the Chamber countries present:

- In North America, we operate one of the world's largest copper mines with a 100 year heritage, in addition to various other copper and minerals businesses and projects;
- In Canada, we are one of the largest employers through our aluminum diamonds uranium, titanium dioxide and iron ore interests;
- We have an enduring tie to Britain which is the home of our global headquarters;
- We have a longstanding mineral sands business in South Africa, our Simandou project in Guinea, and various other projects as well as exploration programmes in other countries on the African continent; and
- A long partnership with Australia, home to our largest and most profitable operations, and New Zealand, where we have a long-standing smelting business. Of course, under our dual-listed company structure, the headquarters of Rio Tinto Limited is in Melbourne.

But, it is our enduring relationship with Japan that I will talk more about today. A partnership I believe that is absolutely critical to giving birth to the new, stronger, Rio Tinto.

It's been one year since my last speech to the Chamber. Then, I was head of our Iron Ore division. I'm now back as chief executive of Rio Tinto.

And, although I have many new and different responsibilities, one thing that remains the same is that I still plan to come to Japan regularly....

And not just for the wonderful sushi...

Because, these trips are not just a formality, they are an absolute necessity.

Japan is extremely important to our business. We have so much going on here every day.

Japan is our second largest market and generates 16 per cent of our global revenue.

We also partner with 16 Japanese companies in our joint venture operations around the world.

And, we procure a significant amount of our global mining machinery and equipment – about \$1 billion last year – from Japanese companies.

But of course, being in Japan is not just a professional obligation; it's also a personal pleasure.

For many years now, I've travelled to this country – in fact, this is my 80th visit to Japan.

I love the art. The cuisine. The culture. The observed tradition and ceremony.

I also love the way that, whenever you come to Japan, you feel like you're getting a glimpse of the future.

I remember coming here in the 70s – seeing people playing with calculators and digital watches long before the rest of the world.

I remember coming here in the 80s – first seeing walkmans and then personal computers take off here before the rest of the world.

I remember coming here 10 years ago – seeing people tapping away on their mobile phones on the Metro long before such a sight became common-place in the rest of the world.

This is a nation in which change is not a one-off but a constant. With great transport systems, slick high tech gadgets, there's no shortage of things to marvel at.

In short, it is a great place to talk about the importance of innovation and improvement in business transformation. The other topic area I wanted to cover today.

After all, Japan is the birth place of 'Kaizen' – the continual improvement of processes in manufacturing, engineering and business management – a source of inspiration for many companies around the world.

And, something I'm very familiar with having worked for many years in the car industry.

Over the last few decades, our world has experienced significant and rapid change. It can often feel as though we are on a bullet train, as the environment in which we move shifts at fast pace.

You see the signs of this everywhere.

In the last four decades, world GDP has increased fourfold.

This pace of economic growth is absolutely unprecedented in the whole history of mankind.

You'd think Columbus's discovery of America would have been equally significant.

And it was, causing world GDP to go up by 50 per cent – and that took 200 years.

You'd think the industrial revolution would have also been profound.

And it also was, causing GDP to double – and that took 100 years.

But the speed of growth in the last 40 years has been eye watering by comparison.

And much of this growth has been in China and India.

Growth in these countries has represented a real power shift.

Commentators often characterise the power shift as being from West to East.

Of course, the truth is – the real shift is from developed nations to developing nations.

What's happening is that developing economies are making up for lost time in their rate of industrialisation.

But, it's not just an unprecedented pace of economic change we're witnessing; we are also seeing unprecedented geopolitical change.

The Roman Empire took hundreds of years of decline before it finally collapsed.

In 1990, people marvelled at how quickly communism collapsed in Central and Eastern Europe and the USSR, with the Berlin Wall tumbling down.

But that was nothing compared to what we've seen recently in Northern Africa and the Middle East.

Regimes can rise and fall now in the blink of an eye.

Technological change has been equally rapid, equally dramatic. Our phones, our computers, our cars change faster than ever before.

And, of course, all of this change is being facilitated by new communications tools that bring everything to us at a faster pace, and in the comfort of our lounge chairs, like never before.

The Arab Spring would not have happened, so they say, without Twitter, Facebook and YouTube – spreading the message and mobilising support.

And in this modern world, everything is connected. Change in one area means change in another. This presents leaders in all walks of life with some distinct challenges.

But don't get me wrong, I think change can be a very good thing. Hardship and difficulty is often the birth ground of innovation and ideas.

The key is to find the right ways to embrace change, to be more forward thinking and more agile than the rest. Standing still really isn't an option.

In a business sense, I believe the message is simple. It's innovate or stagnate. Innovation drives transformation.

And this idea is essentially the key theme of my speech today.

I'd like to talk about how under my watch, we're using our long-established history of innovation to transform the business, and the mining industry more broadly.

And as mentioned, our Japanese partnerships are absolutely critical to doing just that.

I have a lot of new responsibilities as chief executive, and one of these, I believe, is to build a bridge to the future.

My goal is to transform Rio Tinto from where we are now to where we need to be – the highest performer in our sector delivering value for our shareholders, and being the most trusted partner to work with.

You see, I lead a great company, a company with a history of 'firsts' but a company that had lost its way.

So I'm working with my teams around the world to help re-ignite what makes our company great and to take it to another level – a commitment to creating value; a commitment to being accountable for what we do; and a passion for excellence, delivery, and improvement.

As mentioned, I think innovation is a central platform in our continued success and I see driving innovation as pivotal to my role.

I firmly believe innovation is the gem hidden deep within every business that can help to build this bridge.

Sometimes, it isn't always easy to unearth it in a business as big as ours – with 67,000 employees in 40 countries.

The very nature of big business sometimes means you lose the notion of being a 'business owner' – running every part of the business as if you own it, and want to improve it.

This entrepreneurial ownership spirit is often hidden under layers of bureaucracy, cushions of comforting process, the notion of invisibility and the concept of inconsequence, "My actions are not big enough to make a difference".

Of course, I am not saying you do not need process, procedures and systems – they are vitally important to any business – but it is a question of getting the balance right.

And at Rio Tinto we have been working hard to do just this – to transform our business, by de-layering our leadership structures to foster greater accountability and discipline.

We have also been working hard to make sure all of our people know they CAN and DO make a difference to our cost and productivity performance.

We have changed the way we reward people, we have clarified our strategy and have a series of work programmes aimed at strengthening and improving our business – from cost and financial management to employee engagement.

We are spending more time analysing the trends, working out which ones matter and which ones we should ignore, and then acting on what we see.

Being bold, and courageous.

Because, it isn't just all about producing break-through technologies and the big bang stuff.

What I have learnt over the course of my career, it's as much about the small things, the incremental improvements, the yearning to do things better.

In short, it is a mindset.

And it takes courage to think differently. To stand up against the fray and pursue something you believe in. To set your own path.

Fortunately, at Rio Tinto, we have plenty of innovation, and courage, deep within our DNA.

In fact, both have been central to our past, are central today, and will be central to our future.

And Japan's it would seem.

I met Prime Minister Abe today and I know innovation is very high on his agenda.

Only last week, it was reported that the Prime Minister said he wishes to see Japan as the world's leader in creating innovation.

It is a central part of 'Abenomics'.

We talked about a vision we both share, where innovation is seen as a key platform for economic success, just as we did when I met the Prime Minister at a reception at Guildhall in London back in June.

He was very interested in our own innovation journey with Japanese companies (such as Komatsu and Hitachi).

And, innovation is particularly important in the natural resources, energy and mining sectors.

Because all of these elements of change – social, technological, political, environmental and economic – impact our business.

We believe demand for iron ore, copper and aluminum will double over the next 15 to 20 years driven by urbanisation, industrialisation and the growth of affluent middle classes.

There'll be more cars purchased. More white goods purchased. More steel-based products purchased. More people wanting to wear diamonds.

This requires more metals, more minerals, more mining.

This is great and I am certainly not complaining, as you would expect.

But the challenges of the business of mining are also increasing, just as demand is rising.

Anxiety about the state of our natural environment is rising. The fair distribution of wealth is also a matter that society and governments are grappling with.

And, resource deposits are becoming harder to find and are in more remote locations. When we do find them, it takes a long time to gain the trust of stakeholders which we need to develop them, given our investment horizons are so long.

It means we must be committed to looking at things differently, and in this environment innovation is not an optional extra. It is a necessity.

Our company was formed 140 years ago... in the 1870s.

This was a volatile period in history. America was recovering from the Civil War. European imperialism was at its peak. Japan was undergoing the huge changes brought about by the Meiji Restoration.

It was also a time of great innovation.

Within a decade, we had major advances in electricity, and the invention of the telephone.

Oh ... And Rio Tinto itself was founded in a spirit of innovation.

We've survived wars, depressions, booms and busts, political revolutions, technological revolutions, scientific revolutions, and remained a leader.

Innovation has kept our energy levels high, our heart racing, and our eyes facing forward.

And, there are plenty of examples in which Rio Tinto's strength is often inextricably linked to Japan's heritage of innovation.

Our long-standing relationships with Japanese steel mills – including Yawata, Fuji, Kawasaki, NKK, Kobe, and others – in Western Australia which started around 50 years ago.

Look at the driverless trucks operating in Western Australia that are run by advanced robotics, GPS and a form of centralised Artificial Intelligence, a product of our partnership with Komatsu.

And, it's not just one Japanese company we are partnering with. As I mentioned, today we have partnerships with 16 Japanese companies in our joint ventures around the world. We work with a number of Japanese suppliers, encompassing not just innovation in driverless

trucks but across multiple sectors, including the Japanese built ships which transport our products around the world, and in many instances, back to Japan to be used in the smartphones, computers and other high-tech gadgets the world depends on.

Rio Tinto's innovation in mining technology is world leading.

Our Iron Ore Operations Centre is in Perth, Western Australia. It's like something from a James Bond film or NASA.

400 people. Giant screens. Controlling the whole show remotely.

Controlling 14 mines, four ports and the world's longest privately owned railway.

Doing all this from 1,500 kilometres away, further than the distance between Sapporo and Kumamoto.

And it's making mining more efficient, more reliable, more sustainable, with less variability, and less health and safety and performance issues.

And this is only the beginning.

We've got driverless trucks. Next year, we are launching the first driverless train. In the Pilbara, we have launched autonomous blast hole drills which are operated from our Operations Centre.

In years to come we are looking at robotics and advance mineral deposit searching techniques and things I can't tell you about tonight!

This is innovation at the cutting edge of technology.

Of course, there are many different facets to innovation, covering not only the economic but social and environmental aspects of sustainable development as well.

I'm very proud of what we're doing in the space of social innovation.

For a long time, mining companies operated in conflict with Indigenous groups.

On the back of a landmark speech in Australia in 1995, by Leon Davis, our chief executive at the time, we decided to turn that on its head.

We put into practice Michael Porter's notion of shared value, before Michael Porter had even written about his notion of shared value.

We aligned our interests.

We showed the respect our forefathers deserve.

This was courageous and it was innovative at that time.

Since then, we have signed detailed partnership agreements with local Aboriginal groups covering how we consult, engage and collaborate.

And, we've also invested in education and employment, schools and colleges, so Rio Tinto is now the largest private sector employer of aborigines in Australia.

Our approach to Aboriginal employment extends across our global business. In Canada, for instance, at our Diavik Diamond Mine, twenty-two per cent of employees are Aboriginal.

Most importantly, beyond the statistics, it is the individual self-esteem, and the flow-on effects of employment to each family and community that are paramount.

So, I ask myself, what more can I, as the chief executive, do to promote innovation in our company over the long term?

Well, the key for me comes in collaboration.

Collaboration is central to innovation. Every expert on innovation and creativity agrees this.

It's Lennon and McCartney.

It's salt and pepper.

It's innovation and collaboration.

Steve Jobs always described the secret of Apple's success as being its combination of liberal arts and cutting edge technology, which made Apple products not just technologically superior, but also aesthetically beautiful.

There are countless other examples... This is why the opening of global trade, the removal of historic economic and trade barriers, has been such a spur for global growth – because it's promoted collaboration – and in turn, this has promoted innovation.

And, collaboration between different sectors, fields, and cultures stimulates creativity.

This has been the secret behind many great successes.

Regardless of what business you're in. I learned the other day that apparently the roll-on deodorant was developed by examining the workings of a biro pen.

So simple but revolutionary.

We have a similar story at Rio Tinto, which is now part of our heritage.

It is about a young American geologist who went to work in the Australian mines in the late 19th century.

Production was falling. People were set to give up.

But this young geologist worked out that froth flotation techniques from the brewing industry could overcome the problem.

He improved recovery rates, and minimised waste.

And, his innovative technique is still used across the world.

Incidentally, if you're interested... that young geologist went on to even bigger and better things.

He became a multi-millionaire, moved into politics and became president of the United States of America.

His name was Herbert Hoover.

So, my continuing focus is how to collaborate and spark more innovation, filling our engine, firing us forward to the future.

I see Japan as a natural partner in seeking innovative solutions. Just as I believe innovation is written into Rio Tinto's DNA, so, I believe innovation is written into the DNA of Japan.

By working together, I remain confident that we can give birth to a new, stronger, more sustainable, more successful era of mining.

Of course, Japan has always spent more on R&D than other G8 nations – practically twice as much most of the time.

Japan has been responsible for many inventions in history; the first anaesthetic; the first pocket calculator. Japanese inventors were also responsible for the floppy disk; the compact disc; flash memory; and flat panel displays.

Innovation is deeply embedded in Japan's DNA.

Japanese companies supply much of our mining machinery and equipment and have been integral to our success, from our very first iron ore mines in the Pilbara to forming a central part of our Mine of the Future programme.

And as mentioned, our relationship with our Japanese steel mill partners in Western Australia around 50 years ago provided the basis for a long-lasting marriage.

If Japan hadn't underwritten the development of the Pilbara back in the 1960s by committing to buy 65.5 million tonnes of ore via long-term contracts covering 10 and more years – the largest sale ever written by any company operating in Australia – we'd have never been able to build the business we have today.

Our Pilbara operations relied, on a massive number of Japanese technologies.

The primary crushing equipment was made by Kobe Steel.

The conveyor belting came from Bando of Japan.

The rail track was rolled by Japanese steel mills.

The rail rolling stock ore cars were constructed by Nippon Sharyo.

The rail car dumper, ship loader and slewing stacker were all made by Kawasaki Heavy Industries.

Most of the machinery was assembled onsite at Dampier Port under the supervision of Japanese experts.

Today, we also procure:

- Rail track from Nippon Steel & Sumitomo Metal and JFE Steel;
- Excavators from Hitachi Construction Machinery;
- Gas turbines from IHI;
- Vehicles from Toyota; and
- Tyres and conveyer belts from Bridgestone.

Were it not for our partnership with Komatsu, we'd have never developed our driverless trucks, first deployed in the Pilbara in July 2012.

Today, we are actively exploring with Japanese partners how to create new ideas, new technologies, new processes, new practices, to ensure that we can thrive, not just survive, over the coming years of volatility.

To close, let me say, some people don't like volatility.

They don't like uncertainty.

They don't like complexity.

They don't like ambiguity.

It makes them freeze.

It makes them retreat inward.

It makes them pull up the drawbridge and withdraw.

That is precisely the wrong thing to do. It spells certain stagnation.

At Rio Tinto, we embrace it.

We recognise the Darwinian need to adapt and evolve.

I believe innovation is central to success.

Tennyson said, 'In the long history of humankind – and animal kind too – those who learned to collaborate and improvise most effectively have prevailed.'

I think this is correct.

That is why I value our partnerships that we have here in Japan. Because they are absolutely pivotal to our survival.

I will work hard to make sure we foster and encourage even closer ties.

Thank you.