

BHP

Board Governance Document

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BHP Billiton operates under a dual listed companies structure. This document is a statement of governance process by the Boards of BHP Billiton Limited and BHP Billiton plc. In this document, references to the term 'Board' refer to the Board of each of BHP Billiton Limited and BHP Billiton plc. References to the term 'BHP Billiton' or to the 'Company' refer to both companies, and the term 'Group' refers to the combined BHP Billiton group.

Introduction

The purpose of BHP Billiton is to create long-term shareholder value through the discovery, acquisition, development and marketing of natural resources (**Corporate Purpose**).

The role of the BHP Billiton Board is to represent the shareholders and to promote and protect the interests of the Company. It does so by governing the Group having regard to the interests of the Group's shareholders as a whole and, where appropriate, the interests of other relevant stakeholders.

The Board has developed processes relating to:

- a. its own tasks and activities (**Board Membership and Process**);
- b. the matters specifically reserved for Board decision-making, the authority delegated to the Chief Executive Officer (**CEO**), the accountability of the CEO for that authority, and guidance on the management of the relationship between the Board and the CEO (**Board and CEO Relationship**); and
- c. the boundaries on CEO action (**CEO Limits**).

This Board Governance Document outlines these processes.

A. Board membership and process

Shareholders

1. The Board is appointed by the shareholders.
2. The Board will ensure that it regularly receives and understands information regarding the issues and concerns of shareholders.
3. The Chairman (or other non-executive Director nominated by the Chairman), and, for BHP Billiton plc, the Chairman and Senior Independent Director, will represent the Board to the shareholders and will communicate the Board's position. The Chairman of a Committee may also represent the Board to the shareholders on matters relating to that Committee's remit.

Composition

4. The Board will always have a majority of Directors who are non-executive and are judged by the Board to be independent of judgement and character and free of material relationships with the Group and other entities and people that might influence, or would be perceived by shareholders to influence, such judgement.
5. The Board will have the balance of non-executive and executive Directors that is effective for the promotion of shareholder interests and the governance of the Group.
6. The qualifications for Directors of the Group are: unquestioned honesty and integrity; a proven track record of creating value for shareholders; time available to undertake the responsibilities; an ability to apply strategic thought to matters in issue; a preparedness to question, challenge and critique; and a willingness to understand and commit to the highest standards of governance of the Group.

7. The Board will review the skills represented by Directors on the Board and determine whether the composition and mix of those skills remains appropriate to achieve the Corporate Purpose.
8. Non-executive Directors will be engaged through a letter of appointment.
9. The level of remuneration paid to Directors and the Chairman will be determined in the manner provided in the Remuneration Committee Terms of Reference, within any limits approved by shareholders.
10. The Company will make available resources to ensure that Directors maintain the skills, knowledge and familiarity with the Company necessary to fulfil their duties as Directors. In particular, Directors will be expected to participate in a programme of induction, training and development, which will be adopted and maintained for Directors.

Conduct

11. Each Director will ensure that no decision or action is taken that has the effect of placing his or her interests in priority to the interests of the Company.
12. Directors commit to the collective, group decision-making processes of the Board. Individual Directors will always respect the contributions of other Directors, and strive to understand their perspective and contributions to Board debate and discussion. Directors will debate issues openly and constructively and be free to question or challenge the opinions presented at meetings where their own judgement differs from that of other Directors.
13. All Directors are expected to utilise their range of relevant skills, knowledge and experience for, and apply their judgement to all matters discussed at Board meetings. Executive Directors will ensure that they bring to all Board debate and discussion their unique knowledge, experience, and perspective on the Group's businesses.
14. Directors will use all reasonable endeavours to attend Board meetings in person.
15. Non-executive Directors will periodically meet alone without executive Directors or representatives of executive management present.

Support

16. Directors may, with the consent of the Chairman and with the assistance of the Group Company Secretary, seek independent professional advice at the expense of the Group on any matter connected with the discharge of their responsibilities. A copy of any advice so received will be made available to all Directors, unless a conflict of interest would make it inappropriate to do so.

Chairman

17. The Board will select one of its members to be Chairman. The Chairman must meet all applicable independence criteria at the time of his or her appointment.
18. The Board will develop a plan for the succession of the Chairman, and will periodically evaluate the plan.
19. The Board will identify an independent non-executive Director to act as Chairman in the event that the Chairman is unable to do so for any reason.
20. The Chairman is responsible for leading the Board and ensuring that it is operating to the highest governance standards, including encouraging a culture of openness and debate to foster a high-performing and collegial team of Directors that operates effectively.
21. In leading the Board, the Chairman will focus on ensuring strategic issues and shareholder views are regularly reviewed, clearly understood and underpin the work of the Board; facilitating the relationship between the Board and the CEO; and ensuring the provision of accurate, timely and clear information.
22. The Chairman will set the agenda for each meeting in consultation with the CEO and the Group Company Secretary, ensuring time is available for discussion. Any Director may request that an item be added to the agenda.
23. The Chairman has authority to act and speak for the Board between its meetings, including engaging with the CEO, and conducting the monitoring activities set out in Paragraphs 45 to 53. The Chairman will report to the

Board and Committee Chairmen as appropriate on decisions and actions taken between meetings of the Board.

Senior Independent Director

24. Upon the recommendation of the Nomination and Governance Committee, the Board will appoint one of the non-executive Directors to be the Senior Independent Director.
25. The Senior Independent Director will act as a sounding board for the Chairman and will serve as an intermediary for the other Directors if necessary.
26. The Senior Independent Director will attend sufficient meetings with a range of the Group's major shareholders to develop a balanced understanding of the issues and concerns of major shareholders. The Senior Independent Director will also be available to shareholders if they have concerns which contact through the normal channels of Chairman or CEO has failed to resolve or for which such contact is inappropriate.

Group Company Secretary

27. The Group Company Secretary is accountable to the Board through the Chairman and his or her appointment and removal is a matter for the Board as a whole.
28. The Group Company Secretary will advise the Chairman, and through the Chairman, the Board and individual Directors on all matters of governance process.
29. The Group Company Secretary's advice and services shall be available to all Directors and Committees.
30. The Group Company Secretary will retain independent advisory services at the request of the Board or Committees.
31. The Group Company Secretary will develop and maintain the information systems and processes that are appropriate for the Board to fulfil its role and to achieve the Corporate Purpose.

Board Evaluation

32. The Board will conduct performance evaluations of the Board as a whole, its Committees, the Chairman, individual Directors, and the governance processes which support Board work.
33. All evaluations will have regard to the collective nature of Board work, the balance of skills, experience, independence and knowledge of the Company on the Board, its diversity (including gender) and the operation of the governance processes established in this document. They will be conducted periodically as the Board considers appropriate.
34. The Board will conduct evaluations of the performance of Directors retiring and seeking re-election to the Board. The evaluation of the Chairman will be led by the Senior Independent Director. The Board will use the results of these evaluations in considering the endorsement of Directors for re-election by shareholders.

The Board and its Committees

35. The Board will establish Committees to assist the Board in exercising its authority.
36. The permanent committees of the Board are the Risk and Audit Committee, the Remuneration Committee, the Nomination and Governance Committee and the Sustainability Committee.
37. These Committees will review matters on behalf of the Board and, as determined by the relevant terms of reference:
 - refer matters to the Board for decision, with a recommendation from the Committee; or
 - determine matters (where the Committee acts with delegated authority), which the Committee then reports to the Board.
38. Each Committee will be composed of the individuals the Board considers best suited to fulfil the role of each Committee. The chairman of each Committee will be a non-executive Director. The requirements for composition are:

- Risk and Audit Committee – All Committee members must be independent non-executive Directors and the Committee must consist of at least three members. At least one member must have recent and relevant financial experience and the Committee as a whole must have competence relevant to the sector in which the Group operates.
- Remuneration Committee – All Committee members must be independent non-executive Directors and the Committee must consist of at least three members.
- Nomination and Governance Committee – All Committee members must be independent non-executive Directors and the Committee must consist of at least three members.
- Sustainability Committee – The majority of Committee members must be independent non-executive Directors and the Committee must consist of at least three members. All members of the Committee must be non-executive Directors, each of whom is appropriately skilled in health, safety, environment and community matters as determined by the Board.

39. Committees will have access to sufficient resources to carry out their activities effectively.

40. The Board will determine the terms of reference for each Committee. The terms of reference will outline each Committee's role, authority, composition and responsibilities.

B. Board and CEO relationship

41. The Group's constitutional documents vest the management and control of the business and affairs of the Group in the Board. The Board has reserved some matters to itself for decision and, save for those matters and those which the Board has delegated to a Committee, the Board has delegated authority for all other matters to the CEO.

Powers reserved for the Board

42. The Board has reserved the following matters for its decision:

- appointing the CEO and determining the terms of the appointment;
- approving the appointment of executives reporting to the CEO and membership of the Executive Leadership Team (ELT), and material changes to the organisational structure involving direct reports to the CEO;
- succession planning for direct reports to the CEO;
- monitoring the performance of the CEO and the Group;
- establishing and assessing measurable diversity objectives;
- approving strategy, annual budgets, balance sheet management and funding strategy;
- approving commitments, capital and non-capital items, acquisitions and divestments above specified thresholds;
- approving the dividend policy and determining dividends;
- approving market risk management strategy and limits;
- monitoring Board composition processes and performance;
- reviewing and monitoring systems of risk management and internal control;
- determining and adopting documents (including the publication of reports and statements to shareholders) that are required by the Group's constitutional documents, statute or by other external regulation; and
- determining and approving matters that are required by the Group's constitutional documents, statute or by other external regulation to be determined or approved by the Board.

Delegation

43. Beyond the items in Paragraph 42, and subject to the CEO Limits (as set out in Part C of this document) and the Group's Authorities Framework, the Board delegates to the CEO all authority to achieve the Corporate Purpose.

44. The Board retains ultimate authority to change, enhance or revoke its delegations to the CEO at any time.

Accountability and monitoring

45. The CEO is accountable to the Board for the authority that is delegated and for the performance of the Group. The CEO works in a constructive partnership with the Board.

46. The Board will monitor the decisions and actions of the CEO and the performance of the Group to gain assurance that progress is being made towards the Corporate Purpose within the CEO Limits.

47. Throughout the annual Board cycle, the CEO will report systematically with openness on the progress being made by the Group towards the Corporate Purpose.

48. The CEO will report to the Board on material developments in the following areas, and will describe for each of them the potential impact, where relevant, on the achievement of the Corporate Purpose:

- the development and implementation of strategy and the annual plan;
- the business and financial performance of the Group and material events in markets which are critical to the achievement of the Corporate Purpose;
- the activities covered by the CEO Limits.

49. The Board will also monitor performance through the Committees. The Committees will focus on gaining assurance of progress towards the Corporate Purpose and that the conduct and performance of the CEO and the Group comply with the CEO Limits.

50. The Board and its Committees will determine the information required. They may make direct requests for information from the CEO, any employee of the Group, the external auditor or any third party.

51. The CEO (and his or her nominees) will supply the Board and its Committees with the information in a form that is appropriate to enable the Board and Committees to make assessments and judgements, to conduct inquiries, and to gain assurance that the decisions and actions of the CEO, and the performance of the Group, are directed toward the Corporate Purpose and fall within the CEO Limits.

52. The Chairman, the chairmen of Committees, the CEO and the Group Company Secretary will work collaboratively to ensure that effective systems are in place for the production and transmission of information and reports.

53. Relationships and dialogue between individual members of the Board and the CEO and senior executives that focuses on gaining a better understanding of the Group's business will be encouraged but will not alter the roles, accountabilities and divisions of authority in this Board Governance Document.

Reward and evaluation

54. The Board will ensure that the structure of remuneration for the Group (including for the CEO) is linked to the achievement of the Corporate Purpose.

55. The Board will ensure that performance requirements of the CEO are linked to the achievement of the Corporate Purpose, and that systems of evaluation for the performance of the CEO and other key management personnel are based on previously stated criteria that are transparent.

56. The Chairman, drawing on guidance of the Remuneration Committee, will lead on behalf of all the non-executive Directors an annual formal evaluation of the performance of the CEO.

C. CEO limits

57. The achievement of the Corporate Purpose will guide all decisions and actions of the CEO.

58. The CEO will not engage in, cause or permit any activity or behaviour that is in violation of commonly accepted standards of business practice and ethics.

59. The CEO will not allow the culture of the Group to develop or subsist in a way that condones dishonest conduct, or lack of integrity, respect or dignity in relationships amongst those involved in or affected by the Group's activities.
60. The CEO will not allow the Group's resources to be allocated without assessing the impact of the change in the portfolio of Group assets on the achievement of the Corporate Purpose.
61. The CEO will not allow capital and operating expenditure, or financing decisions, to be made without addressing the impact on the financial condition of the Group and on the achievement of the Corporate Purpose. The CEO has authority within this document and the limits set out in the Authorities Framework.
62. The CEO will not allow decisions or actions to be taken without assessing their health, safety and environmental consequences and the impact on the achievement of the Corporate Purpose.
63. The CEO will not allow decisions or actions to be taken without assessing the effect on the reputation of BHP Billiton and the impact on the achievement of the Corporate Purpose.
64. The CEO will not permit the Group to operate unless there is in place a system of control for identifying and managing the risks that are material to the achievement of the Corporate Purpose and strategy and plans.
 - a. The CEO will ensure that a system of internal financial control and internal audit is maintained for the protection of the Group's assets and the application of the Group's resources.
 - b. The CEO will ensure that each of the businesses that make up the Group has an identifiable system for sharing the results of the assurance processes of each business.
65. The CEO will not permit the Group's management to be organised without a plan and process for the development and succession of senior management, for guarding against the unforeseen loss of those members, and providing equal opportunity for development of all staff.
66. The CEO will not cause or permit the Group to operate without appropriate policies, information systems, and procedures to ensure that all shareholders receive (through the appropriate channels) timely and accurate information concerning progress towards the Corporate Purpose, and the current activities and results of the Group.
 - a. The CEO will ensure that the system covers information extending to statutory reporting, semi-annual reporting to the financial community, release of material price sensitive information, and other company announcements.
 - b. The CEO will ensure that the system covers the timely provision to shareholders of relevant information to enable them to make informed decisions concerning the exercise of the rights, powers and privileges available to them under the companies' articles of association and constitution and applicable law, regulation or codes of practice.