



Provision of Other Services by the External Auditors

BHP Billiton's policy in relation to the engagement by Group entities of the external auditors for audit services and services other than external audits comprises the following elements:

1 Prohibition on specific services

The external auditor should not provide services that have the potential to impair or appear to impair the independence of their audit role. Generally, these include services where the external auditor:

- participates in activities that are normally undertaken by management;
- is remunerated through a "success fee" structure;
- acts in an advocacy role for BHP Billiton; or
- where the auditor may be required to audit their own work.

The concepts of independence and integrity are more a state of mind and as such are not conducive to prescription by detailed rules. However, the following activities are examples of services that should not be provided by the external auditor:

- book-keeping, preparation of, and other services in relation to, accounting records and financial statements;
- the design and implementation of financial information systems or financial controls;
- valuation services, appraisals or fairness opinions;
- outsourced internal audit services;
- secondments to BHP Billiton where the audit firm secondee acts as a BHP Billiton employee or performs any decision-making, supervisory or ongoing monitoring functions;
- human resources and recruitment services;
- actuarial services;
- management functions;
- legal services;
- broker-dealer, investment advisor or investment banking services; and

1 Prohibition on specific services (cont'd)

- expert services unrelated to the audit (advocacy in litigation proceedings, other than tax matters).

In addition, it may not be in the interests of BHP Billiton to engage its auditor to carry out other services where there is a conflict of interest due to a relationship with another client.

2 The provision of other services

In addition to audit services (refer 3A below), the audit firm will be permitted to provide other (non-audit) services (refer 3B, 3C and 3D below) that are not, and are not perceived to be, in conflict with the role of the external auditor, subject to the authorisation process outlined below.

Nothing in this policy should be read to imply that the external auditors have a preferred supplier status in respect of the provision of other services. It is expected that any significant engagements for other services would be subject to a tender process. Due to the potential consequences of a breach of independence of the external auditor (forced disqualification in the provision of an external audit opinion), the external auditor should be appointed for other service engagements only when they must or are best suited to undertake the work.

Notwithstanding the approval for the external auditor to provide an Other Service (whether pre-approved under this policy or specifically approved by the Risk Management & Audit Committee), the auditor must furnish their opinion that provision of the service will not impair their independence. This opinion must be in writing and state that it has been approved by the appropriate authority within the audit firm (such as the principal engagement partner, or where significant in value or unclear, the firm's Auditor Independence Panel or SEC Practice Division).

In addition, whilst the other services prescribed below are pre-approved services, the use of the external auditors to perform such services shall always be subject to the over-riding governance practices of BHP Billiton articulated in Section 1.

3 Audit and other services that are pre-approved

In accordance with the requirements of the US Sarbanes Oxley Act, the specific services prescribed in the attached schedules (marked Schedule A through to Schedule D) have been "pre-approved" by the Risk Management & Audit Committee. Each of these services fall within broader categories of services described below under the headings of categories A, B, C and D. Activities not listed specifically in the Schedules are not "pre-approved".

3 Audit and other services that are pre-approved (cont'd)

In application of this policy, any proposed engagement that is not specifically identified in the Schedules or that calls on management to exercise judgement as to whether it is covered by services prescribed in the Schedules, is not considered to be pre-approved. The Risk Management & Audit Committee must approve (prior to engagement of the auditor) all services that are not “pre-approved”, regardless of the dollar value involved.

The “pre-approved” services prescribed in Schedules A, B, C and D are categorised as follows:

A. *Audit services* – This is work that constitutes the agreed scope of the statutory audit and includes the statutory audits of the Group (including interim reviews or audits):

- statutory audits, financial statement audits or interim reviews and other procedures required to be performed to enable the external auditor to form an audit opinion on the financial statements of the Group and all subsidiaries or affiliates of the Company; and
- attestation of management reports on internal controls.

The Risk Management & Audit Committee will monitor the audit services engagements and approve, if necessary, any changes in terms and conditions resulting from changes in audit scope, Group structure or other relevant events.

B. *Audit-related/assurance services* – This is work that is outside the required scope of the statutory audit, but is consistent with the role of the external statutory auditor. This category includes work that is reasonably related to the performance of an audit or review and is a logical extension of the audit or review scope, is of an assurance or compliance nature and is work that the auditors must or are best placed to undertake. Items of such work include:

- services associated with registration statements, periodic reports and other documents filed with regulatory authorities or other documents issued in connection with securities offerings (e.g. comfort letters, consents), and assistance in responding to comment letters;
- consultations on the accounting treatment or disclosure requirements of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by regulatory or standard setting bodies;
- due diligence services pertaining to potential business acquisitions/dispositions and other major transactions and events (excluding valuation services, appraisals or fairness opinions);

3 Audit and other services that are pre-approved
(cont'd)

- agreed-upon procedures, extended audit procedures and regulated attest engagements applied to selected accounting information or financial statements required to respond to or comply with financial, accounting or regulatory reporting matters; and
- internal control reviews and assistance with internal control reporting requirements including assistance with implementation of the requirements of regulatory authority's rules or listing standards promulgated (e.g. the Sarbanes-Oxley Act).

C. Tax services – work of a tax nature that does not compromise the independence of the external auditor. Items of such work include:

- international, federal, state and local tax compliance and advice (excluding strategic tax planning and structuring);
- review of income tax, franchise, and other tax returns;
- assistance with tax audits and appeals before the federal, state, local and foreign agencies;
- tax only valuation services, including transfer pricing and cost segregation studies;
- specialist tax services for acquisition and disposal due diligence activities – provided under the instruction and direction of management;
- tax advice and assistance regarding statutory, regulatory or administrative developments; and
- employee tax assistance and compliance (including expatriates).

D. Other services – work of an advisory nature that does not compromise the independence of the external auditor. Items of such work include:

- risk management advisory services, e.g., assessment and testing of security infrastructure controls;
- specific risk management and internal investigative specialist services – provided under the instruction and direction of management;
- treasury advisory services;

- 3 **Audit and other services that are pre-approved** (cont'd)
 - pension advisory services; and
 - internal control reviews, including reviews of the effectiveness of the internal audit function and assistance with internal control reporting requirements.

4 **Approval process for engagements for non-audit services** The process for approval of the appointment of the external auditors for non-audit services is described in detail in the Standard Operating Procedure (SOP) attached and covers both pre-approved activities and activities which have not been pre-approved. This SOP has been distributed throughout BHP Billiton and confirmation of adherence to this procedure is required in the annual Representation Letter. Nothing in this policy provides for the exercise of pre-approval authority by management under any circumstance.

Notwithstanding a service being pre-approved under this policy, the Group has established monetary approval thresholds that require specific approval of engagements by the Risk Management & Audit Committee or the VP Group Accounting /Controller. The table below provides a summary of the approvals required.

Engagement	Approval Required			
	Prior approval from RM&AC	Prior approval from VP Group Accounting/ Controller	Prior approval by Direct Report to ExCo Member	Details reported quarterly to RM&AC
Any engagement > US\$100,000	✓			✓
Pre-approved by this policy and between US\$20,000 and US\$100,000		✓		✓
Pre-approved by this policy and <US\$20,000			✓	✓
Activities not specifically pre-approved in this policy	✓			✓

5 Disclosure of nature and cost of non-audit services

BHP Billiton's three financial reporting jurisdictions require the following disclosure of fees paid to external auditors:

	Aust	UK¹	US
Audit fees paid to the Group auditor	✓		
<ul style="list-style-type: none"> • Statutory audit • Audit related regulatory reporting 		✓ ✓	✓ ✓
Amounts paid to the Group auditor for tax services	x		✓
<ul style="list-style-type: none"> • Compliance • Advisory services 		✓ ✓	
Amounts paid to the Group auditor for further assurance services	x	✓	x
Amounts paid to the Group auditor for other services	✓		✓
<ul style="list-style-type: none"> • Financial information technology • Internal audit • Valuation • Litigation • Recruitment • Other services that give rise to a self-review threat (listed separately) • Other services not covered by the above 		✓ ✓ ✓ ✓ ✓ ✓ ✓	
Audit fees paid to other audit firms	✓	✓	✓

To enhance the transparency of reporting, especially related to the provision of Other Services, BHP Billiton provided the following disclosure in each of the Australian, UK and SEC filed Financial Statements for fiscal 2003:

- Audit services – fees for work that constitutes the agreed scope of the statutory audit and includes the statutory audits of entities and the Group (including interim reviews and includes disclosure of fees to audit firms other than the Group auditors for audits of specific BHP Billiton controlled entities).

¹ This disclosure framework is as recommended in a July 2003 Technical Release by the Financial Reporting Committee and the Company Law Committee of the Institute of Chartered Accountants in England and Wales.

5 Disclosure of nature and cost of non-audit services (cont'd)

- Other services –
 - audit related/assurance services – as described in section 3 above;
 - tax services – as described in section 3 above; and
 - other services – fees for all other services provided.

For all categories other than “audit services”, amounts are aggregated into like services and separately disclosed on a materiality basis.

For fiscal 2004, the disclosures will be further enhanced to conform to the enhanced UK disclosure regime illustrated in the table above.

6 Independence statement by the Risk Management & Audit Committee

Professor Ian Ramsay’s (Australian) report on *Independence of Australian Company Auditors* (issued in October 2001) includes a recommendation that the Annual Report should include a statement from the Risk Management & Audit Committee declaring whether or not the level of non-audit services provided by the external auditors is compatible with maintaining auditor independence.

Although this recommendation has not been mandated in Australia, and such a disclosure is not specifically required in the UK, BHP Billiton believes such a statement should be considered best practice in corporate governance.

Factors that the Risk Management & Audit Committee should consider in making this statement include:

- the level of total fees paid to the external auditor, considering in particular fees paid for the provision of non-audit services, and those fees as a proportion of total fees;
- whether the compensation of the individuals employed by the external auditor who are performing the audit of BHP Billiton is tied to the provision of non-audit services and, if so, whether this impairs or appears to impair the external auditor’s judgment or independence;
- whether the individuals performing the audit would also be involved in providing the non-audit services; and
- whether the audit fees are sufficient to adequately compensate the auditors or whether the audit fees are at a level that could increase the need for the auditor to perform non-audit services to “make-up” for the discounted audit fee.

7	Exceptions to the policy	An exception can be made to the above policy where such an exception is in the interests of BHP Billiton and appropriate arrangements are put in place to ensure the integrity and independence of the external auditor. Any such exception requires the specific prior approval of the Risk Management & Audit Committee and must be reported to the Board.	
8	Definition of key terms used in this policy	Group	Refers to the Group comprising BHP Billiton Limited and BHP Billiton Plc and all controlled entities included in the combined DLC financial statements
		Company	Refers to either or both BHP Billiton Limited and BHP Billiton Plc
		Subsidiary	Refers to any controlled entity of the Group included in the combined DLC financial statements
		Affiliate	Refers to any entity over which the Group (or any Group entity) has significant influence or joint control (as defined in the Group Accounting Policy Manual)
		External auditor	Refers to each auditor and audit firm engaged to conduct the external statutory audit of the financial statements of the Company and the Group in accordance with the companies and securities legislation of Australia, the United Kingdom and the US. This term also refers to each affiliated organisation of the External auditor.

Approved by the Risk Management & Audit Committee on 23 October 2003.



Pre-approved audit services by the External Auditors

The following specific audit services are pre-approved by the Risk Management & Audit Committee:

- statutory audit engagements for the Company, the Group and each subsidiary and affiliate as required by applicable companies and securities legislation;
- financial statement audit engagements for any Group entity, incremental to the audit work required for the purpose of the consolidated financial statements, where required by applicable laws or regulations or as requested to meet internal management requirements for audited financial statements of nominated Group entities;
- audits of selected financial information as required by legislation for the purpose of the Group satisfying self insurance and workers compensation arrangements;
- reviews of interim financial reports of the Group as required by applicable companies and securities legislation; and
- audits of management certifications as to the adequacy of internal controls as specified by applicable companies and securities legislation.



Pre-approved Audit Related and Other Assurance Services by the External Auditors

The following specific audit related and other assurance services are pre-approved by the Risk Management & Audit Committee:

- audits of financial statements of Group entities for the purpose of inclusion in prospectuses and other forms of offering documents relating to the issuance or registration of debt or equity securities of Group entities;
- conduct of agreed procedures to permit the issuance of comfort letters in connection with prospectuses and other forms of offering documents referred to above;
- financial statement audits of employee benefit plans as required by applicable legislation;
- conduct of review procedures to permit the issuance of Working Capital reports as specified by UK listing rules;
- conduct of review or audit procedures to permit the issuance of an Independent Accountants Report that the Company may call for in connection with regulated market transactions, but only where that Report addresses historical financial information;
- agreed-upon procedures, extended audit procedures and regulated attest engagements applied to selected accounting information or financial statements required to respond to or comply with financial, accounting or regulatory reporting matters, including audits of royalty and similar returns;
- the audit of selected financial information of Group entities in support of disposal and borrowing transactions;
- consultations on the accounting treatment or disclosure requirements of transactions or events including discussions, research consultations and auditing procedures relating to unusual or non-recurring transactions;
- consultations on the accounting treatment or disclosure requirements emanating from new or proposed rules, standards or interpretations by regulatory or standard setting bodies;
- assistance with financial due diligence investigations pertaining to potential business acquisitions/dispositions and other major transactions and events (excluding valuation services, appraisals or fairness opinions) including the review of financial statements and other financial data and records and discussions with counterparty finance and accounting personnel;

Schedule B (cont'd)

- conduct of review procedures to evaluate the effectiveness of the overall internal audit function or to evaluate the results of specific engagements or programs of engagement undertaken by internal audit;
- assessing e-business and IT controls and providing recommendations for improvements in the controls, including pre-implementation reviews, attack and penetration studies, and assessments of IT security framework, policies and procedures; and
- general internal control reviews – assessing internal accounting and risk management controls and providing recommendations for improvements in the design and implementation of those controls. Assistance relating to Section 404 other than the attestation engagement.



Pre-approved Tax Services by the External Auditors

The following specific tax services are pre-approved by the Risk Management & Audit Committee - none of these services are pre-approved where they would contain elements of assistance or advice on matters of a strategic tax planning or structuring nature:

- acting as agent of Group companies in the lodgement of income tax returns pursuant to federal, state and local tax legislation;
- acting as agent of Group companies in the lodgement of returns relating to any form of indirect or secondary tax, including Government royalties, GST, VAT, excise, sales, usage, property and equivalent taxes;
- assistance in the preparation of tax returns referred to in the two items immediately above but with no authority for making elections or determining amounts declared therein;
- the provision of advice concerning the filing of tax returns and the handling of specific items in those returns and in connection with responding to queries in relation to those returns from the tax authorities;
- advice and assistance with respect to transfer pricing matters, including preparation of reports used by the Group to comply with taxing authority documentation requirements regarding royalties and inter-company pricing and assistance with tax exemptions;
- employee tax assistance and compliance (including expatriates) including the calculation of net salaries for expatriates, preparation of individual income tax returns, advice on personal income tax planning, assistance in complying with personal income tax, immigration and associated matters, advice on the impact of changes in local tax laws and consequences of changes in compensation programs or practices;
- compliance reviews and advice on compliance in the areas of tariffs and classification, origin, pricing, and documentation, including assistance with customs audits;
- the provision of independent opinions containing interpretations of taxation legislation as it applies to specific transactions executed or proposed by a Group company, where those opinions are complementary to the auditor's examination of the relevant financial statements;
- the provision of independent opinions containing interpretations of taxation legislation in connection with tax audits, negotiations with or appeals before federal, state, local and foreign tax agencies;

Schedule C (cont'd)

- valuation services pertaining exclusively to tax compliance matters;
- the provision of tax services described provided in connection with acquisition and disposal due diligence activities undertaken by Group management, or in conjunction with assurance services provided by the auditor on due diligence engagements (refer Schedule B); and
- the provision of general news and information regarding statutory, regulatory or administrative taxation developments.



Pre-approved Other Services by the External Auditors

The following specific types of other services are pre-approved by the Risk Management & Audit Committee:

- review of operational effectiveness of Treasury operations relating to cheque-clearing and float-management practices and recommendations regarding potential areas of improvement;
- advisory services in relation to risk management programs and procedures comprising the identification of risk control weaknesses and recommendations for improvement therein, but excluding the design or implementation of risk controls;
- conducting internal investigations and fact finding in connection with alleged improprieties, other than where they relate to potential accounting irregularities;
- review of actuarial reports and calculations to assist the Group in understanding the various processes surrounding actuarial valuations and the potential impact of plan changes or changes in accounting standards; and
- review of compliance by Group companies with local statutory regulations concerning incorporation of entities, constituent documentation (such as constitutions and articles of association) and lodgement of statutory filings with regulatory bodies.