



Marcus Clayton  
General Counsel and  
Company Secretary

The Board is committed to conducting the Company's business ethically and in accordance with high standards of corporate governance. To this end, the Board (together with the Company's management) regularly reviews the Company's policies, practices and other arrangements governing and guiding the conduct of the Company and those acting on its behalf.

This statement provides an outline of the main corporate governance practices that the Company had in place during the past financial year.

The Board believes that the Company's policies and practices are consistent in all substantial respects with corporate governance best practice in Australia, including the ASX Corporate Governance Council Principles and Recommendations.

**1 The Board lays solid foundations for management and oversight**

1.1 *Role of the Board*

The role of the Board of Directors is to protect and optimise the performance of the Group and, accordingly, the Board takes accountability for setting strategic direction, establishing policy, overseeing the financial position and monitoring the business and affairs of the Group on behalf of shareholders. Details of the skills, experience and expertise of each Director and their period of office are set out on page 31 of this report.

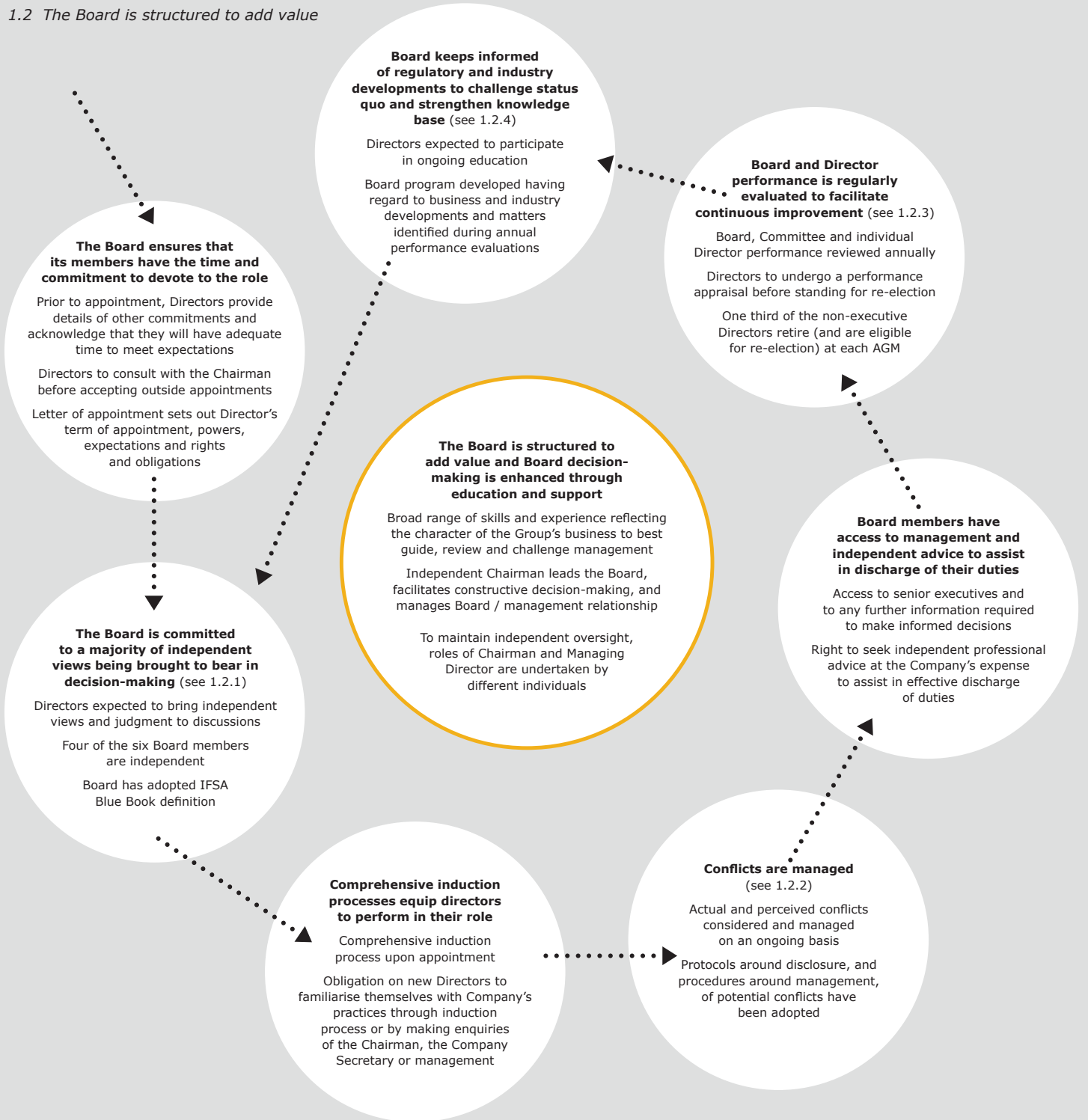
The Board operates in accordance with the general principles set out in its charter, which is available from the corporate governance section of the Company's website at [www.adbri.com.au](http://www.adbri.com.au).

In accordance with the provisions of its constitution, the Board has delegated a number of powers to Board committees (see section 2 following) and responsibility for the day-to-day management of the Company to the Managing Director and senior management. The respective roles and responsibilities of the Board and management are outlined further in the Board charter.

The Board has also reserved for itself the following specific responsibilities:

Strategy and monitoring	Monitoring the business and affairs/relations with management	Risk management, compliance and internal controls
Input into, and final approval of, management's development of corporate strategy, including setting performance objectives and approving operating budgets	Selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning for the successor of, the Group Managing Director	Reviewing and guiding systems of risk management and internal control and ethical and legal compliance Monitoring and reviewing processes aimed at ensuring integrity of financial and other reporting
Monitoring corporate performance and implementation of strategy and policy	Reviewing procedures for appointment of senior management, monitoring performance and reviewing executive development activities. This includes ratifying the appointment and the removal of the Chief Financial Officer and the Company Secretary	Monitoring and reviewing policies and processes in place relating to occupational health and safety, compliance with laws, and the maintenance of high ethical standards
	Approving major capital expenditure, acquisitions and divestitures, cessation of any significant business activity and monitoring capital management	Formulating the Company's policy in relation to, and monitoring implementation of, sustainable resource use and the impact of the Company's operations on the environment, community and stakeholders

1.2 The Board is structured to add value



#### 1.2.1 *Directors' independence*

In general, Directors are considered independent where they are free of any interest and any business or other relationship which could, or could reasonably be perceived, to materially interfere with the Director's ability to act in the best interests of the Company. An assessment will be made on a case-by-case basis of whether the Director's ability to act in the best interests of the Company has been materially impaired.

In ensuring that the Board comprises Directors with a broad range of skills and experience reflecting the character of the Group's business, the Board may from time to time appoint Directors who are not considered to be independent. It is, however, the Board's policy that it should comprise a majority of independent Directors to ensure that independent oversight is maintained.

In the context of his executive position with the Company, Mr M Chellew is not considered to be independent. Having regard to the guidelines of independence adopted, the Directors are of the view that Mr R D Barro is the only non-executive Director who is not considered "independent" by virtue of his position as the Managing Director and a shareholder of Barro Group Pty Ltd, which controls 50% of the Company's joint venture, Independent Cement & Lime Pty Ltd (ICL), and is a significant shareholder in the Company. ICL has an ongoing trading relationship with the Barro Group of companies.

#### 1.2.2 *Conflicts of interest*

Directors are expected to avoid any action, position or interest which conflicts (or may be perceived to conflict) with their position as a Director of the Company. In particular, the Board is cognisant of Mr Barro's interest in Barro Group Pty Ltd, a significant shareholder in the Company and 50% joint venture partner in ICL.

During the year, in order to avoid actual and / or perceived conflicts of interest in Board decision-making, Board procedures were followed such that where the possibility of a material conflict arose, the Board considered the nature and extent of the potential conflict and whether it would be appropriate for the relevant Director to participate in Board discussion and decision-making in relation to the issue. Where there was a real potential for a conflict of interest, information was not provided to the Director, and, in accordance with the *Corporations Act 2001*, the Director did not participate in, or vote at, the meeting where the matter was considered.

#### 1.2.3 *Performance evaluation*

For the 2009 financial year, a performance evaluation was led by the Chairman to assess the performance of individual Directors, the Board as a whole, various aspects of the Board committees such as their performance, membership, roles and Charters, and the Board's and Directors' interaction with management.

The purpose of the review was to assess strengths and to identify areas that could be improved if there were some change. The findings of this performance review have been considered by the Board, individual Directors and the Board committees and have been, and continue to be, taken into account in planning and conducting Board and committee matters in 2010.

Executives and managers are also subject to an annual performance review in which performance is measured against agreed business objectives. The performance of the Managing Director is assessed by the Board against objectives related to the Company's strategy and business plans.

For the 2009 financial year, the performance of the Managing Director was reviewed by the Chairman, the Nomination and Remuneration Committee and the Board against the financial performance of the business, and the Managing Director's achievement of the agreed objectives. The performance of the Company's senior executives during 2009 was reviewed by the Managing Director, and by the Nomination and Remuneration Committee, led by the Managing Director and the Executive General Manager, Human Resources.

#### 1.2.4 *Ongoing education*

During the year, the Board's ongoing education calendar incorporated a number of site visits to the Company's operational facilities and presentations by management on a number of topics regarding developments impacting, or likely to impact, its business. The Board is informed by leading expertise from within the Company in areas such as emissions trading and reporting and product development.

## **2 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.

Each committee has a specific charter or constitution, other than the Corporate Governance Committee. The charters for the Audit, Risk and Compliance Committee and the Nomination and Remuneration Committee are available on the corporate governance section of the Company's website at [www.adbri.com.au](http://www.adbri.com.au). The Board periodically reviews each Board committee's charter, role and responsibilities.

Generally, minutes of committee meetings are tabled at the immediately subsequent Board meeting. Additional requirements for specific reporting by the committees are addressed in the charter of the individual committees.

## 2.1 Key standing committees

	<i>Audit, Risk and Compliance Committee</i>	<i>Nomination and Remuneration Committee</i>
<b>Members</b>	<p>L V Hosking (Chairman) C L Harris G F Pettigrew M A Kinnaird</p> <p>Details of these Directors' qualifications are set out on pages 31 of this report.</p>	<p>C L Harris (Chairman) M A Kinnaird L V Hosking G F Pettigrew</p> <p>Details of these Directors' qualifications are set out on pages 31 of this report.</p>
<b>Composition</b>	<p>Consist of a minimum of three members, all of whom must be non-executive Directors</p> <p>A majority of independent Directors</p> <p>An independent chair, who is not Chairman of the Board</p>	<p>Consist of a minimum of three members, the majority being independent directors</p> <p>An independent chair</p>
<b>Key functions</b>	<p>To review, assess and approve the annual financial reports, the half year financial report and the results of external audit or review, including assessing all external reporting for its adequacy for shareholder needs; and all other financial information published by the Company or released to the market;</p> <p>To review the appropriateness of accounting principles adopted by management in the composition and presentation of financial reports and to approve any change in the accounting principles applied in preparing the Company and Group reports;</p> <p>To evaluate the independence of both the non-executive Directors and external auditors and to monitor the implementation of the Board's policy in relation to the provision of non-audit services by the Company's auditor;</p> <p>To recommend to the Board the appointment, removal and remuneration of the external auditors, to review the terms of their engagement, the scope and quality of the audit and to assess performance;</p> <p>To determine the scope of the internal audit function and ensure that it has adequate resources to fulfil its role, to assess its performance (including independence) and to advise on the appointment and dismissal of the head of internal audit;</p> <p>To determine whether new policies or training should be implemented to safeguard against possible risks or non-compliance with applicable laws, regulations or Company policies;</p> <p>To monitor compliance with the Company's policies and procedures that recognise the Company's business, environmental and statutory responsibilities; and</p> <p>To report the results of the Committee's review of risk management and internal compliance and control systems to the Board.</p>	<p>To review (and recommend to the Board) the fees paid to non-executive Directors, within the limits approved by shareholders;</p> <p>To review (and recommend to the Board) the compensation arrangements for the Managing Director, including short term and long term incentives;</p> <p>To review performance targets, and approve recommendations from the Managing Director on total levels of remuneration for senior executives;</p> <p>To oversee the implementation of the Company's short term and long term incentive arrangements, including assessing the extent to which performance conditions are satisfied and making relevant awards;</p> <p>To assess the appropriate mix of skills, experience and expertise required on the Board and assess the extent to which these required skills are represented on the Board;</p> <p>To establish processes for the identification of suitable candidates for appointment to the Board, engage appropriate search firms to assist in identifying suitable candidates, and make a recommendation regarding the most appropriate candidates to the Board, which ultimately will appoint the new Directors;</p> <p>To oversee or design induction and ongoing training and education programs for the Board to ensure that non-executive Directors are provided with adequate information regarding the operations of the business, the industry and their legal responsibilities and duties;</p> <p>To monitor the tenure of Board members, considering succession planning and identifying the likely order of retirement by rotation of non-executive Directors; and</p> <p>To establish processes for the review of the performance of individual non-executive Directors, the Board as a whole and the operation of Board committees.</p>

	<i>Audit, Risk and Compliance Committee</i>	<i>Nomination and Remuneration Committee</i>
<b>Key activities during 2009</b>	<p>Ongoing review and consideration of financial and non-financial risks and the Company's system of identifying and managing risks;</p> <p>Monitoring and overseeing of the Company's implementation of the SAP enterprise resource planning system;</p> <p>Enhanced monitoring of credit terms and debtors across the Group in the widespread difficult financial circumstances experienced in 2009;</p> <p>Monitoring the performance, outcomes and actions of the Company's internal audit program;</p> <p>Receiving the external auditors' reports, monitoring issues reported and actions taken;</p> <p>Reviewing and overseeing of the Company's 2009 Half Year and Full Year Financial Reporting and associated audit;</p> <p>Establishing the internal audit plan for 2010 and reviewing and approving the internal and external auditors' fees;</p> <p>Monitoring the Group's insurance renewal programme; and</p> <p>Reviewing the Group's accounting policies and treatment for particular issues.</p>	<p>Overseeing of comprehensive review of senior executive long term incentive arrangements, in conjunction with independent experts, incorporating a detailed review of both incentive opportunity and performance conditions;</p> <p>After receiving advice and market data from independent experts, reviewing and recommending to the Board 2010 fees payable to non-executive Directors for 2010, shareholder approval for an increase to the limit approved by shareholders to provide further flexibility with respect to future non-executive Director remuneration including providing the capacity to appoint further Directors to the Board; and</p> <p>Reviewing and recommending to the Board the compensation arrangements for the Managing Director and senior executive team, including a 'freeze' on the Managing Director's fixed remuneration for 2010 and 2011, and review of short term and long term incentive components.</p>
<b>Attendance</b>	<p>Details of attendance at Audit, Risk and Compliance Committee meetings are set out on page 36 of this report.</p>	<p>Details of attendance at Nomination and Remuneration Committee meetings are set out on page 36 of this report.</p>
<b>Consultation</b>	<p>Members of management may attend meetings of the Committee at the invitation of the Committee Chairman. It is the practice of the Committee that the Managing Director, the Chief Financial Officer and the Company Secretary attend all Audit, Risk and Compliance Committee meetings. The Group Risk Manager generally attends meetings of the Committee when non-financial risk management matters are considered.</p> <p>In fulfilling its responsibilities, the Committee has rights of access to management and to auditors (external and internal) without management present and may seek explanations and additional information. The Committee has met with the Company's auditors without any member of management present.</p>	<p>It has been the practice of the Nomination and Remuneration Committee on occasions to invite other Directors to attend Committee meetings.</p> <p>Members of management, particularly the Executive General Manager, Human Resources or the Managing Director, may also attend meetings of the Committee at the invitation of the Committee Chairman, whenever particular matters arise that require management participation, such as reviewing senior executive performance.</p>

## 2.2 Other Board committees

### 2.2.1 Safety Health and Environment Committee

The members of the Safety, Health and Environment Committee (SH&E Committee) are G F Pettigrew (Chairman), M A Kinnaird, R D Barro and M P Chellew (Managing Director). J D McNerney was a member of the Committee until his resignation as a Director effective 21 May 2009.

The Committee has a broad role in reviewing specific occupational health and safety and environmental matters across the Group. Committee meetings are also attended by the Company's Executive General Manager, HR & HS&E, Chief Financial Officer and its General Counsel.

Generally when the SH&E Committee meeting is held, prior to a Board meeting, the SH&E Committee Chairman subsequently reports to the Board about the committee's proceedings.

### 2.2.2 Corporate Governance Committee

The Corporate Governance Committee, which comprises L V Hosking (Chairman), M A Kinnaird and C L Harris, is responsible for overseeing the Company's implementation and compliance with best practice in corporate governance applicable to the circumstances of the Company. Committee meetings are also attended by the Company's Managing Director, the Company Secretary and General Counsel and the Chief Financial Officer, and are generally held in conjunction with Board meetings, so that all of the Company's Directors are present.

In 2009, the Committee also conducted a periodic review of the Company's charters and policies. The Board determined to extend the responsibilities of the Corporate Governance Committee to include specific responsibility for overseeing of the Company's practices in relation to social responsibility and sustainability.

### 2.2.3 Independent Directors' Committee

The role of the Independent Directors' Committee is to investigate and consider corporate proposals made to the Company. The Committee comprises Directors who do not have any conflict of interest concerning the matters considered by the Committee. The present members of the Committee are M A Kinnaird (Chairman), C L Harris, L V Hosking, G F Pettigrew and M P Chellew (Managing Director). J D McNerney was a member of the Committee until his resignation as a Director effective 21 May 2009.

Details of members' attendance at each of these Committee meetings in 2009 are set out on page 36.

## 3 The Board recognises and manages risk and safeguards the integrity of financial reporting

### 3.1 Framework

The Board has approved the following framework within which the Company discharges its risk management function:

**Leading a culture of compliance and ensuring that risk management practices are appropriate and effective in the context of the Company's business objectives**

*Oversight:* The Board, through the Audit, Risk and Compliance Committee, is responsible for implementing and overseeing the Company's risk management policies and compliance and control systems. These policies and systems provide for management to identify and manage both financial and non-financial risks to the Company's businesses. The Board, through the Committee, regularly reviews the effectiveness of the Company's risk management system and management of identified business risks.

*Purpose:* The Company's risk management framework is designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives.

**Internal controls framework**

A robust control environment is fundamental to the effectiveness of the Company's risk management framework. Delegations of authority and Board and management accountability are clearly demarcated.

All Directors, executives and employees are required to adhere to the Code of Conduct (described below) and the Board actively promotes a culture of quality and integrity.

Accounting, financial reporting and internal control policies and procedures designed to manage business risks (both financial and non-financial) have been established at the Board and executive management levels. These are designed to safeguard the assets and interests of the Company, and ensure the integrity of financial reporting.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will prevent 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**

Comprehensive budgeting system with an annual budget reviewed and approved by the Board

Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly

Procedures to ensure that price sensitive information is reported to the ASX in a timely manner (see section 5 below)

**Investment appraisal**

Clearly defined guidelines for capital expenditure e.g. annual budgets, detailed appraisal and review procedures, levels of delegated authority and due diligence requirements where businesses are being acquired or divested

**Operating unit controls**

Financial controls and procedures including information systems controls are in operation throughout the consolidated entity

Operating units confirm compliance with these procedures to the Board annually

**Internal audit**

Assists the Board in ensuring compliance with internal controls

The Audit, Risk and Compliance Committee reviews and approves the selection and engagement of internal auditors, the internal audit programme to be conducted, and the scope of the work to be performed at each location

Internal auditors provide the Committee with comments and recommendations about the identification of areas perceived to be of a greater level of risk than others, and any areas requiring particular scrutiny

The Committee receives and reviews the reports of the internal auditors

**Financial risk**

The Managing Director and Chief Financial Officer have made the following certifications to the Board:

That the Company's financial reports present a true and fair view, in all material respects, of the financial condition and performance of the Company and the consolidated entity and are in accordance with relevant accounting standards;

That the Company has adopted an appropriate system of risk management and internal compliance and control which implements the policies adopted by the Board and forms the basis for the statement given above; and

That the Company's risk management and internal compliance and control system to the extent it relates to financial reporting is operating efficiently and effectively in all material respects.

**Non-financial risk**

Management has also reported to the Board on strategic and operational issues, including an assessment of the material business risks facing the Company and the effectiveness of the systems and policies in place to manage those risks.

**Functional speciality reporting**

The Group has identified a number of key areas which are subject to regular reporting to the Board, such as safety and environment, risk management, taxation, finance and administration

**Delegated authorities and restrictions**

Comprehensive procedure which provides a framework that enables employees to operate and act within clearly defined and communicated parameters

### 3.2 Audit Services

The Company and Audit, Risk and Compliance Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. PricewaterhouseCoopers remains the external auditor of the Company for the Group's financial report for the year ended 31 December 2009.

The Board has adopted a policy in relation to the provision of non-audit services by the Company's external auditor. It is based on the principle that work that may detract from the external auditor's independence and impartiality (or that may be perceived as doing so) should not be carried out by the external auditor. Details and the break down of fees for non-audit services and an analysis of fees paid or payable to external auditors are provided in Note 32 to the Financial Statements.

## 4 The Board is committed to promoting ethical and responsible decision-making

### 4.1 Code of conduct and whistleblower program

The Company is committed to upholding the highest ethical standards of corporate behaviour. A Code of Conduct has been adopted, which requires that all Directors, senior management and employees act with the utmost integrity and honesty. It aims to further strengthen the Company's ethical climate by promoting practices that foster the Company's key values of:

- > Acting with fairness, honesty and integrity;
- > Being aware of and abiding by laws and regulations;
- > Individually and collectively contributing to the wellbeing of shareholders, customers, the economy and the community;
- > Maintaining the highest standards of professional behaviour;
- > Avoiding or managing conflicts of interest; and
- > Striving to be a good corporate citizen, and to achieve community respect.

The Code of Conduct is publicly available on the Company's website at [www.adbri.com.au](http://www.adbri.com.au).

The Company has also adopted policies requiring compliance with (among others) occupational health and safety, environmental, privacy, equal employment opportunity and trade practices law. The effectiveness of these policies is regularly audited. Occupational health and safety, environmental, and other risks are covered by these audits.

Employees are encouraged to attend training or seminars presented by the Company, or external service providers, to ensure that they remain up-to-date with relevant legal and industry developments.

The Code requires all officers, employees, contractors, agents or people associated with the Company to report any potential breaches to the Company Secretary under the whistleblower program. This may be done anonymously.

### 4.2 Shareholdings of Directors and employees

The Board has a policy that Directors and employees may not buy or sell Adelaide Brighton Ltd shares except within the period of one month following the annual and half year 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 2001* provisions that preclude Directors and employees from trading in securities when they are in possession of "inside information".

The Board has also adopted a policy that prohibits executives from hedging (or otherwise locking in a profit over) unvested securities issued under the Company's Share Plans.

A summary of the Share Trading Policy and the Award/Share Hedging Policy are available on the Company's website at [www.adbri.com.au](http://www.adbri.com.au).

## 5 The Board is committed to timely and balanced disclosure and respects the rights of shareholders

### 5.1 Continuous disclosure

The Company is committed to providing relevant and timely information to its shareholders and to the broader market, in accordance with its obligations under the *Corporations Act 2001* and the ASX continuous disclosure regime.

The Company's Continuous Disclosure Policy is available on the Company's website and sets out guidelines and processes to be followed in order to ensure that the Company's continuous disclosure obligations are met. Material information must not be selectively disclosed prior to being announced to the ASX. These policies and procedures are supplemented by the Shareholder Communications Policy (also published on the Company's website) which includes arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings.

The Company Secretary has been nominated as the person responsible for communicating with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements and overseeing and coordinating (with the Group Corporate Affairs Adviser) information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

### 5.2 Communication with shareholders

The Company's website contains copies of annual reports, financial accounts, presentations, media releases and other investor relations publications. All relevant announcements made to the market, and any related information, are also posted on the Company's website as soon as they have been released to the ASX.

The Board encourages full participation of shareholders at the Annual General Meeting in order to promote a high level of accountability and discussion of the Company and the Groups strategy and goals.

The external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditors' report.