

# CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

## INTRODUCTION

As a global organisation with businesses operating in many countries, the BlueScope Group must comply with a range of legal, regulatory and governance requirements. The Board places great importance on the proper governance of the Group.

The Board operates in accordance with a set of corporate governance principles that take into account relevant best practice recommendations. These include the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council with 2010 Amendments (2nd edition) (ASX Principles and Recommendations).

The Company complies with each of the recommendations in the ASX Principles and Recommendations. A summary of BlueScope's compliance with the recommendations follows, including details of specific disclosures required by a recommendation. Further information on the Company's corporate governance policies and practices can be found on the [Company's website](#).

## PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board has adopted a Charter which sets out, among other things, its specific powers and responsibilities and the matters delegated to the Managing Director and Chief Executive Officer and those specifically reserved for the Board.

A statement of the matters reserved for the Board and the areas of delegated authority to senior management is available on the [Company's website](#).

As part of the Board's oversight of senior management, all Company executives are subject to annual performance review and goal planning. This involves evaluation of the executives by their immediate superior. Each executive is assessed against a range of criteria, including achievement of goals relating to financial performance, operational excellence, safety, and delivery of strategic projects and initiatives. All senior executives participated in a performance evaluation on this basis during the year ended 30 June 2014.

## PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

The Board is structured to bring to its deliberations a range of commercial, operational, financial, legal and international experience relevant to the Company's global operations.

Pages 20 to 22 of the Directors' Report set out the qualifications, expertise and experience of each Director in office at the date of the Directors' Report, and their period of office.

The Board considers all of its Non-Executive Directors to be independent. In making this assessment, the Board considers whether the Director is free of any material business or other relationship that could, or could reasonably be perceived to interfere with the exercise by the Director of an independent judgement in the interests of the Company as a whole.

In determining whether a relationship between the Company and a Director is material and would compromise the Director's independence, the Board has regard to all the circumstances of the relationship including, where relevant:

- the proportion of the relevant class of expenses or revenues that the relationship represents to both the Company and the Director; and
- the value and strategic importance to the Company's business of the goods or services purchased or supplied by the Company.

Further details regarding the circumstances considered by the Board in making assessments of independence are contained on the Company's website under [Director Independence Policy](#).

The Board seeks to achieve a Board composition with a balance of diverse attributes relevant to the Company's operations and markets, including skill sets, background, gender, geography and industry experience.

Board renewal and succession planning is an ongoing process at BlueScope and in recent years has seen the appointment of Ewen Crouch, Lloyd Jones, John Bevan and Rebecca Dee-Bradbury to the Board following the retirement in 2013 of Tan Yam Pin, Diane Grady and Kevin McCann. The Nomination Committee has identified the key skills and experience desirable on the Board as including financial/risk management, legal/governance, people management and operations management expertise; experience in the building and construction and steel or other heavy manufacturing industries; strategic and M&A/transactional experience; and experience with customers. The Board also strives for both gender and geographic diversity within these skill sets. Based on the assessment by the Nomination Committee of the particular skill profile for new appointees, a sub-committee is appointed to engage a search firm to assist in identifying appropriate candidates for consideration by the Board from a broad pool of possible candidates.

The Board (and Board Committees and individual Directors) may obtain independent professional advice, at the Company's cost, in carrying out their responsibilities. Independent advice can be obtained without the involvement of the Company's management, where the Board or the Director considers it appropriate to do so. Procedures have been adopted by the Board setting out the practical steps by which independent advice may be obtained.

All Non-Executive Directors are members of the Nomination Committee. Their attendance at meetings of the Committee are set out on page 23 of the Directors' Report.

The Board reviews its effectiveness and the performance of each Director regularly.

The Board completed an internal review of its effectiveness in August 2014 involving distribution of a questionnaire to Directors and senior management. Confidential responses were collated by the Company's auditors and discussed by the Board. The review concluded that the Board is functioning well with an appropriate mix of skills and experience and that an effective working relationship exists among Board members and between Board and management.

In addition, each Committee reviews its performance and effectiveness periodically through a confidential questionnaire completed by members of the Committee and relevant management attendees. The results of these reviews are discussed by the Committee. Each Board Committee has conducted a review on this basis in the last 12 months. A formal review of the performance of individual Directors takes place periodically, particularly when a director is standing for re-election. The process generally involves the completion of an evaluation questionnaire by other Board members, the results of which are collated and discussed by the Chairman with the director concerned (or the Deputy Chairman in the case of the review of the Chairman) and with the Board as a whole. In addition, the performance of the Chairman and other Directors are reviewed regularly through other informal mechanisms such as meeting critiques, discussions between Directors and the Chairman, and as part of Board and Committee evaluations. Performance evaluation for individual directors has taken place consistent with the process described above.

### **PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING**

#### **Business Conduct**

The Company has a set of values known as 'Our Bond' and a 'Guide to Business Conduct', which provides an ethical and legal framework for all employees. The Guide defines how the BlueScope Group relates to its customers, employees, shareholders and the community. Information relating to the Guide and 'Our Bond' is available on the [Company's website](#).

In addition, the Board has established a Securities Trading Policy, which governs dealing in the Company's shares and derivative securities. A copy of the policy has been lodged with ASX and is available on the [Company's website](#).

#### **Diversity**

At BlueScope, we know that our success comes from our people. We understand that the range of perspectives that result from a diverse and inclusive workplace strengthens BlueScope's capability for sustained business success. We strive to hire, develop, promote and retain the most qualified people available to reflect the global diversity of our customers, markets, and the communities in which we operate.

Our aim is to foster an inclusive environment and culture that values difference and thereby attracts, encourages, and develops a talented, diverse, and capable workforce. The key principles underpinning our approach to diversity, along with requirements for setting objectives, reporting, and monitoring, can be found in our Diversity Policy on the Company's [website](#).

Our diversity priorities are to continue to improve gender diversity in both our overall population and in management positions, increase diversity of perspective on leadership teams and build on the success we have achieved to date in reducing past reliance on Australian expatriates in overseas management teams.

The following table shows the percentage of women employed in the workforce as at 30 June 2014:

Board	20%
Executives <sup>1</sup>	14%
Salaried	28%
Wages workforce	3%
Total BlueScope population	17%

Although contraction of the business over a number of years has meant limited opportunities to improve gender diversity through recruitment, in the past five years female representation at Executive levels has increased from 8 per cent to 14 per cent. With the appointment of an additional female Director in the last twelve months, female Board representation has increased from 13 per cent to 20 per cent.

The Board annually reviews and approves objectives for achieving diversity, and assesses progress in achieving these.

Consistent with the objective set out in the 2013 Corporate Governance Statement, the BlueScope Diversity Council (chaired by the MD and CEO) monitors progress against diversity action plans in key focus areas, reporting the following developments:

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<sup>1</sup> Executive group includes all members of BlueScope's Executive Leadership Team and all executives that have strategic and/or full operational leadership of a business or group-wide function.

- *Attraction and recruitment of females to the business:* During the year, female representation at Board and Executive levels improved. In addition, 24 per cent of all appointments to the Company were female, a greater proportion than the overall percentage of women in BlueScope.
- *Equal opportunity for and representation of females into learning and development programs:* BlueScope provides development programs for graduates through to executives. The process for appointing delegates on these programs is designed to ensure equal opportunity for, and representation of, females across all programs. During the year, the percentage of female delegates on these programs was 31 per cent, which is greater than the proportion of females employed in the graduate to executive population.
- *Pay equity at all levels in our workforce:* BlueScope reviews gender pay equity on an annual basis. Interventions put in place have led to equal pay in Asia and pay equity within 5 per cent of the male average in all other regions. Where there are differences, the main reasons relate to 'time in role' and compensation for shift work performed in some manufacturing areas with significant male representation.

Our key gender diversity objective for the year ending 30 June 2015 is to continue to recruit and develop females in the business. Our broader diversity goals continue to focus on gender, cross-functional and cross-business appointments, and regional talent development.

#### **PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

The Board has established an Audit and Risk Committee, which 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 the [Company's website](#).

Separate discussions are held with the external and internal auditors without management present.

The composition and structure of the Audit and Risk Committee complies with the requirements of the ASX Principles and Recommendations. The names of the members of the Audit and Risk Committee and their attendance at meetings of the Committee are set out on page 23 of the Directors' Report. The qualifications of the members are set out on pages 20 to 22 of the Directors' Report.

#### **PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**

The Company is subject to continuous disclosure obligations under the ASX Listing Rules and Australian corporations legislation. Subject to limited exceptions, the Company must immediately notify the market, through ASX, of any information that a reasonable person would expect to have a material effect on the price or value of its securities. As part of its continuous disclosure responsibilities, the Company has established market disclosure protocols to promote compliance with these requirements and to clarify accountability at a senior executive level for that compliance.

A summary of the Company's Continuous Disclosure Policy is included on the [Company's website](#).

#### **PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS**

Respecting the rights of shareholders is of fundamental importance to the Company and a key element of this is how the Company communicates with its shareholders. In this regard, the Company recognises that shareholders must receive high-quality relevant information in a timely manner in order to be able to properly and effectively exercise their rights as shareholders. The Company's communications policy is summarised on the [Company's website](#).

#### **PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

The Board has required management to design and implement a risk management and internal control system to manage the Company's material business risks and management has reported that those risks are being managed effectively.

For the annual and half-year accounts released publicly, the Board has received assurance from the Managing Director and Chief Executive Officer and the Chief Financial Officer that, in their opinion:

- the financial records of the Group have been properly maintained;
- the financial statements and notes required by accounting standards for external reporting:
  - (i) give a true and fair view of the financial position and performance of the Company and the consolidated BlueScope Group; and
  - (ii) comply with the accounting standards (and any further requirements in the Corporations Regulations) and applicable ASIC Class Orders; and
- the above representations are based on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Information relating to the Company's policies on risk oversight and management of material business risks is available on the [Company's website](#).

#### **PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY**

The Remuneration Report (on pages 26 to 48 of the Directors' Report) sets out details of the Company's policy and practices for remunerating Directors, key management personnel and senior executives.

The names of the members of the Remuneration and Organisation Committee and their attendance at meetings of the Committee are set out on page 23 of the Directors' Report.

Information relating to:

- the role, rights, responsibilities and membership requirements for the Remuneration and Organisation Committee; and
- the Company's Securities Trading Policy which prohibits entering into transactions in associated products that limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes,

is also available on the [Company's website](#).

Other than superannuation, there are no schemes for retirement benefits for Non-Executive Directors.

All information referred to in this Corporate Governance Statement as being on the Company's website is included under the 'About Us/ Governance' section of the [Company's website](#).

A summary of the location of corporate governance information relevant to the ASX Principles and Recommendations can also be found in this section of the [Company's website](#).