

RioTinto

Governance statement 2024

Rio Tinto Iceland Ltd.



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This statement is based on the corporate governance guidelines issued by Nasdaq, the SA Confederation of Icelandic Enterprise and the Icelandic Chamber of Commerce Version 6.0. It is adapted to the special circumstances contained in the Master Agreement between Rio Tinto Iceland Ltd. (ISAL) and the Icelandic government enacted by Act No. 76/1966.

1. Purpose and mission

Our purpose is to continuously find better ways to produce high quality aluminum with maximum profitability in conformance to customers' requirements by keeping environmental, safety and health affairs in the forefront. The company has resolved to be a leader in all its operations, to be guided by continual improvements and to always act in harmony with the environment and community. Our future depends on outstanding employees where human rights and equality are a guiding light. We abide entirely by laws and regulations and by Rio Tinto code of conduct, The Way We Work. Our vision is to ensure growth and competitiveness of the company in a sustainable manner and achieve carbon neutrality by 2040.

2. Legislation and Regulations Specifically Governing Rio Tinto Iceland's Governance and Operations

Rio Tinto Iceland's field of operations is extensive and therefore subject to various pieces of legislations. As well as the Master Agreement between ISAL and the Icelandic government, legislation such as the Hygiene and Pollution Prevention Act and the Annual Accounts and Public Limited Companies Act plays a major role.

Our operations require an operating license, and ISAL was issued with an operating license by the Environment Agency of Iceland on 28th of October 2021, which is valid until November 1st 2037. The operating license is accessible on the company's website and on the Environment Agency's website. The Environment Agency also acts as a regulator.

ISAL's quality system includes a specific register of the laws and regulations relevant to our operations, which is reviewed and updated regularly.

3. Other Rules, Criteria and Standards Relevant to Rio Tinto Iceland's Operations

The company has been certified to the following standards that are certified by external auditors: ISO 9001, ISO 14001, ISO 45001 and ASI V3.

4. Main Aspects of Internal Control and Risk Management

The company's Board of Directors is responsible for putting in place an active system of internal control and risk management and ensuring that it is formalized, documented, and verified on a regular basis. The main aims of internal control and risk management in our operations are to give reasonable assurance of satisfactory results and efficiency in our operations, to provide external and internal parties with reliable and legitimate financial information and to comply with the laws and regulations applicable to our operations.

Regular assessment of the risks posed by our operations to health, human rights, environment, safety, society, and operations is performed. These assessments are the responsibility of the respected manager for each of these areas and are approved by the Senior Management. Key business risks are received quarterly, and changes approved by ISAL's management team. Risks are managed in a centralized system within Rio Tinto.

Internal control of financial reporting is designed in such a way as to give reasonable assurance that financial reports comply with recognized financial reporting standards and present no significant shortcomings, e.g. procedural problems, errors.

One of the General Manager's obligations is to maintain an organizational chart clearly specifying the areas of responsibility, the powers of employees and the reporting lines within the company. The General Manager must also analyze, measure, and monitor the risks facing the company in its operations.

As part of the annual management review, the Executive Board and the General Manager receive a presentation of key figures from the company's operations from the relevant department heads. The Quality Manager takes the minutes at such meetings. The external auditor conducts surveys on the effectiveness of internal control in connection with the audit of the company's annual accounts. Certain aspects of internal controls have been regularly inspected in recent years by the internal audit department of Rio Tinto, ISAL's parent company.

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5. Appointment of the Board of Directors and Board Members

The Board of Directors of ISAL is appointed based on the Master Agreement between the government of Iceland and Alcan Holding Switzerland, which was signed on 28 March 1966 and ratified by the Icelandic Parliament by means of Act No. 76/1966. This Act states that ISAL's Board of Directors is composed of seven members, two of whom are appointed by the government. A majority of Board Members must be Icelandic citizens. The Board is elected annually at the ISAL Annual General Meeting.

The board does not have a Nomination Committee. Two board members are nominated by the Ministry of Higher Education, Science and Innovation on the Master Agreement. Other board members are appointed by Rio Tinto.

Rio Tinto Iceland Ltd. is a private limited company and domiciled in Iceland. The company is a subsidiary of Alcan Holdings Switzerland and an indirect subsidiary of Rio Tinto plc with headquarters in London. The Chairman of the board of Rio Tinto Iceland Ltd. gets a written power of attorney from the owner Alcan Holdings Switzerland.

The current members of the Rio Tinto Iceland Ltd. Board of Directors are:

Jean-Francois Claude A. Faure, Chairman
Etienne Jacques
Maria Tournas
Brynjólfur Bjarnason
Katrín Pétursdóttir
Margrét Sanders*
Magnús Júlíusson*

*Icelandic government representatives

The gender ratio on the company's Board is such that 57% are male and 43% female in 2023. Appointments of board members are made based on law nr. 2/1995 which ensures either sex is at least 40% of board members.



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Further information on board members:

Jean-Francois Claude A. Faure. (b. 1959) Chairman of the Board. Has been a Rio Tinto Iceland Board member since 2016. Graduate in Engineering from the École des Mines de Paris (France). Current occupation: consultant. Diverse experience in managerial positions in the aluminium industry spanning over 35 years, i.e. with Pechiney, Alcan, Rio Tinto. No connection with major clients or competitors. Is not a shareholder of the company and is independent from our activities.

Etienne Jacques (b. 1961). Joined the Board in 2021. A chemical engineer from Laval University but also has a postgraduate degree in finance from CIREM HEC and IMPM from Lancaster University. Has more than 35 years of experience in various management positions within Alcan and Rio Tinto and sits on the boards of various organisations. No connection with major clients or competitors. Is not a shareholder of the company and is independent from our activities.

Maria Tournas (b. 1975). Joined the Board in 2021. Is an accountant from McGill University. Has held various management positions at Alcan and Rio Tinto since 2002, but was previously an accountant at Arthur Andersen & Co. No connection with major clients or competitors. Is not a shareholder of the company and is independent from our activities.

Brynjólfur Bjarnason (b. 1946). Joined the Board in 2016. Has an MBA from the University of Minnesota (USA) and Cand.oecon from the University of Iceland. Has had an extensive career as manager and board member in various companies. Was, i.e. the Executive Director of Enterprise Investment Fund and CEO of Skipti, Síminn and Grandi. Is the Chairman of the Board at Arion Banki, a Board Member at Marininvest and alternate Board member at Ferguson. No connection with major clients or competitors. Is not a shareholder of the company and is independent from our activities.

Katrín Pétursdóttir (b. 1962). Joined the Board in 2011. Graduate in Industrial Operations from the Technical College (Iceland). CEO of Lýsi and Executive Director of a company owned by Lýsi. Board member at Rammi and Akraborg, Árvakur hf. and other smaller companies. No connection with major clients or competitors. Is not a shareholder of the company and is independent from our activities.

Margrét Sanders (b. 1959). Joined the Board in 2016. Has an MBA from Western Carolina University (USA). Partner and consultant at Strategía. Extensive experience of management and finance, e.g. consultant at Deloitte for 17 years. Board member at HS Veitur. No connection with major clients or competitors. Is not a shareholder of the company and is independent from our activities.

Magnús Júlíusson (b. 1986). Joined the Board in 2022. Has a M.Sc. degree in Energy Science from the Royal Technical University of Stockholm and a B.Sc. degree in high-tech engineering from Reykjavík University. Has worked as a political advisor to the Minister of Industry, founded Íslensk Orkumiðlun in 2017 and worked as an electricity specialist at the National Energy Authority. Board member of Festi since 2022. No connection with major clients or competitors. Is not a shareholder of the company and is independent from our activities.

6. Board Activities

The Board of ISAL usually meets formally twice a year. One Board meeting and the AGM usually take place in May and the second Board meeting in November. Between these formal meetings, the Board meets as and when required.

Two meetings were held this year. In May, a general board meeting and the AGM were held in Straumsvík. Attendees: Jean Francois Faure, Etienne Jacques, Maria Tournas, Brynjólfur Bjarnason, Magnús Júlíusson, Margrét Sanders, Katrín Pétursdóttir and Rannveig Rist.

At the AGM the board was re-elected until the next AGM.

The second board meeting of the year took place in Paris in November. Attendees: Jean Francois Faure, Etienne Jacques, Maria Tournas, Brynjólfur Bjarnason, Magnús Júlíusson, Katrín Pétursdóttir and Rannveig Rist.

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7. Performance Appraisal of the Board and Audit Committee

ISAL's Board has not conducted a specific performance appraisal of its activities. ISAL's Board has not conducted a specific performance appraisal of its activities. Performance of the company is taken at the group level. This creates a set of targets with a focus on collective success.

The benchmarking parameters with weights:

- Impeccable ESG (10%)
- Excel in Development (10%)
- People and Culture (10%, of which 5% is Gender diversity)
- Social Licence (10%)
- Unflexed financials (25%)
- Flexed financial (25%)

Overall scorecard for Rio Tinto and Rio Tinto Iceland Ltd in 2023 is 112%.

The Board's Audit Committee is active. The role of the Audit Committee is to review the Annual Financial Statements and ensure that they are in accordance with the law and review the audit plan and internal controls and internal audit. The Audit Committee addresses issues that may arise in connection with the Annual Financial Statements. The Audit Committee members are Herbert Baldursson, Chairman, Jean Francois Faure and Margrét Sanders. The committee met two times in 2023 and all committee members attended the meetings.

The board rules of procedures and sub-committees are available upon request from the GM's office of the Company.

8. Remuneration Policy

The annual report of our parent company, Rio Tinto Ltd., contains a detailed Remuneration statements by the People & Remuneration Committee chair. The report is publicly available on riotinto.com and is intended to ensure that the people and remuneration policies, frameworks and practices are aligned with the Group's strategy, objectives, and values. All the principles and policies in the statement apply to ISAL's staff members and are considered as ISAL's remuneration policy. Other ISAL's employees work under the conditions of a general wage agreement (see under people in Annex A). Our Policy regarding Equal Pay and Equality is also available in Annex A. Since the remuneration of ISAL's staff members are taken at the group-level, ISAL's board does not have a Remuneration Committee per se.

Board members compensation

ISAL's board members are paid annual compensation in accordance with the decision of the Annual General Meeting.



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9. General Manager and Executive Board

Rannveig Rist (b. 1961) is General Manager (GM). She has been the GM since 1997. She holds an MBA degree from the University of San Francisco, an AMP diploma from Reykjavík University, is Mechanical Engineer from the University of Iceland, a craftsman master's degree in mechanical engineering and Level 4 Mechanical Engineering diploma. Prior to joining ISAL in 1990 assuming a management position she worked at the Hydrological institute at the National Energy Authority and was a First Engineer at sea on a sea trawler. She has no connection with major clients or competitors and is not a shareholder of the company. She does not hold a stock option in the company. The GM is the principal executive point of contact for the company and is generally accountable for ensuring that appropriate business strategies are in place and that these are acted upon according to the priorities established by the Board of Directors as well as the priorities of the parent company Rio Tinto and in a manner that is consistent with accepted and necessary business practices. The GM is responsible for ensuring that the company's strategies are acted upon successfully and that the operation respects Icelandic and international laws. The GM is accountable for the direction of all aspects of the plant operation, including HSEC performance and customer satisfaction.

Rannveig is a board member of Samál, Icelandic Association of Aluminium producers. She is a Board member of Lýsi hf. and is a board member of the Confederation of Icelandic Business (SA). Previously she was a chairman of the board of Síminn and Skipti and board member at SPRON, Jarðboranir, HB Grandi, Promens and Chamber of Commerce.

Reporting to the General Manager are six managers:

Árni Stefánsson, Casthouse and safety
Guðni Ingólfsson, HEQ and Technology
Einar Aron Einarsson, Electrolysis
Gaukur Garðarsson, Maintenance
Jakobína Jónsdóttir, Human Resources
Sigurður Þór Ásgeirsson, Finance

From May 1st 2024, Adriana Karólína Pétursdóttir will replace Jakobína Jónsdóttir as HR Manager.

Appointments of managers and leaders are based on qualification and with our Equal rights and equal pay policy in mind ([see Annex A](#)).

Annex A also has more detailed organization chart which explains further roles and responsibilities.

10. Convictions or Fines

Under the Master Agreement between Rio Tinto Iceland's parent company and the Icelandic government ratified by the Icelandic Parliament in 1966, ISAL pays fees to the parent company for various types of assistance and consultancy. The Icelandic tax authorities ruled that these arrangements did not comply with new legislation on transfer pricing between related parties as regards the period 2014–2016. In mid-2021 the issue was referred to the State Internal Revenue Board, which upheld the tax authorities' ruling. Since then, ISAL has been working together with its parent company on adapting these payments to bring them into line with the requirements of the tax authorities.

In 2022 the Tax authorities ruled for years 2017 and 2018 that fees paid to the parent company were not considered operational cost even though Rio Tinto had submitted new documents for those years to comply with the ruling from 2021. The new ruling was referred to the State Internal Ruling Board who again confirmed the tax authorities ruling.

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