

DEVELOPMENT OF RINKER'S CORPORATE GOVERNANCE SYSTEM

Rinker was first listed on the Australian Stock Exchange (ASX) on 31 March 2003, following its demerger from CSR Limited (CSR). Coincidentally, this was the same day that the ASX Corporate Governance Council released its Principles of Good Corporate Governance and Best Practice Recommendations (ASX Principles and Recommendations).

On 28 October 2003, Rinker's American Depositary Receipts (ADRs) were first listed for trading on the New York Stock Exchange (NYSE).

Despite its new status as a listed entity, Rinker was fortunate that it was able to commence immediately with a robust and mature set of corporate governance practices developed over many years at CSR. However, of more fundamental importance, is that from the outset Rinker has had an entrenched, highly developed governance culture based on strong ethical values and a commitment to openness and transparency.

During the period of a little over a year since it demerged from CSR, Rinker has further developed and refined its corporate governance practices to reflect its circumstances (including, in particular, its strong presence in the United States), the ASX Principles and Recommendations and its listing on NYSE.

'IF NOT, WHY NOT' DISCLOSURE

One of the features of the ASX Principles and Recommendations is an 'if not, why not' disclosure obligation in relation to practices that differ from the ASX Recommendations. In Rinker's case, that obligation is triggered in two regards:

- Rinker has progressively developed its corporate governance documents, including formal policies and charters, during the period since the demerger and did not publish these documents on its website until the release of this annual report, in order to present its full corporate governance system in context; and
- Rinker has a share plan open to all Australian employees who have been employed for at least one year (Universal Share Plan – USP) under which those employees may annually acquire a parcel of shares at market price and receive an equal number of additional shares for no further consideration. ASX Recommendation 9.4 provides that plans for equity-based executive remuneration should be approved by shareholders. Although executives are not prohibited from participating in the plan, it is designed for Australian employees as a whole, not for executives – last year a total of 1,219 Australian employees (74.5% of those eligible) participated. The maximum number of shares that can be purchased under the plan is identical for each employee. Last year, that maximum was 150 shares, giving rise to an entitlement to an additional 150 shares for no further consideration. USP is an incidental and insignificant component of executive remuneration and was fully disclosed to shareholders prior to the demerger. After taking the above factors into account, the Board has not sought shareholder approval for USP as a plan for equity-based executive remuneration. However, the Board has elected to put its Remuneration Report to shareholders for adoption by way of a non-binding resolution at Rinker's annual general meeting on 20 July 2004.

Documents that are italicised and underlined in this statement (for example *Board Charter*) are available on Rinker's internet site, (www.rinkergroup.com) under the heading 'Corporate Governance'. A table cross-referencing each of the ASX Principles and Recommendations to the relevant section of this statement also appears there.

1. RINKER'S BOARD

1.1 ACCOUNTABILITY AND APPROACH TO GOVERNANCE

The board of directors (the Board) of Rinker is accountable to shareholders for the activities and performance of the Rinker group.

The Board's key responsibility is to oversee the building of sustainable value for shareholders within an appropriate risk framework, having regard to the interests of other stakeholders.

To fulfil that responsibility, the Board strives to ensure that a strong performance culture continues to be driven throughout the Rinker group, within a structure of governance and ethical values that warrant the trust, respect and confidence of shareholders, employees, customers, suppliers, regulators and the communities within which Rinker group companies operate.

1.2 THE RINKER BOARD'S DUTIES

The Board has identified key duties that it has reserved for itself and will not delegate to management. These duties, many of which are carried out with the assistance of the Board's committees, are set out in Rinker's *Board Charter*. The duties include:

- promote and oversee the maintenance of Rinker's high integrity performance culture;
- review and confirm the strategic direction of the Rinker group;
- approve business plans, budgets and financial policies;
- consider management recommendations on key issues, including proposed acquisitions, divestments and significant capital expenditure;
- fulfil its responsibilities in relation to safety, occupational health and environmental matters arising out of activities within the Rinker group and the impact of those activities on employees, contractors, customers, visitors and the communities and environments within which Rinker group companies operate;
- oversee the establishment of proper processes and controls to maintain the integrity of accounting and financial records and reporting;
- fairly and responsibly reward executives, having regard to the interests of shareholders, Rinker's performance, the performance of the relevant executive and employment market conditions;
- determine dividend policy and the amount, timing and nature of dividends to be paid to shareholders;
- adopt and oversee implementation of corporate governance practices that represent best practice in Rinker's particular circumstances from time to time;
- oversee capital management and financing strategies;
- oversee appropriate and effective risk management policies and strategies;
- determine the scope of authority (and limits on that authority) delegated to the Chief Executive Officer (CEO);
- strive to ensure that the Board is comprised of strongly performing individuals of the utmost integrity and whose complementary skills, experience, qualifications and personal characteristics are highly suited to Rinker's present and anticipated future needs, with regular performance reviews supporting this objective; and
- appoint, evaluate, reward and determine the duration of appointment of the CEO and approve the appointments and remuneration (sometimes referred to in this statement as 'compensation') of those reporting to the CEO, including the Chief Financial Officer and the Company Secretary.

1.3 POWERS DELEGATED TO RINKER'S MANAGEMENT

The Board has delegated to the CEO the authority and powers necessary to implement the strategies approved by the Board and to manage the business affairs of the Rinker group within the policies and specific delegation limits specified by the Board from time to time. The CEO may further delegate within those specific policies and delegation limits, but remains accountable for all authority delegated to executive management.

1.4 RINKER'S CHAIRMAN AND DEPUTY CHAIRMAN

The Chairman is appointed by the Board and must be an independent, non-executive director.

The role of the Chairman includes:

- leading the Board, including ensuring that board meetings are conducted in an open and professional manner and that all directors know that they are expected to be well informed and are encouraged to express their views forthrightly, without fear or favour, leading to objective, robust analysis and debate;
- representing the views of the Board to shareholders and the public;
- conducting meetings of shareholders in an open, democratic manner and providing a reasonable opportunity for shareholders (as a whole) to express their views and to ask questions of the Board, management and the external auditors;
- ensuring that new directors are properly briefed on the terms of their appointment and their rights, duties and responsibilities; and
- setting an example of the culture and values for which Rinker stands.

If appropriate, the Board may also appoint a Deputy Chairman to assist the Chairman from time to time and to act as chairman in the absence of the Chairman. In Rinker's current circumstances, the Board has determined it appropriate to appoint Marshall Criser, a US-based director, to perform that role.

1.5 THE COMPOSITION OF RINKER'S BOARD

Rinker's constitution provides for a minimum of five and a maximum of ten non-executive directors. The Board has determined that currently, the appropriate number of non-executive directors is five. All five non-executive directors have been determined by the Board to be independent.

The *constitution* also provides for a maximum of three executive directors. In Rinker's current circumstances, the Board has determined it appropriate that the Chief Executive Officer be the only executive director on the Board.

The *Board Charter* specifies that the majority of Rinker's directors must be independent (see criteria below). Under *Rinker's constitution*, non-executive directors will always comprise a majority of the Board.

With assistance from the Board's Nominations Committee, the Board strives to ensure that it is comprised of strongly performing individuals of the utmost integrity and whose complementary skills, experience, qualifications and personal characteristics are highly suited to Rinker's present and anticipated future needs. Specific duties have been assigned to the Nominations Committee (as set out in the *Nominations Committee Charter*) to support that objective. Membership of the Nominations Committee (all members are independent non-executive directors) and attendance at its meetings is set out on page 27.

Details of current directors, including their skills, experience, qualifications, length of service and current term of office are set out on pages 22-23.

1.5.1 HOW RINKER ASSESSES THE INDEPENDENCE OF DIRECTORS

The Board's policy on assessing independence has been formed after consideration of recent developments in Australia and the United States, including criteria established by:

- ASX Corporate Governance Council;
- Australian Investment and Financial Services Association (the IFSA Blue Book);
- US *Sarbanes-Oxley Act of 2002* and Securities Exchange Commission (SEC) rules; and
- Corporate Governance Rules of the NYSE.

The Board's overarching test for independence is whether a director is:

'Independent of management and free from any business or other relationship that could materially interfere with (or could reasonably be perceived to materially interfere with) the exercise of their unfettered and independent judgment.'

In determining whether this test is satisfied, the Board applies the threshold criteria set out below to determine whether there are any indicators of matters that may impair a director's unfettered and independent judgment.

The Board may determine that a director is independent even though one or more of the threshold criteria below are not met, in which case the Board will publicly disclose its reasons for making that determination.

Similarly, the Board recognises that in certain circumstances it is possible that a director may not be independent, even if the threshold criteria are met.

In considering independence, the Board will distinguish between a relationship that may have the potential to give rise to, on isolated occasions, a narrow, discrete and immediately identifiable conflict of interest (that can be completely quarantined by the Board's conflict of interest procedures) and a relationship that has the potential to affect the director's underlying objectivity or independence of mind.

The Board tests the independence of directors at least annually. In addition, each director is required to promptly provide the Board with any new information that may be relevant to that director's independence. The Board will promptly consider any such information and then re-assesses its determination of that director's independence.

The Board will disclose, in each annual report, its determination of whether each director is independent or non-independent. At the date of this annual report, the Board has determined that each of its non-executive directors is, in fact, independent and that none of the threshold criteria set out below have been triggered.

1.5.2 RINKER'S THRESHOLD CRITERIA FOR ASSESSING INDEPENDENCE

- a. The director is not a member of management within the Rinker group.
- b. The director is not a substantial shareholder (as defined in section 9 of the *Corporations Act 2001*) of Rinker or an officer of, or otherwise associated directly with, a substantial shareholder of Rinker.
- c. Within the last three years neither the director, nor an immediate family member (as defined in the *Board Charter*), has been employed in an executive capacity by any company in the Rinker group or has been a director after ceasing to hold such employment.
- d. Within the last three years neither the director, nor an immediate family member, has been a principal of an auditor or of any material professional adviser or of a material consultant to any company in the Rinker group or an employee materially associated with any such service provided.
- e. Within the last three years neither the director, nor an immediate family member, has been employed by an entity that had an executive officer of a company in the Rinker group on its compensation committee.
- f. The director does not hold cross-directorships or have other significant links with other directors through involvement in other companies or bodies where those cross-directorships or links could materially interfere with the director's unfettered and independent judgment.

- g. Neither the director, nor an immediate family member, is a material supplier or customer of the Rinker group or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer. In this context the supplier or customer shall be deemed to be 'material' if payments to or from that customer or supplier exceed 2% of the consolidated gross revenue of either the Rinker group or of that customer or supplier.
- h. The director has no material contractual relationship with a company in the Rinker group other than as a director, nor does the director receive additional compensation from any such company, apart from approved director's and committee fees.
- i. The director has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Rinker group.
- j. The director satisfies the independence criteria specified from time to time by the NYSE.

Critically, in addition to the above threshold criteria, the Board is required to determine whether the director is independent in character and judgment.

Directors who currently sit on Rinker's Audit Committee satisfy the additional independence criteria specified under the US *Sarbanes-Oxley Act of 2002*.

1.5.3 MATERIALITY

The Board, in part, determines whether a relationship with a professional adviser or consultant is material by assessing whether payment for the services provided is 5% or more of the expenditure by the Rinker group on professional or consulting services or is 5% or more of the revenue of the relevant professional adviser or consultant.

Because there are inherent weaknesses in mechanically applying quantitative criteria, the Board will always strive to determine the true substance of any relationship that may call a director's independence into question. Qualitative aspects of materiality will be closely considered, including the strategic significance and underlying nature of the relationship.

While disclosure will automatically be made if the quantitative threshold is exceeded, a relationship will not be regarded as immaterial simply because it involves payments that fall below that quantitative threshold.

Rinker director John Arthur and his spouse are partners in the law firm Gilbert + Tobin (G+T). The Board specifically examined the fact that G+T had undertaken matters relating to businesses now conducted by companies in the Rinker group in the past (commencing many years prior to their joining G+T) and could potentially do so in the future. In recognising the potential sensitivity of the connection, the Board undertook that examination even though the materiality threshold outlined above had not been remotely approached.

The Board determined that:

- neither Mr Arthur nor his spouse had ever personally acted in any such matters and would not do so in future;
- Mr Arthur had not and would not seek to influence any decision on whether or not a company in the Rinker group should use G+T;

- Mr Arthur had never received, nor would in future receive, any additional financial benefit (that is, apart from normal partnership distributions – there being more than 40 partners in G+T) or other recognition or benefit of any nature whatsoever by G+T in connection with any matters carried out by G+T for a company in the Rinker group;
- there were no other aspects of the relationship with G+T that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of Mr Arthur's unfettered and independent judgment; and
- it would be against Rinker's best interests to restrict its long-standing policy that in each case the most appropriate lawyer for a particular matter be engaged, by refusing to consider any lawyer working for G+T.

1.6 APPOINTMENT, ELECTION AND RE-ELECTION OF RINKER DIRECTORS

The Board's Nominations Committee has specific duties (set out in its *Charter*) to assist the Board in assessing the skills required by the Board from time to time and in identifying candidates for potential appointment to the Board.

When it is appropriate to appoint a new director and a suitable candidate has been found, the Chairman ensures that prior to appointment, the candidate understands, and agrees to, the Board's expectations of that candidate including, in particular, the time commitment and nature and quality of the contribution required. A formal letter of appointment is provided to the proposed director which includes (among other things) the terms and conditions of appointment, the *Board Charter* and the charters of each committee, *Rinker's constitution*, details of future Board and committee meetings, indemnity and insurance arrangements and details regarding remuneration, expenses and superannuation.

In accordance with *ASX Listing Rules*, the *Corporations Act 2001* and *Rinker's constitution*, non-executive directors are subject to re-election by rotation at least every three years and new directors appointed by the Board are required to seek election at the first general meeting of shareholders following their appointment. Non-executive directors are required to agree not to seek re-election after serving three three-year terms, unless the Board specifically requests the director to remain, to enable the Board to accommodate unforeseen and unusual circumstances that may exist at the time the director would otherwise leave the Board.

Before each general meeting the Nominations Committee is required to make recommendations to the Board regarding the Board's support for the re-nomination of each non-executive director who will retire at that meeting. Notices of the meetings at which directors are standing for election or re-election will provide details of the relevant directors' skills, experience, age and qualifications, the Board's assessment of their independence, other directorships they hold, their time in office and a statement as to whether the Board recommends the individual's election or re-election. Each director standing for election or re-election will be invited to briefly introduce themselves to shareholders at the general meeting.

Rinker's constitution provides that an executive director's office automatically becomes vacant upon his or her cessation of employment, unless the Board determines (prior to that cessation of employment) that the director will remain in office as a director for a specified period that may not exceed 12 months.

1.7 RINKER'S BOARD MEETINGS

The Board meets as often as the directors determine is necessary to fulfil their responsibilities and duties. Details of board and committee meetings held during Rinker's most recent financial year and each director's attendance at those meetings is set out in the table below. Because of the international nature of the Rinker group's operations, Rinker's directors are required to travel substantially. The dates and locations of scheduled meetings are generally agreed at least a year in advance. However the Board always retains flexibility to reschedule meetings or to schedule additional meetings if significant issues arise outside the planned program of meetings.

The Board aims to strike an appropriate mix between meetings held in Australia, meetings held in the United States and meetings conducted by video-conference or other electronic means.

Board and committee papers are distributed sufficiently in advance of each meeting to afford directors adequate time to fully consider the material before the meeting.

The Board at least annually reviews the overall content of its meeting agendas and Board and Committee papers as part of the Board's performance review process (this must also be done at any other time on the request of any director). The Company Secretary is required to prepare a draft agenda for each meeting, which is finalised by the Chairman in consultation with the CEO. In addition, any director may require a matter to be placed on the Board's agenda.

Independent non-executive directors meet on a regular basis, without any executive director or other member of management present. The Chairman presides over these meetings. Interested persons may raise issues with the Chairman for consideration by the non-executive directors – contact details are available on Rinker's internet site.

Whenever necessary to ensure that discussion on sensitive matters may be conducted plainly and openly, the Chairman will request executive directors and other members of management who may be present to temporarily leave the Board meeting. If necessary, the Chairman will call a separate formal meeting of non-executive directors.

Subject to any need for the directors to meet in private, the Company Secretary and, at the Chairman's invitation, the Chief Financial Officer, attend all Board meetings.

Senior managers who report to the CEO are expected to make personal presentations to the Board regularly – including once at the Board's annual budget and strategy meeting with management and on other appropriate occasions – to provide an in-depth review of the performance and issues of the business for which they are responsible. Other managers are invited to attend such sessions when appropriate.

Directors are expected to participate actively in debate at Board meetings and to bring independent judgment to bear. Constructive differences of opinion and robust debate are fundamental to the effective operation of the Board. Any director may request matters of concern to be recorded in Board minutes.

In accordance with the Board's *Policy for obtaining independent professional advice*, the Board, each committee of the Board, and each individual director have the right to obtain independent professional advice at Rinker's expense to assist them to carry out their duties. For individual directors, the prior approval of the Chairman is required, but may not be unreasonably withheld. If such consent is withheld, the Board must be promptly informed and the director may then seek Board approval to obtain such advice. This right to obtain independent professional advice was neither exercised nor sought to be exercised during the year.

1.8 RINKER'S BOARD COMMITTEES

The Board has established the following committees to advise and support the Board in carrying out its duties:

- Audit Committee (see *charter*);
- Safety, Health & Environment Committee (see *charter*);
- Remuneration & Human Resources Committee (see *charter*); and
- Nominations Committee (see *charter*).

Each committee has a written charter which addresses the committee's composition, overall responsibilities, specific duties, reporting obligations, meeting frequency and arrangements, authority and resources available and provisions for reviewing the committee's charter.

The composition of each committee and the attendance of their members at meetings is set out in the table below.

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

YEAR ENDED 31 MARCH 2004		BOARD		AUDIT COMMITTEE		SAFETY, HEALTH & ENVIRONMENT COMMITTEE		REMUNERATION & HUMAN RESOURCES COMMITTEE		NOMINATIONS COMMITTEE	
Name	Notes	A	B	A	B	A	B	A	B	A	B
John Arthur	1	11	11	4	4	4	4	1	1	1	1
John Ballard	2	5	6								
David Clarke	3	11	11								
Marshall Criser	4	9	9	5	5			5	5	1	1
John Ingram	5	5	5	1	1			0	0	1	1
John Morschel	6	11	11			4	4	5	5	1	1
Walter Revell	7	9	9	5	5	4	4			1	1

Legend:

Current member Current Chairman

Notes:

A shows number of meetings attended while the director was a member of the Board or Committee

B shows number of meetings held while the director was a member of the Board or Committee

1 John Arthur retired from the Audit Committee on 1 December 2003 and was appointed to the Remuneration & Human Resources Committee on 1 December 2003

2 John Ballard retired from the Board on 1 October 2003

3 As an executive director, David Clarke is not a member of any committees

4 Marshall Criser was appointed to the Board on 12 April 2003

5 John Ingram was appointed to the Board on 1 October 2003. He was appointed to the Audit Committee on 1 December 2003 and was appointed Chairman of the Remuneration & Human Resources Committee on 18 March 2004

6 John Morschel retired as Chairman of the Remuneration & Human Resources Committee on 18 March 2004

7 Walter Revell was appointed to the Board on 12 April 2003

1.9 INDUCTION, ACCESS TO INFORMATION AND CONTINUING EDUCATION FOR RINKER DIRECTORS

Upon joining the Board, and in addition to their letter of appointment, new directors are provided with a comprehensive information pack, special briefings from management and, at the earliest practical opportunity, take part in visits to key operations in the United States and Australia to assist them to rapidly understand the Rinker group's businesses, strategies, people, culture, policies and other key issues.

With the consent of the Chairman, which may not be unreasonably withheld, any director may attend (at Rinker's expense) briefings, lectures or courses that the director believes will assist in further developing the director's knowledge and understanding of either his or her duties and responsibilities as a director or of issues clearly pertinent to the Rinker group's businesses.

To assist directors to maintain their understanding of the group's businesses and to assess the people running them, senior managers brief the Board regularly in person. Site visits and briefings are organised as frequently as practical. Subject to safety requirements, directors have unrestricted access to employees during such visits. External professionals and consultants also brief the Board when appropriate.

All directors have direct access to the Company Secretary and General Counsel, who is required to provide guidance on corporate governance issues and developments and to provide assistance on all other matters reasonably requested by directors. The Company Secretary and General Counsel monitors compliance with the *Board Charter* and other policies and procedures and is accountable to the Board, through the Chairman, on all corporate governance matters.

Directors have unrestricted access to Rinker's records and information. If the Board or an individual director seeks information, the CEO is required to take all reasonable steps to ensure that no material information is withheld and that no misleading impressions are conveyed.

Directors' interests in Rinker shares (including Rinker ADRs) are set out below.

AS AT 25 MAY 2004	RELEVANT INTEREST 2004	RELEVANT INTEREST 2003	ADDITIONAL ECONOMIC INTEREST 2004*	TOTAL ECONOMIC INTEREST 2004
John Arthur	25,458	17,663		
David Clarke	260,414	188,694	245,026	505,440
Marshall Criser	34,000	10,000		
John Ingram	15,000	**		
John Morschel	51,333	39,640		
Walter Revell	20,000	2,000		

* Mr Clarke has an additional exposure to movements in Rinker's share price by virtue of his election to invest in 'notional Rinker shares' under Rinker's SERP, a plan in the United States to which employees and employers make contributions. The interest of Mr Clarke shown in this column is economic only – 'notional Rinker shares' do not currently carry any rights in connection with Rinker ordinary shares or Rinker ADRs

** Mr Ingram was appointed to the Board on 1 October 2003

Comprehensive performance reports are provided to directors monthly, regardless of whether a Board meeting is scheduled for that month.

1.10 PERFORMANCE REVIEWS OF THE RINKER BOARD

Through its Nominations Committee, and using the services of an independent third party, the Board undertook a formal review (which will be conducted annually) of the performance of the Board, its committees, and individual non-executive directors. The review was undertaken in March/April 2004, and a report on its findings and recommendations was presented to the Board in May 2004. The review was initially conducted by way of questionnaire, with the opportunity for follow-up discussions if any director, or the independent third party, thought it would be beneficial to do so. The review indicated a fundamentally sound state of health in all key areas.

Matters canvassed in the performance review included:

- the effectiveness of the Board and each committee in meeting the requirements of their charters, and any amendments that should be made to those charters;
- the contribution, effort and time commitment made by individual directors, both at Board meetings and in their other responsibilities;
- the effectiveness of the Chairman in leading the Board;
- the quality of debate and discussion at Board meetings;
- the quality of the relationship between non-executive directors and management;
- the quality and timeliness of Board agendas, Board papers and secretarial support services;
- the suitability of the blend of skills, experience, qualifications and personal characteristics represented on the Board and an identification of any current or potential gaps; and
- any other significant matters that arose during the process.

Through the Remuneration & Human Resources Committee, the performance of the CEO (and other executive directors, if any) is separately and formally reviewed each year. The review evaluates performance against pre-set financial and non-financial goals.

1.11 RINKER'S SAFEGUARDS AGAINST CONFLICTS OF INTEREST

Rinker's directors are required to take all reasonable steps to avoid any action, position or interest that conflicts with an interest of the Rinker group, or could reasonably be perceived to represent a conflict. This is one of the elements of Rinker's *Code of Business Ethics* – a code that applies to all directors, management and other employees.

If a director has a material personal interest in any matter that concerns the affairs of the Rinker group, he or she must give the other directors immediate notice of such interest. Such notice is to be provided in writing (although the director may first advise the matter personally) to the Company Secretary, who shall ensure it is brought to the attention of other directors.

If a potential conflict arises, the director concerned does not receive the relevant Board papers and is required to withdraw from the Board meeting while such matter is considered. The director must not endeavour, in any other manner, to exercise any influence in connection with the Board's consideration of such matter.

If a significant conflict of interest arises that is not capable of being completely quarantined by the above procedure, and which has the potential to affect a director's underlying objectivity or independence of mind, the Chairman, after consultation with the director, may request the director to resign.

1.12 SHAREHOLDING REQUIREMENTS FOR RINKER DIRECTORS

Rinker's constitution requires each director to hold a minimum of 2,000 Rinker ordinary shares (or the equivalent in Rinker ADRs) in their own name.

In addition, the Board's policy is that each non-executive director be encouraged to acquire Rinker shares or ADRs, with a value equivalent to not less than one year's base director's fees, within a reasonable time of joining the Board, and that such Rinker shares or ADRs continue to be held while remaining on the Board.

The Board's policy also encourages the CEO to acquire Rinker shares or ADRs, with a value equivalent to three year's of the CEO's base remuneration, within a reasonable time and that such Rinker shares or ADRs continue to be held while remaining as CEO.

Details of directors' shareholdings are set out in the table on page 28.

1.13 RESTRICTIONS ON SHARE DEALINGS BY RINKER'S DIRECTORS AND EMPLOYEES

Directors and employees are subject to Australian and US legal restrictions on buying or selling Rinker securities while in possession of price sensitive information that has not been disclosed to the market (known as 'insider trading').

Rinker has adopted a *Policy on dealings in shares by Rinker directors and employees* that places additional restrictions on the ability of directors and employees to trade in Rinker's shares, designed to minimise the risk of actual or perceived insider trading. Regular monthly purchases by the trustee of Rinker's Employee Share Acquisition Plan, on behalf of directors and employees, are permitted to continue throughout the year in accordance with standing instructions. However, those standing instructions may not be changed outside the limited 'trading windows' identified in the policy.

In accordance with *ASX Listing Rules*, Rinker is required to notify ASX, within five business days, of any sale or purchase of Rinker securities by a director. This notification is also filed publicly by Rinker with the SEC (on Form 6-K). To enable Rinker to fulfil this obligation, each director has entered into an agreement with Rinker under which the director is required to notify the company of any such sale or purchase as soon as reasonably practicable, and in any event within three business days.

2. RINKER'S SHAREHOLDERS

2.1 COMMUNICATIONS STRATEGY

Rinker is committed to providing shareholders with extensive, transparent, accessible and timely communications on company activities, strategy and performance.

The primary tools used to communicate with shareholders include:

- releases to ASX and SEC/NYSE in accordance with continuous disclosure obligations;
- extensive use of Rinker's internet site (www.rinkergroup.com);
- annual report;
- half-yearly results summary;
- annual general meeting (AGM);
- e-mail distribution of company releases, reports and other communications; and
- media coverage of significant announcements.

Rinker's communications program includes:

- posting on Rinker's internet site of all announcements and reports to the market, immediately following release by ASX;
- annual report and half-yearly results summary mailed to shareholders (unless requested otherwise) and posted on Rinker's internet site for downloading;

- e-mail alerts to shareholders (upon request) informing them of significant announcements and the availability of reports on Rinker's internet site;
- AGM, results briefings to media and analysts, quarterly business updates and conference calls with analysts are all webcast live and archived for later viewing on Rinker's internet site;
- other major briefings, presentations and management speeches are immediately posted on Rinker's internet site;
- site visits and strategy briefings are provided for fund managers and analysts – all new presentations made during those visits and briefings are released to ASX and SEC and immediately posted on Rinker's internet site; and
- 'MY RINKER' employee newsletters posted on Rinker's internet site.

Shareholder questions about Rinker.

- Shareholders can send questions by e-mail to: investorrelations@rinker.com.au
- Other contact details (telephone, facsimile and mail) to facilitate shareholder questions are provided on Rinker's internet site and in the annual report.

Shareholder participation at Rinker AGMs:

- shareholders are encouraged to attend Rinker's AGM each year, to ask questions and to exercise their voting right;
- at Rinker's request, our external auditor has undertaken to attend each Rinker AGM to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report;
- shareholders who cannot attend in person are encouraged to lodge a proxy and to view the live webcast;
- addresses by the Chairman and the CEO, together with any relevant presentation materials, are released to ASX and the SEC and posted on Rinker's internet site concurrently with the AGM;
- voting results (including a summary of proxy voting) on matters considered at the AGM are released to ASX and the SEC and posted on Rinker's internet site as soon as they are determined; and
- a report on the AGM is provided to shareholders on request and is posted on Rinker's internet site.

2.2 MARKET DISCLOSURE POLICY

Rinker's ordinary shares are listed on ASX and its ADRs are listed on NYSE. Rinker must comply with disclosure obligations in both Australia and the US.

Rinker's *Market disclosure policy*, coupled with its communication strategy referred to above, is designed to put into practice Rinker's commitment to:

- provide relevant information about the company, its performance and activities to the market in strict compliance with its disclosure obligations under Australian and US law;
- avoid selectively disclosing price sensitive information; and
- take all reasonable steps to provide all shareholders and other interested parties with equal access to information that is made available to the market.

3. RINKER'S ETHICAL CULTURE

Rinker's *Code of Business Ethics* applies to all directors, officers and employees within the Rinker group.

The key elements of the code include:

- acting within the law and Rinker's policies;
- acting with integrity;
- acting responsibly with respect to all stakeholders, including fellow employees, customers, communities, shareholders and suppliers;
- conflicts of interest;
- integrity in financial reporting;
- respecting the value and confidentiality of information;
- a drug-free, safe and healthy working environment; and
- safeguarding company assets and resources.

All executives are required to certify annually, in writing, their knowledge of and compliance with the Code. A 'hotline' telephone number is available for confidential reporting of concerns or suspected violations. Anonymous reports may also be made. The Code protects any employee who makes a report in good faith from indignity or retaliation.

Rinker has also established a separate *Policy on dealings in shares by Rinker directors and employees*.

4. REMUNERATION WITHIN RINKER

Rinker's Board has established a Remuneration & Human Resources Committee, the main role of which (as set out in its *charter*) is to assist the Board in fulfilling its corporate governance and oversight responsibilities with respect to:

- providing sound remuneration and employment policies and practices that enable Rinker group companies to attract and retain high quality executives and directors who are dedicated to the interests of Rinker's shareholders;
- fairly and responsibly rewarding executives, having regard to the interests of shareholders, Rinker's performance, the performance of the relevant executive and employment market conditions; and
- evaluating potential candidates for executive positions, including the Chief Executive, and overseeing the development of executive succession plans.

All members of the Committee are independent non-executive directors. Its *charter* is available on Rinker's internet site. Attendance at its meetings is set out on page 27.

The Board and the Committee recognise that – while remuneration is important in recruiting, retaining and motivating highly talented and effective people – other factors also play a major role. These include Rinker's corporate reputation, its ethical culture and business values, its executive leadership, and its other human resources policies.

Rinker has prepared a separate *Remuneration Report*, set out on pages 33-39 of this annual report. Among other things, the report:

- explains the structure of, and rationale behind, Rinker's remuneration practices and the link between the remuneration of employees and Rinker's performance;

- sets out remuneration details for each director and for each member of Rinker's senior executive management team;
- makes clear that the basis for remunerating non-executive directors is distinct from the basis for remunerating executives; and
- explains that benefits under the former retirement benefit plan for non-executive directors have been frozen.

With the exception of USP, described at the beginning of this statement, no current or proposed equity-based remuneration within Rinker involves the issue of new shares. All shares for equity plans are purchased on-market and the relevant cost expensed in accordance with accounting standards. The Board has noted clarification that ASX Recommendation 9.4, relating to shareholder approval of equity-based executive remuneration plans, is intended to apply only to plans involving the issue of new shares, that is, plans that dilute the holdings of existing shareholders. Even so, for reasons explained in the following paragraph, the Board is satisfied that shareholders will be afforded adequate opportunity to consider and pass comment on such plans, which are fully explained in the Remuneration Report.

The Board is sensitive to current shareholder sentiment and concern in connection with corporate remuneration practices generally and recognises the likely direction of future legislation. In response to this, the Board has elected to submit the Remuneration Report to shareholders for consideration and adoption by way of a non-binding vote at Rinker's AGM on 20 July 2004.

5. INTEGRITY OF RINKER'S FINANCIAL REPORTING

The primary responsibility of the Audit Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities with respect to:

- the integrity of Rinker's financial reporting;
- compliance with legal and regulatory requirements, including Rinker's *Code of Business Ethics*;
- the external auditor's qualifications and independence;
- the system of risk management and internal controls that management has established and the process of internal and external auditor review of internal control; and
- the performance of Rinker's internal audit function and external auditors.

All members of the Audit Committee are independent non-executive directors. Its *charter* is available on Rinker's internet site. Attendance at its meetings is set out on page 27.

Because Rinker is registered with the SEC, under US law the Audit Committee is required to be directly responsible for the appointment, compensation, retention and oversight of the external auditor and the pre-approval of all auditing and permitted non-audit services performed by the external auditor. Under the *Corporations Act 2001* the company in general meeting must approve the removal of external auditors and the appointment of new external auditors, giving rise to a potential inconsistency. Rinker will give effect to the provisions of the *Corporations Act 2001* to the extent of any inconsistency, giving shareholders ultimate authority in such circumstances.

The Audit Committee annually reviews the qualifications, performance and independence of the external auditor. Further details of the matters taken into account in reviewing performance and assessing independence are set out in its *charter*. Those matters, together with a review of the external auditor's proposed work plan for the coming year and an assessment of the external auditor's ability to conduct an effective, comprehensive and complete audit for an agreed fee, are the key factors in determining whether to appoint the incumbent external auditor for a further year or to seek the appointment of a new external auditor.

The lead and concurring partners of Rinker's external auditor must be rotated at least every five years, followed by a five-year minimum 'time out' period. Other audit partners on the engagement team must be rotated at least every seven years, followed by a minimum two-year 'time out' period.

Rinker's Chief Executive Officer and Chief Financial Officer are required to state in writing to the Board that Rinker's financial reports present a true and fair view, in all material respects, of Rinker's financial position and performance and are in accordance with relevant accounting standards.

6. OVERSIGHT OF RISK WITHIN RINKER

The Board is responsible for the Rinker group's system of internal control and for reviewing its effectiveness in meeting Rinker's objectives, with the goal of achieving a responsible assessment and mitigation of risks. This includes reviewing financial, operational and compliance controls and risk management procedures.

The Board has established a process for identifying, evaluating and managing significant risks faced by Rinker. The process is reviewed annually and was in place during the year ending 31 March 2004 and up to and including the date of approval of the 2004 annual report and financial statements.

Rather than having a single risk policy, Rinker has specific policies and processes for addressing the key areas of business risk, financial risk, financial integrity risk and compliance risk. Relevant policies cover areas such as limits of authority, ethics and integrity, compliance with laws and regulations, treasury management, safety, health and environment, and human resources.

Rinker's management is responsible to the Board for managing, reporting upon and implementing strategies to address those risks. In addition to formal strategic planning sessions, monthly reports to the Board identify issues that represent business, financial and compliance risks, and include updated information on key economic indicators. The Audit Committee reports to the Board on financial and financial integrity risks and the group's risk management systems overall. The Safety, Health & Environment Committee and the Remuneration & Human Resources Committee report to the Board on risks (mainly business and compliance risks) relating to matters within their charters.

Rinker is subject to economic risks in its markets, including variations in demand across the construction industry economic cycle, the level of government funded construction projects, interest rates, competition, and sources and prices for purchased goods and services. An important part of Rinker's strategy is growth through acquisitions, and there is a risk that future acquisition opportunities may not be as attractive as past opportunities or may fail to achieve target returns. Disruptive events such as labour disputes, severe weather, natural disasters, or terrorist activities could affect day-to-day operations. Rinker must also manage risks of breaches of compliance with health, safety, environmental, land use, trade practices, and other laws and regulations, and contractual obligations.

Rinker has adopted the Committee of Sponsoring Organizations framework (1992 COSO framework) as its risk management and internal control framework. Controls are assessed at both the entity and activity levels.

Assurance functions – including internal auditors and health, safety and environmental auditors – perform reviews of control activities and provide regular written and face-to-face reports to the Board, its committees, and to senior management. The Board receives and reviews minutes of the meetings of each Board committee.

Some risks, such as natural disasters, cannot be mitigated to an acceptable degree using internal controls. Such major risks are transferred to third parties through insurance coverage, to the extent considered appropriate.

During the year, Rinker established a Disclosure Committee, drawn from management, which is responsible for reviewing the effectiveness of the group's controls and procedures for the public disclosure of financial and related information. This committee presents the results of its review to executive management and directors.

In the course of approving Rinker's financial statements and notes thereto for the year ended 31 March 2004, the Board considered certificates from the Chief Executive Officer and the Chief Financial Officer stating that, in the opinion of those officers:

- the integrity of Rinker's financial statements and notes thereto was founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies adopted by the Board; and
- Rinker's risk management and internal compliance and control systems, to the extent they relate to financial reporting, were operating effectively in all material respects, based on the 1992 COSO framework.

7. NYSE CORPORATE GOVERNANCE RULES

Because Rinker's ADRs are listed on the NYSE, Rinker will be required to disclose any significant differences between its corporate governance practices and the NYSE corporate governance rules. Although this requirement is not mandatory until Rinker's 2005 US annual report, Rinker has elected to make the disclosure this year. There are two potentially significant differences, set out below.

Under the NYSE rules, the Nominations Committee is required to develop and recommend to the Board a set of corporate governance principles applicable to the corporation. In Rinker's case, the Board as a whole has developed and adopted Rinker's corporate governance principles. The Board believes that this is appropriate for Rinker, particularly given that five of Rinker's six directors, including the Chairman and Deputy Chairman, are independent, non-executive directors.

To provide checks and balances on the potential dilution resulting from the process of earmarking shares to be used for equity-based awards to employees and directors, the NYSE rules generally require that all 'equity-compensation plans' be approved by shareholders. The NYSE rules define an 'equity-compensation plan' broadly to include plans involving both newly issued shares and shares acquired on-market.

With the exception of its Universal Share Plan (USP), all of Rinker's other share plans involve shares acquired on-market and, therefore, are non-dilutive to shareholders. Full disclosure is made of shares purchased under these plans and the costs are expensed and disclosed in accordance with accounting standards. As described above (see 'If not, why not' disclosure), Rinker's USP is open to all Australian employees who have been employed for at least one year. Under the USP, those employees may annually acquire a small parcel of ordinary shares at market price and receive an equal number of additional shares for no further consideration. Last year, a total of 324,700 shares (0.03% of issued capital) were issued to 1,219 employees under USP. Half of those shares were purchased by employees at market price.

Rinker has not obtained shareholder approval for its share plans open to employees and directors. However, the Board has elected to put its Remuneration Report, which includes details of all share plans, to shareholders for adoption by way of a non-binding resolution at Rinker's annual general meeting on 20 July 2004.