

QUESTIONS FROM SHAREHOLDERS

More than 300 shareholders submitted questions ahead of the 2004 AGM. A number of questions raised the same or similar issues. Questions have therefore been grouped under common issues.

The following issues were most frequently raised.

Dividend Re-investment Plan (DIP)

A number of shareholders asked the Company to consider introducing a dividend re-investment plan. BHP Limited had a plan that was suspended in November 1999 because the Board viewed it as expensive and an inefficient way to raise capital. Billiton Plc never had a DIP. It is possible that the Board may, in some circumstances, look to raise capital through a DIP, but the Group does not need additional capital at the moment. Currently, the Group is returning capital to shareholders by offering an off-market buy-back in BHP Billiton Limited shares.

Executive Salaries

Shareholders questioned what seemed to them to be large executive remuneration packages for those executives identified in the Annual Report.

The Group's remuneration policy is described in the Remuneration Report which is part of the Annual Report. We believe it is appropriate that shareholders form a view about whether pay packages for the most senior executives are reasonable or not, and we welcome recent Australian corporation law reform requiring disclosure of these matters. The Group has been publishing a comprehensive Remuneration Report since the merger in 2001.

Directors are satisfied that the remuneration packages for the Chief Executive Officer and other senior executives appropriately reflect both their responsibilities and the Company's interest in retaining them. More particularly, the Board believes:

- the split between the at-risk and fixed component is appropriate;
- the fixed component is correctly determined by reference to the scope of the role and the markets in which we operate; and
- the at-risk component aligns the interests of the senior executives with those of shareholders. i.e. executives' rewards are directly linked to the creation of long-term shareholder value.

Safety Performance and Executive Bonuses

Shareholders were concerned that bonuses were paid to senior executives in FY04 despite the 17 fatalities which occurred during the year.

Health, safety, the environment and community performance is one of the key performance indicators used to assess executive performance at the end of each financial year. In FY04,

neither the CEO nor any member of his executive team received any award in relation to this measure. Any bonus that was paid was dependant on other measures used to assess performance. The Remuneration Committee and the Board have increased the percentage attributed to this measure for FY05 in recognition of the poor performance in FY04.

Board Composition

Shareholders asked why there were no women of the Board. The issue of diversity on the Board is a very real issue, and the Directors are conscious that the Board membership – as well as that of the entire workforce, including senior management – at the moment does not reflect the diverse nature of the world in which we operate. The Board recognises that there are challenges in this area, particularly because of the nature, requirements and history of the industries in which we operate.

Director Time Commitment

Shareholders were concerned with the number of other boards on which some of the non-executive Directors served.

The Directors are of the view that, while having the necessary time available is important, focussing on this issue alone is dangerous because it fails to address the capability of the individual. Instead, the Board recommends that shareholders look to the performance review process for individual Directors and the reporting of the outcome of those reviews to shareholders in the Annual Report, at the Annual General Meeting and in associated material. If the review process is rigorous, and clearly communicated, it should be apparent that any director who underperforms, for whatever reason, will be identified and not recommended for re-election by shareholders.

BHP Billiton Directors proposing to offer themselves for re-election (which they must do at least every three years) are subject to an assessment of their performance. The process is a formal one and culminates in the Board, on the recommendation of the Nomination Committee, determining whether it will endorse a retiring Director for re-election. When a Director's performance is not considered satisfactory, the Board will not endorse re-election. The Board will advise shareholders, in the Notice of Meeting, whether or not re-election is supported.

The Board also conducts performance evaluations extending to performance of the Board as a whole, its Committees, the Chairman, individual Directors and the governance processes that support the work of the Board.

The 2004 review of individual Director's performance assessed their performance against a set of criteria which included the commitment of time required to fulfil the role.

Dividend Policy

Some shareholders would like to a higher proportion of the Group's profits to be paid out in dividends.

The Group has a progressive dividend policy. We aim to maintain or increase the dividend each year. We have prioritised the uses of cash generated from operations. These priorities are to (in order):

- reinvest in businesses that generate attractive returns;
- ensure that our funding and capital management target are maintained; and

- return cash to shareholders by way of dividends, share buy-backs or other capital returns (eg the BHP Steel demerger).

In FY04, the Group paid US\$1.6 billion in dividends and invested US\$1.7 billion in growth projects.

The final dividend of 9.5 US cents per share was a 27% increase over the final dividend last year. However, total dividend receipts for last year actually increased by 79% as there were three dividend payments (totalling 26 US cents a share) during the year. This was part of the re-alignment of dividend declaration with half and full year results announcements.

We also expect the BHP Billiton Limited dividend to be fully franked in the foreseeable future.

China

Questions were raised concerning the impact of the Chinese economy on the Group's financial performance in 2003/2004.

The impact of China's growth has shaped our operating and development performance over this period. Sales to China represented approximately 10% of total sales. Strong demand growth, both in China and the USA, has had flow-on effects to the rest of the world, and commodity-producing nations such as Australia have benefited from stronger prices. We do expect inevitable disruptions and downturns along the Chinese growth path. The Group however is not dependent on rising raw material demand from the developing world for our long-term success. Our strategy is appropriate for both weak and strong markets.

Stock Exchange Listings

There seemed to be confusion in a small number of shareholders about whether or not the Company remains listed on the Australian Stock Exchange.

BHP Billiton Limited remains listed on the Australian Stock Exchange and our shares are actively traded. BHP Billiton Plc has its primary listing on the London Stock Exchange. The Group appears in the Mining List in the newspapers.

Asset Protection

Possible terrorist activity against Group installations was a matter raised.

The Group comprehensively insures against insurable risk. We also have in place risk management policies and procedures. The Asset Protection Group employed by the Company is a multi-disciplinary team of risk management professionals who provide security planning and services, a crisis and emergency management program and country-risk assessment. Its job is to protect shareholder investment in the Group by developing cost effective risk-investigation strategies for our businesses that do sometimes work in complex or hostile environments.

Annual Report

Some concern was raised over paper usage in the production of the Annual Report.

While it is an expensive document to produce, it remains our key communication with shareholders. Shareholders will continue to receive the Annual Report unless they elect not to receive it. Shareholders will not be sent the full set of Financial Statements unless they elect to receive them. Election forms can be downloaded from the Group's website.

We encourage shareholders to receive communications from the Company by e-mail. If you make that election you will automatically be notified of all important announcements, including when the Annual Report is released and available for viewing on the website. Details can be found on the website.

Political Donations

A number of shareholders asked if the Group makes political donations.

As disclosed in the Annual Report, the Group maintains a position of impartiality with respect to the party politics. Accordingly, we do not contribute funds to any political party, politician, or candidate for public office. However, from time to time the Company contributes to the public debate on policy issues that may affect us in the countries in which we operate.

Dividend Cheques

Some Australian shareholders expressed concern about the mandating of dividend payments by direct credit, and what would happen to their dividend payments if they declined to provide their bank account details.

Over 85% of shareholders have provided their account details. However, shareholders who decline to provide bank account details to the Share Registrar will continue to receive their dividends by cheque.

Environment

Shareholders asked questions on our environmental performance.

Our Health, Safety, Environment and Community Report for 2004 outlines what we have achieved and our challenges. It is available for viewing on our website.

Activities on Gag Island in West Papua were raised. There have been some recent changes to the Indonesian regulatory framework. A Presidential Decree, subsequently confirmed by the legislature, has reinstated the right to mine for 13 mining companies. We are still considering our options and have not made a decision regarding the future of the Gag Island project. We have no budget allocation this year to conduct any mining activity and the project is not on our Project Pipeline. Before any mining could take place, we would need to conduct a feasibility study and associated environment and social impact assessments. We will not mine in World Heritage areas and, if the project proceeds, we will not utilise deep sea tailing placement to dispose of the tailings.

Asbestos Liabilities

One shareholder asked if the Group has existing or prospective asbestos related liabilities, and questioned if we were taking a proactive approach in this area.

The Group does have existing and prospective asbestos related liabilities. While we have never produced or sold asbestos products, asbestos was used in the Whyalla shipyards which operated from the 1940s until closing in 1978. We have had, and continue to receive, asbestos related claims from former employees who worked at the shipyards. Asbestos was also used as a construction material at the Newcastle Steelworks which closed in 1999, and claims have been made and continue to be made from former employees of the Steelworks.

Our approach to any potential liability is that it will be met as necessary by the then parent entity (BHP Billiton Limited), and not by any operating or non-operating subsidiary. We deal with each claim individually and on its merits. The fact that the parent entity, and not a subsidiary company or third party accepts responsibility, gives a claimant a high degree of certainty that any financial obligations will be met.

Our asbestos liabilities are provided for in the financial accounts under the line item "Employee Provisions". We recalculated that provision each year so that we do understand and are prepared for our financial exposure in this matter.

The Group is proactive in the area of the health of employees. Specifically, in the case of asbestos issues, we fund a program that enables an annual health assessment of former employees in our businesses that used asbestos. We also have a system in place to encourage former employees who believe they have suffered from asbestos exposure to come directly to us for the lodging of claims with the aim of reducing both personal expenses and anxiety.

Anti-Trust Compliance

The same shareholder asked what steps the Group was taking to ensure knowledge of, and compliance with, the law on Anti-Trust issues, by employees.

While both BHP Limited and Billiton Plc had a high degree of awareness of these matters, the 2001 merger presented the combined Group with new compliance issues and the opportunity was taken to identify, understand and address potential exposures. A new Anti-Trust education, compliance and audit program was therefore undertaken. Amongst its objectives were to:

- identify the initial group Anti-Trust expose profile;
- implement measures to adjust behaviours, as necessary, in order to achieve zero risk;
- raise awareness in our staff to Anti-Trust issues and risks across the Group; and
- establish ongoing guidelines, educational procedures and audit processes where by a zero risk profile, once achieved, could be maintained.

Both internal and external expertise was used in developing and implementing the program. The objectives have now been met, although some of them (eg adjusting behaviour towards zero risk) remain ongoing. The Board is satisfied that the BHP Billiton Group is highly conscious of and disciplined in all aspects of international Anti-Trust regulation and governance.

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The following questions were addressed to the external auditor. The auditors have responded as follows:

1) How have you audited the restoration and rehabilitation provisions?

These provisions are made by BHP Billiton management. They are then subjected to testing by us in accordance with auditing standards. We may involve specialists with environmental, economics or other relevant skills in performing that testing. We also test the assumptions and sensitivities made as part of management's estimates which necessitate projections of long term future obligations and costs.

2) How have you audited reserve disclosures?

- The reserve disclosures are not a component part of the primary financial statements, and we did not audit and we do not express an opinion on such information.
- Nonetheless, in accordance with professional standards applicable to Supplementary Information, we have applied certain limited procedures including, but not limited to; inquiries as to the qualifications of the persons who completed the estimates; comparisons of past estimates v actual production; comparison of reserves data with depletion and amortisation data; assessment of the timing of future developments, and available and expected prices; and assessment of economic conditions and costs.

3) Is there a time limit on the appointment of the external auditors?

There is no time limit on the appointment of the firm of KPMG as the external auditors of BHP Billiton. KPMG is required to rotate their lead partner on the BHP Billiton audit every 5 years. Certain other KPMG partners with key roles on the audit also have compulsory rotation requirements.

4) Is there an internal audit function?

BHP Billiton does have an internal audit function. As external auditors, KPMG liaises closely with BHP Billiton's internal audit function, and, where appropriate under auditing standards, may place certain reliance on elements of their work that pertains to the financial statements.

5) How do you recommend management control the items in note 15 to the accounts?

Note 15 sets out details of the Company's inventories at 30 June. KPMG considers the level and nature of inventories held at each BHP Billiton site, and designs its audit procedures accordingly. Such procedures are typically focussed on the quantity of recorded stock and the valuation of such stock. In auditing inventories, KPMG gave consideration to how BHP Billiton controls its inventories and, for a number of sites, made recommendations as to how such controls could be enhanced.

6) Auditors should be directly accountable to shareholders and be responsible for their errors

Through the BHP Billiton Board, KPMG, as external auditors, is accountable to shareholders. Our audit procedures are designed to detect material errors in the financial statements prepared by the Company for submission to shareholders.