

## **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 2010 Annual General Meeting (AGM) for BHP Billiton Limited.

Many shareholders raised the same or similar issues so we have grouped responses 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.

### **Remuneration**

#### **How can BHP Billiton justify how much it pays its executives?**

Our remuneration policy is designed to deliver strong alignment of interests between executives and our shareholders.

BHP Billiton is committed to a performance-based culture. A large (and increasing) component of pay is linked to performance, and there is a high correlation between BHP Billiton's performance and levels of executive compensation.

The Remuneration Committee recognises we operate in a global environment and that our performance depends on the quality of our people. It keeps the remuneration policy under regular review to ensure it is appropriate for the needs of the group.

The key principles of our remuneration policy are to:

- Provide competitive rewards to attract, motivate and retain highly skilled executives willing to work around the world;
- Apply demanding key performance indicators including financial and non-financial measures of performance over time;
- Link a large component of pay to our performance and the creation of value for our shareholders. This component of remuneration is 'at risk' which means that if the performance threshold is not met, part or all of the remuneration will not apply.

#### **Why are Directors' fees so high?**

The Board is conscious that just as the Group must set remuneration levels to attract and retain talented executives, it must also ensure that remuneration rates for non-executive Directors are set a level that will attract and retain the calibre of Director necessary to contribute effectively to a high-performing Board.

Our Non-Executive Director fees are independently reviewed and benchmarked against peer companies.

## **Dividends**

### **How does BHP Billiton allocate capital?**

Our objective to create long-term shareholder value is supported by our strategy, which includes maintaining financial strength and discipline. In line with this, our capital management program has three priorities:

- The commitment to invest in tier one, value adding growth opportunities (both organic and M&A related);
- The commitment to manage the balance sheet to a solid A rating; and
- The progressive and predictable return of capital to shareholders.

During FY2010, BHP Billiton invested US\$10.7bn in capital and exploration expenditure and paid US\$4.9bn in dividends to shareholders, whilst maintaining a strong financial position.

### **What is your dividend policy?**

BHP Billiton has a progressive dividend policy which seeks to steadily increase or at least to maintain the dividend in US dollars at each half yearly payment. In FY2010 dividends increased by 6 per cent to US 87 cents per share.

### **Why do you declare your dividend in US dollars?**

The US dollar, in which the majority of the Group's sales are made, most reliably records the Group's global business performance and is BHP Billiton's main reporting currency. It is, therefore, the currency in which dividends are determined. However, BHP Billiton Limited dividends are mainly paid in Australian dollars, and BHP Billiton Plc dividends are mainly paid in pounds sterling to shareholders on the UK section of the register and South African rand to shareholders on the South African section of the register.

### **Why do you not provide a Dividend Reinvestment Plan for shareholders?**

The Board views dividend reinvestment plans as a relatively expensive way to raise capital.

BHP Billiton does not currently require additional capital and there are no plans at this time to reintroduce a DRP. This is however regularly reviewed by the Board.

## **Carbon Tax**

### **Why has BHP Billiton recommended a price on carbon?**

BHP Billiton understands that Australians are concerned about the potential impacts of climate change - and so are we as a company. We are, therefore, committed to working with governments on the design of effective policies to help reduce greenhouse gas (GHG) concentrations in the atmosphere. We understand that effective strategies must include policies that provide a path to reduce emissions, while also recognising that addressing GHG emissions is one of several critical world priorities, such as poverty and public health.

While a global solution where all countries agree to legally binding measures is preferable, we believe that Australia is currently lagging behind important developed and developing countries, and should develop a response to climate change in advance of a global treaty. Australia can minimise exposure to a future global carbon price by reducing emissions now at an affordable cost to the economy. BHP Billiton believes Australia must also avoid the 'lock-in' of new long-life emissions-intensive assets, especially in the power sector, as a low-carbon power sector could become a comparative advantage in a carbon constrained future.

In thinking about the potential impacts of climate change and the challenges and opportunities that go with it, BHP Billiton has developed a set of clear principles and policy statements to aid in our discussions with other industry participants and governments. These principles are intended to minimise overall costs to society of reducing GHG emissions and to allow markets, not regulators, to determine technologies that best meet consumer needs. They recognise that long-term policies must align with differing national priorities and with evolving knowledge if they are to be sustainable. Cost minimisation is important because the scale of the challenge is large. BHP Billiton advocates the following design principles for carbon emissions pricing:

1. **Clear price signal** – ensuring that the carbon price signal reaches consumers such that consumption is reduced, and investment choices are made that favour low carbon alternatives (as opposed to not communicating clearly to consumers that higher costs are required to change behaviour, thus not optimising the use of market mechanisms to decrease emissions).
2. **Revenue neutral** – returning aggregate revenues raised to individuals and businesses impacted by the carbon price (for example by a cut in taxes and individual lump sum grants) maximally offsets the impact of increased carbon costs (as opposed to carbon as a mechanism to increase total tax take and applying the additional revenue for general spending and backing 'winning' technologies).
3. **Trade friendly** – rebating emissions costs for trade exposed products during the transition to a global system prevents emissions simply being transplanted to other countries where emissions prices are lower (as opposed to penalising trade exposed products with additional costs that make them uncompetitive).
4. **Broad based** – covering the broadest possible range of both carbon emission activities and low carbon energy options in any plan ensures the largest base for emissions reduction (as opposed to placing the burden of carbon emission reduction on a subset of emission sources and solutions).
5. **Predictable and gradual** – ensuring that future carbon costs are predictable facilitates investments that reduce emissions; a gradual change in prices gives the economy time to adjust (as opposed to volatile costs that create uncertainty and stifle investment).
6. **Simple and effective** – a combination of a carbon tax, land use actions and limited trading system (for example for stationary electricity production only) is easy to implement and effective (as opposed to an encompassing trading system, which is theoretically efficient, but highly complex and impractical).

## **Mining Tax**

### **What is the likely impact on the company from the proposed mining tax in Australia?**

The detail of the proposed Mineral Resource Rent Tax (MRRT) is being considered by the Australian Government's Policy Transition Group (PTG) under the PTG's Terms of Reference and in accordance with the Heads of Agreement signed 1 July 2010. The outcomes are yet to be fully defined and are not yet in the form of draft legislation, therefore there remains considerable uncertainty as to the final form of the MRRT and its financial impact.

The proposed MRRT, if legislated, would increase the amount of tax payable by the company's Australian iron ore and coal businesses – the only businesses of BHP Billiton impacted by the tax - resulting in a negative impact on future earnings available for reinvestment in BHP Billiton's businesses or distribution to the company's shareholders.

We cannot provide indications of the quantum of the likely financial impacts of the MRRT. The amount of MRRT payable, if legislated, would be determined by many factors including prevailing business profitability at the time when the tax is operative (FY13 onwards), the level of investment expenditure (which is a deduction) and the final form of the legislation. It is therefore premature to speculate on the amount of tax that will be paid in FY13, and this is consistent with BHP Billiton's practice of not providing earnings forecasts, including forecasts of tax or royalty payments to Governments.

## **Share buy-back**

### **When are you going to initiate a share buy-back?**

Following the withdrawal of our offer to acquire PotashCorp of Saskatchewan Inc, BHP Billiton's Board has moved quickly to reactivate the buy-back program.

BHP Billiton announced its intention to continue the company's strong track record of returning excess capital to shareholders by reactivating the remaining US\$4.2 billion component of its previously suspended US\$13.0 billion buy-back program.

As part of its normal course of business, the Board will fully review the company's capital structure at the Interim Results. In that context, the Board will consider all future options for capital management, including the level of our progressive dividend and on and off-market buy-backs, which may from time to time focus on Limited and/or Plc.

We recognise buy-backs as an attractive mechanism by which we can return surplus cash to shareholders when appropriate.

The decision extends BHP Billiton's history of proactive capital management. From 2005, BHP Billiton has completed buy-backs totalling US\$12.7 billion or 11% of issued capital, and has also paid out US\$17.9 billion in dividends.

The decision to reactivate the buy-back program is entirely consistent with BHP Billiton's approach to capital deployment, namely;

- The commitment to invest in tier one, value adding growth opportunities (both organic and M&A related);
- The commitment to manage the balance sheet to a solid A rating; and
- The progressive and predictable return of capital to shareholders.

## **Location of AGM**

### **How do you determine the location of the AGM?**

The Board has a commitment to provide 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 Brisbane and this year it was held in Perth. The Plc AGM is held in London each year. In previous years the Limited AGM has been held in Melbourne, Sydney and Adelaide. The company rotates the meetings so that all Limited shareholders 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.

## **Board**

### **Why do you not have more women on your Board?**

BHP Billiton's strategy is predicated on diversification - of commodity, geography and market. It operates in 25 countries around the world. To do so successfully it needs to recruit, develop and retain a talented and diverse workforce.

We believe that a workforce profile that reflects as far as possible the communities in which we operate is key to our success. This requires us to achieve workforce diversity in all its forms, including gender, ethnicity, skill, thought, experience, style and language; all important elements of our people strategy and key drivers of our success.

Diversity is therefore an issue that always has the keen attention of the Board and management.

We are in the process of reviewing current practices with regard to Director selection in order to ensure appropriate consideration of diversity criteria such as geographic location, race and gender.

Some of our Directors participate in the AICD (Australian Institute of Company Directors) program which aims to develop emerging women directors by pairing them with senior listed company Chairmen - the FTSE 100 runs a similar mentorship program.

BHP Billiton has also adopted recent ASX recommendations such as disclosing our approach to diversity and key statistics on the proportion of women in our workplace.