

## CORPORATE GOVERNANCE STATEMENT

DISCLOSURE REQUIRED BY THE ASX CGC RECOMMENDATIONS	REFERENCE
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## INTRODUCTION

The Board operates in accordance with a set of corporate governance policies which take into account relevant best practice recommendations including the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations ("ASX CGC Recommendations"). The Board considers that BlueScope Steel complies with the requirements in the ASX CGC Recommendations.

BlueScope Steel is a global organisation, with businesses operating in many countries, including Australia, New Zealand, North America, China and elsewhere in Asia. Entities within the BlueScope Steel Group must, therefore, comply with a range of varying legal, regulatory and governance requirements.

The Board places great importance on the governance of BlueScope Steel and, in particular, the need to focus on carrying out prudent risk-taking activities, which achieve a balance between:

- The generation of rewards for shareholders who invest their capital;
- The supply of goods and services of value to BlueScope Steel's global customers; and
- The provision of safe and meaningful employment for employees in a way which contributes to the welfare of the community.

This Corporate Governance Statement outlines the key aspects and mechanisms of BlueScope Steel's governance framework which have been established and kept under review by the Board.

Summaries of the charters under which the Board and Board Committees operate (including a copy of the Audit and Risk Committee charter) and other relevant information referred to in this Corporate Governance Statement are available on BlueScope Steel's website [www.bluescopesteel.com](http://www.bluescopesteel.com).

## SHAREHOLDERS

Shareholders who elect the Board perform a fundamental role in the governance of BlueScope Steel.

The Board recognises that shareholders must receive high-quality relevant information in a timely manner. Arrangements for communicating with shareholders are summarised on BlueScope Steel's website: [www.bluescopesteel.com](http://www.bluescopesteel.com).

BlueScope Steel is subject to continuous disclosure obligations under the Listing Rules of the Australian Stock Exchange (ASX) and Australian corporations legislation. Subject to limited exceptions under the continuous disclosure requirements, BlueScope Steel must immediately notify the market, through the ASX, of any information that a reasonable person would expect to have a material effect on the price or value of its shares.

To achieve these objectives and satisfy the regulatory requirements, the Board provides information to shareholders and the market in several ways, including:

- Communicating with all shareholders in annual reports and financial statements, releases of results to the ASX each half year and at BlueScope Steel's Annual General Meeting;
- Releasing price sensitive announcements and other relevant significant announcements directly to the market via the ASX. Copies of these announcements are immediately placed on BlueScope Steel's website [www.bluescopesteel.com](http://www.bluescopesteel.com);
- Communication with analysts and institutions from time to time, particularly after release of full and half-year results. Copies of analyst briefings are placed on the Company's website. In doing so, BlueScope Steel recognises the importance of making sure that any price sensitive information provided during these briefings is made available to all shareholders and the market at the same time and in accordance with the requirements of the ASX and the Australian Securities and Investments Commission; and
- Providing information on BlueScope Steel's website, which contains extensive information about the BlueScope Steel Group and its activities, including statutory reports and investor information.

BlueScope Steel has a Market Disclosure Committee, comprising the Chairman, the Managing Director and Chief Executive Officer, the Chief Financial Officer, Company Secretary, the Vice-President Investor Relations and the Executive Vice-President Corporate Affairs, to monitor and assess all significant information which may require disclosure. The Company Secretary is responsible for providing announcements to the ASX. A summary of BlueScope Steel's Continuous Disclosure Policy is available on BlueScope Steel's website [www.bluescopesteel.com](http://www.bluescopesteel.com).

## THE BOARD OF DIRECTORS

### ROLE OF THE BOARD

The Board's role is to oversee the management of the Company on behalf of all shareholders.

The Board has developed and adopted a Charter that sets out:

- Its specific powers and responsibilities;
  - The matters delegated to the Managing Director and Chief Executive Officer and those specifically reserved to the Board; and
  - Procedures aimed at ensuring the effective operation of the Board.
- Matters reserved to the Board include:
- (Values and standards) setting the Company's values and standards of conduct and monitoring adherence to these standards in the

interests of the Company's shareholders, employees, customers, suppliers and the communities in which it operates, and generally safeguarding the reputation of the Company;

- (Leadership) providing leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;
- (Direction and objectives) setting the Company's direction, strategies and financial objectives and being satisfied that the necessary financial and human resources are in place for the Company to meet its objectives;
- (Performance assessment) ensuring that the performance of management, and the Board itself, is regularly assessed and monitored;
- (Compliance) monitoring compliance with regulatory and ethical standards; and
- (Appointing Managing Director) appointing, terminating and reviewing the performance of the Managing Director and Chief Executive Officer.

A summary of the Board Charter is available at BlueScope Steel's website [www.bluescopesteel.com](http://www.bluescopesteel.com)

The Board has delegated responsibility for the day-to-day operation and administration of the BlueScope Steel Group to the Managing Director and Chief Executive Officer, Mr Kirby Adams. The Executive Leadership Team assists the Managing Director and Chief Executive Officer in the day-to-day management of the business. The levels of authority for management are documented in detail in a Delegation of Authority Policy established under the Board Charter.

The Delegation of Authority Policy is readily available on the Company's intranet to all employees, along with detailed guidelines setting the internal approvals that must be obtained in order to enter into specific transactions.

The roles of the Chairman and the Managing Director and Chief Executive Officer are separate.

#### **Access to information and independent advice**

Directors are entitled to full access to the information required to discharge their responsibilities, including access to executives of the BlueScope Steel Group.

The Board (as well as Board Committees and individual Directors) may also obtain independent professional advice, at the expense of the Company, in carrying out their responsibilities, including in the

absence of BlueScope Steel's management, where they consider it appropriate to do so. Procedures have been adopted to set out the practical steps by which independent professional advice is to be obtained.

#### **Composition of the Board and director appointment**

For the 2005/06 financial year, the Board comprised seven Directors, including six independent Non-Executive Directors and one Executive Director (the Managing Director and Chief Executive Officer).

The Board collectively brings significant commercial, business, operational, financial, legal and international experience in a range of industries. The Directors all bring skills and expertise, which, in aggregate, combine to form a Board, which is equipped to discharge its responsibilities. For the Directors' biographies, their term of office and information about their skills, experience and qualifications relevant to their position please refer to page 72.

BlueScope Steel's Constitution and the Listing Rules of the ASX require that no member of the Board (other than the Managing Director and Chief Executive Officer) may serve for more than three years without being re-elected by shareholders at an Annual General Meeting of BlueScope Steel. Also, one-third of the Directors (not including the Managing Director and Chief Executive Officer) must retire, and are eligible to be re-elected by the shareholders at each Annual General Meeting. The Managing Director and Chief Executive Officer serves as a Director until he ceases to be the Chief Executive Officer. At the 2006 Annual General Meeting, Mr Kevin McCann and Mr Paul Rizzo will stand for re-election.

#### **Independent Non-Executive Directors**

The Board, excluding the Director in question, assesses the independence of each Non-Executive Director at least annually in light of the interests disclosed by that Director, as part of its overall commitment to standards of corporate governance in line with best practice.

The Board believes that independence is one important attribute of an effective Non-Executive Director. Other important attributes include business acumen and experience, an inquiring mind and personal integrity. In addition, the Board as a whole must work together effectively to combine and leverage the skills, knowledge and experience of its members to provide leadership to BlueScope Steel in generating value for shareholders and meeting the expectations of other stakeholders.

The work of the Board must be supported by robust structures and processes that facilitate depth and breadth of understanding of BlueScope Steel's business, foster open and constructive debate, define roles and responsibilities clearly and ensure proper compliance with laws.

The governance process implemented by the Board has been designed, as a whole, to address all of these issues in a manner that will maximise the contribution of the Board to the success of the business.

In assessing the independence of a Non-Executive Director, consideration is given to the underlying purpose behind each of the specific relationships identified as relevant to independence (see below), and the overall purpose of independence.

The Board considers that the overall purpose of independence is to ensure that a Director does not have a relationship where there are, or are perceived to be, matters which could materially interfere with the Director:

- Making decisions on matters that regularly come before the Board or its Committees;
- Objectively assessing information and advice given, or obtained, by management;
- Setting policy for general application across the BlueScope Steel group of companies; and
- Generally, carrying out the performance of his or her role as a Director, or which could inhibit free Board discussion of matters coming before the Board.

The Board considers all of the circumstances relevant to a Director, in determining whether the Director 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 BlueScope Steel. Amongst the circumstances considered by the Board are a range of factors, including the relations described in Box 2.1 of the ASX CGC Recommendations. In determining whether a sufficiently material relationship exists between BlueScope Steel and a third party, the Board has regard to all the circumstances of the relationship, including, among other things:

- (expenses/revenues) the proportion of a class of expenses or revenues that the relationship represents to both BlueScope Steel and the third party;
- (strategic importance) the strategic importance to BlueScope Steel's business of the goods or services purchased or supplied by BlueScope Steel;

- (uniqueness of services) the extent to which the services supplied are integral to the operation of BlueScope Steel's business, including the extent to which the services provided are unique and not readily replaceable;
- (goods/services) the nature of the goods or services;
- (transaction) the nature of the transaction; and
- (value) the value of the transaction to BlueScope Steel and the other party to the transaction.

Materiality is considered from the perspective of both BlueScope Steel and its Directors.

The Board considers that each Non-Executive Director is independent when assessed on the criteria above, taking into account all relevant matters and relationships of the particular Non-Executive Director. Relevantly, the Board's reasons include:

- Mr Kraehe is a Non-Executive Director of Brambles Industries Limited and until September 2005 was the Non-Executive Chairman of the National Australia Bank Limited. Brambles was, until it sold the relevant business division on 5 July 2006, a supplier of transport services and equipment to the Company. The National Australia Bank is part of a consortium of 12 banks providing funding to the BlueScope Steel Group, where decisions by the consortium are by majority of the banks (as a minimum). Having considered the goods and services supplied by Brambles and the National Australia Bank and the materiality criteria set out above, the Board considers that these relationships are not material for the purpose of independence. Mr Kraehe does not participate in any decisions regarding transactions with Brambles.
- Mr McCann is the Non-Executive Chairman of Origin Energy Limited. Mr McCann does not participate in any decisions regarding transactions with Origin Energy Limited and it is not the exclusive or primary provider of utility services to BlueScope Steel. The Board considers that, having regard to Mr McCann's role with Origin Energy Limited, the amount paid to that company, the nature of services supplied, and based on the materiality criteria set out above, Origin Energy Limited is not a material supplier for the purposes of independence. The Board also notes that Mr McCann is not involved in selecting utility providers for BlueScope Steel.
- Mr Rizzo is a Non-Executive Director of the National Australia Bank Limited, which as noted above for Mr Kraehe, is not considered by the Board to be a material supplier for the purpose of independence. Mr Rizzo does not participate in any decisions regarding transactions with National Australia Bank.

Mr Rizzo is also a member of the Advisory Board of Mallesons Stephen Jaques, a national law firm, which is one of a number of law firms that provide legal advisory services to BlueScope Steel.

The Board considers that, having regard to Mr Rizzo's role with the firm, the amount of the fees paid to Mallesons Stephen Jaques and the nature of the services supplied, and based on the materiality criteria set out above, Mallesons Stephen Jaques is not a material supplier for the purposes of independence. The Board also notes that Mr Rizzo is not involved in Mallesons Stephen Jaques providing legal advice to BlueScope Steel or in selecting BlueScope Steel's legal advisers.

- Ms Grady has agreed to become a Senior Adviser to McKinsey & Company, which is not considered by the Board to be a material supplier for the purpose of independence. The Board considers that, having regard to Ms Grady's role with the firm, the amount of the fees paid to McKinsey & Company and the nature of the services supplied, and based on the materiality criteria set out above, McKinsey & Company is not a material supplier for the purposes of independence. The Board also notes that Ms Grady is not involved in the selection of McKinsey & Company to advise the Company.
- Neither Mr McNeilly nor Mr Tan had any relationships that required assessment for independence purposes.

#### **Board meetings**

During the 2005/06 financial year, the Board has met 13 times (eight scheduled and five unscheduled) to review matters such as the financial performance of the BlueScope Steel Group, current trading and key business initiatives, and its strategies, budgets and business plans. Included in the Board's schedule was a separate meeting held to specifically consider BlueScope Steel Group's strategy.

Procedures are also in place to ensure that Directors can meet to consider and decide urgent matters, as and when they arise.

Materials for Board and Board Committee meetings are circulated to the Directors in advance. The agenda for meetings is formulated with input from the Chairman and the Managing Director and Chief Executive Officer and, if required, other Directors.

The Chairman regularly requests that a member of the Board review the conduct of the Board meeting at its conclusion.

Members of senior management frequently make presentations to the Board, and telecommunication technologies may be utilised to facilitate participation.

In the 2005/06 financial year, Board meetings were held in various locations, including in Melbourne (at BlueScope Steel's head office), Sydney, in South East Asia (visiting the Company's operations in Indonesia, Vietnam and India) and Western Port (at BlueScope Steel's cold rolling and metallic coating and painting operations).

The Board has a program to meet at various sites in Australia and internationally during the remainder of 2006 and in 2007. The Board has also visited key customer operations.

#### **Meetings without management**

The Independent Non-Executive Directors hold regular meetings without the presence of management. There have been two such meetings in the 2005/06 financial year.

#### **Conflicts of interest**

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and apparent) between their duty to BlueScope Steel and their own interests. The Board has adopted a procedure to ensure that conflicts and potential conflicts of interest are disclosed to the Board. Where a matter is to be considered by the Board, the Chairman (or where the Chairman has a conflict or potential conflict, the Deputy Chairman) in consultation with the Company Secretary may implement procedures to avoid the Director with the interest acting or being perceived to act in conflict with his or her duties to BlueScope Steel. The Company Secretary maintains a register of Directors' interests.

#### **Directors' and executives' remuneration**

Details of the remuneration policies of BlueScope Steel are set out in the Remuneration Report contained in this report on pages 46 to 60.

#### **Board**

The Board reviews its effectiveness and individual performance regularly.

In 2004, the Board determined that it would fully review its performance every two years. A review using an external consultant is underway and will be completed in September 2006.

The Nomination Committee has reviewed the performance of Directors seeking re-election.

#### **Executives**

All BlueScope Steel executives are subject to annual performance planning and review.

The annual performance planning and review involves a key executive being evaluated by their immediate superior, usually the Managing Director and Chief Executive Officer. The executive is assessed against:

- achievement of financial goals;
- completion of key job specifications and goals;
- achievement of other specific business and strategic objectives;
- contribution towards specific business plan objectives; and
- adherence to values expressed in "Our Bond".

In assessing a key executive's performance, the Managing Director and Chief Executive Officer may consult with the Chairman. The outcomes of performance reviews are reported to the Remuneration and Organisation Committee, which has overall responsibility for ensuring that performance management processes are in place for all key executives. The Remuneration and Organisation Committee considers executive remuneration.

The Remuneration and Organisation Committee also considers the overall amount of any short-term incentive to be provided to eligible executives, and reviews and approves the specific amount of any short-term incentive bonus award to particular senior executives. The review takes into account the overall performance of BlueScope Steel against a range of measures, and the contribution made by a particular executive.

The Chairman and the Board conduct the performance evaluation of the Managing Director and Chief Executive Officer. This evaluation involves an assessment of a range of factors including the overall performance of BlueScope Steel and the achievement of predetermined goals.

## **BOARD COMMITTEES**

Given the importance of certain matters to corporate governance, the Board has established a number of Committees to assist in the execution of its responsibilities:

- the Audit and Risk Committee;
- the Remuneration and Organisation Committee;
- the Health, Safety and Environment Committee; and
- the Nomination Committee.

Other Committees of the Board may be formed to deal with specific matters.

Each of the Board's Committees operates under terms of reference (charters), detailing its roles and responsibilities. The charters contain a number of common features, including the ability of a Committee to obtain independent professional advice at the expense of

BlueScope Steel, the requirement for reporting to the Board, and periodic reviews of Committee operations and performance.

The number of Board Committee meetings held during the year ended 30 June 2006 and the attendance at those meetings by members is set out in the Directors' Report on page 46.

Regular reports of the Committees' activities are provided to the Board and Committee papers and minutes are circulated to all Directors. Persons other than Committee members are invited or permitted to attend all or part of a meeting of the Committee when their attendance will assist the Committee in discharging its responsibilities or otherwise as the Committee Chairman considers appropriate.

## **Audit and Risk Committee**

The Audit and Risk Committee assists the Board in the effective discharge of its responsibilities for financial reporting, internal controls, risk management, internal and external audit and insurance (with the exception of directors' and officers' liability insurance).

The Committee's charter is set out in full on BlueScope Steel's website [www.bluescopesteel.com](http://www.bluescopesteel.com). Set out below is an overview of the Committee's objectives, as contained in the Committee's Charter:

### *External reporting*

- (review of financial statements) review all published financial statements which are required to be signed by Directors, prior to approval by the Board and any annual or directors' report which discusses BlueScope Steel's position or results;
- (compliance processes) review and consider the processes used by management to monitor and ensure compliance with laws, regulations and other requirements relating to external reporting of financial information;
- (accounting policies) review and assess BlueScope Steel's proposed professional and regulatory pronouncements regarding accounting policies and financial reporting and assess their impact on BlueScope Steel.

### *Internal control and risk management*

- (risk management systems) consider whether BlueScope Steel has effective risk management systems in place to review, assess and manage business, financial and operational risk;
- (risk management policies) approve certain financial risk management policies;
- (credit limits) approve credit limits and guarantees up to a specified monetary limit;

- (internal controls) review and approve management's programs and policies which deal with the adequacy and effectiveness of internal controls over BlueScope Steel's business processes, including the determination of financial statements;
- (theft and fraud reports) receive reports concerning material actual and suspected breaches of law, including fraud and theft and assess systems to manage this risk;
- (litigation and contingencies) review any litigation, claim or other contingency which could have a material effect upon the financial position or operating results of BlueScope Steel;
- (superannuation plans) receive reporting concerning the accounting treatment of BlueScope Steel's superannuation plans and determine questions of accounting treatment raised;
- (related party transactions) review and monitor related party transactions and assess their propriety.

#### **External audit**

- (external auditor) make recommendations to the Board on the appointment, reappointment or replacement and remuneration of the external auditor, agree the terms of engagement, review the audit scope and monitor auditor independence;
- (policies for non-audit services) develop policies for approval by the Board, in respect of the provision of non-audit services by the external auditor, and approve provision of non-audit services by the external auditor;
- (coordination with internal audit) ensure the external auditor is coordinated with internal audit programs;
- (external audit findings) review and monitor management's responsiveness to the external audit findings.

#### **Internal audit**

- (internal audit) approve the internal auditor, review the audit scope and approve internal audit plans;
- (internal audit findings) review and monitor management's responsiveness to the internal audit findings;

#### **Insurance**

- (insurance) responsibility for reviewing and approving all aspects of the company's insurance programme except for the directors' and officers' liability insurance, which is the responsibility of the Board.

The Audit and Risk Committee charter is periodically reviewed and updated by the Board, most recently in August 2006. The Audit and Risk Committee meets before the finalisation of all major financial announcements of BlueScope Steel and must meet at least four scheduled times a year.

As required by its charter, the Audit and Risk Committee is composed entirely of independent Non-Executive Directors.

The members of the Audit and Risk Committee are Mr Paul Rizzo (Committee Chairman), Mr Kevin McCann and Mr Ron McNeilly. In addition to their business experience, each member brings particular experience relevant to the functions of the Committee. Mr Rizzo has significant financial management and reporting experience. Mr McNeilly has an understanding of the industry in which BlueScope Steel operates and Mr McCann has both financial and legal experience, which is valuable to the functioning of the Audit and Risk Committee.

Discussions are held with the external and internal auditors without management being present.

#### **Health, Safety and Environment Committee**

The primary objectives of the Health, Safety and Environment Committee (HSEC), as set out in its Charter, are to:

- (HSEC Policy) adopt a Health, Safety, Environment and Community Policy and, as it considers necessary, recommend changes to that policy;
- (compliance) monitor BlueScope Steel's compliance with the approved HSEC Policy;
- (HSEC standards) assess the HSEC standards of BlueScope Steel;
- (HSEC risks) assess the operations of BlueScope Steel and make recommendations for assessing, avoiding, eliminating, controlling and minimising HSEC risks;
- (legislation) assess compliance by BlueScope Steel with applicable legislation;
- (acceptable practices) research and recommend the adoption of acceptable HSEC practices in the industries in which BlueScope Steel operates;
- (incident reporting) receive reports concerning HSEC incidents within BlueScope Steel; and
- (implications) consider HSEC issues that may have strategic, business and reputational implications for BlueScope Steel.

The Chairman of the HSEC is Mr Ron McNeilly, an independent Non-Executive Director. All Directors are members of the HSEC because of the importance of health, safety and the environment to BlueScope Steel's operations. The HSEC charter requires that the Committee meets at least four scheduled times per year. Discussions are held without management being present.

### Remuneration and Organisation Committee

The Remuneration and Organisation Committee assists the Board in ensuring that BlueScope Steel:

- (human resources strategy) has a human resources strategy aligned to the overall business strategy, which supports the BlueScope Steel Business Charter, "Our Bond";
- (practices and policies) has remuneration policies and practices that are observed and that enable it to attract and retain executives and Directors who will create value for shareholders;
- (remuneration and performance) fairly and responsibly rewards executives having regard to the performance of BlueScope Steel, the creation of value for shareholders, the performance of the executive and the external remuneration environment;
- (succession) plans and implements the development and succession of executive management and Directors.

The Committee is composed entirely of independent Non-Executive Directors.

The members of the Committee are Ms Diane Grady (Committee Chairman), Mr Graham Kraehe, Mr Ron McNeilly and Mr Tan Yam Pin. All members of the Committee are independent Non-Executive Directors. The Committee is required to review its performance annually and has done so for the financial year 2005/06. The Committee meets at least four scheduled times a year.

The Committee seeks advice and guidance, as appropriate, from the Managing Director and Chief Executive Officer, and the Executive Vice President People and Performance. It may also seek advice from external experts, including in the absence of management of BlueScope Steel.

Information on BlueScope Steel's remuneration policies in respect of the costs and benefits of those policies and the link between remuneration paid to Directors and executives and Company performance is detailed in the Directors' Report on pages 43 to 73.

### Nomination Committee

The Nomination Committee is responsible for reviewing the membership of the Board and for considering candidates for membership of the Board. Mr Graham Kraehe chairs the Committee. All Non-Executive Directors are members, as the Board believes that the responsibilities of the Committee will be performed most effectively if all Non-Executive Directors are involved. Detailed work of the Committee may be delegated to a sub-committee.

The purpose of the Committee is to ensure that proper processes are in place to deal with succession issues at Board level, and to ensure that the Board is comprised of individuals who are best

able to discharge the responsibilities of Directors having regard to the law and the highest standards of governance. The Committee achieves this purpose by:

- (required skills) assessing the skills required on the Board;
- (Board skills) assessing the extent to which the required skills are represented on the Board from time to time;
- (review processes) establishing processes for the review of the performance of the Board as a whole and individual Non-Executive Directors; and
- (Board candidates) establishing processes for the identification of suitable candidates for appointment to the Board.

Newly appointed Directors receive induction and training. This includes management briefings to familiarise themselves with the significant operations of the BlueScope Steel Group. Arrangements are made for new Directors to visit BlueScope Steel's major operations. Each Non-Executive Director has received a formal letter of appointment.

### EXECUTIVE LEADERSHIP TEAM

BlueScope Steel's Executive Leadership Team (ELT) is responsible to the Managing Director and Chief Executive Officer for the day-to-day leadership and management of BlueScope Steel as a whole. The ELT performs its role in consultation with, and obtains guidance from the Board and Board Committees. The ELT's specific responsibilities, include:

- (BlueScope Steel corporate strategy) developing and implementing the strategic direction of the BlueScope Steel Group;
- (business area strategies) reviewing and developing strategies for business areas;
- (safety) reviewing and developing safety strategy, high level processes and procedures;
- (capital expenditure) reviewing and endorsing all capital proposals over \$5 million. The ELT recommends to the Board all capital proposals over \$25 million;
- (human resources) reviewing and discussing human resource talent and succession and developing human resource strategies and practices;
- (policies and standards) discussing and endorsing major policies and standards that have been delegated to management by the Board in areas such as Human Resources, Information Technology, Risk Management and Finance; and
- (performance) reviewing company and business unit financial performance and operational performance and agreeing any necessary actions.



The members of the Executive Leadership Team are Kirby Adams (Managing Director and Chief Executive Officer), who is Chairman of the ELT, Lance Hockridge (President North America), Noel Cornish (President, Australian and New Zealand Industrial Markets), Kathryn Fagg (President Asian Building and Manufacturing Markets), Paul O'Malley (Chief Financial Officer), Brian Kruger (President Australian Manufacturing Markets) and Ian Cummin (Executive Vice President People and Performance). The ELT meets regularly and prior to all Board meetings, generally at BlueScope Steel sites.

## ACCOUNTABILITY AND AUDIT

### Internal control and risk management

The Board has overall responsibility for the BlueScope Steel Group's systems of internal control. These systems are designed to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations, with a view to managing the risk of failure to achieve business objectives.

The Board reviews the effectiveness of the internal control systems and risk management on an ongoing basis, and monitors risk through the Audit and Risk Committee (see Audit and Risk Committee). The Board regularly receives information about the financial position and performance of BlueScope Steel.

PricewaterhouseCoopers assists the Board by providing a comprehensive internal audit service.

### CEO AND CFO ASSURANCES

For annual and half-yearly accounts released publicly, the Managing Director and Chief Executive Officer and the Chief Financial Officer assure the Board that:

- 1 The financial records of the BlueScope Steel Group have been properly maintained.
- 2 The BlueScope Steel financial statements and notes required by the accounting standards, for external reporting:
  - (a) give a true and fair view of the financial position and performance; and
  - (b) comply with the accounting standards (and any further requirements in the Corporations Regulations), and applicable ASIC Class Orders.
- 3 The above representations are based on a system of risk management and internal compliance and control relating to financial reporting which implements the financial reporting and risk management policies adopted by the Board, and ensures that those systems are operating efficiently and effectively in all material respects.

## EXTERNAL AUDIT

Ernst & Young are BlueScope Steel's external auditors.

The lead audit partner and the review partner of BlueScope Steel's external auditors rotate every five years. The current lead audit partner and review partner were first appointed for the 2001/02 and 2004/05 audits respectively. The lead audit partner will rotate for the 2006/07 audit.

Non-audit work is prohibited where independence may be compromised or conflicts arise. All non-audit services provided by the Company's external auditor require approval by the Audit and Risk Committee who assess whether any independence issues or conflicts of interest arise. The Company's policy also requires Audit and Risk Committee approval for the employment of partners or senior engagement team staff by the Company within two years of leaving the external audit firm.

The lead auditors of BlueScope Steel, or a suitable member from the audit team, will attend the 2006 Annual General Meeting of BlueScope Steel and be available to answer questions from shareholders as appropriate. Shareholders also have the right to submit written questions to the auditors, and the auditor may table answers to the questions at the AGM.

### Share ownership and dealing

Details of shares in BlueScope Steel held by Directors are set out in the Directors' Report on page 60.

The Board has established a Securities Trading Policy covering dealings in BlueScope Steel's shares and derivative securities. The objective of the policy is to ensure that shareholders, customers and the business community have confidence that Directors and senior management comply with the law and best practice in corporate governance, and handle confidential information lawfully and with integrity. The policy highlights the restrictions imposed by Australian corporations legislation on trading in BlueScope Steel and other entities' securities at a time when a person has non-public price sensitive information.

Under the policy, Directors and senior management are required to notify the Company Secretary and obtain clearance before dealing in BlueScope Steel securities. Directors and senior management are prohibited from dealing in BlueScope Steel securities outside designated trading windows.

Any dealings in BlueScope Steel securities by a Director are reported to the Board at its next meeting. The ASX is notified of any share dealings by a Director within five business days.

### Corporate social responsibility

BlueScope Steel is committed to meeting high standards of compliance with respect to its health, safety, environmental and community responsibilities, which are essential to the way in which the BlueScope Steel Group conducts its business.

Some of these important issues are the responsibility of the Health, Safety and Environment Committee. However, BlueScope Steel views these matters as key issues, for which BlueScope Steel can have an impact in every aspect of its operations and interactions within the communities in which it operates.

The Health, Safety, Environmental and Community Policy addressing these issues can be found on BlueScope Steel's website [www.bluescopesteel.com](http://www.bluescopesteel.com).

### BlueScope Steel Guide to Business Conduct

BlueScope Steel has a Guide to Business Conduct, which provides an ethical and legal framework for all employees. The Guide defines how the BlueScope Steel Group relates to its customers, employees, shareholders and the community.

At the core of the Guide to Business Conduct is the desire to build trust between BlueScope Steel and these stakeholders, through the implementation of principles of legal compliance and proper process; fair competition; the application of industry best practice to the health, safety and well-being of BlueScope Steel's employees; a focus on long-term benefits rather than short-term advantage for individuals; cooperation, driven by BlueScope Steel's belief in people and teamwork; and respect for the diverse range of people and cultures.

The Guide to Business Conduct provides a common behavioural framework applicable to all BlueScope Steel's employees, irrespective of their specific job, direct employer or location around the world. The Guide also applies to BlueScope Steel's Non-Executive Directors.

Guidelines are available to assist employees to report suspected incidents of business misconduct, such as fraud, misappropriation and breach of legislative requirements. Reports of suspected business misconduct may be made directly to line managers, to BlueScope Steel's Business Conduct Panel or a whistleblower hotline. Disclosures to the hotline may be made on a confidential basis. The Guidelines also detail how BlueScope Steel will respond to allegations of business misconduct, in particular, the protections that will be offered to employees who report suspected misconduct and how the outcomes of investigations will be reported.

### Political contributions

BlueScope Steel does not contribute funds to any political party, politician, or candidate for public office. It may, however, incur costs for attendance at events hosted by a political party for briefing purposes or for the purpose of meeting and having dialogue with political figures, and contributes to the public debate of policy issues that may affect it in the countries in which it operates.

### INFORMATION ON DIRECTORS

#### Graham Kraehe AO, Chairman (Independent)

Age 63, BEc

Director since: May 2002

Extensive background in manufacturing and was Managing Director and Chief Executive Officer of Southcorp Limited from 1994 to February 2001. A board member of Brambles Industries Limited since December 2005, Djerriwarrh Investments Limited since July 2002, the Innovation Economy Advisory Board for Victoria since December 2002 and a member of the Chairman's Panel of the Business Council of Australia. Mr Kraehe was a Non-Executive Director of National Australia Bank Limited from August 1997 to September 2005, including as Chairman from February 2004 to September 2005, and a Non-Executive Director of News Corporation Limited from January 2001 until April 2004 and Brambles Industries Limited from December 2000 until March 2004.

He brings skills and experience in manufacturing management and in companies with substantial and geographically diverse industrial operations. Mr Kraehe's experience with a wide range of organisations is relevant for his role as Chairman of the Board.

#### Ron McNeilly Deputy Chairman (Independent)

Age 63, BCom, MBA, FCPA

Director since: May 2002

Deputy Chairman of the Board with over 30 years' experience in the steel industry. He joined BHP in 1962, and until December 2001 held various positions with the BHP (now BHP Billiton) Group, including Executive Director and President BHP Minerals, Chief Operating Officer, Executive General Manager and was Chief Executive Officer BHP Steel until 1997. The latter role developed his knowledge of many of the businesses comprising BlueScope Steel today.

He is Chairman of Melbourne Business School Limited, Chairman of Worley Parsons Limited and a director since October 2002, and a director of Alumina Ltd since December 2002. Vice President of the Australia Japan Business Cooperation Committee and a member of the Council on Australia Latin America Relations. A Director of Ausmelt Limited from September 2002 until November 2004.

**Kirby Adams**, Managing Director and Chief Executive Officer  
Age 50, BSc (Industrial Eng), MBA

Director since: May 2002.

Appointed Managing Director and Chief Executive Officer of BlueScope Steel Limited in July 2002. Joined the BHP Group in 1995 and held various positions including President BHP Services, Group General Manager and Chief Executive Officer BHP Service Companies, Corporate General Manager Planning and Development and President BHP Steel since February 2000.

A Director and previous Chairman of the International Iron and Steel Institute and a member of the Business Council of Australia.

**Diane Grady**, Non-Executive Director (Independent)

Age 58, BA (Hons), MA (Chinese Studies), MBA

Director since: May 2002.

Director of Woolworths Ltd since July 1996, Watty Ltd since December 1994, Member of ASIC Business Consultative Panel and Senior Advisor to McKinsey & Co. Has served on the Board of a number of public and not-for-profit organisations including Lend Lease Corporation, MLC, Greengrocer.com (Chair), Sydney Opera House and as President of Chief Executive Women. Formerly a partner of McKinsey & Co. serving clients in a wide range of industries on strategic growth and change initiatives.

Highly experienced Director who brings valuable strategic and business expertise to the Board and to her role as Chair of the Remuneration and Organisation Committee.

**Kevin McCann** AM, Non-Executive Director (Independent)

Age 65, BA LLB (Hons), LLM

Director since: May 2002

Chairman of Healthscope Limited since March 1994, Origin Energy Limited since February 2000, Triako Resources Limited since April 1999, and the Sydney Harbour Federation Trust. Lead independent director of Macquarie Bank Limited and appointed as Director in December 1996, member of the Defence Procurement Advisory Board and has served on the Boards of Pioneer International Limited, Ampol Limited and the State Rail Authority of New South Wales. A member of the Takeovers Panel and the Council of the National Library of Australia.

Until the end of 2004, he was a non-Partner Chairman of Partners of Allens Arthur Robinson, a national law firm. A partner of the firm from 1970 until June 2004, specialising in mergers and acquisitions, mineral and resources law and capital markets transactions.

Brings extensive legal expertise, commercial experience as a director of a number of major listed companies and experience in corporate governance to the Board.

**Paul Rizzo**, Non-Executive Director (Independent)

Age 61, BCom, MBA

Director since: May 2002.

A Director of National Australia Bank Limited since September 2004, member of the Advisory Board of Mallesons Stephen Jaques, Chairman of Foundation for Very Special Kids and Director of Villa Maria. Formerly Chief Executive Officer and Dean, Director and Professorial Fellow of the Melbourne Business School. Held positions as Group Managing Director – Finance and Administration of Telstra Corporation Limited and senior executive positions at Commonwealth Bank of Australia Limited, State Bank of Victoria Limited and Australia and New Zealand Banking Group Limited. Formerly a director of Seven Network Limited and N M Rothschild & Sons (Australia) Pty Limited, and Chairman of the Financial Reporting Council. His extensive financial and commercial experience is valuable to the Board and in his role as Chairman of the Audit and Risk Committee.

**Tan Yam Pin**, Non-Executive Director (Independent)

Age 65, BEc (Hons), MBA, CA

Director since: May 2003.

A chartered accountant by profession, formerly Managing Director of Fraser and Neave Group, one of South-East Asia's leading public companies, and Chief Executive Officer of its subsidiary company, Asia Pacific Breweries Limited. A Member of the Public Service Commission of Singapore since 1990. Chairman of PowerSereya Limited (Singapore) and is also a member of the Supervisory Board of Keppel Land Limited (Singapore), Singapore Post Limited, Great Eastern Holdings Limited, CISCO Security Pte. Ltd, and International Enterprise Singapore. He resigned as Director of The East Asiatic Company Limited A/S (Denmark) in April 2006.

Mr Tan resides in Singapore. He brings extensive knowledge of Asian markets, an area of strategic importance to BlueScope Steel. His financial and leadership skills complement the skills on the Board.