

19 December 2024

**The Board of Directors**

Rio Tinto plc ("**PLC**")  
6 St James's Square  
London SW1Y 4AD  
United Kingdom

Rio Tinto Limited ("**LTD**") (together with PLC, "**Rio Tinto**")  
Level 43  
120 Collins Street  
Melbourne VIC 3000  
Australia

Dear Members of the Board (the "**Board**"),

We write to you on behalf of Palliser Capital (UK) Limited and its affiliates (together, "**Palliser**" or "**we**"), following our letter to the Board and accompanying presentation dated 4 December 2024 (<https://unifyrio.com>).

In those materials, we set out the irrefutable case for unifying Rio Tinto's dual-listed companies ("**DLC**") structure into a single Australian-domiciled holding company. We highlighted management's flawed and unconvincing commentary in defence of the status quo. We called upon the Board to instigate a robust and vigorous review that would test the anomalous conclusions of management's cursory internal assessment - which conflict so starkly with the global opinion on the durability of the archaic structure.

We sent our letter to the Board after over 6 months of good faith effort on our part to engage with management on the multiple significant benefits of unification. That included numerous requests to meet with Mr. Stausholm, which finally happened on 4 December 2024. Despite us demonstrating the overwhelming empirical evidence in favour of unification, management has remained adamant that there is no value case for this step whatsoever.

When the directors (a cumulative >136 of them) of almost every other DLC, together with independent experts, have consistently set out the clear and compelling reasons for an unwind - as the plethora of statements from them at Appendix 1 demonstrate - we believe that the global "value-case" for unification is conclusive. In our view, it is, in fact, incumbent on management to now fully and transparently justify to the investor community exactly why Rio Tinto is immune from all of the globally-accepted inefficiencies of a DLC structure. In short, so persuasive is the evidence in favour of unification that it is incumbent on management to explain why unifying Rio Tinto's DLC would fail to unlock the universally agreed-upon significant advantages of a simplified structure that so many have cited and benefited from.

In our 4 December letter, we asked the Board to commission a comprehensive review which would look into these exact issues. However, despite our request for a reply by 18 December 2024, we are yet to receive any substantive feedback in this regard.



## **Members' Resolution**

At this juncture, we have **every reason to doubt** Rio Tinto's commitment to treating the topic of unification with the importance it deserves. Management's superficial review is simply not good enough and we are worried that the Board will not take appropriate steps to rectify its shortcomings.

Management have told us that investors are not concerned about whether to unwind Rio Tinto's structure and that it is mainly Palliser raising the question. However, since our letter and presentation of 4 December, we have received an outpour of support from a diverse range of stakeholders and buy-side and sell-side analysts - across Australia and the United Kingdom - all of whom have expressed overwhelming support for the rationale to unify that we put forward.

For these reasons, we are now compelled to take action - to exercise our rights as shareholders - to ensure that the Board steps up for all those investors who agree with our perspectives. Accordingly, Palliser and >100 other shareholders have today requisitioned a resolution be moved at the next AGM pursuant to s.338 of the Companies Act 2006. The resolution is simple – **it directs the Board to conduct an independent, comprehensive and transparent review on whether unification of Rio Tinto's DLC structure is in the best interests of Rio Tinto's shareholders and to share the detailed findings of that review with the market.**

Palliser did not take this step lightly or without a great deal of deliberation. We took this step because we believe that the market is long-overdue the review we are requesting and, if the Board is not willing to procure it of its own accord, then we must ensure that shareholders have the ability to require them to do so.

The resolution we have co-filed provides an opportunity for shareholders of Rio Tinto to be heard. It enables management to genuinely test whether shareholder support for unification is "*impossible*", as they have asserted. It allows the pressing questions around the unwind of the current ownership structure to take its place on the AGM agenda, alongside all of the other matters of critical importance to shareholders.

## **Time is of the essence: Future-proofing Rio Tinto**

It should not take investor pressure for management to do the right thing – to resolve the value destructive inefficiencies of their outdated structure and set Rio Tinto on the trajectory of long-term value enhancement. In the words of your chairman, Mr. Dominic Barton, "*It should not take an activist hedge fund attack to prompt executives to lay out their strategy for long-term value creation.*"<sup>1</sup>

The directors of former DLCs have been perfectly clear that unification is an essential and critical step to future-proof their businesses - to accelerate shareholder returns, enable meaningful portfolio evolution and catalyze their ability to compete effectively with their DLC-free peers.

The members of the Board must also look to the future of Rio Tinto. At a time when there is fierce competition in the mining industry to diversify and secure future facing commodities critical to the energy transition, Rio Tinto cannot afford to be hampered by a clunky and inefficient structure that removes all important equity currency from the negotiation table in M&A transactions.

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<sup>1</sup> Financial Times, 1 April 2015.



It is simply unsustainable for the Board of the second largest mining company in the world to keep working around the value-destructive constraints of its archaic structure, while its DLC-free peers optimize value through their unrestricted access to the full suite of capital allocation tools.

Accordingly, the resolution we and our co-filers have put forward today ensures the topic will finally be given the focus and attention it requires, without further delay. As BHP's chairman put it, "**Unifying BHP's corporate structure today is about setting BHP and its Shareholders up for tomorrow.**" It is about time Rio Tinto and its shareholders are set up for tomorrow too.

We greatly appreciate the Board's consideration of our views.

Yours faithfully

For and on behalf of  
**Palliser Capital (UK) Limited**

A handwritten signature in cursive script that reads "James Smith".

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By: James Smith, Chief Investment Officer

## Appendix 1

### The Irrefutable Strategic Benefits and Value Case for Unification<sup>2</sup>

Whilst Mr. Stausholm holds onto the notion that the DLC structure somehow offers “*the best of two worlds*”,<sup>3</sup> every other large cap DLC has long concluded that the perceived benefits of their structure are not real. The capital flexibility it was supposed to provide “*has proved illusory*”, to quote BHP’s independent expert, Grant Samuel. The former chairman of BHP, Don Argus - who oversaw the formation of BHP’s DLC structure - confirmed its temporary, “stop-gap” nature (“*The DLC was always a short-term thing...*”<sup>4</sup>).

BHP’s CEO, Mike Henry, succinctly summarised the value case for an unwind: “*A unified corporate structure will make BHP **simpler and more agile**, with the **strategic flexibility** required to **shape our portfolio** to deliver value through producing the commodities needed for continued economic growth, improved living standards, electrification and decarbonisation.*”

“*We will retain listings in the UK, US.....and Australia, providing BHP with continued access to global markets and giving shareholders the opportunity to benefit from our portfolio, management and operating performance for long-term value.*”<sup>5</sup>

Grant Samuel concluded, off the back of a detailed 45-page independent expert report ([https://www.bhp.com/-/media/documents/investors/shareholder-information/2021/unification/3\\_circular.pdf](https://www.bhp.com/-/media/documents/investors/shareholder-information/2021/unification/3_circular.pdf)), that “*The advantages [of unification] clearly outweigh any disadvantages. Shareholders in both Limited and Plc are likely to be better off if Unification proceeds. Accordingly, in Grant Samuel’s opinion Unification is in the best interests of BHP shareholders.*”

Glass Lewis recommended in favour of that unification on the basis that it would “*improve BHP’s flexibility and focus on maximizing long-term value for shareholders.*”<sup>6</sup> ISS did the same, noting “*Overall, compelling rationale has been provided to justify the unification.*”<sup>7</sup>

Large cap companies such as Unilever confirm the universal rationale for moving away from a DLC structure:- “*...**simpler legal structure** would give...**greater strategic flexibility** to grow shareholder value, providing a catalyst for accelerated portfolio evolution and greater organisational autonomy.*”

Shell reached similar conclusions: “[unification] will **simplify** the company’s share structure and bring it in line with other companies so as to increase its capital **and portfolio flexibility**. The simplification will make Shell more competitive, it will allow for an acceleration in shareholder distributions and speed up Shell’s transition to a net-zero emissions energy business.”

In the same vein, Thomson Reuters noted “*Unification would benefit our shareholders by creating a **single, global and deep pool of liquidity and a simpler, more transparent capital structure.***”

<sup>2</sup> Unless otherwise stated, quotations are taken from the shareholder circular (or equivalent document) issued by the relevant boards in relation to the proposed unification.

<sup>3</sup> Page 9 of the Rio Tinto UK Analyst Q&A Conference Call, 31 July 2024 on Rio Tinto’s website.

<sup>4</sup> The Australian, “*Former chairman Don Argus hails BHP’s courageous restructure*” (17 August 2021)

<sup>5</sup> The Australian, “*BHP board approves collapse of company’s dual structure*” (2 December 2021)

<sup>6</sup> Glass Lewis Proxy Paper, BHP dated 20 December 2021.

<sup>7</sup> ISS Proxy Analysis and Benchmark Policy Voting Recommendations: BHP Group Plc, 23 December 2021.

(1) Efficient capital structure, (2) strategic flexibility, (3) tax optimisation (especially the efficient utilisation of franking credits for UK/Australian DLCs), (4) a simplified corporate governance regime, and (5) streamlined costs and focus are repeated, time and time again, as the key reasons to unify:

## 1) Efficient capital structure

- *“The transaction aims at giving the group a single listed holding company structure to provide the basis for easy access to capital markets.” (Dexia)*
- *“The merger of the Bank’s two owner companies has eliminated the share quotation difference caused by the previous structure.”<sup>8</sup> (Nordea)*
- *“Unification under the Proposals will eliminate the difference between the trading prices of Allied Zurich Shares and Zurich Allied Shares relative to the value implied by the Equalisation Ratio.”*
- *“The boards of Zurich Allied and Allied Zurich believe that unification of the share structure will enhance long term value for shareholders by: ...Increasing the liquidity of new Zurich Financial Services Shares by comparison with Allied Zurich Shares and Zurich Allied Shares...”*
- *“The unified Fortis share will benefit shareholders in the following aspects:*
  - *Increased stock market visibility of the Fortis share, i.e. the combined market capitalization of Fortis and a single trading line on stock exchanges.*
  - *Enhance liquidity of the Fortis shares and the weighting of Fortis in the principal share indices.”*
- *“Your Directors are recommending the Unification because they believe it will...eliminate the differential between the price at which BIL Shares have historically traded on the ASX and BIP Shares have historically traded on the LSE.” (Brambles)*
- *“However, on announcement of the proposed unification, the share price differential was largely eliminated on the expectation that the proposed unification would be implemented...The removal of the share price differential is a benefit of the proposed unification. It is a direct benefit for BIP shareholders but should also have broader capital markets benefits (for both BIL and BIP shareholders).”<sup>9</sup> (Brambles)*
- *“Your Directors are recommending the Unification because they believe it will...lead to Brambles Limited having an increased index-weighting in major Australian indices due to the issued capital being consolidated under a single holding company, which is likely to result in enhanced demand from institutions that track Australian indices.”*
- *“Unification will consolidate our liquidity, reduce trading volatility in our shares and make it easier for our investors to acquire and build meaningful ownership positions, which should increase demand for our shares. Our shares are currently split between two public companies and are listed on four different stock exchanges, which has fragmented our overall trading liquidity.” (Thomson Reuters)*
- *“Since Thomson Reuters was formed, the trading price of our ordinary shares on the LSE has varied from the trading price of our common shares on the TSX and NYSE, even though the shares represent the same economic interest in Thomson Reuters. Unification will eliminate*

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<sup>8</sup> 1999 annual report of MeritaNordbanken Group.

<sup>9</sup> Grant Samuel independent expert report dated 12 September 2006 in relation to Brambles unification.

*confusion regarding the valuation of our shares. Following Unification, we will have a traditional single parent company structure with one class of publicly traded common shares.”*

- *“The Merger should eliminate the differential in share prices between RELX PLC and RELX NV, and the trading anomalies resulting therefrom.”*
- *“Over time, it is expected that the combined market capitalisation will lead to improved visibility, enhanced liquidity and increased demand for RELX PLC Shares.”*
- *“Dividends to RELX PLC Shareholders and RELX NV Shareholders are, other than in special circumstances, currently equalised at the gross level. The exchange rate used for each dividend calculation as defined in the Governing Agreement is the average of the closing mid-point spot euro:sterling exchange rate.... This potentially results in diverging dividend growth rates that are also different to adjusted earnings per share growth. Following the proposed Simplification, this divergence will be eliminated.”*
- *“Upon completion, there would be one market capitalisation, one class of shares and one global pool of liquidity, whilst maintaining the Unilever Group’s listings on the Amsterdam, London and New York stock exchanges.”*
- *“Plc Shares have generally traded at a lower price than Limited Shares. Following Unification, Limited Shares traded on the ASX, LSE and JSE will be interchangeable and there are not expected to be any material differences in the respective share prices on each exchange (when adjusted for currency differences), including for the Limited Shares represented by ADSs traded on the NYSE.” (BHP)*

## **2) Strategic flexibility**

- *“The share capital simplification will enhance the liquidity of the ABB shares....This will allow us to handle acquisitions and strategic alliances by using shares in addition to debt financing.”<sup>10</sup>*
- *“With ownership concentrated in a single owner company, the potential to develop a strong Nordic financial group has been improved. Single ownership will also strengthen the Group’s position for additional structural changes.”<sup>11</sup> (Nordea)*
- *“Acquisition of new share capital and structural transactions have also been facilitated.”<sup>12</sup> (Nordea)*
- *“The boards of Zurich Allied and Allied Zurich believe that unification of the share structure will enhance long term value for shareholders by:
 
  - *Enhancing strategic flexibility within a rapidly consolidating financial services industry;*
  - *Simplifying capital raising for the Group and reducing capital raising for investors; ...”**
- *“The current corporate structure has restricted the flexibility of the Group with regard to both debt and equity issuance. One of the benefits of the proposed structural changes is that these impediments are removed.” (Shell)*

<sup>10</sup> ABB press release, “ABB Creates New Single Share” (4 February 1999)

<sup>11</sup> 1999 annual report of MeritaNordbanken Group.

<sup>12</sup> 1999 annual report of MeritaNordbanken Group.

- “The existence of a single parent company that is an SEC registrant will facilitate the issuance of registered debt securities by avoiding any need for multiple obligors or guarantors.” (Shell)
- “[Malcolm Brinded, executive director, Shell:] *Having a single stock to make acquisitions is “a tool we didn't have before.”*”<sup>13</sup>
- “The proposed unification will reduce complexity and costs, provide greater strategic flexibility...”<sup>14</sup> (Brambles)
- “The Boards believe the Simplification will simplify cash and dividend flows, increase transparency, remove the complexity associated with the current DLC structure and enhance strategic flexibility.” (Mondi)
- “The complexity of the dual structure was cited by Graeme Pitkethly, Unilever finance director, as a reason making it harder to spin off businesses, such as the group’s margarine unit, which is being sold in an auction. It also makes it harder to undertake large deals involving shares...”<sup>15</sup>
- “Unilever said the board had determined that unification with a single share class would be in the best interests of Unilever and its shareholders, providing greater ongoing strategic flexibility for value creating portfolio change.”<sup>16</sup>
- “Having considered all of these factors, the Boards consider unification under PLC as the best practical option to achieve Unilever’s objectives of creating a simpler company, with greater strategic flexibility, that is better positioned for future success in light of a business environment in which having as much flexibility and responsiveness as possible will be critically important.”
- [Mike Henry, CEO, BHP:] “**Having a more complex structure in place puts one at a disadvantage relative to others who don’t have that complex structure. And so by simplifying the structure things can be approved at least as quickly, for the right opportunities at the right time.**”<sup>17</sup>
- [Don Argus, former chairman, BHP:] “*But there comes a time when you want to get your balance sheet working for you, and when you've got a dual-listed company structure you can't use your paper as – effectively as a company that's got its balance sheet in good shape and can use that paper as currency to do things.*”<sup>18</sup>
- “The apparent capital flexibility provided by the DLC structure has proved illusory. To the contrary, it appears likely that in some circumstances the DLC structure may represent a significant impediment to new equity issues or a major equity funded acquisition.”<sup>19</sup> (BHP)
- “The DLC Structure complicates the execution of rights issues, in particular their pricing, given the differential between the Limited and Plc share prices. Following Unification, any rights issue

<sup>13</sup> Wall Street Journal, “Royal Dutch/Shell Shareholders Approve Unification Proposal” (29 June 2005)

<sup>14</sup> This is Money, “Brambles break up and switch to Oz” (29 November 2005)

<sup>15</sup> Financial Times, “Unilever delays choice of UK or Netherlands as sole HQ” (28 November 2017)

<sup>16</sup> Wall Street Journal, “Unilever Sees Single Structure as Best for Shareholders” (28 November 2017)

<sup>17</sup> Australian Financial Review, “Single listing will help BHP move and shake” (3 December 2021)

<sup>18</sup> The Australian, “Former chairman Don Argus hails BHP’s “courageous” restructure” (17 August 2021)

<sup>19</sup> Grant Samuel independent expert report dated 8 December 2021 in relation to BHP unification.



*will involve an issue of one class of share (with a broadly equivalent trading price across stock exchanges) to one set of shareholders.” (BHP)*

- *“...the benefits of unification have become progressively more apparent. Unification will reduce BHP’s operating costs (although the savings are not material) and remove the distractions for the Board and management posed by the DLC structure’s complexity. More importantly, Unification is likely to facilitate the ongoing strategic re-shaping of BHP’s asset portfolio. Major demergers (such as the proposed demerger of BHP Petroleum) will be more easily achieved in a unified structure. Unification has the potential to facilitate major acquisitions, whether through simplifying a major equity issue required to fund an acquisition or through increasing the attractiveness of BHP shares offered as acquisition consideration.”<sup>20</sup>*
- *“Unification has the potential to facilitate major acquisitions, whether through simplifying a major equity issue required to fund an acquisition or through increasing the attractiveness of BHP shares offered as acquisition consideration.”<sup>21</sup>*
- *“And we unified our dual listed company structure. In doing so we removed a 10 to 20 per cent discount on the 40 per cent of the company that was primary listed in London, and it’s made us simpler and leaner. Now, as flagged at the time, it’s also made it more practical for BHP to pursue scrip-based acquisitions, as we’re now doing with our proposal for Anglo American.”<sup>22</sup>*

### **3) Tax Optimization**

- *“In addition, unlike dividends currently paid on Plc Shares, dividends paid on the Limited Shares issued to the Plc Shareholders on Unification will be able to be franked. Australian tax resident holders who hold or acquire Limited Shares issued to Plc Shareholders are expected to be able to use those franking credits.” (BHP)*
- *“BHP chairman Ken MacKenzie says wastage of close to \$6 billion worth of franking credits on the divestment of the company’s petroleum division will be avoided after investors voted to unify BHP’s corporate structure first.”<sup>23</sup>*

### **4) Simplified Corporate Governance Regime**

- *“A unified share simplifies the voting structure for shareholders, as well as corporate governance.”<sup>24</sup> (ABB)*
- *“The merger of Dexia Belgium and Dexia France in a single holding company, Dexia, has allowed the group to simplify its organization by ensuring greater coherence and transparency.”*
- *“...the expectation that the Transaction will lead to increased accountability and clarify lines of authority.” (Shell)*

<sup>20</sup> Grant Samuel independent expert report dated 8 December 2021 in relation to BHP unification.

<sup>21</sup> Grant Samuel independent expert report dated 8 December 2021 in relation to BHP unification.

<sup>22</sup> BHP presentation and speech to Bank of America 2024 Global Metals, Mining and Steel conference (14 May 2024)

<sup>23</sup> Australian Financial Review, “Next stop petroleum as BHP unification saves \$6bn” (21 January 2022)

<sup>24</sup> ABB press release, “ABB Creates New Single Share” (4 February 1999)



- *“...the Transaction will increase the efficiency of decision-making and management processes generally, including through...the elimination of duplication and the centralisation of functions.”* (Shell)
- *“The simplified corporate structure will be easier for shareholders and the financial community to understand. In particular, the shareholder voting process will be more straightforward. It will also provide the opportunity for cost savings.”*<sup>25</sup> (Brambles)
- *“Unifying our capital structure will reduce complexity and make it easier for investors to follow Thomson Reuters. The DLC structure is complex and has additional burdens associated with maintaining two publicly listed parent companies.”*
- *“This simplification...is a natural next step for RELX Group, removing complexity and increasing transparency.”*
- *“Furthermore, it is expected that having a single company with one market capitalisation, one class of shares and a single tax residence will be more easily understood by investors and stock market analysts.”* (RELX)
- *“The removal of the two parent holding company structure is expected to result in a simpler governance structure as there will only be one board...”* (RELX)
- *“As the Group has evolved, its Non-South African Operations have grown faster than its South African Operations, reflecting the relative scale of opportunities in each respective market. For the year ended 31 December 2018, over 90% of the Group’s underlying earnings were generated outside South Africa. This results in an imbalance between the share of the Group dividend which Mondi Limited is required to support, being approximately 24%, and the contribution of Mondi Limited to the Group’s profits available for distribution. The Simplification will simplify cash and dividend flows.”*
- *“Removing complexity and further strengthening Unilever’s corporate governance, creating for the first time an equal voting basis per share for all shareholders.”*
- *“Unification will also result in BHP having a corporate structure that is easier for investors and other stakeholders to understand.”*
- ***“It appears clear that investors have a preference for simplicity and clarity, and that the disadvantages inherent in the artificial nature of DLC structures have generally outweighed whatever benefits were previously perceived in those structures.”***<sup>26</sup> (BHP)

## 5) Streamlined costs and focus

- *“The proposed unification will replace a complex corporate structure with a simpler corporate structure and provide some associated cost savings.”*<sup>27</sup> (Brambles)

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<sup>25</sup> Grant Samuel independent expert report dated 12 September 2006 in relation to Brambles unification.

<sup>26</sup> Grant Samuel independent expert report dated 8 December 2021 in relation to BHP unification.

<sup>27</sup> Grant Samuel independent expert report dated 12 September 2006 in relation to Brambles unification.

- *“Unification would also reduce costs and complexity across our company.” (Thomson Reuters)*
- *“Unification will eliminate complexities of the DLC Structure (such as the requirement to hold two separate shareholder meetings). It will free up resources and management time, allowing for greater focus on BHP’s strategic objectives.”*
- *“The complexity of BHP’s current structure derives from the ongoing requirement to engage with, and have regard to, the interests of two sets of shareholders, the ongoing management of Plc’s distributable reserves to support its dividend payments and potentially other corporate transactions as well as the administrative burden imposed by the operation of two separate companies, duplicated share registries, dual annual general meetings and other related duplication. BHP post-Unification will be a simple and conventional corporate entity.”<sup>28</sup>*

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<sup>28</sup> Grant Samuel independent expert report dated 8 December 2021 in relation to BHP unification.

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Palliser intends to review its investments in each of the Companies on a continuing basis and depending upon various factors, including, without limitation, each of the Companies' financial position and strategic direction, the outcome of any discussions with one or both of the Companies, overall market conditions, other investment opportunities available to Palliser, and the availability of Company Securities at prices that would make the purchase or sale of Company Securities desirable. Palliser is in the business of investing and trading in securities.

Palliser may from time to time (in the open market or in private transactions including since the inception of the Palliser Funds' position) buy, sell, cover, hedge or otherwise change the form or substance of any of the Palliser Funds' investments (including Company Securities) to any degree in any manner permitted by law and expressly disclaims any obligation to notify others of any such changes. Palliser also reserves the right to take any actions with respect to the Palliser Funds' investments in any of the Companies as it may deem appropriate, including but not limited to, communicating with other investors, shareholders, industry participants, experts and/or relevant parties with respect to any company referred to herein. Palliser has not sought or obtained consent from any third party to use any statements or information contained herein. Any such statements or information should not be viewed as indicating the support of such third party for the views expressed herein. All trademarks and trade names used herein are the exclusive property of their respective owners.

This letter does not purport to be all-inclusive or to contain all of the information that may be relevant to an evaluation of the Companies, Company Securities or the matters described herein.