

+ 2004 CORPORATE GOVERNANCE STATEMENT

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.

For ease of reference, the table below notes those ASX CGC Recommendations that deal with information to be disclosed in the Corporate Governance Statement and indicates where they can be found in this report.

DISCLOSURE REQUIRED BY THE ASX CGC RECOMMENDATIONS

REFERENCE

Functions reserved to the Board and those delegated to management	See Role of the Board on page 59
Skills experience and expertise relevant to the position of Director	See Information on Directors on pages 48, 49
Names of Directors considered by the Board to constitute independent Directors and BlueScope Steel's relevant thresholds	See Independent Non-Executive Directors on page 60
Procedure for independent professional advice	See Access to information and independent advice on page 60
Directors' terms of office	See Information on Directors on pages 48, 49
Names of the Nomination Committee members and attendance	See Nomination Committee and Board Meetings of Directors on pages 64 and 61
Composition of Board Chairperson and role of Chairman and Managing Director and Chief Executive Officer	See Role and Composition of the Board on pages 59 and 60
Code of conduct for Directors and executives	See Guide to Business Conduct on page 65
Securities Trading Policy	See Share ownership and dealing on page 65
Audit and Risk Committee members and their qualifications	See Audit and Risk Committee on page 63
Audit and Risk Committee meetings and attendance	See Board Meetings of Directors on page 61
Financial statements sign-off and structure of Audit and Risk Committee	See Audit and Risk Committee on page 63
Procedures for ASX disclosure requirements	See Shareholders on page 59
Shareholder communications strategy	See BlueScope Steel's website www.bluescopesteel.com
Attendance of external auditor	See the External audit on page 65
Risk oversight committee	See Audit and Risk Committee on page 63
Risk management and internal controls	See Internal audit on page 63
Performance evaluation	See Performance evaluation on page 62
Company's remuneration policies and disclosure	See Directors' remuneration and Non-Executive Directors' remuneration on page 62
Remuneration and Organisation Committee members and attendance	See Remuneration and Organisation Committee and Board Meetings of Directors on pages 64 and 61
Retirement benefits for Non-Executive Directors	See Directors' remuneration on page 62
Company code of conduct	See Guide to Business Conduct on page 65

BlueScope Steel is a global organisation, with businesses operating in many countries, including Australia, New Zealand, the United States, China and throughout 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 the 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 the Company's governance framework, which were established, and are continually reviewed, by the Board.

Summaries of the policies and charters (and a copy of the Audit and Risk Committee charter) referred to in this Corporate Governance Statement are available on BlueScope Steel's website – www.bluescopesteel.com

SHAREHOLDERS

A fundamental role in the governance of BlueScope Steel is performed by shareholders who elect the Board. In accordance with BlueScope Steel's Constitution, one-third of the Directors must retire each year by rotation and are subject to re-election.

The Board's task is to govern on behalf of all shareholders. The Board recognises that, to carry out this role, shareholders must receive high quality relevant information in a timely manner. BlueScope Steel's arrangements for communicating with its shareholders are summarised on BlueScope Steel's website www.bluescopesteel.com. Timely disclosure of relevant information will facilitate an efficient, competitive and informed market in BlueScope Steel's shares.

BlueScope Steel is subject to continuous disclosure obligations under the Listing Rules of the Australian Stock Exchange, which are supplemented by Australian corporations legislation. Subject to some limited exceptions, under the continuous disclosure requirements, BlueScope Steel must immediately notify the market, through the Australian Stock Exchange of any information which a reasonable person would expect to have a material effect on, or lead to a substantial movement in, 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 Australian Stock Exchange 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 Australian Stock Exchange. Copies of these announcements are immediately placed on BlueScope Steel's website – www.bluescopesteel.com;
- Conducting briefings with analysts and institutions from time to time – 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 Australian Stock Exchange 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 Australian Stock Exchange. A summary of BlueScope Steel's Continuous Disclosure Policy is available on BlueScope Steel's website – www.bluescopesteel.com.

THE BOARD OF DIRECTORS

ROLE OF THE BOARD

The Board is responsible for the effectiveness of governance practices and the overall management and control of all entities within the BlueScope Steel Group.

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

- Its specific powers and responsibilities;
- The matters specifically reserved to the Board and those delegated to the Managing Director and Chief Executive Officer; and
- Procedures aimed at ensuring the effective operation of the Board.

Matters reserved to the Board include those relating to:

- **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

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.

During the financial year the Board reviewed the operation of the delegations to the Managing Director and Chief Executive Officer under the Board Charter and the Delegation of Authority Policy and made some modifications to improve the operation of the policy and increased the authority of the Managing Director and Chief Executive Officer for the conduct of certain transactions.

The Board has approved a risk management programme that is being adopted progressively throughout BlueScope Steel. The programme involves identification and assessment of significant risks and rating of the effectiveness of associated controls. Mitigation strategies are developed and implemented. Periodic reports are made to the Board on progress with this work and the Audit and Risk Committee reviews selected detailed business risk reports.

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.

The Board is assisted by the Company Secretary, who advises on the management of meetings, the implementation of governance procedures and compliance with regulatory requirements.

Composition of the Board

For the 2003/04 financial year, the Board comprised eight Directors, including seven independent Non-Executive Directors and one Executive Director (the Managing Director and Chief Executive Officer). Since 28 July 2004, with the resignation of John Crabb, there are six Non-Executive Directors.

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 pages 48 and 49.

BlueScope Steel's Constitution and the Listing Rules of the Australian Stock Exchange 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 2004 Annual General Meeting, Ron McNeilly and Diane Grady will stand for re-election.

Where the Board appoints a person as a Director (rather than the shareholders), that person must resign at the Annual General Meeting following their appointment and seek approval of shareholders to continue as a Director.

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 (as described in Box 2.1 of the ASX CGC Recommendations) 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 the Non-Executive Chairman of the National Australia Bank Limited, a supplier of banking services and funding facilities. The National Australia Bank Limited forms part of a consortium of eleven banks providing funding to the BlueScope Steel Group. Decisions required by the consortium are by majority of the banks (as a minimum). Having considered the goods and services supplied by the National Australia Bank Limited and the materiality criteria set out above, the Board considers that this relationship is not material for the purpose of independence. Mr Kraehe does not participate in any decisions regarding transactions with the National Australia Bank Limited.
- Mr McCann was a partner of Allens Arthur Robinson from 1974 until 30 June 2004, a national law firm, which is one of a number of law firms that provide legal advisory services to BlueScope Steel. He will remain as a non-partner Chairman of the firm until the end of the calendar year. Allens Arthur Robinson is not the exclusive or primary provider of legal services to BlueScope Steel and provides legal services to BlueScope Steel on normal terms and conditions. The Board considers that, having regard to Mr McCann's role with the firm, the amount of the fees paid to Allens Arthur Robinson and the nature of the services supplied, and based on the materiality criteria set out above, Allens Arthur Robinson is not a material professional adviser for the purposes of independence. The Board also notes that Mr McCann is not involved in Allens Arthur Robinson providing legal advice to BlueScope Steel or in selecting BlueScope Steel's legal advisers.
- Mr Rizzo will become a Director of the National Australia Bank Limited, a supplier of banking services and funding facilities, in September 2004. Mr Rizzo will not participate in any decisions regarding transactions with National Australia Bank Limited. 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. It is noted that Mallesons Stephen Jaques is not the exclusive or primary provider of legal 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.
- None of Mr McNeilly, Mr Crabb, Ms Grady or Mr Tan had any relationships that required assessment for independence purposes.

Board succession planning and training

The Board is conscious of the need to ensure that proper processes are in place to deal with succession issues at Board level. This will require the Board periodically to assess the skill-set necessary to meet the BlueScope Steel Group's demands.

The Board has established a Nomination Committee, chaired by Mr Graham Kraehe, and comprising all the Non-Executive Directors.

Newly appointed Directors receive appropriate 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 operational sites at Port Kembla and Western Port. New Directors also receive briefing materials, which include minutes of recent Board meetings and copies of fundamental Board and Company policies.

Each Non-Executive Director has received a formal letter of appointment setting out the expectations and time commitments, among other things, required of them.

Board meetings

During the 2003/2004 financial year, the Board has met 12 times to review matters such as the financial performance of the BlueScope Steel Group, current trading and key business initiatives, and the BlueScope Steel Group's strategy, budget and business plans. Included in the Board's schedule was a separate meeting held to specifically consider BlueScope Steel's Group 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 Managing Director and Chief Executive Officer, the Chairman and the Executive Leadership Team. Directors are free to nominate matters for inclusion on the agenda for any Board or Board Committee meeting.

The Chairman regularly requests 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 2003/04 financial year, Board meetings have been held in various locations, including in Melbourne (where BlueScope Steel's head office is located), Sydney, Asia (home to our various Asian operations), New Zealand (home to the New Zealand Steel operations), Port Kembla (home to BlueScope Steel's integrated steelworks operations in Australia) and Western Port (home to BlueScope Steel's major steel rolling and coating operations in Australia). The Board has a programme to meet at various sites in Australia, Asia and the United States during the remainder of 2004 and in 2005.

Meetings without management

The Non-Executive Directors hold occasional meetings without the presence of management.

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 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' remuneration

Under BlueScope Steel's Constitution the maximum remuneration payable by the company for the services of Non-Executive Directors in total is \$1,750,000 per annum. Shareholder approval is required to increase this amount. The total remuneration paid to the Non-Executive Directors in the financial year ended 30 June 2004 was well under the maximum amount provided in the Constitution.

Non-Executive Directors receive remuneration based on membership of the Board, and for chairing Board committees. Non-Executive Directors do not receive any performance-based incentives and are not entitled to any retirement benefits. Details of remuneration paid to the Non-Executive Directors are listed in the Directors' Report on page 53.

Non-Executive Directors are expected to accumulate over time a shareholding equivalent in value to their annual fee. At the 2003 Annual General Meeting of BlueScope Steel, shareholders approved a Non-Executive Director Share Plan, under which Non-Executive Directors are required to receive part of their remuneration as BlueScope Steel shares (rather than cash).

For equity-based remuneration available to executive Directors or executives, shareholder approval will be sought as required by the Corporations Act 2001 or the ASX Listing Rules. At the 2004 Annual General Meeting, shareholder approval will be sought to permit Mr Adams to participate in BlueScope Steel's Long-Term Incentive Plan. Awards under equity-based remuneration plans are only made in accordance with the performance thresholds set out in the terms of those plans (the relevant thresholds are described further in the Directors' Report on page 56).

PERFORMANCE EVALUATION

Board

The Board reviews its effectiveness and individual performance regularly.

In its Corporate Governance Statement last year, the Board foreshadowed that it would undertake its first review of Board effectiveness towards the end of the 2003/2004 financial year after approximately two years of working together. The Board has now completed this review utilising an expert external consultant. Interviews were conducted with each Board member and with senior management and additional feedback was gathered by completion of a detailed (confidential) questionnaire. The review concluded that the Board is functioning well with an appropriate mix of skills and experience on the Board and effective working relationships amongst Board members and between the Board and management.

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

Board Committees

The Charter of each BlueScope Steel Board Committee requires the Committee to regularly review its performance and, where necessary, make recommendations to the Board for improving the committee's effectiveness. During the financial year each Board Committee conducted a formal review of its performance that involved seeking feedback from Committee members, management and other regular Committee participants such as, in the case of the Audit and Risk Committee, the external auditors.

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 objectives; and
- contribution towards specific business plan objectives.

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 (formerly the Remuneration 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. This 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. The evaluation of the Managing Director and Chief Executive Officer involves an assessment of a range of factors including the overall performance of BlueScope Steel and the achievement of specific pre-determined 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 (formerly the Remuneration Committee);
- the Health, Safety and Environment Committee; and
- the Nomination Committee.

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

Each of the Board's Committees operates under terms of reference (charters), detailing their role 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.

The number of Board Committee meetings held during the year ended 30 June 2004 and the attendance at those meetings by members is set out in the Directors' Report on page 52.

Regular reports of the Committees' activities are provided to the Board and minutes are circulated to all Directors.

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 primary objectives of the Audit and Risk Committee, as set out in its Charter, are to:

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;
- **review of reports** – review the annual report and the Directors' report to the extent that such a report discusses the financial position or operating results of BlueScope Steel;
- **accounting policies** – review and assess the appropriateness of BlueScope Steel's accounting policies and principles; compliance processes) review and consider the processes used by management to monitor and ensure compliance with laws, regulation and other requirements relating to external reporting of financial information;
- **regulatory changes** – review 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;
- **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

- **appointment/replacement** – make recommendations to the Board on the appointment, reappointment or replacement and remuneration of the external auditor;
- **terms of engagement** – review and agree with the external auditor the terms of engagement;
- **effectiveness and independence** – monitor the effectiveness and independence of the external auditor;
- **scope of audit** – review the scope of the external audit with the external auditor including identified risk areas and approve external audit plans;

- **non-audit services** – review and assess provision of non-audit services by the external auditor;
- **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;
- **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;
- **external auditor meetings** – on a regular basis meet with the external auditor without the presence of management.

Internal audit

- **appointment** – approve the internal auditor;
- **scope of audit and plan** – review and assess the scope of the audit and the internal audit plan, work program and resources and approve internal audit plans;
- **internal audit findings** – review and monitor management's responsiveness to the internal audit findings;
- **internal auditor meetings** – on a regular basis meet with the internal auditor without the presence of management.

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.

A complete copy of the Audit and Risk Committee Charter is available on BlueScope Steel's website – www.bluescopesteel.com

The Audit and Risk Committee meets before the finalisation of all major financial announcements of BlueScope Steel and, in any event, is required to meet four scheduled times a year.

The Committee assists the Board with the implementation of the risk management programme approved by the Board. The programme involves identification and assessment of significant risks and rating of the effectiveness of associated controls. Mitigation strategies are developed and implemented. Periodic reports are made to the Board on progress with this work and the Audit and Risk Committee reviews selected detailed business risk reports.

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 experience of business, each member of the Committee 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.

All Board members are invited to attend meetings of the Audit and Risk Committee, with standing invitations also extended (except for certain consultations referred to above) to the Managing Director and Chief Executive Officer, Chief Financial Officer and the external and internal auditors.

Health, Safety and Environment Committee

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

- **HSEC Policy** adopt a Health, Safety, Environment and Community (HSEC) 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 Committee for the 2003/04 financial year was Mr John Crabb, an independent Non-Executive Director and because of the importance of health, safety and the environment to BlueScope Steel's operations, all Directors are members of the Committee. The composition of the Committee has been reviewed during the year and the Committee resolved to maintain its existing membership. Following Mr Crabb's resignation as a Director of BlueScope Steel on 28 July 2004, the Board has appointed Mr McNeilly as Chair of the Committee. The Health, Safety and Environment Committee charter requires that the Committee meets at least four scheduled times per year.

Remuneration and Organisation Committee (formerly the Remuneration 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; and
- **succession** plans and implements the development and succession of executive management and Directors.

The Remuneration and Organisation Committee has authority to advise the Board on specific remuneration matters, as well as determining certain matters. The specific areas of responsibility are human resources strategy, remuneration policy, executive incentive and equity based plans, awards under executive incentive and equity based plans, executive Directors and senior management remuneration, performance management, succession planning, termination, succession and Non-Executive Director remuneration.

The Board has ultimate authority over the following matters:

- **contract variation** changes to the remuneration or contract terms of executive Directors;
- **incentive plans** the design of new equity plans or executive cash-based incentive plans;
- **incentive awards** total level of award proposed from equity plans or executive cash-based incentive plans;

• **Managing Director selection** selection of the Managing Director and Chief Executive officer;

- **Managing Director compensation** compensation and all performance related matters for the Managing Director and Chief Executive Officer; and
- **executive termination payments** termination payments to executive Directors.

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

The members of the Remuneration and Organisation Committee are Ms Diane Grady (Committee Chairman), Mr Graham Kraehe and Mr Ron McNeilly. All members of the Remuneration and Organisation Committee are independent Non-Executive Directors. 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 Human Resources. It may also seek advice from external experts, as appropriate, 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 53 to 56.

Nomination Committee

The Nomination Committee of the Board is responsible for reviewing the membership of the BlueScope Steel Board and for consideration of candidates for membership of the Board. Mr Graham Kraehe chairs the Committee. All Non-Executive Directors are members of the Committee. 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 assist the Board in the effective discharge of its responsibilities for ensuring 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. This purpose will be achieved 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.

Executive Leadership Team

BlueScope Steel's Executive Leadership Team (ELT) is responsible to the Managing Director and CEO 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 Industrial Markets), Noel Cornish (President Australian Building and Manufacturing Markets), Mike Courtall (President Asian Building and Manufacturing Markets), Kathryn Fagg (President Market and Logistics Solutions), Brian Kruger (Chief Financial Officer) and Ian Cummin (Executive Vice President Human Resources). The ELT meets monthly, 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. It must be recognised, however, that internal control systems can provide only reasonable and not absolute assurance against the risk of material loss.

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 the Audit and Risk Committee). The Board regularly receives information about the financial position and performance of BlueScope Steel. For annual and half-yearly accounts released publicly, the Managing Director and Chief Executive Officer and the Chief Financial Officer sign-off to the Board:

- the accuracy of the accounts and that they represent a true and fair view, in all material respects, of the BlueScope Steel Group's financial condition and operational results, and have been prepared in accordance with applicable accounting standards; and
- that the representations are based on a system of risk management and internal compliance and control relating to financial reporting which implements the policies adopted by the Board, and that those systems are operating efficiently and effectively in all material respects.

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

External audit

Ernst & Young are BlueScope Steel's external auditors.

The lead audit partner and review partner of our external auditors rotate every five years. The current lead audit partner and review partner were first appointed for the 2001/02 audit of BlueScope Steel.

Non-audit work is prohibited, where independence may be compromised or conflicts arise. Any proposal for the performance of permitted non-audit related work by the auditor will require prior consultation with, and approval of, the Chief Financial Officer for certain matters under \$300,000 in value. The Audit and Risk Committee must approve permitted services with a value above this amount.

Representatives of Ernst & Young attend the Annual General Meetings of BlueScope Steel and are available to answer questions from shareholders as appropriate.

Share ownership and dealing

Details of shares in BlueScope Steel Limited held by Directors are set out in the Directors' Report on page 52.

The Board has put in place a Securities Trading Policy covering dealings in BlueScope Steel's shares. 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 shares 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 Limited shares. Directors and senior management are prohibited from dealing in BlueScope Steel Limited shares outside designated trading windows.

Any dealings in BlueScope Steel's shares by a Director are reported to the Board at its next meeting. The Australian Stock Exchange 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

BlueScope Steel Guide to Business Conduct

BlueScope Steel Limited has a Guide to Business Conduct which provides an ethical and legal framework for all employees in the conduct of BlueScope Steel's business. 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 for all BlueScope Steel's employees, irrespective of their specific job, direct employer or location around the world.

The Guide to Business Conduct applies to all employees of BlueScope Steel. It also applies to the activities of Non-Executive Directors, to extent that the provisions of the Guide are relevant to a Director's conduct in relation to BlueScope Steel.

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.