BHP Billiton
Sustainability Briefing
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SIR JOHN GRANT, PRESIDENT, BHP BILLITON EUROPE

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Good morning, ladies and gentlemen – a very warm welcome to you all. Thank you to UBS for hosting this today and welcome to everybody joining us on teleconference. It is very nice to have you here; thank you for taking the time. I have been given star billing alongside the real stars of the show today, Ian and Ed. Since I am up here, let me say a word about myself, a word about the subject of today's briefing and a word about how things are going to be organised.

I am relatively new to BHP Billiton; I joined earlier this year after just over 30 years in the British Foreign Service. My job is to cover government affairs in the UK and Europe, which principally means here in London and in Brussels, although not only those. I work alongside other teams in the BHP Billiton office in London, including the Investor Relations team, which is led by Andre Liebenberg, the new VP of Investor Relations, who is sitting in the front row.

This subject, sustainability, was an important one for me when somebody came along as I was finishing one career and thinking about a new one and said, 'What about joining this very large and successful mining company?' I have to say (in the relative privacy of this event) that I said to myself, 'That's an interesting proposition, but I wonder how these people stack up on the kinds of issues I had found myself taking an interest in during my period of public service.' Those issues around sustainability, the environment and community relations are the kinds of things we are going to be discussing this morning. The issue for me was whether this company had a strategy on these issues, was committed to them, open, transparent and accountable to the way it implemented that strategy. The conclusion I came to, after my bit of personal due diligence, was 'yes', otherwise I would not be standing here today.

I am particularly pleased to be here and to introduce Ian Wood, our Vice President of Community Relations, and Ed Mongan, who deals with climate change. Before I sit down, can I repeat my welcome and say your questions are very welcome on all the subjects Ian and Ed cover, but they will not be taking or answering questions on what I might call the Rio Proposal, and I am sure you understand the reasons for that. Thanks very much for coming.

IAN WOOD, VICE PRESIDENT COMMUNITY RELATIONS

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Thank you very much, John, and good morning, everybody. I would like to give you a high-level overview of our approach to managing sustainability issues in BHP Billiton, then talk about the performance highlights over the past year. Ed will talk in detail about our new climate change policy and our strategy to address that issue. In trying to distil down the overall company performance, we have had to be very selective in what we talk about, but feel free to ask any questions in relation to other matters that we have not had a chance to touch on as we go through the presentation.

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Let me draw your attention to the disclaimer, which is fairly standard text. As John mentioned, we will not be asking any questions in relation to Rio or related matters.

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We currently have around 100 assets in around 25 different countries around the world. We have 39,000 employees working for us, and around 60,000 contractors. We are structured in nine basic business units or customer sector groups (CSGs) as we call them:

- Petroleum – oil, gas and liquefied natural gas (LNG).
- Energy Coal, which is used in thermal power generation.
- The three key products that are used in the production of Carbon Steel, which are Metallurgical Coal, Manganese and Iron Ore.
- In Aluminium we have bauxite, alumina and aluminium metal.
- In Base Metals, we have copper, silver, lead, zinc and uranium.
- We also have a diamonds business, titanium dioxide and mineral sands.
- Our Stainless Steel Materials business is effectively our nickel business.

While we are very focused on the upstream aspects of our key products, we recognise we have a role to play in broader product stewardship issues in relation to each one of those products. We have a very clear programme and strategy around product stewardship and, last week, ran a number of workshops for some of our key customers in China on product stewardship, which was very encouraging in terms of the level of engagement we received. We have come recently to the uranium business, and have worked through the World Nuclear Association to establish a uranium stewardship programme within that organisation. We have been overwhelmed by the response and support we have received from others involved in the uranium lifecycle.

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In terms of the further development of our business, our project pipeline shows the projects that are in execution. Around 19 projects are currently either in construction or in the commissioning phase. In the feasibility section, we have projects that are in the process of being optimised before going forward for approval, and we have projects that are in the earlier stage of concept development and assessment before coming through to formal feasibility. That is a very substantial pipeline with a lot of projects potentially coming on line.

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In terms of the strategy to bring that growth on line and optimise the value of our current operations, it has not changed. The key point I want to make in relation to future focus is that it is underpinned by our approach to people and our licence to operate. We recognise that that is fundamental if we are going to create sustainable value for our shareholders, host communities and governments.

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For us, a licence to operate means attaining high standards of performance in relation to environmental, social and safety performance, consistently and wherever we operate. We believe that a strong record in doing that will enable us to bring forward projects on time, on budget without regulatory issues or concerns, or without community concerns that could potentially hold up those developments. That is absolutely critical not only to optimising the current operation, but also to bringing that project pipeline online as effectively as we can.

I was interested in John's point in relation to his considerations when joining BHP Billiton. Just last week, we saw some data in Australia polling a very large number of university students in their final year of study about the sorts of factors they considered when choosing a company to work for. It was very interesting to see how highly sustainability issues ranked in that assessment and how relatively lowly straight salary ranked in the decision-making process. These sorts of issues are increasingly of interest to employees as well as to host communities and governments, which is the more historical perspective we have had. Our objective is to ensure that we leave a lasting, positive legacy to maximise those benefits for host communities and governments, and to increase the attractiveness of our company to new recruits, employees and shareholders.

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Given the size of our business and our project pipeline, an obvious question is: how do we ensure we continue to deliver that sustained high standard of performance? As you will be aware, it takes a long time to build a company's reputation, while it can be destroyed by just one asset at one location if there are issues at that site. It is essential to us that we achieve that high standard of performance wherever we operate. Our approach has been to ensure our businesses have a very clear understanding of corporate expectations in this area. We have done this through a hierarchical system of documents and requirements.

Our highest-level policy commitment around sustainable development is our Charter, which is underpinned by our Sustainable Development Policy, which provides additional clarity in terms of requirements. Each element in that policy is underpinned by very specific performance requirements in our Management Standards. Those Management Standards are also supported by our Guide to Business Conduct, which is a very clear statement of the company's approach to business ethics and requirements on all employees. We also have Fatal Risk Control Protocols designed to eliminate the risk of fatalities within our businesses. All of those documents and the requirements contained within them are mandatory at every one of our operations, wherever we operate, including that development pipeline. We audit those operations to ensure that they are in compliance with those corporate requirements. It is very clear; the expectations are understood; and there is corporate oversight to ensure that implementation is occurring. The entire process is overseen by the Sustainability Committee of our Board, which includes three independent directors.

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One of our very long-term commitments is to publicly report our performance and to do that transparently, openly and in the most balanced way we can. Again, we have produced our Report in two key formats. The web-based version can be printed out as a pdf. It is quite a substantial document at around 300 pages. We have also produced the standalone Summary Report as well. I would certainly recommend those two documents to you, if you are keen to follow up some of the issues we have discussed today.

This is the first year we have produced that report in accordance with the G3 requirements of the Global Reporting Initiative (GRI), and they have assessed the Report as meeting their highest standards of conformance. We are very pleased with that outcome. We have also for the first time introduced a slightly reduced version of the Summary Report as a chapter of our Annual Report to shareholders. There is a great deal more disclosure in our standard Annual Report this year than in previous years. One of the key elements of this Report and one of the things we often receive positive feedback on is a very clear scorecard in terms of our public commitments and targets, and our performance against those targets. You will also see our key performance indicators (KPIs) for the next five-year period included in that document. I would encourage you to look at those and am very happy to talk about any aspects of that as we go through the presentation.

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The first point that I need to make here is that, sadly, we did not meet our key performance target of zero fatalities. Unfortunately, eight people lost their lives working for BHP Billiton in the last financial year and, just two weeks ago, we were frankly devastated by another significant accident in which five people lost their lives in a helicopter accident in Angola, in one of the projects I showed you on the pipeline, which is in the early stages of evaluation. This is an area where clearly we have not met our target: any fatality is unacceptable. We are committed to eliminating fatal risks and fatalities from our business. To help us do this, we have altered our remuneration criteria for all managers in the company, and have increased the allocation that is dependent on eliminating fatal risks from the business, and have increased the overall emphasis on safety in those KPIs.

We have been making good progress in relation to eliminating incidents or accidents from our business. Our total recordable injury frequency rate (TRIFR) is consistently declining in line with our strategy but, clearly, there is not a direct correlation between that reduction and fatal risks, which is why we have this focus on implementing our Fatal Risk Control Protocols, which is critical to eliminating fatalities from our business. You will also see some international benchmarks of safety performance in our business, which show we are performing very well in relation to industry averages. We do not take any comfort from that; our objective is zero harm and zero fatalities. We will not be satisfied until we get to that point.

We have been advancing our baseline, ensuring that we fully understand health risk exposures for our employees and their health status. As a result of this, you will see an increase in occupational illness in some categories, which is effectively from better understanding of our database and exposures, and will enable us to better manage those issues going forward.

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We have again achieved our target to spend 1% of our pre-tax profit on programmes in the communities in which we operate around the world. We spent around US$103 million last year around the world, which equates to about 1% of our pre-tax profit on a three-year rolling average. You will also see that we report that expenditure in relation to the Millennium Development Goals, and how we are contributing to the achievement of those objectives around health, education and the environment. Around 30% of that expenditure directly relates to one of the eight development goals.

During the year, we released our new community investment guidelines, which provide very clear principles for our businesses to follow in terms of what we think contributes to a successful community programme. They also importantly identify those things we will not do or will not spend money on, in relation to community programmes. That has been released and promoted during the year. We have continued our focus on human rights. The self-assessment tool that some of you will have seen previously has been enhanced and further promoted in the organisation. We are also developing guidelines for our businesses on the implementation of the voluntary principles on human rights and security. One of the photographs you will see is of one of our co-owned assets, where we have trained around 2,000 people on basic human rights and the requirements that flow from voluntary principles on human rights and security.

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I mentioned business conduct and ethics before. They are critical parts of our overall approach to business. We have a very clear guide to business conduct with which all employees are required to comply. We have also introduced helplines to assist employees in resolving concerns, if they feel there is a lack of clarity or if they have raised issues with their manager and do not feel satisfied with that response. They can come through and get independent and confidential advice in relation to those issues. There were 90 such issues raised during the year. You can see in the data the broad categories in which those issues fall. They are things like human resource and workplace issues. Gifts is another common one: can we accept gifts from customers or can we give them? Issues like harassment are also prominent. There were around 90 issues raised during the year, which is a slight increase on last year. The adoption of those helplines is quite patchy so, during the year, we will be looking to revise the Guide to Business Conduct and also to enhance awareness of the helplines to see if they can be more consistently utilised around the world. There are likely to be cultural issues that perhaps inhibit people from using the current system.

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Ed is going to talk in detail about climate change, but an issue that is certainly increasing in prominence for us around the world, and particularly in Australia, is water management. We have just appointed a new global practice leader in the corporate centre to be focused purely on water. If you have a look at the data, a little under 50% of our water is currently recycled and our objective is to significantly increase that proportion with regard to fresh water utilisation. This is a big push for us coming up in the next few years.

If you look at our performance in relation to general waste, you will see that, during the year – in fact since we set our baseline in 2002 – we have seen quite a significant increase in general waste production, which is related to the substantial construction pipeline I showed you before. Construction, by its very nature, tends to create more waste than a standard operation during general and consistent operations. Importantly though, we have made substantial progress on hazardous waste and have achieved a 50% reduction from our baseline year.

Another important development for us in the coming year is our new biodiversity standard, which we are just in the process of finalising at the moment. It brings together a number of the company's existing commitments around biodiversity and extends those commitments into new areas. We hope to have that ready for implementation in January.

ED MONGAN, GLOBAL PRACTICE LEADER, CLIMATE CHANGE AND ENERGY

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Thank you very much, Ian. Good morning to everyone. I am very pleased to be able to talk about BHP Billiton's approach to this pressing issue. I would characterise it in two ways: one is understanding the risks that this brings to companies like BHP Billiton; but also seeking the opportunities that can be presented by the many facets of this issue. I will try to offer some examples of both.

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This is a priority issue for our company. I would like to offer a few reasons for that. We have very energy and greenhouse gas intensive operations. Our footprint in 2007 was about 52 million tons of CO2-equivalent emissions, the bulk of which was from fuel consumed and electricity purchased at our operations, but we also have some methane emissions as well as fluorinated compounds at the lower levels. We have products that are greenhouse gas intensive as well. Ian described some of our CSGs in the energy business; foremost among those, from a greenhouse gas perspective, are energy coal and metallurgical coal, which goes into the steel-making industry. We expect substantial growth across most of our CSGs to be driven by rapidly expanding economies like India and China, for example.

This makes it very challenging, because the world is seeking reductions of greenhouse gas emissions and, as we expand, we need to find ways to do that while minimising our footprint. Some of our products contribute to the solution: uranium can be a source of zero-carbon electricity; aluminium can go into lightweighting vehicles and transportation; and, in some cases, LNG can substitute for a higher carbon energy source such as coal to make electricity.

We recognise that there are physical, financial and reputational risks associated with climate change. I will touch briefly on each. From the perspective of physical works, Ian mentioned the effort ongoing around water. Some of the work that has been done has shown that climate change can lead to changes in precipitation patterns, which can either create more and heavier storms where you do not want them or, in some cases, droughts and lack of water in areas where it is sorely needed. We are working to understand how this measures up with our operations around the world and how we can plan ahead to prepare to address some of those physical risks. We do this through a risk register, which takes accounts for all the different aspects of our operations and how they might be impacted by some of the changing weather and climactic events.

From a financial standpoint, companies are increasingly becoming subject to impositions of carbon trading, which can present a significant cost. The EU has been the first out of the box with a mandatory scheme and a market-based trading system, but Australia is rapidly catching up and there are a number of state-level initiatives in the US. We need to be prepared to deal with these financial risks. We have a carbon-pricing protocol that requires that any major project over $100 million or 100,000 tons of carbon emissions runs through an analysis of a set price we would place on carbon and does a sensitivity analysis for how that might impact the economics of the project.

From a reputational standpoint, society is clearly expecting companies to be part of the solution, and we do not want to be perceived as not being responsible and that this is not our concern; we clearly want to be seen as being ahead of this issue.

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This is not a new issue to BHP Billiton; we have been working on this since 1995. Our first targets were for a 10% reduction in greenhouse gas emissions across the group, per unit of production, between 1995 and 2000. That target was met. We had a follow-up target in 2002 for another 5% reduction in greenhouse emissions per unit of production. These targets have been met and exceeded. In addition, we have required our sites with emissions greater than 100,000 tons per year to have and maintain greenhouse gas management and energy conservation programmes. You will see from our new policy that we are stepping up that activity.

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We issued our new climate change policy in June 2007. The purpose behind this was a number of things: first to maintain our licence to operate and grow the business in an increasingly carbon-constrained environment. Secondly, we wished to enhance our reputation with the governments and the communities in which we operate as well. Our own employees have very high expectations for us to be stepping up to this issue. Finally, we wanted to demonstrate to investors that this issue is well managed. In this work we have aimed to position ourselves both to address the risk, as I mentioned, and to take advantage of opportunities. We expect this will, if effectively done, place us in the leadership group in the natural resources sector.

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If you look at some fundamental statements we would view as a preamble to our policy, we believe it is a pressing issue that the risks of climate change associated with increasing concentrations of greenhouse gases must be addressed, and that we need accelerated action. We need to work to stabilise concentrations at acceptable levels. If you look at the science that the Intergovernmental Panel on Climate Change has put forward, some of the worst impacts of global warming can be avoided if the temperature rise over the rest of the century can be held at less than 2°C. They have offered that this would require stabilising greenhouse gas concentrations to 450-550 parts per million. What you will see coming out of that is governments increasingly setting quite aggressive targets for reductions to meet those kinds of stabilisation goals.

We want to do this in a manner consistent with meeting our natural resource and energy needs, which again are growing, particularly in the developing world. To do that, behavioural change and technological progress are essential. Consumers, businesses and governments need to find ways to use energy more effectively and more efficiently. We need technological progress and alternative energy sources that enable us to operate with a lower carbon footprint. We commit to take action; we will work with governments, with industry and with other stakeholders to address this issue to find lasting solutions consistent with our policy of zero harm.

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There are four prongs to our approach. It starts with improving our understanding of our lifecycle emissions. We need to know where we are; we want to improve our understanding of what our emissions are for production as well as the emissions that occur with the customers consuming our products, particularly the energy products I mentioned earlier. We are working to apply benchmarked standards to improve data quality. We are working with the International Council on Mining & Metals to come up with a cross-industry consistent approach to measuring and reporting on our emissions intensity and targets. With the World Resources Institute, we have one of the best and most widely accepted protocols for greenhouse gas emissions monitoring.

We want to understand the greenhouse impacts of the full lifecycle of our products, particularly the energy products in use. We are looking downstream to see what is happening there, partnering with our customers. I will mention some more on that later on, in terms of the activities around emissions trading supporting that. We will continue to report publicly with external verification.

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The second key element is what we would describe as a collaboration to reduce emissions and influence policy. Here we want to support research and development in demonstration of low emissions technologies. This is very much focused on our products and reducing the emissions from the use of our products. This would include technologies like carbon capture and storage (CCS), which we think is essential to the future of coal as an energy source. At the same time, we think coal is an essential energy source but, in order to maintain that in a carbon-constrained world, we need technologies like CCS to be advanced, to be demonstrated as effective and to become acceptable.

We are involved in two particular programmes: COAL21 in Australia has the goal of developing an industrial-scale electricity-generating coal plant with full carbon capture and geological sequestration. A similar project in the US, the FutureGen Alliance, also aims to generate electricity from coal with near zero emissions, including permanent CCS. We have committed to invest US$300 million over five years in these kinds of activities, reducing the emissions from our products, through R&D partnerships such as those I mentioned and also looking at energy excellence projects with a greenhouse gas emissions-reduction element. These good projects may not have quite met the hurdle to move forward in our corporate framework; we are going to give some of them a boost with some of this investment. We also plan to reduce emissions-producing activities through employees and our local communities. We think it is important to engage our employees in a stronger way to give them a better understanding of what we are trying to do and of the issue in general, as well as our communities.

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In this case, we commit to work with governments and other stakeholders on the design of effective policies consistent with the stabilisation of greenhouse gas concentrations. We have been active with, for example, the Australian prime minister's task group on emissions trading. We are looking to continue that activity and to offer our knowledge and understanding of how these kinds of policies can most effectively be adopted.

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Energy Excellence is a very fundamental programme to our overall approach to the climate change issue. We have established an Energy Excellence team; we have engaged our sites. We have a goal to first have this contribute to zero harm, understanding that 80% of our greenhouse gas emissions globally were generated through energy consumption. At the same time, we have a very high cost of energy, so this is an opportunity to create and protect value. By becoming more energy efficient we can address our annual global energy costs, which were in excess of $2.3 billion in 2006. This was about 24% of our operating costs, which puts us in a fairly energy-intensive set of industries. There are increasing requirements; for example, in Australia, there is the Energy Efficiency Opportunities Act, which requires companies to demonstrate that they are managing energy in a very effective manner, taking steps to find more efficient ways to use energy, recording their progress and moving forward. Ultimately, again, it maintains our licence to operate.

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This fits in with the fourth prong of our approach, which is managing our emissions from production. In this case, we want to build on leading practice and improve our energy and greenhouse gas management at our sites, building emissions abatement and energy-saving considerations into our decision-making processes. We have set two new targets from a base year of 2006 and extending through to 2012. The first is for a 13% reduction in energy intensity, measured as gigajoules of energy consumed per ton of product. Again, this will be driven by our Energy Excellence programme. At the same time, we will commit to a 6% improvement in greenhouse gas intensity measured as tons of CO2 equivalent emissions per ton of product across our global operations.

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An inverted triangle shows that we would like to make the greatest gains in the area of eliminating energy, like turning off the lights, pumps and motors when they are not needed. This leads to immediate savings and reductions. Where we cannot do that, we want to become as efficient as possible by doing what we would describe as reducing our energy or recovering waste energy. Where that is not practical, we would look to substitute for a less greenhouse-intensive source of energy, whether something like wind or solar that could reduce our carbon footprint while still delivering the energy we need to operate. Finally, we would mitigate our emissions either through offset carbon sequestration or through a carbon trading approach. As you move upwards along this triangle, you come to greater benefits to the company in terms of the cost savings and a greater degree of excellence. That is our goal.

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Our Ekati diamond mine in northern Canada has had an Energy Smart programme for a number of years. There is very significant engagement from all employees, and cross-functional support to look for opportunities. There has been a suggestion scheme and very visible recognition. They have had excellent success in reducing the consumption of fuels and energy onsite. Another project is for one of our coalmines in Australia, West Vamp, which has emissions from coalmines ventilation, which is primarily done for safety. Methane from coalmines is continually ventilated to keep concentrations at safe levels. You end up with a very low-concentration exhaust stream of methane, which, in the past, has been thought to be something that could not easily be dealt with and has just been emitted into the atmosphere. We have worked with a partner to develop a technology that can consume and oxidise this very low concentration of methane and create heat,

which can then be used to make steam and generate electricity. We are able to abate the equivalent of about 220,000 tons of CO2 each year, and we are producing about five to six megawatts of electricity from the first application of this technology. There are many more applications possible.

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We have recently announced a partnership with Pacific Power to develop a 100-megawatt wind farm in Chile. This would be situated to supply our Escondida mine with essentially zero-carbon electricity to meet a significant proportion of their annual energy needs.
We have also engaged in a $20 million study of a new aluminium smelter in the Democratic Republic of the Congo, which would utilise about 2,000 megawatts of new hydropower. This is called the Inga 3 Project, and it features being a relatively low-impact river-style hydropower, which would provide a great benefit from a carbon-footprint perspective.
Finally, we are evaluating the potential at our Ekati diamond mine again for a significant wind farm that would take up a large portion of their energy needs. It would also reduce their dependency to bring in diesel fuel over ice roads. As warming occurs, those ice roads become less dependable throughout the year, so there are additional benefits to be gained there.

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We have an emissions trading desk in the Hague, which has been effective for a number of years primarily at sourcing Clean Development Mechanism credits through the Kyoto process. Their goals are, first and foremost, to source sufficient credits to meet the needs for emissions allowances of our own assets. That particular asset is our Liverpool Bay operation in the UK. However, they are also engaged in developing new products and service offerings that will enable us to transact with existing and new customers to cement some of our strategic relationships. This is an opportunity to continue to develop our knowledge and understanding of the emissions trading markets as they start to grow around the world and in other operations. This gives us a fundamental understanding and ability to deal and work with those. It is going to increase the level of awareness and knowledge of our assets, and help us ensure that viable clean development mechanisms (CDMs) are implemented where we can do them at our assets around the world. Finally, it will build our reputation and brand, thereby enabling us to take part in the most valuable emissions transactions, because we are understood to be a competent player in this trading arena.

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IAN WOOD, VICE PRESIDENT COMMUNITY RELATIONS

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We feel we have made very good progress against many of our targets for the period 2002-2007. However, as we have discussed, we certainly acknowledge that challenges remain, and are fully committed to meeting those challenges. An obvious area is certainly the area of safety I talked about. We have a strategy in place to achieve that. The new targets are set to focus on key risks and opportunities going forward. You will see those spelt out in our Sustainability Reports, so please have a look at those. In the coming year, our focus will be on implementation of the climate change policy. The elements Ed talked about are a key priority for us going forward, as well as the emphasis on safety I have mentioned, and ensuring our systems are fully implemented and

effective at all of our operations. We are confident we have the right systems; we need to ensure effective, consistent implementation wherever we operate. We have a strategy to do that. For a long time, we have had our health, safety, environment and community (HSEC) audit programme, which has been a rolling corporate audit of all of the assets at least every three years. Our focus going forward will be to turn that into more of a risk-based approach, so assets that are not performing to an acceptable standard will be audited more frequency and in greater detail, and in specific areas where risks are identified with respect to those assets that are performing at a consistently high level. Finally, the implementation of the biodiversity strategy that I mentioned before will be another key focus area in the next 12 months. Thank you for your attention.

QUESTION: Which of your operations are most at risk from water shortage, flooding, or the shorter period of the year that ice roads are open for?

IAN WOOD: We have recently done some work looking at the physical risk of climate change for all of our assets. Ed, could you give Mike an overview of some of those key areas that are at risk of increased water stress?

ED MONGAN: We are finding that the science and understanding of this issue is still rapidly emerging. It is at a level where we can say that certain regions, such as parts of Australia, are experiencing extended drought. We can pinpoint that and say that these operations need to step up their work on contingency planning and better conservation around the water issue.

IAN WOOD: What is interesting, given the work that we have done in this area, is how patchy that response is. For example, the southern part of Australia is becoming considerably dryer – in some regions, as much as 30% dryer over a period of about 15 years; in the north, it is becoming wetter. It is, therefore, very site-specific.

The Olympic Dam asset in South Australia, for example, is a site which is quite constrained in water. We are currently extracting water for that project from the Great Artesian Basin, which is an underground groundwater resource. It is sustainable at the current level, but to increase production at that asset, we need to find more water. In the past, we probably would have looked at the Murray River as a potential source of water, but that has become increasingly stressed through increased utilisation for agricultural purposes and also potentially climate-induced changes and the amount of run-off from the catchment. That resource is not, therefore, not available to us, so we are looking at a very substantial desalination plant to meet the demand of the Olympic Dam expansion.

In the same way, we have developed a desalination plant for the Escondida operation in Chile and are looking at expanding that plant too. These are challenges and they are very regional in terms of where those issues will manifest themselves. It is important that we have the skills, technology and ability to address those risks.

QUESTION: Under your key actions, you intend to commit to invest $300 million over five years in ‘matching emissions-reducing activities by our employees and local communities’; could you say what that means?

ED MONGAN: One example that we are investigating with our local communities is a unit that I would describe as a solar water purifier. It is made by General Electric, it has a solar panel and pump, it is self-contained, and it can be installed at a remote community to provide enough drinking water for a few hundred people a day. These are the sorts of things that we are looking to provide

to some of our remote mining communities, where it can make a big difference in terms of a clean drinking water supply.

For our employees, we have worked with programmes where they can take part by replacing light bulbs with high-efficiency or compact fluorescent bulbs, thereby creating savings. The company would pay half the cost of making those kinds of changes in employees' homes.

IAN WOOD: This is fairly early days for us in that area, particularly around the employee piece, and we are looking at increasing that offering from things like light bulbs to offsetting air miles or completing home environmental audits. The company will pay half the cost and the employee matches it, or vice versa. It is an early-stage development that we are trialling in Melbourne at the moment, and the uptake has been quite good. This is an area where our employees will be increasingly interested in taking those opportunities in the future.

QUESTION: In your introduction, Ian, you spoke about product stewardship briefings in China, which you said had been quite successful. Could you say more about them, what you covered in them and how they were received?

IAN WOOD: There are two key dimensions to it. The first was a three-day workshop that we ran in association with the Asia-Pacific Economic Cooperation (APEC) organisation and its member governments. It was a general overview of product stewardship, trying to get increased engagement from governments primarily around the carbon steel materials aspects of our business. The uptake and interest was very encouraging, with 12 governments represented by their delegates at that workshop.

The other meetings that we held and workshops that we ran were with customers involved in the lifecycle of lead. We have had a programme running on product stewardship in lead for a number of years now and it is really starting to gather momentum. The idea is that we have all the key aspects of that lifecycle engaged in that process so that we can produce certified lead acid batteries such that a consumer can have confidence that that lead has been produced in a way that has not adversely impacted the environment or the people who have been involved in producing it.

Something that I have found really encouraging is the interest and uptake from China. Some of us have a perception that China's attitude is still 'we need to develop at all costs and we are not that concerned about environmental issues at this stage, so come back in 10 years' time when we have raised our growth to the same level that you enjoy in your country', but we are getting a very different reaction and a lot of interest in these issues, which we found very pleasing.

QUESTION: First, the National Union of Mineworkers is staging a safety strike today [in South Africa]. Has that affected your operations, and at what cost?

Second, what is so peculiar about South African mines that makes them unsafe, and why do we have so many accidents in that regard?

Third, what do you do in terms of rehabilitation of the areas around the mines where you operate?

Finally, how is carbon trading impacting on the numbers for your carbon footprint? In other words, are you buying or selling more credits?

IAN WOOD: I am aware that there is a day of strike in South Africa in the mining sector. I am not in a position to indicate what the cost or implications of that would be for our business – I just do not have that information available.

In terms of why South African mines are unsafe, presumably the question was with respect to other mines around the world. I am not sure that that is necessarily true in general. There are certainly some aspects of the South African mining industry that have increased exposures due to the number of people involved and the nature of the work. The deep underground gold and platinum mines have increased risks but we are not in that business, so we do not have that exposure.

Our safety performance in our South African operations is good, but not as good as we would like it to be. Four of our eight fatalities last year were in southern Africa – in Mozambique and South Africa – which is clearly unacceptable, and we are committed to addressing that. In terms of overall safety performance, I do not think that there is a significant bias towards poor performance in our South African operations.

Rehabilitation is very site-specific and it was an interesting point of consideration for us in relation to the development of our biodiversity standard that I talked about before. It really does need to be site-specific and to take into account the pre-existing environment, the aspirations of the communities that were there prior to mining, and what they would like to see after mining. It is not the case that we will always plant trees of a particular type in a particular environment, because it really depends on what is appropriate in that situation. That is probably not a specific answer for you, but it is not something that I can easily give a general answer to, unless we are talking about a specific operation.

ED MONGAN: In terms of carbon trading, we have one operation – the Liverpool Bay asset – that has a requirement for credits to offset its emissions. It is relatively small in the scheme of typical BHP Billiton facilities. I would say that significantly more credits are being generated, and we are participating with partners to develop these clean development mechanism (CDM) credits and then stapling them to some of our products; for example, stapling credits to our coal products that we might be selling in Europe to customers who want those offsets to come with the product that we are selling. That has been probably the greatest level of activity: developing CDM credits and stapling them to products being sold to customers.

QUESTION: First, could you comment on the extent to which your social and environmental systems apply to your joint ventures and exploratory operations, particularly in Africa?

Second, you mentioned that you have a continued focus on human rights. Could you comment on where the key regions or sites where you see particular risks arising from human rights and what measures you are taking to address them going forward?

Finally, there has been a significant change in leadership at BHP Billiton. Will there be any change of emphasis or any other impact on your overall sustainable development strategy and policies?

IAN WOOD: The application of our approach where we are in a joint venture varies, depending on the nature of the relationship. In some instances, we may be the designated operator, which is straightforward and clear: we are the operator and have the right to apply our policies, systems and standards, and we certainly do that. In other situations where we are not the majority owner or we do not have management control, it is not that easy. In that situation, we try to encourage the

adoption of standards that are consistent with ours, and I think that we have been very successful in doing that.

A good example is the Cerrejón mine in Colombia, where we are a 30% shareholder. It is managed by a shareholders committee, on which we are represented. Around the social aspects which you are specifically interested in, we have been very successful in bringing our perspective to the table and, with the endorsement from the other shareholders, who have also contributed their thoughts, developed systems that align very well with ours.

To give you an example of how we have sought to do that, when we first acquired that interest in that mine, we went to the other shareholders and said, 'We have this systematic approach at our operations. We think it adds value. Can we undertake an audit to see how this operation benchmarks?' They were very happy for us to do that and were actively involved in that process. We then identified a couple of areas where that operation was not performing to the standard that we would like or expect to see in our operations. In other aspects, it was absolutely first-class and, in fact, leading some of our other operations. We suggested an improvement plan for that operation that was effectively implemented. When we returned and audited again, it is now leading in those two areas. We can, therefore, influence joint ventures, even if we do not have direct control. Our objective is that, wherever we can, we are the operator, so that there is no doubt about what standards will apply.

In terms of human rights and where we see key exposures going forward, I did refer to the US-UK Voluntary Principles on Security and Human Rights, which is clearly an issue for any company that operates in a developing country context where there has been a history of civil unrest or political instability. We have a couple of areas where we have that exposure, of which Colombia is one, and I mentioned the work that we have been doing around the implementation of the VPs there, which has been very successful.

Our initial thought was, in approaching the military, which provides security support in that region, we might get a negative reaction. Actually, they have really welcomed that training and have been contributing a large number of people to the programme. Of the 2,000 people who have received training, over half would ultimately have been military. That is a positive result but it is an area where we recognise that we have an exposure. There are other areas where these sorts of risks exist, such as the Philippines, and we need to ensure that our people and anyone who interacts with security understands what our expectations are and has the skills to effectively manage those risks.

Your third question related to whether we have seen any change in management focus on these issues since the change [in CEO] from Chip [Goodyear] to Marius [Kloppers], and the answer is 'absolutely not'. Marius is as committed to these issues as Chip. He has a very clear vision around what he wants to achieve and where he wants to position the company, but he is also very clear around clarity and ensuring that systems are absolutely crystal-clear, that there is no redundancy, and that we minimise the burden on the businesses.

That really plays to our existing strength of ensuring that everyone in the businesses understands what is required of them and that they will be audited to ensure that they are conforming with the company expectations. We will see a further consolidation of those systems, in order to improve the simplicity and clarity around what is expected, but I do not expect to see any change in priority or emphasis that is given to the issues.

QUESTION: I am interested in hearing a bit more about your new Biodiversity Standard, what has improved from your last one, what your key areas of focus are, and how you expect to roll this out across the different areas of biodiversity.

IAN WOOD: The main improvement over our previous Biodiversity Standard is that we did not have one. This is our first biodiversity policy or standard. We recognise that we probably had a gap in that area. We had a number of commitments that were very relevant to biodiversity conservation; for example, our commitment not to operate in world heritage areas was a pre-existing commitment that we had. However, these commitments were in disparate policies in different parts of the organisation's management system structure. Returning to the point of simplicity, we realised that we needed to consolidate those commitments because of the increasing importance of this issue.

This really came to light through criticism of our operations in Kalimantan, where we are looking to develop a coal resource in a biodiversity-rich region. The company received criticism of this, we believe largely through a lack of information, but we found it very hard to quickly articulate what our position was, due to the fact that a number of these commitments were in disparate pieces of company policy. We have, therefore, consolidated all the existing commitments and have extended the policy into some additional areas.

It is a little early to go into detail in relation to what those new commitments are, because we are still working it through our Sustainability Committee and our Forum on Corporate Responsibility, so we are not quite finalised yet. However, one of our key objectives in this policy is to ensure that our operations do not contribute to the extinction of biodiversity in the regions in which we operate. We are proposing to link our commitment around the World Conservation Union (IUCN) red list of threatened or endangered species and to ensure that, wherever we operate, we fully understand the potential of our business to impact on those species. If we are in situation where our operation would be likely to result in the extinction of one of those species, we will not proceed and will modify the project until we can do so without impacting on those species.

QUESTION: You said that you are working with governments on climate change but you specifically mentioned Australia; which others are you working with and what is your role in that?

ED MONGAN: At this point, we are working primarily with the Australian government because of the level of activity in Australia. We have engaged through industry associations in the European Union process. We are looking at what is going on in the US and anticipate that that will also be an area of growth, potentially moving towards national policies. We definitely plan to be engaged in what is happening in the US. Those are probably the three primary areas that we would look to: Europe, Australia and the US.

QUESTION: In terms of acquisitions, when you are looking at deal-making, to what extent do you look at environmental and social issues? Do you assess companies' environmental and social performance before doing deals, particularly in instances where you do not have access to management operating accounts and performance?

IAN WOOD: In terms of any mergers and acquisitions (M&A) activity, looking at the environmental and social performance of the target is absolutely critical. As the former BHP, we have had experience in what can happen if you get that wrong, so the Magma acquisition in the mid 1990s was not a success for many reasons, one of which was that there were substantial liabilities associated with that acquisition.

The organisation certainly learned from that experience and developed clear expectations around due diligence for all aspects of an acquisition, with a particular emphasis on social and environmental aspects. We ensure that the review teams, who look at the proposed deal, have the right expertise to do so. We also ensure that those teams are independent of the project proponent within the business, such that we eliminate the risk of a strong project proponent having rose-coloured glasses on and not looking at the broader implications of the business of proceeding with that acquisition.

QUESTION: You mentioned COAL21 and FutureGen in your presentation. What is the likely timing and cost of those projects, and how do you see the steps to industry commercialisation of carbon capture and storage such that it would be seen as a widely available solution?

ED MONGAN: In terms of the cost of these programmes, FutureGen is a $1 billion-plus project; COAL21 is a little less, but is around the same level. It requires a partnership of many companies and governments to make this project successful. In terms of the timing of these projects, FutureGen is targeting in the 2012-2015 timeframe for start-up and demonstration; COAL21 is at about the same pace. My wish would be for these efforts to be accelerated, since I think that carbon capture and sequestration is essential to our energy future. Coal is going to be part of the mix and we have to have solutions for that. The world will be looking to see these things move forward too.

QUESTION: What would you see as a likely timescale for widespread deployment? What sort of period of learnings would be required? How many more commercial-scale demonstration plants might be required? How do you see the industry pulling together to generate the urgency that you might like to see on this?

ED MONGAN: I have heard it said that, by 2020, there is an expectation that there will be a significant number of these installations up and running. The quicker we can move these forward, the better for addressing the whole issue of climate change. From an industry perspective, a few things are needed. It will happen through, for example, carbon trading programmes, where carbon capture and sequestration or storage is part of the trading scope. We would like to see it covered in the CDM process, for example, and that is moving forward. However, there needs to be a level of certainty, because of the significant investment – as I mentioned, these are billion-dollar projects – that the investment that is put in will stand up and be acceptable and will deliver the incentives that are being looked for to make it viable.

IAN WOOD: Another element to this that will have quite a significant impact on timing will be community acceptance of having these operations in close proximity to their communities. There is a regulatory framework that needs to support implementation but my understanding is that the technology is there; the issue is cost, effectiveness and community acceptance.

QUESTION: Are you able to say anything about the environmental and social challenges that you see arising out of any Rio Tinto acquisition?

IAN WOOD: No – as we said at the outset, we will not answer any questions in relation to the proposed combination with Rio Tinto. All I can say is that our policy positions are very clear and articulated in our Sustainability Report.

QUESTION: You have this new climate change policy, which is going to be quite a monumental task for BHP Billiton. What support do you have for the implementation of this new policy?

ED MONGAN: The real work is going to be done at the assets level. We have energy excellence champions appointed at each of our major assets. We have an environmental team in Melbourne which includes people working on the data element of this work. We also have our emissions trading team in The Hague, engaged in helping us understand what policies are effective around emissions trading. It is really a network of individuals around the world, located in areas where we think we can make an impact.

IAN WOOD: We have a very large number of environmental professionals working for us around the world in our businesses and we currently spend about $300 million a year on environmental management programmes throughout the world. The climate fund of $300 million over five years that Ed mentioned is in addition to that, but the reason for mentioning that is just to give you a sense of the scope of our effort around environmental issues generally within our businesses. It is a very large part of what we do and we have people engaged on energy and climate-related activities at the site level. Ed's role is in coordinating the company's policy position and ensuring systems are in place to implement that policy effectively across the businesses. As he said, it is very much a network-based role.

QUESTION: You spoke about determining the greenhouse impacts of the full lifecycle of your products and you mentioned iron ore as one of those. How far are you on that and will that lifecycle analysis be published once you have completed it?

ED MONGAN: I do not recall mentioning iron ore, but I think that that would certainly be an area to look at. I have nothing that I can relate at this point, but it is an important product to us so it will be something that we will be considering.

IAN WOOD: I mentioned iron ore in the context of a product stewardship initiative that we launched about 12 months ago. The objective is to bring together iron ore and manganese producers and steelmakers in our key customer base in Asia and engage them in a product stewardship initiative, similar to what we are doing with lead. That work is somewhat in its infancy. The workshop that we ran last week in China was really the kick-off of that, so it is a little early at this stage to talk about results, but our hope is, ultimately, to reach the same point as where we almost are with lead: that customers can have comfort that they are buying material that has been certified throughout its lifecycle as having been produced in a manner that has protected the environment, employees and communities.

QUESTION: When do you expect that to happen – within five years?

IAN WOOD: That is a realistic timeframe. Lead has probably been going for five years. For a long time, we were the sole proponents of that programme, trying to bring people along with us. All of a sudden, it has gathered momentum and people are starting to realise that it makes sense and to want to be a part of it. It is about critical mass in getting people engaged in and understanding what we are trying to achieve.

QUESTION: In terms of the energy excellence hierarchy that you outlined, I interpreted what you said to be that elimination would be a key area of focus. Am I correct?

ED MONGAN: Yes.

QUESTION: If you turn it around, that suggests that the current operations are not that energy efficient and that you will achieve your targets by making them more energy efficient. Is that a correct interpretation?

ED MONGAN: I would not necessarily say that our current operations are not energy efficient because they have been working on this for a long time. There are always opportunities to do better and to share the learnings. Part of our energy excellence programme is, where we find a new and innovative way to become more efficient, to share that across all our assets and have everyone take advantage of it. It is really about raising the bar higher and doing even better than we already are in what are quite efficient operations, while understanding that there are always opportunities. The world's expectations are that we will not stop, but rather that we will continue to press forward and improve.

IAN WOOD: One of the key challenges for us around issues like this is maintaining profile of these sorts of initiatives. When our businesses are under a lot of pressure to meet customer demand and increase production, the risk is that management attention is focused purely on increasing tonnes, rather than necessarily on some of these issues. The energy excellence approach provides a focus. We have local champions at each asset dedicated to these issues. My feeling, having looked at these issues for many years, is that, often, sites can think that they are doing these things efficiently, but when they have a targeted approach, they find opportunities that they just did not realise were there.

One of the objectives of Ed's work is to transfer those learnings across the businesses and, where we have pockets of excellence, to try to ensure that that becomes the norm across our businesses. The opportunities are very large, and the great thing about energy is that making significant improvements in energy efficiency has a direct effect on the bottom line, because it is such an important part of our cost base. There is a lot of opportunity and benefit for the businesses and, of course, the environment.

If there are no further questions, I would like to thank you very much for your attendance.