BHP BILLITON PLC AND BHP BILLITON LIMITED 2012 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 2012 Annual General Meeting of each of BHP Billiton Plc and 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 addresses to the AGMs.

Thank you to those shareholders who submitted questions.

Executive Remuneration and Grant of Awards to CEO

How is pay structured at BHP Billiton and how are the amounts justified?

We recognise that market forces necessarily influence remuneration practices, however, the Board strongly believes that the fundamental driver of our remuneration arrangements should be business performance. Accordingly, while target Total Remuneration is structured to attract and retain executives, the amount of remuneration actually received is dependent on the achievement of superior business and individual performance and on generating sustained shareholder value from relative performance.

At risk components of remuneration therefore represent a significant portion of Total Remuneration, are subject to performance conditions and to ongoing service, and are designed to deliver appropriate pay over one-, three- and five-year time horizons.

Our senior executives’ target remuneration is structured in three broadly equivalent-sized categories as follows:

1. **Fixed Pay**: Fixed pay includes base salary as well as retirement and other benefits. Fixed pay is benchmarked relative to comparable roles in global companies of similar complexity, size, reach and industry and reflects an individual’s responsibilities, location, performance, qualifications and experience within the Company.

2. **At Risk STI**: This element rewards senior executives for performance in the short term against a Short Term Incentive (STI) scorecard including HSEC, financial, capital management and personal elements.

3. **At Risk LTI**: The purpose of the Long Term Incentive (LTI) is to focus management’s efforts on the achievement of sustainable long-term value creation and success of the Company – including appropriate management of business risks – and to align senior executive rewards with sustained shareholder wealth creation through the relative Total Shareholder Return (TSR) performance condition. The relative TSR performance condition must be achieved over a five-year period.
These three components at target are of approximate equal size, and this is considered an appropriate structuring of remuneration packages for our senior executives and rewards them appropriately for performance in both the short and long term.

The STI scorecard includes health, safety, environment and community (HSEC), financial, capital management and personal elements. These measures have been chosen as they reward participants for overall performance in the current year, comprising both financial performance and delivery against measures that impact the long-term sustainability of BHP Billiton, along with individual contribution to the business. The Board believes this method of assessment is transparent, rigorous and balanced, and provides an appropriate, objective and comprehensive assessment of performance.

As a result of the impairment against the carrying value of Fayetteville shale gas assets acquired from Chesapeake Energy in March 2011, our Chief Executive Officer Marius Kloppers and Chief Executive Petroleum Mike Yeager advised the Remuneration Committee that they did not wish to be considered for an STI award for FY2012. The Committee and the Board respected and agreed with that decision, and would have reached the same conclusion had they been required to consider the STI award for these executives for FY2012.

A review during 2012 confirmed that our current remuneration arrangements, including the changes to the LTIP approved by shareholders in 2010, continue to support our focus on operational excellence, risk management and the execution of the Company’s strategy. Accordingly, despite there being several options that have some attractive features, including the introduction of long-term KPIs as a second LTIP performance measure in addition to TSR, the Committee concluded that a compelling case has not been made to change our arrangements at this time.

Specifically, the Committee concluded that our current relative TSR approach is well understood, transparent and simple, and is demonstrably aligned to the interests of shareholders, particularly through its five-year duration, which is longer than most other LTI plans in the market. It is difficult to identify substantive long-term KPIs as a ‘second measure’ that are differentiated from TSR or are not already covered in the Short Term Incentive plan. The Committee noted that such KPIs do not generally have the transparency and rigour preferred by both shareholders and participants.

However, the Remuneration Committee also believes there is merit in the search for a ‘second measure’ that does not replicate TSR or the Short Term Incentive metrics, to operate in conjunction with TSR to measure performance under the LTIP. The Committee is also aware through consultations that several shareholders share this view, albeit with disparate views on the nature of the ‘second measure’.

Executive pay was clearly aligned with shareholder interests over the five-year performance period of our 2007 LTI, as BHP Billiton’s TSR measured in US dollars was positive 41.6 per cent. In contrast, the weighted average TSR for the peer group against which the Company’s performance was measured was negative 4 per cent. Of the 15 peer companies, only two companies recorded TSR outcomes in excess of BHP Billiton’s 41.6 per cent TSR performance – one at 45.6 per cent and one at 41.9 per cent – and eight peer companies recorded negative TSR performance over the five-year performance period. The impact of this 45.6 per cent TSR outperformance by BHP Billiton over the weighted average was to add US$75.4 billion of shareholder value from 1 July 2007 to 30 June 2012 over and above performance in line with the weighted average of the comparators.
Non-executive Directors’ Remuneration

What is considered when setting the remuneration for Non-executive Directors?

The Board is conscious that, just as it must set remuneration levels to attract and retain talented executives, it must also ensure that remuneration rates for Non-executive Directors are set at a level that will attract and retain the calibre of Director necessary to contribute effectively to a high-performing Board. The remuneration levels reflect the size and complexity of the Group, the multi-jurisdictional environment arising from the Dual Listed Company structure, the multiple stock exchange listings, the extent of the geographic regions in which the Group operates and the enhanced responsibilities associated with membership of Board Committees. They also reflect the considerable travel burden imposed on members of the Board. In setting the remuneration of the Directors, the economic environment is taken into account, along with pay and employment conditions of employees elsewhere in the Group.

Dividend Policy

What is the policy of the Board to delivering a return to shareholders through the payment of dividends?

BHP Billiton has a progressive dividend policy. The aim of this policy is to steadily increase or at least to maintain the dividend in US dollars at each half yearly payment.

Over the last decade, we have remained committed to the policy and have increased our progressive dividend at a compound annual growth rate of 26 per cent in US dollar terms. We believe our dividend performance demonstrates our commitment to balance investment in the business with shareholder returns.

In addition, over the past decade, BHP Billiton Limited has delivered a total shareholder return of 342 per cent compared with an ASX200 return of 117 per cent. Over the same 10 year period we have returned almost US$54 billion in the form of dividends and share buy-backs – this represents about 50 per cent of our underlying earnings. Looking ahead, we believe the quality and diversity of our assets, when combined with our strong balance sheet, ensures we will have a strong company with strong results.

Dividend Reinvestment Plan

Will BHP Billiton consider implementing either a Scrip Dividend Scheme or a Dividend Reinvestment Plan?

We understand that a Dividend Reinvestment Plan (DRP) or a Scrip Dividend would be attractive to some shareholders. Although we have not offered a DRP for some time, we continue to keep the issue under review at the same time as the Board regularly reviews the capital structure of the company.

Board Diversity

What strategy is BHP Billiton currently pursuing to encourage greater gender diversity on the Board and also throughout all levels of the business?
In relation to the Board we take a five-year view of the skills and experience required on the Board. Our approach to diversity of gender, background, culture and experience is an essential element of our overall succession planning approach. Specifically in relation to gender we have set an aspirational goal of increasing the number of women on the Board to at least three over the next two years.

In addition, the Board considers and approves the Group’s measurable objectives for diversity, and oversees the Group’s progress towards meeting those. In 2011, we committed to three key measurable objectives to enhance our gender diversity profile:

- The first is a focus on female participation in our Accelerated Leadership Development Program which increased from 29 per cent in 2011 to 43 per cent for 2012.

- The second seeks to address low female representation on our graduate programs. At a global level, our businesses coordinate with universities and mining industry bodies on a range of promotional and sponsorship initiatives to raise the profile of both graduate and broader opportunities for women within the mining sector. This resulted in an improvement in the percentage of female graduates hired from 29 per cent in 2011 to 32.5 per cent in 2012.

- Thirdly, to ensure diversity policies spread throughout BHP Billiton, our businesses are required to develop and implement a diversity plan taking into account the objectives of the Human Resources Policy and the established diversity principles. Each business has a multi-year diversity plan that includes measurable objectives that is expected to result in an improved diversity profile. Each business’s performance against their diversity plan is evaluated and that evaluation is taken into account in determining bonus remuneration.

This information is also set out in Section 5, Corporate Governance, of our 2012 Annual Report.

**Board Size**

Why are there so many Non-executives on the BHP Billiton Board?

Part of the reason that we have 12 Non-executive directors is that the Board considers that a diversity of skills, backgrounds, knowledge, experience, geographic location, nationalities and gender is required to effectively govern the business. We continually review and update the skills and experience of the Board, and this year we appointed Pat Davies – he is the former Chief Executive of Sasol, a global oil and gas company.

Our Nomination Committee has a formal process to review the skills and experience represented on the Board and identify skills and attributes that may be required. There is a good mix of tenure on the Board. We have 4 members with over 7 years of tenure, 5 with less than 3 years and 4 in the 3 to 7 year range. This gives us a blend of Directors with fresh perspectives, as well as Directors with significant corporate memory. Having some longer serving Directors makes sense in an industry like ours with long term investment time frames.

Our Directors are based in a range of locations across the world, which also enhances the diversity of our Board – 6 are based in Australia, 3 in the US and 2 in each of Europe and South Africa. Our 2012 Annual Report again includes a matrix setting out the skills and experience represented on the Board and its Committees.
There is also no one answer to the appropriate balance between executive and non-executive Directors. In the past, we have had two or three Executive Directors on our Board. But at this point in time we think the balance we have works for us. It is worth mentioning that while the CEO is our only Executive Director, all members of the senior management team attend all the regularly scheduled Board meetings by invitation.

The Board receives presentations and engages in discussions with the senior management team – they answer questions, and provide input and perspective on their areas of responsibility. Having said this, we do keep this matter under review.

Olympic Dam Expansion

What was the reason for the decision not to go ahead with the plans to expand Olympic Dam?

The decision not to proceed with a major investment at Olympic Dam was influenced by current market conditions, including subdued commodity prices and higher capital costs. While this was a difficult decision, it was an appropriate, prudent and disciplined course of action.

As we stated in our news release dated 22 August 2012, we are currently investigating an alternative, less capital-intensive design of the Olympic Dam open-pit expansion, involving new technologies, to substantially improve the economics of the project. On November 13 2012 Marius Kloppers was in Adelaide for a joint announcement on the future of Olympic Dam with the South Australian Premier, Jay Weatherill. That announcement extended the time BHP Billiton has available to present a revised development plan for the project until October 2016 and committed A$650 million in funding towards the development of these new technologies, some further site works and additional community investment. This demonstrates the company’s desire to find a way to unlock the potential of the Olympic Dam ore body. As with any capital commitment, all future investment decisions will be heavily scrutinised as they move through our approvals process and our highest returning projects will be prioritised, with value being the primary consideration.

The long-term outlook for the copper market remains strong and BHP Billiton will continue to work closely with all stakeholders, including the South Australian Government, as we refine our longer term development plans for this unique, world-class ore body.

Taxation

BHP Billiton pays a considerable amount of tax in Australia. In the 2012 financial year the Group paid US$9 billion in taxes and royalties to the Australian federal, state and local governments.

In relation to the Carbon Tax, BHP Billiton has held the view for some time that tackling climate change requires a carbon price signal that can change behaviour and ensure choices are made that favour low carbon alternatives. Four commodities (Energy Coal, Iron Ore, Petroleum and Met Coal) will bear more than 90% of the financial impact of the Australian carbon pricing scheme to BHP Billiton in FY2013. The remaining commodities either have lower costs due to Jobs and Competitiveness Program (JCP) assistance or are low emissions activities. The first payment (75% of permit liability) will be paid in June 2013.

In terms of the Minerals Resource Rent Tax (MRRT), it is premature to speculate on the amount of tax that will be paid in FY2013 and it is not BHP Billiton’s practice to provide earnings forecasts. The MRRT is a profits-based tax. In determining what tax is payable under the
MRRT, there are a number of variables that directly influence this, including the value of the Australian dollar and commodity prices. Nothing about the structure of the MRRT has changed since it was announced in 2010, when Treasury forecasts were made. However, the world has changed substantially and the Australian Dollar and commodity prices in particular have experienced significant volatility over this period. Like all profits based taxes, the variable components contributing to our assessable income mean that providing definitive future guidance is not possible.

**Business Performance & Capital Management**

Can you comment on the recent performance of the business, the financial position of the company and your capital allocation priorities are for the future?

BHP Billiton delivered robust operating and financial results in the 2012 financial year despite broader challenges in the external environment. Production records were achieved at 10 of our operations as the company benefited from its commitment to invest consistently throughout the economic cycle. Exceptionally strong net operating cash flow of US$24.4 billion, the second highest level on record, reflected both the quality of BHP Billiton’s asset portfolio and our unique level of diversification.

Looking forward, our long stated capital management priorities remain unchanged. We invest in high return growth opportunities and balance this with our commitment to a solid A credit rating, our progressive dividend and returning excess capital to shareholders.

This is a cyclical and long-term business and it is therefore important that we invest in high return growth opportunities through the cycle. The high margin volume growth from these investments enables us to maintain our progressive dividend in the longer-term. However, we must do this while maintaining a strong balance sheet and a commitment to our solid A credit rating. This allows us to invest in a way that sustainable.

We do not expect any major project approvals for the 2013 financial year. With 19 major projects currently in execution with a combined budget of US$21.7 billion, we are largely committed over that timeframe. As our current expenditure commitments decline, future investments which generate the requisite returns will be considered within the parameters of our capital management priorities.

As noted, central to our priorities is our commitment to maintain a solid A credit rating, which is a key part of how we consider matters related to our liabilities. A gearing level of 26 per cent as at 30 June 2012 sits comfortably within the criteria defined by that solid A rating.