

BHP BILLITON PLC
Form 6-K
September 29, 2006

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

September 25, 2006

BHP Billiton Plc

(Translation of registrant's name into English)

Neathouse Place London SW1V 1BH United Kingdom

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T

Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T

Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): n/a

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SIGNATURES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BHP Billiton Plc

Date: 25 September 2006

By: Karen Wood

Name: Karen Wood

Title: Group Company Secretary

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The Strategic Drivers that deliver the Essential Elements

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The BHP Billiton Strategic Framework comprises seven strategic drivers: People, our Licence to Operate, World-class Assets, the BHP Billiton Way, Financial Strength and Discipline, our Project Pipeline and Growth Options. These drivers encompass our whole business and set the benchmarks against which we measure our performance.

Annual General Meetings

The Annual General Meeting of BHP Billiton Plc will be held at the Royal Horticultural Halls, Lindley Hall, Elverton Street, London, SW1P 2PE, UK, on Thursday 26 October 2006, commencing at 10.30 am. The Annual General Meeting of BHP Billiton Limited will be held at the Brisbane Convention and Exhibition Centre, Plaza Ballroom, corner Merivale and Glenelg Streets, South Bank, Brisbane, Queensland, Australia, on Wednesday 29 November 2006, commencing at 10.30 am.

BHP Billiton Limited. ABN 49 004 028 077. Registered in Australia. Registered office: 180 Lonsdale Street, Melbourne, Victoria 3000, Australia BHP Billiton Plc. Registration number 3196209. Registered in England and Wales. Registered office: Neathouse Place, London SW1V 1BH, UK

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We are BHP Billiton, a leading global resources company.

Our purpose is to create long-term value through the discovery, development and conversion of natural resources, and the provision of innovative customer and market-focused solutions.

Our seven strategic drivers assist us in achieving our objectives. These drivers are our people; our licence to operate; our world-class assets; the way we do business; our financial strength and discipline; our project pipeline; and growth options.

Underpinning our strategic drivers are the values that guide us. They are:

- An overriding commitment to health, safety, environmental responsibility and sustainable development.
- Integrity and doing what we say we will do.
- A commitment to achieving superior business results and stretching our capabilities.
- Having the courage to lead change in the face of adversity.
- The embracing of diversity and showing respect for and trust in each other.

With these elements as our foundation, BHP Billiton brings you the essential elements of everyday life.

Table of Contents**Group highlights 2006**

- 4 Records for all key earnings measures including underlying EBITDA up 50 per cent to US\$18.1 billion and underlying EBIT up 54 per cent to US\$15.3 billion.
- 4 Attributable profit up 63 per cent to US\$10.5 billion, including exceptionals, and up 58 per cent to US\$10.2 billion, excluding exceptionals.
- 4 EPS up 66 per cent, including exceptionals, and up 60 per cent, excluding exceptionals, benefiting from recent buy-backs.
- 4 Underlying EBIT margin and Return on Capital Employed increased to 44 per cent and 35 per cent respectively.
- 4 Final dividend of 18.5 US cents per share, an increase of 27.6 per cent on last year's final dividend. This brings the full year dividend to 36.0 US cents per share, up 28.6 per cent.
- 4 Further capital return of US\$3.0 billion, bringing total for financial year 2006 to US\$5.0 billion.

Five Year Summary

US\$ million	2006 (a)	2005 (a)	2004 (b)	2003 (b)	2002 (b)
Revenue together with share of jointly controlled entities' revenue (Turnover)	39,099	31,150	24,943	17,506	17,778
Underlying EBIT (c)	15,277	9,921	5,488	3,481	3,102
Attributable profit excluding exceptional items	10,154	6,426	3,510	1,920	1,934
Attributable profit including exceptional items	10,450	6,396	3,379	1,901	1,690
Net operating cash flow including dividends from jointly controlled entities and after net interest and taxation	10,476	8,374	5,100	3,631	3,882
Basic EPS including exceptional items (US cents per share)	173.2	104.4	56.4	30.9	28.0
Basic EPS excluding exceptional items (US cents per share)	168.2	104.9	54.3	30.6	32.1
Dividend per share (d)					
BHP Billiton Plc (US cents)	36.0	28.0	26.0	14.5	13.0
BHP Billiton Limited (US cents)	36.0	28.0	26.0	14.5	13.0
Underlying EBITDA interest coverage (c)					
(times)	44.3	51.7	21.1	13.3	10.9

Underlying gearing (per cent)	27.2	35.8	25.7	31.7	35.0
(a) Information for the years 2005 and 2006 is stated under IFRS. The Group implemented IAS 39 Financial Instruments: Recognition and Measurement on 1 July 2005 without restatement of comparative periods.					
(b) Information for the years 2002 to 2004 is prepared and presented in accordance with UK GAAP and has not been restated.					
(c) Underlying EBIT is earnings before net finance costs and taxation, and jointly controlled entities net finance costs and taxation and any exceptional items. Underlying EBITDA is underlying EBIT before depreciation, impairments and amortisation. We believe that					

underlying
EBIT and
underlying
EBITDA
provide useful
information, but
should not be
considered as an
indication of, or
alternative to,
attributable
profit as an
indicator of
operating
performance or
as an alternative
to cash flow as a
measure of
liquidity.

- (d) Three dividends were declared for the year ended 30 June 2004 as a result of the Group's decision to realign dividend declarations to coincide with the announcements of interim and full year results.

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Attributable profit excluding exceptional items

Returns to shareholders since 2001

Market capitalisation at 30 June

Relative share price performance index 5 year (US\$)

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Chairman's Review

The continuation of a strong global commodities market has resulted in another outstanding set of results for BHP Billiton.

Don Argus, Chairman

The continuation of a strong global commodities market has resulted in another outstanding set of results for BHP Billiton.

Our underlying earnings before interest, tax, depreciation and amortisation (EBITDA) were US\$18.1 billion, our net operating cash flows increased to US\$10.5 billion and our total dividend payment for the year was 36 US cents a share, reflecting the ninth consecutive increase in our dividend.

Our strongest earnings contributor was the Base Metals business, which generated a record US\$5.4 billion in underlying earnings before interest and tax (underlying EBIT). The price of copper was a major influence on this result. While labour and other input costs continued to rise due to the tight supply and strong demand environment, our operating margins increased.

BHP Billiton's market capitalisation increased further, to around US\$118 billion, compared with US\$95 billion this time last year. High spot commodity prices, particularly for the London Metal Exchange (LME)-linked commodities, resulted in strong cash flows during the year. This increased our ability to return capital to shareholders. However, we do not run the business based on short-term commodity prices, which can be highly volatile. We will continue to make disciplined decisions that we believe will increase the underlying value of the Company based on the long-term cash generation potential of our businesses and opportunities.

International Financial Reporting Standards (IFRS) became effective for BHP Billiton from 1 July 2005. This change has had limited impact on our reported profit and balance sheet, however, it has simplified the reporting of our financial results by enabling a single set of combined accounts to be produced for both BHP Billiton Limited and BHP Billiton Plc.

On the cover of this Review is a pyramid that contains the seven drivers that underpin BHP Billiton's strategy. These strategic drivers combine to ensure that every decision made by the Board and the management team contributes to the delivery of shareholder value over the long term.

BHP Billiton has achieved the goals set at the time of the merger, including generating outstanding returns to shareholders, and we are now in a position to raise the bar by resetting our aspirations.

We are striving to improve our strong competitive position in all of our chosen commodities. We strengthened our portfolio of assets with the integration of WMC Resources into our businesses during the year, and we believe we have unique opportunities and challenges as a result of the new industry environment, most importantly the potential for a multi-decade of high demand growth driven by China, India, Russia and the developing South American economies.

While the ultimate purpose of BHP Billiton is to maximise total return to shareholders over an extended time frame, our aspirations should also address and resonate with other stakeholder groups: customers, resource owners, communities and governments, partners, suppliers and our employees.

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Corporate Governance

As we have reported in previous years, we believe that the right approach to corporate governance at BHP Billiton is to draw on best practice from all the jurisdictions in which we operate and are regulated.

We have developed our own framework of compliance to ensure that corporate governance does not simply become synonymous with a mandated system of rules based on a 'tick a box' system where shareholders, creditors and other corporate stakeholders might lower their guard to their own detriment.

No mandated system will address the fact that a fully compliant but dysfunctional board can create as much havoc as one that does not comply at all.

We believe that a board must find the right balance between monitoring the performance of the company and advising on strategy. That objective has led to the Board defining its role and what it expects of management in a *Board Governance Document*, which moves the emphasis from mere compliance to a practice of informed corporate governance in a modern business environment.

That said, irrespective of how well a board defines its role and its expectations, corporate behaviour is dictated above anything else by the 'tone at the top'.

That 'tone at the top' is set by the Board and senior management, in particular the Chief Executive Officer. The tone forms the culture of the corporation and permeates the corporation's relationships not only with investors, but also employees, customers, suppliers, local communities and governments.

Our Corporate Governance Statement starts on page 28 of this Review. A summary of our compliance with our multi-jurisdictional obligations and our own internal control mechanisms is published on our website.

Our program of Board renewal continues, with Jacques Nasser and Paul Anderson having joined the Board in June. We are delighted to have secured the services of such highly respected, independent and experienced former executives.

My Board colleagues have again this year made a substantial contribution to the oversight of the Group's business, strategy and people development, and I thank them for their commitment.

Corporate Responsibility

One of the seven strategic drivers for the Group, second only in the pyramid to People, is our Licence to Operate. Our Sustainability Report outlines in detail the programs and initiatives that support our commitment to positively impacting the communities and environments in which we operate.

At BHP Billiton, we believe that engaging with society as an active and self-motivated corporate citizen is sound business practice. Integrating sound principles governing safety, business conduct, social, environmental and economic activities is good both for competitive advantage and for developing a reputation as the partner of choice.

Outlook

The short-term global economic outlook remains positive. Growth in Asia will help drive the global economy, with Japan's expansion now well-established and China's economic growth expected to remain strong. The US economy is likely to remain solid.

However, while the short-term outlook is encouraging, it is not without risk. Escalating political tensions, contributing to a tight oil market, are adding to increased uncertainty in all markets.

Forward prices of LME metals and oil remain above long-term historical averages, indicating that large-scale supply surpluses are not being anticipated in these markets. Similarly, there is no sign of an imminent retreat in oil and bulk commodity prices.

Once again, I commend Chip Goodyear, his management team and all of BHP Billiton's many thousands of employees and contractors for their continued commitment, which has enabled the Company to turn in another outstanding performance for the 2006 financial year.

Don Argus

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Chief Executive Officer's Report

BHP Billiton is a major producer and supplier of the raw materials that are essential for the development of economies around the world. Understanding the forces impacting societies around the world is essential if we are to remain well positioned to play our role to support communities and economies as they develop.

Chip Goodyear, Chief Executive Officer

The business strategy put in place five years ago has served the Company well in enabling us to take advantage of the upswing in demand for the commodities we produce. However, during the year we recognised a need to build on our strategy to ensure it could take us forward over the next decades.

We have been talking for the last three or four years about the processes of urbanisation and industrialisation across the developing world leading to a secular change in commodity demand that is different from the traditional business cycle.

We needed to ensure that our business strategy recognised this probability and could evolve to encapsulate everything needed to realise the potential benefits from a multi-decade secular change in demand for commodities.

The result has been a refinement of our original strategy. We have chosen to represent this refined strategy in a simple form, via a seven-layered pyramid, that I believe assists our constituencies in understanding the critical drivers to our success: our seven strategic value drivers.

This Report provides an overview of our business against each of these seven strategic drivers and provides some examples of achievements during the year that reflect how we put these drivers into action.

People

People will always be fundamental to our success and they form the foundation of our business strategy. Our people find resources, develop projects, operate world-class facilities and deliver our products reliably and efficiently to customers all over the world. Our strong performance during this year was the result of the commitment and hard work of our 38,000 employees and the large number of contractors who support them. This is a very busy time in the resources industry and our continued success will rely on our people and their determination to outperform.

Licence to Operate

While we have recognised for some time the need to earn our right to be part of the various communities impacted by our presence, the way in which we behave as a Company has never been more important, particularly as we compete for access to resources in regions whose communities need to be convinced of the benefits we bring to them.

The health and safety of our people continue to be paramount to our success, our licence to operate and our sustainability as a business and industry. We continue to strive towards a state of Zero Harm to our people. Yet three people lost their lives at our operations during the year and we were seriously concerned by some increasing injury trends in the first half of the year. While the trend improved in the second half through a concerted management focus, the statistics reinforce our belief that that we must never take the safety of our people for granted.

World-class Assets

Our strong and diverse asset base, giving us exposure to the production and sale of more than 20 individual commodities throughout the world, will continue to underpin the success of the Company. This year, in response to record demand, we stretched production from these assets to new levels, with annual production records set for aluminium, copper, iron ore, nickel and natural gas.

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The BHP Billiton Way

In an extremely challenging industry environment, with the cost and availability of both people and essential materials under enormous pressure, the knowledge-sharing, systems and processes we can apply throughout our global operations give us a significant competitive advantage. This year we expanded our Operating Excellence program and commenced Business Excellence across BHP Billiton. In addition to established programs such as Six Sigma and networks and knowledge sharing activities, we have expanded the function to include a whole of business focus on excellence.

Financial Strength and Discipline

US\$5.0 billion dollars were invested in growth projects during the year and a further US\$1.9 billion on capital expenditure that goes to improve our existing assets we were able to maintain our strong A credit rating, reduce debt further and return significant funds to shareholders. Excess capital was returned to shareholders through share buy-backs and dividends totalling US\$5.0 billion and US\$2.2 billion respectively. Since 2001, we have returned a total of US\$15.5 billion to our shareholders.

Project Pipeline

Four new projects came online during the year. They were: Escondida Norte and Escondida Sulphide Leach in Chile and Worsley DCP and RGP2 in Western Australia. Another seven projects: Shenzi, Stybarrow, NWS Angel, Alumar Refinery Expansion, RGP3, Samarco and Koala Underground were approved to be developed and come online over the next three to four years. Our development pipeline currently shows 23 projects in either execution or feasibility, representing a total investment of US\$13.8 billion.

Growth Projects

The integration of WMC Resources assets into our businesses and the sale of its fertiliser business were successfully completed during the year with the result of significantly boosting nickel and copper production during a year of strong prices, adding uranium to our product range and providing growth options for the future while continuing to optimise our portfolio.

Perhaps more quietly, our global exploration activities continued to increase as we search for the next set of options for growth, many of which will be in regions that will create their own set of challenges. However, we have demonstrated our capabilities for developing projects and operating in new environments. As we focus more intently on opportunities in sub-Saharan Africa, for example, we do so knowing we have already developed and now successfully operate one of the world's most cost-efficient aluminium smelters in Mozambique and own and operate a world-class nickel asset in Colombia and deliver oil and gas from our operations in Pakistan and Algeria.

The drivers outlined above show our commitment to meeting the opportunities presented by what we expect to be the extensive urbanisation and industrialisation of the developing world. We do not suggest that this growth will be uninterrupted, constant or predictable. However, we are confident that as well as positioning us for ongoing growth, BHP Billiton's strategy will enable us to provide value to shareholders and sustain our business throughout any downturns.

Let me leave you, however, with a simple proposition: that China is determined to become a knowledge economy by 2050. To achieve its vision, hundreds of millions of people will need to move from rural to urban areas. That will require residential dwellings, industrial facilities and associated infrastructure. All the raw materials that we produce and sell are essential elements of these infrastructure requirements. We believe the world may be witnessing just the beginning of a whole new period of change and BHP Billiton is an essential element of that change.

Chip Goodyear

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People

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At BHP Billiton, people are the foundation of our strategy. It is our people who find and develop our mineral and energy resources, maintain and operate our assets and ensure that our products reliably reach customers. But while people are key to our business success, they are also one of our scarcest assets.

Today's strong demand for minerals and energy means that the industry's requirements for skilled technical and professional people is high. At the same time, the number of people entering the industry has been declining for many years. This has resulted in a shortage of people across the industry, particularly for developing new projects.

Our pipeline of new projects is the largest in the industry. Staffing these projects with people who meet our high standards is a considerable challenge. To meet this need, we have a strong focus on graduate recruitment, employee development and creating a distinctly BHP Billiton work culture. We want our employees to enjoy coming to work for a Company that is demanding of performance but also a challenging and fun place to work.

Rajan Pillay

Business Improvement Specialist HSE, Mozal, Mozambique Rajan has an outstanding track record in the area of reduction, maintenance and general process. He joined the HSE team in July 2005 and has already delivered exceptional results. Indeed, every day someone just like Rajan is putting the extra effort into their day-to-day work that makes this Company a success.

we see it for its copper, nickel and silver components, but jacqueline sees it as her mobile link world; to the a dinner invitation from mum; an update from a colleague

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Licence to operate

BHP Billiton is determined to achieve the highest standards in the way we do business. Our commitment to ethical conduct, the health and safety of our people, the quality of life of the communities where we operate, and the health of the environment is how we earn our licence to operate – a licence that is critical to the success and sustainability of our business.

Through our performance in these areas, we seek to become a partner of choice for local communities, governments, resource owners and other stakeholders. These partnerships can provide us with competitive advantages in accessing new resources and in attracting and retaining the best employees.

Our commitment to sustainable development is supported by our aspirational goal of Zero Harm, our Guide to Business Conduct, the way we approach our relationships with stakeholders, and transparent corporate governance. We have an ongoing commitment to spend at least 1 per cent of our pre-tax profit on a three-year rolling average on programs to support the communities in which we operate – thereby ensuring that they also directly benefit from our success.

Humera Malik

Community Development Manager, Pakistan Humera is one of our most experienced community development practitioners. She and her team have worked with community members adjacent to the Zamzama Gas Plant to establish a range of programs in female education, small business development and health, improving the lives of the communities surrounding our operation.

Zamzama, Pakistan

Rewarding a successful partnership

BHP Billiton is the Diversified Minerals and Medals Sponsor of the Beijing 2008 Olympic Games and Paralympic Games. Our sponsorship will provide financial support to the Beijing Olympic and Paralympic Games, as well as the raw materials for the gold, silver and bronze medals, and recognises the importance of China and the Chinese people to our Group's success.

Understanding our environment

BHP Billiton has undertaken a two-year exploration program to define bauxite resources in its Bakhuis concession in western Suriname. As part of this program, a camera trapping program was established in conjunction with Conservation International to record the diverse and abundant fauna of the concession area. The program has added significantly to our understanding of the Bakhuis fauna and expands existing ecological knowledge in Suriname. The study also allows us to compare Bakhuis exploration with other locations in the Guianas and Amazonia and provides a sound basis for the prediction of potential impacts of any future mining at Bakhuis, together with responsible management of those operations.

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Pioneering technology at Hay Point alleviates employee health issues

Improvements to the coal unloading process at the Hay Point terminal, Australia, has increased unloading efficiency while reducing the risk of hearing damage and other injuries to the operator. The BHP Billiton design may have broader applications for the bulk materials transport industry.

Supporting communities

In Pakistan, we joined with the Government and local and international non-government organisations to support relief efforts following their devastating earthquake. Our donations reached more than US\$600,000 and will go towards urgent humanitarian programs, the reconstruction of houses, medical supplies and mobile medical units.

*wesee thestrength ofaluminiumbut sammy three-year-old shop seesanicecream ofhis straightahead
chauffeur-driven chariot...*

Promoting better outcomes

Escondida (Chile) and Antamina (Peru) participated in an International Council on Mining & Metals study to understand how large-scale mining activity can enhance the socio-economic development of host countries. In both cases, there was evidence that our mining operations have contributed to both economic and social improvements. The study provides lessons on how to promote better socio-economic outcomes in natural resource development projects.

Read more about our Sustainable Development Policy, practices and performance in our detailed Sustainability Report at <http://sustainability.bhpbilliton.com/2006/>.

Dinas Mashamaite, Project Manager, JET Education Services, South Africa

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World-class assets

EKATI, Canada

Robert Beaulieu

Aboriginal Employment Coordinator EKATI, Canada Robert is EKATI's senior Aboriginal Affairs officer and has been with the Company since May 1998. He is a tremendous ambassador for our Company and has helped us build many bridges with Aboriginal communities in the region.

BHP Billiton has around 100 operating assets across the globe producing a range of commodities. Our portfolio of assets and the spread of our businesses are a fundamental strength of our Group. Not only do our operations underpin our consistent performance, they generate the cash flow we use to pay our employees, build new projects and fund our consistent returns to shareholders.

Maintaining and maximising the value of these world-class assets is critical. We run our operations with efficiency and excellence in mind, and are always on the look-out for opportunities to reliably improve our practices and procedures. We set benchmarks for our operations and continuously search for opportunities to safely and sustainably drive more from them. Our portfolio of assets is carefully managed through divestment, development and acquisition. Record annual production was achieved at North West Shelf (Australia), Hillside (South Africa), Mozal (Mozambique), Paranam (Suriname), Escondida (Chile), Antamina (Peru), Western Australian Iron ore and GEMCO (both Australia), New Mexico Coal (US), Cerrejon Coal and Cerro Matoso (both Colombia).

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Targeting excellence

We continued to improve our already low-cost aluminium portfolio during the year. In alumina, the 250,000 tonnes per annum (tpa) Worsley alumina refinery expansion (of which BHP Billiton's share is 215,000 tpa) from 3.25 million tpa to 3.5 million tpa was completed and commissioned in financial year 2006. Worsley's Berth 6 shiploader program was also completed, with over one million tonnes of alumina having been loaded at the new berth since March 2006. These investments will help Worsley maintain its position as one of the world's lowest cost alumina refineries and positions BHP Billiton to benefit from strong global demand for alumina.

Driving more from our operations

Our Cerro Matoso operation in Colombia boosted nickel production by nearly six million pounds. This strong performance was the result of Operating Excellence initiatives, which led to an increase in the quality of feedstock to the smelter, better performance from equipment critical to production, and strong recovery in demand for nickel.

Increasing production

Western Australia iron ore production was a record 89.6 million wet tonnes (BHP Billiton share) over the 2006 financial year. This increase reflects strong customer demand for iron ore products along with production from additional capacity at Area C and the Products and Capacity Expansion (PACE) projects.

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The BHP Billiton way

When it comes to applying the best possible solutions to common problems and gaining the economies of scale so essential to a Company as large as ours, sharing knowledge, expertise and ideas across our operations is vital. With more than 100 operations and offices spanning 25 countries around the globe, that requires good communication, shared values and common goals.

At BHP Billiton, we have developed a series of best practice processes that govern the way we work at all of our operations and offices worldwide, be it a copper mine in Chile, an aluminium smelter in southern Africa or a metropolitan office in Australia. These processes extend to policies such as our Zero Harm and Business Excellence policies, as well as to the processes we employ when undertaking investment approvals, the way we manage our people and how we work with our customers.

Knowledge-sharing networks help to identify and disseminate successful practices across every part of the Company. This culture of information-sharing ensures that all parts of the Company can benefit from the lessons learned and experience gained by our vast network of colleagues around the globe.

Serge Nitiema

Project Leader Democratic Republic of Congo (DRC) The difficult circumstances and environments often faced by exploration teams in Africa have been no match for Serge's can-do attitude. Originally from Burkina Faso, Serge has led the discovery of a number of strategic mineral deposits for BHP Billiton and his teams achieve consistently strong HSEC performance.

Forward thinking

The 500 kilometre Tibbitt to Contwoyto winter road is the essential lifeline of the diamond industry in Arctic Canada. It carries the highest volume of traffic and freight of any ice road in the world, but provides only a 10-week window each winter for mines operating in Canada's Northwest Territories and Nunavut diamond fields to transport as much freight as possible. In 2006, unusually poor ice conditions meant that the road was late opening and then shut down early, significantly impacting many of the region's mines.

But our EKATI supply team had planned ahead. EKATI prepared for a shorter duration winter road by expediting supplies and equipment to Yellowknife in advance of the road opening, so these materials were ready to haul as light loads as soon as the road was available. Thanks to their understanding of local conditions and forward thinking, all critical supplies were received and adverse business impacts were successfully mitigated when the premature closure of the road occurred.

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we see nickel matt and aluminium;the isvisualising he,s presentation at his about to give 8.30 am meeting

Innovative solutions

Cabrillo Port is our innovative proposal to meeting California's growing energy needs. It will be a floating regasification and storage unit positioned at a distant offshore location, which will receive liquefied natural gas (LNG) from specially designed tankers and then convert the LNG into natural gas for sale through the existing onshore natural gas system. Cabrillo Port is a safe, secure and environmentally benign solution capable of meeting more than 10 per cent of California's current daily natural gas need.

Corporate Centre, London

Advancing technology

The Orion Operations group was formed during the year to manage the deployment of BHP Billiton's exclusive exploration technologies FALCON, GEOFERRET and SOLIDEARTH. Orion Operations is involved in projects in both established areas and new areas in emerging countries where its technologies are used to gain a competitive advantage.

Our FALCON technology was key to our ability to negotiate joint ventures to explore for copper and coal in Mongolia and we concluded agreements with three companies that hold licences in the South Gobi region. One of our FALCON systems successfully completed over 60,000 km of survey flying over winter in the Gobi Desert. These surveys have greatly increased the speed at which BHP Billiton can explore this difficult terrain.

Continuous improvement

From the beginning of its operations, Minera Escondida, the world's largest copper mine, has not stopped growing. After the successful completion of seven major expansion projects, Escondida, operated by BHP Billiton and located in Chile's Atacama Desert, has gone from producing 320,000 tonnes per year to 1.3 million tonnes per year. Behind this growth is a decision taken during the first months of operation 15 years ago to continuously add value through superior performance in safety, production and unit costs, ensuring its place for many more years as the world's largest single copper producer. The application of continuous improvement programs, business risk management and control, and business cost controls have been crucial to our success.

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Diversified across products, markets and regions, our asset base provides relatively stable cash flows regardless of variations and risks in areas such as commodity prices, currency exchange rates and geopolitical conditions. This affords us the certainty to fund our long-term business plan, the ability to develop projects to meet demand and the scope to make opportunistic and counter-cyclical investments. It is a foundation further strengthened by our strong A credit rating and the low-cost position of our asset portfolio. Our investment approvals process targets investments that are aligned with our own values, priorities, strategies and policies. Investments must have a high probability of success and must be capable of achieving optimal shareholder value with an acceptable degree of risk. Our goal is to invest in opportunities that achieve returns in excess of the cost of capital.

Our capital management priorities are to reinvest in projects with attractive rates of return, ensure a solid balance sheet, and return capital to shareholders. We maintained our progressive dividend policy with an increase of 29 per cent over the previous financial year, bringing the 2006 dividend payment to 36 cents per share. We announced a further return to shareholders of US\$5.0 billion through a combination of off and on-market share buy-backs.

Robin Bordie

Economist, China

Robin Bordie has been working with BHP Billiton since 2004. She has extensive experience in econometrics and economics research, and an in-depth understanding of the Chinese economy and the developmental issues relating to China's growth. With more than 20 years professional work experience, Robin brings to us the invaluable ability to analyse the complex economic situation and rapid changes in China our largest single-country market.

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Financial strength and discipline

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Project pipeline

Expansion projects on track

Since 2001, through a program of staged expansions, BHP Billiton has increased production at its Western Australian iron ore operations from around 68 million tonnes per annum to 105 million tonnes in 2006. The next phase, Rapid Growth Project 2 (RGP2) was recently completed on time and on budget and RGP3 is under way with construction activities progressing well. Looking further afield, RGP4 is in feasibility phase. This will take us to a nominal 152 million tonnes per annum. These projects build on our outstanding track record of bringing new production capacity online and ensure that we continue to meet our customers' needs over the coming decades.

Dennis Odgers

Underground Supervisor Cannington, Australia Dennis has demonstrated considerable skill, initiative and leadership in his capacity as an underground operator and acting in supervisory positions since he began at Cannington in 2000. Dennis was one of a group of excellent performers who BHP Billiton rewarded with a trip to the Melbourne Commonwealth Games this year.

BHP Billiton has an unparalleled set of growth options. The number of projects that are either in the development or feasibility stage in our project pipeline reflects the significant range of opportunities ready to take us into the next decade.

We have demonstrated our ability to identify and develop both greenfield and brownfield opportunities, with 30 projects completed in the past five years. We continue to aim to deliver projects on time and on budget, notwithstanding the cost and time pressures affecting our industry in today's high-demand environment. Our emphasis on developing and implementing leading-edge technology and innovative customer solutions is demonstrated not just across our operations, but in the approval of several new projects, in our customer collaborations and in the development of new products and markets.

Central to BHP Billiton's success is our competitive ability to plan, prioritise and execute the development of the projects in our pipeline. During the year, seven major growth projects were approved. We now have 23 projects in execution or feasibility phase representing US\$13.8 billion of investment. In addition, we are assessing numerous opportunities in readiness for their progression within the pipeline, thereby ensuring a continual flow in the coming years.

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Petroleum projects move to completion

Our pipeline of petroleum development projects is strong. We are expanding our gas plant at Zamzama in Pakistan; Train 5 at Australia's North West Shelf LNG plant is progressing, as is the new Angel production platform, which will supply gas to the facility; and the Stybarrow development is making strong progress towards commercialising reserves in an increasingly important oil province in Western Australian waters. Construction is under way for production facilities at the Neptune Development, our first operated, stand-alone development in the deepwater Gulf of Mexico; and the first steel has been cut for the Shenzi development, also in the Gulf of Mexico. The Atlantis South Development in the Gulf of Mexico, due to ramp-up in the next 12 months, will be a key feature in terms of our Petroleum volumes. When it ultimately reaches its full capacity, Atlantis will produce in the order of 26 million barrels per year (BHP Billiton share).

we see the titanium dioxide in the toothpaste, but naomi sees one last task before her bedtime story . . .

Opening the door to future development

The Panda Underground Project at EKATI, the first underground diamond mine in Canada, successfully reached full capacity in February 2006. The project presented many significant and diverse challenges and, by virtue of its success, has resulted in the establishment of solid underground mining capability at EKATI. Completed on time and under budget, project production has exceeded the feasibility study targets to date. Safety performance was also excellent. Indeed, the success of this project has opened the door to future underground development work at EKATI.

Spence, Chile

Yabulu, Australia

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Growth options

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As the world's demand for resources continues to increase, it is essential that we identify and capture what may become the next generation of large, low-cost assets for development – beyond those already in our project pipeline.

Many of these assets will be in regions of the world where we have limited operations and where political or geographic factors make the identification, retention and development of resources more challenging. At BHP Billiton, we take advantage of our global reach to explore new parts of the world where we can work.

By integrating our technological know-how, our exploration experience and our business development expertise we are wellpositioned to develop new opportunities as they arise in a way that is responsive to market conditions, as well as to future needs, to replenish our current asset portfolio.

Hillside, South Africa

Mt Arthur Coal, Australia

Narelle Wolfe Community Relations Coordinator, Hunter Valley Energy Coal, Australia

Narelle is committed to Mt Arthur Coal and its local community. She works tirelessly to develop goodwill and successful relationships within the workforce and community, in a manner that represents the values associated with our Charter and that positions Hunter Valley Energy Coal well for long-term growth.

we see a useful application for the lightweight and durable qualities of aluminium or steel; jo sees her kids running barefoot through puddles . . .

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Customer Sector Group highlights

Customer Sector Group highlights

- 4 Commodity markets remain strong, underpinned by supply restrictions and a generally constructive global economy.
- 4 Record annual production volumes at 14 of our assets right across our commodity range, including record production in five key commodities: aluminium, copper, iron ore, nickel and natural gas at a time of high prices and tight demand.
- 4 We continue to approve new projects in line with market demand. This year, four major growth projects were completed and seven major growth projects approved, resulting in volume growth in high margin operations and representing a forecast total capital spend of just over US\$5 billion. This together with new projects added in the feasibility phase brings our project pipeline to 23 projects with investment approaching US\$13.8 billion. Our Petroleum Customer Sector Group's principal activities are oil and natural gas exploration, production and development. We produce and market crude oil and condensates, natural gas, liquefied natural gas (LNG), liquefied petroleum gas (LPG) and ethane. We market a range of mostly premium light sweet crude oils and condensates to refining and petrochemical customers in the Asia Pacific and Atlantic regions. We sell gas via pipelines into local markets in Australia, the UK, Pakistan and the US. The markets for LNG from our North West Shelf operations are Japan, Korea and China.

Results

Underlying earnings before interest and tax (EBIT) were US\$3 billion, compared with US\$2.4 billion in 2005, an increase of US\$573 million. This increase was mainly attributable to higher average realised prices for all petroleum products. Aside from price, volumes from new operations were a significant contributor with full year contributions from ROD, Mad Dog, Angostura and Minerva adding US\$360 million to EBIT.

Highlights

Three major projects were sanctioned during the year, Stybarrow, Angel and Shenzi, bringing the total Petroleum pipeline to nine projects in development or feasibility at a capital cost of US\$5.2 billion. Pyrenees advanced into feasibility during the period. We produced record annual volumes of natural gas due to the commissioning of Minerva and North West Shelf Train 4.

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Our Aluminium Customer Sector Group mines bauxite, refines bauxite into alumina and smelts alumina into aluminium metal. We are the world's sixth largest producer of primary aluminium, with a total operating capacity of approximately 1.3 million tonnes of aluminium. We sell aluminium metal to customers around the world, generally at prices linked to the London Metal Exchange (LME) price.

Results

Underlying earnings before interest and tax (EBIT) were US\$1.2 billion, compared with US\$959 million in 2005, an increase of US\$232 million. This increase was mainly attributable to higher prices for aluminium and alumina, adding US\$591 million to EBIT.

Highlights

The benefits of our technical expertise are clearly evident at the Mozal and Hillside smelters where consecutive production records were again achieved from the same number of pots. Commissioning has been successfully completed at our Worsley expansion and we will see the benefits of increased alumina production in future periods. Our Base Metals Customer Sector Group mines copper, silver, lead, zinc, uranium, molybdenum and gold. We provide base metal concentrates to smelters worldwide, copper cathodes to rod and brass mills and casting plants, and uranium oxide to power utilities. Our portfolio of large, low-cost mining operations includes the Escondida mine in Chile, the world's largest source of copper, and the Olympic Dam copper, uranium and gold mine in South Australia.

Results

Underlying earnings before interest and tax (EBIT) were US\$5.4 billion, compared with US\$2.2 billion in 2005, an increase of US\$3.2 billion. This increase was mainly attributable to higher prices for copper, silver, zinc and lead.

Highlights

We had record copper production during the period with the highest ever production from both Escondida and Antamina. The integration of Olympic Dam was successfully completed, also making a significant contribution to the higher result. During the year the Escondida Sulphide Leach and Norte projects were completed on schedule.

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Customer Sector Group highlights continued

Our Carbon Steel Materials Customer Sector Group is a leading supplier of core raw materials and services to the global steel industry, producing and marketing a full range of steelmaking raw materials – iron ore, coking coal and manganese ore and alloys. BHP Billiton is the world's largest supplier of seaborne metallurgical coal, marketing almost 50 per cent of global production.

Results

Underlying earnings before interest and tax (EBIT) were US\$4.5 billion, compared with US\$2.8 billion in 2005, an increase of US\$1.7 billion. This increase was mainly driven by higher prices and record sales volumes for iron ore as well as increased prices for metallurgical coal.

Highlights

With seven Carbon Steel Materials projects in our pipeline, volume growth will continue to be delivered in all three commodities (iron ore, metallurgical coal and manganese). Returns for this business continue to be excellent and margins were outstanding at both WA Iron Ore and Queensland Coal. These were the highest year-on-year margin expansions at any of our operations. With continued strong demand and prices for these key commodities largely locked in until April next year, the outlook continues to be very positive.

The Diamonds and Specialty Products Customer Sector Group encompasses our diamonds and titanium minerals businesses. The cornerstone of our diamonds business is the EKATI Diamond Mine. Annual sales represent around 3 per cent of current world rough diamond supply by weight and 6 per cent by value.

Our interest in titanium minerals consists of a 50 per cent effective interest in Richards Bay Minerals (RBM) in South Africa, a leading producer of titanium slag, high purity pig iron, rutile and zircon from mineral sands, and the Corridor Sands and TiGen minerals sands projects in Mozambique. The zircon, rutile and pig iron are sold as end products.

Approximately 90 per cent of the titanium dioxide slag is sold internationally.

Results

Underlying earnings before interest and tax (EBIT) were US\$345 million, compared with US\$560 million in 2005, a decrease of US\$215 million. This decrease was mainly impacted by the processing of lower grade and lower value material at our EKATI Diamond Mine. Diamond revenues were positively impacted by sales from inventories carried over from 2005.

Highlights

EBIT for EKATI in this current financial year will continue to be impacted by the processing of lower grade and lower value material and will not benefit from sale of back stocks. In the medium term, however, increasing underground production from Panda and Koala will help restore profitability to historical levels.

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Our Energy Coal Customer Sector Group is one of the world's largest producers and marketers of export thermal coal. We mine energy coal in South Africa, Australia, Colombia and the US. Most of our energy coal sales are under medium and long-term contracts with power generation companies and utilities in domestic markets and export markets in Europe, Asia and the US.

Results

Underlying earnings before interest and tax (EBIT) were US\$327 million, compared with US\$587 million in 2005, a decrease of US\$260 million. Prices and volumes were largely flat but cost pressures experienced across the industry also affected all Energy Coal assets.

Highlights

Annual production records were achieved at both Cerrejon Coal and New Mexico operations. A recovery plan at Ingwe is starting to take hold and we are looking for an improved result in the medium term.

Our Stainless Steel Materials Customer Sector Group is the world's third largest nickel producer. The group primarily services the stainless steel industry through its wide range of high-quality nickel products. In addition, we supply nickel and cobalt to other markets including the specialty alloy, foundry, chemicals, and refractory material industries. For the year, approximately 80 per cent of our sales were to the stainless steel industry under a mix of long-term and medium-term contracts with prices linked to the relevant LME prices.

We produce nickel in the form of compacts, high purity nickel briquettes and powders, high purity ferronickel granules and chemical-grade nickel oxide; and cobalt in the form of Chemgrade cobalt oxide hydroxide and electrolytic cobalt cathodes. We also market chrome and ferrochrome produced by the chrome business we owned until June 2005.

Results

Underlying earnings before interest and tax (EBIT) were US\$901 million, compared with US\$712 million in 2005, an increase of US\$189 million. This increase was mainly attributable to the inclusion of a full year of results from the Nickel West operations (Australia), acquired in June 2005.

Highlights

The successful integration of Nickel West has been completed and we are now looking to optimise this business. Cerro Matoso had record annual production and we are looking to further increase production in the medium term from improved recoveries of metal from slag. The Yabulu expansion is on track for delivery early next year and the gas conversion project at this refinery is now completed and is expected to have a positive impact on costs for the 2007 year. While it is disappointing that the budget and schedule for Ravensthorpe are under review, this project will enable us to deliver increased nickel volumes into a structurally tight nickel market.

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Offices**

Ref	Country	Location	
1	Australia	Adelaide t l	t Corporate Centres
2	Australia	Brisbane l5	l Marketing Offices
3	Australia	Melbourne (Global Headquarters) tl5	5 Minerals Exploration Offices n Technology Centres
4	Australia	Newcastle n	
5	Australia	Perth t l 5 n	
6	Belgium	Antwerp l	
7	Brazil	Rio de Janeiro l 5	
8	Canada	Vancouver 5	
9	Chile	Santiago t l 5	
10	China	Beijing l 5	
11	China	Shanghai l	
12	Germany	Essen l	
13	India	New Delhi l 5	
14	Indonesia	Jakarta l	
15	Japan	Tokyo l	
16	Korea	Seoul l	
17	Mongolia	Ulaanbaatar 5	
18	Netherlands	The Hague l	
19	Peru	Lima 5	
20	Russia	Moscow l 5	
21	Singapore	Singapore l	
22	South Africa	Johannesburg t l 5n	
23	Switzerland	Baar l	
24	UK	London t	
25	UK	Sheffield l	
26	US	Houston t l	
27	US	Pittsburgh l	

Petroleum

Ref	Country	Site/Asset	Description	Ownership
28	Algeria	Ohanet	Joint operator with Sonatrach of wet gas development	45%
29	Algeria	ROD Integrated Development	Onshore oil development	36.04%
30	Australia	Bass Strait	The Bass Strait operations produce oil, condensate, LPG, natural gas and ethane	50%
31	Australia	Griffin	Operator of oil and gas project offshore WA	45%
32	Australia	Minerva	Operator of Minerva gas field development in the Otway Basin	90%
33	Australia	North West Shelf	One of Australia s largest resource projects, producing liquids, LNG and domestic gas	8.33 16.67%
34	Pakistan	Zamzama	Operator of onshore gas development	38.5%

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35	Trinidad and Tobago	Angostura	Operator of oil field	45%
36	UK	Bruce/Keith	Oil and gas production in the UK North Sea (sold in August 2006)	16 31.83%
37	UK	Liverpool Bay	Operator of oil and gas development in the Irish Sea	46.1%
38	US	Gulf of Mexico	Interests in several producing assets, the Atlantis, Neptune and Shenzi developments, and a significant exploration acreage position	4.95 100%
	Various	Exploration	Exploration interests in Algeria, Australia, Brunei, Maritime Canada, Colombia, Namibia, Pakistan, South Africa, Trinidad and Tobago, UK, US	

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Ref Country	Site/Asset	Description	Ownership
39 Australia	Worsley	Integrated alumina refinery/bauxite mine	86%
40 Brazil	Alumar	Alumina refinery and aluminium smelter	36 40%
41 Brazil	MRN	Bauxite mine	14.8%
42 Mozambique	Mozal	Aluminium smelter	47.1%
43 South Africa	Hillside/Bayside	Two aluminium smelters	100%
44 Suriname	Paranam	Alumina refinery and bauxite mines	45%

Base Metals

Ref Country	Site/Asset	Description	Ownership
45 Australia	Cannington	Silver, lead and zinc mine in north-west Queensland	100%
46 Australia	Olympic Dam	Large underground copper/uranium mine in South Australia	100%
47 Chile	Cerro Colorado	Copper mine in northern Chile, producing cathode copper through a SX-EW leach operation	100%
48 Chile	Escondida	The world's largest copper mine, located in northern Chile	57.5%
49 Chile	Spence	Open cut copper mine under development	100%
50 Peru	Antamina	Large copper-zinc mine	33.75%

Carbon Steel Materials

Ref Country	Site/Asset	Description	Ownership
51 Australia	GEMCO	Producer of manganese ore	60%
52 Australia	Illawarra Coal	Three underground coal mines	100%
53 Australia	Queensland Coal	World's largest supplier of high-quality metallurgical coal for steel production	50 80%
54 Australia	TEMCO	Producer of manganese alloys 1	60%
55 Australia	WA Iron Ore	Pilbara iron ore mine, rail and port operations	85 100%
56 Brazil	Samarco	An efficient low-cost producer of iron ore pellets	50%
57 South Africa	Samancor Manganese	Integrated producer of manganese ore (Hotazel Manganese Mines) and alloys (Metalloys)	60%

Diamonds and Specialty Products

Ref Country	Site/Asset	Description	Ownership
58 Canada	Yellowknife	EKATI Diamond Mine in the Northwest Territories of Canada	80%
59 Mozambique	Corridor Sands	Titanium minerals project	90%
60 South Africa	Richards Bay Minerals	World's largest producer of titanium slag	50%

Energy Coal

Ref Country	Site/Asset	Description	Ownership
61 Australia	Hunter Valley Energy Coal	Mt Arthur Coal	100%

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62 Australia	Illawarra Coal	Marketing agent for energy coal output	
63 Australia	Queensland Coal	Marketing agent for energy coal output	
64 Colombia	Cerrejon	Largest coal producer in Colombia	33.3%
65 South Africa	Ingwe	Largest coal producer in South Africa	100%
66 US	New Mexico Coal	Mine-mouth operations	100%

Stainless Steel Materials

Ref Country	Site/Asset	Description	Ownership
67 Australia	Nickel West	Nickel assets including Mt Keith and Leinster operations, Kalgoorlie nickel smelter and concentrator and Kwinana nickel refinery	100%
68 Australia	QNI Yabulu Refinery	The Yabulu refinery is one of the world's major laterite nickel-cobalt processing plants	100%
69 Australia	Ravensthorpe Nickel Project	Ravensthorpe nickel mine and processing facility (currently in development)	100%
70 Colombia	Cerro Matoso	Integrated ferronickel mining and smelting complex in north Colombia	99.8%

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Corporate Governance Statement

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1. Governance at BHP Billiton

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

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

A copy of the Guide can be found at www.bhpbilliton.com/aboutus/governance.

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

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

2. Shareholders

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

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

A copy of this Policy is available at www.bhpbilliton.com/aboutus/governance.

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

Announcements and other relevant information can be found at www.bhpbilliton.com.

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

Any person wishing to receive advice by email of Group news releases can subscribe at www.bhpbilliton.com.

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

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.

Shareholders are encouraged to attend Annual General Meetings and to use this opportunity to ask questions.

Questions that have been lodged ahead of the meeting, and the answers to them, are posted to the website. The

External Auditor attends the Annual General Meetings and is available to answer questions.

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

Proceedings at shareholder meetings and important Group briefings are broadcast live from the Group's website.

Copies of the speeches delivered by the Chairman and Chief Executive Officer (CEO) to the Annual General Meeting, a summary of the proceedings of the meeting and the outcome of voting on the items of business are posted to the website following the meeting.

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

3.1 Role and responsibilities

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

The *Board Governance Document* can be found at www.bhpbilliton.com/aboutus/governance.

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 has specifically reserved the following matters for its decision:

appointments to the position of CEO and approval of appointments of executives reporting to the CEO

approval of strategy and annual budgets

determination of matters in accordance with the approvals framework

formal determinations that are required by the Group's constitutional documents, by statute or by other external regulation.

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

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

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

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

3.2 Key activities during the year

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

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Board of Directors

Don Argus Paul Anderson David Brink Charles Goodyear
Carlos Cordeiro David Crawford John Buchanan Gail de Planque
David Jenkins Chris Lynch Marius Kloppers Jacques Nasser
John Schubert Miklos Salamon
Karen Wood
Company Secretary

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4. Board of Directors composition, structure and process

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

4.1 Membership

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

4.2 Skills, knowledge, experience and attributes of Directors

Don Argus AO, SFFIN, FCPA, 68

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

Independent: Yes

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

Other directorships and offices (current and recent):

Chairman of Brambles Industries Ltd (since September 1999) and a Director (since May 1999)

Chairman of Brambles Industries Plc and a Director (since August 2001)

Director of Australian Foundation Investment Company Ltd (since May 1999)

Former Director of Southcorp Limited (from May 1999 until August 2003)

Member of the International Advisory Council of Allianz Aktiengesellschaft (since April 2000)

Member of International Advisory Committee to the New York Stock Exchange Board of Directors (since November 2005)

Board Committee membership:

Chairman of the Nomination Committee

Charles Goodyear BSc, MBA, FCPA, 48

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

Independent: No

Skills and experience: Charles Goodyear has extensive experience in finance, corporate restructuring and mergers and acquisitions. He joined the Group as Chief Financial Officer (CFO) in 1999. He was previously President of Goodyear Capital Corporation and Executive Vice President and CFO of Freeport-McMoRan Inc.

Other directorships and offices (current and recent):

Member of the International Council of Mining and Metals

Member of the United States National Petroleum Council

Board Committee membership:

None

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

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

and Managing Director of BHP Limited from December 1998 until June 2001 and of BHP Billiton Limited and BHP Billiton Plc from June 2001 until July 2002. He was a non-executive Director of BHP Billiton Limited and BHP Billiton Plc from July to November 2002.

Independent: Yes. Refer to comments in section 4.3.

Skills and experience: Paul Anderson has an extensive background in natural resources and energy and, as one of the architects of the merger that created BHP Billiton, has a deep understanding of the strategy behind the Group's success. He is Chairman of the Board of Duke Energy Corporation and has more than 20 years' experience at Duke Energy and its predecessors.

Other directorships and offices (current and recent):

Chairman of Duke Energy Corporation (since November 2003) and former CEO (from November 2003 to April 2006)

Director of Qantas Airways Limited (since September 2002)

Former Director of Temple Inland Inc (from February 2002 to May 2004)

Former Director of Fluor Corporation (from March to October 2003)

Member of the US President's Council of Advisors on Science and Technology

Board Committee membership:

Member of the Sustainability Committee

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

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

Independent: Yes

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

Other directorships and offices (current and recent):

Chairman of Unitrans Limited (since November 1997)

Deputy Chairman of ABSA Bank Limited and ABSA Group Limited (since April 1992)

Director of Sanlam Limited (from January 1994 until June 2006)

Director of Sappi Limited (since March 1994)

Former Director of Murray & Roberts Holdings Ltd (from July 1984 until December 2003)

Vice President of the South African Institute of Directors

Board Committee membership:

Chairman of the Sustainability Committee

Member of the Risk and Audit Committee

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

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

Independent: Yes

Skills and experience: John Buchanan has had a wide international business career gained in large and complex international businesses. He has substantial experience in the petroleum industry and knowledge of the UK and international investor community. He has held various leadership roles in strategic, financial, operational and marketing positions, including executive experience in different countries. He is a former executive Director and Group CFO of BP, Treasurer and Chief Executive of BP Finance, and Chief Operating Officer of BP Chemicals.

Other directorships and offices (current and recent):

Chairman of Smith & Nephew Plc (since April 2006) and Deputy Chairman (from February 2005 to April 2006)

Director of AstraZeneca Plc (since April 2002)

Senior Independent Director and Deputy Chairman of Vodafone Group Plc (since July 2006) and Director (since April 2003)

Former Director of Boots Plc (from December 1997 until July 2003)

Board Committee membership:

Chairman of the Remuneration Committee

Member of the Nomination Committee

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Board of Directors continued

Carlos Cordeiro AB, MBA, 50

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

Independent: Yes

Skills and experience: Carlos Cordeiro brings to the Board more than 20 years' experience in providing strategic and financial advice to corporations, financial institutions and governments around the world. He was previously Partner and Managing Director of Goldman Sachs Group Inc.

Other directorships and offices (current and recent):

Advisory Director of The Goldman Sachs Group Inc (since December 2001)

Vice Chairman of Goldman Sachs (Asia) (since June 2000)

Board Committee membership:

Member of the Remuneration Committee

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

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

Independent: Yes

Skills and experience: David Crawford has extensive experience in risk management and business reorganisation. He has acted as a consultant, scheme manager, receiver and manager and liquidator to very large and complex groups of companies. He was previously Australian National Chairman of KPMG, Chartered Accountants. The Board has nominated Mr Crawford as the financial expert of the Risk and Audit Committee for the purposes of the US Securities and Exchange Commission Rules and is satisfied that he has recent and relevant financial experience for the purposes of the UK Listing Authority's Combined Code.

Other directorships and offices (current and recent):

Chairman of Lend Lease Corporation Limited (since May 2003) and Director (since July 2001)

Director of Foster's Group Limited (since August 2001)

Director of Westpac Banking Corporation (since May 2002)

Former Chairman of National Foods Limited (Director from November 2001 until June 2005)

Board Committee membership:

Chairman of the Risk and Audit Committee

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

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

Independent: Yes

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

Other directorships and offices (current and recent):

Director of TXU Corp (since February 2004)

Director of Northeast Utilities (since October 1995)

Director of Landauer Inc (since December 2001)

President of Strategy Matters Inc (since March 2000)

Director of Energy Strategists Consultancy Ltd (since May 1999)

Former Director of BNFL Plc (from November 2000 to March 2005) and of BNG America Inc (from March 1995 to March 2006)

Board Committee membership:

Member of the Sustainability Committee

Member of the Remuneration Committee

David Jenkins BA, PhD (Geology), 67

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

Independent: Yes

Skills and experience: David Jenkins is a recognised authority on oil and gas technology. He was previously Chief Geologist, Director Technology and Chief Technology Advisor to BP Plc. He was also a member of the Technology Advisory Committee of the Halliburton Company and the Advisory Council of Consort Resources and Chairman of the Energy Advisory Panel of Science Applications International Corporation.

Other directorships and offices (current and recent):

Director of Chartwood Resources Ltd (since November 1998)

Director of Orion International (Oil & Gas) Ltd (since March 2005)

Board Committee membership:

Member of the Remuneration Committee

Member of the Risk and Audit Committee

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

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

Independent: No

Skills and experience: Marius Kloppers has extensive knowledge of the mining industry and of BHP Billiton's operations. Active in the mining and resources industry since 1993, he was appointed Chief Commercial Officer in December 2003. He was previously Chief Marketing Officer, Group Executive of Billiton Plc, Chief Executive of Samancor Manganese and held various positions at Billiton Aluminium, including Chief Operating Officer and General Manager of Hillside Aluminium.

Other directorships and offices (current and recent):

None

Board Committee membership:

None

Chris Lynch BComm, MBA, FCPA, 52

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

Independent: No

Skills and experience: Chris Lynch has extensive experience in finance and knowledge of the mining industry. He joined the Group as Chief Financial Officer of the Minerals Group in 2000 and was appointed Chief Financial Officer in September 2001. Prior to that he held various positions at Alcoa, including Vice President and Chief Information Officer for Alcoa Inc and Chief Financial Officer, Alcoa Europe.

Other directorships and offices (current and recent):

Director of Minerals Council of Australia

Board Committee membership:

None

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Jacques Nasser AO, BBus, Hon DT, 58

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

Independent: Yes

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

Other directorships and offices (current and recent):

Director of British Sky Broadcasting Ltd (since November 2002)

Director of Brambles Industries Limited and Brambles Industries Plc (since March 2004)

Director of Quintiles Transnational Corporation (since March 2004)

Partner of One Equity Partners (since November 2002)

Member of the International Advisory Council of Allianz Aktiengesellschaft (since February 2001)

Former Chairman of Polaroid Corporation (from 2002 to 2005)

Board Committee membership:

Member of the Risk and Audit Committee

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

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

Independent: No

Skills and experience: Mike Salamon has extensive knowledge of the mining industry and of BHP Billiton's operations. He was previously Executive Chairman of Samancor, Managing Director of Trans-Natal Coal Corporation and Chairman of Columbus. He was previously an executive Director of Billiton Plc with responsibilities for nickel, chrome, manganese, stainless steel and titanium, and Group President Non-Ferrous Materials. He was appointed Executive President in January 2006 with responsibility for health, safety, the environment and communities, marketing, strategy and business development, exploration and technology.

Other directorships and offices (current and recent):

Chairman of Samancor Limited (since October 1993)

Director of Cerro Matoso SA (since March 1996)

Board Committee membership:

None

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

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

Independent: Yes

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

Other directorships and offices (current and recent):

Chairman of Commonwealth Bank of Australia (since November 2004) and Director (since October 1991)

Director of Qantas Airways Limited (since October 2000)

Chairman of G2 Therapies Limited (since November 2000)

Former Director of Hanson Plc (from May 2000 until May 2003)

Former Chairman and Director of Worley Parsons Limited (from November 2002 until February 2005)

Board Committee membership:

Member of the Nomination Committee

Member of the Sustainability Committee

Group Company Secretary

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

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

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

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

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

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

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

4.3 Independence

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

Process to determine independence

A copy of the Independence Policy is available at: www.bhpbilliton.com/aboutus/governance.

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.

The Independence Policy provides that to be independent a Director must be:

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

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Table of Contents**Corporate Governance Statement** continued

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

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

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

At the conclusion of the 2006 Annual General Meetings, Mr Don Argus, Mr David Crawford and Dr David Brink will each have served on the Board for more than nine years. Notwithstanding those periods of service, the Board does not believe that any of those Directors has served for a period that could materially interfere with their ability to act in the best interests of the Group. All are considered to have retained independence of character and judgement and have not formed associations with management (or others) that might compromise their ability to exercise independent judgement or act in the best interests of the Group.

Retirement plan

The former Directors of BHP Limited (Mr Don Argus, Mr David Crawford, Dr David Jenkins and Dr John Schubert) participated in a retirement plan approved by shareholders in 1989. The plan was closed on 24 October 2003 and benefits accrued to that date, together with interest earned on the benefits, are held by the Company and will be paid on retirement. The Board does not believe that the independence of any participating Director is compromised as a result of this plan.

Relationships and associations

Mr David Crawford was the National Chairman of KPMG in Australia. He retired in June 2001 and has no ongoing relationship with KPMG. KPMG was a joint auditor of Billiton Plc prior to the merger with BHP Limited and of BHP Billiton up to 2003 and the sole auditor of BHP Billiton from December 2003. The Board has considered this matter annually since the time of the merger, and again revisited it prior to the publication of this Statement and does not consider Mr Crawford's independence to be compromised. The Board considers Mr Crawford's financial acumen to be important in the discharge of the Board's responsibilities. Accordingly, his membership of the Board and Chairmanship of the Risk and Audit Committee are considered by the Board to be appropriate and desirable. In June 2006, the Board reappointed Mr Paul Anderson a non-executive Director. The Board considers Mr Anderson to be independent.

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

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

The key issue for the Board in assessing Mr Anderson's independence was whether the fact that he had served as Chief Executive Officer until July 2002 and a non-executive Director until November 2002, on its own, was sufficient reason to classify him as not independent. The Board concluded that given the elapse of time since Mr Anderson was employed by BHP Billiton, the fact that he was so employed did not interfere with his objective, unfettered or

independent judgement or his ability to act in the best interests of the Group. In reaching its decision, the Board determined that it could not form the view that the mere elapse of a further (relatively short) period of time until the expiration of five years from his departure as an executive would make any difference to its assessment.

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

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

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

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

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Executive Directors

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

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

4.4 Terms of appointment

A copy of the letter is available at www.bhpbilliton.com/aboutus/governance.

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.

4.5 Induction and training

A copy of the induction program is available at www.bhpbilliton.com/aboutus/governance.

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

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

4.6 Independent advice

The Board and its Committees may seek advice from independent experts whenever it is considered appropriate.

Individual Directors, with the consent of the Chairman, may seek independent professional advice on any matter connected with the discharge of their responsibilities, at the Group's expense. No Director availed him or herself of this right during the year.

4.7 Remuneration

Details of the remuneration policies and practices of the Group and the remuneration paid to the Directors (executive and non-executive) are set out in the Remuneration Report on pages 45 to 61. Shareholders will be invited to consider and to approve the Remuneration Report at the 2006 Annual General Meetings.

4.8 Share ownership and dealing

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

Details of the Shares held by Directors are set out on pages 65 and 66 of this Annual Review. As at the date of this Annual Review, all of the Directors had met this requirement.

A copy of the Securities Dealing Code can be viewed at www.bhpbilliton.com/aboutus/governance.

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

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

4.9 Chairman

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

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

Mr Argus is Chairman of Brambles Industries, a company listed on the Australian and London Stock Exchanges. The Board considers that neither his Chairmanship of Brambles, nor any of his other commitments (set out on page 31 of this Annual Review), interfere with the discharge of his responsibilities to BHP Billiton. The Board is satisfied that he makes sufficient time available to serve BHP Billiton effectively.

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

4.10 Senior Independent Director

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

4.11 Company Secretary

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

4.12 Meetings

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

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

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

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

5.1 Review

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

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

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

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

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

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	Board		Risk and Audit		Nomination		Remuneration		Sustainability	
	A*	B	A	B	A	B	A	B	A	B
Paul Anderson ⁽¹⁾	1	1								
Don Argus	7	7			6	6				
David Brink	7	7	8	7					4	4
John Buchanan	7	7			6	5	6	6		
Michael Chaney ⁽²⁾	4	4								
Carlos Cordeiro ⁽³⁾	7	7					3	3		
David Crawford	7	7	8	8						
E Gail de Planque ⁽⁴⁾	5	4					1	1	2	2
Charles Goodyear	7	6							1	1
David Jenkins	7	7	8	8			6	6		
Marius Kloppers ⁽⁵⁾	3	3								
Chris Lynch ⁽⁵⁾	3	3								
Jacques Nasser ⁽¹⁾	1	1	1	0						
Lord Renwick of Clifton ⁽²⁾	4	3			2	2	3	3		
Mike Salamon	7	6							1	1
John Schubert	7	7			6	6	4	4	2	2

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

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

⁽¹⁾ Paul Anderson and Jacques Nasser appointed 6 June 2006.

⁽²⁾ Michael Chaney and Lord Renwick of Clifton retired 25 November 2005.

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

⁽⁴⁾ Gail de Planque appointed 19

October 2005.

⁽⁵⁾ Marius

Kloppers and

Chris Lynch

appointed 1

January 2006.

* Includes two meetings held by teleconference.

5.2 Re-election

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

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

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

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

5.3 Renewal

The Board plans for its own succession with the assistance of the Nomination Committee. In so doing, the Board: considers the skills, knowledge and experience necessary to allow it to meet the strategic vision for the Group

assesses the skills, knowledge and experience currently represented

identifies any skills, knowledge and experience not adequately represented and agrees the process necessary to ensure a candidate is selected that brings those traits

reviews how Board performance might be enhanced, both at an individual Director level and for the Board as a whole.

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

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

6. Management

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

6.1 Office of the Chief Executive

The CEO has established the Office of the Chief Executive (OCE) to assist him in exercising his authority. The role of the OCE is to provide advice to the CEO on matters that are strategic and long term in nature or have the potential to significantly impact the Group.

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

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The members of the OCE are:

Chip Goodyear, Chief Executive Officer and executive Director (Chair)

John Fast, Chief Legal Counsel and Head of External Affairs

Robert Kirkby, Executive President

Marius Kloppers, Group President, Non-Ferrous Materials and executive Director

Chris Lynch, Group President Carbon Steel Materials and executive Director

Marcus Randolph, Chief Organisation Development Officer

Mike Salamon, Executive President and executive Director

Alex Vanselow, Chief Financial Officer

Karen Wood, Special Advisor and Head of Group Secretariat

J Michael Yeager, Group President Energy

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

6.2 Other management committees

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

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

The Committee's role is to provide feedback and advice to the CEO on operational issues, provide leadership by identifying and addressing Group-wide operating issues, prioritise Group improvement activities, implement Group-wide policy as determined by the OCE, provide direction and priorities for the Group's support functions and participate in strategy development.

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

The members of the Executive Committee are:

Robert Kirkby, Executive President (Chair)

Ian Ashby, President and Chief Operating Officer, WA Iron Ore

Peter Beaven, President Manganese

Alberto Calderon, President Diamonds and Specialty Products

Diego Hernandez, President Base Metals

Graeme Hunt, President Aluminium

Marius Kloppers, Group President, Non-Ferrous Materials and executive Director

Chris Lynch, Group President Carbon Steel Materials and executive Director

Rebecca McDonald, President Gas and Power

David Murray, President Metallurgical Coal

Chris Pointon, President Stainless Steel Materials

Tom Schutte, President Marketing

Mahomed Seedat, President Energy Coal

J Michael Yeager, Group President Energy

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

Charles Goodyear BSc, MBA, FCPA, 48

Chief Executive Officer and executive Director

Chairman of the OCE

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

Ian R Ashby BEng Mining (Melbourne University), 48

President and Chief Operating Officer, WA Iron Ore

Member of the Executive Committee

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

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

President Manganese

Member of the Executive Committee

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

Alberto Calderon PhD Econ, M Phil Econ Yale University, JD Law,

BA Econ Andes University, 46

President Diamonds and Specialty Products

Member of the Executive Committee

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

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

Chief Legal Counsel and Head of External Affairs

Member of the OCE, Investment Risk Committee and Disclosure Committee

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

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

President Base Metals

Member of the Executive Committee

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

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Diego Hernandez Graeme Hunt Robert Kirkby Marius Kloppers Chris Lynch

Tom Schutte Mahomed Seedat Alex Vanselow Karen Wood J Michael Yeager

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

President Aluminium

Member of the Executive Committee

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

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

Executive President

Chairman of the Executive Committee and member of the OCE

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

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

Group President Non-Ferrous Materials and executive Director

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

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

Chris Lynch BComm, MBA, FCPA, 52

Group President Carbon Steel Materials and executive Director

Member of the OCE and Executive Committee

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

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Rebecca McDonald BSc, 54

President Gas and Power

Member of the Executive Committee

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

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

President Metallurgical Coal

Member of the Executive Committee

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

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

President Stainless Steel Materials

Member of the Executive Committee

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

Marcus Randolph BSc, MBA Harvard Business School, 50

Chief Organisation Development Officer

Member of the OCE

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

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

Executive President and executive Director

Member of the OCE and Investment Risk Committee

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

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

President Marketing

Member of the Executive Committee

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

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

President Energy Coal

Member of the Executive Committee

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

Alex Vanselow BComm, Wharton AMP, 43

Chief Financial Officer

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

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

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

Special Advisor and Head of Group Secretariat

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

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

J Michael Yeager BSc, MSc, 53

Group President Energy

Member of the OCE and Executive Committee

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

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Table of Contents**Corporate Governance Statement** continued**7. Business conduct**

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

The Guide can be found at the Group's website at www.bhpbilliton.com/aboutus/governance.

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

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

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

8. Board Committees

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

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

The terms of reference for each Committee can be found at www.bhpbilliton.com/aboutus/governance.

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

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

Reports from each of the Committees appear below.

8.1 Risk and Audit Committee Report

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

Role and focus

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

Activities undertaken during the year

Integrity of financial statements

The RAC assists the Board in assuring the integrity of the financial statements. The RAC evaluates and makes recommendations to the Board about the appropriateness of, and changes to, accounting policies and practices, areas of judgement, compliance with Accounting Standards, stock exchange and legal requirements and the results of the external audit. It reviews the half yearly and annual financial statements and makes recommendations on specific actions or decisions (including formal adoption of the financial statements and reports) the Board should consider in order to maintain the integrity of the financial statements. From time to time the Board may delegate authority to the RAC to approve the release of the statements to the stock exchanges, shareholders and the financial community. The CEO and CFO have certified that the 2006 financial statements present a true and fair view, in all material respects, of BHP Billiton's financial condition and operating results and are in accordance with applicable regulatory requirements.

Managing the relationship with the External Auditor

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

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

- confirming that the External Auditor is, in its professional judgement, independent of the Group

- obtaining from the External Auditor an account of all relationships between the External Auditor and the Group

- monitoring the number of former employees of the External Auditor currently employed in senior positions in the Group and assessing whether those appointments impair, or appear to impair, the External Auditor's judgement or independence

- considering whether the various relationships between the Group and the External Auditor collectively impair, or appear to impair, the External Auditor's judgement or independence

- determining whether the compensation of individuals employed by the External Auditor who conduct the audit is tied to the provision of non-audit services and, if so, whether this impairs, or appears to impair, the External Auditor's judgement or independence

- reviewing the economic importance of the Group to the External Auditor and assessing whether that importance impairs, or appears to impair, the External Auditor's judgement or independence.

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8.1 Risk and Audit Committee report continued

The Group audit engagement partner will rotate every five years.

This Policy can be viewed at www.bhpbilliton.com/aboutus/governance.

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

- may be required to audit its own work

- participates in activities that would normally be undertaken by management

- is remunerated through a success fee structure

- acts in an advocacy role for BHP Billiton.

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

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

Effectiveness of systems of internal control and risk management

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

Business risks

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

- fluctuations in commodity prices and currency exchange rates

- failure to discover new reserves or enhance existing reserves

- fewer mineral, oil or gas reserves than our estimates indicate

- compliance with health, safety and environmental exposures and related regulations

- land tenure disputes

- actions by governments in the countries in which we operate

- risks associated with emerging markets

- inability to successfully integrate our acquired businesses or recover our investments in exploration and new mining and oil and gas projects

- increased reliance upon the Chinese market in the event of a slow down in consumption

- shortages of skilled labour that could negatively impact our operations and expansion plans

- costs that may increase due to inflationary pressures.

Management of business risks

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

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

- the procedure for identifying business risks and controlling their financial impact on the Group and the operational effectiveness of the policies and procedures related to risk and control

- the budgeting and forecasting systems, financial reporting systems and controls

- policies and practices put in place by the CEO for detecting, reporting and preventing fraud, serious breaches of business conduct and whistle-blowing procedures

- the policies for ensuring compliance with relevant regulatory and legal requirements

- arrangements for protecting the Group's ownership of intellectual property and other non-physical assets

- the operational effectiveness of the Customer Sector Groups' (CSG) RAC structures

- the application of the principles of the Turnbull Guidance within the Group, including the adequacy of the internal control systems and allocation of responsibilities for monitoring internal financial controls

- policies, information systems and procedures for preparation and dissemination of information to shareholders, stock exchanges and the financial community.

Management has put in place a number of key policies, processes and independent controls to provide assurance to the Board and the RAC as to the integrity of the Group's reporting and effectiveness of its systems of internal control and risk management. The governance assurance diagram on page 42 highlights the relationship between the Board and the various controls in the assurance process. Some of the more significant internal control systems include Board and management committees, CSG Risk and Audit Committees, the Enterprise- Wide Risk Management System (EWRM) and Internal Audit.

CSG Risk and Audit Committees

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

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

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

Board Committees

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

Management Committees

Management Committees also perform roles in relation to risk and control. Strategic risks and opportunities arising from changes in the Group's business environment are regularly reviewed by the OCE and discussed by the Board. The FRMC reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, financing risk and interest rate risk. Minutes of the OCE and the FRMC are provided to the Board. The

IRC provides oversight for investment processes across the Group and coordinates the investment toll-gating process for major investments. Reports are made to the Board on findings by the IRC in relation to major capital projects.
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Corporate Governance Statement continued

8.1 Risk and Audit Committee report continued

CEO and CFO certification

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

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

Enterprise-Wide Risk Management

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

The Group's EWRM Policy can be found at www.bhpbilliton.com/aboutus/governance.

Internal Audit

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

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

achievement of GAS objectives, which are:

assessment of the design and operating effectiveness of controls governing key operational processes and business risks

assessment, independent of management, of the adequacy of the Group's internal operating and financial controls, systems and practices

assisting the Board in meeting its corporate governance and regulatory responsibilities

provision of advisory services to management to enhance the control environment and improve business performance

enterprise-wide risk management

risk management information systems

insurance strategy.

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

Review of effectiveness

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

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

Committees described above.

Assessment of RAC performance

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

Governance Assurance Diagram

Board (Board Governance Document)

Risk and Audit Committee (RAC)

Sustainability Committee (HSEC)

Delegation

Accountability

Nomination Committee

Remuneration Committee

Chief Executive Officer

Independent Assurance

External Auditors

Group Audit Services

HSEC Audits

Peer Reviews Major Projects

Ore/Oil/Gas Reserves Review

Management Governance and Assurance

Key Policies Charter Guide to Business Conduct Anti Trust Protocols Approvals Framework

Contracts and Commitments Risk Management Sustainable Development Portfolio Risk Management

Governance Framework

Securities Dealing Code Market Disclosure and Communications Non-Audit Services Tax

Information Management Financial Accounting

Key Processes Office of the Chief Executive Financial Risk Management Committee CSG and

Asset Appraisals CSG RACs Enterprise-Wide Risk Management Stewardship Reviews

Management Representation Letters Market Risk Management Committee Disclosure Committee

Investment Risk Committee Investment Evaluation Standard Financial and Management

Reporting HSEC Management Standards

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8.2 Remuneration Committee report

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

Role and focus

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

- the remuneration policy and its specific application to the CEO, the executive Directors and the CEO's direct reports, and its general application to all Group employees
- the adoption of annual and longer-term incentive plans

- the determination of levels of reward to the CEO and approval of reward to the CEO's direct reports

- the annual evaluation of the performance of the CEO, by giving guidance to the Group Chairman

- the communication to shareholders on remuneration policy and the Committee's work on behalf of the Board

- the Group's compliance with applicable legal and regulatory requirements associated with remuneration matters

- the preparation of the Remuneration Report to be included in the Group's Annual Report.

Activities undertaken during the year

Full details of the Committee's work on behalf of the Board are set out in the Remuneration Report on pages 45 to 61.

8.3 Nomination Committee report

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

Role and focus

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

- reviewing the skills represented on the Board and identifying skills that might be required

- retaining the services of independent search firms and identifying suitable candidates for the Board (refer to sections 4.2 and 5.3 of this Statement)

- overseeing the review of the assessment of the performance of individual Directors and making recommendations to the Board on the endorsement of retiring Directors seeking re-election (refer to section 5 of this Statement)

- communication to shareholders on the work of the Committee on behalf of the Board.

Activities undertaken during the year

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

8.4 Sustainability Committee report

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

Role and focus

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

health, safety, environment and community risks

the Group's compliance with applicable legal and regulatory requirements associated with health, safety, environment and community matters

the Group's performance in relation to health, safety, environment and community matters

the performance and leadership of the health, safety and environment function and the sustainable development function

the Group's Annual Sustainability Summary Report

the preparation of a report by the Committee to be included in the Annual Report.

Activities undertaken during the year

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

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

For an overview of BHP Billiton's approach to sustainable development, refer to page 10 of this Annual Review.

9. Conformance with corporate governance standards

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

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

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

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

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

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

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Corporate Governance Statement continued

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

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

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

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

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

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

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Remuneration Report at a Glance

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Web references used in this Report

The Group's website www.bhpbilliton.com Terms of reference, list of consultants

www.bhpbilliton.com/aboutus/governance The rules of the GIS and LTIP

www.bhpbilliton.com/aboutus/governance Standard engagement letter for non-executive Directors

www.bhpbilliton.com/bbContentRepository/AboutUs/Governance/lt_AppointmentasnonexecutiveDirector.pdf

Glossary of Terms

Key abbreviations used in this Report

BHP Billiton BHP Billiton Limited and BHP Billiton Plc

Board The Boards of Directors of BHP Billiton

CEO Chief Executive Officer

Committee The Remuneration Committee of BHP Billiton

Group BHP Billiton and its subsidiaries

Key Executives having authority and responsibility

Management for planning, directing and controlling the

Personnel activities of the Group, directly or indirectly (including executive Directors), and nonexecutive Directors

Current share plans

GIS Group Incentive Scheme

LTIP Long Term Incentive Plan

Legacy share plans

CIP 2001 Co-Investment Plan 2001

ESP 1999/2000 Employee Share Plan 1999 and 2000

MTI 2001 Medium Term Incentive Plan 2001

PSP 2000/2001 Performance Share Plan 2000 and 2001

RSS 2001 Restricted Share Scheme 2001

Share

A fully paid ordinary share in the capital of BHP Billiton

Deferred Share A nil-priced option or a conditional right to

acquire a share issued under the rules of the GIS

Option A right to acquire a share on payment of an exercise price issued under the rules of the GIS

Performance Share A nil-priced option or a conditional right to

acquire a share, subject to Performance Hurdles, issued under the rules of the LTIP

Expected Value Expected value of a share incentive – the average outcome weighted by probability.

This measure takes into account the difficulty of achieving performance conditions and the correlation between these and share price appreciation. The valuation methodology also takes into account factors such as volatility, forfeiture risk, etc.

KPI Key performance indicator – used to measure the performance of the Group, individual businesses and executives in any one year

Market Value The market value based on closing prices, or, in instances when an executive exercises and sells shares, the actual sale price achieved

Performance Hurdles

Specified targets against which the Group's performance is measured to determine the extent to which long-term incentives might vest

EPS Earnings per share

TSR Total shareholder return – the change in share

price plus dividends reinvested

Financial years

FY 2006 1 July 2005 to 30 June 2006

FY 2007 1 July 2006 to 30 June 2007

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Remuneration Report continued

Dear Shareholder

Welcome to the Remuneration Report for the 2006 financial year. As in previous years, our approach has been to meet the highest standards of disclosure while aiming to produce a clear and comprehensible document.

New remuneration arrangements were put in place in 2004 and the Committee remains satisfied that these continue to achieve its aim of delivering superior shareholder value by driving outperformance against the sector. However, the Committee is particularly mindful of the need to balance the fostering of a performance culture with ensuring that we keep our best people. With commodity prices at record levels, retention of executive talent will become an increasing challenge. The Committee intends to review current arrangements over the course of the 2007 financial year to determine how better to promote retention. We have an open dialogue on remuneration issues with our major investors and representative bodies.

I am very pleased to be able to report that a proposal to introduce an all-employee share plan will be put to this year's Annual General Meeting. The plan will allow all our people to share in the success of the Group and thus help to align their objectives with those of investors.

On behalf of the Committee I thank you for your interest in our Report.

John Buchanan

Chairman, Remuneration Committee

11 September 2006

1. The Remuneration Committee

1.1 Role

The Committee is committed to the principles of accountability and transparency and to ensuring that remuneration arrangements demonstrate a clear link between reward and performance. Operating under delegated authority from the Board, its activities are governed by terms of reference available on BHP Billiton's website. The Committee focuses on:

- remuneration policy and its specific application to the CEO, the executive Directors and other executives reporting to the CEO and its general application to all Group employees

- the formulation and adoption of incentive plans

- the determination of levels of reward to the CEO, the executive Directors and other executives reporting to the CEO

- providing guidance to the Chairman on evaluating the performance of the CEO and

- effective communication with shareholders on the remuneration policy and the Committee's work on behalf of the Board.

Committee members in 2006

John Buchanan, Chairman

Carlos Cordeiro (appointed 25 November 2005)

David Jenkins

Gail de Planque (appointed 26 April 2006)

Lord Renwick and John Schubert retired as members of the Committee on 25 November 2005

Attendees

The Group Chairman, the CEO and the Chief Organisation Development Officer attended meetings by invitation except where matters associated with their own remuneration were considered.

Meetings

The Committee met six times in FY 2006. Attendance at those meetings is set out on page 36.

1.2 Advisers to the Committee

From within the Group, the Committee has access to the advice and views of the CEO (Charles Goodyear), the Chief Organisation Development Officer (Marcus Randolph) and the Special Adviser and Head of Group Secretariat (Karen Wood). The Committee also draws on services from a range of external sources including remuneration consultants. A list of consultants, together with the type of services supplied and whether services are supplied elsewhere in the Group, is available on the Group's website.

Independent advisers to the Committee

Kepler Associates LLP. Kepler does not provide any other services to the Group.

1.3 Review of effectiveness

The Board appointed consultants Oppeus Pty Limited during the year to conduct an independent review of all committees, including the Remuneration Committee. Their review of the Committee's effectiveness was completed in November 2005. It concluded that the Committee is well governed and executes its responsibilities effectively. In light of the increasing complexity in remuneration practices, a number of small changes for improvement in the processes and procedures of the Committee were identified. These have been addressed by the Committee and included the enhancement of:

- information available to the Committee, through better use of information sourced from remuneration reports, industry trends, analyst reports, etc. to keep members abreast of the latest issues and trends

- channels of communications with internal stakeholders through the Chief Organisation Development Officer and the CEO

- the effectiveness of the Committee's meetings, by introducing a pre or post-meeting session without executives and making better use of videoconferencing.

The Committee's size, at four non-executive Directors, was considered optimal.

1.4 Terms of reference

As part of the review of effectiveness, the Committee's terms of reference were also evaluated to ensure they remained relevant. As a result, revised terms of reference for the Committee were adopted by the Board at its meeting in June 2006 and are available on the Group's website. The scope of the revisions mainly related to form rather than substance.

Table of Contents**2. Remuneration Policy and Structure**

The Committee recognises that the Group operates in a global environment and that its performance depends on the quality of its people. It keeps the remuneration policy under constant review to ensure its ongoing appropriateness.

2.1 Key principles of the Group's remuneration policy

The key principles of the Group's remuneration policy are to:

provide competitive rewards to attract, motivate and retain highly-skilled executives willing to work around the world

apply demanding key performance indicators (KPIs), including financial and non-financial measures of performance

link rewards to the creation of value to shareholders

ensure remuneration arrangements are equitable and facilitate the deployment of human resources around the Group and

limit severance payments on termination to pre-established contractual arrangements that do not commit the Group to making unjustified payments in the event of non-performance.

The Committee is confident that these principles, which were applied in the year under review and will continue to be applied for FY 2007 and beyond, continue to meet the Group's objectives.

The Group is committed to a performance-based culture, with a large component of pay linked to performance and a high correlation between Group performance and levels of executive compensation.

The compensation paid and payable to the executive Directors and other Key Management Personnel is disclosed in this Report. It comprises *fixed* and, apart from non-executive Directors, *at risk* components. The manner in which these components are determined is outlined in sections 2.2 and 2.3. The actual compensation paid and payable is set out in the tables in section 8.

Service contracts for Key Management Personnel excluding non-executive Directors

It is the Group's policy that service contracts have no fixed term but are capable of termination on 12 months' notice and that the Group retains the right to terminate the contract immediately, by making a payment equal to 12 months' base salary and retirement benefit contributions in lieu of notice. All Key Management Personnel, with the exception of non-executive Directors, have service contracts. These contracts typically outline the components of remuneration paid but do not prescribe how remuneration levels are to be modified from year to year.

2.2 Fixed remuneration

Fixed remuneration is made up of base salary, retirement and other benefits.

Base salary is targeted at industry average levels for comparable roles in global companies of similar complexity and size. Market data are used to benchmark salary levels on a global scale, adjusted for local conditions.

Base salaries are set by reference to the scope and nature of the individual's performance and experience and are reviewed each year. The review takes into account any change in the scope of the role performed by the individual, any changes required to meet the principles of the remuneration policy and our market competitiveness.

Retirement benefits to new entrants are delivered under defined contribution plans. All defined benefit plans have now been closed to new entrants. Employees who participate in these legacy defined benefit plans continue to accrue benefits in such plans for both past and future service unless they have opted to transfer to a defined contribution plan.

Other benefits include health insurance, relocation costs, life assurance, car allowances and tax advisory services as applicable. No element of remuneration, other than base salary, is pensionable.

2.3 At risk remuneration

The *at risk* remuneration is geared to Group performance and is made up of short and long-term incentives.

Short-term incentives are delivered under the Group Incentive Scheme (GIS), which rewards individuals for meeting or exceeding KPIs that are set at the beginning of each financial year and are aligned to BHP Billiton's strategic framework. KPIs include Group and personal objectives and measures. The Committee believes that the setting of

KPIs and the relative weightings given to the different categories of KPI effectively incentivises short-term performance.

Executive Directors and Key Management Personnel who are not Directors each have a target cash award of 70 per cent of base salary, which is paid annually.

The performance level achieved against each KPI is measured and awards are calculated and paid according to the level of performance. Details of the Group KPIs for FY 2006 and the performance level achieved are set out on page 49.

To encourage employee retention and share ownership, the Group matches the cash amount awarded in Deferred Shares and/or Options, which are subject to a two-year vesting period before they can be exercised. If, during the two-year vesting period, an individual resigns without the Committee's consent or is dismissed for cause, the right to the Deferred Shares and/or Options is forfeited.

Long-term incentives are delivered under the Long Term Incentive Plan (LTIP), which is designed to reward sustainable, long-term performance in a transparent manner. Under the LTIP, individuals are granted Performance Shares, which have a five-year performance period. The number of Performance Shares granted is determined by the Committee.

The number of Performance Shares that an individual will be entitled to at the end of the five years will depend on the extent to which the Performance Hurdle has been met. The Performance Hurdle is described below.

The diversified natural resources industry is capital intensive, cyclical and long term. Outstanding performance comes from accessing high-quality resources, successfully developing new projects and maintaining efficient and safe operations. The Committee believes that, in this environment, success can best be measured by the Group's total shareholder return (TSR) relative to the TSR of an index of a peer group of companies, weighted 75 per cent to mining and 25 per cent to oil and gas, over a long (five-year) period.

The Performance Hurdle requires BHP Billiton's TSR over the five-year period to be greater than the weighted average TSR of the index. If BHP Billiton's TSR is equal to or less than the weighted average TSR of the index, the Performance Hurdle will not be met and no Performance Shares will vest.

For all the Performance Shares to vest, BHP Billiton's TSR must exceed the weighted average TSR of the index by a specified percentage. The Committee determines the percentage each year. For the 2004, 2005 and 2006 financial years this percentage has been set at 5.5 per cent per annum. This is an annual amount and equates to exceeding the weighted average TSR of the index over the five-year performance period by more than 30 per cent. The Committee and the Board believe that this equates to outstanding (or top decile) performance.

For performance between the weighted average TSR of the index and 5.5 per cent per annum above the index, vesting occurs on a sliding scale. In the event that the Committee does not believe that BHP Billiton's TSR properly reflects the financial performance

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Table of Contents**Remuneration Report** continued**2. Remuneration Policy and Structure** continued

of the Group, the Committee retains the discretion to lapse the Performance Shares. It is anticipated that such discretion would only be used in exceptional circumstances.

In any one financial year, a participant cannot be granted Performance Shares that have an Expected Value that exceeds twice their annual base salary. Expected Value is used because, relative to typical peer group incentive arrangements, the LTIP is long-term (with performance measured over five years), has high performance requirements (top decile ranking for full vesting) and offers no payout at median performance. Kepler Associates LLP have verified that the Expected Value calculation is accurate and appropriate.

Where the Committee retains discretion in relation to the award of any short or long-term incentives, the rules of the GIS and the LTIP require the Committee to exercise that discretion in good faith and acting reasonably.

Participation in the GIS and the LTIP is approved by the Committee and participants are required to hold a minimum number of BHP Billiton shares (**Minimum Shareholding Requirement**) throughout their period of participation in the schemes. This Minimum Shareholding Requirement is equal to 50 per cent of one year's base salary, on an after-tax basis.

It is intended that shareholders will be asked at the 2006 Annual General Meetings to approve the introduction of an **all-employee share plan**. This is viewed as an important tool to enable employees to participate as shareholders in the Group's success. It will allow employees to purchase BHP Billiton shares at a Market Value of up to US\$5,000 per year. Shares held for three years will be matched at no additional cost to the employee. The principal components of the plan, if this authority is granted, are set out in the Notice of Meeting.

3. Group Performance and Key Performance Indicators**Group performance**

The performance of the Group relative to the markets in which it operates over the past five years is illustrated by the two charts below. The first compares BHP Billiton's TSR performance with that of the ASX 100 and the FTSE 100, both of which are broadly-based indices. The second illustrates performance against an index of a peer group of companies, weighted 75 per cent to mining and 25 per cent to oil and gas. The relevant companies are listed in the table on page 61 of this Report (see note (7) to the table on that page). The Committee believes that the broadly-based indices and the index of peer group companies are the most appropriate benchmarks for measuring the Group's performance. For FY 2006, the total return to BHP Billiton Limited shareholders (as measured by the change in share price plus dividends reinvested) was 68 per cent. Over the same period, the total return to BHP Billiton Plc shareholders (measured on the same basis) was 60 per cent.⁽¹⁾

Five-year TSR performance of BHP Billiton measured against the ASX 100 and FTSE 100 – rebased in US\$
Five-year TSR performance of BHP Billiton measured against the median of the comparator group – rebased in US\$

The earnings performance of the Group over the last five years is represented by profit attributable to members of BHP Billiton and is detailed in the table below.⁽²⁾

US\$M	Profit attributable to members ⁽³⁾
FY 2006	10,154
FY 2005	6,426
FY 2004	3,510
FY 2003	1,920
FY 2002	1,934

Market price of shares

	BHP Billiton Plc	BHP Billiton Limited
At 30 June 2006	£10.49	A\$29.00
Highest price in FY 2006	£12.11	A\$32.00
	11 May 2006	5 May 2006

Lowest price in FY 2006	£7.22 1 July 2005	A\$18.09 1 July 2005
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Notes:

- (1) The TSR performance for BHP Billiton Limited is inclusive of the bonus share awards relating to BHP Limited (pre-merger) and is adjusted for the demerger of OneSteel Limited, and for both BHP Billiton Limited and BHP Billiton Plc is adjusted for the demerger of BHP Steel Limited (now known as BlueScope Steel Limited).
- (2) The impact on TSR and earnings of the share buy-back program was considered when assessing the relative performance of the Group.
- (3) 2006 and 2005 are IFRS. 2004-2002 are UK GAAP. Amounts are stated before exceptional items.

Table of Contents**3. Group Performance and Key Performance Indicators** continued***Group Key Performance Indicators***

The Group KPIs measure performance in delivering against specific health, safety, environment and community targets and achieving specified levels of performance against financial targets. The KPIs for FY 2006 were based on Group, individual business and personal measures and the levels of performance achieved were as follows:

Levels of performance against each KPI

Threshold the minimum necessary to qualify for any reward

Target where the performance requirements are met

Stretch where the performance requirements are exceeded

Group KPIs

Health, Safety, Environment and Community⁽¹⁾

Shareholder value added

Net Present Value added

Level of performance achieved as determined by the Committee

Between *threshold* and target

Between *threshold* and target

Below *threshold*

Notes:

- (1) Health, Safety, Environment and Community (HSEC) measures include: Total Recordable Injury Frequency Rate (TRIFR); HSEC standards; Group HSEC targets; and behavioural-based systems.

Supplemental bonus

When the Committee assessed performance for FY 2006, it was felt that there was a gap between the GIS awards as calculated and BHP Billiton's share price performance. It therefore recommended to the Board that an additional cash bonus be paid to executives, which the Board approved. The amount of the additional bonus was capped, in aggregate as a 14 per cent increase to the cost of the Group's short-term incentive program, and a 20 per cent maximum increase for individual executives. The CEO was given discretion as to the application. In applying the bonus the CEO took account of the performance of the individual businesses to which the executive was attached. The Board determined the additional bonus amount payable to the CEO and approved an additional bonus equal to 14 per cent of the CEO's GIS incentive award. The amounts payable to the executive Directors and Key Management Personnel who are not Directors are contained in the remuneration tables on pages 54 to 55 of this Report.

4. Executive Directors

This section contains information relating to the Group's four executive Directors.

Their detailed remuneration is set out in tabular form on pages 54 to 55.

Executive Directors serving at the date of this Report and during the year:

1. Charles Goodyear, Chief Executive Officer
2. Marius Kloppers, Group President Non-Ferrous Materials (appointed 1 January 2006)

3. Chris Lynch, Group President Carbon Steel Materials (appointed 1 January 2006)

4. Mike Salamon, Executive President (see note (4) below)

4.1 Summary of remuneration arrangements

This chart illustrates the split between *fixed* and *at risk* remuneration for the year ended 30 June 2006. The data on which the chart is based are taken from the remuneration tables on pages 54 to 55.

4.2 Short-term incentives (*at risk*)⁽¹⁾

Executive Directors remuneration for the year ended 30 June 2006

	Year ended 30 June 2006			Year ending 30 June 2007	
	Cash bonus range	Actual cash bonus (% of base salary) ⁽²⁾	Weighting split Group and personal (%)	Cash bonus range	Weighting split Group and personal (%) ⁽³⁾
Charles Goodyear	0 105	74.2	70/30	0 105	40/60
Marius Kloppers	0 105	74.0	50/50	0 105	40/60
Chris Lynch	0 105	69.5	49/51	0 105	40/60
Mike Salamon	0 105	69.0	70/30	n/a (4)	n/a (4)

Notes:

(1) This section relates to short-term incentives under the GIS and does not include the supplemental cash bonus to be paid in September 2006.

(2) Cash bonuses are paid in September following the release of the Group's annual results. The value is matched with the grant of Deferred Shares and/or Options after shareholder approval at the Annual General Meetings.

(3) Group measures include KPIs for Financial

Performance.
Personal measures
include KPIs for
Operations and
Business
Processes/Strategy
and Growth/People
and
Leadership/Zero
Harm and
Sustainable
Development.

- (4) Mr Salamon retired as an employee on 1 September 2006 and will be retiring as a Director on 26 October 2006. No bonus will be paid to him in respect of any part of FY 2007.

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Table of Contents**Remuneration Report** continued**4. Executive Directors** continued**4.3 Long-term incentives** (*at risk*)

All shares under award form part of the executive Directors' *at risk* remuneration. The extent to which Performance Shares will vest is dependent on the extent to which the Performance Hurdles are met and continuing employment with the Group. A summary of interests in incentive plans including the number of shares awarded in FY 2006 is shown on pages 57 and 58.

4.4 Retirement benefits

Charles Goodyear's remuneration includes a payment in lieu of a contribution by the Group to a superannuation or pension fund fixed at an annual rate of 48 per cent of base salary. Mr Goodyear may elect to have this paid into a superannuation or pension fund or, instead, to defer receipt, subject to the rules of a Retirement Savings Plan established for this purpose. It allows him to accumulate these annual payments and to defer receipt until after he retires from the Group. It also allows Mr Goodyear to establish retirement savings arrangements that best meet his needs.

If Mr Goodyear dies while still employed, a benefit of four times base salary will be payable to his estate. A spouse's pension equal to two thirds of one thirtieth of Mr Goodyear's pensionable salary at date of death for each year of service from 1 January 2003 to his normal retirement date will be payable for the duration of his spouse's lifetime. Periods of service where Mr Goodyear received his retirement benefit in the form of the cash gratuity will be disregarded for the purpose of calculating any pension amount.

If Mr Goodyear leaves due to incapacity, an ill-health pension of one thirtieth for each year of service from 1 January 2003 to age 60 will be payable for the duration of Mr Goodyear's lifetime.

In the event of death during ill-health retirement, a spouse's pension of two thirds of the ill-health pension will be payable for the duration of the spouse's lifetime. Additionally, a children's pension equal to 20 per cent of the ill-health pension will be payable for the first child or 33 per cent if there are two or more children, with the resultant pension amounts to be shared equally between the children until each child ceases being in full-time education or reaches the age of 23, whichever occurs first.

Marius Kloppers and **Chris Lynch** are entitled to participate in the retirement arrangements detailed below for Key Management Personnel, save for Mr Kloppers retaining his previous pension promise of one thirtieth of base salary for each year of service. In lieu of this pension promise, Mr Kloppers has an option for a defined contribution or cash gratuity alternative.

Mike Salamon completed 20 years of service with the Group (and its predecessor companies) on 1 April 2005 and consequently no further pension benefits accrued thereafter, other than to reflect changes in his pensionable salary. Mr Salamon retired as an employee on 1 September 2006 and will retire as a Director on 26 October 2006. On retirement, he became entitled to a pension under non-contributory defined benefit pension arrangements set up by BHP Billiton Plc and BHP Billiton Services Jersey Limited. The pension payable equates to two thirds of base salary and has been reduced because payment will commence before the normal retirement age of 60. The reduction penalty is normally 4 per cent per annum where retirement is without consent of the Group and 2 per cent per annum where retirement is with consent of the Group. Mr Salamon's retirement is with Group consent and at the date of retirement he was 51 years of age. In accordance with the rules of the scheme, all pensions in payment will be indexed in line with the UK Retail Price Index. On death in retirement, a spouse's pension equal to two thirds of the pension in payment will be payable. Where legislation allows, Mr Salamon has opted to commute the pension described for a cash lump sum as final settlement of the Group's obligations to him. A summary of his retirement benefits assuming retirement at age 60 (as required by the applicable regulations) is shown on page 59.

4.5 Service contracts and termination provisions

It is the Group's policy that service contracts for executive Directors have no fixed term but are capable of termination on 12 months' notice and that the Group retains the right to terminate the contract immediately by making a payment equal to 12 months' pay in lieu of notice. The service contracts typically outline the components of remuneration paid to the individual, but do not prescribe how remuneration levels are to be modified from year to year.

Name	Employing company	Date of contract	Notice period Employing company	Notice period Employee	Termination provisions
Charles Goodyear	BHP Billiton Limited BHP Billiton Plc	21 August 2003	12 months	3 months	On termination, employing company may make a payment in lieu of notice equal to 12 months base salary plus retirement benefit contributions for that period.
Marius Kloppers	BHP Billiton Plc	19 February 2001, as amended by 31 August 2004	12 months	6 months	On termination, employing company may make a payment in lieu of notice equal to 12 months base salary retirement benefit contributions for that period.
Chris Lynch	BHP Billiton Limited	16 August 2006	12 months	6 months	On termination, employing company may make a payment in lieu of notice equal to 12 months base salary plus retirement benefit contributions for that period.
Mike Salamon ⁽¹⁾	BHP Billiton Plc BHP Billiton Services Jersey Limited ⁽²⁾	1 September 2003 1 September 2003	12 months	12 months	On termination, employing company may make a payment in lieu of notice of 12 months, equal to 150 per cent of annual base salary. This reflects market practice at the time the terms were agreed.

Notes:

(1) Mr Salamon retired as an employee on 1 September 2006 and will be retiring as a Director on 26 October 2006.

(2) A wholly-owned subsidiary of BHP Billiton

Plc.

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Table of Contents**4. Executive Directors** continued***Entitlements under the GIS, the LTIP and Retirement Plans on ceasing employment***

The rules of the GIS and the LTIP ⁽¹⁾ cover any entitlements the executive Directors might have on termination in relation to short and long-term incentives. They outline the circumstances in which the executive Directors (and any other participant) would be entitled to receive any Deferred Shares, Options or Performance Shares that had been granted but which had not vested at the date of termination. The rules of the GIS also outline the circumstances in which the executive Directors would be entitled to a cash bonus payment for the performance year in which they leave the Group. Such circumstances depend on the reason for leaving the Group.

The Committee regards it as an important principle that, where an individual resigns without the Committee's consent or their employment is terminated for cause, they forfeit the right to both their unvested Deferred Shares and Options and Performance Shares.

Name	GIS and LTIP	Retirement Plans
Charles Goodyear	<p>The rules of the GIS and the LTIP provide that should Mr Goodyear leave the Group for any reason other than resignation or termination for cause, the following would apply:</p> <p style="padding-left: 40px;">Deferred Shares and Options already granted would vest in full. He would have a right to retain entitlements to Performance Shares that have been granted but that are not yet exercisable. The number of such Performance Shares would be pro-rated to reflect the period of service from the commencement of the relevant performance period and would only become exercisable once the Performance Hurdles have been met.</p> <p>In addition, the Committee has determined that a cash bonus would be paid for the year of departure, calculated according to Mr Goodyear's performance measured against KPIs and pro-rated to reflect the proportion of the year served.</p>	Any entitlements accrued under the rules of the Retirement Savings Plan at the date of termination.
Marius Kloppers	<p>Entitlements to Deferred Shares and Performance Shares as per Mr Goodyear above.</p> <p>The Committee has not considered the circumstances in which it would exercise its discretion to allow Mr Kloppers to receive any cash bonus in the event of his departure. That entitlement, if any, will be governed by the rules of the schemes at the date of departure.</p>	Entitlements as per contractual arrangements. Entitled to a defined benefit pension of one- thirtieth of pensionable salary per year of service following 1 July 2001 to date of leaving. This defined benefit is payable for each year of service other than for periods where Mr Kloppers has elected to take the defined contribution option or cash equivalent payment in lieu.
Chris Lynch	<p>Entitlements to Deferred Shares and Performance Shares as per Mr Goodyear above.</p> <p>The Committee has not considered the circumstances</p>	Any entitlements accrued under the rules of the Retirement Savings Plan and the Australian Superannuation Fund at the date of termination.

in which it would exercise its discretion to allow Mr Lynch to receive any cash bonus in the event of his departure. That entitlement, if any, will be governed by the rules of the schemes at the date of departure.

Mike Salamon ⁽²⁾ At retirement Mr Salamon's entitlements to Deferred Shares and Performance Shares were the same as for Mr Goodyear above. Accordingly, his Deferred Shares vested on 1 September 2006.

In respect of Mr Salamon's GIS participation for FY 2006, an amount equal to his GIS cash award will be paid in lieu of the award of Deferred Shares.

Entitlements as per contractual arrangements. The accrued defined benefit pension entitlement will be reduced by 2 per cent per annum for each year until Mr Salamon reaches age 60.

Where legislation allows, Mr Salamon has opted to commute his retirement pension as a lump sum. The lump sum commutation terms were determined by the Group and are based on market conditions as at 31 August 2006.

Notes:

- (1) The GIS and the LTIP rules are available on the Group's website.
- (2) Mr Salamon's contractual agreements provide for a 2 per cent reduction in his pension benefit for each year that he retires before age 60 where the retirement is with Group consent.

Table of Contents**Remuneration Report** continued**5. Key Management Personnel (other than Directors)**

The Key Management Personnel of the Group, other than Directors, are those executives who have the authority and responsibility for planning, directing and controlling the activities of the Group. The five highest paid executives in the Group are represented amongst the executive Directors and other Key Management Personnel. This section contains information relating to the Group's Key Management Personnel other than Directors (referred to as executives in this section).

Key Management Personnel**(other than Directors) ⁽¹⁾****Date of appointment to Office of the Chief Executive (OCE) if during the year**

Philip Aiken ⁽²⁾	President UK	
John Fast	Chief Legal Counsel and Head of External Affairs	
Robert Kirkby ⁽³⁾	Executive President	
Marcus Randolph	Chief Organisation Development Officer	2 September 2005
Alex Vanselow	Chief Financial Officer	1 April 2006
Karen Wood	Special Adviser and Head of Group Secretariat	8 December 2005
Mike Yeager	Group President Energy	26 April 2006

Notes:

- (1) Mr Kloppers and Mr Lynch were Key Management Personnel prior to their appointment as executive Directors on 1 January 2006.
- (2) Mr Aiken has stepped down from the OCE and will retire from the Group on 31

December 2006.

- (3) Mr Kirkby will retire from the Group on 31 December 2006.

5.1 Remuneration

Total remuneration is divided into two components – *fixed* and *at risk*. The *at risk* component is derived only in circumstances where the individual has met challenging KPIs and Performance Hurdles that contribute to the Group's overall profitability and performance.

5.2 Short and long-term incentives

Short and long-term incentives form part of the executive's *at risk* remuneration.

Short-term incentives (at risk) ⁽¹⁾

	Year ended 30 June 2006			Year ending 30 June 2007	
	Cash bonus range (% of base salary)	Actual cash bonus (% of base salary) ⁽²⁾	Weighting split Group and personal (%)	Cash bonus range (% of base salary)	Weighting split Group and personal (%) ⁽³⁾
Philip Aiken	0 105	53.3	25/75	0 105	30/70
John Fast	0 105	68.7	40/60	0 105	30/70
Robert Kirkby	0 105	67.1	29/71	0 105	40/60
Marcus Randolph	0 105	73.7	37/63	0 105	30/70
Alex Vanselow	0 105	67.5	50/50	0 105	30/70
Karen Wood	0 105	70.1	45/55	0 105	30/70
Mike Yeager	0 105	83.2	35/65	0 105	40/60

Notes:

- (1) This table relates to short-term incentives under the GIS and does not include the supplemental cash bonus to be paid in September 2006.

- (2) Cash bonuses are paid in September following the release of the Group's annual results. The value is matched with the grant of Deferred Shares and/or Options after

shareholder approval at the Annual General Meetings.

- (3) Group measures include KPIs for Financial Performance. Personal measures include KPIs for Operations and Business Processes/Strategy and Growth/People and Leadership/Zero Harm and Sustainable Development.

Long-term incentives (at risk)

All shares under award form part of the executives' *at risk* remuneration. The extent to which shares under award will vest is dependent on the extent to which the Performance Hurdles are met and continuing employment within the Group. A summary of executives' interests in incentive plans, including the number of shares awarded in FY 2006, is shown on page 58.

Hedge arrangements

During the year the Committee implemented a policy governing the use of hedge arrangements for executives. If any executive has a permitted hedge arrangement in place, that arrangement must be disclosed in this Report. Under that policy, it is confirmed that no executive has any hedge arrangement in place. Executives are prohibited from entering into hedge arrangements in relation to unvested shares and options, and shares forming part of an executive's minimum shareholding requirement. A hedge arrangement constitutes a *dealing* under the Group's Securities Dealing Code. All dealings require advance clearance from specified officers.

Table of Contents**5. Key Management Personnel (other than executive Directors) continued****5.3 Retirement benefits**

For service following 1 January 2003, retirement, death and disability benefits were aligned, where possible, for the executives as set out below.

A defined contribution rate was calculated to target a pension accrual of 2.2 per cent of base salary for each year of service from 1 January 2003 to age 60. Allowance for a two-thirds spouse's pension in retirement plus inflation indexation in payment was also incorporated into the calculations. To deliver the retirement promise, the executive is given a choice of funding vehicles, including the executive's current retirement arrangement, an unfunded Retirement Savings Plan, an International Retirement Plan or a cash gratuity in lieu. The aggregate cost to the Group of exercising these funding choices will not exceed the calculated contribution rate for each executive.

Death-in-service and ill-health benefits

A lump sum of four times base salary and a spouse's pension of two thirds of 2.2 per cent of base salary at death for each year of service from 1 January 2003 to age 60 will be payable. In addition, dependants' benefits are payable. If the executive leaves due to incapacity, an ill-health pension of 2.2 per cent of base salary for each year of service from 1 January 2003 to age 60 will be payable for the duration of the executive's life. In both cases, periods of service where the executive elects to receive a cash gratuity are excluded.

In the event of death during ill-health retirement, a spouse's pension of two thirds of the ill-health pension will be payable for the duration of the spouse's lifetime. Additionally, a children's pension equal to 20 per cent of the ill-health pension will be payable for the first child or 33 per cent if there are two or more children, with the resultant pension amounts to be shared equally between the children until each child ceases being in full-time education or reaches the age of 23, whichever occurs first.

Benefits accrued by the executive in retirement arrangements before 1 January 2003 will be payable in addition to those described above.

Retirements

Philip Aiken and Robert Kirkby will retire from the Group with effect from 31 December 2006. The terms of their retirement have yet to be finalised. These will be reported in the FY 2007 Remuneration Report.

5.4 Service contracts

It is the Group's policy that service contracts for executives have no fixed term but be capable of termination on 12 months' notice and that the Group retains the right to terminate the contract immediately by making a payment equal to 12 months' pay in lieu of notice. The service contracts typically outline the components of remuneration paid to the executive, but do not prescribe how remuneration levels are to be modified from year to year.

Name	Employing company	Notice period Employing company	Notice period Employee	Termination provisions ⁽¹⁾
Philip Aiken ⁽²⁾	BHP Billiton Limited	12 months	6 months	On termination, the employing company may make a payment in lieu of notice equal to 12 months' base salary plus the superannuation and retirement benefit contributions for that period.
Robert Kirkby ⁽²⁾	BHP Billiton Limited	12 months	6 months	
Marcus Randolph	BHP Billiton Limited	12 months	6 months	
Alex Vanselow	BHP Billiton Mineral Service Company Limited	12 months	6 months	
Karen Wood	BHP Billiton Limited	12 months	6 months	
Mike Yeager	BHP Billiton Petroleum (Americas) Inc	12 months	6 months	
John Fast	BHP Billiton Limited	3 months	3 months	On termination, the employing company may make a payment in

lieu of notice equal to three months
base salary plus a termination
payment of 21 months base salary.

Notes:

- (1) The Committee has not considered the circumstances in which it would exercise its discretion to allow current executives to maintain any ongoing participation in relation to the long-term incentive schemes in which they participate in the event of their departure. Such entitlements, if any, will be governed by the rules of the schemes at the date of departure.
- (2) Mr Aiken and Mr Kirkby will retire from the Group on 31 December 2006.

Table of Contents**Remuneration Report** continued**6. Non-executive Directors****6.1 Remuneration policy**

The aggregate sum available to remunerate non-executive Directors is currently A\$3 million.

Shareholder approval will be sought at the 2006 Annual General Meetings to redenominate this sum into US dollars to align it with the reporting currency of the Group and to eliminate any inadvertent breach of the limit due to currency exchange fluctuations.

The remuneration rates reflect the size and complexity of the Group, the multi-jurisdictional environment arising from the Dual Listed Companies structure, the multiple stock exchange listings, the extent of the geographic regions in which the Group operates and the enhanced responsibilities associated with membership of Board Committees. They also reflect the considerable travel burden imposed on members of the Board.

The Board is conscious that just as the Group must set remuneration levels to attract and retain talented executives, so it must ensure that remuneration rates for non-executive Directors are set at a level that will attract the calibre of Director necessary to contribute effectively to a high-performing Board. Fees for the Chairman and the non-executive Directors were reviewed in July 2006 in accordance with the policy of conducting annual reviews. The Committee took advice from Kepler Associates LLP on fees for the Chairman. The Board took advice from Deloitte & Touche LLP on non-executive Directors' fees. The accompanying table sets out the fees before and after the 2006 review.

Levels of fees and travel allowances for non-executive Directors

	At 1 July 2006	At 1 September 2005
US dollars		
Base fee	110,000	100,000
<i>Plus additional fees for:</i>		
Senior Independent Director of BHP Billiton Plc	25,000	20,000
<i>Committee Chair:</i>		
Risk & Audit	45,000	40,000
Sustainability	30,000	25,000
Remuneration	30,000	25,000
Nomination	No additional fees	
<i>Committee membership:</i>		
Risk & Audit	25,000	20,000
Remuneration	20,000	15,000
Sustainability	17,000	15,000
Nomination	No additional fees	
<i>Travel allowance:</i>		
Greater than 3 but less than 12 hours	5,000	3,000
Greater than 12 hours	10,000	7,500
Chairman's remuneration	750,000	700,000

Non-executive Directors are not eligible to participate in any of the Group's incentive arrangements.

A standard letter of engagement has been developed for non-executive Directors and is available on the Group's website.

Each non-executive Director is appointed subject to periodic re-election by the shareholders (see page 36 of the Corporate Governance Statement for an explanation of the reappointment process). There are no provisions in any of the non-executive Directors' appointment arrangements for compensation payable on early termination of their directorship.

Dates of appointment of Directors appear on pages 31 to 33 of the Corporate Governance Statement.

7. Aggregate Directors' Remuneration

This table sets out the aggregate remuneration of executive and non-executive Directors of BHP Billiton in accordance with the requirements of the UK Companies Act 1985.

US dollars (million)	2006	2005
Emoluments	13	10
Termination payments		
Awards vesting under long-term incentive plans	17	4
Gains on exercise of Options		
Total	30	14

8. Remuneration Tables

The tables that appear in this section have been prepared in accordance with the requirements of the UK Companies Act 1985 and include adjustments to reflect Australian Corporations Act 2001 requirements and relevant accounting standards. The tables contain the amounts paid and payable to the executive Directors and other Key Management Personnel during the year.

Remuneration for the year ended 30 June 2006

Directors	Base salary	Other benefits	Retirement benefits	Annual cash bonus	Dividend		Subtotal: UK requirements	Retirement benefits	Long-term for		Adjustments
					Equivalent Payment value (1)	Value of Deferred Shares (1)			Share-based compensation (1)	Australian requirements (2)	
Throughout	<i>FIXED</i>	<i>FIXED</i>	<i>FIXED</i>	<i>AT RISK</i>	<i>AT RISK</i>	<i>AT RISK</i>	(2)	<i>FIXED</i>	<i>AT RISK</i>	<i>AT RISK</i>	
2006	1,580,000	65,930	758,400	1,501,187	53,478	1,010,943	4,969,938		1,107,821	433,940	
2005	1,312,500	60,801	630,000	1,240,313	291,201	1,060,302	4,595,117		552,711	(212,300)	
2006	1,311,001	39,031		2,063,695			3,413,727		634,771	855,470	
2005	1,329,998	148,751		1,207,599	150,956	1,044,711	3,882,015	700,243	439,554	(282,730)	

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8. Remuneration Tables continued

Executive Directors who were appointed during the year	Base salary	Other benefits	Annual cash bonus	Dividend Equivalent Payment value ⁽¹⁾	Value of Deferred Shares ⁽¹⁾	Subtotal: UK requirements ⁽²⁾	Retirement benefits	Long-term share-based compensation ⁽¹⁾	Adjustment for Australian requirements ⁽¹⁾	Total Australian requirements