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**Sustainability in the Extractive industry – Opportunities, Challenges and the way forward – The Oyu Tolgoi case study**

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**Introduction**

Minister Oyun and distinguished guests - it is a pleasure to be here today to speak on behalf of Oyu Tolgoi and Rio Tinto and to be a part of this important event.

What we do at Oyu Tolgoi is often best explained by showing , not telling, so during my speech, I will be showing you some images behind me that illustrate our approach and the real impact it is having.

**History**

Sustainability is a concept that has undergone much change. In fact, it has gone from something that was often seen to hinder economic development and growth – to a core part of the way that responsible business works.

Old companies such as Rio Tinto - have histories.

As a company, we have lived through this change. We began our operations at the height of the industrial revolution, a period when the short term quest for growth seemed to outweigh everything. In the 1870s, Rio Tinto – Red River, even gained its name from the polluted waterway that ran through our first mine in Huelva, Spain.

But times change. And companies either adapt or they die.

As the imperative of sustainability has become obvious, Rio Tinto has over the last two decades adapted and thrived. We have become a proud, global leader in our approach to sustainability – the environment, human rights, economic development and how we work with our hosts.

And in our new projects – such as Oyu Tolgoi, we have an opportunity to show the world what it is like when we take this approach from the outset.

It is not always easy – we have a job to do, we are miners. But our neighbours, our hosts and our workforce, are the ones who ensure that we stick to a sustainable path.

## **Project Finance/IFIs**

But there is another group that increasingly plays a leading role, especially with companies and projects of the scale of Oyu Tolgoi. The reliance that we have on the financial sector for delivering multi-billion dollar investments creates an even more stringent, transparent approach to doing business sustainably.

While many of you in the room will appreciate the demands on sustainability that international financial institution, or IFIs, bring to the projects they support, it is not widely known by the public.

Rio Tinto leads the industry with the high standards that we set ourselves. But it's fair to say that IFIs push us to even higher standards - standards which protect and benefit the environment, our neighbours and hosts.

We continue to work on a project finance package that will bring forward the development of the underground section of Oyu Tolgoi and bring billions of dollars into Mongolia. It is clear that organisations such as the International Finance Corporation will only participate when we meet their standards.

They act as a stern but helpful guide, insisting that the projects they finance meet or exceed the strictest international standards for sustainability. They shine a bright spotlight on their investments, demanding and enforcing ethical behavior and compliance. Not just when we are seeking their investment, but when we are spending it as well.

This takes us beyond sound ethical behavior and compliance with national and company standards – to the cutting edge of global sustainability. That is a place we are delighted to be.

And Rio Tinto and Oyu Tolgoi welcome this approach. Not just because it is the right thing to do, but because we recognise that this is the way that successful businesses will operate in the future.

In a changing world, with finite resources, it is the only way to continue to adapt and thrive.

## **Implementation**

But what does all that talk of standards look like in practice? It looks like Oyu Tolgoi.

At Oyu Tolgoi are converting our commitment into action by implementing standards on the ground and bringing positive impact and long-term value to Mongolia.

I want to focus on a few examples – the safety of our workforce, how we are developing the economy, and of course environmental management and our relationship with our neighbours.

## **Safety**

In order to contribute to sustainable development and create shared value, we must start with our greatest asset: our employees.

Protecting their safety and health is our top priority.

Our goal is to create a work environment of zero harm. A simple principle underpins this approach: If a job cannot be done safely at Oyu Tolgoi – it will not be done.

While the journey to Zero Harm is long, we started by developing a corporate culture focused on health and safety. For this to be truly imbedded throughout the company we need to find creative ways of communicating this.

For example, we recently rolled out a safety video featuring the popular Mongolian rapper, Quizza, rapping about our key safety standards and the responsibility of each individual. The feedback we received from our workforce was overwhelmingly positive. It is a unique and impactful way to further embed the value across our workforce.

This creative and enjoyable approach to saving lives, made here in Mongolia, has become a huge hit across Rio Tinto business units and has been translated into at least four other languages and has been shown on six continents.

We are proud of the positive impact this Mongolian showpiece is having across the Rio Tinto world. I would encourage you to watch it on youtube.

## **Economic development**

Back home, Oyu Tolgoi will eventually be responsible for around 30 percent of Mongolia's GDP. But even before we have reached commercial production, Mongolia is benefitting from Oyu Tolgoi.

Since construction commenced, we have already paid more than US\$ 870 million in taxes, loans and pre-payments. The Government recently named Oyu Tolgoi as the second best company tax payer in 2012 – a remarkable feat considering we have not yet created revenues.

This contribution to the Government allows it to invest upfront in sustainable development, in creating the modern infrastructure that will lead to a bright and sustainable future.

But our economic benefit to Mongolia doesn't just come in taxes.

We have invested time, expertise and US\$ 126 million in education. This is training thousands of young Mongolians, constructing vocational schools, developing the curriculum and building the skills of teachers. And this is not just benefitting the mining industry, but other sectors like engineering, construction, finance and IT – helping to create a broad and sustainable economy.

It's the same with our work to support the development of a supply chain and the creation of small and local businesses in the South Gobi and beyond. By working with Mongolian companies – 67 per cent of our total suppliers in 2012, our positive impact multiplies and creates a more sustainable future for Mongolia.

## **Environment**

Because of what we do, and where we operate, our impact on the environment is of critical importance. We apply and meet tougher environmental standards than for any other mine in Mongolia.

Water is the Gobi's most precious resource, so we invest in water management. We have introduced modern mining techniques that reduce water usage. We recover and recycle all our domestic water and 80 per cent of that used in processing. Our target is to be one of the most water efficient copper mines in the world.

Of course, how we use water is monitored, by us, the Government, and our project financiers.

But we have taken this a step further and have invited our neighbors to participate and serve as an additional watchdog.

We have established the first participatory water monitoring programme in the South Gobi. It is a partnership between Oyu Tolgoi and herders in Khanbogd soum. The herders themselves collect data on the water in their wells and work with Oyu Tolgoi staff to identify any changes in water levels around the mine. It was just highlighted as an industry-leading example in Mongolia by the IFC.

The Gobi is a precious and unique land. It contains flora and fauna that have survived thousands of years of some of the planet's harshest winters and scorching desert summers. It would be a tragedy if a mine should come and undo all of that incredible survival through mismanagement. We have made a solemn promise on the biodiversity of the region. Our plans for a net positive impact will ensure that when our mine is closed and gone, the nature that surrounds it will be as diverse as - and more secure - than when we first found it.

## **Communities**

Our closest neighbours, the herders of the South Gobi, deserve our support and commitment more than anyone. We provide support in a number of ways

For example, we recently studied the potential to support development of more co-operative businesses among herder communities. There are great opportunities, with support, for these co-operatives to provide sustainable, economic solutions for herder communities.

Soon we also will launch a new training scheme to support the development of private veterinary medicine and improve disease control and husbandry amongst the herders.

### **Closing section**

Rio Tinto knows that when it comes to operating projects like Oyu Tolgoi, we do things well compared to our competitors.

We see this when we audit ourselves.

We see this when we work with our hosts and government partners to ensure our impact is positive.

We see it when our financiers set out their tough expectations.

And we see it every day, when our neighbours remind us of their expectations.

But we will be at our very best when we have convinced the entire industry that you can have the best of both worlds.

That you can create a world class business, with world class returns, that doesn't compromise on sustainability.

In Mongolia, together with our partners, we hope to provide an example that promotes improvement across the entire Mongolian mining industry, and that all our colleagues in other mining organisations are motivated to follow - whether or not such practices are required by regulation.

Even though the core of our business involves extracting finite resources from the earth and refining them into usable metals and minerals, the impact of projects like Oyu Tolgoi can be positive for future generations as well as here and now.

At Oyu Tolgoi, we do more than say that. We commit to deliver it.

Thank you.