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Global Corporations – Global Citizens

BHP Billiton: Globalization's Two Way Street – How A Foreign-Based Company Benefits The U.S. And The World

The Editor Interviews **John C. Fast**,
Chief Legal Counsel and Head of
External Affairs, BHP Billiton.

Editor: Please describe BHP Billiton's business.

Fast: BHP Billiton is the world's largest diversified resources company with market capitalization as at the beginning of April 2004 of approximately US\$59 billion. We are distinguished from other resource companies by the quality of our assets, our deep inventory of growth projects, our customer-focused marketing, our diversification across countries, commodities and markets and our petroleum and gas business.

We have some 35,000 employees working in more than 100 operations in 30 countries. Reflecting our aim to be a premier global company, we occupy leader positions in major commodity businesses, including aluminum, energy coal and metallurgical coal, copper, ferro-alloys, iron ore and titanium minerals, and have substantial interests in oil, gas, liquefied natural gas, nickel, diamonds and silver.

The central tenet of the BHP Billiton business model is that its diversified portfolio of high quality assets provides more stable cash flows and greater capacity to drive growth than the traditional resource cyclicals.

BHP Billiton was created through the Dual Listed Companies (DLC) merger of BHP Limited (now BHP Billiton Limited) and Billiton Plc (now BHP Billiton Plc), which was concluded on 29 June 2001.

BHP Billiton Limited and BHP Billiton Plc continue to exist as separate companies, but operate on a combined basis as BHP Billiton. The headquarters of BHP Billiton Limited, and the global headquarters of the combined BHP Billiton Group, are located in Melbourne, Australia. BHP Billiton Plc is located in London, United Kingdom. Both companies have identical boards of directors and are run by a unified management team.



John C. Fast

Shareholders in each company have equivalent economic and voting rights in the BHP Billiton Group as a whole. Shares in BHP Billiton Limited have their primary listing on the Australian Stock Exchange and shares in BHP Billiton Plc have their primary listing on the London Stock Exchange. A secondary listing is maintained on the Johannesburg Stock Exchange and BHP Billiton has ADR's listed on the New York Stock Exchange.

Editor: What are your responsibilities?

Fast: As Chief Legal Counsel and Head of External Affairs I am responsible for all legal transactions and all

government affairs and community relations matters affecting the BHP Billiton group. The BHP Billiton Legal Function, External Affairs Function and Company Secretariat are comprised of 122 members, located in 18 separate offices, worldwide.

In my role, I am a member of the following key committees: Office of the Chief Executive; Executive Committee ("ExCo") of BHP Billiton Ltd and BHP Billiton Plc; Investment Risk Committee ("IRC") and Disclosure Committee.

Editor: How is the legal function organized?

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John C. Fast

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Fast: The BHP Billiton Legal Function is comprised of 85 persons, located in 18 different locations. We are organized around three regional hubs, being London (covering Europe and Africa), Houston (covering North and South America) and Melbourne (covering Australia and Asia). Each regional hub is managed by a Regional Counsel who in turn reports to myself. There is close and regular interaction between the Regional Counsel and myself to ensure that consistently high standards of legal service are maintained to all parts of BHP Billiton's operations worldwide.

Editor: How important is the rule of law?

Fast: The rule of law is fundamental to how we operate and to our risk management matrix. As a basic proposition, we require that countries within which we operate have a legal system that is comprehensible and that will provide us with a sufficient level of comfort around the safety of our employees, the ownership of our assets and the integrity of our operations.

Editor: What efforts are being made to promote the rule of law?

Fast: Key to BHP Billiton's operations are our Charter and Guide to Business Conduct which set out our values and the way in which we conduct ourselves in all countries where we operate. It is everyone's responsibility, including that of the

Chief Legal Counsel, to give effect to the values and standards outlined in those documents. We will not operate outside of the standards that we set for ourselves as an organization, nor will we conduct business with contractors, consultants or other parties that fail to comply with these standards in their dealings with us.

Editor: How important is it to have sophisticated local lawyers?

Fast: Our Legal Function will generally have an internal capability in countries in which we invest. In most instances, these lawyers will be highly skilled in the laws of those countries and, in some instances will also be well connected to the legislative and regulatory processes. Additionally where necessary, we will retain law firms that complement the skill sets of our internal lawyers and who are likely to have broader "in country" connections, often in academia, the legal fraternity, the legislatures, etc. Some of them will have had a history of prior or current political involvement as members of the legislature or, alternatively, will be connected to the political process.

Editor: What standards guide BHP Billiton?

Fast: Our Health, Safety, Environment and Community Policy requires that "Wherever we operate we will meet and, where appropriate, exceed legal and other requirements." We require our operations to assess whether local legislation provides an adequate level of HSEC performance and, where it does not, we ensure that our activities are conducted in a manner consistent with our internal requirements, including the international

standards to which we subscribe.

The key international conventions and standards that guide our approach include: Global Reporting Initiative; ISO 14001 Environmental Management Systems; United Nations Universal Declaration of Human Rights, United Nations Global Compact; US-UK Voluntary Principles on Security and Human Rights; World Bank Guidelines on Involuntary Resettlement; and the International Council on Mining and Metals Sustainable Development Framework.

Editor: How are issues such as global warming handled?

Fast: The BHP Billiton Forum on Corporate Responsibility ("FCR") brings together representatives of our senior management team, the leaders of several key non-government organizations and community opinion leaders to discuss and debate social and environmental matters relevant to the Company. The FCR provides a means for direct and open dialogue about issues of interest to the wider community. The climate change debate is a good example of the sorts of issues discussed by the Forum.

We have established an internal target to achieve an improvement in the greenhouse gas intensity of our operations' emissions (including emissions from purchased electricity) per unit of production of not less than 5 percent over the period 2002 to 2007. To date we are on target.

Editor: How does BHP Billiton benefit the United States?

Fast: Our contribution in terms of direct and indirect employment etc. will be highly dependent on the nature of the host

community. In developing countries, the number of indirect jobs (multiplier effect) will tend to be higher than in developed countries, such as the U.S. While we directly employ approximately 4,000 people in the U.S., we have not sought to quantify the number of additional jobs created in suppliers, distributors etc.

During 2002/2003, we injected in the order of US\$1.1 billion into the economies of North America (including Canada).

It is also very important to think about our contribution at the local level. Our New Mexico coal operations provide a good example of how our activities can assist with the creation of job opportunities and provision of training support. At present, 64 percent of the workforce across the operations is Native American while at the Navajo mine, 92 percent of employees are Native American.

Editor: Give us some examples of how BHP Billiton has contributed to underdeveloped countries?

Fast: The following examples are representative:

- The Escondida copper mine in northern Chile is the world's largest source of copper. The mine plays a significant role in the country's economy. Presently, Escondida accounts for 20 percent of that country's copper production. Since mining began in 1990, the Company has contributed US\$1.7 billion in taxes and spends approximately US\$475 million annually on goods and services within that country. The Company also supports local communities through the Escondida Foundation. The Foundation's activities

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John C. Fast

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are focused in the areas of education, health, social and indigenous development, with an emphasis on young people.

- Our Zamzama gas project in Pakistan is located in an area that suffers from very low rainfall, lacks basic infrastructure and has limited educational facilities or opportunities. Our community development program aims to facilitate the empowerment process and improve the quality of life for the poor and the vulnerable people living in that area. Education is considered to be a vital part of this process.

- The Mozal aluminum smelter in Mozambique is in an area where malaria is endemic. As well as being a problem for the smelter workforce, the disease is a major problem in the local community. The Mozal Development Trust is working with a number of partner organizations to reduce new malarial infections in Southern Mozambique. Since implementation of the program, the cases of malaria in the Mozal workforce has declined by 50 percent and the local communities involved in the program have seen infection rates in children decline by 40 percent.

Editor: What about health, safety and the environment?

Fast: A few examples are briefly outlined below:

- Our Dendrobium underground coal mine, is under development in New South Wales, Australia. As part of the ventilation system for the mine, the No 1 ventilation shaft was constructed. Normally a dangerous operation, the shaft (183 meters deep and 4.25 meters in diameter) was completed without one person entering the shaft during the construction period. The project has set new industry standards in safety performance and environmental care.

- Our EKATI Diamond Mine is located 200 kilometers south of the Arctic Circle, in Canada's Northwest Territories. In April 2002, a team of highly motivated volunteers from the mine set about tackling the inefficient use of energy at the site. Aiming at saving the equivalent of 500,000 liters of diesel fuel per year, they had reached their goal by October. Not content with their success, the team raised their target to 1,000,000 liters – and achieved it.

- Many of our businesses in South Africa and Mozambique are in very high

HIV/AIDS areas. We have developed support programs to help prevent our employees from acquiring the disease or, in the case of patients, to receive appropriate treatment. We are also assisting the broader community to cope with the effects of the epidemic by participating in a range of projects with government, community organizations, NGOs and industry groups.

Editor: Do you support the work of organizations dedicated to corporate social responsibility and/or the rule of law?

Fast: Virtually all of our community programs are implemented in partnership with one or a number of NGOs. We recognize that we do not necessarily always have the right skill set internally and draw on the expertise of partner organizations that specialize in these areas.

At the international level, we regularly engage with and/or support the work of WWF, Oxfam, ProNatura, World Vision, Opportunity International, etc.

Editor: Why is it important for BHP Billiton to rank high, as it does, on various indices of corporate social responsibility?

Fast: Good corporate social responsibility performance is an increasingly important contributor to our licence to operate and grow our businesses. Companies with a poor track record in these areas will find it increasingly hard to gain regulatory approvals and community support for new developments. The benchmarks provide a degree of assurance to external parties that we are serious about our commitment to corporate social responsibility and have effectively put our policy commitments into practice.

Good corporate social responsibility performance is also increasingly viewed as a good proxy for overall management competency providing an insight for investors into how well we are managing general risk and governance issues.

Editor: How has BHP Billiton gone about achieving law compliance?

Fast: We are very proud of our record of legal compliance, particularly having regard to the size, scale and diversity of our operations throughout the world and the need to comply with different laws and standards in different jurisdictions. We regard risk management as being a key role for our lawyers and, over time, we have accustomed all of our businesses and operations to work hand in hand with our

Legal Function. This cooperation commences at the planning stage and continues throughout the life of the assets and operations thereby enabling us to address issues early and in most instances before they could become violations.

Editor: Does BHP Billiton feel that if more companies act in socially responsible ways, all global companies will benefit?

Fast: Our industry, more than most, is judged by the performance of the lowest common denominator and it is very hard for individual companies to differentiate themselves from poor performers in the minds of the general public. It is therefore important that we also seek to advance the industry as a whole, rather than solely focusing on our own performance. For this reason we, together with a number of the world's largest mining companies, formed the International Council on Mining & Metals (ICMM). One of ICMM's first actions was to develop a sustainable development framework, with associated principles to which all members have committed. Nonmembers have also been invited to commit to the framework.

Editor: Do BHP Billiton's HSEC and law compliance efforts create positive public attitudes about BHP Billiton and global companies generally?

Fast: There is no doubt that being able to demonstrate that the company has sound systems of Health, Safety, Environment

and Community governance and management will assist in the demonstration of due diligence, should something go wrong. Companies that have a reputation for poor performance or are unable to demonstrate due care are likely to be the focus of unfavorable attention from community groups, the courts and regulators alike.

Editor: Do you feel that the collective efforts of enlightened global companies like BHP Billiton can accelerate the development of emerging countries?

Fast: There is no doubt that the development of mineral resources has the potential to positively contribute to a country's development and provide a pathway to other forms of economic activity. Countries such as Chile, Botswana, Malaysia and Oman are often cited as examples of countries that have very successfully developed their mineral and petroleum resources in a way that has provided sustained benefits for their economies. However, there are also examples of countries that have so far failed to capitalize in a meaningful way on such developments. Clearly, access to natural resources is not enough on its own. The resources must be developed in an environmentally and socially responsible way and the host government's governance structures must be sufficient to ensure that revenue streams are not eroded through corruption or a lack of capacity to effectively use the revenues for the public good.

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– George Miller, Associate Editor

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