

What makes James Hardie a sound investment

Good corporate governance is about fundamental issues of trust and credibility.

You have a right to expect us to govern James Hardie in a way that protects and enhances your investment in the company. You also have a right to expect that the information provided by us is comprehensive and accurate.

We think corporate governance is a way to positively differentiate James Hardie as a well-managed company.

Our practice over many years has been to emphasise transparency through full and meaningful disclosure, sustained accountability through robust governance, and the maintenance of high standards of integrity and ethical behaviour, through the implementation of sound policy. This is continuing.

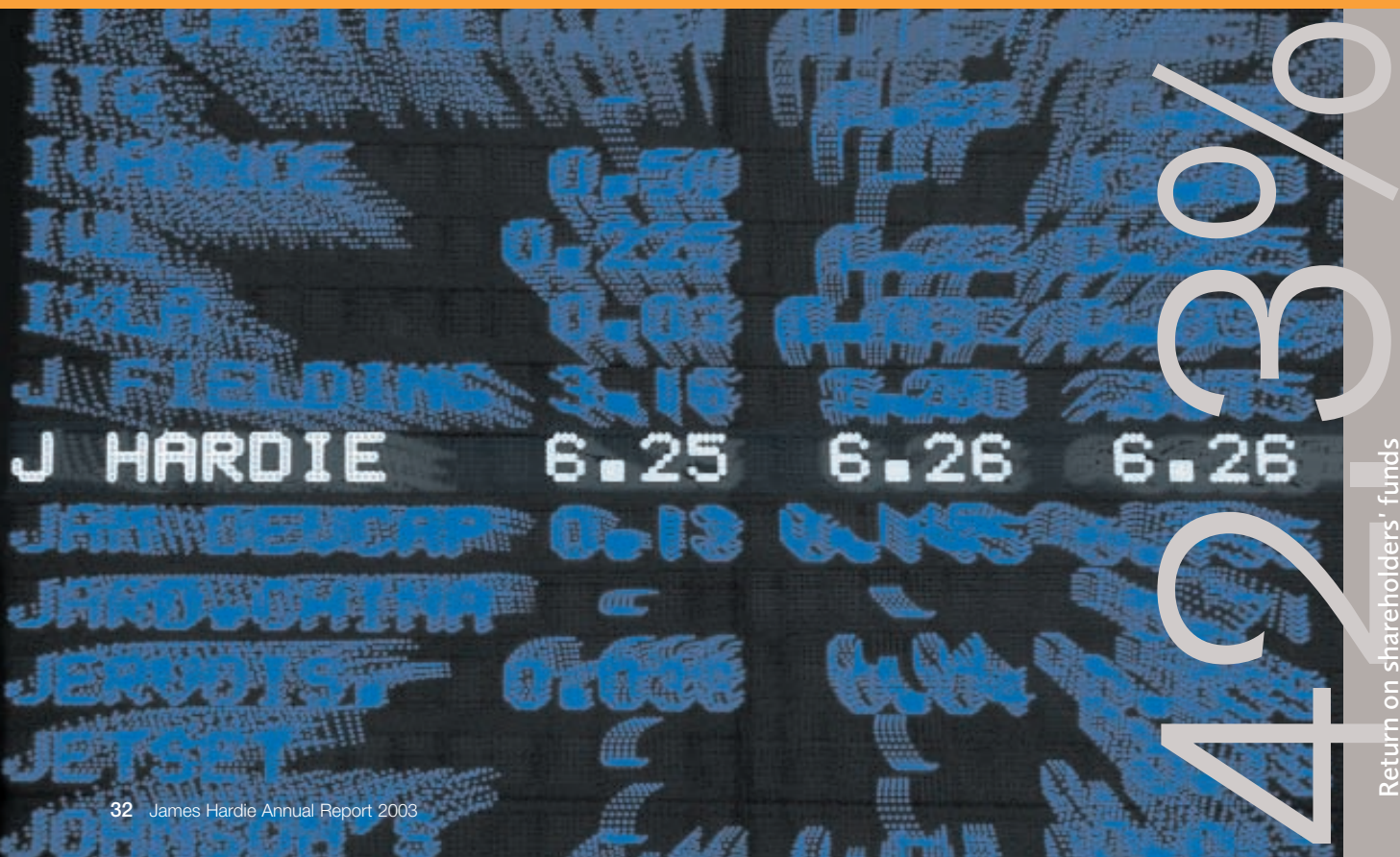
This year, we launched additional initiatives to further strengthen our governance and disclosure regimes. We recently upgraded the Investor Relations section of our website at www.jameshardie.com and this year we will add a new section on corporate governance and disclosure.

James Hardie's current governance arrangements were redefined when the company implemented a major corporate restructuring in 2001, incorporating the parent company in The Netherlands, a primary listing on the Australian Stock Exchange (ASX) and the listing of ADRs on the New York Stock Exchange (NYSE).

This made the company simultaneously subject to corporate law in Australia, the United States and The Netherlands and to the listing rules of the ASX and NYSE and the regulations of Australian Securities and Investment Commission (ASIC) and the US Securities and Exchange Commission (SEC).

Our Australian heritage served us well. We incorporated the most important features of Australian corporate law and our own governance arrangements into our Dutch constitution, so that shareholders could be assured that the rights and protections they were accustomed to were part of our new governance arrangements.

SHAREHOLDERS HAVE A RIGHT TO EXPECT THAT THE BOARD IS PROTECTING & ENHANCING



Return on shareholders' funds

We also examined the different requirements in each jurisdiction and, typically, adopted the highest common denominator in each case as our new standard for governance and disclosure overall, regardless of whether we were required to comply with each standard in each jurisdiction.

Our compliance with regulations and guidelines in each country has also allowed us to develop insights about changing community expectations on governance, and crystallise the best features into a coherent model that we apply universally.

New USA Regulations

In 2002 the US Congress introduced the Sarbanes-Oxley Act, that amended various sections of the USA's securities laws, and directed the SEC to prepare updated regulations affecting governance, disclosure and accountability standards. In all material respects, the company was already being governed in the manner prescribed in the new laws, including those that are still not mandatory for non-USA companies. We expect to

fully comply with the requirements of the Sarbanes-Oxley Act as they become effective, or earlier.

New Australian Guidelines

In March 2003, the Australian Stock Exchange Corporate Governance Council issued new guidelines that become effective this year. The guidelines provide a framework for good governance and include 10 core principles and 32 specific recommendations. From next year, companies are obliged to explain if and why they do not comply with any of the recommendations.

James Hardie already largely complies with almost all the recommendations and should fully comply this year. In most cases, this will involve documenting and disclosing existing practices.

What is good governance?

We share the commitment of regulators and others to ensure that equity markets operate within robust and credible governance frameworks. We hope that well-considered perspectives of good governance will

become the hallmark of community attitudes as the new laws and recommendations are implemented.

We believe that the primary focus of good corporate governance should be clearly fixed upon achieving outstanding performance in an ethical manner where high quality outcomes are achieved and where integrity is clearly evident.

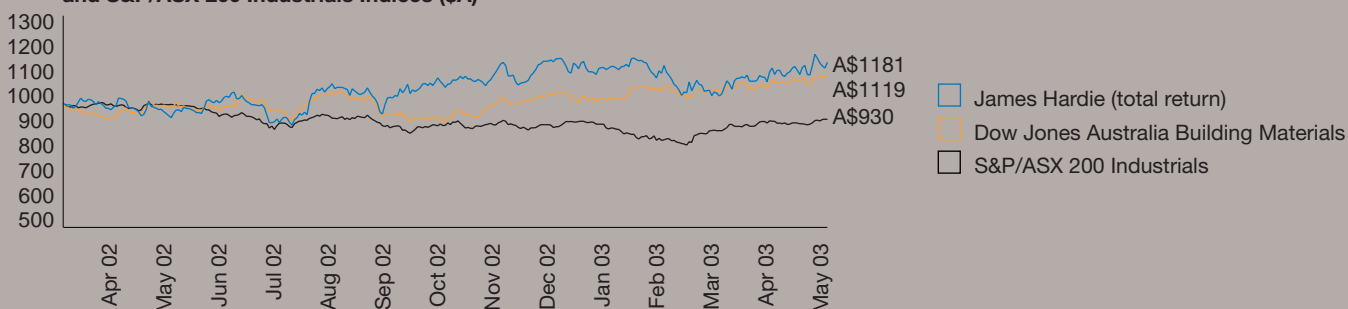
However, good governance will not be achieved simply by implementing a regime of prescriptive rules that impose a 'one-size-fits-all' requirement to comply.

Good governance should allow companies to be innovative and entrepreneurial so that they can create wealth for shareholders, value for customers and rewarding careers for employees.

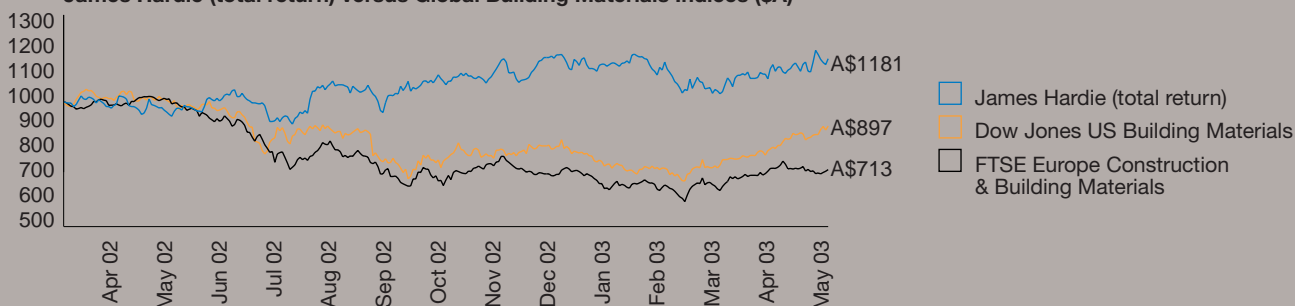
The Chairman's Report on pages 6-7 and the detailed Corporate Governance section of this report on pages 51-55 provide more information, or visit our website at www.jameshardie.com and select Investor Relations.

THEIR INVESTMENT, AND THAT THE INFORMATION DISCLOSED BY THE BOARD IS ACCURATE

James Hardie (total return) versus Australia Building Materials and S&P/ASX 200 Industrials Indices (\$A)



James Hardie (total return) versus Global Building Materials Indices (\$A)



A\$1,000 invested in James Hardie on 1 April 2002 was worth A\$1,181 on 30 May 2003. Total return on James Hardie assumes gross dividends and capital returns are reinvested at the ex-date. Indices are accumulation indices.