

Thank you for that introduction.

I’m delighted to be speaking at the third world congress of ISBEE.

Now, the term “Ethical Corporation” may seem like an oxymoron. And there is no doubt that over the last several years the private sector has had some huge disappointments. But this is not only a private sector issue.

Ethics related transgressions have occurred in governments, NGOs, not-for-profits, unions, religious organisations, the list goes on. Castigating all members of a sector for the misdeeds of a few is inappropriate, whatever the sector and does a great disservice to the 99 per cent of the millions of people that make these organisations work.

This afternoon what I want to do is talk about why a company like ours is concerned with ethics, why we see ethics as a foundation for our entire business and how as BHP Billiton, we deal with the area of ethics. I’d like to give you some practical examples of how we try to translate that into sustainability from the perspective of the company and the communities in which we operate.

For those of you who don’t know us, or only know us as BHP or Billiton, BHP Billiton is basically a new group, formed in 2001 out of the merger of two very old companies.

Today BHP Billiton is the world’s largest diversified resources company. We have a turnover of about US\$22 billion, a market capitalisation of over US\$50 billion and over 35,000 employees in 100 operations in more than 20 countries.

The challenge for companies like ours is to create value. To us it is all about delivering good results and equally about how those results are obtained. You see, if we stray from a solid ethical foundation we impact not just one asset, but 100 assets, numerous business opportunities and a US\$50 billion corporation. How we achieve our results is important because:

- good behaviour enhances our “licence to operate” and facilitates the sustainable expansion of our business;
- communities value companies who value them;
- suppliers value customers who honour commitments;

- customers value honesty and integrity;
- employees value companies where they trust the integrity of their colleagues and management; and finally
- shareholders value companies that set and live up to high standards.

With thousands of employees and contractors and operations in many remote areas, it is impossible to “order” them to act ethically in an old “command-and-control” style from head offices in Melbourne and London.

The only way any large organisation like ours can hope to translate ethics into practice is that every employee understands our Charter and they are empowered to live the values in the Charter every time they have to make a difficult decision. We also need to monitor our performance and ensure the leadership of the corporation practices the behaviour we expect.

Let me also say we don’t have all the answers. But like all good professionals, we believe there must be solutions and we are working hard to find them. And, importantly, we are measuring and publicly reporting our results.

Three years ago when BHP and Billiton merged, employees from both companies came together and created a Charter for the new group.

That Charter essentially provides a framework for the values and ethical standards we expect from all our employees, including the directors and the executive team, in our dealings both internally and with our external stakeholders.

The Charter also describes our purpose.

That is to create value through the discovery, development and conversion of natural resources, and the provision of innovative customer and market-focused solutions.

To achieve our goal, the Charter states that we must earn the trust of employees, customers, suppliers, communities and shareholders.

It is fairly clear, I think, that to earn the trust of these stakeholders who are so fundamental to our success, we need to behave in an ethical and socially responsible manner, and be seen to do so.

To help define what “being ethical” means to us, our Charter outlines a series of what we, as a company, value. The first of those values is an overriding commitment to health, safety, environmental responsibility and sustainable development. The second value is integrity, or doing what we say we will do. The other values include the courage to lead change and respect for each other.

It would be easy for any organisation to come up with statements like this and print and distribute them publicly, then work quite differently in practice, at least in the short term.

But we are in this for the long term and are very serious about the Charter.

Our Guide to Business Conduct is an illustration of this – the Guide sets out detailed standards and policies to support our values. This guide and its principles are cascaded through the organisation. Every year my direct reports confirm to me that they have done this. It is easily accessible – it is available in the 8 major languages used in the Company and employees attend presentations or have discussions with their supervisors on the Guide annually.

The Charter and our Guide to Business Conduct also applies to contractors who work for us.

The Guide is comprehensive – it covers topics from compliance with the law, to equality in employment, to political contributions, to cultural sensitivity. It aims to be practical and relevant. It is full of questions and answers, and it provides free-call numbers for a confidential business conduct help-line for all the countries where we have major operations.

So the Charter and the Guide form the foundation for ethical behaviour at BHP Billiton.

Before I give you some recent examples of our efforts to translate corporate responsibility and ethics into practice I'd like to make a couple of further points about why corporate responsibility is important.

First, it is becoming increasingly important to our licence to operate and grow our business. Companies with a poor track record in these areas will find it harder to gain regulatory approvals and community support for new developments in the future.

And we believe it should be. Our commitment to excellence in HSEC activities, we believe, creates a competitive advantage.

Second, good corporate social responsibility performance is a good proxy for overall management competency. It provides an insight for investors into how well companies are managing general risk and governance issues.

Finally, you may be familiar with an on-going debate about whether the resource sector helps or hinders developing countries in their quest to improve living standards. A key conclusion from this debate is that obtaining access to natural resources is not enough in itself.

Two other factors are crucial:

- First, the resources must be developed in an environmentally and socially responsible way; and
- Second, the governance structure of the host government must be robust enough to ensure revenue streams are not eroded through corruption or a lack of capacity to effectively manage them for the public good.

We believe that the collective efforts of responsible companies can accelerate development of emerging countries and that this is an important contribution that companies can make.

Each year we commit to a target of one per cent of our annual pre-tax profit on a rolling 3-year average to community programs. In 2003 we actually spent 1.4 percent or US\$42 million. A significant proportion of this spending and activity was carried out in Africa and South America with the remainder largely in Australia and Asia.

Education and other community welfare projects aimed at improving the lives of disadvantaged people living in the communities where we operate account for about two thirds of the spending with the rest spent on health, the arts and other initiatives.

Let me now talk about some examples of how we demonstrate some of the values espoused in our Charter, Guide to Business Conduct and Health, Safety, Environment and Community Policy.

Last month, during the Africa Economic Summit, we made a joint announcement with a non-government organisation called Medicines for Malaria Venture.

We announced a partnership to discover, develop and deliver life-saving, affordable medicine to combat malaria in conjunction with the World Health Organisation, governments and other agencies. BHP Billiton has pledged US\$750,000 to this partnership.

Why did we get involved in MMV?

We have been working in malaria endemic regions for decades and we know from first-hand experience the terrible effects malaria has on our workers, their families and the entire community.

We employ about seventeen thousand people across our African operations and many of these are located in regions identified as medium to high malaria risk.

Although spraying programs can prevent malaria and malaria is a curable disease if properly treated, it is still killing more than one million people globally a year.

We have both a social and economic alignment of interest with MMV in trying to reduce the burden of malaria.

We have had an interest in this objective for some time. When we started our Mozal aluminium smelter in Mozambique approximately five years ago, the country had one of the highest rates of malaria in the world.

First we started malaria control programmes covering a small area surrounding our Mozal site. We soon realised that this was not sustainable by itself. Of course, mosquitoes have no respect for company fences or international borders.

Our malaria prevention activities around Mozal have subsequently expanded to include a regional malaria control initiative involving South Africa, Mozambique and Swaziland that has resulted in a 45 to 50% reduction in malaria infection rates.

The MMV partnership and the malaria-related work that we have done to date is a practical investment in sustainability. It is similar in objective to many other BHP Billiton programs.

I'd now like to talk about another area of the world where we are actively involved in community development. The Escondida copper mine in northern Chile is the world's largest source of copper. The mine plays a significant role in the country's economy, accounting currently for about 20 per cent of Chile's copper production.

Since mining began in 1990, the company has contributed about US\$2.1 billion in taxes and the company has supported local communities via the Escondida Foundation which focuses on the areas of education, health, social and indigenous development, with an emphasis on young people.

The annual literary competition for high school studies in the country's Second Region is one example of a recent educational program funded by the Foundation. Now attracting 500 entries each year, the competition is acknowledged as a catalyst for fostering better literacy skills and encouraging talent in the region.

Given that I am delivering this speech in Australia, I'd like to mention some work we have undertaken in this country. BHP Billiton has recently entered into a partnership with Reconciliation Australia, the nation's peak reconciliation body. Through the partnership, BHP Billiton will make a significant contribution to an Indigenous Governance Program that will explore what works and what doesn't in the governance of Indigenous communities, and will encourage best practice.

The three-year program recognises that good governance is as important to the promotion of well functioning communities as it is in the corporate world. And because Indigenous communities are among our key stakeholders, there is definite mutual advantage in working together to achieve shared, longer-term goals.

Under the three-year agreement, BHP Billiton will contribute about A\$650,000 in cash and further in-kind support to fund three key components of the program:

1. producing and disseminating a best practice manual on good governance in Indigenous communities;
2. developing an awards program, to recognise good practice; and
3. scoping a major research project.

In line with the company’s overall approach to community program work, our support of the good governance in Indigenous communities program is based on local capacity building, with a focus on the creation of sustainable, long-term benefits for communities themselves.

Let me now move on to a complex topic that challenges any company or organisation that operates in the global arena. It is well summed up in a question posed in our Guide to Business Conduct.

Basically it asks: If a law in a particular country is more liberal or less restrictive than a BHP Billiton policy, is it acceptable to violate the policy?

When you are a group operating in more than 20 countries and exploring in even more, our people are going to run into this sort of issue on a regular basis.

In a lot of countries doing business could mean doing things that you just wouldn’t do in Australia, the UK or the US.

Our clear position is to always comply with the law, as a minimum, but to apply the same high standards everywhere we operate. If we don’t believe we can achieve these standards then we will forgo the opportunity.

One of the unique challenges of the resources sector is continuing to discover and develop new top tier resources. Overall, we believe that future top tier assets are more likely than not to be discovered in more challenging parts of the world.

Let me give you one example.

We believe that the long-term prospects for growth in the alumina and iron ore businesses are excellent. We have located some potentially interesting deposits in the Indian state of Orissa.

In Orissa, the real challenge to developing these resources is the potential for community opposition.

In our Charter we say we have to make sure we gain the trust of communities as we develop and operate our assets.

Community opposition is a very real challenge in Orissa because between 1950 and 1993 more than two million people, or 80,000 families, were displaced as a result of industrial projects (not necessarily resource projects). Malaria is common, basic sanitation is poor.

Understandably, their initial reaction is to reject a major development project and, understandably, they may seek to undermine it.

We know that if communities do not value and welcome the presence of resources operations, then the on-going viability of those operations may be compromised.

On a positive note, the opportunity in India is enormous – investment from socially responsible companies has the potential to improve the standard of living, provide better health and education and create new spin-off industries.

BHP Billiton would bring the same environmental, social and economic standards of operation to India that we have set for ourselves globally. However, the challenges of designing, developing and operating assets with world-class standards in one of the poorest areas of the world are enormous.

Time will tell if it is possible to earn the trust of communities, maintain the standards of health, safety, environment and community that we have set for ourselves and ultimately build a business there. If we cannot meet our standards, we will not invest.

Let me now conclude.

- We see ethics as the starting point of corporate responsibility.
- Our Charter is based on strong ethical principles. It provides a framework for the values and ethical standards we expect from all our employees, including the directors, me and the rest of the executive team.
- We believe the only way any large organisation like ours can hope to translate ethics into practice is to try to make sure that every employee understands our Charter, they try to live those values every day, that we monitor our behaviour and that the leadership of the corporation models the behaviour we expect.

Translating ethics into practice means we become a much more sustainable business, it means our people are proud and satisfied to work with us and ethical and transparent systems open dialogue and help create trust.

Let me finish by saying that we are far from perfect but all 35,000 employees at BHP Billiton are working hard to earn the trust of everyone we touch.

As long as we can meet the challenges that I mentioned at the start of my talk around creating value for our shareholders, customers, suppliers, communities and employees, we will continue to be a sustainable company and a valued global citizen.

Thank you very much.

Please feel free to ask questions.