

THE BOARD OF DIRECTORS

The Board of directors is responsible for setting the strategic direction and establishing the policies of Adelaide Brighton Ltd, for overseeing the financial position, and for monitoring the business and affairs on behalf of the shareholders, by whom the directors are elected and to whom they are accountable. Responsibility for day to day activities is delegated to the Managing Director by the Board.

Corporate governance is a term used to describe the way a board is structured and the way the directors act to ensure their oversight of a company is beyond reproach. The Board keeps its own processes under review and aims to achieve global best practice in matters of corporate governance.

The Board currently comprises three executive directors (including the Managing Director), and three non-executive directors, ensuring independence and objectivity. 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.

The composition of the Board is determined using the following principles:

- The Board should comprise up to 9 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.

An independent director is a director who is not a member of management (a non-executive director) and who:

- is not a substantial shareholder of the company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the company;
- has not within the last three years been employed in an executive capacity by the company or another Group member, or been a director after ceasing to hold any such employment;
- is not a principal of a professional adviser to the company or another Group member;

- is not a significant supplier or customer of the company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant supplier or customer;
- has no significant contractual relationship with the company or another Group member other than as a director of the company; and
- is free from 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.
- The Board should comprise directors with a broad range of experience reflecting the national and international character of the company's business.

The composition of the Board is continuously 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.

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

The Board has two committees, which have been established to consider issues and strategies in order to advise and guide the Board. Ad hoc committees are also established as the need arises.

The membership and details of attendances of committees of the board are detailed below:

| 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 | 25 | 25 | | | |
| CL HARRIS | 22 | 25 | 11 | 11 | 3 | 3 |
| RW HAMMOND | 25 | 25 | | | 3 | 3 |
| PC CROWLEY | | | | | | |
| DA HARDING | | | | | | |
| CH PERKINS | | | | | | |
| PJ BOWEN | | | | | | |
| RAF ENGLAND | 25 | 25 | 11 | 11 | | |
| ND HAMILTON | 20 | *24 | | | | |

* NUMBER OF MEETINGS HELD WHILE A DIRECTOR OR COMMITTEE MEMBER

Committee responsibilities:

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.

Remuneration committee

- Determines the fees paid to non-executive directors within the limits approved by shareholders and executive remuneration.
- Executive remuneration is determined as part of an annual review, which includes performance evaluation, having regard to comparative remuneration and independent advice.

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 Adelaide Brighton Ltd, and to 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 ASX 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, environmental and asset management.
- 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.
- Management assurance: assists the Board in ensuring compliance with internal controls. The Finance and Audit Committee approves the program of management assurance coverage to be conducted each financial year and the scope of the work to be performed at each location.

YEAR 2000

In the Group's businesses, steps have been taken to evaluate the likely impact of the Year 2000 on their business processes. In the absence of unforeseen circumstances, the directors' intention is to have all critical systems which are in the Group's direct control tested for Year 2000 readiness by 31 October 1999.

Over the remaining period to 1 January 2000, the Year 2000 Steering Committee, which reports monthly to the Board and on request, will oversee the progress of our action plans, with particular emphasis on contingency planning. The contingency planning process addresses the identification of processes that are critical to the business and the identification and assessment of risks to these processes. Recovery planning addresses actions that could help mitigate the effects of a Year 2000 failure.

There can be no assurance that the steps taken by any company will successfully minimise vulnerability of its software and systems, or those of its suppliers, to the problems associated with the transition to the Year 2000. Significant third parties with which the Group interfaces include, among others, customers and business partners, service providers, and the utility infrastructure (power, transportation, gas, telecommunications), on which all entities rely.

At 30 June 1999, the Group has expended \$1.4 million on the Year 2000 project. The total anticipated cost for the entire project is \$2.2 million. All costs to date have been expensed as incurred in the financial report.

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.
- ✦ The half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half year reviewed 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 financial statements are sent to any shareholder who requests them.

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.

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.