

The Board of Directors is responsible for the performance of the Company (being the parent entity and wholly owned subsidiaries) and accordingly takes accountability for setting strategic direction, establishing policy, overseeing the financial position and monitoring the business and affairs on behalf of shareholders. To assist in this, the Board appoints a Managing Director and delegates responsibility to him for the day-to-day activities.

The Australian Stock Exchange Corporate Governance Council released Principles of Good Corporate Governance and Best Practice Recommendations ("Principles") on 31 March 2003. The Company is continuing to review its practices and policies with a view to updating and expanding them having regard to the Principles and will make a full statement on its compliance with the Principles in its next Annual Report.

#### Composition of the Board

- The composition of the Board is
- > determined using the following principles: The Board may comprise up to nine Directors. This may be increased when
  - > additional expertise is required. The Chairman of the Board should be
  - > an independent non-executive Director. The Board should comprise both independent non-executive Directors
  - > and executive Directors.

The Board should comprise Directors with a broad range of experience reflecting the national and international character of the Group's business.

The Board currently comprises seven Directors: three non-executive independent Directors (including the Chairman), three non-executive representatives of substantial shareholders and the Managing Director.

The composition of the Board is monitored to ensure the appropriate mix of expertise, experience and competence. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board selects a panel of candidates with the appropriate expertise and experience. Potential candidates are identified by the Board with advice from external consultants. The Board then appoints the most suitable candidate, who must stand for election at the next annual general meeting of shareholders.

The Company's Constitution requires one third of the Directors to retire from office at the annual general meeting each year. Retiring Directors are eligible for re-election.

All Directors are required to own at least 1,000 ordinary shares in Adelaide Brighton Ltd, and the details of Directors' shareholdings are disclosed in the Directors' report.

#### Dealings in Adelaide Brighton Ltd shares by Directors

The Board has a policy that Adelaide Brighton Ltd Directors and employees may not buy or sell Adelaide Brighton Ltd shares except within a period of one month following the annual and half-yearly results announcements and the period from the release of the Company's annual report until one month after the annual general meeting. The policy supplements the Corporations Act provisions that preclude Directors and employees from trading in securities when they are in possession of 'insider information'.

#### Independent professional advice

Directors have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense, provided the costs are reasonable and the advice is specific. Prior approval from the Chairman is required, which will not be unreasonably withheld.

#### Committees of the Board

To assist the Board in fulfilling its responsibilities, the Board has established a number of committees with responsibility for particular areas.

#### Finance and Audit Committee

- The Finance and Audit Committee is made up of three non-executive Directors:
- > LV Hosking (Chairman) - Independent
  - > CL Harris - Independent
  - > JA Brooks

The Managing Director, Chief Financial Officer and Company Secretary attend Finance and Audit Committee meetings by invitation.

- The Committee:
- > monitors compliance with statutory responsibilities relating to accounting policy and disclosure;
  - > liaises with, assesses the quality and reviews the scope of work and reports of the internal and external auditors;
  - > assesses the adequacy of accounting, financial and operating controls;
  - > monitors the Company's performance, reviews valuation and hedging policies and considers asset underwriting proposals;
  - > reviews broad financial issues and strategies and acts for the Board on financial matters as requested; and
  - > reviews specific funding proposals.

#### Remuneration Committee

- The Remuneration Committee is made up of three non-executive Directors:
- > CL Harris (Chairman) - Independent
  - > MA Kinnaird - Independent
  - > JA Brooks

It has been the practice of the Remuneration Committee on occasion to invite other Directors to attend Remuneration Committee meetings.

The Committee:

- > determines the fees paid to non-executive Directors, within the limits approved by shareholders, and executive remuneration; and
- > establishes and reviews the compensation arrangements for the Managing Director and other senior executives taking into account performance evaluation and comparative remuneration.

#### Other Board Committees

The Corporate Governance Committee was constituted on 13 May 2003. It currently comprises Mr LV Hosking (Chairman), Mr MA Kinnaird and Mr CL Harris. While the Committee's role is to oversee the Company's implementation and compliance with the Principles, to date corporate governance matters have been dealt with at Board level or by individual directors to whom tasks have been delegated. This has included the Chairman of the Committee, currently Mr LV Hosking and previously Mr CL Harris.

The Board established a permanent Committee, the Independent Directors' Committee, on 27 October 2003 under Rule 134 of the Company's Constitution. Its function is to investigate and consider corporate proposals made to the Company. The Committee comprises independent directors, who do not have any conflict of interest concerning the matters considered by the Committee. The present members of the Committee are Mr MA Kinnaird, Mr CL Harris, Mr LV Hosking and Mr MP Chellev.

On 16 December 2003, after Boral Limited announced that it intended to make an off-market takeover offer to acquire all of the ordinary shares in the Company, the Board formed a Committee of independent directors, the Independent Directors' (Takeover Offer by Boral Limited) committee, to consider and manage the response to the intended takeover offer. The present members of the Committee are Mr MA Kinnaird, Mr CL Harris, Mr LV Hosking and Mr MP Chellev. Mr Barro was a member of the Committee until 7 January 2004, when he informed the Committee that he would cease to be a member due to a potential conflict of interest.

### Managing Risks

Management is responsible for identifying and managing risks to the Company's businesses. The Board, through the Finance and Audit Committee, monitors management of these risks.

### Internal controls and framework

Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Company, and ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described as follows:

- > *Financial reporting:* there is a comprehensive budgeting system with an annual budget approved by the Directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The consolidated entity reports to shareholders half-yearly. Procedures are also in place to ensure that price sensitive information is reported to the Australian Stock Exchange in accordance with continuous disclosure requirements.

- > *Operating unit controls:* financial controls and procedures including information systems controls are in operation throughout the consolidated entity. Operating units complete detailed questionnaires confirming compliance with these procedures.

- > *Functional speciality reporting:* the consolidated entity has identified a number of key areas which are subject to regular reporting to the Board, such as finance and administration, human resources, safety and environment.

- > *Investment appraisal:* the consolidated entity has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

- > *Internal audit:* assists the Board in ensuring compliance with internal controls. The Finance and Audit Committee approves the internal audit programme to be conducted each financial year, and the scope of the work to be performed at each location.

- > *Delegated authorities and restrictions:* there is a comprehensive procedure which provides a framework that enables employees to operate and act within clearly defined and communicated parameters.

### Ethical standards

In pursuing high standards of corporate governance and without adopting a formal code of ethics, all Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

### Insurance

In order to protect shareholders' funds, the Company carries insurance which the Board considers is sufficient for the size and nature of the Company's business.

### Compliance

The Company has adopted policies requiring compliance with occupational health and safety, environmental and trade practices law. There are ongoing programs for audit of the Company's operations. Occupational health and safety, environmental, and other risks are covered by these audits.

### Continuous Disclosure

The Company has in place a Continuous Disclosure Policy which sets out guidelines and processes to be followed in order to ensure that the Company's continuous disclosure obligations are met.

### Directors' meetings

The number of Directors' meetings and meetings of committees of Directors held during the financial year and the number of meetings attended by each Director are as follows:

Director	Board meetings		Finance and Audit Committee		Remuneration Committee		Independent Directors' Committee <sup>1</sup>	
	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held <sup>3</sup>	No. of meetings attended	No. of meetings held
MA Kinnaird <sup>2,4</sup>	10	10	–	–	7	7	9	9
CL Harris <sup>2,4</sup>	10	10	5	5	8	8	8	9
D Barro	8	10	–	–	–	–	–	–
JA Brooks	10	10	5	5	4	5	–	–
MP Chelley <sup>2</sup>	10	10	–	–	–	–	9	9
JD McNerney	10	10	–	–	3	3	–	–
LV Hosking <sup>2,3,4</sup>	6	6	2	2	–	–	8	9

<sup>1</sup> Independent Directors' Committee was constituted on 27 October 2003.

<sup>2</sup> A further Board committee of Independent Directors' (Takeover Offer by Boral Limited), was constituted on 16 December 2003. This committee was constituted by the Board to consider and manage the response to the intended takeover offer announced that day by Boral Limited. The Committee held 3 meetings during the period from 16 December 2003 to 31 December 2003 and attendees were MA Kinnaird (3), CL Harris (3), LV Hosking (3), D Barro (2) and MP Chelley (3).

<sup>3</sup> Number of meetings held while a Director or Committee member.

<sup>4</sup> Corporate Governance Committee was constituted on 13 May 2003. To date corporate governance matters, in particular following the publication of the Principles and Best Practice Recommendations by the ASX Corporate Governance Council, have been dealt with at Board level or by individual Directors such as the Chairman of the Corporate Governance Committee, currently LV Hosking and previously CL Harris.