

As a multi-national organisation, James Hardie operates under the regulatory requirements of numerous jurisdictions and organisations, including the Australian Stock Exchange (ASX), the Australian Securities and Investment Commission (ASIC), the New York Stock Exchange (NYSE), the US Securities and Exchange Commission (SEC), the laws of The Netherlands and other rule-making bodies.

We think it is important that our behaviour reflects the spirit, as well as the letter, of the law and we aim to govern the company in a way that meets appropriate community expectations.

The key features of James Hardie's governance framework are reviewed regularly and upgraded or changed as appropriate to reflect changes in law and what is generally regarded as sound practice.

We believe our corporate governance policies help ensure that James Hardie is a well-managed company. Our practice over many years has been to be transparent through full and meaningful disclosure, ensure

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

ASX Corporate Governance Council Principles and Recommendations

In March 2003, the ASX Corporate Governance Council issued guidelines that provide a framework for good governance and include 10 core principles and 32 specific recommendations.

As our fiscal year ends 31 March, we are required to formally report on the ASX recommendations this year. In the interests of good governance and disclosure, we reviewed our compliance with the best practice recommendations in last year's report, for the year ended 31 March 2003. The Corporate Governance section on pages 60–67 of this report describes the steps we have taken to comply with all the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations.

Broadly, we already comply with the majority of the best practice provisions of the Dutch Code. The comply or explain regime under the Dutch Code will apply to the company by the end of fiscal year 2005. Details of the provisions of the Code and our comments on how and when we expect to comply, or if not, why not, will be added to the Corporate Governance area of our Investor Relations website at www.jameshardie.com

The focus of good governance

We share the commitment of regulators and others to ensure that equity markets operate within robust and credible governance frameworks.

We believe that the primary focus of good corporate governance should be clearly fixed upon companies acting in an ethical manner where integrity is clearly evident, while allowing a company to achieve outstanding performance.

Good governance should allow companies to create wealth for shareholders, value for customers and rewarding careers for employees.

accountability through robust governance, and maintain high standards of integrity and ethical behaviour, through the implementation of sound policy. This is continuing.

Governance at James Hardie

James Hardie's 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 ASX and the listing of ADRs on the NYSE. The company became simultaneously subject to corporate law in Australia, the United States and The Netherlands, to the listing rules of the ASX and NYSE, and to the regulations of ASIC and the SEC.

The most important shareholder protection features of Australian corporate law were incorporated into our Dutch constitution, so shareholders could be assured that the rights and protections they were accustomed to were part of our new governance arrangements.

NYSE Corporate Governance Rules

Section 303A.11 of the Corporate Governance Rules finalised by the New York Stock Exchange on 4 November 2003 requires foreign private issuers to disclose any significant ways in which their corporate governance practices differ from the NYSE domestic corporate governance standards. James Hardie will comply with this rule by disclosing this information on the Investor Relations section of our website at www.jameshardie.com

Dutch Corporate Governance Code

On 9 December 2003 a new Dutch Code on Corporate Governance was published by the Dutch Corporate Governance Committee (the Tabaksblat Committee). The code is based on the principle that a company is a long-term form of collaboration between the various parties involved, such as employees, shareholders and other providers of capital, suppliers and customers, but also government and civil society.

Detailed information about our Corporate Governance principles is contained on pages 60–67 of this report, and in a dedicated section of the Investor Relations area of our website at www.jameshardie.com