

# Corporate Governance Statement

## Corporate Governance at a glance

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# Corporate Governance Statement

## 1. Governance at BHP Billiton

BHP Billiton's corporate objective is: to create long-term value through the discovery, development and conversion of natural resources and the provision of innovative customer and market-focused solutions.

In pursuing the Corporate Objective, we have committed to the highest level of governance and strive to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity and respect for others.

Our approach to governance is predicated on the belief that there is a link between high-quality governance and the creation of shareholder value. Our expectations of our employees and those to whom we contract business are set out in our Guide to Business Conduct.

A copy of the Guide can be found at [www.bhpbilliton.com/aboutus/governance](http://www.bhpbilliton.com/aboutus/governance).

This Statement outlines BHP Billiton's system of governance. Shareholders are reminded that BHP Billiton operates as a single economic entity under a Dual Listed Company (DLC) structure with a unified Board and management. It has primary listings in Australia and the UK and is registered in the US and listed on the New York Stock Exchange (NYSE). In formulating our governance framework, the regulatory requirements in Australia, the UK and the US have been taken into account, together with prevailing standards of best practice. Where governance principles vary across these jurisdictions, as they inevitably do, the Directors have resolved to adopt what they consider to be the better of the prevailing standards.

## 2. Shareholders

The Board of BHP Billiton represents the shareholders who, in turn, elect its members. Shareholders vote on important matters affecting the Group, including changes to the Group's constitutional documents, the receipt of annual financial statements and incentive arrangements for executive Directors.

The Board recognises that in order to vote in an informed manner, shareholders must receive high-quality, relevant information in a timely manner.

To safeguard the effective dissemination of information, BHP Billiton has developed a Market Disclosure and Communications Policy. The Policy outlines how BHP Billiton identifies and distributes information to shareholders and market participants.

A copy of this Policy is available at [www.bhpbilliton.com/aboutus/governance](http://www.bhpbilliton.com/aboutus/governance).

Copies of announcements to the stock exchanges on which BHP Billiton is listed, investor briefings, half yearly financial statements, the Annual Report and other relevant information are posted to the Group's website.

Announcements and other relevant information can be found at [www.bhpbilliton.com](http://www.bhpbilliton.com).

Shareholders are encouraged to make their views known to the Group and to raise directly any matters of concern. The Chairman has regular meetings with shareholders to discuss governance matters and keeps the Board informed of the views and concerns that have been raised. From time to time the Group will enter into dialogue with shareholders to share views on matters of interest.

Any person wishing to receive advice by email of Group news releases can subscribe at [www.bhpbilliton.com](http://www.bhpbilliton.com).

Shareholders are encouraged to attend Annual General Meetings and to use this opportunity to ask questions. Questions that have been lodged ahead of the meeting, and the answers to them, are posted to the website. The External Auditor attends the Annual General Meetings and is available to answer questions.

Questions can be registered prior to the meeting by completing the relevant form accompanying the notice of meeting or by emailing the Group at [investor.relations@bhpbilliton.com](mailto:investor.relations@bhpbilliton.com).

Shareholders may appoint proxies electronically through the website. The notice of meeting describes how this can be done.

Proceedings at shareholder meetings and important Group briefings are broadcast live from the Group's website. Copies of the speeches delivered by the Chairman and Chief Executive

Officer (CEO) to the Annual General Meeting, a summary of the proceedings of the meeting and the outcome of voting on the items of business are posted to the website following the meeting.

## 3. Board of Directors – role and responsibilities and key activities in 2006

### 3.1 Role and responsibilities

The role of the Board is to represent the shareholders and to promote and protect the interests of BHP Billiton. It does so by governing the Group.

The Board has published a *Board Governance Document*, which is a statement of the practices and processes the Board has adopted to discharge its responsibilities. It includes the processes the Board has implemented to undertake its own tasks and activities; the matters it has reserved for its own consideration and decision-making; the authority it has delegated to the CEO, including the limits on the way in which the CEO can execute that authority; and provides guidance on the relationship between the Board and the CEO.

The *Board Governance Document* can be found at [www.bhpbilliton.com/aboutus/governance](http://www.bhpbilliton.com/aboutus/governance).

The Board has specifically reserved the following matters for its decision:

- appointments to the position of CEO and approval of appointments of executives reporting to the CEO
- approval of strategy and annual budgets
- determination of matters in accordance with the approvals framework
- formal determinations that are required by the Group's constitutional documents, by statute or by other external regulation.

The Board is free to alter the matters reserved for its decision, subject to the limitations imposed by the constitutional documents and the law.

Beyond those matters, the Board has delegated all authority to achieve the Corporate Objective to the CEO, who is free to take all decisions and actions which, in the CEO's judgement, are reasonable having regard to the limits imposed by the Board. The limits are published in the *Board Governance Document*. The CEO remains accountable to the Board for the authority that is delegated to him, and for the performance of the Group. The Board monitors the decisions and actions of the CEO and the performance of the Group to gain assurance that progress is being made towards the Corporate Objective, within the limits it has imposed. The Board also monitors the performance of the Group through its Committees. Reports from each of the Committees are set out in section 8.

The CEO is required to report systematically in a spirit of openness and trust on the progress being made by the Group's businesses.

The Board (and its Committees) determines the information required from the CEO, any employee of the Group or any external party including the auditor. Open dialogue between individual members of the Board and the CEO and other employees is encouraged to enable Directors to gain a better understanding of the Group's businesses. Directors are encouraged to participate in debate and to bring independent judgement to bear on matters being considered. The Board believes that constructive differences of opinion lead to more robust evaluation of the issues and, ultimately, better outcomes.

### 3.2 Key activities during the year

During the course of the year the Board arranged for an independent external review of its performance, structure and membership, the restructuring of the Sustainability Committee and the adoption of revised terms of reference for Board Committees. The Board considered major business decisions, including capital projects and capital management strategies. Its regular skills review and process of renewal led to the appointment of three new non-executive Directors and two new executive Directors. The Board is satisfied that it has discharged its obligations as set out in the *Board Governance Document*.

#### 4. Board of Directors – composition, structure and process

This section outlines how the Board has structured itself to best fulfil its role.

##### 4.1 Membership

The Board currently has 14 members. Of these, 10, including the Chairman, are non-executive Directors. All of the 10 non-executive Directors are considered by the Board to be independent of management and free from any business relationship or other circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement. Further information on the process for assessing independence is provided in section 4.3 below. The names and biographical details of the Directors are set out below.

##### 4.2 Skills, knowledge, experience and attributes of Directors

###### Don Argus AO, SFFIN, FCPA, 68

**Term of office:** Director of BHP Limited since November 1996 and Chairman since April 1999. Chairman of BHP Billiton Limited and BHP Billiton Plc since June 2001. Mr Argus was last re-elected in 2004 and is standing for re-election in 2006.

**Independent:** Yes

**Skills and experience:** Don Argus has considerable experience in international business and a strong management background. He has more than 40 years' experience in the banking industry and is a former Managing Director and CEO of the National Australia Bank Limited.

###### **Other directorships and offices (current and recent):**

- Chairman of Brambles Industries Ltd (since September 1999) and a Director (since May 1999)
- Chairman of Brambles Industries Plc and a Director (since August 2001)
- Director of Australian Foundation Investment Company Ltd (since May 1999)
- Former Director of Southcorp Limited (from May 1999 until August 2003)
- Member of the International Advisory Council of Allianz Aktiengesellschaft (since April 2000)
- Member of International Advisory Committee to the New York Stock Exchange Board of Directors (since November 2005)

###### **Board Committee membership:**

- Chairman of the Nomination Committee

###### Charles Goodyear BSc, MBA, FCPA, 48

**Term of office:** Director of BHP Billiton Limited and BHP Billiton Plc since November 2001. Appointed Chief Executive Officer (CEO) in January 2003. Mr Goodyear was last re-elected in 2004 and is not retiring or subject to re-election in 2006.

**Independent:** No

**Skills and experience:** Charles Goodyear has extensive experience in finance, corporate restructuring and mergers and acquisitions. He joined

the Group as Chief Financial Officer (CFO) in 1999. He was previously President of Goodyear Capital Corporation and Executive Vice President and CFO of Freeport-McMoRan Inc.

###### **Other directorships and offices (current and recent):**

- Member of the International Council of Mining and Metals
- Member of the United States National Petroleum Council

###### **Board Committee membership:**

- None

###### Paul Anderson B S (Mech Eng), MBA, 61

**Term of office:** Appointed a non-executive Director of BHP Billiton Limited and BHP Billiton Plc on 26 April 2006 with effect from 6 June 2006. Mr Anderson will seek election at the 2006 Annual General Meetings. He was the CEO and Managing Director of BHP Limited from December 1998 until June 2001 and of BHP Billiton Limited and BHP Billiton Plc from June 2001 until July 2002. He was a non-executive Director of BHP Billiton Limited and BHP Billiton Plc from July to November 2002.

**Independent:** Yes. Refer to comments in section 4.3.

**Skills and experience:** Paul Anderson has an extensive background in natural resources and energy and, as one of the architects of the merger that created BHP Billiton, has a deep understanding of the strategy behind the Group's success. He is Chairman of the Board of Duke Energy.

Corporation and has more than 20 years' experience at Duke Energy and its predecessors.

###### **Other directorships and offices (current and recent):**

- Chairman of Duke Energy Corporation (since November 2003) and former CEO (from November 2003 to April 2006)
- Director of Qantas Airways Limited (since September 2002)
- Former Director of Temple Inland Inc (from February 2002 to May 2004)
- Former Director of Fluor Corporation (from March to October 2003)
- Member of the US President's Council of Advisors on Science and Technology

###### **Board Committee membership:**

- Member of the Sustainability Committee

###### David Brink MSc Eng (Mining), D Com (hc), 67

**Term of office:** Director of Billiton Plc since June 1997. Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. Dr Brink was last re-elected in 2003 and is standing for re-election in 2006.

**Independent:** Yes

**Skills and experience:** David Brink brings considerable mining and finance experience to the Group. He has over 20 years' experience in the mining industry, in particular shaft sinking, tunnelling and exploration contracting, followed by 12 years as the CEO of a major listed construction, engineering and manufacturing conglomerate.

###### **Other directorships and offices (current and recent):**

- Chairman of Unitrans Limited (since November 1997)
- Deputy Chairman of ABSA Bank Limited and ABSA Group Limited (since April 1992)
- Director of Sanlam Limited (from January 1994 until June 2006)
- Director of Sappi Limited (since March 1994)
- Former Director of Murray & Roberts Holdings Ltd (from July 1984 until December 2003)
- Vice President of the South African Institute of Directors

###### **Board Committee membership:**

- Chairman of the Sustainability Committee
- Member of the Risk and Audit Committee

###### John Buchanan BSc, MSc (Hons 1), PhD, 63

**Term of office:** Director of BHP Billiton Limited and BHP Billiton Plc since February 2003. Dr Buchanan has been designated as the Senior Independent Director of BHP Billiton Plc since his appointment. He was last re-elected by shareholders in 2003 and is standing for re-election in 2006.

**Independent:** Yes

**Skills and experience:** John Buchanan has had a wide international business career gained in large and complex international businesses. He has substantial experience in the petroleum industry and knowledge of the UK and international investor community. He has held various leadership roles in strategic, financial, operational and marketing positions, including executive experience in different countries.

He is a former executive Director and Group CFO of BP, Treasurer and Chief Executive of BP Finance, and Chief Operating Officer of BP Chemicals.

###### **Other directorships and offices (current and recent):**

- Chairman of Smith & Nephew Plc (since April 2006) and Deputy Chairman (from February 2005 to April 2006)
- Director of AstraZeneca Plc (since April 2002)
- Senior Independent Director and Deputy Chairman of Vodafone Group Plc (since July 2006) and Director (since April 2003)
- Former Director of Boots Plc (from December 1997 until July 2003)

###### **Board Committee membership:**

- Chairman of the Remuneration Committee
- Member of the Nomination Committee

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**Carlos Cordeiro** AB, MBA, 50

**Term of office:** Director of BHP Billiton Limited and BHP Billiton Plc since February 2005. Mr Cordeiro was elected in 2005 and is not subject to re-election in 2006.

**Independent:** Yes

**Skills and experience:** Carlos Cordeiro brings to the Board more than 20 years' experience in providing strategic and financial advice to corporations, financial institutions and governments around the world.

He was previously Partner and Managing Director of Goldman Sachs Group Inc.

**Other directorships and offices (current and recent):**

- Advisory Director of The Goldman Sachs Group Inc (since December 2001)
- Vice Chairman of Goldman Sachs (Asia) (since June 2000)

**Board Committee membership:**

- Member of the Remuneration Committee
- 

**David Crawford** BComm, LLB, FCA, FCPA, FAICD, 62

**Term of office:** Director of BHP Limited since May 1994. Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. Mr Crawford was last re-elected in 2005 and, in accordance with the Group's policy described under 'Tenure' in section 4.3 below, is retiring and standing for re-election in 2006.

**Independent:** Yes

**Skills and experience:** David Crawford has extensive experience in risk management and business reorganisation. He has acted as a consultant, scheme manager, receiver and manager and liquidator to very large and complex groups of companies. He was previously Australian National Chairman of KPMG, Chartered Accountants. The Board has nominated Mr Crawford as the financial expert of the Risk and Audit Committee for

the purposes of the US Securities and Exchange Commission Rules and is satisfied that he has recent and relevant financial experience for the purposes of the UK Listing Authority's Combined Code.

**Other directorships and offices (current and recent):**

- Chairman of Lend Lease Corporation Limited (since May 2003) and Director (since July 2001)
- Director of Foster's Group Limited (since August 2001)
- Director of Westpac Banking Corporation (since May 2002)
- Former Chairman of National Foods Limited (Director from November 2001 until June 2005)

**Board Committee membership:**

- Chairman of the Risk and Audit Committee
- 

**Gail de Planque** AB Mathematics, MS (Physics), PhD (Env Health Sciences), 61

**Term of office:** Director of BHP Billiton Limited and BHP Billiton Plc since 19 October 2005. The Hon E G de Planque was elected in 2005 and is not retiring or subject to re-election in 2006.

**Independent:** Yes

**Skills and experience:** Gail de Planque is an expert in nuclear technology and has over 30 years' experience as a physicist, adviser and regulator in the field of nuclear energy. She also has significant experience as a non-executive Director of global energy companies and is a consultant on atomic energy matters. She is a former Commissioner of the United States Nuclear Regulatory Commission, a former Director of the Environmental Measurements Laboratory of the US Department of Energy and a Fellow and former President of the American Nuclear Society.

**Other directorships and offices (current and recent):**

- Director of TXU Corp (since February 2004)
- Director of Northeast Utilities (since October 1995)
- Director of Landauer Inc (since December 2001)
- President of Strategy Matters Inc (since March 2000)
- Director of Energy Strategists Consultancy Ltd (since May 1999)
- Former Director of BNFL Plc (from November 2000 to March 2005) and of BNG America Inc (from March 1995 to March 2006)

**Board Committee membership:**

- Member of the Sustainability Committee
  - Member of the Remuneration Committee
- 

**David Jenkins** BA, PhD (Geology), 67

**Term of office:** Director of BHP Limited since March 2000. Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. Dr Jenkins was last re-elected in 2005 and is not subject to re-election in 2006.

**Independent:** Yes

**Skills and experience:** David Jenkins is a recognised authority on oil and gas technology. He was previously Chief Geologist, Director Technology and Chief Technology Advisor to BP Plc. He was also a member of the Technology Advisory Committee of the Halliburton Company and the

Advisory Council of Consort Resources and Chairman of the Energy Advisory Panel of Science Applications International Corporation.

**Other directorships and offices (current and recent):**

- Director of Chartwood Resources Ltd (since November 1998)
- Director of Orion International (Oil & Gas) Ltd (since March 2005)

**Board Committee membership:**

- Member of the Remuneration Committee
  - Member of the Risk and Audit Committee
- 

**Marius Kloppers** BE (Chem), MBA, PhD (Materials Science), 44

**Term of office:** Director of BHP Billiton Limited and BHP Billiton Plc since January 2006. Appointed Group President Non-Ferrous Materials and executive Director in January 2006 and was previously Chief Commercial Officer. Mr Kloppers will seek election at the 2006 Annual General Meetings.

**Independent:** No

**Skills and experience:** Marius Kloppers has extensive knowledge of the mining industry and of BHP Billiton's operations. Active in the mining and

resources industry since 1993, he was appointed Chief Commercial Officer in December 2003. He was previously Chief Marketing Officer, Group Executive of Billiton Plc, Chief Executive of Samancor Manganese and held various positions at Billiton Aluminium, including Chief Operating Officer and General Manager of Hillside Aluminium.

**Other directorships and offices (current and recent):**

- None

**Board Committee membership:**

- None
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**Chris Lynch** BComm, MBA, FCPA, 52

**Term of office:** Director of BHP Billiton Limited and BHP Billiton Plc since January 2006. Appointed Group President Carbon Steel Materials in April 2006. Mr Lynch will seek election at the 2006 Annual General Meetings.

**Independent:** No

**Skills and experience:** Chris Lynch has extensive experience in finance and knowledge of the mining industry. He joined the Group as Chief Financial Officer of the Minerals Group in 2000 and was appointed Chief

Financial Officer in September 2001. Prior to that he held various positions at Alcoa, including Vice President and Chief Information Officer for Alcoa Inc and Chief Financial Officer, Alcoa Europe.

**Other directorships and offices (current and recent):**

- Director of Minerals Council of Australia

**Board Committee membership:**

- None
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**Jacques Nasser** AO, BBus, Hon DT, 58

**Term of office:** Appointed a non-executive Director of BHP Billiton Limited and BHP Billiton Plc on 26 April 2006 with effect from 6 June 2006. Mr Nasser will seek election at the 2006 Annual General Meetings.

**Independent:** Yes

**Skills and experience:** Following a 33 year career with Ford in various leadership positions in Europe, Australia, Asia, South America and the US, Jacques Nasser served as a member of the Board of Directors and as President and Chief Executive Officer of Ford Motor Company from 1998 to 2001. He has more than 30 years' experience in large-scale global businesses.

**Other directorships and offices (current and recent):**

- Director of British Sky Broadcasting Ltd (since November 2002)
- Director of Brambles Industries Limited and Brambles Industries Plc (since March 2004)
- Director of Quintiles Transnational Corporation (since March 2004)
- Partner of One Equity Partners (since November 2002)
- Member of the International Advisory Council of Allianz Aktiengesellschaft (since February 2001)
- Former Chairman of Polaroid Corporation (from 2002 to 2005)

**Board Committee membership:**

- Member of the Risk and Audit Committee

**Miklos (Mike) Salamon** BSc Mining Eng, MBA, 51

**Term of office:** Director of BHP Billiton Limited and BHP Billiton Plc since February 2003. Mr Salamon was last re-elected by shareholders in 2005 and is not subject to re-election in 2006.

**Independent:** No

**Skills and experience:** Mike Salamon has extensive knowledge of the mining industry and of BHP Billiton's operations. He was previously Executive Chairman of Samancor, Managing Director of Trans-Natal Coal Corporation and Chairman of Columbus. He was previously an executive Director of Billiton Plc with responsibilities for nickel, chrome, manganese,

stainless steel and titanium, and Group President Non-Ferrous Materials. He was appointed Executive President in January 2006 with responsibility for health, safety, the environment and communities, marketing, strategy and business development, exploration and technology.

**Other directorships and offices (current and recent):**

- Chairman of Samancor Limited (since October 1993)
- Director of Cerro Matoso SA (since March 1996)

**Board Committee membership:**

- None

**John Schubert** BC Eng, PhD (Chem Eng), FIEAust, FTSE, 63

**Term of office:** Director of BHP Limited since June 2000 and a Director of BHP Billiton Limited and BHP Billiton Plc since June 2001. Dr Schubert was last re-elected in 2004 and is seeking re-election in 2006.

**Independent:** Yes

**Skills and experience:** John Schubert has considerable experience in the international oil industry including at CEO level. He has had executive mining and financial responsibilities and was CEO of Pioneer International Limited for six years, where he operated in the building materials industry in 16 countries. He has experience in mergers, acquisitions and divestments, project analysis and management. He was previously Chairman and Managing Director of Esso Australia Limited and President of the Business Council of Australia.

**Other directorships and offices (current and recent):**

- Chairman of Commonwealth Bank of Australia (since November 2004) and Director (since October 1991)
- Director of Qantas Airways Limited (since October 2000)
- Chairman of G2 Therapies Limited (since November 2000)
- Former Director of Hanson Plc (from May 2000 until May 2003)
- Former Chairman and Director of Worley Parsons Limited (from November 2002 until February 2005)

**Board Committee membership:**

- Member of the Nomination Committee
- Member of the Sustainability Committee

### Group Company Secretary

**Karen Wood** BEd, LLB (Hons), FCIS, 50

**Term of office:** Company Secretary of BHP Billiton Limited and BHP Billiton Plc since June 2001. Appointed Special Advisor and Head of Group Secretariat and a member of the Office of Chief Executive in December 2005.

**Skills and experience:** Karen Wood is a member of the Takeovers Panel (Australia), the Business Regulatory Advisory Group (Australia) and the JD (Juris Doctor) Advisory Board of the University of Melbourne. She is a Fellow of the Institute of Chartered Secretaries and a member of the Law Council of Australia and the Law Institute of Victoria. She chairs the Global Ethics Panel, the Disclosure Committee and the US Disclosure Controls Committee of BHP Billiton. She was previously the General Counsel and Company Secretary of Bonlac Foods Limited.

The Board considers that the executive and non-executive Directors together have the range of skills, knowledge and experience necessary to govern the Group. The non-executive Directors contribute international and operational experience; understanding of the economics of the sectors in which the Group operates; knowledge of world capital markets; and an understanding of the health, safety, environmental and community challenges that the Group faces. Executive Directors bring additional perspectives to the Board's work through a deep understanding of the Group's business.

Directors must demonstrate unquestioned honesty and integrity; a preparedness to question, challenge and critique; and a willingness to understand and commit to the highest standards of governance. Each Director must ensure that no decision or action is taken that places his or her interests in front of the interests of the Group.

Directors commit to the collective decision-making processes of the Board. Individual Directors are required to debate issues openly and constructively and be free to question or challenge the opinions of others.

The Nomination Committee assists the Board in ensuring that the Board is comprised of high calibre individuals whose background, skills, experience and personal characteristics will augment the present Board and meet its future needs.

### 4.3 Independence

The Board considers that an appropriate balance between executive and non-executive Directors is necessary to promote shareholder interests and to govern the Group effectively. It is committed to ensuring a majority of Directors are independent.

#### Process to determine independence

The Board has developed a policy that it uses to determine the independence of its Directors. This determination is carried out annually or at any other time where the circumstances of a Director change such as to warrant reconsideration.

A copy of the Independence Policy is available at:  
[www.bhpbilliton.com/aboutus/governance](http://www.bhpbilliton.com/aboutus/governance).

The Independence Policy provides that to be independent a Director must be:  
'independent of management and any business or other relationship that could materially interfere with the exercise of objective, unfettered or independent judgement by the Director or the Director's ability to act in the best interests of the BHP Billiton Group'.

Where a Director is considered by the Board to be independent but is affected by circumstances that may give rise to a perception that the Director is not independent, the Board has undertaken to explain the reasons why it reached its conclusion. In applying the independence test, the Board considers relationships with management, major shareholders, subsidiary and associated companies and other parties with whom the Group transacts business against predetermined materiality thresholds, all of which are set out in the Policy. A summary of the factors that may be perceived to impact the independence of Directors of BHP Billiton is set out below.

### **Factors that may be perceived to affect independence**

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#### **Tenure**

The Board has a policy requiring non-executive Directors who have served on the Board for more than nine years to stand for annual re-election. All Directors seeking re-election must undergo a formal performance assessment, irrespective of the period they have served on the Board. For further information on the re-election and review process, refer to section 5 of this Statement.

At the conclusion of the 2006 Annual General Meetings, Mr Don Argus, Mr David Crawford and Dr David Brink will each have

served on the Board for more than nine years. Notwithstanding those periods of service, the Board does not believe that any of those Directors has served for a period that could materially interfere with their ability to act in the best interests of the Group. All are considered to have retained independence of character and judgement and have not formed associations with management (or others) that might compromise their ability to exercise independent judgement or act in the best interests of the Group.

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#### **Retirement plan**

The former Directors of BHP Limited (Mr Don Argus, Mr David Crawford, Dr David Jenkins and Dr John Schubert) participated in a retirement plan approved by shareholders in 1989. The plan was closed on 24 October 2003 and benefits accrued to that date,

together with interest earned on the benefits, are held by the Company and will be paid on retirement. The Board does not believe that the independence of any participating Director is compromised as a result of this plan.

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#### **Relationships and associations**

Mr David Crawford was the National Chairman of KPMG in Australia. He retired in June 2001 and has no ongoing relationship with KPMG. KPMG was a joint auditor of Billiton Plc prior to the merger with BHP Limited and of BHP Billiton up to 2003 and the sole auditor of BHP Billiton from December 2003. The Board has considered this matter annually since the time of the merger, and again revisited it prior to the publication of this Statement and does not consider Mr Crawford's independence to be compromised. The Board considers Mr Crawford's financial acumen to be important in the discharge of the Board's responsibilities. Accordingly, his membership of the Board and Chairmanship of the Risk and Audit Committee are considered by the Board to be appropriate and desirable.

In June 2006, the Board reappointed Mr Paul Anderson a non-executive Director. The Board considers Mr Anderson to be independent.

In reaching this conclusion, the Board considered the terms of its own Independence Policy, the principles on independence contained in the UK Combined Code, the Principles of Good Corporate Governance published by the Australian Stock Exchange Corporate Governance Council and the helpful guidance offered by a number of shareholder voting agencies.

Those principles and guidance include a range of considerations regarded as relevant in determining independence, including that the Director in question has not been an executive in the past five years. This specific consideration is included in BHP Billiton's own Independence Policy. That Policy, like most of the principles and guidance that inform the issue, also makes clear that a Director may be considered independent, notwithstanding the presence of one or more of the stated relevant considerations. This reflects the Board's view that a Director's independence is determined more by his or her character and integrity than by past relationships or associations.

The key issue for the Board in assessing Mr Anderson's independence was whether the fact that he had served as Chief Executive Officer until July 2002 and a non-executive Director until November 2002, on its own, was sufficient reason to classify him as not independent. The Board concluded that given the elapse of time since Mr Anderson was employed by BHP Billiton, the fact that he was so employed did not interfere with his objective, unfettered or independent judgement or his ability to act in the best interests of the Group. In reaching its decision, the Board determined that it could not form the view that the mere elapse of a further (relatively short) period of time until the expiration of five years from his departure as an executive would make any difference to its assessment.

The Board considers Mr Anderson a Director of the highest calibre, bringing to its deliberations a broad range of skills derived from a long history in the energy sector, specific understanding and knowledge of the mining industry and BHP Billiton's role in that industry, and the particular risks associated with a diversified mining business.

Some of the Directors hold or previously held positions in companies with which BHP Billiton has commercial relationships. Those positions and companies are set out in section 4.2 of this Governance Statement. All transactions between each of these companies and BHP Billiton have been assessed in accordance with the Independence Policy and are not material. All of these transactions were entered into in the usual course of BHP Billiton's business and were within the scope of management's authority under the terms of the *Board Governance Document*. The Board was not required to consider, or approve, any of these transactions. If Board approval was required for a transaction between BHP Billiton and any company with which a Director has an association, then BHP Billiton's protocols would apply and the Director concerned would excuse himself or herself from participating in the decision.

The only transactions during the year that amounted to related-party transactions with Director-related entities under International Financial Reporting Standards (IFRS) are the transactions between BHP Billiton and the Wesfarmers Group, of which Mr Michael Chaney was the Managing Director until July 2005. Details are set out in note 31 to the financial statements in the Annual Report.

The Board has assessed all of the relationships between BHP Billiton and the companies in which the Directors hold or held positions and concluded that in all cases the relationships do not interfere with the Directors' exercise of objective, unfettered or independent judgement or their ability to act in the best interests of the BHP Billiton Group.

Some of the Directors hold cross-directorships. Mr Don Argus and Mr Jacques Nasser are both directors of Brambles Industries Limited and Brambles Industries Plc, and are both members of the International Advisory Council of Allianz Aktiengesellschaft. Dr John Schubert and Mr Paul Anderson are both directors of Qantas Airways Limited. The Board has assessed each of these relationships and in all cases concluded that the relationships do not interfere with the Directors' exercise of objective, unfettered or independent judgement or the Directors' ability to act in the best interests of the BHP Billiton Group.

### Executive Directors

The four executive Directors, Mr Charles Goodyear, Mr Marius Kloppers, Mr Chris Lynch and Mr Miklos (Mike) Salamon, are not considered independent because of their executive responsibilities.

None of the executive Directors hold directorships in any other company included in the ASX 100 or FTSE 100.

#### 4.4 Terms of appointment

The Board has adopted a letter of appointment that contains the terms on which non-executive Directors will be appointed, including the basis upon which they will be indemnified.

A copy of the letter is available at [www.bhpbilliton.com/aboutus/governance](http://www.bhpbilliton.com/aboutus/governance).

#### 4.5 Induction and training

Each new non-executive Director undertakes an induction program specifically tailored to their needs.

A copy of the induction program is available at [www.bhpbilliton.com/aboutus/governance](http://www.bhpbilliton.com/aboutus/governance).

Non-executive Directors participate in the Board's Training and Development Program, which has been designed to ensure that non-executive Directors update their skills and knowledge to maximise their effectiveness as Directors throughout their tenure.

#### 4.6 Independent advice

The Board and its Committees may seek advice from independent experts whenever it is considered appropriate. Individual Directors, with the consent of the Chairman, may seek independent professional advice on any matter connected with the discharge of their responsibilities, at the Group's expense. No Director availed him or herself of this right during the year.

#### 4.7 Remuneration

Details of the remuneration policies and practices of the Group and the remuneration paid to the Directors (executive and non-executive) are set out in the Remuneration Report on pages 113 to 129. Shareholders will be invited to consider and to approve the Remuneration Report at the 2006 Annual General Meetings.

#### 4.8 Share ownership and dealing

Non-executive Directors have agreed to apply at least 25 per cent of their remuneration to the purchase of BHP Billiton Shares until they achieve a shareholding equivalent in value to one year's remuneration. Thereafter, they must maintain at least that level of shareholding throughout their tenure.

Details of the Shares held by Directors are set out on pages 133 and 134 of this Annual Report. As at the date of this Annual Report, all of the Directors had met this requirement.

BHP Billiton has a Securities Dealing Code that covers dealings in securities by Directors and senior executives. Directors and senior executives must not deal in Shares or other securities of BHP Billiton during designated prohibited periods and at any time that they have unpublished price sensitive information.

A copy of the Securities Dealing Code can be viewed at [www.bhpbilliton.com/aboutus/governance](http://www.bhpbilliton.com/aboutus/governance).

All dealings by Directors in BHP Billiton securities are reported to the Board and to the stock exchanges.

#### 4.9 Chairman

The Chairman, Mr Don Argus, is considered by the Board to be independent. He was appointed Chairman of BHP Limited in 1999 and has been Chairman of the Group since 2001.

The Chairman leads the Board and facilitates its work. He is responsible for ensuring that the principles and processes of the Board are maintained, including the provision of accurate, timely and clear information. He encourages debate and constructive criticism. The Chairman, in conjunction with the CEO and Company Secretary, sets agendas for meetings of the Board that focus on the strategic direction and performance of the Group. He commits to and leads Board and individual Director performance assessments. The Chairman has authority to speak and act for the Board and to represent the Board to shareholders. He also presents shareholders' views to the Board and facilitates the relationship between the Board and the CEO.

Mr Argus is Chairman of Brambles Industries, a company listed on the Australian and London Stock Exchanges. The Board considers that neither his Chairmanship of Brambles, nor any of his other commitments (set out on page 100 of this Annual Report), interfere with the discharge of his responsibilities to BHP Billiton. The Board is satisfied that he makes sufficient time available to serve BHP Billiton effectively.

The Group does not have a Deputy Chairman but has identified Dr John Schubert to act as Chairman should the need arise at short notice.

#### 4.10 Senior Independent Director

The Board has appointed Dr John Buchanan as the Senior Independent Director of BHP Billiton Plc. Dr Buchanan is available to shareholders who have concerns that cannot be addressed through the Chairman, CEO or CFO.

#### 4.11 Company Secretary

Ms Karen Wood is Group Company Secretary of BHP Billiton. Ms Wood is responsible for developing and maintaining the information systems and processes that enable the Board to fulfil its role. She is also responsible to the Board for ensuring that Board procedures are complied with and advises the Board on governance matters. All Directors have access to her advice and services. Independent advisory services are retained by her office at the request of the Board or Board Committees. Ms Wood is supported by Mr Robert Franklin, who is Company Secretary of BHP Billiton Plc, and Ms Jane McAloon, who is Company Secretary of BHP Billiton Limited. The Board appoints and removes the Company Secretaries.

#### 4.12 Meetings

The Board met seven times during the year. Generally, meetings run for two days. Four of those meetings were held in Australia and three in the UK.

Attendance by Directors at Board and Board Committee meetings is set out in the table in section 5.1. The non-executive Directors met three times during the year in the absence of executive Directors and other executives except the Company Secretary.

Members of the Office of the Chief Executive (OCE) and other members of senior management attend meetings of the Board by invitation.

### 5. Board of Directors – review, re-election and renewal

#### 5.1 Review

The Board is committed to transparency in determining Board membership and in assessing the performance of Directors. Contemporary performance measures are considered an important part of this process.

The Board regularly evaluates the performance of the Board as a whole, its Committees, the Chairman, individual Directors and the governance processes that support Board work.

The performance of the Board is reviewed each year. That review focuses on individual Directors and the Board as a whole in alternate years. The Board assesses the performance of the Committees on an annual basis.

Performance of individual Directors is assessed against a range of dimensions including the ability of the Director to consistently take the perspective of creating shareholder value; to contribute to the development of strategy, to understand the major risks affecting the Group; to provide clear direction to management; to contribute to Board cohesion; to commit the time required to fulfil the role; and to listen to and respect the ideas of fellow Directors and members of management.

The process is managed by the Chairman, but feedback on the Chairman's performance is provided to him by Dr Schubert.

## Attendance at Board and Board Committee meetings during the year ended 30 June 2006

	Board		Risk and Audit		Nomination		Remuneration		Sustainability	
	A*	B	A	B	A	B	A	B	A	B
Paul Anderson <sup>(1)</sup>	1	1	–	–	–	–	–	–	–	–
Don Argus	7	7	–	–	6	6	–	–	–	–
David Brink	7	7	8	7	–	–	–	–	4	4
John Buchanan	7	7	–	–	6	5	6	6	–	–
Michael Chaney <sup>(2)</sup>	4	4	–	–	–	–	–	–	–	–
Carlos Cordeiro <sup>(3)</sup>	7	7	–	–	–	–	3	3	–	–
David Crawford	7	7	8	8	–	–	–	–	–	–
E Gail de Planque <sup>(4)</sup>	5	4	–	–	–	–	1	1	2	2
Charles Goodyear	7	6	–	–	–	–	–	–	1	1
David Jenkins	7	7	8	8	–	–	6	6	–	–
Marius Kloppers <sup>(5)</sup>	3	3	–	–	–	–	–	–	–	–
Chris Lynch <sup>(5)</sup>	3	3	–	–	–	–	–	–	–	–
Jacques Nasser <sup>(1)</sup>	1	1	1	–	–	–	–	–	–	–
Lord Renwick of Clifton <sup>(2)</sup>	4	3	–	–	2	2	3	3	–	–
Mike Salamon	7	6	–	–	–	–	–	–	1	1
John Schubert	7	7	–	–	6	6	4	4	2	2

Column A – indicates the number of meetings held during the period the Director was a member of the Board and/or Committee.

Column B – indicates the number of meetings attended during the period the Director was a member of the Board and/or Committee.

<sup>(1)</sup> Paul Anderson and Jacques Nasser appointed 6 June 2006.

<sup>(2)</sup> Michael Chaney and Lord Renwick of Clifton retired 25 November 2005.

<sup>(3)</sup> Carlos Cordeiro attended all meetings during the period, including one meeting by invitation.

<sup>(4)</sup> Gail de Planque appointed 19 October 2005.

<sup>(5)</sup> Marius Kloppers and Chris Lynch appointed 1 January 2006.

\* Includes two meetings held by teleconference.

### 5.2 Re-election

The Board has determined that non-executive Directors who have served on the Board for more than nine years from the date of their first election must stand for re-election annually from the first Annual General Meeting after the expiration of their current term. At least one third of the remaining Directors retire at each Annual General Meeting. Directors are not appointed for a fixed term but must submit themselves to shareholders for re-election after three years. The period that Directors have served on the Board and the years in which they were first appointed and last elected are set out in section 4.2.

Re-appointment is not automatic. Retiring Directors who are seeking re-election are subject to a performance appraisal overseen by the Nomination Committee.

Following that appraisal, the Board, on the recommendation of the Nomination Committee, makes a determination as to whether it will endorse a retiring Director for re-election. The Board will not endorse a Director for re-election if his or her performance is not considered satisfactory. The Board will advise shareholders in the notice of meeting whether or not re-election is supported.

Directors cannot be reappointed if they have reached the age of 70 years, unless that appointment is approved by shareholders in the form of a special resolution. A Director so appointed must retire at the next Annual General Meeting.

### 5.3 Renewal

The Board plans for its own succession with the assistance of the Nomination Committee. In so doing, the Board:

- considers the skills, knowledge and experience necessary to allow it to meet the strategic vision for the Group
- assesses the skills, knowledge and experience currently represented
- identifies any skills, knowledge and experience not adequately represented and agrees the process necessary to ensure a candidate is selected that brings those traits
- reviews how Board performance might be enhanced, both at an individual Director level and for the Board as a whole.

When considering new appointments to the Board, the Nomination Committee oversees the preparation of a position specification that is provided to an independent recruitment organisation retained to conduct a global search. In addition to the specific skills, knowledge and experience deemed necessary, the specification contains criteria such as a proven track record of creating shareholder value; unquestioned integrity; a commitment to the highest standards of governance; having the required time available to devote to the job; a clear grasp of strategic thinking; an awareness of market leadership; outstanding monitoring skills; a preparedness to question, challenge and critique; and an independent point of view.

Newly appointed Directors must submit themselves to shareholders for election at the first Annual General Meeting following their appointment.

## 6. Management

The CEO holds delegated authority from the Board to achieve the Corporate Objective, save for those matters the Board has retained for its own decision-making (set out in section 3). In devolving that authority, the CEO has developed an Approvals Framework that delegates authority to Committees and individual members of management. Notwithstanding those further delegations, the CEO remains accountable to the Board for the authority delegated to him.

### 6.1 Office of the Chief Executive

The CEO has established the Office of the Chief Executive (OCE) to assist him in exercising his authority.

The role of the OCE is to provide advice to the CEO on matters that are strategic and long term in nature or have the potential to significantly impact the Group.

It determines key Group-wide policies including the Charter, Guide to Business Conduct, the Sustainable Development Policy, the Human Resources Strategy and the Enterprise-Wide Risk Management Policy.

The members of the OCE are:

- Chip Goodyear, Chief Executive Officer and executive Director (Chair)
- John Fast, Chief Legal Counsel and Head of External Affairs
- Robert Kirkby, Executive President
- Marius Kloppers, Group President, Non-Ferrous Materials and executive Director
- Chris Lynch, Group President Carbon Steel Materials and executive Director
- Marcus Randolph, Chief Organisation Development Officer
- Mike Salamon, Executive President and executive Director
- Alex Vanselow, Chief Financial Officer
- Karen Wood, Special Advisor and Head of Group Secretariat
- J Michael Yeager, Group President Energy

Mr Mike Salamon will retire from the Group on 26 October 2006 and Mr Bob Kirkby on 31 December 2006. Mr Philip Aiken, President UK, has retired from the OCE and will retire from the Group on 31 December 2006.

## 6.2 Other management committees

The CEO draws on the work of other Committees, including the Executive Committee, Financial Risk Management Committee (FRMC) and the Investment Risk Committee (IRC). During the year the roles of the Executive and Operating Committees were reviewed and a single new Executive Committee was formed.

The purpose of the Executive Committee is to assist the CEO to increase the value of the Group by achieving agreed operational outcomes consistent with the Corporate Objective.

The Committee's role is to provide feedback and advice to the CEO on operational issues, provide leadership by identifying and addressing Group-wide operating issues, prioritise Group

improvement activities, implement Group-wide policy as determined by the OCE, provide direction and priorities for the Group's support functions and participate in strategy development.

The FRMC monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. The IRC oversees the management approval processes for major investments, which are designed to ensure that investments are aligned to the Group's agreed strategies and values; risks are identified and evaluated; investments are fully optimised to produce the maximum shareholder value within an acceptable risk framework; and appropriate risk management strategies are pursued.

The members of the Executive Committee are:

- Robert Kirkby, Executive President (Chair)
- Ian Ashby, President and Chief Operating Officer, WA Iron Ore
- Peter Beaven, President Manganese
- Alberto Calderon, President Diamonds and Specialty Products
- Diego Hernandez, President Base Metals
- Graeme Hunt, President Aluminium
- Marius Kloppers, Group President, Non-Ferrous Materials and executive Director
- Chris Lynch, Group President Carbon Steel Materials and executive Director
- Rebecca McDonald, President Gas and Power
- David Murray, President Metallurgical Coal
- Chris Pointon, President Stainless Steel Materials
- Tom Schutte, President Marketing
- Mahomed Seedat, President Energy Coal
- J Michael Yeager, Group President Energy

The names and biographical details of members of the OCE and Executive Committee are set out below.

### Charles Goodyear BSc, MBA, FCPA, 48

*Chief Executive Officer and executive Director*  
Chairman of the OCE

Charles Goodyear joined the Group as Chief Financial Officer in 1999. He was appointed to the Boards of BHP Billiton Limited and BHP Billiton Plc in November 2001 and as Chief Executive Officer in January 2003. He previously held positions of Chief Development Officer and of Chief Financial Officer. He is a former President of Goodyear Capital Corporation and former Executive Vice President and Chief Financial Officer of Freeport-McMoRan Inc, and has extensive financial, corporate restructuring and merger and acquisition experience. He is a Member of ICMM and the National Petroleum Council.

### Peter Beaven BAcc, Chartered Accountant (South Africa), 39

*President Manganese*  
Member of the Executive Committee

Peter Beaven joined the Group in 2002. He was appointed President Manganese in October 2005 and appointed a member of the Executive Committee in December 2005. He was previously Vice President Strategy and Business Development for Carbon Steel Materials. Prior to this he was executive Director in the Investment Banking division at UBS. Previously, he worked at BHP being responsible for various disposals, mergers and acquisition projects, having joined BHP from Dresdner Kleinwort Benson's Investment Banking Division in London.

### John Fast BEc (Hons), LLB (Hons), FFin, 56

*Chief Legal Counsel and Head of External Affairs*  
Member of the OCE, Investment Risk Committee and Disclosure Committee

John Fast joined the Group as Vice President and Chief Legal Counsel in December 1999 and was appointed Head of Asset Protection in July 2001 and Head of External Affairs (Government Relations) in January 2003. He is a Director of the Medical Research Foundation for Women and Babies (Australia), Chairman of the Rotary Indigenous Australian Tertiary Scholarship Advisory Board, a member of the Takeovers Panel (Australia), a member of the Strategic Advisory Board to The University of Melbourne Law School's Graduate Program, Fellow of the Financial Services Institute of Australasia, a member of the Markets Policy Group of that Institute, and a member of the Law Institute of Victoria, a member of the General Counsel 100 (UK) and a member of the Corporate Counsel Advisory Committee of the Metropolitan Corporate Counsel (USA). Before joining BHP Billiton, he was the Senior Commercial Partner at the law firm Arnold Bloch Leibler.

### Ian R Ashby BEng Mining (Melbourne University), 48

*President and Chief Operating Officer, WA Iron Ore*  
Member of the Executive Committee

Ian Ashby joined the group in 1987. He was appointed President and Chief Operating Officer WA Iron Ore in March 2005 and a member of the Executive Committee in April 2006. Prior to that he had worked in numerous roles in the Base Metals group including Vice President and Chief Operating Officer 2003-04, Vice President Joint Ventures and Work Out Assets 2002-03, and Project Director Escondida Phase 4 Expansion 2001-02. He has worked in broad range of operating and project roles across the Group. He is a Vice President of the Chamber of Minerals and Energy of Western Australia.

### Alberto Calderon PhD Econ, M Phil Econ – Yale University, JD Law, BA Econ – Andes University, 46

*President Diamonds and Specialty Products*  
Member of the Executive Committee

Alberto Calderon joined the Group as President Diamonds and Specialty Products in February 2006. Prior to this, he was President of Cerrejón Coal Company from July 2002. His previous positions include President of Ecopetrol, General Manager of the Power Company of Bogota and various senior roles in investment banking and in the Colombian Government.

### Diego Hernandez Civil Mining Engineer, Ecole Nationale Supérieure des Mines de Paris, 57

*President Base Metals*  
Member of the Executive Committee

Diego Hernandez joined the Group as President Base Metals in April 2004. Chairman of Escondida, he was previously executive Director, CVRD Non Ferrous Division and has extensive experience in the resources sector in South America. His previous positions include President and Chief Executive Officer Compañía Minera Collahuasi, Technical Director Rio Tinto Brazil, Chief Executive Officer Minera Mantos Blancos, and a number of management roles in Anglo American South America.

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**Graeme Hunt** BMet, MBA, FAusIMM, London Business School – Senior Executive Programme, 49

*President Aluminium*

Member of the Executive Committee

Graeme Hunt joined the Group in 1975 and was appointed President Aluminium in April 2006. He was previously President Iron Ore, President Western Australia Iron Ore, Vice President Portfolio Restructuring Strategy BHP Corporate, Group General Manager BHP Manganese, and General Manager Port Kembla Coal Terminal Ltd. Prior to this he held roles in the Transport and Steel divisions of the Group.

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**Marius Kloppers** BE (Chem), MBA, PhD (Materials Science), 44

*Group President Non-Ferrous Materials and executive Director*

Member of the OCE, Executive Committee, Financial Risk Management Committee and Investment Risk Committee

Marius Kloppers has been active in the mining and resources industry since 1993 and was appointed Chief Commercial Officer in December 2003. He was previously Chief Marketing Officer, Group Executive of Billiton Plc, Chief Executive of Samancor Manganese and held various positions at Billiton Aluminium, among them Chief Operating Officer and General Manager of Hillside Aluminium. His previous career was as a consultant with McKinsey Inc.

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**Rebecca McDonald** BSc, 54

*President Gas and Power*

Member of the Executive Committee

Rebecca McDonald joined the Group as President Gas and Power in March 2004. She was previously President of the Houston Museum of Natural Science, Chairman and Chief Executive Officer of Enron Global Assets after a long career at Amoco, where her last role was President and Chief Executive Officer of Amoco Energy Development Company. She is an independent Director of Granite Construction and BOC Group.

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**Chris Pointon** BSc (Chemistry & Earth Sciences), PhD (Geology), 58

*President Stainless Steel Materials*

Member of the Executive Committee

Chris Pointon was appointed President Stainless Steel Materials in June 2001. He was previously Chief Executive Officer, Nickel and Chrome for Billiton Plc and Managing Director of QNI Ltd. He has over 20 years of global experience as a mining executive, in particular in senior management in nickel since 1996.

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**Miklos (Mike) Salamon** BSc Mining Engineering, MBA, 51

*Executive President and executive Director*

Member of the OCE and Investment Risk Committee

Mike Salamon was appointed an executive Director in February 2003 and Executive President in January 2006. He was Group President Non-Ferrous Materials (consisting of Aluminium, Base Metals and Stainless Steel Materials). He is Chairman of Samancor and a Director of Cerro Matoso. From July 1997 to June 2001 he was an executive Director of Billiton Plc with responsibilities for nickel, chrome, manganese, stainless steel and titanium and is a former Executive Chairman of Samancor, Managing Director of Trans-Natal Coal Corporation and Chairman of Columbus.

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**Mahomed Seedat** BEc (Electrical), MDP Harvard, PMD UNISA, 50

*President Energy Coal*

Member of the Executive Committee

Mahomed Seedat was appointed President Energy Coal in January 2005. He previously held the positions of President and Chief Operating Officer Ingwe Collieries, President and Chief Operating Officer Aluminium Southern Africa with responsibility for the operations at the Hillside and Bayside aluminium smelters in Richards Bay, South Africa and the Mozal aluminium smelter in Maputo, Mozambique. His former roles in the Aluminium Customer Sector Group include Engineering Manager, Maintenance Manager and General Manager of the Hillside Aluminium Smelter in Richards Bay. His previous career was in the coal industry with Amcoal, where he held various positions at its collieries.

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**Robert Kirkby** BE Civil (Hons), Harvard Business School – Advanced Management Program, 59

*Executive President*

Chairman of the Executive Committee and member of the OCE

Robert Kirkby joined the Group in 1978 and was appointed Group President Carbon Steel Materials in March 2004 and Executive President in April 2006. He was previously President Carbon Steel Materials, Chief Operating Officer, BHP Minerals, President BHP Steelmaking and Energy, Group General Manager and Chief Executive Officer BHP Coal, Group General Manager and Chief Operating Officer of various divisions in BHP Steel, and General Manager Newman-BHP Minerals.

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**Chris Lynch** BComm, MBA, FCPA, 52

*Group President Carbon Steel Materials and executive Director*

Member of the OCE and Executive Committee

Chris Lynch joined the Group in 2000 as Chief Financial Officer of the Minerals Group and was appointed Chief Financial Officer in September 2001, executive Director in January 2006 and Group President Carbon Steel Materials in April 2006. He was Vice President and Chief Information Officer for Alcoa Inc based in Pittsburgh, US, and Chief Financial Officer, Alcoa Europe located in Lausanne, Switzerland. He was also Managing Director KAAL Australia Ltd, a joint venture company formed by Alcoa Inc and Kobe Steel, Manager Financial Risk and Treasury Operations for Alcoa Inc in Pittsburgh, US, and Corporate Accounting Manager at Alcoa of Australia Ltd.

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**David (Dave) Murray** BSc (Civil Engineering) University of Natal, South Africa; Post Grad Dip (Mining), University of Pretoria, South Africa; Advanced Executive Program UNISA, 51

*President Metallurgical Coal*

Member of the Executive Committee

From 1978 until 1999 David Murray worked for the Trans-Natal Coal Corporation/Ingwe Coal Corporation, progressing through various operational, project and managerial positions. In 1993 he was appointed Managing Director Trans-Natal Coal Corporation then appointed Chief Executive of Billiton Coal in 1999. He moved to Australia in 2001 as CEO of the newly formed BHP Billiton Mitsubishi Alliance. In 2005, he moved into his current role as President Metallurgical Coal within Carbon Steel Materials.

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**Marcus Randolph** BSc, MBA Harvard Business School, 50

*Chief Organisation Development Officer*

Member of the OCE

Marcus Randolph was previously President, Diamonds and Specialty Products, Chief Development Officer Minerals and Chief Strategic Officer Minerals for BHP Billiton. His prior career includes Chief Executive Officer, First Dynasty Mines, Mining and Minerals Executive, Rio Tinto Plc, Director of Acquisitions and Strategy, Kennecott Inc, General Manager Corporacion Minera Nor Peru. Asarco Inc, and various mine operating positions in the US with Asarco Inc.

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**Tom Schutte** CA (SA) (CAISA), Certificate in the Theory of Accountancy, BComm (Hons), Accountancy, BComm Accounting, 41

*President Marketing*

Member of the Executive Committee

Tom Schutte has worked in the mining and resources industry since June 1990. Appointed President Marketing in December 2005, he was previously Chief Financial Officer Commercial, BHP Billiton Marketing, Marketing Director Billiton Manganese, Commercial and Development Manager, Samancor Manganese, and Financial Consultant, Gencor Corporate Finance. He started his career with Coopers and Lybrand.

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**Alex Vanselow** BComm, Wharton AMP, 43

*Chief Financial Officer*

Member of the OCE and Chairman of the Investment Risk Committee and Financial Risk Management Committee and member of the Disclosure Committee

Alex Vanselow joined the Group in 1989 and was appointed President Aluminium in March 2004. He was previously Chief Financial Officer of Aluminium, Vice President Finance and Chief Financial Officer of Orinoco Iron CA and Manager Accounting and Control BHP Iron Ore. His prior career was with Arthur Andersen.

**Karen Wood** BEd, LLB (Hons), FCIS, 50

*Special Advisor and Head of Group Secretariat*

Member of the OCE and Chairman of the Global Ethics Panel, the Disclosure Committee and the US Disclosure Controls Committee

Karen Wood was appointed Company Secretary of BHP Billiton Limited and BHP Billiton Plc in June 2001 and was appointed Special Advisor and Head of Group Secretariat in December 2005. She is a member of the Takeovers Panel (Australia), the Business Regulatory Advisory Group (Australia) and the JD (Juris Doctor) Advisory Board of the University of Melbourne, a Fellow of the Institute of Chartered Secretaries and a member of the Law Council of Australia and the Law Institute of Victoria. Before joining BHP Billiton, she was General Counsel and Company Secretary for Bonlac Foods Limited.

**J Michael Yeager** BSc, MSc, 53

*Group President Energy*

Member of the OCE and Executive Committee

J Michael Yeager joined the Group in April 2006 as Group President Energy. He was previously Vice President, ExxonMobil Development Company with responsibility for major joint venture projects. Other previous roles include Senior Vice President, Imperial Oil Ltd and Chief Executive Officer, Imperial Oil Resources, Vice President Africa, ExxonMobil Production Company, Vice President Europe, ExxonMobil Production Company and President, Mobil Exploration and Production in the US.

## 7. Business conduct

The BHP Billiton Group has published a Guide to Business Conduct, which is available in eight languages. The Guide reflects the Charter values of integrity, respect, trust and openness. It provides clear direction and advice on conducting business internationally; interacting with communities, governments and business partners; and general workplace behaviour.

The Guide outlines BHP Billiton's position on a wide range of ethical and legal issues including conflicts of interest, financial inducements, bribery, trading in securities and political contributions. The Guide applies to Directors and to all employees, regardless of their position or location. Consultants, contractors and business partners are also expected to act in accordance with the Guide.

The Guide can be found at the Group's website at [www.bhpbilliton.com/aboutus/governance](http://www.bhpbilliton.com/aboutus/governance).

BHP Billiton has established regional helplines so that employees can seek guidance or express concerns on Group related issues. Reports can be made anonymously and without fear of retaliation. A fraud hotline facility is available for reporting cases of suspected misappropriations, fraud, bribery or corruption. Arrangements are in place to investigate such matters. Where appropriate, investigations are conducted independently. Further information on the Business Conduct Helpline and fraud hotline can be found in the BHP Billiton Guide to Business Conduct.

The BHP Billiton Group maintains a position of impartiality with respect to party politics. Accordingly, it does not contribute funds to any political party, politician or candidate for public office. It does, however, contribute to the public debate of policy issues that may affect it in the countries in which it operates.

## 8. Board Committees

The Board has established Committees to assist it in exercising its authority, including monitoring the performance of the Group to gain assurance that progress is being made towards the Corporate Objective within the limits imposed by the Board.

The permanent Committees of the Board are the Risk and Audit Committee, the Sustainability Committee, the Nomination Committee and the Remuneration Committee. Ad-hoc Committees are formed from time to time to deal with specific matters.

Each of the permanent Committees has terms of reference under which authority is delegated by the Board.

The terms of reference for each Committee can be found at [www.bhpbilliton.com/aboutus/governance](http://www.bhpbilliton.com/aboutus/governance).

The office of the Company Secretary provides secretariat services for each of the Committees. Committee meeting agendas, papers and minutes are made available to all members of the Board. Subject to appropriate controls and the overriding scrutiny of the Board, Committee Chairmen are free to use whatever resources they consider necessary to discharge their responsibilities.

Reports from each of the Committees appear below.

## 8.1 Risk and Audit Committee report

The Risk and Audit Committee (RAC) met eight times during the year. Its members are Mr D A Crawford (Chairman), Dr D C Brink, Dr D A L Jenkins and Mr J Nasser. Mr Nasser joined the Committee during the year following his appointment as a Director. The Board has nominated Mr D A Crawford as the Committee's financial expert.

### Role and focus

The role of the RAC is to assist the Board in monitoring the decisions and actions of the CEO and the Group through its oversight of the integrity of the financial statements and the effectiveness of the system of internal controls and risk management. In performing this role the RAC focuses on the appointment, remuneration, qualifications, performance and independence of the External Auditor, and the integrity of the audit process as a whole; the effectiveness of the systems of internal control and risk management; the performance and leadership of the role of the Vice President Risk Management and Assurance and of the internal audit function; compliance with legal and statutory requirements; and compliance by management with constraints imposed by the Board.

### Activities undertaken during the year

#### *Integrity of financial statements*

The RAC assists the Board in assuring the integrity of the financial statements. The RAC evaluates and makes recommendations to the Board about the appropriateness of, and changes to, accounting policies and practices, areas of judgement, compliance with Accounting Standards, stock exchange and legal requirements and the results of the external audit. It reviews the half yearly and annual financial statements and makes recommendations on specific actions or decisions (including formal adoption of the financial statements and reports) the Board should consider in order to maintain the integrity of the financial statements. From time to time the Board may delegate authority to the RAC to approve the release of the statements to the stock exchanges, shareholders and the financial community.

The CEO and CFO have certified that the 2006 financial statements present a true and fair view, in all material respects, of BHP Billiton's financial condition and operating results and are in accordance with applicable regulatory requirements.

#### *Managing the relationship with the External Auditor*

The RAC manages the relationship between the Group and the External Auditor on behalf of the Board. It recommends to the Board potential auditors for appointment and the terms of engagement, including remuneration. In December 2003, the Board, on the recommendation of the RAC, approved the appointment of KPMG. Shareholders are asked to approve reappointment of the auditors each year in the UK.

## 8.1 Risk and Audit Committee report continued

The RAC evaluates the performance of the External Auditor during its term of appointment against specified criteria including delivering value to shareholders and the Group. BHP Billiton is committed to auditor independence and the RAC reviews the integrity, independence and objectivity of the External Auditor. This review includes:

- confirming that the External Auditor is, in its professional judgement, independent of the Group
- obtaining from the External Auditor an account of all relationships between the External Auditor and the Group
- monitoring the number of former employees of the External Auditor currently employed in senior positions in the Group and assessing whether those appointments impair, or appear to impair, the External Auditor's judgement or independence
- considering whether the various relationships between the Group and the External Auditor collectively impair, or appear to impair, the External Auditor's judgement or independence
- determining whether the compensation of individuals employed by the External Auditor who conduct the audit is tied to the provision of non-audit services and, if so, whether this impairs, or appears to impair, the External Auditor's judgement or independence
- reviewing the economic importance of the Group to the External Auditor and assessing whether that importance impairs, or appears to impair, the External Auditor's judgement or independence.

The Group audit engagement partner will rotate every five years.

The Group has a policy governing the conduct of non-audit work by the auditors. Under the non-audit services Policy the External Auditor cannot provide services where the External Auditor:

This Policy can be viewed at [www.bhpbilliton.com/aboutus/governance](http://www.bhpbilliton.com/aboutus/governance).

- may be required to audit its own work
- participates in activities that would normally be undertaken by management
- is remunerated through a 'success fee' structure
- acts in an advocacy role for BHP Billiton.

Fees paid to the External Auditor during the year for audit and other services were US\$14.71 million, of which 75 per cent comprised audit fees, 14 per cent audit-related fees and 11 per cent taxation and other services. Details of the fees paid are set out in note 5 to the summary financial statements and note 4 to the financial statements.

Based on the review by the RAC, the Board is satisfied that the External Auditor is independent.

### *Effectiveness of systems of internal control and risk management*

In delegating authority to the CEO to make the decisions necessary to run the business, the Board has established limits on the manner in which that authority can be exercised. One of the limits is to ensure that there is a system of control in place for identifying and managing risk. The Directors, through the RAC, review the systems that have been established for this purpose and regularly review their effectiveness.

### *Business risks*

The scope of BHP Billiton's operations and the number of industries in which the Group is engaged mean that a range of factors may impact Group results. Material risks that could negatively affect the Group's results and performance include:

- fluctuations in commodity prices and currency exchange rates
- failure to discover new reserves or enhance existing reserves
- fewer mineral, oil or gas reserves than our estimates indicate
- compliance with health, safety and environmental exposures and related regulations
- land tenure disputes

- actions by governments in the countries in which we operate
- risks associated with emerging markets
- inability to successfully integrate our acquired businesses or recover our investments in exploration and new mining and oil and gas projects
- increased reliance upon the Chinese market in the event of a slow down in consumption
- shortages of skilled labour that could negatively impact our operations and expansion plans
- costs that may increase due to inflationary pressures.

### *Management of business risks*

The principal aim of the system of internal control is to manage business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems are designed to meet the Group's specific needs and the risks to which it is exposed.

The RAC is responsible for reviewing the internal controls and risk management systems, including:

- the procedure for identifying business risks and controlling their financial impact on the Group and the operational effectiveness of the policies and procedures related to risk and control
- the budgeting and forecasting systems, financial reporting systems and controls
- policies and practices put in place by the CEO for detecting, reporting and preventing fraud, serious breaches of business conduct and whistle-blowing procedures
- the policies for ensuring compliance with relevant regulatory and legal requirements
- arrangements for protecting the Group's ownership of intellectual property and other non-physical assets
- the operational effectiveness of the Customer Sector Groups' (CSG) RAC structures
- the application of the principles of the Turnbull Guidance within the Group, including the adequacy of the internal control systems and allocation of responsibilities for monitoring internal financial controls
- policies, information systems and procedures for preparation and dissemination of information to shareholders, stock exchanges and the financial community.

Management has put in place a number of key policies, processes and independent controls to provide assurance to the Board and the RAC as to the integrity of the Group's reporting and effectiveness of its systems of internal control and risk management. The governance assurance diagram on page 110 highlights the relationship between the Board and the various controls in the assurance process. Some of the more significant internal control systems include Board and management committees, CSG Risk and Audit Committees, the Enterprise-Wide Risk Management System (EWRM) and Internal Audit.

### *CSG Risk and Audit Committees*

To assist management in providing the information necessary to allow the RAC to discharge its responsibilities, separate Risk and Audit Committees have been established for each of the CSGs and key functional areas. These Committees have been established and operate as Committees of management but are chaired by members of the Board's RAC or by other external appointees with appropriate skills and experience. They perform an important monitoring function in the overall governance of the Group.

Management reports on significant matters raised at CSG RAC meetings to the Board's RAC.

**8.1 Risk and Audit Committee report continued**

Each half year, the President and CFOs of each CSG and each of the Marketing, Shared Services Centres and Treasury functions must review internal controls and provide formal representations to the Vice President Group Accounting and Controller, which are noted by the applicable CSG RAC, assuring compliance with Group policies and procedures and confirming that internal control systems are adequate. These representations are summarised and provided to the Board's RAC.

*Board Committees*

The Sustainability Committee of the Board reviews the effectiveness of the internal controls covering health, safety, environment and community risks. Directors also monitor risks and controls through the RAC and the Remuneration Committee.

*Management Committees*

Management Committees also perform roles in relation to risk and control. Strategic risks and opportunities arising from changes in the Group's business environment are regularly reviewed by the OCE and discussed by the Board. The FRMC reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, financing risk and interest rate risk. Minutes of the OCE and the FRMC are provided to the Board. The IRC provides oversight for investment processes across the Group and coordinates the investment toll-gating process for major investments. Reports are made to the Board on findings by the IRC in relation to major capital projects.

*CEO and CFO certification*

The CEO and CFO have certified to the Board that the financial statements are founded on a sound system of risk management and internal compliance and that the system is operating efficiently and effectively in all material respects.

During the year the RAC reviewed the Group's response to the obligations imposed by the US Sarbanes-Oxley Act, and in particular progress in evaluating and documenting internal controls as required by section 404 of the Act, which will apply to the Group in the year ended 30 June 2007.

*Enterprise-Wide Risk Management*

The Group operates an Enterprise-Wide Risk Management System (EWRM) that forms the cornerstone of the Group's risk management activities. Its aim is to meet the obligations of the CEO in ensuring a system is in place for identifying and managing risk. Its existence provides the RAC with the assurance that the major risks facing the Group have been identified and assessed, and that there are controls either in place or planned to address these risks. Independent validation is undertaken by Internal Audit.

The Group's EWRM Policy can be found at [www.bhpbilliton.com/aboutus/governance](http://www.bhpbilliton.com/aboutus/governance).

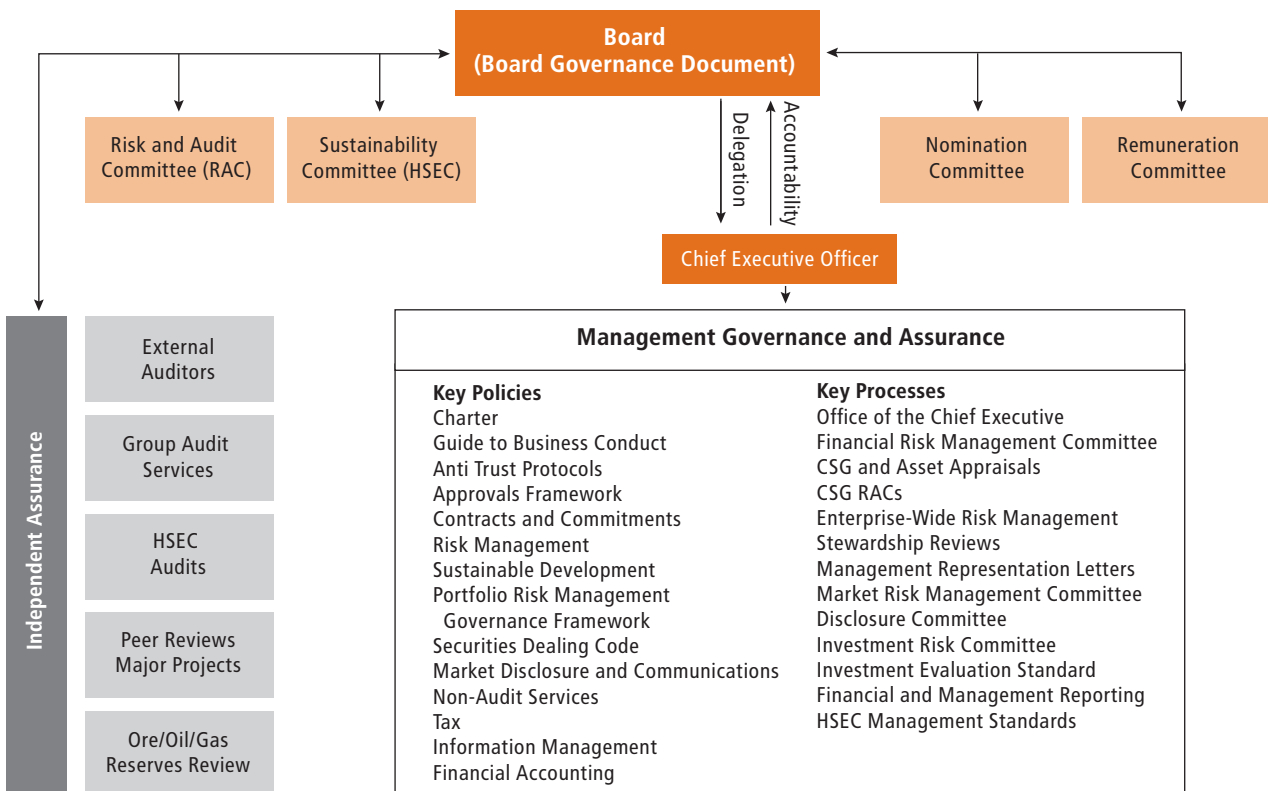
*Internal Audit*

BHP Billiton has an Internal Audit function known as Group Audit Services (GAS), which assists with the identification and control of Group business risks. The Board's RAC reviews the mission and charter of GAS, ensures that it is adequately staffed and that its scope of work is appropriate in light of the key risks facing the Group and the other monitoring functions in place. It also reviews and approves an annual Internal Audit plan.

The role of the Vice President Risk Management and Assurance includes:

- achievement of GAS objectives, which are:
  - assessment of the design and operating effectiveness of controls governing key operational processes and business risks
  - assessment, independent of management, of the adequacy of the Group's internal operating and financial controls, systems and practices
  - assisting the Board in meeting its corporate governance and regulatory responsibilities
  - provision of advisory services to management to enhance the control environment and improve business performance
- enterprise-wide risk management
- risk management information systems
- insurance strategy.

**Governance Assurance Diagram**



### 8.1 Risk and Audit Committee report continued

The RAC approves the appointment and dismissal of the Vice President Risk Management and Assurance and assesses his or her independence and objectivity. The Vice President Risk Management and Assurance is Mr Stefano Giorgini. He has unfettered access to management and the Board's RAC.

#### Review of effectiveness

During the year, the Board conducted reviews of the effectiveness of the Group's system of internal controls for the financial year and up to the date of this Report in accordance with the Turnbull Guidance and the Principles of Good Corporate Governance published by the Australian Stock Exchange Corporate Governance Council. These reviews, which were overseen by the Board's RAC, covered financial, operational and compliance controls and risk assessment. Findings and recommendations were reported to the Board.

In addition to considering the key risks facing the Group, the Board reviewed an assessment of the effectiveness of internal controls over the key risks identified through the work of the Board Committees and management Committees described above.

#### Assessment of RAC performance

During the year the Committee assessed its performance. As a result of that assessment the Board revised the Committee's terms of reference and increased the number of members.

### 8.2 Remuneration Committee report

The Remuneration Committee met six times during the year. Its members are Dr J G Buchanan (Chairman), Dr D A L Jenkins, the Hon E G de Planque and Mr C A S Cordeiro. Dr de Planque and Mr Cordeiro were appointed to the Committee during the year succeeding Lord Renwick and Dr J M Schubert. All of the Committee members are independent non-executive Directors. Mr Gordon Clark of Kepler Associates acts as an independent advisor to the Committee. Following a review of its performance conducted during the year, the Committee revised its terms of reference.

#### Role and focus

The role of the Committee is to assist the Board in its oversight of:

- the remuneration policy and its specific application to the CEO, the executive Directors and the CEO's direct reports, and its general application to all Group employees
- the adoption of annual and longer-term incentive plans
- the determination of levels of reward to the CEO and approval of reward to the CEO's direct reports
- the annual evaluation of the performance of the CEO, by giving guidance to the Group Chairman
- the communication to shareholders on remuneration policy and the Committee's work on behalf of the Board
- the Group's compliance with applicable legal and regulatory requirements associated with remuneration matters
- the preparation of the Remuneration Report to be included in the Group's Annual Report.

#### Activities undertaken during the year

Full details of the Committee's work on behalf of the Board are set out in the Remuneration Report on pages 113 to 129.

### 8.3 Nomination Committee report

The Nomination Committee met six times during the year. The members of the Committee are Mr D R Argus (Chairman), Dr J G Buchanan and Dr J M Schubert. All members of the Committee are independent non-executive Directors.

#### Role and focus

The role of the Committee is to assist in ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of a Director, having regard to the highest standards of governance. It does so by focusing on:

- reviewing the skills represented on the Board and identifying skills that might be required
- retaining the services of independent search firms and identifying suitable candidates for the Board (refer to sections 4.2 and 5.3 of this Statement)
- overseeing the review of the assessment of the performance of individual Directors and making recommendations to the Board on the endorsement of retiring Directors seeking re-election (refer to section 5 of this Statement)
- communication to shareholders on the work of the Committee on behalf of the Board.

#### Activities undertaken during the year

There were significant changes to the composition of the Board during the year. Lord Renwick and Mr Michael Chaney retired following the 2005 Annual General Meetings, and the Committee recommended the appointment and election of the Hon Gail de Planque, Mr Paul Anderson and Mr Jacques Nasser as non-executive Directors, and Mr Marius Kloppers and Mr Chris Lynch as executive Directors. The Committee retained the services of Heidrick and Struggles and Egon Zehnder to assist in the identification of potential candidates.

### 8.4 Sustainability Committee report

Following a review of its effectiveness, the Sustainability Committee was restructured during the year and the Committee's terms of reference were revised. The Committee's members now comprise only non-executive Directors: Dr D C Brink (Chairman), Mr P M Anderson, Dr E G de Planque and Dr J M Schubert. Prof Jim Galvin acted as an adviser to the Committee. The Committee met four times during the year.

#### Role and focus

The role of the Sustainability Committee is to assist the Board in its oversight of:

- health, safety, environment and community risks
- the Group's compliance with applicable legal and regulatory requirements associated with health, safety, environment and community matters
- the Group's performance in relation to health, safety, environment and community matters
- the performance and leadership of the health, safety and environment function and the sustainable development function
- the Group's Annual Sustainability Summary Report
- the preparation of a report by the Committee to be included in the Annual Report.

#### Activities undertaken during the year

A comprehensive Sustainability Report and a Sustainability Summary Report are published each year. The Sustainability Summary Report identifies BHP Billiton's targets for health, safety, environment and community matters and its performance against those targets.

The Sustainability Report is published at the same time as the Annual Report and can be found at <http://sustainability.bhpbilliton.com/2006/>.

For further information on BHP Billiton's approach to health, safety, environment and community matters, refer to pages 46 to 49 and 79 to 80 of this Annual Report.

### 9. Conformance with corporate governance standards

BHP Billiton's compliance with the governance standards in each of the jurisdictions in which it operates is summarised in this Corporate Governance Statement, the Remuneration Report, the Directors' Report and the financial statements.

The Listing Rules of the UK Listing Authority require UK-listed companies to report on the extent to which they comply with the Principles of Good Governance and Code of Best Practice, which are contained in Section 1 of the Combined Code, and explain the reasons for any non-compliance.

The Listing Rules of the Australian Stock Exchange require Australian-listed companies to report on the extent to which they meet the Best Practice Recommendations published by the Australian Stock Exchange Corporate Governance Council as part of its Principles of Good Corporate Governance (Best Practice Recommendations) and explain the reasons for any non-compliance.

Both the Combined Code and the Best Practice Recommendations require the Board to consider the application of the relevant corporate governance principles, while recognising that departures from those principles are appropriate in some circumstances. BHP Billiton has complied with the provisions set out in Section 1 of the Combined Code.

A checklist summarising BHP Billiton's compliance with the UK Combined Code and the Best Practice Recommendations has been posted to the website at [www.bhpbilliton.com/aboutus/governance](http://www.bhpbilliton.com/aboutus/governance).

BHP Billiton has complied with the Best Practice Recommendations throughout the financial period and has continued to comply up to the date of this Annual Report.

BHP Billiton Limited and BHP Billiton Plc are registrants of the Securities and Exchange Commission in the US. Both companies are classified as foreign private issuers and both have American Depositary Receipts listed on the New York Stock Exchange (NYSE).

BHP Billiton has reviewed the governance requirements currently applicable to foreign private issuers under the Sarbanes-Oxley Act (US) including the rules promulgated by the Securities and Exchange Commission and the rules of the NYSE and is satisfied that it complies with those requirements.

Section 303A of the NYSE Listed Company Manual has instituted a broad regime of new corporate governance requirements for NYSE-listed companies. Under the NYSE rules foreign private issuers, such as BHP Billiton Limited and BHP Billiton Plc, are permitted to follow home country practice in lieu of the requirements of Section 303A, except for the rule relating to compliance with Rule 10A-3 of the Securities Exchange Act of 1934 (Rule 10A-3) and certain notification provisions contained in Section 303A of the Listed Company Manual. Section 303A.11 of the Listed Company Manual, however, requires BHP Billiton to disclose any significant ways in which its corporate governance practices differ from those followed by US-listed companies under the NYSE corporate governance standards. Following a comparison of BHP Billiton's corporate governance practices with the requirements of Section 303A of the NYSE Listed Company Manual that would otherwise currently apply to foreign private issuers, the following differences were identified:

- Our Nomination Committee Charter does not include the purpose of developing and recommending to the Board a set of corporate governance principles applicable to the corporation. At BHP Billiton we believe that this task is integral to the governance of the Group and is therefore best dealt with by the Board as a whole.

- Rule 10A-3 of the Securities Exchange Act of 1934 requires NYSE-listed companies to ensure that their audit committees are directly responsible for the appointment, compensation, retention and oversight of the work of the external auditors unless the company's governing law or documents or other home country legal requirements require or permit shareholders to ultimately vote on or approve these matters. While BHP Billiton's Risk and Audit Committee (RAC) is directly responsible for remuneration and oversight of External Auditors, the ultimate responsibility for appointment and retention of External Auditors rests with BHP Billiton's shareholders, in accordance with Australian and UK law and BHP Billiton's constitutional documents. The RAC does, however, make recommendations to the Board on these matters, which are in turn reported to shareholders.

While the Board of BHP Billiton is satisfied with its level of compliance with the governance requirements in Australia, the UK and the US, it recognises that practices and procedures can always be improved, and that there is merit in continuously reviewing its own standards against those in a variety of jurisdictions. The Board's program of review will continue throughout the year ahead.