



**Billabong
International
Limited**

Independence of Directors Policy

Billabong International Limited

Approved by the Board – 21 August 2008

Reviewed by the Board – 17 February 2011

1. Background

Billabong International Limited (the Company) is committed to adopting the highest standards of corporate governance. Those standards require that a majority of the members of the Board of Directors (including the Chairman) are independent of the Company, and that a majority of the members of the Audit, HR & Remuneration and Nominations Committees are similarly independent.

This policy has been developed after consideration of recent corporate governance developments in Australia, including the criteria for independence established by the Australian Securities Exchange Corporate Governance Council. The Board will have discretion to determine if a Director is independent.

2. Purpose

The purpose of this policy statement is to:

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

3. Test of "Independence"

An assessment of Non-Executive Director's independence is carried out annually or at any other time where the circumstances of a Director change such as to warrant reconsideration.

When determining the independence of Non-Executive Directors consideration is given to whether the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company, and there has not been a period of at least three (3) years between ceasing such employment and serving on the Board;
- has within the last three (3) years been a principal of a material professional advisor or a material consultant to the Company, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- has a material contractual relationship with the Company other than as a Director.

4. Information Collected by the Board to Assess Independence

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

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

4. Information Collected by the Board to Assess Independence (cont.)

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

5. Disclosure

The Board will make the following disclosure to shareholders in the Company’s Annual Report:

- Independent and non-independent Directors will be identified and the basis on which assessment of independence is determined will be stated.
- Any assessment of independence for a Director who does not meet the criteria above will be specifically explained; and
- Material relationships, associations and other business of each Director will be described (whether or not falling within the categories listed above). This will include details of any relationships or circumstances which the Board believes do not affect independence but which could be perceived as influencing the Director’s judgement, objectivity or ability to act in the best interests of the Company.