

BHP Billiton  
**Health, Safety, Environment and Community (HSEC)**  
**Performance: FY 2003**  
15 October 2003

**Welcome**

**Matt Taylor**

**Manager, Sustainable Development**

A very warm welcome to everyone. We are missing a few people, but that is London for you. My name is Matt Taylor, and I handle sustainable development from the UK office.

This is our second briefing. Many of you were here for last year's briefing. This year we have a similar format. Mike Salamon, our executive director will give an overview of the company and introduce some aspects of corporate governance and where HSEC sits as a function in relation to our businesses. Ian Wood, who is Vice President of sustainable development based in Melbourne, will then review performance for the year and update us as to where we are with various policy issues.

This year, we have made a change to the agenda, in light of the debate that is roaring on: materiality and what aspects really should be communicated to the City and what should be left in the back drawer. I would like to introduce Holly Lindsay, who is Vice President of Public Affairs and Business Conduct based in Melbourne. Holly has been doing a lot of work on climate change, which, for us, is one of the key issues at the centre of this agenda. We would like to give you a little bit more detail on that, just to help you in your analysis of where we stand on climate change.

We plan to spend about 40 minutes on the presentations, leaving a suitable amount of time afterwards for questions and answers. With that, I will hand over to Mike.

**Introduction and Overview**

**Mike Salamon**

**Executive Director**

**I. A Global Footprint**

Morning, ladies and gentlemen. I would just like to say a few words about the company and the key elements of how we run it with regards to HSEC.

As you are aware, BHP Billiton comprises seven global businesses, consisting of more than 90 operations on six continents in 26 countries. Of those 90 operations, 57 are major managed operations with some 35,000 staff in total. Since the merger, we have reported results for eight quarters that strongly underpin the original thesis of the merger: that this is a stable, robust cash generator. It has been able to withstand pretty much anything that has been thrown at it in terms of volatile currencies, volatile prices and an extremely volatile macroeconomic environment. Consequently, we have been able to continue with our growth pipeline of projects – a very substantial pipeline – irrespective of this stage of the cycle. From an HSEC perspective, we have been clearly able to continue our focus on deliverables in terms of the charter. We strive for zero harm, again irrespective of the cycle. We can set out to do things excellently and continue to do so, notwithstanding economic events.

## **II. Highlights – FY03**

I would just like to add a few quick details to these highlights. It is a robust set of results in terms of profits and cash flow, in what was not a very easy year from the point of view of demand in the macroeconomic environment. I think it is important to note the production records in quite a number of our businesses. Delivery of the project pipeline is ahead of budget and ahead of schedule, and noteworthy additions have been made to the pipeline.

## **III. Corporate Governance**

### **1. Structure**

In terms of governance, there are four committees that I should highlight from a HSEC perspective, the first being the Executive Committee which comprises the CEO, and all his direct reports, including the heads of the seven businesses. The Executive Committee considers all issues of HSEC policy and all issues of standards. Issues of policy are then recommended to the Board for approval. The Executive Committee is the major-standard-setting forum. For example, the management standards, in terms of how we run HSEC, require Executive Committee approval.

Then, there is the Health, Safety and Environment Committee of the Board. That is the key committee from the point of view of governance and is chaired by a non-executive director of BHPB. It principally comprises expert advisors in the various relevant fields, and also the CEO, myself and the BHP Billiton HSE head. In essence, that committee challenges the targets we set for our businesses and challenges performance and specifically looks into incidents and issues. It is a robust committee. If we have had a major incident, the heads of the relevant business would be required to report on the incident to that committee, and on what management actions are contemplated in order to avoid any re-occurrence.

The third committee is the Operating Committee. That is something that I chair, and comprises the heads of the businesses. This committee is the part of BHP Billiton that really holds the custodianship for the drive towards continuous improvement: the custodianship for the actual delivery of zero harm. In essence, we try to establish what activities will be run uniformly across the organisation, and decide upon the short-term and medium foci for operational performance. The committee is also the customer for the corporate HSEC group, because the businesses are essentially the customer.

## **2. Forum on Corporate Responsibility**

The last point I would like to highlight involves the Forum on Corporate Responsibility. That is a group principally made up of non-government organisation representatives, plus a number of members of management. It is really an outflow from the OK Tedi process; it meets with a view to bring alternative views to management, challenging management, and setting out to find solutions which are more appropriate and more acceptable to all stakeholders.

## **IV. The Performance Improvement Model in BHPB**

### **1. People Who Think, Plan and Care**

I would like to say a few words on continuous improvement and how HSEC fits into that. In terms of our strategic framework, BHP Billiton is committed to the delivery and creation of outstanding assets. That is in terms of outcomes in health, safety and environment, throughput and efficiency. The foundation of all of this is actually HSEC performance. The key reason for this is behaviour. What we try to do is create a workforce, a group of people, who think, who plan and who care.

Why is this key? There are actually some robust business reasons. Accidents or incidents reflect non-conformance to standards. Non-conformance inevitably means that things are not going well and that you are having incidents or accidents and at the same time becoming less and less efficient. In essence, our operation is trying to drive out non-conformance and deviations. The way we do that is to engage people to think, plan and care.

### **2. Delivering Improvement**

How do we deliver this? Well, the outcomes we seek in all our businesses: Revenue growth, cost reduction and capital efficiency – come through three factors: people, processes and technology.

Thus it starts out with leadership. Guys like me spend a lot of time focussing our organisation on predictable continuous improvement: Challenging, benchmarking, identifying gaps and agreeing plans to close these gaps. Without visible leadership focussed on doing this, the rest of the organisation cannot or will not follow. Also in the people area, we have created significant, broad networks across all the 90 operations I mentioned, which allow and promote sharing and learning.

Then there are more process related interventions: continuous improvement or incremental improvement methodologies. We use tools like Six Sigma, or similar, to essentially reduce and eventually eliminate deviations from standard work practices. Then there are the major step changes. Here we turn around poorly performing operations – for example this maybe necessary when we buy an operation. Then there are our commercial activities. Think of strategic sourcing, where we buy globally – for example our relationship with Caterpillar. The focus of this is not just commercial leverage, but also influencing the fit for purpose design of the equipment that we buy. Issues such as the ergonomics of the equipment. Ergonomics underpins the efficiency and productivity of our people. These various processes are supported to varying degrees from the centre of BHPB and are applied where we believe they will have the most impact.

Technology underpins all of this. We are in a technology business. A number of the case studies you read in the HSEC report actually reference technology. For example, in the aluminium smelters, we have gone

towards what is called slotted anodes. This has allowed us to be much more efficient, reduce greenhouse gases and produce more aluminium at less cost. There have also been some really transforming technologies. A good example of that would be in exploration, where our Falcon tool allows us to cover a lot of territory in a non-invasive way relatively cheaply. Again, this combines efficiency whilst delivering outcomes in a way that delivers zero harm.

All of these factors fall in the remit of the Operations Committee.

## **V. Example Sites**

### **1. Iron Ore in Western Australia**

I now have the opportunity to talk a little bit about real outcomes. This is no longer just a dream because we actually now have some runs on the board. There are two examples that I would like to share with you. One is our iron ore operations in Western Australia. The blue bar there is the accident frequency rate in terms of lost-time injuries. The red bar is output. That output is essentially from the same operations with the same people. The thesis that sound HSEC performance is a driver towards that thinking, caring workforce that delivers solid outcomes, not just in HSEC, but also in production is thus borne out. I could put up similar graphs for many other operations.

### **2. Mozal II Project Delivery**

The second example is from the world of projects. We have just commissioned the MOZAL II line in Mozambique. This is well ahead of budget and well ahead of schedule. MOZAL II was a very interesting case in terms of transformational change led through HSEC, leading to world benchmark outcomes in every aspect of the project. We started that project and things did not go well. The accident frequency rose significantly; we challenged the project management team to change; and a major behavioural safety process started, which was driven by job-safety observations. The quality of those job-safety observations was measured. The accident frequency rate was driven down, in fact in the last six or seven months, there were absolutely no incidents or accidents on that project. That project then just accelerated in terms of all its deliverables. That is all I am going to say about how safety underpins improvement.

## **VI. Other Outcomes**

There are two other BHPB wide outcomes to mention. From the totality of the business point of view, the accident-frequency rate was down 20% FY03 on FY02. This is a creditable performance, but it is only a step along the way. We have got to keep on driving that. The other one is a mixed message: we had three fatal accidents in FY03. That was three more than our objective, but 10 less than the previous year, so we are moving in the right direction.

Ian: may I hand over to you?

# **HSEC Performance Highlights FY2003**

**Ian Wood**

**Vice President Sustainable Development**

## **I. Preamble**

Thanks, Mike. I would like to talk you through some of the highlights of the last year in terms of performance. In the HSEC report, you will find a scorecard inside the front cover. I will be referring to our progress against some of the targets, selecting a few, not all of them. I would, however, be very happy to talk about any of them during question time.

## **II. HSEC Policy and Systems**

What I would like to do first is just to reinforce Mike's point that it is not people like myself or Matt or Holly who implement the company policy. For policy to be effectively implemented, it must be implemented through the line. We need to ensure that we do that in an effective and efficient way. There is no point having a policy if it simply sits in a drawer or hangs on a wall. We have identified some key focus areas and key control strategies to ensure that the management team are focussed on implementation right throughout the line. One of the key tools that ensures that this happens is our HSEC management standards. I think I probably referred to this document last year. We simplified and consolidated the standards during the year while expanding their coverage. They are now posted on our internet site. If you are interested in having a look, please do chase them up. This document details mandatory requirements that are in place at every one of our sites, so we can assure our board and ourselves that the policy is being implemented.

## **III. The HSEC-Improvement Journey**

### **1. Going Beyond the Requirements**

This approach did not happen overnight. It has been a journey for us and I think we are now showing increased maturity in the way we manage HSEC within the business. Like many companies, we started with a compliance focus that essentially said, 'We comply with the law, here is our basic policy, we are not required to do any more than that, so that should be okay.' We recognised, as Mike pointed out, that this is not in our best interest from a business point of view. We have done much more to try and drive change throughout the business and go beyond the basic legal requirements. You can see the sorts of developments we have progressively implemented to drive change. We are now focusing much more on our people, ensuring that they have the right behaviours, attitudes and tools to effectively address HSEC issues.

I will talk a little more about some of things we are focusing upon at the moment, such as fatal-risk-control protocols later in my presentation. As Mike pointed out, we have not achieved our goal of zero harm in that regard. We have identified one way in which we can help address that issue, which is the

development of fatal-risk protocols addressing specific exposures for our employees. I will come back to that in a minute.

## **2. People**

I should have mentioned that one of our focus areas is definitely people, as shown by the scorecard that you see within the report. One way in which you can focus people is through remuneration and how you reward them. All of our management team has a proportion of their remuneration benefit linked to the company's performance in relation to those targets. The proportion varies depending on the nature of the role, however, all managers have a proportion of their annual remuneration linked to how we perform as a company. Therefore, there is a strong personal drive involved, as well as these systems.

## **3. Health Performance**

In terms of health performance, we touch on this issue on the scorecard. We have now completed baseline surveys at all of our operations to look at exposure hazards, so that we can identify the potential for hazards and ensure that we have strategies in place to address them. We will ensure that people have access to appropriate personal protective equipment and that we have people in place to check how the equipment is being used. We have strategies to progressively reduce the reliance on protective equipment. Removal of the hazard is our ultimate objective. In terms of occupational exposure, we also recognise that across our portfolio we work under a lot of different jurisdictions with different criteria throughout the world. We are going through a harmonisation process within the company to ensure that we have got the same approach wherever we are. We will develop, if you like, BHP Billiton's occupational exposure limits based on best practice from around the world.

At our meeting last year, there were a number of questions regarding HIV/AIDS. We have made some important steps, or advances, in that regard. One of them involves employment with BHP Billiton in South Africa. To achieve employment with us, you must be a member of a medical aid fund. The company provides financial support to our employees to enable them to do that. The eligible medical aid funds all provide anti-retroviral drug treatment as part of that package of services. Now, every one of our employees in South Africa has that access. We will be looking at developing a similar approach in Mozambique. As medical aid funds do not exist, we have not achieved that yet, but we are working on it.

## **4. Safety Performance**

In terms of safety performance, Mike has touched on the fatalities. While we take no comfort in the fact that we still had three fatalities – and that is definitely three too many – we did achieve a substantial improvement. We also achieved a 20% reduction in terms of injury rates, which is heading in the right direction, and in terms of safety we are continuing to focus on leadership issues, behaviours and awareness and reinforcing the implementation of standards and procedures. As I mentioned, one of the key tools is the fatal-risk-control protocol. These are mandatory, so they are not guidelines and they must be implemented at all our sites. These were developed based on detailed analysis of accidents and near-accidents over the last five years or so. We put all that data together, analysed it, determined where we were having consistent high-potential or actual fatal accidents, and then developed a protocol to eliminate these risks. They must be in place throughout the company by the end of June next year. Again, this is something that we will audit at corporate level to ensure that they are implemented.

## 5. Environmental Management

### a. Successes

- In terms of environmental management, we have had a great achievement for a company of our size. All of our operations – our significant operations, excluding closed operations and operations in closure – now have ISO 14001 certification. That was achieved at the end of June and it really is quite an achievement. I should just clarify that a number of sites have received recommendation from their auditor that they should be certified, so that just needs the paper-loop completed.
- We had no significant environmental incidents during FY03 and we achieved a 6% reduction in greenhouse gas intensity over that 12-month period. Our target was to achieve 5% over five years, so we are running well ahead at this stage. I should stress that our feeling is that that data could bounce around a bit and it is possible that it could even out a bit. We are not expecting that to be a linear trend at this stage.
- We have water management plans in many of our operations throughout the company.
- There have been significant reductions in fluoride emissions from our aluminium smelters. As you may be aware, fluoride emission have been an issue of some concern in the aluminium smelting industry. We achieved a 48% reduction of fluoride emissions this year, through the introduction of new capital in our operations in South Africa, and improved management and controls of those operations.
- We also provide for closure. Again, this was an issue that came up last year in this area. All of our operations around the world must have a detailed closure plan, which must be updated on an annual basis. This must be fully-funded in terms of provisions. Those provisions currently total around \$2 billion. The provision is developed in accordance with UK GAAP requirements.

### b. Biodiversity

Another issue that struck me at the meeting last year was the interest in biodiversity issues. At the time I was a little surprised, because I felt that while our company recognised biodiversity as an important global issue, it was not in our top five or so priority issues for our company based on the nature of our operations. So, during the year we have done some additional work to better understand the issue.

We have confirmed that we do not have any operations in World Conservation Union (IUCN) categories 1-4. We are not currently exposed, to any great degree, in relation to those conservation areas. We have had explorations, not operations, in close proximity to a couple and it is possible in the future that we might have explorations in similar areas. At this stage, our exposure is relatively limited. We have also given support to the United Nations Environment Programme on the conservation areas. We were also pleased during the year to win the Australian Prime Minister's award for community partnerships in our biodiversity projects in Australia. We are also a member of the International Council on Mining and Metal (ICMM). As some of you may be aware, our membership relatively recently pledged not to operate in World Heritage Areas. We are very pleased to support ICMM in the development of this commitment.

## **6. Community Performance**

### *a. Reporting*

In terms of community performance, we now require, as one of our targets, that all of our sites produce their own HSEC reports at a local level. You can find those posted, progressively, on our website. If you are interested in a particular asset or want greater detail, remember to have a look there. We have also implemented our Human Rights Self-Assessment toolkit. This is now linked to our auditing programme. All our operations are now looking at human rights issues, looking at the potential exposures, and ensuring that management strategies are in place to address significant risks.

### *b. Involuntary relocation*

There are also a couple of other commitments we have made during the year that you might be interested in. We have committed to adopt the World Bank guidelines on involuntary relocation of communities, if we need to relocate communities in the future. We have also committed to adopting the US/UK voluntary principles on security and human rights, which is now incorporated in our contract requirements. Any security forces are now required to comply with those principles.

### *c. Black empowerment*

In terms of black economic empowerment – again an issue we discussed last year – we made good progress. We sold another one of our collieries in South Africa to a black empowerment group. We have set ourselves a target of ensuring that 40% of our management team in South Africa are from a previously disadvantaged group. We have achieved 28% of the target already, so we are making good progress.

### *d. Business conduct*

Our guide to business conduct has requirements which all employees and contractors must comply with. It outlines the bases on which we should address issues like bribery, corruption, facilitation payments and basic human rights issues. We updated this during the year to ensure that we are fully compliant with new legislation in the US, and against increasing requirements in other jurisdictions and requirements related to Stock Exchange listings.

We also run a confidential employee helpline. If employees or contractors have concerns – if they do not feel comfortable with local management, for example – they can call this confidential helpline to get advice on how to resolve concerns. They can also get clarifications on whether they can accept gifts from business associates etc.

## **7. Economic Performance in Community Investment**

### *a. Targets*

In terms of community investment, one of our indicators is how much money we provide to local users in terms of community support programmes. We set ourselves a target of 1% of pre-tax-profit. This year we have exceeded that, having spent 1.4%. This is the second year in which we have bettered the target. I would like to point that this pales into insignificance in terms of our actual economic contribution.

*b. Disclosing financial contributions*

This year in our report, we have tried to do a much better job of disclosing the financial contribution of the company, in the key regions in which we operate. I think this is one area in which this industry has really undersold itself. We have been on the receiving end of accusations recently that our industry is not paying its way and that we do not pay attention to development. I think this really highlights that this is not the case. We have divided our contributions into four categories.

- The income tax and resource rent tax that we pay to governments.
- The next category involves payments to employees, and suppliers who provide us with goods and services.
- The contributions to communities which we discussed earlier, and
- The contributions and payments we make to shareholders.

As you can see, governments receive approximately double the amount we paid to our shareholders in dividends this year, so on an annual basis we make a very substantial contribution to all the regions in which we operate. We have divided these figures into Africa, Australia and Asia and other key areas.

#### **IV. Summary and Outlook**

So, in summary, we have made good progress in relation to most of our targets. You will see from reviewing that document that we did not achieve all of them. We have a very substantial growth pipeline, and that pipeline is very well understood. Most of that growth is from brownfield development and expansions in regions that we fully understand. Greenfield developments largely involve petroleum development offshore, where exposures are relatively low.

We would also like to point out that we have a very clear and rigorous HSEC review process, reviewing all investments the company makes through a clear toll-gating process. People like myself have to be involved in the signing of the projects before they can go to the board for approval.

In terms reporting, we have produced both a hard copy summary and an expanded document in electronic form. The full report – a more substantial document of some 120 pages – is available on our website. It includes a new Global Reporting Initiative navigator. Jump on the website, go to the navigator, click on the indicators of interest to you and you will go straight to the relevant section of the report. We hope you find that useful.

During the coming year, we will again focus on improving implementation of our management standards, associated protocols and guidelines. We will also be reporting on progress against our targets, as we did last year.

With that, I will hand over to Holly.

# Management of Carbon Risk

**Holly Lindsay**

**Vice President, Public Affairs and Economic Development**

## **I. Introduction**

At BHP Billiton, climate change is an issue that we recognise as something we need to understand and manage proactively. What I would like to do today is take you through the trends in our emissions and management issues related to them. I hope to also talk about some of our management tools and how we manage risk.

## **II. Greenhouse Gas Emissions**

### **1. Overview**

In covering these two areas, I want to convey two key messages. Firstly, that we understand what our emissions profile looks like and, secondly, that we have put systems in place to mitigate those risks. I also want to raise awareness about the opportunities that exist in relation to this field.

To give you an idea of our emissions in production, we have emitted around 60 million tonnes a year between 2000 and 2002. There is a major step down for this year, ending 30 June. This step down is a result of the demerger of BHP Steel. We have reduced emissions through the sale of that asset.

### **2. Greenhouse Gas Emissions by Business**

In terms of our greenhouse gas emissions by business, 70% of our emissions come from just two of our businesses. 40% comes from aluminium, the majority of which is based in South Africa. Another 30% comes from our steel-making raw materials business in Australia. Of our total emissions in production, about 65% of these are sourced non-Annex 1 countries. Thinking further about where our operations are in Annex 1, about 700,000 tonnes, or less than 2% of our emissions, are from countries that have ratified the Kyoto protocol.

This is an important point in terms of thinking about short-term financial implications of climate change. If we took the current European price of purchasing carbon credits, which is about 11 euro per tonne, and that 700,000 figure, we have a figure of less than €8 million of potential risk. I do not want to understate the risks either, because the products we sell are very greenhouse gas intensive. We need to think about what our risk mitigation strategies are. I will speak in a moment about that.

### **3. Greenhouse Gas Emissions by Source**

The next picture shows you emissions by source. What you take away from Slide 24 is the fact that if you take our purchased electricity, plus our self-generated electricity, which is a further 2% of our emissions, this comprises the majority of the emissions source (53% in total). So, the point here is that our commercial interest and our corporate responsibility interests in minimising greenhouse gas emissions and

also costs of energy use are strongly aligned. As we reduce our energy costs, we reduce emissions. The second most important source emission for us is fugitive emissions. Those comprise methane from coal mining and from PFCs from our aluminium smelting business.

### **III. Climate Change Action Plan**

#### **1. Improvements**

With regard to our action plans, Ian mentioned our intensity-reduction target. One further point I would like to make about that is that improvements that we have demonstrated over the last 12 months have been very widely-based. Six of our seven businesses showed reductions in greenhouse gas intensity. There are two other major tools that we are using in terms of managing greenhouse gas emissions and reducing energy-use levels. Those are energy conservation and greenhouse gas management plans. It was our intention to have these management plans at 100% of our sites with a threshold of 100,000 tonnes of greenhouse gas emissions by 30 June of this year. We did not meet our target, but we came very close. 90% of our sites that were required to have energy conservation plans have them. 85% of our sites that were required to have greenhouse gas plans in place had them.

#### **2. Examples**

What I would like to do is give you two concrete examples of what we are doing with respect to those plans. The first one involves aluminium with regards to emissions. Given the magnitude of emissions for that business, it is something that we have been focusing on quite a lot over the last few years. What we have seen at the Bayside smelter in South Africa is a focus on reducing PFC emissions associated with anode frequency and duration and energy-related emissions. At Hillside and Mozal, there is a focus on slotted anode technology, which is also yielding good results. As the aluminium business looks forward, we see that may be opportunities switching from oil to gas energy source in the casthouses and bakehouses. There is potential to see further improvements down the line.

My next case is around energy use and energy management plans. The story here comes from our Ekati site which is a diamond mine some 200km south of Arctic Circle, in the country where I was born, Canada. (Fortunately, I was not born anywhere near the Arctic Circle!) At that site in April 2002, the management team got together and decided to set a goal of reducing use of diesel by half a million litres in the next 12 months. By October of that year, they had already achieved that, so they decided to double the target for that year. They achieved this target and are looking forward to further reducing consumption. They have been able to reduce 12% of their diesel use through relatively straightforward plans. For example, they placed motion sensors on lights, installed thermostats, had staff education programmes and surveys, took ideas from staff and rewarded ideas that generated diesel savings. While the energy programme is relatively small in the context of total BHP Billiton energy use, I think this story tells you that if business focuses on certain issues, it can achieve extraordinary results.

### **IV. Carbon-Pricing Protocol**

The last point I would like to develop is our carbon pricing protocol. We have developed an internal price protocol in order to price carbon for investment analysis. Whenever we are looking at greenfields, brownfields, or M&As investment with emissions over 100,000 tonnes per year, we require sensitivity analysis to be done linking those emissions to the price and emissions level of the project. I am happy to

answer any questions about that. As part of our strategy process, the other aspect that the protocol calls for is for businesses to think about how climate change may impact on our businesses next year and further down the track.

My final point is that we are exploring ways of working with our customers to help them understand climate change. We are considering stapling carbon credits to the sales of coal into Europe for example. Energy coal and our petroleum businesses are funding research into low emission technologies such as geosequestration.

END.