

# Corporate Governance

The Board of Directors is responsible for the performance of the Company and the Group 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.

## 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 of whom three are non-executive independent Directors (including the Chairman), three are representatives of substantial shareholders and the Managing Director.

The composition of the Board is consistently monitored to ensure the appropriate mix of expertise, experience and competence. When a vacancy exists, through whatever cause, 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.

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

## Dealings in Adelaide Brighton Limited shares by Directors

The Board has a policy that Adelaide Brighton Limited Directors and employees may not buy or sell Adelaide Brighton Limited shares except within a period of one month following the annual and half yearly results announcements and the annual general meeting. The policy supplements the Corporations Law provisions precluding Directors and employees from trading in securities when they are in possession of "insider information".

## Independent Professional Advice

Directors may obtain independent legal and financial advice, at the Company's expense, concerning problems arising in the exercise of their functions and powers if:

- The payment of such expense is authorised by the Chairman;
- It is necessary to obtain such advice for the proper performance of the Directors' functions and powers;

- The amount involved is reasonable in relation to both the importance of the problem and the Company's assets and income; and
- Assistance by the Company's internal or external legal or financial advisers is inappropriate or inadequate.

## Committees of the Board

To assist the Board in fulfilling its responsibilities, the Board has established a Finance and Audit Committee and Remuneration Committee with responsibility for these particular areas. The Committees consist entirely of non-executive Directors.

The membership and details of attendances of Committees of the Board are detailed below:

### Finance and Audit 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.
- Reviews specific funding proposals.

## Directors' Meetings

Director	Board Meetings		Finance and Audit Committee		Remuneration Committee	
	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended	Number of meetings held
MA Kinnaird	10	10				
CL Harris	10	10	5	5	3	3
CH Perkins	10	10			3	3
D Barro	4	5*				
JA Brooks	4	5*	4	5*		
GE Clark	1	2*				
PJ Wright	5	5*				
PJ Bowen	6	6*				
PC Crowley	5	8*			3	3
RW Hammond	5	5*				
DA Harding	1	5*				
PA Rabl	3	4*				
RM Sharp	-	1*				

\* Number of meetings held while a Director or committee member

### Remuneration Committee

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

### Managing Risks

Management is responsible for identifying and managing risks to the Group'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, which 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 Group 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 Group. Operating units complete detailed questionnaires confirming compliance with these procedures.
- Functional speciality reporting: the Group 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 Group 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 program 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 pursuance of the promotion of 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 Group.

### 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.

### The Role of Shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders as follows:

- The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the annual report includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of future developments, in addition to the other disclosures required by the Corporations Law.
- Half-yearly reports contain summarised financial information and a review of the operations of the Group during the period. The half-year financial report is prepared in accordance with the requirements of Accounting Standards and the Corporations Law is lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange. The half-yearly report is sent to any shareholder who requests it.

The Board encourages full participation of shareholders at the annual general meeting to ensure a high level of accountability and identification with the Group's strategy and goals.

The shareholders are responsible for voting on the appointment of Directors.