ITEM 3. KEY INFORMATION

3.A Selected financial data

The information set forth under the headings:

- “Financial Review” on pages 31 to 38;
- “Five-year Review” on page 109; and
- “Shareholder Information-Dual listed companies structure” on pages 375 and 376

of the Annual report 2020 is incorporated herein by reference.

2020 dividends

The following chart sets out the amounts of interim and final dividends paid or payable on each share or American Depositary Shares (ADS) in respect of each financial year, but before deduction of any withholding tax.

	2020	2019	2018	2017	2016
Rio Tinto Group - US cents per share					
Interim	155.00	151.00	127.00	110.00	45.00
Special	93.00	61.00	243.00	—	—
Final	309.00	231.00	180.00	180.00	125.00
Total	557.00	443.00	550.00	290.00	170.00
Rio Tinto plc - UK pence per share					
Interim	119.74	123.32	96.82	83.13	33.80
Special	66.77	49.82	183.55	—	—
Final	221.86	177.47	135.96	129.43	100.56
Total	408.37	350.61	416.33	212.56	134.36
Rio Tinto Limited - Australian cents per share					
Interim	216.47	219.08	170.84	137.72	59.13
Special	119.63	88.50	338.70	—	—
Final	397.48	349.74	250.89	228.53	163.62
Total	733.58	657.32	760.43	366.25	222.75
Rio Tinto plc - US cents per ADS					
Interim	155.00	151.00	126.79	110.99	44.59
Special	93.00	61.00	243.00	—	—
Final	309.00	231.00	180.00	181.15	125.62
Total	557.00	443.00	549.79	292.14	170.21

3.B Capitalisation and indebtedness

Not applicable.

3.C Reasons for the offer and use of proceeds

Not applicable.

3.D Risk factors

Emerging risks

As a company, we are inherently exposed to long-term risks because of our long-life operations and growth pipeline. We track leading indicators of emerging risks and their likely impact on our long-term prospects. We proactively analyse the impact of these risks on our business model through plausible scenarios of the interplay between geopolitics, societal expectations and technology advancement.

The COVID-19 pandemic has brought additional uncertainty globally and the recovery pathway remains unclear. Since early 2020, we have activated business resilience teams across our global operations, introduced strict health measures to protect our employees and communities, and adapted our systems to support a significant number of employees working from home. We continue to closely monitor the potential short-to-long-term impacts on our business. This includes impacts on our employees, supply chain, market demand and trade, as well as the resilience of global financial markets to support an economy recovery.

Emerging risks by nature are highly uncertain, with scope for rapid or non-linear evolution. The main categories of emerging risks, that we monitor continuously, and that could potentially have an impact (positive or negative) on the group are described below:

Trade tensions: Trade is an essential part of our business, and the mining sector in general, as the majority of our products cross national borders. Throughout the year, we have seen the dynamics of geopolitics causing volatile market conditions including the introduction of tariffs on various goods between China and the US, tariffs on Canadian aluminium imports to the US, a targeted reduction on imports from Australia by China and tightening of foreign investment laws in Australia and Canada. Although we have not been significantly affected by these dynamics to date, we monitor these trends closely, and in particular the evolution of the relationship between Australia and China.

Increasing societal and investor expectations: In 2020, we continued to see increasing expectations and focus on social equality, fairness and sustainability – and how companies address these issues. Financial institutions are also placing greater emphasis on environmental, social and governance (ESG) considerations when making investment decisions. The increasing focus on ESG has the potential to shape the future of the mining industry, supply cost structures, demand for global commodities and capital markets. It has the potential to impact how we operate.

Host communities and cultural heritage: We are committed to strengthening our relationships with host communities, including Traditional Owners and First Nations.

Resource depletion: The continual replenishment of economically viable resources is essential for our future growth. Our past divestments, planned closures and uncertainty over resource assumptions – without reciprocal resource replenishment through exploration or acquisitions – could impact our growth options. Additionally, our ability to access resources could potentially be impacted as regulations evolve.

Transition to a low-carbon future: Climate change constitutes an important part of our sustainability approach. Climate change risks have formed part of our strategic thinking and investment decisions for over two decades. The transition to a low-carbon future presents challenges for our portfolio over the short to long-term. Key areas of uncertainty include future climate change regulation and policies, the development of low-carbon technology solutions and the decarbonisation pathways across the steel sector.

We are targeting a 15% reduction in absolute emissions from 2018 levels by 2030, with an ambition to reach net zero emissions by 2050 across our operations. Overall, our growth between now and 2030 will be carbon neutral. Please refer to our climate change report, available on our website, for further details.

Structural change across commodity markets: The increasing focus on ESG investors and the developments of current geopolitical tensions, coupled with the transition to a low-carbon future, have the potential to structurally change the supply and demand of global commodities. Demand for our commodities could shift to 'greener' alternatives, with a higher dependence on recycling, ie secondary supply. Alternatively, an increased focus on ensuring supply security could see large volumes of supply enter the market, potentially impacting future margins.

Technology advancement: Cyber attacks are becoming more prevalent and we have had to invest significantly in technology to enhance our cyber security.

Principal Risks and Uncertainties

We examine our principal risks and uncertainties to our business objectives within the strategic context of our geopolitical, societal and technological landscape. A principal risk is one or a combination of risks that can manifest externally or internally, be of any nature, and escalate from any area of the business. As such, we set expectations that all our leaders and team members understand their risks, assess them in line with Group policies and procedures, and respond. Where risks are material to the Group, they are escalated to the Executive Risk Management Committee and, as appropriate, to the Board or its committees. This requires a strong risk culture that we continue to develop and foster.

The principal risks, uncertainties and trends outlined in this report should be considered as forward-looking statements and are made subject to the cautionary statement on page 384 of the Annual report 2020. We regularly assess the potential impact and likelihood of our principal risks to support the prioritisation of our efforts and resources. The assessment of these principal risks and the effectiveness of our associated controls reflect management’s current expectations, forecasts and assumptions and, by definition, involve subjective judgments and are subject to changes in our internal and external environments. The following describes both the inherent risks to our business and certain other threats, such as natural disasters and pandemics.

In 2020, the on-going management and monitoring of these risks, controls and response plans has continued to be the responsibility of the Group’s Executive Risk Management Committee (RMC) and where required, a dedicated management committee chaired by an Executive member to oversee a specific principal risk. This year, we are providing greater transparency to our shareholders in disclosing where in our business (resources, assets or relationships) the risk exists. Additionally, we identify the interconnectivity of our Strategic[1], Economic[2] and Operational[3] principal risks within our investors' Environment[4], Social[5] and Governance[6] (ESG) approach.

Footnotes:

1. **Strategic** – risks arising from uncertainties that may impact our ability to achieve our strategic objectives.
2. **Economic** – risks that directly impact financial performance and realisation of future economic benefits.
3. **Operational** – risks arising from our business that has potential to impact people, environment, community and operational performance including our supply chain. HSE risks are specific operational risks.
4. **Environment** – risks arising from business that have potential to impact on air, land, water, ecosystems and human health.
5. **Social** – risks arising from our business that have potential to impact on society, including health & safety.
6. **Governance** – risks arising from our workplace culture, business conduct and governance.

Link to strategy P Portfolio P People P Performance P Partners

1. Living our corporate values

Strategic and ESG Risk

P P P P

Living our values (Safety, Teamwork, Respect, Integrity and Excellence) goes to the heart of our Group's performance, future prospects and reputation. Sharing and demonstrating our values through our behaviours together unlocks opportunities for high performance in all that we do.

Threats

COVID-19 travel restrictions have reduced the ability to have face-to-face cultural and leadership development programmes. Hence, we are finding new ways to engage, induct and develop our people through use of virtual and online programmes.

Trend

2. Geopolitics impacting trade and/or investment

Strategic Risk

P P P

International geopolitics may impact our ability to operate effectively and/or invest.

Threats

Increased trade tensions may undermine rules-based trading system and lead to trade actions (increased tariffs and retaliation), potentially impacting key markets for our products.

Trend

3. Transition to a low-carbon future

Strategic and ESG Risk

P P P P

Climate change is a systemic challenge and will require co-ordinated actions between nations, industries and society. Our risk is that we do not adapt competitively to the requirements of a low-carbon future, including expectations of Scope 3 commitments in the products we produce and the way we operate our business, resulting in reputation damage with key stakeholders eroding investor confidence, market value and business resilience.

Threats

Current and emerging climate regulations have the potential to result in increased costs, change supply and demand dynamics for our products and create compliance risks, all of which could impact our financial performance and reputation.

Trend

4. Execution of acquisitions and divestments

Strategic Risk

P P P

Acquisitions' (or divestments') actual realised value may vary materially from original business case.

Threats

Value is not realised from divestment or acquisition through changing or incorrect assumptions, unanticipated liabilities or integration costs.

Trend

5. New ore resources

Strategic and ESG Risk

P P

The success of our exploration programmes and/or acquisitions may be insufficient to offset depletion.

Threats

Recent assessment indicates a net decrease in our resources and reserves across all commodities. New large, long-life deposits are increasingly scarce and those that are known require advances in processing technology and/or significant capital investment in infrastructure.

Trend

6. Strategic partnerships

Strategic and ESG Risk

P P P P

Strategic partnerships play a material role in delivering our growth, production, cash or market positioning, and these may not always develop as planned. Strategic partnerships include our Traditional Owners, customers, joint ventures partners (managed and non-managed), governments and our suppliers.

Threats

Disruption to our partnerships may limit the expected benefits received by participants and lead to interruptions to our operations, development projects and exploration activities. For non-managed operations, the decisions of the controlling partners may cause adverse impacts to the value of our interest in the operation, or to our reputation, and may expose us to unexpected liabilities.

Trend

7. Relationships with communities

Strategic and ESG Risk

P P P

We may not be viewed as a trusted partner by society and governments, affecting our ability to operate and grow through collaborative and mutually beneficial partnerships.

Threats

Access to land and resources may be impacted if we are not considered a trusted partner in certain regions. Other potential actions can include litigation exportation, export or foreign investment restrictions, increased government regulation and delays in approvals, which may threaten the investment proposition, title or carrying value of assets.

Trend

8. Attract and retain requisite skilled people

Strategic and ESG Risk

Our ability to maintain our competitive position is dependent on attracting, developing and retaining services of a wide range of internal and external skilled and experienced personnel and contracting partners.
Threats Business interruption or underperformance may arise from a lack of capability in people, standards, processes or systems to prevent, mitigate or recover from an interruption which results in a material loss to the Group.
Trend

9. Commodity economics

Economic Risk

Commodity prices, driven by demand for and supply of our products, vary and may not be as expected over time. China is the largest market for our products and its growth pathway could affect demand for our products.
Threats Falling commodity prices or adverse exchange rate movements reduce cash flow, limiting profitability and shareholder returns. These may trigger impairments and/or impact our credit ratings. Extended subdued prices may reflect a longer-term fall in demand for our products, and the reduced earnings and cash flow streams resulting from this may limit investment and/or growth opportunities. Unfavourable changes in the cost of production can arise, such as increased fuel prices.
Trend

10. Access to capital through economic cycles

Economic Risk

External events and financial discipline may impact our ability to access capital and support our strategy.
Threats Our ability to raise sufficient funds for capital investments during a major economic downturn.
Trend

11. Resources to reserves

Economic Risk

Our estimates of ore resources and reserves may vary. The volume of material reported in Resource and Reserve is based on the geological, commercial and technical information available at the date of the report and is, by its nature, incomplete. As new information comes to light, the economic viability of some Ore Reserves and mine plans may be reassessed with material impacts (positive or negative).
Threats Inadequate knowledge of our Resources and Reserves increases production costs and ore loss within our production systems. Failure to capture the benefits of new technologies may reduce our volume of available Reserves.
Trend

12. Capital project delivery

Economic Risk

P P

Large capital investments require multi-year execution plans and are complex. Our ability to deliver projects to baseline plan – principally in terms of safety, cost and schedule – may vary due to changes in technical requirements (eg geotechnical), law and regulation, government or community expectations, or through commercial or economic assumptions proving inaccurate through the execution phase.

Threats

A delay or overrun in a project schedule and/or a significant safety or process safety incident could negatively impact our profitability, cash flow, ability to repay project-specific debt, asset carrying values, growth aspirations and relationships with key stakeholders. A failure to secure the required approvals (regulatory and from partners) may cause delays in project delivery with a corresponding increase in costs. In 2020, COVID-19 has affected the delivery of major projects due to restrictions on travel and supply chains, though some mitigation activities have reduced these impacts.

Trend

13. Change in tax regulations

Economic Risk

P P

The international tax policy landscape is becoming increasingly contentious with discussion related to digital taxes raising threats of trade wars and providing the impetus to implement significant changes to the global tax framework.

Threats

Tax revenues play an important role in assisting governments to provide essential services and provide an opportunity for companies to contribute to the communities in which they operate. Tax policy settings are a relevant factor in investment decisions, particularly for industries that require significant upfront investment. Changes to the global tax framework must provide appropriate outcomes in the allocation of taxing rights between countries and provide certainty for companies seeking to invest. The potential for policy design that does not consider the features relevant to capital intensive industries or the adoption of unilateral approaches risks uncertainty, complexity and double taxation, which may adversely impact future investment decisions.

Trend

14. Safety incident or major hazard event

Operational and ESG Risk

P P P P

Our operations and projects are inherently hazardous, with the potential to cause illness or injury, damage to the environment, and disruption to communities. Major hazards include process safety, underground mining, surface mining and tailings and water storage.

Threats

Failure to manage our health, safety, environment or community risks could result in a catastrophic event or other long-term damage that could harm our financial performance and licence to operate.

Trend

15. Cyber breach

Operational Risk

P P P

Cyber risk may disrupt our operations, affect how our employees work and/or breach data privacy and other sensitive information related to customers, contractors and suppliers. Cyber breaches can arrive from malicious external or internal attacks, but also inadvertently through human error.

Threats

The growing volume and sophistication of cyber threats is increasing the likelihood of compromise, offset by significant improvements in the effectiveness of control measures.

Trend

16. Physical impacts from climate change

Operational and ESG Risk

P P P

Our operating sites may be vulnerable to the physical impacts of climate change including extreme weather events, rising sea levels or extreme temperature impacts on operating environments.

Threats

Climate change has the potential to significantly reduce rainfall in areas where we operate which may lead to water shortages. Conversely, an extension of the tropical cyclone season in the Pilbara, Western Australia, would impact our iron ore operations. A significant warming trend, particularly influencing maximum temperatures, would also impact the way we operate.

Trend

17. Water scarcity and management

Operational and ESG Risk

P P P P

Water is a key part of our operational environmental footprint and a critical, shared resource for people, the environment and economic prosperity. In some regions where we work water scarcity is an inherent risk, like the Gobi Desert in Mongolia. In others, rainfall can vary greatly from year to year, such as Weipa in Queensland, Australia. Many of our sites are also experiencing changes in rainfall and water availability due to climate change.

Threats

Our water management causes unacceptable operational, environmental or community impacts. Sources of this risk exposure are diverse across geographies and commodities, with both financial and non-financial implications without proactive management in new asset developments, operations and closures.

Trend

18. Natural disaster exposure

Operational and ESG Risk

P P P P

A natural disaster occurs with significant operational interruption or damage to our assets and/or communities.

Threats

This primarily includes major impacts to our Pilbara iron ore operations due to Category 5 cyclone storm surges hitting coastal operations and nearby communities, causing significant operational interruption or damage to mines, rail, port and/or other infrastructure. Non-financial impacts may include multiple fatalities or severe permanent impairment to multiple people. Other natural disasters that can affect our operations, depending on their location, include bush fire, drought, earthquakes and tsunami. In 2020, our Kennecott copper operation in Utah, US, was impacted by an earthquake.

Trend

19. Closure, reclamation and rehabilitation

Operational and ESG Risk

P P P

Planning for the future of our sites after they cease operating is a core business function governed by our Closure Steering Committee. Estimated costs and liabilities are provided for, and updated annually, over the life of each operation. However, estimates may vary due to a number of factors that create either opportunities or challenges.

Threats

Plans and provisions for closure, reclamation and rehabilitation may vary over time due to changes in stakeholders' expectations, legislation, standards, technical understanding and techniques. In addition, the expected timing of expenditure could change significantly due to changes in the business environment and orebody knowledge which might vary the life of an operation.

Trend

20. Civil unrest

Operational and ESG Risk

P P P

Civil unrest may expose our employees and/or operations to significant threats or impact our key markets and customers, potentially resulting in compromised employee safety, and damage to or loss of assets.
Threats Where there is potential for civil unrest, our access or operational continuity may be disrupted. Our African and South American operations and exploration sites have the most exposure to this risk.
Trend

21. COVID-19

Operational and ESG Risk

P P P

The potential for transmission across our teams, communities and supply chains continues to be a threat that requires proactive management to guard against business impacts.
Threats COVID-19 transmission has the potential to compromise the health of employees, partners, communities and, in particular, vulnerable populations (eg elderly, First Nations, immuno-compromised people). A large-scale outbreak could lead to the complete shutdown of operations, affecting on the flow of products to customers.
Trend

22. Breach of our policies, standards and procedures, laws or regulations

Operational and ESG Risk

P P P P

This risk may greatly impact our reputation, licence to operate, and potentially exposes us financially. It is important that we foster a culture aligned with our values, provide education and guidance to employees, and implement proactive compliance monitoring.
Threats Investigations by regulatory authorities and litigation (regardless of the ultimate finding) may have a serious impact on our reputation. Fines may be imposed for breaching laws and/or regulations or for other inappropriate business conduct, as well as resulting in a loss in share price value and/or assets or loss of business. Other consequences could include the criminal prosecution of individuals and/or Group companies, imprisonment, and reputational damage to the Group.
Trend