

# Rio Tinto Procurement

Business Link 2013  
ACIS – Maputo – 17<sup>th</sup> October 2013



Rio Tinto

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# About Rio Tinto



# Rio Tinto – a world leader in mining

Gross sales revenue in 2012 = US\$56 billion

## Aluminium

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Leading position in:

- bauxite
- alumina
- aluminium



## Copper

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Leading position in:

- copper
- molybdenum



## Diamonds & Minerals

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Leading position in:

- titanium dioxide and zircon
- borates, diamonds and salt



## Energy

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Leading position in:

- uranium
- export coking and thermal coal



## Iron Ore

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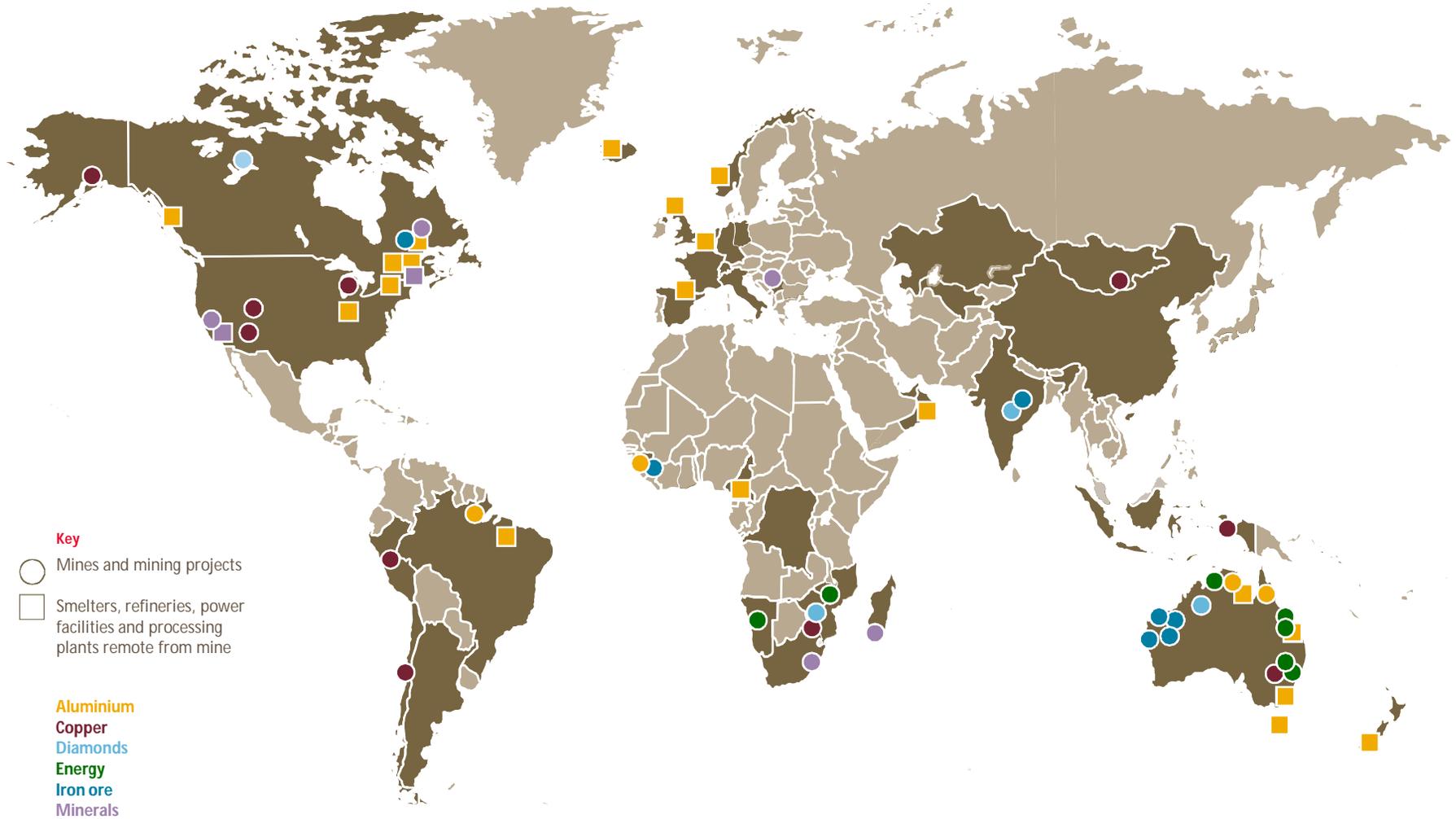
Leading position in:

- seaborne iron ore



2012 data

# Where we operate



Rio Tinto

# Rio Tinto Procurement



# Rio Tinto Procurement



- Ship unloading lime stone at general cargo wharf, Gove, Australia.

- We work with Group businesses to reduce their total cost of ownership in procured goods and services. And we work to get the right product to the right place at the right time.
- **Our mission**
  - To increase shareholder value by exercising our procurement expertise and leveraging Group scale.
- **Our vision**
  - To provide Rio Tinto Group companies with competitive advantage by collaborating with business units to reduce their Total Cost of Ownership (TCO) in procured goods and services.

# Rio Tinto Procurement (RTP) Operations



• A shovel loads haul trucks at Rössing Uranium Mine, Namibia, Africa

- RTP oversees the Source to Pay process
- US\$15 billion contestable group spend
- 46 macro spend categories
- 43,000 suppliers
- 3111 contracts
- 9 hubs
- Asia Pacific
- EMEA
- North America
- 789 staff across 41 locations

# The RTP operating model



## Global Sourcing (RTP Singapore)

Responsible for major materials and services categories

Raw Materials

Strategic Mining

Capital

Services



## Core RTP

Operations, global category support, function management and support

Operations – Americas

Operations – Australia East

Operations – Australia West

Operations – EMEA

Function management and support

## BU on-site support

Service delivery, logistics and warehousing

RT Alcan Business Units

Iron Ore Business Units

Energy Business Units

Diamonds & Minerals Business Units

Copper Business Units

Functions, T&I

## RTP Locations

BPO

Global Sourcing

### Americas

Montreal

Salt Lake City

Lodz

### Asia Pacific

Brisbane

Pune

Singapore

Perth

Shanghai

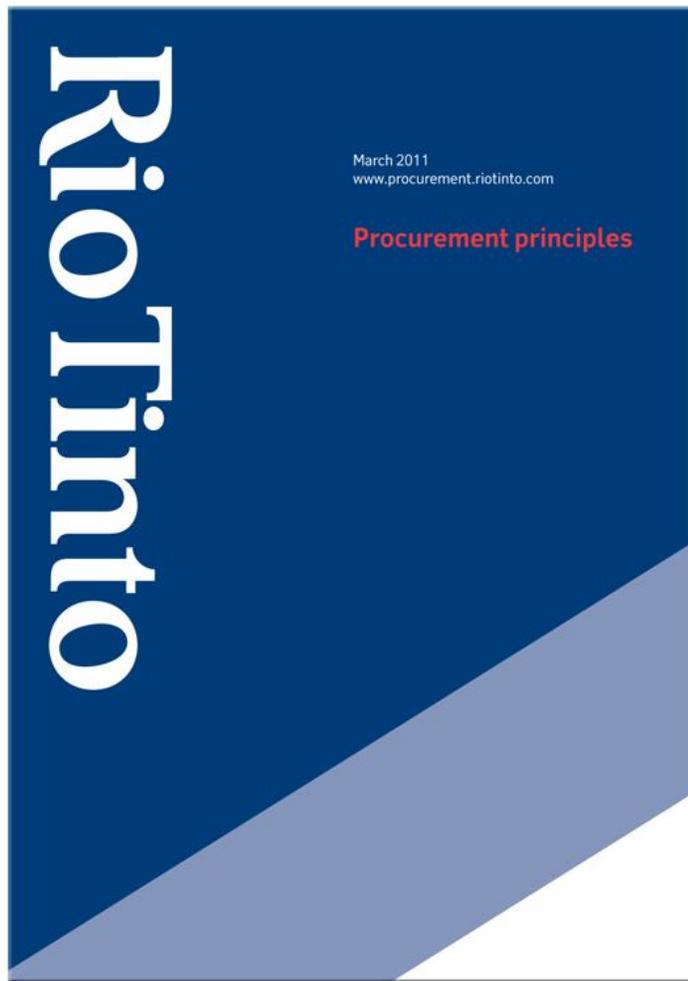
New Delhi

### EMEA

Johannesburg

Voreppe

# What is Rio Tinto *Procurement principles*?



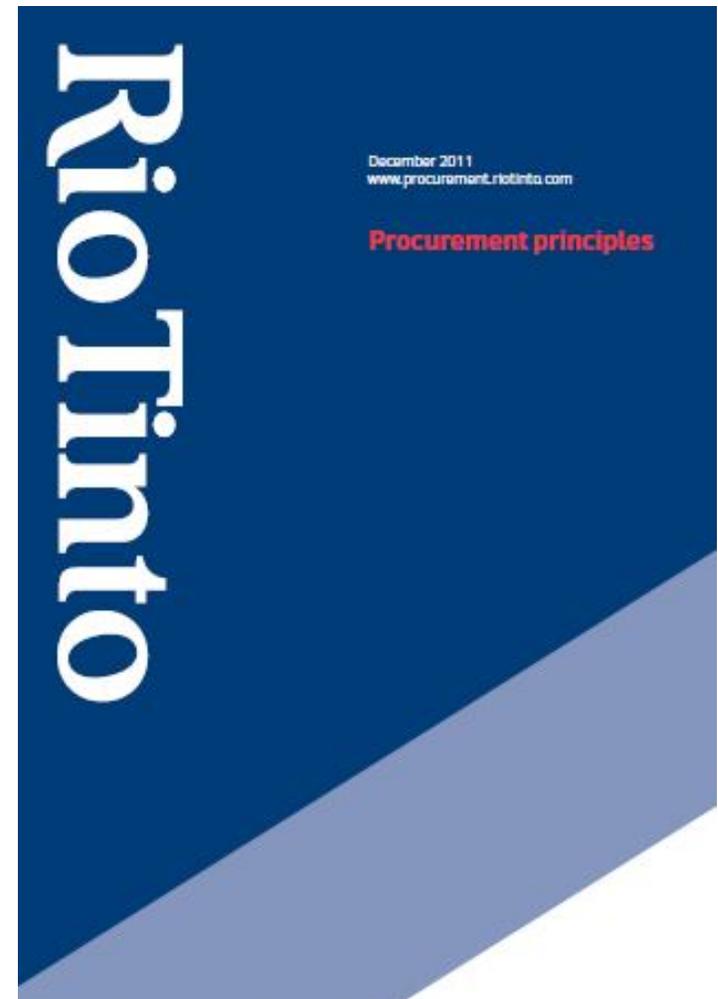
- It's our statement of business practice as it relates to Procurement.
- It sets out our expectations of suppliers and lets them know how we operate.
- It captures expectations of RTP employees and contractors.
- It outlines our commitments to our internal customers and how we want to work with them to ensure the best results for all.
- It reflects Rio Tinto's core values and the transparency expected in all Procurement activities.
- It used to be called *The way we buy*.

# Business Ethics

- Rio Tinto Prohibits all forms of bribery and corruption
- No Direct or Indirect Facilitation payments

## **Bribery and corruption**

Rio Tinto prohibits bribery and corruption in all forms, including 'facilitation payments' whether directly or indirectly, in order to obtain, retain or direct business or secure any other improper advantage in the conduct of business.



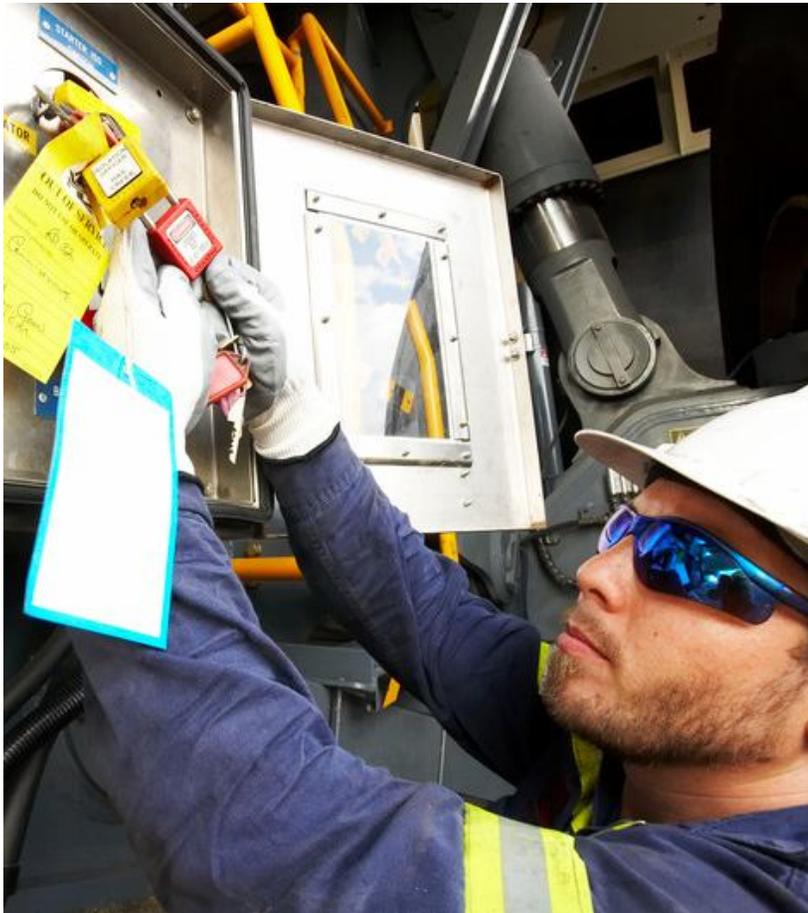
RioTinto

# Health, safety and environment (HSE)

in Procurement



# Unremitting focus on safety



Maintenance Technician, Hail Creek, Queensland, Australia.

- We are committed to an incident and injury-free workplace
- Our goal is zero harm
- We believe all injuries are preventable
- Our aim is for everyone to go home safe and healthy at the end of each shift, each day
- Our operating environment is one where all employees and contractors have the knowledge, skills and desire to work safely

# Our HSE standards apply to suppliers too

We aim to continually work with our suppliers on their safety standards while delivering measurable savings.

These include:

- requiring suppliers to conform to our HSE policies while on our property or at our businesses
- encouraging suppliers to adopt policies consistent with ours and report on compliance
- seek information on suppliers safety at the request for information (RFI) stage
- give preference to safety aligned and capable suppliers
- ensuring our contracts allow for contract termination in the case of safety violations



Construction Workers at Oyu Tolgoi, Mongolia

RioTinto

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# Sustainable & Economic Development



# Sustainable development leader



- Shareholders are demanding lower costs. They expect that through our spend we are achieving value for money on a whole life basis, whilst minimising adverse impacts to the environment and to workers; and behaving with integrity.
- Through enhanced local content and supplier development programs, RTP provides solutions to this challenge.
- The RTP approach creates a competitive advantage – robust communities' economic base, enhanced supplier relationships, increased company reputation, greater social license to operate, more business opportunities and therefore better returns for shareholders
- External indexes like FTSE4Good and Dow Jones Sustainability Index endorse our leadership.

# Commitment to communities



Indigenous trainees undertaking literacy and numeracy lessons in Gove, Australia.

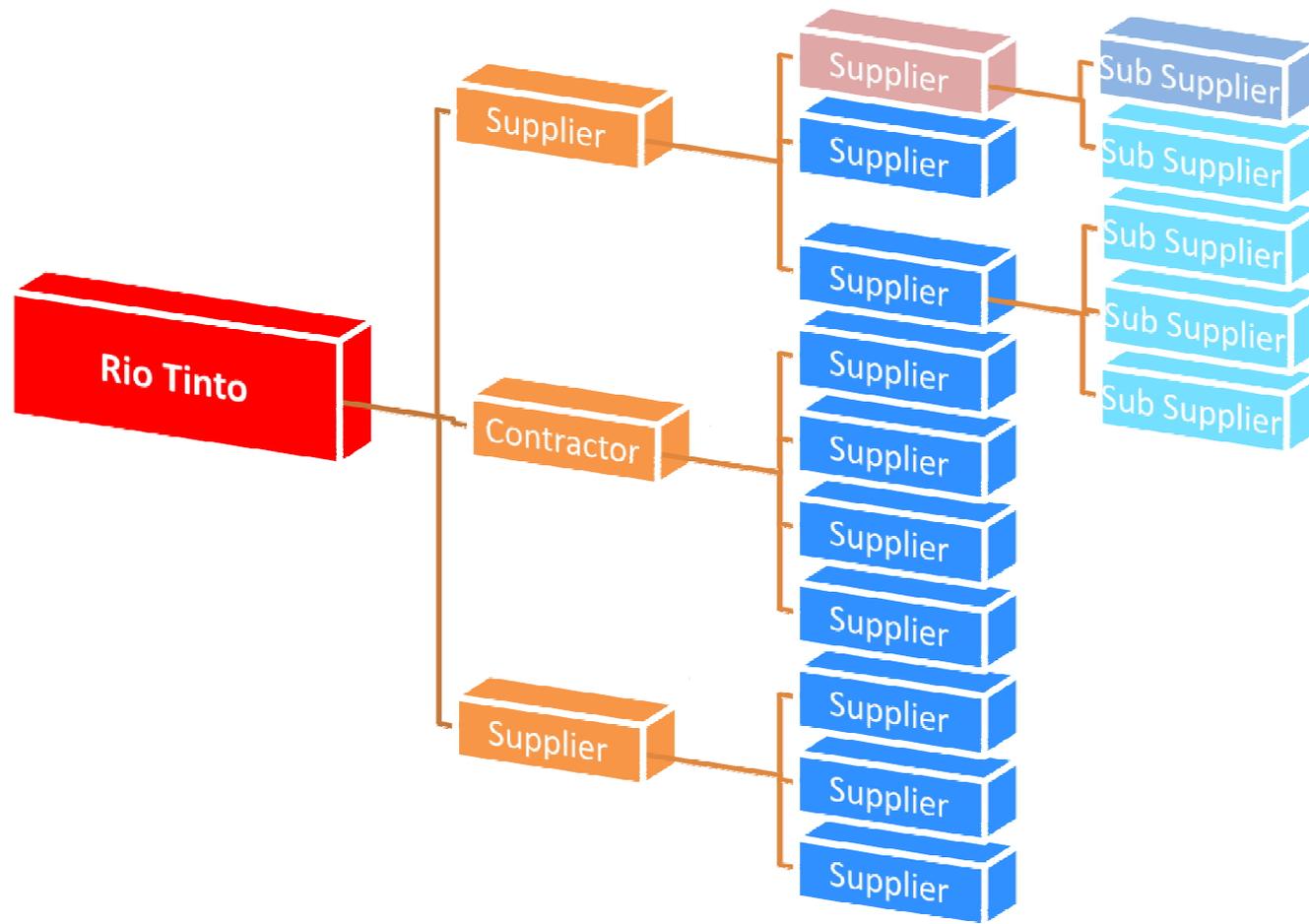
- We work hard to engage with local communities, paying particular attention to human rights and indigenous people
- This optimises benefits for both communities and Rio Tinto, as we increase local/indigenous employment and infrastructure, create more robust communities with stronger economic bases, and in doing so, enhance our social license to operate

# Rio Tinto Coal Mozambique

Procurement



# Rio Tinto Coal Mozambique – Supply chain



# What We Buy - Procurement categories

- Explosives
- Heavy mobile equipment (HME)
- HR services
- Hydrocarbons
- Information systems and technology (IS&T)
- OEM tyres
- Professional services
- Rail equipment
- Travel
- Ancillary site services
- Civil and mining services
- Electrical and equipment services
- Energy
- Facilities management
- Maintenance services
- Materials movement
- MRO and consumables
- Construction contractors
- EPCM's
- Fixed plant equipment

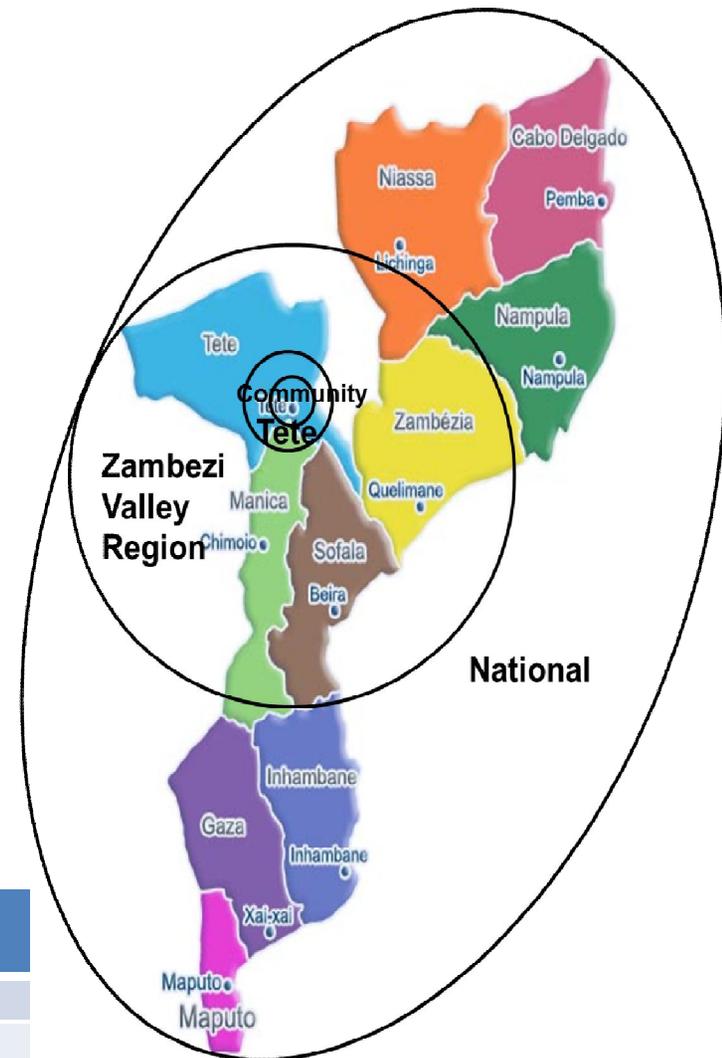
Global
Regional
Project Procurement

# How We buy

- Supplier Registration & Pre-Qualification
- If transaction is
  - < US \$100,000, Multiple competitive quotes
- If transaction is > US \$100,000, Tendering
- Tenders are published in Noticias
- For Tenders, Bidders will be compared based on
  - HSE Record
  - Financial Capability
  - Technical Capability
  - Legal Complaine ( Correct Alvara / Registrations)

# Where we buy

- Our Sourcing is done from
  - Communities
  - Tete and Tete Province
  - Zambezi Valley Region
  - Mozambique
  - International
- 80 % of RTCM spend is within Mozambique



	2011	2012	2013 (at August)
Local spend	\$231M	\$250M	\$218M
% spend	-	60%	81%
Number of local suppliers	-	280	370

# Business Centre – Local Procurement

- In Tete with focus on Engaging Local Suppliers
- Awareness sessions with Local Suppliers – both current and potential
  - Processes & Procedures
  - Opportunities
- Supplier Registrations
- Supplier Engagement



# Contact points

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Thank You

