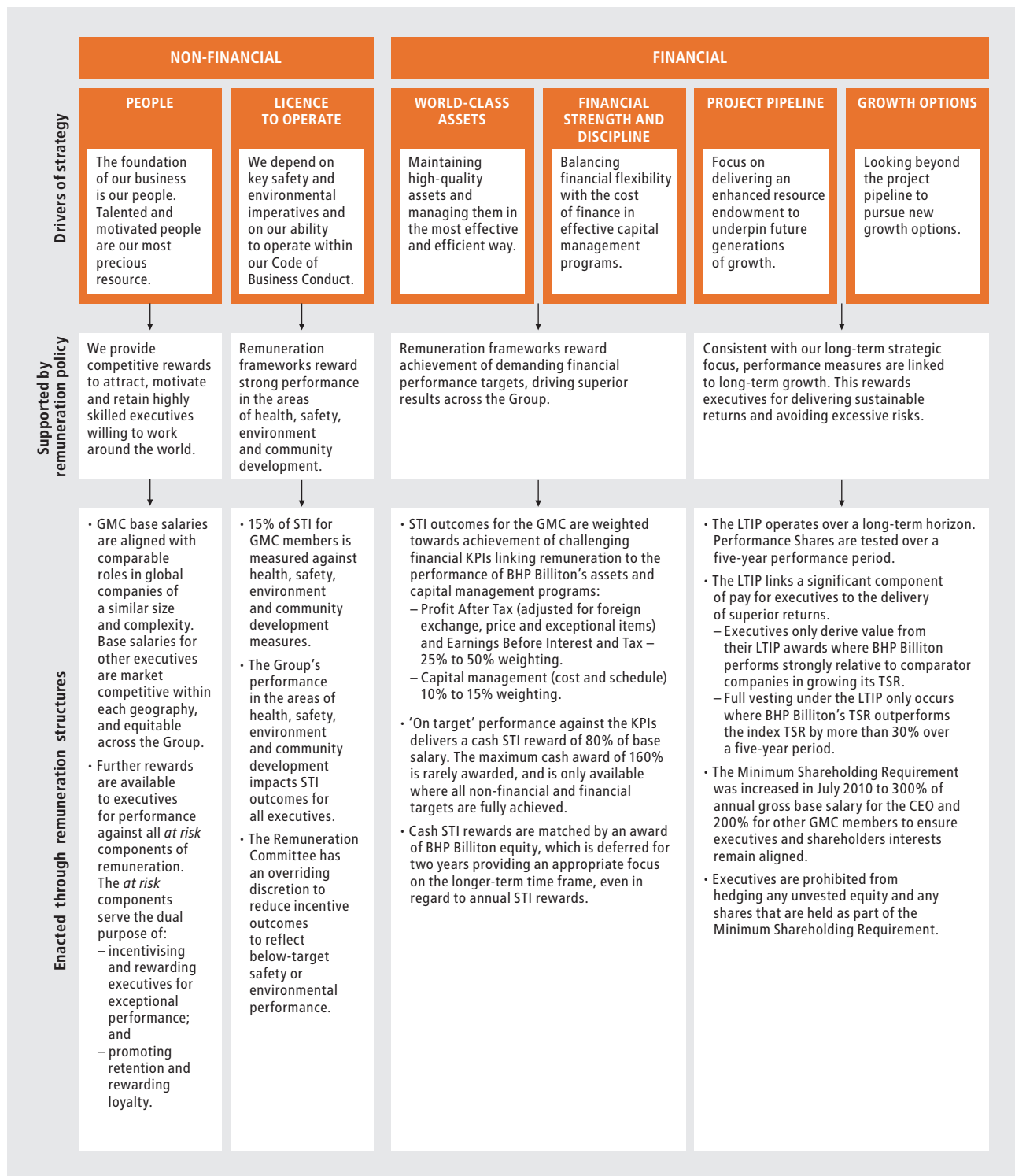


## 6 Remuneration Report continued

### 6.2.2 Strategic alignment

The Remuneration Committee recognises that we operate in a global environment and that our performance depends on the quality of our people. Remuneration is used to reinforce the Group's strategic objectives, and the committee keeps the remuneration policy under regular review to ensure it is appropriate for the needs of the Group.

The diagram below illustrates how BHP Billiton's remuneration policy is linked to the six key drivers of our strategy and how the remuneration structures for executives (including the members of the GMC) serve to support and reinforce these linkages.



### 6.2.3 Risk alignment

The global financial crisis has heightened the focus on risk management within organisations, and in particular on remuneration frameworks that work to ensure executives take a long-term approach to decision-making – minimising activities that focus only on short-term results at the expense of longer term business growth and success.

The Remuneration Committee has considered the ways in which risk management is reflected throughout BHP Billiton's reward structure for all executives, and is satisfied that it reinforces the desired behaviours. This is largely achieved through the Group's approach to STI and LTI rewards, which comprise a significant portion of remuneration for the GMC.

The equity component of STI rewards is deferred for a two-year period, and performance under the LTIP is measured over a five-year period. The actual rewards received by members of the GMC therefore reflect the Group's performance and share price over an extended period.

In addition, STI and LTI outcomes are not driven by a formulaic approach. The Remuneration Committee applies a qualitative judgement to determining STI rewards and to vesting under the LTIP, and may determine that rewards not be provided in circumstances where the committee determines it to be inappropriate or would provide unintended outcomes. The Remuneration Committee does not apply any discretion to allow vesting when performance hurdles have not been satisfied.

### 6.2.4 Performance alignment

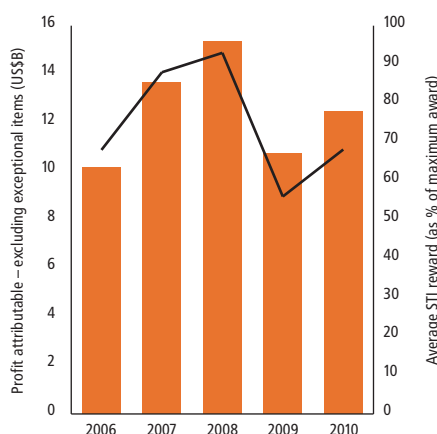
While the Board recognises that market forces necessarily influence remuneration practices, it strongly believes that the fundamental driver behind our remuneration structure is business performance. Accordingly, while target remuneration is structured to attract and retain executives, the amount of remuneration actually received is dependent on the achievement of superior business and individual performance and on generating sustained shareholder value.

#### Short-term performance indicators and outcomes

An individual scorecard of measures is set for each executive at the commencement of each financial year. These scorecards include the key financial and non-financial measures that the Board believes will drive BHP Billiton's performance. At the conclusion of the financial year, each individual's achievement against their measures is assessed by the Remuneration Committee and Board and their cash STI reward is determined. This is matched with an allocation of Deferred Shares or Options (or a combination of the two), to which the individual will not have access for two years (unless they leave the Group under specific circumstances).

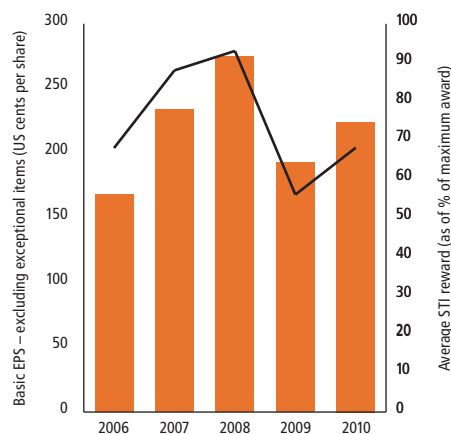
The relationship between STI rewards and the performance of the Group over the past five years indicates the success of our remuneration strategy in aligning executive rewards with shareholder interests (as shown in the graphs below). Further details of the Group's Attributable Profit and Basic Earnings per Share over the past five years can be found in section 3 of this Annual Report (including descriptions of these terms).

Average STI reward for GMC members vs Profit Attributable to Shareholders (excluding exceptional items)



● Profit attributable to shareholders (excluding exceptional items)  
● Average STI reward for GMC members

Average STI reward for GMC members vs Basic Earnings per Share



● Basic Earnings per Share  
● Average STI reward for GMC members