

POLICY ON INDEPENDENCE OF DIRECTORS

1. BACKGROUND

The BHP Billiton Group is committed to adopting the highest standards of corporate governance. Those standards require that a majority of the members of the Board of Directors (including the Chairman) are independent of the BHP Billiton Group, and that all members of the Audit and Remuneration Committees and a majority of members of the Nomination Committees of the Board are similarly independent.

This policy has been developed after consideration of recent corporate governance developments in Australia, the United Kingdom and the United States including the criteria for independence established by the Australian Stock Exchange Corporate Governance Council, the Australian Investment and Financial Services Association: "Blue Book: Corporate Governance - a Guide for Fund Managers and Corporations", the UK Combined Code as proposed to be amended by the Higgs Report and the Smith Report, the United States Sarbanes-Oxley Act and the Corporate Governance proposals of the New York Stock Exchange.

The independence of Directors of the parent companies of BHP Billiton will be assessed by the Board pursuant to this policy and, as described below, the Board will have discretion to determine if a Director is independent.

2. PURPOSE

The purpose of this policy statement is to:

- Specify the test that will be used by the Board to assess the independence of each Director;
- Identify the information that will be collected from each Director to make the assessment of independence; and
- Outline the disclosure to shareholders of the assessment of independence of Directors, including the disclosure of any relationships and associations that may be perceived to affect the independence or objectivity of a Director.

3. TEST OF "INDEPENDENCE"

BHP Billiton operates under a Dual Listed Companies (DLC) structure with primary listings on the Australian Stock Exchange through BHP Billiton Limited ("Limited") and on the London Stock Exchange through BHP Billiton Plc ("Plc"). Limited and PLC are referred to collectively in this policy as "BHP Billiton".

The test of independence that will be used by the Boards of BHP Billiton Limited and BHP Billiton Plc to determine the independence of Directors 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 Billion Group."

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4. INFORMATION COLLECTED BY THE BOARD TO ASSESS INDEPENDENCE

Generally, all facts and circumstances will be considered in determining the independence of a Director under the above test. It is not possible to explicitly provide for all circumstances that will indicate a conflict of interest or a material relationship. However, a Director will normally be considered to be independent if he or she meets all the criteria described below.

It should be noted that in certain circumstances a Director may be considered by the Board to be independent where the Director does not meet one or more of the criteria specified below, and the Board reserves its right to make such an assessment and disclose it as described in paragraph 5.

Directors will update the Board with any new information in relation to interests or relationships relevant to independence. The Board will assess the independence of Directors annually and will re-assess determinations of independence when any new interests or relationships are disclosed by a Director.

The criteria are:

- (a) the Director is not a member of management of the BHP Billiton Group;
- (b) the Director is not a substantial shareholder in any member of the BHP Billiton Group or an officer of or otherwise associated, directly or indirectly, with a substantial shareholder in the Group. For the purpose of this policy "substantial shareholder" means the holder of more than 5% of the shares entitled to vote in an entity. An "officer" is:
 - i) a director or secretary of the corporation; or
 - ii) a person:
 - (a) who performs a policy making function;
 - (b) who makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of the corporation; or
 - (c) who has the capacity to affect significantly the corporation's financial standing; or
 - (d) in accordance with whose instructions or wishes the directors of the corporation are accustomed to act (excluding advice given by the person in the proper performance of functions attaching to the person's professional capacity or their business relationship with the directors of the corporation); or
 - iii) a receiver, or receiver and manager of the property of the corporation; or
 - iv) an administrator or liquidator of the corporation; or
 - v) an administrator of a deed of company arrangement executed by the corporation; or
 - vi) a trustee or other person administering a compromise or arrangement made between the corporation and someone else.
- (c) within the last 5 years neither the Director nor a family member of the Director has been employed by a member of the BHP Billiton Group or been a Director of any company in the BHP Billiton Group after ceasing to hold such employment. For the purpose of this policy "family members" include spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than the Director's employees) who shares the Director's home. Employment of a family member below the level of officer does not preclude an assessment of independence for a Director. The definition of "officer" is set out in paragraph (b) above;
- (d) the Director does not hold a cross-directorship or have any significant links with other Directors through involvement in other companies or bodies which cross-directorships or links would materially interfere with the Director's objective, unfettered or independent judgement or ability to act in the best interests of the BHP Billiton Group;
- (e) the Director has not served on a Board of the BHP Billiton Group for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of BHP Billiton;
- (f) the Director does not accept from any member of the BHP Billiton Group, directly or indirectly, any consulting, advisory or other compensatory fee other than in the capacity as a Director. This includes payments to a family member or an entity in which the Director is a partner, member or officer such as a managing director occupying a comparable position or an officer or occupies a similar position and which entity provides legal, financial, consulting or other similar services to the BHP Billiton Group. This criteria does not preclude payment to a Director as a non-substantial shareholder of the service provider or to a Director who is a limited partner, non-managing member or occupies a similar position and, in each case, has no active role in providing services to the Group. The definitions of "family member" is set out in paragraph (c) above and "officer" in paragraph (b) above;

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- (g) the Director does not participate in any share based incentive scheme or performance related pay scheme of the BHP Billiton Group. This criteria does not preclude the payment of all or a part of the Director's remuneration in the form of shares;
- (h) neither the Director nor a family member of the Director has been affiliated with or is a principal or employee of an auditor or other material professional adviser or consultant to a member of the BHP Billiton Group within the last 3 years. This criteria does not preclude an assessment of independence for a Director where a Director or family member is an employee (excluding a principal) of an auditor or other material adviser, unless that employee has been materially associated with the service provided by the auditor, consultant or adviser;
- (i) the Director is not a material supplier or customer of the BHP Billiton Group or an officer, substantial shareholder of or otherwise associated directly or indirectly with a material supplier or customer and no family member of the Director has, within the last 3 years, been an officer of a material supplier or customer. A supplier or customer will be material if the customer accounts for more than 2% of BHP Billiton's consolidated gross revenue per annum, or if BHP Billiton accounts for more than 2% of the supplier consolidated revenue. The definition of "officer" is set out in paragraph (b) above;
- (j) the Director has no material contractual relationship with a member of the BHP Billiton Group (other than as a Director of BHP Billiton Limited or BHP Billiton Plc);
- (k) neither the Director nor any family member has, within the last 3 years, been employed as an officer of another company in which a current officer of the BHP Billiton Group serves on the remuneration committee of the board. The definition of "officer" is set out in paragraph (b) above;
- (l) within the last 3 years the Director has not had any other material business relationship with the BHP Billiton Group either directly, or as a partner, shareholder, director or officer of an entity that has such a relationship with BHP Billiton. The definition of "officer" is set out in paragraph (b) above;
- (m) the Director does not have any other interest, relationship or association with any person or entity which affects, or could be perceived to affect the independence of the Director; and
- (n) the Board determines that the Director is independent in character and judgement.

The test of whether a relationship or business is "material" will be based on the nature, circumstances and activities of the Director having regard to the guidelines above. Materiality will be considered from the perspective of the BHP Billiton Group, the persons or organisations with which the Director has an affiliation and from the perspective of the Director.

5. DISCLOSURE

The Board will make the following disclosure to shareholders in the BHP Billiton Annual Report.

- Independent and non-independent Directors will be identified and the basis of the assessment of independence is based will be stated.
- Any assessment of independence for a Director who does not meet the criteria above will be specifically explained.
- Material relationships, associations and other business of each Director will be described (whether or not falling within the categories listed above) and the period of office held by each Director will be stated. This will include details of any relationships or circumstances which the Board believes do not affect independence but which could be perceived as influencing the Director's judgement, objectivity or ability to act in the best interests of the BHP Billiton Group.
- Thresholds adopted by the Board to assist in the assessment and determination of independence.

Independent and non-independent Directors standing for re-election will also be identified in the Annual General Meeting Proxy Form.

If the Board's assessment of a Director's independence changes, that change will be disclosed immediately through Stock Exchange announcement

6. ADDITIONAL INFORMATION

If you have any questions arising from BHP Billiton's Policy on Independence of Directors, you may contact:

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