

## **BHP Billiton Limited Annual General Meeting shareholder questions**

Below is an overview of BHP Billiton's position on a range of subjects raised by shareholders ahead of the 2008 Annual General Meeting (AGM) for BHP Billiton Limited.

Many shareholders raised the same or similar issues so we have grouped our response under common themes. These responses should be read in conjunction with the Chairman's and CEO's address to the AGM.

Thank you to those shareholders who submitted questions.

### **Access to Railway by Third Parties**

Recent decisions by the Treasurer and the High Court of Australia do not automatically enable third parties to run their trains on our lines. We currently have proceedings underway in the Australian Competition Tribunal to protect our shareholders' investment in developing our railways. Therefore, we are still some way away from third parties being able to access our rail lines. We still believe there are better, more efficient solutions available, including rail haulage and commercial agreements such as mine gate sales (which are more likely to be in place earlier). We intend to continue to use all legal avenues to protect our shareholders' investment.

### **Annual Report / Shareholder DVD**

We released the DVD as it was important that our shareholders were all aware of the relevant information on the Rio Tinto proposal. We recognise that our shareholders are a diverse group who have asked to receive information in different ways and we have received very positive feedback on the DVD.

### **Board members: Size and Diversity of the Board**

The Board currently has 13 members. Of these, 12 are independent non-executive Directors (including the Chairman). Our CEO, Marius Kloppers, is the only executive Director. The number of Directors reflects the size and complexity of the BHP Billiton business, and the depth and breadth of experience required for the Board. Our Board is made up of Directors with experience across energy, manufacturing, banking and finance, engineering and resources.

BHP Billiton is committed to all types of diversity. The Board is diverse in the experience and geographic spread of its Directors, reflecting the significant diversity of our broader business. In the broader company, of our approximately 41,000 employees, 17 per cent are women (with 12 per cent of all management positions held by women, which is a 4 per cent increase from the 2007 financial year). We do recognise the need to increase the number of women in senior management at the company and this has been targeted as a key improvement area.

### **Climate Change**

We believe that the risks of climate change associated with increasing greenhouse gas emissions need to be addressed. We are working within our business and with governments, industry and other stakeholders to address this global challenge and find lasting solutions that are consistent with our goal of Zero Harm. We believe behavioural change and accelerated technology solutions are key to meaningful progress on this issue. BHP Billiton has made a \$300 million commitment (over five years) to energy and greenhouse gas initiatives.

## **Coal**

While we understand that the world's continued reliance on coal is of some concern to some shareholders in light of climate change issues, we believe we have to accept that coal will play a major role for some time.

The energy mix is a complex issue with socio-economic and environmental trade-offs. In order to provide energy security and environmental sustainability, countries need diverse and flexible energy portfolios, with increasing emphasis on fuels and technologies that reduce carbon emissions. And, of course, energy efficiency also has a critical role to play.

Currently coal is one of the few reliable and cost effective fuel sources, globally. This is particularly important in developing countries, but also in Australia in which 83 per cent of electricity is generated by coal. However, we are committed to contributing to research and development around energy and greenhouse gas initiatives, and have committed to investing US\$300 million in this area.

## **Corporate Governance**

In pursuing our corporate objective, we have committed to the highest level of governance and strive to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity and respect for others. Our approach to governance is predicated on the belief that there is a link between high-quality governance and the creation of shareholder value. Our expectations of our employees and those to whom we contract business are set out in our Code of Business Conduct.

We operate as a single economic entity under a Dual Listed Company (DLC) structure with a unified Board and management. We have primary listings in Australia and the UK and are registered with the US Securities and Exchange Commission and listed on the New York Stock Exchange (NYSE). In formulating our governance framework, the regulatory requirements in Australia, the UK and the US have been taken into account, together with prevailing standards of best practice. Where governance principles vary across these jurisdictions the Board has resolved to adopt what we consider to be the better of the prevailing standards. It is our view that governance is not just a matter for the Board, a good governance culture must be fostered throughout the organisation.

You can access our full 2008 Corporate Governance statement here:

<http://www.bhpbilliton.com/bbContentRepository/docs/2008CorporateGovernanceStatement.pdf>

## **Directors Fees**

The fees we pay our Directors reflect the size and complexity of the BHP Billiton Group. These fees are independently reviewed and benchmarked against peer companies in the Australian and UK markets.

This year, we increased the total fee cap for Directors' fees for two main reasons. Firstly, we have appointed three new Non-executive Directors (appointments that were ultimately approved by shareholders at our 2008 AGMs), and secondly, it provides us more flexibility for the future. We have not used all the fee pool available.

## **Dividends**

We are committed to our long-held 'progressive dividend policy' (matching or increasing our dividend each year). As a result, when we announced our full year financial results in August 2008, we also announced that we had rebased your dividend for the second consecutive year, to 41 US cents per share. This represented a 52 per cent increase on last year's final dividend and brings the annual dividend increase to 150 per cent over the past three years. It is also the thirteenth consecutive dividend increase. Returning excess cash to shareholders is one of our aims, and at the completion of all announced initiatives we will have returned US\$32.1 billion to shareholders since June 2001.

## **Dividend Reinvestment Plan (DRP)**

The Group does not currently require additional capital and there are no plans at this time to reintroduce a DRP.

## **Global Financial Crisis / Economic Outlook**

There is no doubt that these are very challenging times, and uncertainty in the shorter term outlook remains. To illustrate this, over the 12 month period to 21 October 2008 commodity prices fell approximately 43 per cent. In the one month to 21 November 2008 this fall was 23 per cent. These falls are paralleled by market movements. For example, for the 12 month period the ASX S&P/ASX 200 index has fallen by 36 per cent. However, we still believe that despite the short term uncertainty, long term demand is fundamentally sound. For example, in China (from we generate about 20 per cent of our sales) its long term growth will be driven by continued urbanisation and industrialisation it is undertaking.

## **Impact on Communities**

Our Charter recognises that we will only be successful when our host communities value our citizenship. In addition to the taxes, royalties, business opportunities and employment we provide, our community programs provide an opportunity to ensure our host communities directly benefit from our presence. We have set ourselves a target of spending one per cent of our pre-tax profit (three year rolling average) on community programs. In the 2008 financial year, we spent US\$141 million on health, education, welfare and environment programs worldwide (comprising cash, in-kind support and administration costs). This was a substantial increase on the US\$103.4 million we spent in the 2007 financial year. Our programs target support programs for some of the most disadvantaged sectors of our host communities.

## **KPMG**

The Board Risk and Audit Committee (RAC) manages the relationship with the External Auditor on behalf of the Board. It recommends to the Board potential auditors for appointment and the terms of engagement, including remuneration. In December 2003, the Board, on the recommendation of the RAC, approved the appointment of KPMG. Shareholders are asked to approve reappointment of the auditors each year in the UK.

The RAC evaluates the performance of the External Auditor during its term of appointment against specified criteria including delivering value to shareholders and ourselves. RAC reviews the integrity, independence and objectivity of the External Auditor.

Fees paid to the Group's External Auditor during the year for audit and other services were US\$21.8 million, of which 57 per cent comprised audit fees, 23 per cent related to legislative requirements (including the US Sarbanes-Oxley Act) and 20 per cent other services. Details of the fees paid are set out on page 225 of the Annual Report each year.

A resolution to reappoint KPMG Audit Plc as the auditor of BHP Billiton Plc was approved at the 2008 Annual General Meetings.

## **Location of Limited AGM**

The Board has a commitment to give all shareholders in major capital cities of Australia the opportunity to attend AGMs where possible.

The AGM of BHP Billiton Limited last year was held in Adelaide and this year it was held in Melbourne. In previous years it has been held in Perth, Sydney and Brisbane. The company rotates the meetings so that as many BHP Billiton Limited shareholders as possible are given the opportunity to attend the AGM in person.

The AGMs are also webcast so that shareholders who are not able to attend in person can hear the proceedings as they occur.

The webcast can be accessed on the company's website via the following link:  
[www.bhpbilliton.com](http://www.bhpbilliton.com).

## **Offers for Rio Tinto**

On Tuesday, 25 November we announced that we believed completing the proposed acquisition of Rio Tinto was no longer in the best interests of our shareholders. This decision was first and foremost about BHP Billiton shareholder value and risks to that shareholder value. We had said that we would only seek to complete the transaction if it was in the best interests of our shareholders, but recent global events and associated falls in commodity prices have significantly increased the risk associated with taking on Rio Tinto's debt and the ability to sell assets. We believed that under normal circumstances, we would have been able to offer remedies to the European Commission (the European competition regulator) that would have been manageable. We decided not to offer remedies to address the European Commission's issues, and therefore on Thursday, 27 November, the Commission announced our offers for Rio Tinto had officially lapsed.

## **Olympic Dam**

We believe Olympic Dam is one of the world's premier ore bodies, with the potential for further expansions beyond those even currently being assessed. While our expansion plans are still in pre-feasibility, we expect this to move into feasibility early next year. No decision has been made on the final project configuration as yet, but it will be a staged development. We will only pursue any development option that meets our high standards in health, safety and the environment, as well as all regulatory requirements.

## **Remuneration of CEO and Executives**

All our remuneration packages for our executives, including our CEO, are designed to attract, motivate and retain the best business leaders in the world, while also ensuring that pay is linked to shareholder returns. Around 70 per cent of executives' pay is performance-based, with rigorous short and long term hurdles set to ensure that executives are only rewarded if the company performs. Executive salaries are also benchmarked against peer companies in Australia and the UK.

This year we undertook an independent review of executive remuneration, which showed some senior executives were being remunerated at below the median level of comparative companies. Executive remuneration is set by the Remuneration Committee of the Board, and has a strong preference for 'at risk' pay, rather than large increases in base salary. This means executives only receive a higher level of pay if our outstanding performance continues. An increase in executive remuneration was voted on (and subsequently approved) at the 2008 AGMs. Importantly, for the 2009 financial year, executives' performance scorecard (by which they are measured against in their annual performance and incentive review) will continue to be based on health and safety, financial and personal performance.

## **Safety**

The safety of our people is of critical importance, which is reflected in our goal of Zero Harm in everything we do. Any fatality or workplace injury is totally unacceptable and we are continually doing everything we can to identify causes and take action to prevent any such tragedy. We understand that we will never be truly successful as a business until we achieve Zero Harm. Reflecting our belief in the importance of this area, safety is the first performance hurdle for every executive.

## **Sale of Uranium**

Uranium has an important role to play in meeting the world's growing energy needs. We sell uranium from our Olympic Dam operation, which sells in full compliance with Australian Government and international safeguards arrangements. It is important to understand that we only sell uranium to signatories to the Nuclear Non-Proliferation Treaty or bilateral safeguards agreements.

## **Share Buy-back**

At this stage, no decision has been made to restart the share buy-back we suspended in December 2007. However, our priorities for cash flow remain the same: (1) invest back in the business for future growth, (2) maintain our solid, single A credit rating, (3) maintain our progressive dividend policy, and (4) return surplus cash to our shareholders. We will keep shareholders informed of any decision made about the share buy-back program.

## **Share price**

We understand the concern of our shareholders as a result of the recent falls in global equity markets. While we cannot control the share price, our primary focus in managing our business is on long term shareholder returns. Our business fundamentals remain sound, but there is no doubt these are very challenging times and there is uncertainty in the short term outlook. However, we believe our portfolio of world class, long life, low cost assets makes us better placed than any other mining company to deal effectively with this short term uncertainty.