



BlueScope Annual General Meeting 2014

13 November 2014, Melbourne

Address by Penny Bingham-Hall, Chair Remuneration & Organisation Committee

CHECK AGAINST DELIVERY

As chair of the Board's Remuneration and Organisation Committee for the past 18 months, I have worked closely with management and my fellow directors to ensure we have a robust remuneration program which continues to motivate senior executives to deliver results that reward shareholders. Our Committee has also looked at talent development, how we improve gender diversity and how we build on the success of our strong cross-cultural diversity in the Asian region.

Today I would like to tell you about some of these strategic human resources initiatives as well as providing you with context to our remuneration report.

Over the past few years, BlueScope has made a number of changes to the Company's remuneration structure to support its business through very difficult industry conditions. Throughout this period of change, we have consulted pro-actively with shareholders and proxy advisors, and have sought external advice on our remuneration programs.

I'm pleased to report that these changes have been successful in retaining key executives and providing the appropriate level of incentives to drive continued improvement in the business. Therefore, the Board has decided not to make any further changes to our remuneration framework for the current financial year - 2015.

Engagement with shareholders during the annual review of remuneration strategy is an important part of the process and one we will continue.

An important task of the Remuneration & Organisation Committee is establishing and reviewing quantifiable measures, or Key Performance Indicators, for the Managing Director and each member of his executive team.

Shareholders were advised in our Remuneration Report last year, that the Managing Director's Short Term Incentive (or STI) objectives would be based on improving Group underlying Net Profit After Tax, maintaining a strong balance sheet and the implementation of growth strategies in each of our four reporting segments. Based on Paul O'Malley's leadership in the delivery of a significant increase in underlying profit (as Graham has outlined), excellent cash management and success in delivering on initiatives at our Asian joint venture and across Australia and New Zealand, the Board has resolved that he should receive 70% of his available STI.

In addition to Mr. O'Malley, the executive leadership team has been awarded STI payments in 2014. Their achievements, outlined in in our Remuneration Report, included earnings that were materially better than last year with improvements across all of our businesses, excellent cash management and implementation of some fundamental



restructuring initiatives that underpin the turnaround in your company. However, challenging targets were set in each business and these were not universally met - payments ranged from 45% to 84% of available incentives.

Consistent with the approach adopted by the Board last year, two thirds of these awards will be made in cash, with the remaining third held back as deferred equity with a one year trading lock.

Our remuneration structure rewards performance against company and individual measures over one year and multi-year timeframes. The outcomes are aligned with company performance and as a result there has been no vesting of Long Term Incentives for the past six years. However, we consider this an important part of our remuneration structure and accordingly are asking shareholders to approve a grant of performance share rights for Paul O'Malley, with an effective date of September 2015. The conditions of this grant have the same performance hurdle as previous years and are subject to Board approval and determination of the percentage awarded.

Consistent with the external market, the Managing Director and his executive team recently received increases in base pay in the order of 3%. There has again been no increase in non-executive directors' fees, with base fees remaining flat since 2011.

At BlueScope, we know that our success comes from our people. The Remuneration and Organisation Committee assists the Board in overseeing not only matters relating to remuneration and performance management, but also the company's approach to talent and diversity.

Over the last year, the Board has had presentations and discussions on the development of talent at various levels of management, the opportunity to meet with managers across the global operations, and been briefed on the scope of learning and development programs being undertaken.

I'm always impressed with the cultural diversity and the inclusive nature of our workplaces. Priorities include increasing diversity of perspective on leadership teams and building on the success we have had in reducing Australian expatriates in overseas management teams. Our management teams in Asia are, in some cases, 100% local to the region.

However, we have more to do on achieving gender diversity at BlueScope. Contraction of the business over recent years has meant limited opportunities to improve diversity through recruitment. Despite this, we have increased female representation at executive levels and appointed a greater proportion of women than the overall population of our workforce. The percentage of female delegates to our learning and development programs was also higher as a proportion of eligible employees. The BlueScope Diversity Council, chaired by Paul O'Malley, reviews pay equity annually to ensure equal pay for equal experience & responsibility, regardless of gender.



In summary, the Board takes great care to ensure our remuneration structures have evolved to support our business return to profitability. We also spend time reviewing progress on the development of our talented people and ensuring we have an inclusive and diverse workplace.

We ask you, our shareholders, to support the approach the Board has taken to remuneration and look forward to a positive vote in favour of this year's Remuneration Report.

Thank you.