

**Address by Mr. P.M. Anderson,
Chief Executive Officer and Managing Director, BHP Billiton
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Ladies and gentlemen. In thinking about what I might say tonight I reflected on the speeches and papers regarding corporate social responsibility which I had heard or seen since joining what was then BHP in 1998. It seemed that the industry today was saying the same things it said back then – only perhaps with more conviction and urgency. And it struck me that the constancy of the rhetoric has somewhat masked the steady progress that the industry has made in the way it operates. The mining industry is doing business differently. Community expectations are increasing, but, at the same time, companies are becoming more responsive to those expectations.

This measured transition has been gradually addressing the practical challenges that needed to be resolved if the resources sector is to have a more secure future than seemed likely just three years ago. However, the world has changed fundamentally in the last 12 months and so has the mining industry, and our continuing response to these changes in the next few years will in significant part determine the contributions of the resources industry to the world.

In this context I would like to offer you some views on the opportunities we embrace, from my position as the CEO of a global mining company. What are the big issues facing business generally, and the mining industry in particular? How do those issues relate to corporate responsibility? What, in very specific terms, is BHP Billiton doing to provide global leadership in these areas?

The global business challenge

We live in a more uncertain world. The recent tragic events in the US, highlight how acts of extremism can play out in the global environment we are now all part of. In the same way, social and economic

differences throughout the world are bringing more incessant demands, not only on governments and global institutions, but global companies.

The issue, particularly for the largest global companies, is whether the world embraces a view that growth in economic power is matched by an equal measure of social responsibility. Business has an opportunity to take a leadership role on this issue, using self-regulation, as well as powers inherent in open and competitive international markets. It is simply the "right" thing to do, and the time for it is "now".

In taking on this opportunity, the resources industry faces a number of specific challenges:

- Global capital markets are becoming increasingly selective, as national and trading exchange limitations become less relevant. Shareholders demand enhanced returns.
- Customers are consolidating and have become much more efficient themselves. In many cases they embrace the advantages of partnering with us by assuming equity positions in our operations.
- Employees are learning that increasingly a "suite" of skills is necessary for promotion and job security as their once stable career paths are buffeted by an evolving industry.
- Governments and non-government organisations (NGOs) are looking for more than historically responsible management and are asking what we contribute to society, and how sustainable is that contribution. BHP Billiton's experience with the Ok Tedi mine in Papua New Guinea underscores how social and economic considerations can complicate and even overwhelm environmental considerations.
- Finally, we face a most uncertain economic environment with most of the major economies of the world facing a period of slow, or no, growth.

It is exactly this set of circumstances that has accelerated consolidation within the resources industry. This led the BHP and Billiton Boards to conclude that a merger was the optimal path to enhance our joint position as the industry leader. In order to grow and prosper in this millennium the reality is that resources companies will need scale, scope, diversity and financial strength.

Advantages of the BHP Billiton merger

Perhaps the greatest advantage of the platform created by the BHP Billiton merger is that it provides the stability of cash flow required to take long-term views on every aspect of our business, be it economic, environmental or social.

Our portfolio is less than one third dependent on screen-traded metals. One third is comprised of bulk commodities contracted on an annual basis and petroleum, with its political cycle, makes up the other third. As a result, we are well positioned to handle these difficult, volatile times, and to deliver good results to our stakeholders.

A further advantage is our ability to serve our customers with a scope of offerings second to none. It's our belief that we need to work backwards from the market place to the mine. That is why we have organised around customer segment groups and have established marketing from two geographic hubs.

A third advantage of our scope and scale is the ability to benchmark against ourself and develop best practices throughout the organisation. For example, we operate more draglines and submerged arc furnaces than any other company. We can learn a lot from our best operations and apply those learnings to our worst performers. This applies equally in the areas of Health, Safety, Environment and Community.

Finally, as a strongly performing business that offers global opportunities, we expect to be able to attract and retain quality employees. That is an important consideration in an era of industry consolidation with the associated job insecurity.

Global Resource Companies – part of the problem or the answer?

But what can be said about the response of the industry generally and BHP Billiton in particular to the broader social challenges?

The attributes of a consolidating industry - global reach and financial strength – are the very basis for the greatest concerns of the economically disadvantaged countries and sectors. Historically, large global resources companies had a choice to take the position that they were strong enough

and had sufficient flexibility to avoid social issues, or they could seek to be part of the solution.

To the industry's credit, they have chosen to take the responsible path, and to be an active part of the solution. This is reflected in their strong joint commitment to the Global Mining Initiative and it is also the path that BHP Billiton has chosen to take.

Large global mining companies such as BHP Billiton, which are confident in their long-term business viability, can take a long-term view on corporate responsibility. They know that giving real substance to their commitments is essential to their credibility, and to their long-term business viability.

Let me talk about some aspects of BHP Billiton's approach:

- We have common values and measures of success expressed in our Charter, including an overriding commitment to Health Safety Environment and Community. We apply our HSEC standards equally around the world, including for our contractors.
 - a. For example, in our Mozal aluminium plant in Mozambique, the standards we apply are developed country standards – exactly the same as applied in Australia or Canada. The same high standards apply to all areas of the operation – design, construction, community relationships. In a developing country like Mozambique, applying consistently high standards not only helps our business, but also helps the host country develop its own benchmarks.
 - b. Similarly, when we learn something useful from our mistakes in one part of the world, we apply the lessons throughout our global operations. That's why, after our experience at Ok Tedi with disposal of tailings, we adopted the policy to preclude investment in new projects that required riverine disposal of tailings .
- Business ethics is a key issue for all global companies. In BHP Billiton we have developed a practical Guide to Business Conduct specifying standards of behaviours in relation to ethical issues ranging from workplace discrimination and human rights to bribery and corruption. We have now put in place to support these guidelines, a formal network of regional help lines through which employees can raise issues of concern and a Company Ethics Panel including an

external expert to advise senior management and the Board on significant issues.

- Transparency around all aspects of our performance is another standard that we apply wherever we operate, both locally and with broader communities. Our experience has taught us that being upfront and open about sensitive community issues and involving the communities in working towards solutions is a powerful way to build trust with the local community.
- A couple of years ago we became aware that studies conducted at sinter plants in Europe had identified low levels of radioactive materials. We repeated the studies at our Port Kembla Steelworks in New South Wales and confirmed similar levels of emissions. We proactively took the step of raising this issue with the local community while the Health Risk Assessment was still being completed. The Health Risk Assessment subsequently confirmed that the health risk was insignificant, but the community appreciated being informed before the fact.
- Transparency also includes setting targets and constantly evaluating and reporting performance against them. Since 1996 we have been producing Environment and Community reports in which we have publicly documented both our successes and failures.

The most important issue for most communities, especially in developing countries, is what is provided by way of employment, directly and indirectly.

- At the Ekati diamond mine in northern Canada, one of the first commitments we made was to preferential hiring for indigenous people and preference for indigenous and northern businesses. We have met those commitments. Excluding contractors, about 40% of BHP Billiton's employees at Ekati are indigenous; more than three quarters (82%) of total business expenditures in 2000 were made to Northern local businesses, compared to a target of 70%.
- At Australian iron ore operations, we recently committed to progressively working to achieve 12 per cent indigenous employment. This target reflects the proportion of indigenous people in the regional community.

- At the Cerro Matoso nickel project in Colombia, the operations team is almost exclusively Colombian, with only three expatriate employees, reflecting the effectiveness of the training and employment localisation programs.
- In the community programs for BHP Billiton we have an annual target of 1 per cent of pre-tax earnings (on a three year rolling average). This links community programs to the Company's long-term performance and gives us the flexibility to vary the focus according to local needs. The major proportion of our expenditure is in developing countries where it is most needed especially South Africa, Colombia, Chile and Peru. We are also working to introduce a matching grants program for our employees.
- We focus strongly on capacity building both in our operations and through our community programs. Communities are increasingly concerned with what contributions will survive beyond the project itself.
- For example, in Mozambique, where construction of the Mozal smelter required a large number of workers trained in a wide variety of building trades, we set up a training centre, in conjunction with the Labour Ministry, where over 5500 Mozambicans were trained in construction skills. The trained labour pool will now be available to the Mozambican construction industry. For almost 70% of our employees, Mozal provided their first employment opportunity.
- In Chile, Indonesia, PNG and South Africa we have supported micro credit initiatives, that provide opportunity for village people to borrow small amounts of money to establish businesses.
- In education, we have a number of significant projects in South Africa through our relationship with the Zululand Chamber of Commerce Foundation and the Regional Department of Education. The Partnership in Education Network, or PEN program as it is known, has targeted 38 township and rural schools with the objective of aligning the quality of education with the best urban schools in the region. The results have been outstanding. (When the project was implemented the matriculation pass rate was only 39 per cent. This has now increased to 67 per cent, well exceeding

the regional rate of 47 per cent. The objective of the program is to achieve an 80 per cent "pass" rate.)

- In rural and regional Australia we have worked with State libraries to provide Internet skills training, as well as funding Internet access for our own employees.
- Effective engagement with external stakeholders, beyond local committees, has also been central to our approach to corporate responsibility.
- In Australia, partnership arrangements with social and environmental NGOs such as the Smith Family and the Australian Trust for Conservation Volunteers has enabled us to provide extensive educational support for disadvantaged youth and to help in extensively rehabilitating Australian wetlands.
- We have an agreement with Oxfam Community Aid Abroad to undertake a community development awareness program for 12 BHP Billiton employees. This is the first time such a collaborative program has been run and our hope is that future courses will be made available to other companies.
- Some of our relationships are with those NGOs more involved in advocacy. We have had a Forum on Corporate Responsibility for some time, which brings our senior management and representatives from NGOs together on matters of mutual interest, including our exit from the Ok Tedi mine in PNG.

Before concluding, let me talk briefly about the Company's experience at Ok Tedi because it encapsulates many of the sustainable development dilemmas faced by resources companies. It is a hard-nosed example of the complexities involved in matching environmental goals with social and economic benefits.

The mine has continued to have a negative impact on the environment, while generating significant social and economic benefits for the people of Papua New Guinea. Our preferred position was to close the mine early, because of the negative environmental impact. However, the Papua New Guinea Government believed the mine should remain open for the life of the ore-body – until 2010 – because of the social and

financial benefits of the mine. Community groups in the Western Province, where the mine is located, supported the Government view.

We decided to exit, but in a way that maximised the social and economic benefits for the people of Papua New Guinea while minimising the future environmental impacts.

In that the details of the agreement is still being finalized, I can't go into specifics, but can highlight a couple of key points:

- The agreement ensures that following our exit, the mine continues to be run responsibly with proper regard for the environment, with permanent operation of a dredge in the lower Ok Tedi to remove more sediment or alternative environmental mitigation measures, and with adequate cash provisioning for mine closure.
- The future benefits of the current 52 per cent BHP Billiton equity will go to short and long term sustainable development programs for the people of Papua New Guinea, particularly the Western Province where the mine is located, in areas such as health and education, food and agribusinesses, forestry and small to medium--sized businesses.
- The framework agreement has been announced by the PNG Prime Minister, Sir Mekere Morauta, who has indicated that he believes it to be a fair and equitable outcome. Legislation to give effect to the agreement is expected to be introduced into the PNG Parliament very soon.

CONCLUSION

In recent years, BHP Billiton, along with most of the individual members of the mining industry, has made tremendous progress in moving from rhetoric to action in the areas of corporate social responsibility and sustainable development. The Global Mining Initiative has brought those individual programs into a collective industry focus. However, there remains much to be done and our next objective will be to raise the bar again for the entire industry and set standards that can be embraced by all of the mining industry throughout the world.