# RIO TINTO AFRICA - FV TOOL CASE STUDY

## Background

International mining company Rio Tinto is a global industry leader committed to sustainable mining development that has led several mining sector initiatives on conservation, land rehabilitation, biodiversity, climate change, and water and energy use. Rio Tinto has its Africa head office in Johannesburg, South Africa and operates throughout the region to produce a wide variety of minerals, including copper, bauxite, aluminum, uranium, diamonds and titanium.

In 2008, as part of the company's planning process for community investments at a Greenfield operation in Southern Africa, Rio Tinto teamed up with IFC and Deloitte to pilot an early version of the FV Tool.

## The project

Rio Tinto recognized the need for a valuation framework to assess the return of sustainability investments that included workforce training, health, biodiversity, and local procurement among others. It was clear that a more systematic approach was needed and would have more credibility if it adopted the same rigor that the company applied to its operational decisions.

The output would provide a decision-making matrix for sustainability and local development investments throughout the asset life-cycle until site closure.

## Results

The FV Tool helped Rio Tinto develop a pilot model that integrated sustainability investments into the business planning process. By applying the FV Tool's financial model, Rio Tinto was able to demonstrate that investments related to social and environmental actions were drivers of profitability, productivity, and value protection and creation.

When calculating the financial value of the social and environmental investments the company found:

- 99.6% probability of positive project value
- Expected direct and indirect value of sustainability investments was estimated at $318 million Net Present Value

**The FV Tool process helped Rio Tinto to:**

(i) Recognize the need to change the way they treated CSR programs; starting to view them as an investment rather than a cost.

(ii) Strengthen the business case for CSR interventions by including a rigorous quantification of the return on community investment.

(iii) Allow sustainability projects to be evaluated at the same level as other core business decisions.

(iv) Bring together multiple functions from across the organization to discuss sustainability interventions helping to more closely align investment initiatives with operational risks and opportunities.

*"This tool, a collaborative process across sectors, represents the state of the art in planning and implementing strategic sustainability investments. It allows managers to value these investments both from the perspective of direct cash-flows and indirect risk mitigations. It highlights the optimal scale and timing of investments and through iterative use facilities a more robust monitoring and evaluation of the impacts they bring. All of this serves to improve the quality of the interventions."*

Rio Tinto Regional
VP Business Development for Africa