

Section 5

Corporate Governance Statement

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5 Corporate Governance Statement

5.1 Governance at BHP Billiton

'BHP Billiton's Corporate Objective is to create long-term value for shareholders 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 long-term shareholder value. Our expectations of our employees and those to whom we contract business are set out in our *Code of Business Conduct*.

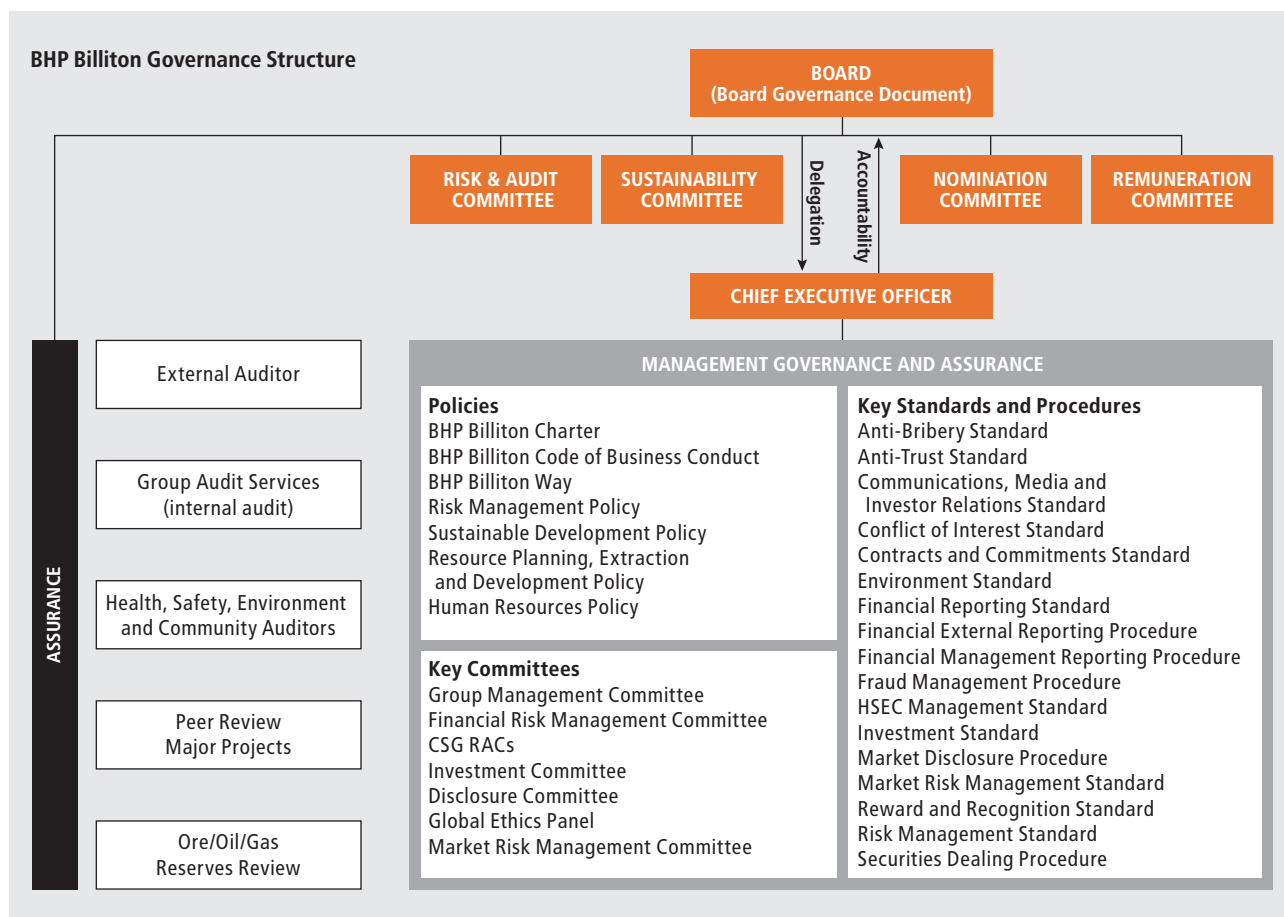
This statement outlines our system of governance. Shareholders are reminded that we operate as a single economic entity under a Dual Listed Company (DLC) structure with a unified Board and management. We have primary listings in Australia and the UK and are registered with the US Securities and Exchange Commission 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 the Board has resolved to adopt what we consider to be the better of the prevailing standards.

It is our view that governance is not just a matter for the Board; a good governance culture must be fostered throughout the organisation.

The current economic and business environment underscores the need for continued high standards of corporate governance. There is a heightened level of interest in companies' approaches to risk management and assurance. While the Board and the Risk and Audit Committee (RAC) are at the apex of the Group's risk management and assurance framework, the diagram in section 5.5.1 highlights one additional aspect of BHP Billiton's approach – the use of Customer Sector Group Risk and Audit Committees (CSG RACs), chaired by a Board RAC member. While CSG RACs are management committees, and therefore do not entail any delegation of responsibility from the Board's RAC, the Board believes that the link back to the RAC facilitates a deeper understanding of risk management and assurance issues throughout the Group.

This is also clearly a time where engagement with shareholders is more important than ever. As representatives of shareholders accountable to them for the Group's performance, it is a key part of the Board's approach to governance to ensure shareholders' views are heard and understood. The Board governs the Group consistent with our long-stated business strategy and commitment to a transparent and high-quality governance system.'

Don Argus, Chairman



5 Corporate Governance Statement continued

5.2 Shareholder engagement

The Board represents the Group's shareholders and is accountable to them for creating and delivering value through the effective governance of the business.

The Board has developed a strategy for engaging and communicating with shareholders, key aspects of which are outlined below.

Shareholders vote on important matters affecting the business, including the election of Directors, changes to our constitutional documents, the receipt of annual financial statements and incentive arrangements for executive Directors.

Shareholders are encouraged to make their views known to us and to raise directly any matters of concern. The Chairman has regular meetings with institutional shareholders and investor representatives to discuss governance matters. The Remuneration Committee Chairman also meets with institutional shareholders and investor representatives to discuss executive remuneration issues. In each case the views and concerns that have been raised are reported to the Board, which facilitates other Directors developing an understanding of the views of major shareholders. The Chief Executive Officer (CEO), Chief Financial Officer (CFO) and investor relations team meet regularly with institutional shareholders to discuss our strategy, financial and operating performance.

The Dual Listed Company structure means that Annual General Meetings of BHP Billiton Plc and BHP Billiton Limited are held in the United Kingdom and Australia around late October and November, respectively, each year. Shareholders are encouraged to attend the Annual General Meetings and to use these opportunities to ask 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. Questions that have been lodged ahead of the meeting, and the answers to them, are posted to our website. The External Auditor attends the Annual General Meetings and is available to answer questions. Shareholders may appoint proxies electronically through our website. The Notice of Meeting describes how this can be done.

Proceedings at shareholder meetings and important briefings are broadcast live from our website. Copies of the speeches delivered by the Chairman and CEO to the Annual General Meetings, a summary of the proceedings and the outcome of voting on the items of business are posted to our website following both meetings.

5.3 Board of Directors

5.3.1 Role and responsibilities

The Board's role is to represent the shareholders and it is accountable to them for creating and delivering value through the effective governance of the business.

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.

The matters that the Board has specifically reserved for its decision are:

- the appointment of the CEO and approval of the appointments of direct reports to the CEO
- approval of the overall strategy and annual budgets of the business
- 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 CEO remains accountable to the Board for the authority that is delegated, and for the performance of the business. The Board monitors the decisions and actions of the CEO and the performance of the business 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 5.5.

The CEO is required to report regularly in a spirit of openness and trust on the progress being made by the business. The Board and its Committees determine the information required from the CEO and any employee or external party, including the External 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 our business.

Key activities during the year

A key challenge for the Board has been governing the Group, with management, through the current global recession and depressed commodity markets the likes of which have rarely been encountered. The Group has a long-held strategy of investing and developing long-life, low-cost, expandable, export-oriented, tier 1 assets while maintaining a solid A credit rating and, while we are clearly affected by the downturn in commodity demand, we have a very sound balance sheet and are well positioned to take advantage of the recovery as it occurs.

An important decision made by the Board during the year was not to pursue the pre-conditional offers for Rio Tinto in the light of altered risk dimensions. The Board subsequently considered, and approved, the entry into a non-binding agreement with Rio Tinto to establish a production joint venture covering the entirety of both companies' Western Australian iron ore assets.

Another significant task undertaken by the Board is the succession process for the Chairman. This is discussed in more detail in section 5.4.3. This process is owned by the Board as a whole, with the Nomination Committee supporting the process and the Board in its decision-making.

The Board also considered major business decisions, including capital projects and capital management strategies. Examples of capital projects approved by the Board are:

- A major capacity expansion at Western Australia Iron Ore, known as Rapid Growth Project 5 (RGP5). RGP5 is designed to increase installed capacity across our Western Australia Iron Ore operations by 50 million tonnes to 205 million tonnes per annum (100 per cent basis). The Board approved capital expenditure of approximately US\$4.8 billion.
- Further expansion of the Bass Strait Turrum oil and gas field. In July 2008, the Board approved capital expenditure of approximately US\$625 million.

The Board is satisfied that it has discharged its obligations as set out in the *Board Governance Document*.

5.3.2 Membership

The Board currently has 14 members. Of these, 13, including the Chairman, are independent non-executive Directors. The 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 in section 5.3.5.

Alan Boeckmann and Keith Rumble joined the Board on 1 September 2008, and Wayne Murdy joined the Board on 18 June 2009. David Jenkins has indicated his intention to retire from the Board at the conclusion of the 2009 Annual General Meetings. In addition, as announced in early August, Jacques Nasser will succeed Don Argus as Chairman when Mr Argus retires as Chairman and a non-executive Director in early 2010. A succession planning process for the Chairman of the Risk and Audit Committee, David Crawford, is also under way. Section 5.4.3 contains further details about succession planning.

The Board considers that there is an appropriate balance between executive and non-executive Directors, with a view to promoting shareholder interests and governing the business effectively. While the Board includes a smaller number of executive Directors than is common for UK listed companies, its composition is appropriate for the Dual Listed Company structure and is in line with Australian listed company practice. In addition, the Board has extensive access to members of senior management. Members of the Group Management Committee (the most senior executives in the Group) attend all the regularly scheduled Board meetings, by invitation, where they make presentations and engage in discussions with Directors, answer questions, and provide input and perspective on their areas of responsibility. The Board also deliberates in the absence of management, for part of each meeting.

The Directors of the Group are:

- Mr Don Argus (Chairman)
- Mr Marius Kloppers
- Mr Paul Anderson
- Mr Alan Boeckmann
- Dr John Buchanan
- Mr Carlos Cordeiro
- Mr David Crawford
- The Hon E Gail de Planque
- Dr David Jenkins
- Dr David Morgan
- Mr Wayne Murdy
- Mr Jacques Nasser
- Mr Keith Rumble
- Dr John Schubert

The biographical details of the Directors are set out in section 4.1 of this Annual Report.

5.3.3 Skills, knowledge, experience and attributes of Directors

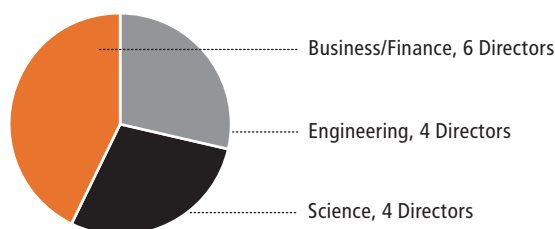
The Board considers that the executive and non-executive Directors together have the range of skills, knowledge and experience necessary to enable them to effectively govern the business. The non-executive Directors contribute international and operational experience; understanding of the sectors in which we operate; knowledge of world capital markets; and an understanding of the health, safety, environmental and community challenges that we face. The executive Director brings additional perspectives to the Board's work through a deep understanding of the Group's business.

Directors must demonstrate unquestioned honesty and integrity, 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 business.

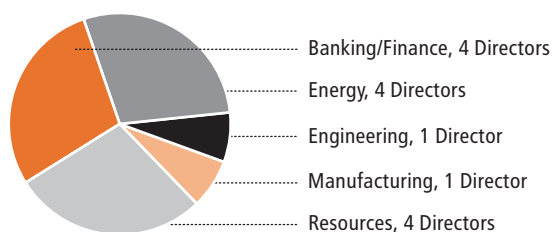
Directors commit to the collective decision-making processes of the Board. Individual Directors are required to debate issues openly and constructively and be free to question or challenge the opinions of others.

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.

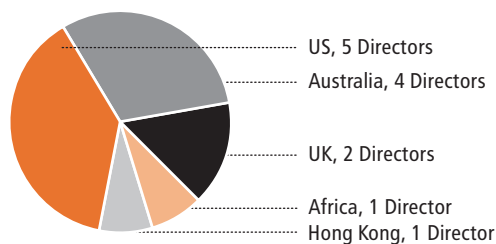
Director qualifications



Director industry background/experience



Non-executive Director locations



5 Corporate Governance Statement continued

5.3.4 Chairman

The Chairman, 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. As discussed in further detail in section 5.4.3, Mr Argus will retire as Chairman and as a Director in early 2010, at which time Jacques Nasser will become Chairman.

The Chairman is responsible for:

- ensuring that the principles and processes of the Board are maintained, including the provision of accurate, timely and clear information
- encouraging debate and constructive criticism
- setting agendas for meetings of the Board, in conjunction with the CEO and Group Company Secretary, that focus on the strategic direction and performance of our business
- leading the Board and individual Director performance assessments
- speaking and acting for the Board and representing the Board to shareholders
- presenting shareholders' views to the Board
- facilitating the relationship between the Board and the CEO.

The Board considers that none of Mr Argus' other commitments (set out in section 4.1 of this Annual Report) interfere with the discharge of his responsibilities to the Group. The Board is satisfied that he makes sufficient time available to serve the Group effectively.

The Group does not have a Deputy Chairman, but has identified John Schubert to act as Chairman should the need arise at short notice. John Buchanan is the Senior Independent Director for BHP Billiton Plc.

5.3.5 Independence

The Board 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 Policy on Independence of Directors is available at www.bhpbilliton.com/aboutus/governance.

The Policy provides that the test of independence is whether the Director is: '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 is set out below.

Tenure

The Board has a policy requiring non-executive Directors who have served on the Board for nine years or more from the date of their first election to stand for annual re-election after the conclusion of their current term.

Two Directors, Don Argus and David Crawford, have served on the Board for more than nine years from the date of their first election. Mr Argus will retire as Chairman and as a Director

in early 2010, and a succession planning process is under way for the Risk and Audit Committee Chairman (a position currently held by Mr Crawford). Both Mr Argus and Mr Crawford are standing for re-election at the 2009 Annual General Meetings, having undergone a formal performance assessment. The Board does not believe that either of these Directors has served for a period that could materially interfere with their ability to act in the best interests of the Group. The Board also believes that they 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.

Retirement plan

The former Directors of BHP Limited (Don Argus, David Crawford, David Jenkins and 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, have been preserved 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.

Relationships and associations

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 considers this matter on an annual basis 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 is considered by the Board to be appropriate and desirable. As discussed in section 5.4.3, a succession planning process is under way for the Risk and Audit Committee Chairman.

In June 2006, the Board reappointed former Chief Executive Officer Paul Anderson as a non-executive Director. Before appointing Mr Anderson, the Board considered his independence in light of the Policy on Independence of Directors, the UK Combined Code and the ASX Corporate Governance Council Principles and Recommendations. Each of these include that a measure of independence is whether a Director is a former executive. The Policy on Independence of Directors and the UK Combined Code use a five-year time frame, while the ASX Corporate Governance Council uses a benchmark of three years between leaving executive office and joining the board. The Board considers Mr Anderson to be independent. At the time of his appointment as non-executive Director, almost four years had elapsed since Mr Anderson had retired as Chief Executive Officer. The Board maintains the view that this previous employment history does not interfere with his objective, unfettered or independent judgement or affect his ability to act in the best interests of the Group.

Some of the Directors hold or previously held positions in companies with which we have commercial relationships. Those positions and companies are set out in section 4.1 of this Annual Report. The Board has assessed all of the relationships between the Group and companies in which Directors hold or held positions and has 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 our business. A specific instance is Alan Boeckmann, who is the Chairman and CEO of Fluor Corporation, a company with which BHP Billiton has commercial dealings. Fluor Corporation operates in the engineering, procurement, construction and project management sectors, and it is Mr Boeckmann's breadth of current management

5.3.5 Independence *continued*

experience across these sectors that brings significant value to the Board. Prior to and since the appointment of Mr Boeckmann as a Director, the Board has assessed the relationships between BHP Billiton and Fluor Corporation, and remains satisfied that Mr Boeckmann is able to apply objective, unfettered and independent judgement and act in the best interests of the BHP Billiton Group notwithstanding his role with Fluor Corporation. In addition, no commercial dealings with Fluor Corporation were discussed at Board or Board Committee level, and to the extent they are in the future Mr Boeckmann will absent himself fully from those deliberations.

Transactions during the year that amounted to related-party transactions with Directors or Director-related entities under International Financial Reporting Standards (IFRS) are outlined in note 32 'Key Management Personnel' to the financial statements.

Don Argus and Jacques Nasser hold cross-directorships as they are both members of the International Advisory Board of Allianz Aktiengesellschaft. The Board has assessed these relationships and 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 Group's best interests.

Executive Director

The executive Director, Marius Kloppers, is not considered independent because of his executive responsibilities. Mr Kloppers does not hold directorships in any other company included in the ASX 100 or FTSE 100.

Conflicts of interest

In October 2008, provisions of the UK Companies Act 2006 took effect, requiring directors to avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. In accordance with the Act, BHP Billiton Plc's Articles of Association were amended at the 2008 Annual General Meetings to allow the Directors to authorise conflicts and potential conflicts where appropriate. A procedure operates to ensure the disclosure of conflicts, and for the consideration and, if appropriate, the authorisation of them by non-conflicted Directors. The Nomination Committee supports the Board in this process, both by reviewing requests from Directors for authorisation of situations of actual or potential conflict and making recommendations to the Board, and by regularly reviewing any situations of actual or potential conflict that have previously been authorised by the Board, and making recommendations regarding whether the authorisation remains appropriate.

5.3.6 Senior Independent Director

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

5.3.7 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.

5.3.8 Induction and training

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

A copy of an indicative induction program is available at 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. The training and development program covers not only matters of a business nature, but also matters falling into the environmental, social and governance (ESG) area. One of the outcomes of the externally assisted review of Board Committees in 2008 was that the Nomination Committee should have oversight of the Directors' Training and Development Program. The Nomination Committee's Terms of Reference have been amended accordingly. The benefit of this approach is that induction and learning opportunities can be tailored to Directors' Committee memberships, and that the process in relation to Committee composition, succession and training and development is coordinated to ensure a link with the Nomination Committee's role in securing the supply of talent to the Board.

5.3.9 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.

5.3.10 Remuneration

Details of our remuneration policies and practices and the remuneration paid to the Directors (executive and non-executive) are set out in the Remuneration Report in section 6 of this Annual Report. Shareholders will be invited to consider and to approve the Remuneration Report at the 2009 Annual General Meetings.

5.3.11 Share ownership

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. All dealings by Directors are subject to the Group's Securities Dealing Procedure and are reported to the Board and to the stock exchanges.

Information on our policy governing the use of hedge arrangements over shares in BHP Billiton by both Directors and members of the Group Management Committee is set out in section 6.1.2 of this Annual Report.

Details of the shares held by Directors are set out in section 7.20 of this Annual Report.

5.3.12 Meetings

The Board meets as often as necessary to fulfil its role. During the reporting year it met 12 times, with seven of those meetings being held in Australia, three in the UK, one in the US and one in China. Generally, meetings run for two days. The non-executive Directors meet at the end of each Board meeting in the absence of the executive Director and management. Attendance by Directors at Board and Board Committee meetings is set out in the table in section 5.4.1.

Members of the Group Management Committee and other members of senior management attended meetings of the Board by invitation. Senior managers delivered presentations on the status and performance of our businesses and matters reserved for the Board, including the approval of budgets, annual financial statements and business strategy.

5 Corporate Governance Statement continued

5.3.13 Company Secretaries

Jane McAloon is the Group Company Secretary. The Group Company Secretary is responsible for developing and maintaining the information systems and processes that enable the Board to fulfil its role. The Group Company Secretary is also responsible to the Board for ensuring that Board procedures are complied with and advising the Board on governance matters. All Directors have access to the Group Company Secretary for advice and services. Independent advisory services are retained by the Group Company Secretary at the request of the Board or Board Committees. Ms McAloon is supported by Fiona Smith, who is Deputy Company Secretary of BHP Billiton Limited, and Elizabeth Hobley and Geof Stapledon, who are Deputy Company Secretaries of BHP Billiton Plc. The Board appoints and removes the Company Secretaries.

5.4 Board of Directors – Review, re-election and renewal

5.4.1 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 conducts regular evaluations of its performance, its Committees, the Chairman, individual Directors and the governance processes that support Board work. The evaluation of the Board's performance is conducted by focusing on individual Directors in one year and the Board as a whole in the following year. In addition, the Board conducts evaluations of the performance of Directors retiring and seeking re-election and uses the results of the evaluation when considering the re-election of Directors. External independent advisers are engaged to assist these processes as necessary. It is thought that the involvement of an independent third party has assisted the evaluation processes to be both rigorous and fair. This year, there was an externally assisted evaluation of individual Directors that started in the previous financial year. In addition there was an internal review of the performance of the Board

as a whole (the previous Board review was facilitated externally) and an internal review of each Board Committee to ensure they continue to satisfy their Terms of Reference. The review of the Board as a whole indicated that the Board is continuing to function effectively and in accordance with the terms of the *Board Governance Document*.

The evaluation of individual Directors focuses on the contribution of the Director to the work of the Board and the expectations of Directors as specified in the Group's governance framework. The performance of individual Directors is assessed against a range of criteria, including the ability of the Director to:

- consistently take the perspective of creating shareholder value
- contribute to the development of strategy
- understand the major risks affecting the business
- provide clear direction to management
- contribute to Board cohesion
- commit the time required to fulfil the role
- listen to and respect the ideas of fellow Directors and members of management.

The effectiveness of the Board as a whole and of its Committees is assessed against the accountabilities set down in the *Board Governance Document* and each of the Committees' Terms of Reference. Matters considered in the assessment include:

- the effectiveness of discussion and debate at Board and Committee meetings
- the effectiveness of the Board's and Committees' processes and relationship with management
- the quality and timeliness of meeting agendas, Board and Committee papers and secretariat support
- the composition of the Board and each Committee, focusing on the blend of skills and experience.

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

Information about the performance review process for executives is set out in section 5.7.

Attendance at Board and Board Committee meetings during the year ended 30 June 2009

	Board		Risk and Audit		Nomination		Remuneration		Sustainability	
	A	B	A	B	A	B	A	B	A	B
Paul Anderson	12	12							7	7
Don Argus	12	12			7	7				
Alan Boeckmann ⁽¹⁾	11	11					3	3		
John Buchanan	12	12			7	7	7	7		
Carlos Cordeiro	12	12					7	6		
David Crawford	12	12	9	9						
E Gail de Planque	12	12					7	7	7	7
David Jenkins	12	12	9	9			7	7		
Marius Kloppers	12	12								
David Morgan	12	12	9	9						
Wayne Murdy ⁽²⁾	1	1	1	1						
Jacques Nasser	12	12	9	7						
Keith Rumble ⁽³⁾	11	11							3	3
John Schubert	12	12			7	7			7	7

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.

⁽¹⁾ Alan Boeckmann was appointed to the Board on 1 September 2008, and to the Remuneration Committee on 29 January 2009.

⁽²⁾ Wayne Murdy was appointed to the Board on 18 June 2009, and to the Risk and Audit Committee on 23 June 2009.

⁽³⁾ Keith Rumble was appointed to the Board on 1 September 2008, and to the Sustainability Committee on 29 January 2009.

5.4.2 Re-election

At least one-third of Directors retire at each Annual General Meeting. Directors are not appointed for a fixed term and 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 4.1 of this Annual Report.

In addition, the Board has a policy 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.

Board support for 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.

5.4.3 Renewal

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

- considers the skills, knowledge and experience necessary to allow it to meet the strategic vision for the business
- 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 who brings those traits
- reviews how Board performance might be enhanced, both at an individual Director level and for the Board as a whole.

The Board believes that an orderly succession and renewal process is in the best interests of the Group. The Board believes that orderly succession and renewal is achieved as a result of careful planning, where the appropriate composition of the Board is continually under review.

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
- strategic mind set, an awareness of market leadership, outstanding monitoring skills
- a preparedness to question, challenge and critique
- an independent point of view.

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

Chairman succession

As announced in early August, Jacques Nasser will succeed Don Argus as Chairman when Mr Argus retires as Chairman and a non-executive Director in early 2010. The decision to appoint Mr Nasser was agreed by the Board following a comprehensive 18-month selection process. The Board oversaw the entire succession process and was assisted in its deliberations by the Nomination Committee. Senior Independent Director for BHP Billiton Plc, John Buchanan, chaired the Board and the Nomination Committee during consideration of all matters relating to succession and internal candidates were not involved in any deliberations. In addition, the international recruitment firm, Heidrick & Struggles, was engaged as independent adviser by the Board to assist in deliberations and consideration of both internal and external candidates. KPMG supported the final process as scrutineer of a secret ballot. The Director renewal process in place for the past seven years ensured high-quality internal candidates. The process adopted by the Board complied with best practice governance requirements, including the UK Combined Code's recommendation that the incumbent Chairman not chair the Board or the Nomination Committee when chairman succession is being considered.

Risk and Audit Committee Chairman succession

A succession planning process for the Chairman of the Risk and Audit Committee is also under way. The Board has determined that it is in the Group's best interests for the succession process for the Board Chairman and the Risk and Audit Committee Chairman to be conducted sequentially.

5.5 Board Committees

The Board has established Committees to assist it in exercising its authority, including monitoring the performance of the business 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. Other 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.

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.

5 Corporate Governance Statement continued

5.5.1 Risk and Audit Committee Report

The Risk and Audit Committee (RAC) met nine times during the year. Information on meeting attendance by Committee members is included in the table in section 5.4.1.

Risk and Audit Committee members during the year

Name	Status
David Crawford (Chairman) ⁽¹⁾	Member for whole period
David Jenkins	Member for whole period
David Morgan	Member for whole period
Wayne Murdy	Member from 23 June 2009
Jacques Nasser	Member for whole period

⁽¹⁾ The Board has nominated David 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 and to gain assurance that progress is being made towards the Corporate Objective within the CEO limits. The RAC undertakes this by overseeing:

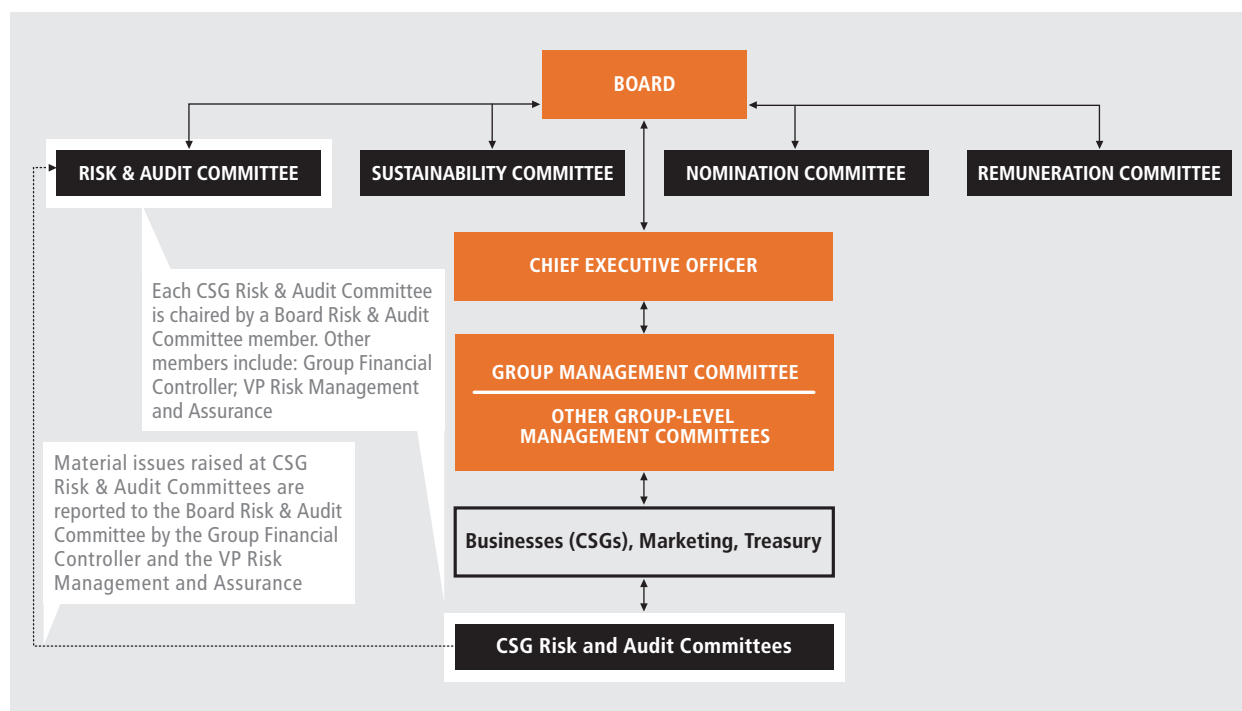
- the integrity of the financial statements
- the appointment, remuneration, qualifications, independence and performance of the External Auditor and the integrity of the audit process as a whole

- the performance and leadership of the internal audit function
- the effectiveness of the system of internal controls and risk management
- compliance with applicable legal and regulatory requirements
- compliance by management with constraints imposed by the Board.

CSG Risk and Audit Committees

To assist management in providing the information necessary to allow the RAC to discharge its responsibilities, Risk and Audit Committees have been established for our Customer Sector Groups (CSGs) and key functional areas such as Marketing and Treasury. As illustrated in the diagram below, these Committees, known as CSG RACs, have been established and operate as committees of management, but are chaired by members of the RAC. They perform an important monitoring function in the overall governance of the Group.

Significant financial and risk matters raised at CSG RAC meetings are reported to the RAC by the Group Financial Controller and the Vice President Risk Management and Assurance.



5.5.1 Risk and Audit Committee Report *continued*

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 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 2009 financial statements present a true and fair view, in all material respects, of our financial condition and operating results and are in accordance with applicable regulatory requirements.

External Auditor

The RAC manages the relationship with the External Auditor on behalf of the Board. It considers the reappointment of the External Auditor each year, as well as remuneration and other terms of engagement, and makes a recommendation to the Board. The last competitive audit review was in 2003, when KPMG was appointed by the Board on the recommendation of the RAC. There are no contractual obligations that restrict the RAC's capacity to recommend a particular firm for appointment as auditor. Shareholders are asked to approve the reappointment of the auditor each year in the UK.

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

- confirming that the External Auditor is, in its 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 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 our business to the External Auditor and assessing whether that importance impairs, or appears to impair, the External Auditor's judgement or independence.

The External Auditor also certifies its independence to the RAC.

The audit engagement partner rotates every five years.

Although the External Auditor does provide some non-audit services, the objectivity and independence of the External Auditor is safeguarded through restrictions on the provision of these services. For example, certain types of non-audit service may only be undertaken by the External Auditor with the prior approval of the RAC, while other services may not be undertaken at all, including services where the External Auditor:

- 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 our business.

Our Policy on Provision of Audit and Other Services by the External Auditor can be viewed at www.bhpbilliton.com/aboutus/governance.

Fees paid to the Group's External Auditor during the year for audit and other services were US\$25.1 million, of which 58 per cent comprised audit fees, 24 per cent related to legislative requirements (including Sarbanes-Oxley) and 18 per cent for other services. Details of the fees paid are set out in note 36 'Auditor's remuneration' to the financial statements.

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

Internal Audit

The Internal Audit function is carried out internally by Group Audit Services (GAS). The role of GAS is to determine whether risk management, control and governance processes are adequate and functioning. The Internal Audit function is independent of the External Auditor. The RAC reviews the mission and charter of GAS, the staffing levels and its scope of work to ensure that it is appropriate in light of the key risks we face. It also reviews and approves the annual internal audit plan.

The RAC also approves the appointment and dismissal of the Vice President Risk Management and Assurance and assesses his or her performance, independence and objectivity. The role of the Vice President Risk Management and Assurance includes achievement of the internal audit objectives, risk management policies, standards and procedures, and insurance strategy. The position is held by Stefano Giorgini. Mr Giorgini reports to management and has all necessary access to management and the right to see information and explanations, and has unfettered access to the RAC.

5 Corporate Governance Statement continued

5.5.1 Risk and Audit Committee Report continued

Effectiveness of systems of internal control and risk management

In delegating authority to the CEO, the Board has established CEO limits set out in the Board Governance Document. 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.

The RAC is responsible for the oversight of risk management and reviews the internal controls and risk management systems. In undertaking this role the RAC reviews the following:

- procedures 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
- budgeting and forecasting systems, financial reporting systems and controls
- policies and practices put in place by the CEO for detecting, reporting and preventing fraud and serious breaches of business conduct and whistle-blowing procedures
- procedures for ensuring compliance with relevant regulatory and legal requirements
- arrangements for protecting intellectual property and other non-physical assets
- operational effectiveness of the CSG RAC structures
- overseeing the adequacy of the internal controls 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.

For further discussion on our approach to risk management, refer to section 5.6.

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 Annual Report in accordance with the UK Combined Code on Corporate Governance (Turnbull Guidance) and the Principles and Recommendations published by the ASX Corporate Governance Council. These reviews covered financial, operational and compliance controls and risk assessment. During the year, management presented an assessment of the material business risks facing the Group and the level of effectiveness of risk management over the material business risks. The reviews were overseen by the RAC, with findings and recommendations reported to the Board. In addition to considering key risks facing the Group, the Board received an assessment of the effectiveness of internal controls over key risks identified through the work of the Board Committees. The Board is satisfied that the effectiveness of the internal controls has been properly reviewed.

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 our compliance with the obligations imposed by the US Sarbanes-Oxley Act, including evaluating and documenting internal controls as required by section 404 of the Act.

Our management, with the participation of our CEO and CFO, has performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of 30 June 2009. Disclosure controls and procedures are designed to provide reasonable assurance that the material financial and non-financial information required to be disclosed by BHP Billiton, including in the reports that it files or submits under the US Securities Exchange Act of 1934, is recorded, processed, summarised and reported on a timely basis and that such information is accumulated and communicated to BHP Billiton's management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. Based on the foregoing, our management, including the CEO and CFO, has concluded that our disclosure controls and procedures are effective in providing that reasonable assurance.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Further, in the design and evaluation of our disclosure controls and procedures, our management was necessarily required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures.

There have been no changes in our internal control over financial reporting (as that term is defined by the US Securities Exchange Act of 1934) during FY2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Assessment of RAC performance

During the year, the RAC assessed its performance in accordance with its Terms of Reference. As a result of that assessment, the Committee is satisfied it has met its Terms of Reference.

5.5.2 Remuneration Committee Report

The Remuneration Committee met seven times during the year. Information on meeting attendance by Committee members is included in the table in section 5.4.1.

Remuneration Committee members during the year	
Name	Status
John Buchanan (Chairman)	Member for whole period
Alan Boeckmann	Member from 29 January 2009
Carlos Cordeiro	Member for whole period
E Gail de Planque	Member for whole period
David Jenkins	Member for whole period

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 and the CEO's direct reports, and its general application to all employees
- the determination of levels of reward for 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 Board Chairman
- communication to shareholders regarding remuneration policy and the Committee's work on behalf of the Board, including the preparation of the Remuneration Report for inclusion in the Annual Report
- compliance with applicable legal and regulatory requirements associated with remuneration matters.

Activities undertaken during the year

Full details of the Committee's work on behalf of the Board are set out in the Remuneration Report in section 6.

During the year, the Committee assessed its performance in accordance with its Terms of Reference. As a result of that assessment, the Committee is satisfied it has met its Terms of Reference.

5.5.3 Nomination Committee Report

The Nomination Committee met seven times during the year. Information on meeting attendance by Committee members is included in the table in section 5.4.1.

Nomination Committee members during the year	
Name	Status
Don Argus (Chairman) ⁽¹⁾	Member for whole period
John Buchanan	Member for whole period
John Schubert	Member for whole period

⁽¹⁾ The Committee was chaired by John Buchanan while the succession of the Board Chairman was being considered.

Role and focus

The role of the Committee is to assist in ensuring that the Board comprises 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 may be required
- retaining the services of independent search firms and identifying suitable candidates for the Board
- 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 5.4.2)
- the provision of appropriate training and development opportunities for Directors
- supporting the Board in its review and, where appropriate, authorisation of actual and potential conflicts (refer to section 5.3.5)
- communicating to shareholders regarding the work of the Committee on behalf of the Board.

Following a review of all Board Committees in 2008, the Terms of Reference of the Nomination Committee were amended during the year to provide that the Nomination Committee assists the Board in management of any situations of actual or potential conflict (refer to section 5.3.5). The Terms of Reference were also amended to reflect that the Nomination Committee assumed oversight of training and development activity for all Directors. The Board considers that this will enhance the Committee's ongoing consideration and review in relation to the appropriate skills mix for the Board.

Activities undertaken during the year

There were changes to the composition of the Board during the year. Alan Boeckmann and Keith Rumble joined the Board on 1 September 2008, and Wayne Murdy joined the Board on 18 June 2009. David Jenkins has indicated his intention to retire from the Board at the conclusion of the 2009 Annual General Meetings. In addition, as discussed in section 5.4.3, the Nomination Committee played a significant role supporting the Board during the Chairman succession process at which time John Buchanan chaired the meeting. The Committee retained the services of Heidrick & Struggles and Egon Zehnder to assist in the identification of potential candidates for the Board.

During the year, the Committee assessed its performance. As a result of that assessment, the Committee is satisfied that it is functioning effectively and it has met its Terms of Reference.

5.5.4 Sustainability Committee Report

The Sustainability Committee met seven times during the year. Information on meeting attendance by Committee members is included in the table in section 5.4.1.

Sustainability Committee members during the year	
Name	Status
John Schubert (Chairman)	Member for whole period
Paul Anderson	Member for whole period
E Gail de Planque	Member for whole period
Keith Rumble	Member from 29 January 2009

Role and focus

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

- the effectiveness of the Group’s policies and systems associated with health, safety, environment and community (HSEC) matters
- our compliance with applicable legal and regulatory requirements associated with HSEC matters
- our performance in relation to HSEC matters
- the performance and leadership of the HSEC and the Sustainable Development functions
- HSEC risks
- our Annual Sustainability Summary Report
- communication to shareholders regarding the work of the Committee on behalf of the Board.

Sustainable development governance

Our approach to HSEC and sustainable development governance is characterised by:

- the Sustainability Committee overseeing the HSEC matters across the Group
- business line management having primary responsibility and accountability for HSEC performance
- the HSEC function providing advice and guidance directly, as well as through a series of networks across the business
- seeking input and insight from external experts such as our Forum for Corporate Responsibility
- clear links between remuneration and HSEC performance.

Activities undertaken during the year

During the year, the Sustainability Committee considered reports on HSEC audits, learnings from fatal accidents, and the potential impact of climate change regulation on the Group’s portfolios and actions being taken to manage the implications of this regulation. It also reviewed the Group’s performance against the HSEC public targets and the Key Performance Indicators for the HSEC and Sustainable Development functions. The Committee also reviewed the performance of the Vice President HSEC and Sustainable Development. The Committee reviewed and recommended to the Board the approval of the annual Sustainability Summary Report for publication. The Sustainability Summary Report identifies our targets for HSEC matters and our performance against those targets.

A copy of the Sustainability Summary Report and further information can be found at www.bhpbilliton.com/sustainabledevelopment.

The Committee also assessed its performance in accordance with its Terms of Reference. As a result of that assessment, the Committee is satisfied it has met its Terms of Reference.

5.6 Risk management

5.6.1 Approach to risk management

We believe that the identification and management of risk is central to achieving the corporate objective of delivering long-term value to shareholders. Each year, the Board reviews and considers the risk profile for the whole business. This risk profile covers both operational and strategic risks.

The Board has delegated the oversight of risk management to the RAC. In addition, the Board specifically requires the CEO to implement a system of control 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.

The Group has established a Risk Management Policy with supporting Standards and Procedures that provides an overarching and consistent framework for the assessment and management of risks. Risks are ranked using a common methodology. Where a risk is assessed as material it is reported and reviewed by senior management. During the year, updated Risk Management Standards were approved and implemented across the Group.

Our Risk Management Policy can be found at www.bhpbilliton.com/aboutus/governance.

5.6.2 Business risks

The scope of our operations and the number of industries in which we operate and engage mean that a range of factors may impact our results. Material risks that could negatively affect our results and performance include:

- impacts arising from the global financial crisis
- fluctuations in commodity prices
- fluctuations in currency exchange rates
- influence of demand from China and related investments seeking resource security
- failure to discover new reserves, maintain or enhance existing reserves or develop new operations
- actions by governments, including additional taxation, infrastructure development and political events in the countries in which we operate
- inability to successfully integrate acquired businesses
- inability to recover investments in mining and oil and gas projects
- non-compliance to the Group's standards by non-controlled assets
- operating cost pressures and shortages could negatively impact our operating margins and expansion plans
- impact of increased costs or schedule delays on development projects
- impact of health, safety, environmental and community exposures and related regulations on operations and reputation
- unexpected natural and operational catastrophes
- climate change and greenhouse effects
- inadequate human resource talent pool
- breaches in information technology security
- breaches in governance processes.

These risks are described in more detail in section 1.5.

5.6.3 Risk management governance structure

The principal aim of the Group's risk management governance structure and internal control systems is to manage business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets.

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 our reporting and effectiveness of our systems of internal control and risk management. The governance assurance diagram in section 5.1 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 RACs, the Risk Management Policy and internal audit.

CSG Risk and Audit Committees

The CSG RACs illustrated in the diagram in section 5.5.1 assist the RAC to monitor the Group's obligations in relation to financial reporting, internal control structure, risk management processes and the internal and external audit functions.

Board Committees

Directors also monitor risks and controls through the RAC, the Remuneration Committee and the Sustainability Committee.

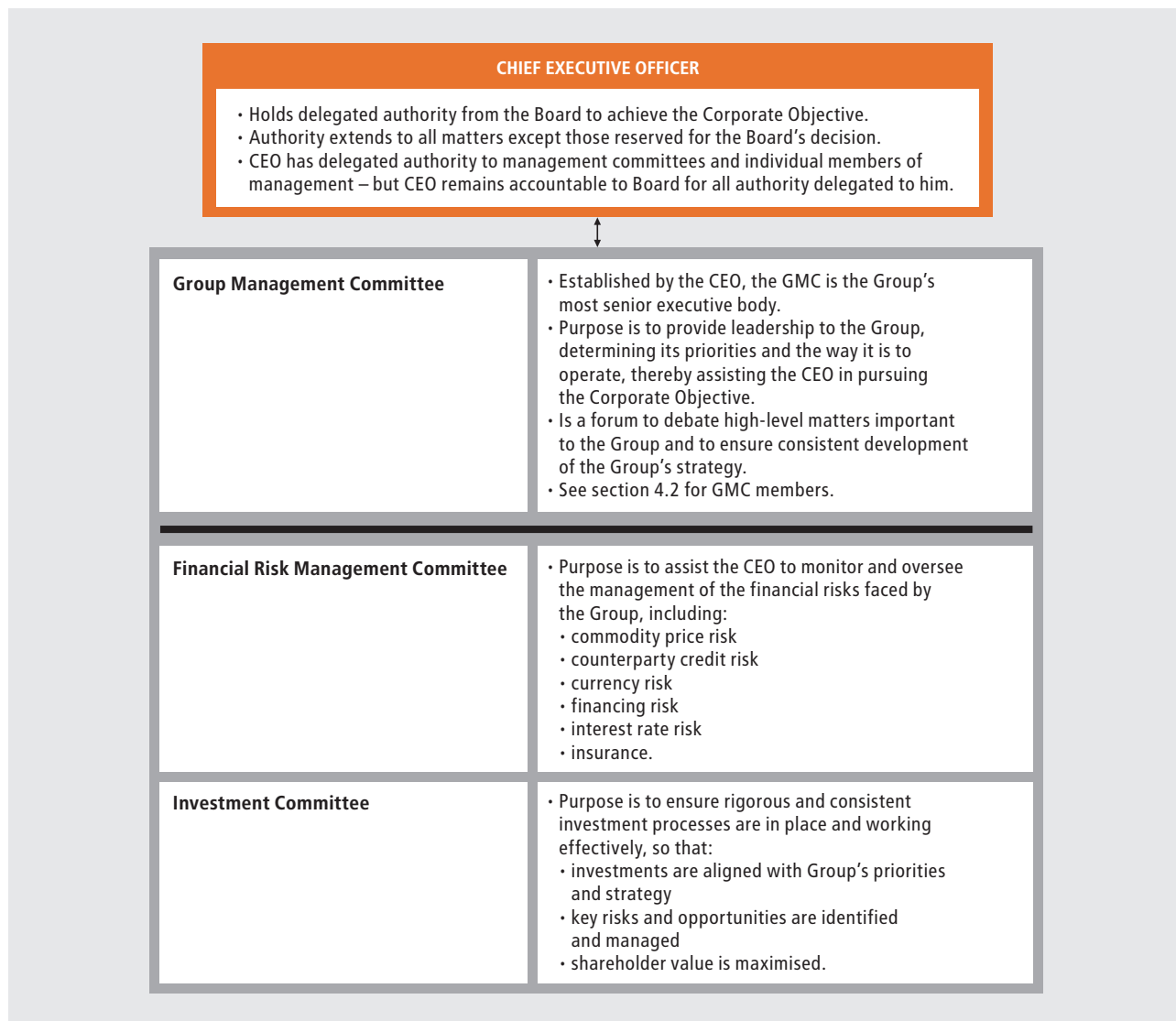
Management Committees

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

5 Corporate Governance Statement continued

5.7 Management

Below the level of the Board, key management decisions are made by the CEO, the GMC, other management committees and individual members of management to whom authority has been delegated. The diagram below describes the position of the CEO and three key management committees.



Performance evaluation for executives

The performance of executives and other senior employees is reviewed on an annual basis. For the most senior executives (members of the GMC), this review includes their contribution, engagement and interaction at Board level. The annual performance review process that we employ considers the performance of executives against criteria designed to capture both 'what' is achieved and 'how' it is achieved. All performance assessments of executives consider how effective they have been in undertaking their role; what they have achieved against their specified key performance indicators; how they match up to the behaviours prescribed in our leadership model and how those behaviours align with the BHP Billiton Charter values. The assessment is therefore holistic and balances absolute achievement with the way performance has been delivered. Progression within the Company is driven equally by personal leadership behaviours and capability to produce excellent results.

A performance evaluation as outlined above was conducted for all members of the GMC in FY2009. For the Chief Executive Officer, the performance evaluation was led by the Chairman of the Board on behalf of all the non-executive Directors, drawing on guidance from the Remuneration Committee.

5.8 Business conduct

Code of Business Conduct

We have published a *Code of Business Conduct*, which is available in four languages. The Code reflects our 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 Code 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 Code.

The *Code of Business Conduct* can be found at our website at www.bhpbilliton.com/aboutus/governance.

Insider trading

We have a Securities Dealing Procedure that covers dealings by Directors and identified employees, and is consistent with the Model Code contained in the Financial Services Authority Listing Rules in the UK. The Procedure restricts dealings by Directors and identified employees in shares and other securities during designated prohibited periods and at any time that they are in possession of unpublished price-sensitive information.

A copy of the Securities Dealing Procedure can be found at our website at www.bhpbilliton.com/aboutus/governance.

Global Ethics Panel

The CEO has formed a Global Ethics Panel to:

- advise on matters affecting the values and behaviours of the Group
- assist business leaders in assessing acceptable outcomes on issues of business ethics
- review the rationale, structure and content of the *Code of Business Conduct* and propose changes
- promote awareness and effective implementation of the *Code of Business Conduct*.

Panel members have been selected on the basis of their knowledge of and experience in contemporary aspects of ethics and culture that are relevant to the Group. The panel consists of both employees and external members and is chaired by the Group Executive and Chief People Officer.

Business Conduct Advisory Service

We have established a Business Conduct Advisory Service so that employees can seek guidance or express concerns on business-related issues and report cases of suspected misappropriations, fraud, bribery or corruption. Reports can be made anonymously and without fear of retaliation. Arrangements are in place to investigate such matters. Where appropriate, investigations are conducted independently. Levels of activity and support processes for the Business Conduct Advisory Service are monitored with activity reports presented to the Board. Further information on the Business Conduct Advisory Service can be found in the *Code of Business Conduct*.

Political donations

We maintain a position of impartiality with respect to party politics and do not contribute funds to any political party, politician or candidate for public office. We do, however, contribute to the public debate of policy issues that may affect our business in the countries in which we operate.

5.9 Market disclosure

We are committed to maintaining the highest standards of disclosure ensuring that all investors and potential investors have the same access to high-quality, relevant information in an accessible and timely manner to assist them in making informed decisions. A Disclosure Committee manages our compliance with the market disclosure obligations and is responsible for implementing reporting processes and controls and setting guidelines for the release of information.

Disclosure Officers have been appointed in the Group's CSGs and Group Functions. These officers are responsible for identifying and providing the Disclosure Committee with material information about the activities of the CSG or functional areas using disclosure guidelines developed by the Committee.

To safeguard the effective dissemination of information we have developed a Market Disclosure Procedure, which outlines how we identify and distribute information to shareholders and market participants.

A copy of the Market Disclosure Procedure is available at www.bhpbilliton.com/aboutus/governance.

Copies of announcements to the stock exchanges on which we are listed, investor briefings, half yearly financial statements, the Annual Report and other relevant information are posted to the Group's website at www.bhpbilliton.com. Any person wishing to receive advice by email of news releases can subscribe at www.bhpbilliton.com.

5.10 Conformance with corporate governance standards

Our compliance with the governance standards in our home jurisdictions of Australia and the United Kingdom, and with the governance requirements that apply to us as a result of our New York Stock Exchange (NYSE) listing, is summarised in this Corporate Governance Statement, the Remuneration Report, the Directors' Report and the financial statements.

The Listing Rules and the Disclosure and Transparency Rules of the UK Financial Services 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 Combined Code is available at www.frc.org.uk/corporate/combinedcode.cfm.

The Listing Rules of the ASX require Australian-listed companies to report on the extent to which they meet the Principles and Recommendations published by the ASX Corporate Governance Council as part of its Principles of Good Corporate Governance (ASX Principles and Recommendations) and explain the reasons for any non-compliance. The ASX Principles and Recommendations are available at www.asx.com.au/about/corporate_governance/index.htm.

Both the Combined Code and the ASX Principles and 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. We have complied with the provisions set out in Section 1 of the Combined Code and with the ASX Principles and Recommendations throughout the financial period and have continued to comply up to the date of this Annual Report.

A checklist summarising our compliance with the UK Combined Code and the ASX Principles and Recommendations has been posted to the website at www.bhpbilliton.com/aboutus/governance.

5 Corporate Governance Statement continued

5.10 Conformance with corporate governance standards continued

BHP Billiton Limited and BHP Billiton Plc are registrants with 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 NYSE.

We have 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 are satisfied that we comply with those requirements.

Section 303A of the NYSE Listed Company Manual has instituted a broad regime of corporate governance requirements for NYSE-listed companies. Under the NYSE rules, foreign private issuers, such as ourselves, 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 and certain notification provisions contained in Section 303A of the Listed Company Manual. Section 303A.11 of the Listed Company Manual, however, requires us to disclose any significant ways in which our corporate governance practices differ from those followed by US listed companies under the NYSE corporate governance standards. Following a comparison of our 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 significant differences were identified:

- The NYSE rules require listed companies to have a Compensation (Remuneration) Committee composed entirely of independent directors. The Board considers that all members of the Remuneration Committee are independent, however notes that the test of independence set out in the Board's Policy on Independence differs in some respects from that prescribed by the NYSE. The NYSE rules permit the Group as a foreign private issuer to follow home practice rules, both in considering the independence of Directors and in the composition of its Remuneration Committee.
- Our Nomination Committee Terms of Reference (charter) do not include the purpose of developing and recommending to the Board a set of corporate governance principles applicable to the corporation. 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 auditor 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 the RAC is directly responsible for remuneration and oversight of the External Auditor, the ultimate responsibility for appointment and retention of the External Auditor rests with our shareholders, in accordance with UK law and our constitutional documents. The RAC does, however, make recommendations to the Board on these matters, which are in turn reported to shareholders.

While the Board 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 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.

5.11 Additional UK disclosure

The information specified in the UK Financial Services Authority Disclosure and Transparency Rules, DTR 7.2.6, is located elsewhere in this Annual Report. The Directors' Report, at section 7.23, provides cross-references to where the information is located.

This Corporate Governance Statement was approved by the Board on 8 September 2009 and signed on its behalf by:



Don Argus
Chairman

8 September 2009