

BlueScope Steel Limited

ABN 16 000 011 058

Directors' Report for the year ended 30 June 2009

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CORPORATE DIRECTORY

Directors

G J Kraehe AO
Chairman

R J McNeilly
Deputy Chairman

P F O'Malley
Managing Director and Chief Executive Officer

D J Grady AM

H K McCann AM

Y P Tan

D B Grollo

K A Dean

Secretary

M G Barron

Executive Leadership Team

P F O'Malley
Managing Director and Chief Executive Officer

M G Barron
Chief Legal Officer and Company Secretary

N H Cornish
Chief Executive, Australian & New Zealand Steel Manufacturing
Businesses

I R Cummin
Executive General Manager, People and Organisation Performance

S Dayal
Chief Executive, Asia

S R Elias
Chief Financial Officer

K Mitchelhill
Chief Executive, Australian Distribution & Solutions

P E O'Keefe
Chief Executive, Australian Coated & Industrial Markets

M R Vassella
President, North America

Notice of Annual General Meeting

The Annual General Meeting of BlueScope Steel Limited will be held at Melbourne Convention and Exhibition Centre, 2 Clarendon Street, Southbank, Victoria at 2.00 pm on Thursday 12 November 2009

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Postal Address: PO Box 18207, Collins Street East, Melbourne, Victoria 8003

Share Registrar

Link Market Services Limited
Level 12, 680 George Street, Sydney, NSW 2000
Postal address: Locked Bag A14, Sydney South NSW 1235
Telephone (within Australia): 1300 855 998
Telephone (outside Australia): +61 2 8280 7760
Fax: +61 2 9287 0303
Email: bluescopesteel@linkmarketservices.com.au

Auditor

Ernst & Young
8 Exhibition Street, Melbourne, Victoria 3000

Stock Exchange

BlueScope Steel Limited shares are quoted on the Australian Securities Exchange (ASX code: BSL)

Website Address

www.bluescopesteel.com

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2009

The Directors of BlueScope Steel Limited ('BlueScope Steel') present their report on the consolidated entity ('BlueScope Steel Group') consisting of BlueScope Steel Limited and its controlled entities for the year ended 30 June 2009.

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the BlueScope Steel Group, based principally in Australia, New Zealand, North America, China and elsewhere in Asia, were:

- (a) Manufacture and distribution of flat steel products;
- (b) Manufacture and distribution of metallic coated and painted steel products;
- (c) Manufacture and distribution of steel building products; and
- (d) Design and manufacture of pre-engineered steel buildings and building solutions.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant events occurred during the year:

Two equity raisings were undertaken to proactively strengthen its balance sheet in view of weaker industry, economic and financial outlook:

- In early December 2008 an institutional placement raised A\$300M at an issue price of A\$3.10 per share (96.8M shares were issued). The retail share purchase plan ('SPP') closed on 6 February 2009 and raised A\$113M again at an issue price of A\$3.10 per share (36.4M shares were issued to retail holders). The total proceeds from the institutional placement and SPP were \$400M net of costs.
- On 5 May 2009, the company announced a 1-for-1 accelerated pro-rata non-renounceable entitlement offer at an offer price of A\$1.55 per share. The offer comprised an Institutional Offer (A\$798m) and a Retail Offer (A\$615m) with maximum gross proceeds of A\$1,413m. Both the Institutional and Retail Offers were underwritten with net proceeds from the rights issue being A\$1,360M (911.6M shares were issued) during May and June 2009.

In May 2009 the Company entered into a new Syndicated Loan Note Facility for A\$1,275m with Tranche 1 (\$200m) maturing in July 2011 and Tranche 2 (\$1,075m) maturing in July 2012. This new facility, along with the equity raised during the year ended 30 June 2009, enabled the company to cancel a number of other facilities (effective July 2009) as detailed below:

- A\$1,192m Syndicated Loan Note Facility (original maturity dates of the three facility tranches ranged from Dec 09 to Dec 11)
- A\$350m Working Capital Facility (original maturity dates of the three facility tranches ranged from Jan 10 to Jan 12)
- US\$275m Bilateral Facility (original maturity date Dec 09)
- US\$25m Bilateral Facility (original maturity date Jan 10)
- US\$75m Bilateral Facility (original maturity date Feb 10)

The planned reline of its No.5 Blast Furnace (one of two at Port Kembla steelworks). While the core reline activities were completed during the original March to June 2009 schedule, in view of the global economic slow down, the furnace was decommissioned in January 2009 and as reported on 16 July 2009 will be blown-in towards the end of August 2009.

The Company is progressing a number of growth initiatives mainly aimed at expanding the manufacture and distribution of metallic coated and painted steel products. The status of these projects is:

- Australia: the sinter plant upgrade at Port Kembla steelworks coincided with the reline of the No. 5 Blast Furnace and has been commissioned and is in the process of being brought up to a rate consistent with the requirements of the blast furnace operations. The project increases the competitiveness of the Port Kembla Steelworks through reducing the use of more expensive iron ore pellets and using less expensive iron ore fines in the iron making process;
- Indonesia: a second metallic coating (capacity: 165,000 tonnes per annum) facility at Cilegon has been temporarily placed on hold, due to a concerted effort to reduce capital and weaker demand in Indonesia; and
- India: the metallic coating and painting facilities project in India, which form part of a 50/50 joint venture with Tata Steel, is planned for completion during 2010.

MATTERS SUBSEQUENT TO THE YEAR ENDED 30 JUNE 2009

The Company announced on 16 July 2009 that the No. 5 Blast Furnace at Port Kembla Steelworks will restart with the furnace to be blown-in towards the end of August 2009.

DIVIDENDS

BlueScope Steel paid a fully franked dividend for the year ended 30 June 2008 of 27 cents per share in October 2008 and a fully franked interim dividend of 5 cents per share in April 2009 to its shareholders.

On 5 May 2009, it was announced that the Directors did not believe it would be appropriate to propose a final dividend for the year ending 30 June 2009 and accordingly no dividend has been declared.

REVIEW AND RESULTS OF OPERATIONS

The BlueScope Steel Group comprises six business reporting segments: Coated & Industrial Products Australia, Australian Distribution & Solutions, New Zealand & Pacific Steel Products, Coated & Building Products Asia, Hot Rolled Products North America, and Coated & Building Products North America.

	REVENUES 2009 \$M	REVENUES 2008 \$M	RESULTS 2009 \$M	RESULTS 2008 \$M
Sales revenue/EBIT				
Coated & Industrial Products Australia	5,290.7	6,041.7	206.3	986.3
Australian Distribution & Solutions	2,120.7	2,201.8	(23.3)	45.3
New Zealand & Pacific Steel Products	694.9	724.8	65.1	92.7
Coated & Building Products Asia	1,542.8	1,569.9	(94.1)	(148.4)
Hot Rolled Products North America	0.0	0.0	(58.0)	105.2
Coated & Building Products North America	2,188.8	1,407.1	(93.2)	90.1
Discontinued operations	0.2	3.2	14.2	(3.0)
Segment revenue/EBIT	11,838.1	11,948.5	17.0	1,168.2
Inter-segment eliminations	(1,535.8)	(1,487.3)	126.4	(116.5)
Segment external revenue/EBIT	10,302.3	10,461.2	143.4	1,051.7
Other revenue/(net unallocated expenses)	26.6	33.8	(256.0)	(113.8)
Total revenue	10,328.9	10,495.0		
Profit / (loss) from ordinary activities before income tax			(113.4)	937.9
Income tax (expense) / benefit			46.6	(325.6)
Profit / (loss) from ordinary activities after income tax expense			(66.8)	612.3
Net (profit) / loss attributable to outside equity interest			0.4	(16.1)
Net (profit) / loss attributable to equity holders of BlueScope Steel			(66.4)	596.2
Earnings per share (cents)			(7.1)	66.2

The Company's revenue decreased \$166.1 million to \$10,328.9 million, primarily through lower domestic and export sales volumes and lower global hot rolled coil prices, particularly during the second half of the year ended 30 June 2009. These were partly offset by higher domestic selling prices across all reporting segments, principally during the first half of the year ended 30 June 2009, and a weaker average AUD.

Net profit after tax decreased \$662.6 million to a net loss after tax of \$66.4 million driven by higher raw material and steel feed costs, lower domestic and export sales volumes, higher per unit conversion costs driven by reduced production volumes, reduced spread at Northstar BlueScope Steel, higher inventory net realisable value provisions, lower global hot rolled coil prices, particularly during the second half of the year ended 30 June 2009, and profit on sale of the 19.9% shareholding in Smorgon Steel during the year ended 30 June 2008.

These were partly offset by higher domestic selling prices, principally during the first half of the year ended 30 June 2009, cost improvement initiatives, favourable exchange rate movements and lower asset impairment charges.

Coated & Industrial Products Australia

The earnings contribution from the Coated and Industrial Products Australia segment decreased significantly, primarily as a result of higher coal, iron ore and scrap costs, reduced domestic and export sales volumes due to substantial weakness in world steel demand, lower export hot rolled coil prices, particularly during the second half of the year ended 30 June 2009, higher per unit conversion costs driven by reduced production volumes and higher inventory net realisable value provisions for inventory destined for external export markets.

These were partly offset by higher domestic prices, weaker average AUD and cost reduction initiatives.

Australian Distribution & Solutions

The earnings contribution from the Australian Distribution & Solutions segment decreased markedly compared to the previous year's profit primarily due to higher steel feed costs, lower despatch volumes mainly due to depressed construction,

manufacturing and residential markets, and higher inventory net realisable value provisions relating to the rapid decline in prices for domestic commoditised products during the second half of the year ended 30 June 2009.

These were partly offset by higher domestic selling prices, principally during the first half of the year ended 30 June 2009, reduced overhead costs particularly during the second half of the year ended 30 June 2009 and one-off costs incurred during the prior comparative year relating to impairment of the Lysaght Home Improvements business, write-off of capitalised Movex costs and integration costs associated with the acquisition of Smorgon Steel's Distribution business and the related one-off impact of recognising intercompany profit eliminations in inventory.

New Zealand & Pacific Steel Products

The earnings contribution from the New Zealand & Pacific Steel Products segment decreased principally as a result of lower domestic volumes, higher per unit conversion costs driven by reduced production volumes, decreased contribution from vanadium recoveries due to weakening world demand and prices, write-off of feasibility costs previously capitalised on capital projects placed on hold and redemption of B class preference shares in Manukau International Limited (an investment vehicle of the New Zealand Steel Pension Fund which had previously been impaired) during the prior comparative year. These were partly offset by higher domestic prices and a favourable movement in the USD relative to the NZD.

Coated & Building Products Asia

The earnings contribution from the Coated & Building Products Asia segment improved as a result of lower asset impairment charges in China and Vietnam, higher domestic and export prices and favourable foreign exchange movements in Indonesia, Malaysia, Vietnam and Thailand. These were partly offset by higher steel feed costs and reduced domestic and export despatches.

Hot Rolled Products North America

The earnings contribution from the Hot Rolled Products North America segment was significantly lower mainly due to reduced spread at North Star BlueScope Steel driven by lower hot rolled coil prices combined with higher average scrap and pig iron prices, inventory net realisable value provisions due to the decline in hot rolled coil prices and higher priced pig iron on hand and lower despatch volumes.

Coated & Building Products North America

The earnings contribution from the Coated & Building Products North America segment decreased considerably primarily due to inventory net realisable value provisions arising from the decline in hot rolled coil prices and higher than normal inventory levels due to a build up prior to the No. 5 Blast Furnace Reline at Port Kembla, higher per unit conversion costs driven by reduced production volumes, lower sales volumes, reduced margins as raw material cost increases exceeded sale price increases, plant closure and rationalisation costs and redundancy costs associated with staff downsizing. These were partly offset by cost reduction initiatives and synergies associated with the acquisition of IMSA Steel Corp.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Proposed Australian Carbon Pollution Reduction Scheme

The Directors support the need to reduce global CO₂ emissions and will continue work to reduce the Company's CO₂ emissions. BlueScope Steel has a proven track record as an environmentally responsible Company, investing \$500 million on environmental improvements globally over the last 15 years.

However, the Directors have grave concerns about the current design of the Federal Government's proposed CPRS and the negative impact it would have on the world competitive Australian steel industry.

The Company strongly believes that the cumulative net cost impact of the proposed CPRS would be highly significant and material, and that it would severely damage our competitiveness, putting domestic investment, Australian jobs and the Australian steel industry at high risk.

The proposed CPRS scheme unfairly discriminates against the Australian steel industry relative to international competitors. Without comparable global action, the CPRS becomes a compounding tax on the Company - needlessly putting Australian steel jobs and investment at risk for no environmental benefit.

This is not a one-off tax. From the years ending 30 June 2012 to 30 June 2020, the cumulative net cost to BlueScope could be as much as \$500 million for Scope 1 and 2 emissions, and potentially up to \$1.4 billion if suppliers pass through all their carbon costs. This tax would prevent the Company investing in technology to reduce emissions, such as the Steelworks Co-generation Plant project at Port Kembla.

Importantly, the CPRS undermines Port Kembla Steelworks' current world class competitiveness. It risks the viability of these long-term manufacturing assets. It's a direct threat to this NSW regional economy and the 12,000 workers and their families who rely on the steelworks, and more than 1000 employees and contractors and their families at Western Port in Victoria.

The Company continues to negotiate with the Government to ensure the CPRS meets its stated policy objectives and does not impose a carbon price domestically which results in emissions and production transferring overseas for no environmental gain.

Three simple amendments to the CPRS are required:

1. Provide certainty that permit allocations will be maintained, while global competitors do not face comparable carbon costs.
2. Include hot rolled products ('HRP') in the activities which will receive permit allocation.
3. Provide assurance that Scope 3 coal costs will not be passed on to the steel industry.

Outlook

Improving global steel demand, pricing and economic conditions are encouraging, however we are currently expecting to deliver a small negative reported NPAT in the first half of the year ending 30 June 2010. The main drivers of this are:

- Combined No. 5 and No. 6 Blast Furnace operations at Port Kembla Steelworks will not reach targeted levels of 75% of rated capacity (equivalent to approximately 4mtpa slab-make) until September;
- The improved steel prices seen at the start of the year ending 30 June 2010 will not necessarily be achieved by BlueScope throughout the first quarter of the year ending 30 June 2010;
- The negative earnings impact of the stronger A\$ vs US\$; and
- No expectation of a marked improvement in our US businesses until the second half of the year ending 30 June 2010.

We are further increasing our cost reduction efforts to extend on the progress made in 2009 and will continue to limit capital spending. We will provide an update to the market at our AGM in November. While not changing we will move forward with an element of caution.

BOARD COMPOSITION

The following were Directors for the year ended 30 June 2009: Graham John Kraehe AO (Chairman), Ronald John McNeilly (Deputy Chairman), Diane Jennifer Grady AM, Daniel Bruno Grollo, Harry Kevin (Kevin) McCann AM, Paul Francis O'Malley (Managing Director and Chief Executive Officer) and Tan Yam Pin. Paul John Rizzo resigned as Director on 4 December 2008. Kenneth Alfred Dean was appointed as a Director on 21 April 2009.

It was with great regret that we learned Mr Doug Jukes, a recently appointed Non-Executive Director, died suddenly on 3 January 2009. Mr Jukes joined the Board on 20 October 2008 following a distinguished career with leading international firm KPMG. During his brief time at BlueScope Steel, Mr Jukes impressed the Company with his enthusiasm and professional approach to the role of Director and Chair of the Audit and Risk Committee. The Company's deepest condolences were conveyed to his wife and family.

Particulars of the skills, experience, expertise and special responsibilities of the Directors are set out below.

DIRECTORS' BIOGRAPHIES

Graham Kraehe AO, Chairman (Independent)

Age 66, 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. Chairman of Brambles Industries Limited since February 2008 and a Non-Executive Director since December 2000, Member of the Board of the Reserve Bank of Australia since February 2007, Djerriwarrh Investments Limited since July 2002 and Adviser to the Australasian Council of INSEAD. Mr Kraehe acted as a Non-Executive Director of National Australia Bank Limited from August 1997 to September 2005, as Chairman from February 2004 to September 2005, and was a Non-Executive Director of News Corporation Limited from January 2001 until April 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 66, 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 Group (now BHP Billiton), including Executive Director and President BHP Minerals, Chief Operating Officer and 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.

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.

Diane Grady AM, Non-Executive Director (Independent)

Age 61, BA (Hons), MA (Chinese Studies), MBA

Director since: May 2002

Director of Woolworths Ltd since July 1996 and Goodman Group from September 2007, Watty! Ltd from December 1994 until October 2006 and Senior Adviser to McKinsey & Co. Has served on the boards of a number of public and not-for-profit organisations including Lend Lease Corporation, Greengrocer.com (Chair), Sydney Opera House, Ascham School (current Chair) 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.

She is an 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 68, BA LLB (Hons), LLM

Director since: May 2002

Chairman of Origin Energy Limited since February 2000, the Sydney Harbour Federation Trust and the Corporate Governance Committee of the Australian Institute of Company Directors since May 2009. Lead independent director of Macquarie Bank Limited and Macquarie Group Limited. Acting Chairman of Macquarie Bank Limited and Macquarie Group Limited since 27 November 2008, due to conclude on 31 August 2009. A Member of the Takeovers Panel and the Council of the National Library of Australia.

Chairman of Healthscope Ltd from May 1994 to October 2008, Chairman of Triako Resources Limited from April 1999 until September 2006 and a Member of the Defence Procurement Advisory Board from March 2004 until March 2008 and has served on the Boards of Pioneer International Limited, Ampol Limited and the State Rail Authority of New South Wales.

Former Chairman of Partners of Allens Arthur Robinson, a national and international Australian law firm, and a partner of the firm from 1970 until June 2004, specialising in mergers and acquisitions, mineral and resources law and capital markets transactions. He brings extensive legal expertise, commercial experience as a director and former director of a number of major listed companies and experience in corporate governance to the Board.

Tan Yam Pin, Non-Executive Director (Independent)

Age 68, 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 Ltd. A member of the Public Service Commission of Singapore since 1990 and is a Director of the Board of Keppel Land Limited (Singapore), Singapore Post Limited, Great Eastern Holdings Limited and Leighton Asia Limited. Previously served as Chairman of

PowerSereya Limited (Singapore) from 2004 to 2009, as Director of Certis CISCO Security Pte. Ltd from 2005 to 2009, as Director of The East Asiatic Company Limited A/S (Denmark) from 2003 to 2006 and as Director of International Enterprise Singapore from 2004 to 2008.

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.

Daniel Grollo, Non-Executive Director (Independent)

Age 39

Director since: September 2006

Chief Executive Officer of Grocon Pty Ltd, Australia's largest privately owned development and construction company. He is a Director of the Green Building Council of Australia and a Director and National President of the Property Council of Australia. Mr Grollo was appointed a Director of CP1 Limited in June 2007.

He brings extensive knowledge of the building and construction industry to the Board.

Paul O'Malley, Managing Director and Chief Executive Officer

Age 45, BCom, M. App Finance, ACA

Director since: August 2007

Appointed Managing Director and CEO of BlueScope Steel on 1 November 2007.

Joined BlueScope Steel as its Chief Financial Officer in December 2005. Formerly the CEO of TXU Energy, a subsidiary of TXU Corp based in Dallas, Texas, and held other senior management roles within TXU including Senior Vice President and Principal Financial Officer and, based in Melbourne, Chief Financial Officer of TXU Australia. Before joining TXU, he worked in investment banking and consulting.

Ken Dean, Non-Executive Director (Independent)

Age 56, BCom (Hons), FCPA, MAICD

Director since: April 2009

Mr Dean has been a Director of Santos Limited since February 2005 and has held past directorships with Alcoa of Australia Limited, Woodside Petroleum Limited and Shell Australia Limited.

Mr Dean spent more than 30 years in a variety of senior management roles with Shell in Australia and the United Kingdom. His last position with Shell, which he held for five years, was as Chief Executive Officer of Shell Finance Services based in London. Upon his return to Australia in 2005, he was Chief Financial Officer of Alumina Limited, a position he recently resigned to focus on non-executive directorship roles.

He brings extensive international financial and commercial experience to the Board.

COMPANY SECRETARIES

Michael Barron Chief Legal Officer and Company Secretary, BEc, LLB, ACIS

Responsible for the legal affairs of BlueScope Steel and for Company Secretarial matters. Joined the Company as Chief Legal Officer and Company Secretary in January 2002. Prior to that was a member of the legal team at ICI Australia (now Orica) for 17 years including nine years as Group General Counsel.

Darren Mackenzie, BA, LLB (Hons)

Corporate counsel with BlueScope Steel. A lawyer with over 10 years experience in private practice and corporate roles.

Clayton McCormack, BCom, LLB

Corporate counsel with BlueScope Steel. A lawyer with over 10 years experience in private practice and corporate roles.

PARTICULARS OF DIRECTORS' INTERESTS IN SHARES AND OPTIONS OF BLUESCOPE STEEL LIMITED

As at the date of this report the interests at the Directors in shares and options of BlueScope Steel are:

Director	Ordinary shares	Share rights
Director - Current		
G J Kraehe	286,276	-
R J McNeilly	1,321,502	-
D J Grady	128,382	-
H K McCann	152,720	-
Y P Tan	157,116	-
D B Grollo	128,156	-
P F O'Malley	227,613	547,511
K A Dean	11,624	-
Director - Former		
P J Rizzo ¹	36,727	-
D K Jukes ¹	-	-

¹ Closing balance is at cessation of employment

MEETINGS OF DIRECTORS

The attendance of the current Directors at Board and Board Committee meetings from 1 July 2008 to 30 June 2009 is as follows:

	Board meetings		Audit & Risk Committee		Remuneration and Organisation Committee		Health, Safety and Environment Committee		Nomination Committee		Prospectus Due Diligence Committee		Other Sub-Committees	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
G J Kraehe	21	21	-	5 ¹	6	6	4	4	2	2	11	11	5	5
R J McNeilly	21	20 ³	5	5	6	6	4	4	2	2	-	-	3	3
D J Grady	21	19 ³	-	-	6	6	4	4	2	2	-	-	-	-
H K McCann	21	18 ³	5	5	-	-	4	4	2	2	-	7 ⁶	5	5
Y P Tan	21	19 ³	-	-	6	5	4	4	2	2	-	-	-	-
D B Grollo ⁴	21	19 ³	3	3	-	-	4	4	2	2	-	-	-	-
P F O'Malley	21	20 ⁵	-	4 ²	-	5 ²	4	3	-	1 ²	-	8 ⁶	4	4
K A Dean	10	8 ³	1	1	-	-	1	1	-	-	-	-	-	-
P J Rizzo	5	5	1	1	-	-	1	1	1	1	-	-	-	-
D K Jukes	6	6	1	1	-	-	1	1	-	-	-	-	2	2

All Directors have held office for the entire year ended 30 June 2009, with the exception of Mr Dean who became a Director on 21 April 2009, Mr Rizzo who resigned as a director on 4 December 2008 and Mr Jukes who was appointed as a Director on 20 October 2008 and ceased to be a Director on 3 January 2009.

A = number of meetings held during the period 1 July 2008 to 30 June 2009 during the time the Director was a member of the Board or the Committee, as the case may be.

B = number of meetings attended by the Director from 1 July 2008 to 30 June 2009.

1 The Chairman of the Board is not a Committee member and attends as part of his duties as Chairman.

2 The Chief Executive Officer is not a Committee member and attends by invitation as required.

3 All meetings not attended were unscheduled meetings.

4 Mr Grollo was appointed to the Audit & Risk Committee on 10 December 2008.

5 Mr O'Malley was granted a leave of absence from this meeting to progress the Company's December share placement.

6 Mr O'Malley and Mr McCann attended these meetings as invitees, not members of the Committee.

There were a number of unscheduled meetings held during the year. They are as follows:

Board meetings: 13

Audit & Risk Committee meetings: 1

The Non-Executive Directors have met once during the year ended 30 June 2009 (without the presence of management).

REMUNERATION REPORT (AUDITED)

Summary

BlueScope's remuneration strategy is designed to support the delivery of long-term shareholder returns while at the same time ensuring executive rewards in any year are in line with the financial results achieved for shareholders. As a company operating in a highly cyclical industry, company financial results can and do vary significantly from year to year, reflecting price, foreign exchange and volume variations on international markets.

The Board's objective in managing the Company's remuneration practices during the year ended 30 June 2009 has been to ensure that executive remuneration outcomes reflect Company performance and are aligned with the experience of shareholders.

The Remuneration and Organisation Committee (the Committee) oversees the Company's remuneration practices and policies on behalf of the Board. The Committee adheres to stringent corporate governance standards to ensure the delivery of remuneration outcomes are consistent with both Company performance and shareholder expectations. The Committee is comprised entirely of independent Non-Executive Directors.

In addition to its normal governance controls on executive remuneration, the Board has, with management support, introduced the following initiatives during the year ended 30 June 2009. These interventions are a direct response to the Company's current operating environment and address both the years ended 30 June 2009 and 30 June 2010:

- **Instituted a 12-month 'pay freeze' on fixed remuneration for all executives and senior managers for the year ending 30 June 2010;**
- **Determined that no awards would be paid under the STI Plan for the year ended 30 June 2009, notwithstanding that many employees will have achieved their non-financial targets during the year;**
- **Confirmed that for 2010, STI on non-financial measures will only be payable if there is a positive financial performance;**
- **Withheld the annual salary review for salaried employees which the Board may review in six months, depending on the outlook for trading conditions;**
- **Suspended the General Employee Share Plan under which almost 97% of eligible employees have become shareholders of the Company; and**
- **Resolved in November 2008 that there be no increase in Directors' fees for the year ended 30 June 2009. The base fee for both the Chairman and the Non-Executive Directors has not been increased since January 2006.**

These decisions reinforce the Board's commitment to ensuring that remuneration outcomes are aligned with performance, both in time of excellent results, as in the year ended 30 June 2008, but also in downturn years such as the year ended 30 June 2009.

In addition to the specific initiatives introduced by the Board to align our remuneration practices with company performance, the Company's policy regarding equity ownership by Non-Executive Directors and executives provides a meaningful alignment of interests with shareholders.

BlueScope's commitment to aligning the interests of its Directors and executives with shareholders is demonstrated by the requirement to build and retain a shareholding in the Company. The policy provides that:

- All Non-Executive Directors are required over time to build and maintain a shareholding equal to one year's total annual fees. Under the equity raising program in May 2009, each Non-Executive Director elected to apply for and acquire their full 'entitlement offer' of shares;
- The Managing Director and Chief Executive Officer and the Executive Leadership Team ('ELT') are required to build and hold a shareholding equal to 100% of their annual base pay; and
- All executives, a group of approximately 200 senior people, are required to build and hold a minimum of 50% of their annual base pay in company shares.

It is recognised that participation in the Long Term Incentive Plan will generate tax liabilities for executives. Accordingly, the policy permits executives to sell shares to pay those tax liabilities. Where the value of retained shares falls below the required holding level, as a result of the sale of shares, executives are required to rebuild the required holding levels from future vested share plan entitlements before sales of shares, for other reasons, can occur.

This requirement results in all Board members and ELT having significant personal financial exposure to the value of BlueScope Steel shares.

The Board welcomes the current public debate on executive remuneration, and has actively participated by making a submission to the Productivity Commission consistent with the need for the Company to manage remuneration in a manner that supports a competitive business.

Structure of this Report

1. Remuneration and Organisation Committee
2. Non-Executive Director Remuneration

3. Remuneration Policy and Structure
4. Relationship between Company Performance and Remuneration
5. Specific Remuneration Details

1 REMUNERATION AND ORGANISATION COMMITTEE

The Board oversees the BlueScope Steel Human Resources Strategy, both directly and through the Remuneration and Organisation Committee of the Board (the Committee). The Committee is comprised entirely of independent directors.

The members of the Committee during the year were:

Ms Diane Grady - Independent Director and Chairman of the Committee

Mr Graham Kraehe - Chairman of the Board and Committee Member

Mr Ron McNeilly - Deputy Chairman and Committee Member

Mr Tan Yam Pin - Independent Director and Committee Member

The purpose of the Committee as set out in its charter is "... to assist the Board in overseeing that the Company:

- Has a human resources strategy aligned to the overall business strategy, which supports 'Our Bond';
- Has coherent remuneration policies that are observed and that enable it to attract and retain executives and Directors who will create value for shareholders;
- Fairly and responsibly rewards executives having regard to the performance of the Company, the creation of value for shareholders, the performance of the executive and the external remuneration environment; and
- Plans and implements the development and succession of executive management."

The Committee has responsibility for remuneration strategy, policies and practices applicable to Non-Executive Directors, the Managing Director and Chief Executive Officer, senior managers and employees generally. The Committee focuses on the following activities in its decision making on the Company's remuneration arrangements:

- Approval of the terms of employment of the ELT including determination of the levels of remuneration of the members of the ELT;
- Ensuring there is a robust approach to performance management through approval of the STI objectives and assessment of performance of the members of the ELT as recommended by the Managing Director and Chief Executive Officer;
- All matters relating to the remuneration and performance of the Managing Director and Chief Executive Officer are approved by the full Board following consideration by the Committee. This includes level of remuneration, setting of STI objectives and evaluation of performance against financial and non-financial targets established by the Board;
- Approving all awards of equity to employees; and
- Ensuring the Company's remuneration policies and practices operate in accordance with good corporate governance standards including approval of the Remuneration Report and communications to shareholders on remuneration matters.

The Committee seeks input to its deliberations from the Managing Director and Chief Executive Officer and the Executive General Manager, People and Organisation Performance, who are invited to attend Committee meetings except where matters relating to their own remuneration are considered. In addition, advice is obtained by the Committee from external specialist remuneration advisors in a number of areas including:

- Remuneration benchmarking;
- Short-term incentives;
- Long-term incentives; and
- Contract terms.

The Company's approach to remuneration recognises that BlueScope Steel operates in a highly cyclical and competitive global environment and that the performance of the Company is affected by the quality of its people. This approach is set out below.

2 NON-EXECUTIVE DIRECTORS' REMUNERATION

Fees and payments to Non-Executive Directors reflect the demands that are made on, and the responsibilities of, the Directors. As part of a regular review, the Board seeks the advice of expert external remuneration consultants to ensure that fees and payments reflect the duties of Board Members and are in line with the market. The Chairman and the Deputy Chairman of the Board do not participate in any discussions relating to the determination of their own fees.

In accordance with good corporate governance expectations Non-Executive Directors do not receive share rights or other performance-based rewards. Non-Executive Directors are expected to accumulate over time a shareholding in the Company at least equivalent in value to their annual remuneration. Non-Executive Directors have been required to salary

sacrifice a minimum of 10% of their fees each year to acquire BlueScope Steel shares. The shares have been acquired on-market in the approved policy windows.

As a result of the changes to the taxation of employee share plans introduced by the Federal Government in this year's budget which make the ongoing operation of this plan impractical, the Board has resolved to cease operation of this plan with effect from 1 July 2009. Directors will continue to have the obligation to build a shareholding in the Company of at least one year's annual fees by acquiring shares with their personal resources over time.

In response to the current economic situation, the Board announced at the Company's Annual General Meeting in November 2008 that there would be no increase in Directors' fees on 1 January 2009. The last review of Non-Executive Directors' fees and payments resulted in a very limited change that applied to the Deputy Chairman's fees and Committee fees and was effective from 1 January 2008. The schedule of fees effective 1 January 2008 is as follows:

Role	Fees effective 1 Jan 2008
Chairman ¹	\$450,000
Deputy Chairman ¹	\$260,000
Non-Executive Director	\$150,000
Chairman of Audit and Risk Committee	\$35,000
Member of Audit and Risk Committee	\$18,000
Chairman of Remuneration and Organisation Committee	\$25,000
Member of Remuneration and Organisation Committee	\$13,000
Chairman of Health, Safety and Environment Committee	\$25,000
Member of Health, Safety and Environment Committee	\$13,000
Travel and Representation Allowance	\$20,000

¹ Additional fees are not payable to the Chairman and Deputy Chairman for membership of Committees

Non-Executive Directors' fees are determined with regard to the aggregate Directors' fee pool limit approved by shareholders. The maximum fee pool limit is currently \$2,925,000 per annum (inclusive of superannuation) as approved by shareholders at the Annual General Meeting in 2008 to assist with Board renewal. Total fees paid to Directors for the year ended 30 June 2009 amounted to \$1,729,712.

The changes in reported fees in the table in Section 5.1 arise as a result of the revision to Committee fees and the introduction of a Committee fee for membership of the Health, Safety and Environment Committee in the year ended 30 June 2008, to reflect the increased significance of the work of this Committee arising from the community focus on the environment. From time to time Non-Executive Directors are requested by the Board to undertake significant additional duties. The Board resolved to make a special payment of \$15,000 to Mr McCann in recognition of his extensive contribution and time commitment to the Prospectus Due Diligence Committee for the Rights Issue and debt refinancing in May 2009.

Compulsory superannuation contributions capped at \$14,461 per annum (commencing 1 July 2009) are paid on behalf of each Director. Compulsory superannuation contributions for the year ended 30 June 2009 were \$13,745 per annum. Non-Executive Directors do not receive any other retirement benefits.

3 REMUNERATION POLICY AND STRUCTURE

3.1 Key Principles

BlueScope Steel's remuneration and reward practices aim to attract, motivate and retain employees of the highest calibre, as well as supporting 'Our Bond' by rewarding performance through remuneration.

The Company's salaried remuneration framework is designed to:

- Link employee remuneration with the creation of a sustainable business and value for shareholders;
- Recognise and reward individual performance and accountability for key job goals;
- Provide distinguishable remuneration differences between levels; and
- Maintain a competitive remuneration level relative to the markets in which the Company operates.

The framework is built on an appropriate mix of base pay and variable pay comprising short-term incentives and long-term equity incentives.

The remuneration structure encourages a balanced approach to managing risk by:

- the requirement of the Board to approve the performance targets and the measurement of performance for the STI;
- the imposition of a cap of 150% on STI awards;

- the incorporation of a significant component of remuneration for achievement of longer term targets through the long term incentive plan; and
- the requirement for executives to build a sizable shareholding in the Company.

The Company has reviewed its remuneration strategies and outcomes against this framework to ensure that they remain appropriate in the current economic environment.

The Board retains discretion to alter remuneration to reflect Company performance as it did by its decisions in 2009.

3.2 Fixed Remuneration

Fixed remuneration is determined by reference to the scope and nature of each individual's role, performance, experience, work requirements and remuneration level for comparable roles in Australian companies of similar complexity, size and geographical spread. Market data is obtained from external sources to establish appropriate guidelines for comparable roles, with the goal to pay slightly above median. While remuneration reviews are usually conducted on an annual basis there are no guaranteed remuneration increases for executives and all increases are determined based on individual contribution and performance and must be approved by the Committee. **No increases will be paid for all executives and senior managers for the year ending 30 June 2010. Salary reviews for other salaried employees were withheld, which the Board may review in six months, subject to the Company's financial performance at that time.**

3.2.1 Superannuation

BlueScope Steel operates superannuation funds in Australia, New Zealand and North America for its employees. In these locations there are a combination of defined benefit and defined contribution type plans. The defined benefit schemes are closed to new members. Contributions are also made to other international retirement benefit plans for employees outside of Australia, New Zealand and North America.

3.2.2 Other Benefits

Additionally, executives are eligible to participate in an annual health assessment program designed to safeguard the Company against loss or long-term absence for health-related reasons. Employees engaged on international assignments are also provided with relocation benefits including housing, relocation costs and other living adjustments under the Company's international assignment policy.

3.3 Short Term Incentives (Variable Pay)

Most employees participate in an at risk component of remuneration in the form of a performance-related pay, or other variable pay scheme in which reward is at risk. All senior managers and many salaried employees participate in the Short Term Incentive Plan ('STI').

The STI is:

- An annual 'at risk' cash bonus scheme, which is structured to deliver total remuneration in the upper quartile for the respective market group when stretch performance is attained;
- STI awards are not an entitlement but rather the reward for overall Company results and the individual or team contribution to performance;
- The scheme is applied at the discretion of the Board, which has established rules and protocols to ensure that STI payments are aligned with the organisation and individual performance outcomes;
- Target STI levels are set having regard to appropriate levels in the market and range from 10% of base salary through to 80% at CEO level. These levels are reviewed annually. For outstanding results, participants may receive a further 50% of their target bonus amount;
- Goals are established for each participant under the following categories that are drawn from the 'Our Bond' charter:
 - Financial Measures – performance measures include Net Profit After Tax, Cash Flow, Return on Invested Capital, and Earnings Before Interest and Tax;
 - Zero Harm – safety and environment performance measures, including Lost Time Injury Frequency Rates, Medical Treatment Injury Frequency Rates and environmental measures;
 - Business Excellence – performance measures for the year ended 30 June 2009 were focused on operational targets such as delivery performance, days of inventory and quality measures; and
 - Strategy – implementation of specific longer-term strategic initiatives.

STI plans are developed using a balanced approach to financial measures and key performance indicator ('KPI') metrics. At the senior executive level, 60% of the STI award is based on financial measures with 40% based on KPI metrics. For other participants, 50% of the STI award is based on financial measures and 50% is based on KPI metrics.

Performance conditions, including threshold, target and stretch hurdles, are set for each plan and these conditions are assessed using quantified and verifiable measures or an assessment of value contribution. If the threshold level is not reached, no payment is made in respect of that goal. The Board retains the discretion to adjust any STI payments in exceptional circumstances, including determining that no award is due.

The Committee oversees the objective setting process and approves the targets and performance measures for all members of the Executive Leadership Team. The Board approves the targets and performance measures of the Managing Director and Chief Executive Officer.

In prior years Australian-based employees were able to elect to forgo some or all of their STI payment via salary sacrifice and be provided with BSL shares at market prices. Recent changes to the legislation surrounding taxation of employee share plans will result in the cessation of this arrangement.

For the year ended 30 June 2009, the Board has exercised its discretion that no STI payments under the scheme should be made. Furthermore, it determined that awards under the STI Plan for the year ending 30 June 2010 will be made only where the Company's financial results support payment of incentives to executives.

3.4 Equity-Based Opportunities

The Board gives consideration each year to the creation of opportunities for employees to become shareholders based on Company performance and other relevant factors. Shareholder approval is sought for any shares or share rights to be granted to the Managing Director and Chief Executive Officer.

3.4.1 General Employee Share Plan

The Company operates a General Employee Share Plan with more than 97% of eligible employees participating in the plan.

An offer under the plan has been made to eligible employees each year since 2003. The most recent plan was offered in September 2008.

The allocation of shares to employees under such schemes and the form of the offer is a matter for the Board determined on a year-by-year basis taking account of Company performance. **The Board has resolved that in the current operating environment that it is not appropriate to make an award for 2009.**

3.4.2 Long Term Incentive Plan

Awards of share rights are made to senior managers under the Long Term Incentive Plan ('LTIP'). The LTIP is designed to reward senior managers for long-term value creation. It is part of the Company's overall recognition and retention strategy having regard to the long-term incentives awarded to senior managers in the markets in which the Company operates.

The decision to make an award of share rights is made annually by the Board. Awards are based on a percentage of the relevant executive's Base Pay and individual performance including living 'Our Bond'.

The number of share rights awarded to participants is calculated on a conservative basis by using the share price, averaged over three months to 31 August ('face value'), rather than the accounting 'fair value' of the rights. **In the case of the 2008 Award, if the 'fair value' had been used, the Company would have issued more than double the number of rights than have been issued using the 'face value' methodology.**

Details of awards under the LTIP are set out below. In summary, the main features of the LTIP are as follows:

- Awards are generally made as share rights, being a right to acquire an ordinary share for no consideration on vesting;
- Vesting requires sustained performance over at least three years with a hurdle based on Total Shareholder Return ('TSR') relative to the TSR of the companies in the S&P/ASX 100 index at the award commencement date;
- The minimum ranking required for vesting being the 51st percentile against the peer group. Maximum vesting (100% of a participant's share rights) occurs at the 75th percentile or above;
- In view of the cyclical nature of the markets in which the Company operates, there is limited retesting of a maximum of four retests at six monthly intervals following the initial three-year performance period. This helps moderate short-term share price volatility that may arise due to a market view of future Hot Rolled Coil prices, which is not reflective of actual Company performance. At each retest period, shares only vest if they have reached the hurdles for the total period from the date of the initial grant;
- Unvested share rights lapse on resignation or termination for cause or at the expiry of the relevant performance period, whichever comes first; and
- 'Change of Control' conditions may result in early vesting provided the relevant performance hurdles are satisfied.
- The Board reserves the right to amend the terms of the LTIP for any legislative or regulatory changes.

SUMMARY TABLE OF LONG TERM INCENTIVE PLAN AWARDS					
	September 2004	September 2005	September 2006 ¹	September 2007 ¹	September 2008 ¹
Grant Date	31 August 2004 (The grant to the MD & CEO was subject to shareholder approval at the 2004 AGM)	18 November 2005 (The grant to the MD & CEO was subject to shareholder approval at the 2005 AGM)	18 November 2006 (The grant to the MD & CEO was subject to shareholder approval at the 2006 AGM)	5 November 2007 (all executives excluding MD & CEO) 14 November 2007 (MD & CEO)	28 November 2008 (The grant to the MD & CEO was subject to shareholder approval at the 2008 AGM)
Exercise Date	From 1 September 2007	From 1 September 2008	From 1 September 2009	From 1 September 2010	From 1 September 2011
Expiry Date	31 October 2009	31 October 2010	31 October 2011	31 October 2012	31 October 2013
Total Number of Share Rights Granted	2,306,400	1,938,100	2,310,950	1,934,845	2,248,246
Number of Participants at Grant Date	201	228	206	217	255
Number of Current Participants	4	7	187	207	253
Exercise Price	Nil	Nil	Nil	Nil	Nil
Fair Value Estimate at Grant Date	\$11,143,602	\$7,086,856	\$12,012,780	\$11,468,263	\$2,765,343
Fair Value per Share Right at Grant Date	\$5.14	\$3.89	\$5.53	\$6.37 (5 Nov 2007) \$6.42 (14 Nov 2007)	\$1.64
Share Rights Lapsed since Grant Date	426,464	411,780	408,638	206,456	71,615
<u>Vesting Schedule</u>					
TSR Hurdle - 75th-100th percentile	100%	100%	100%	100%	100%
TSR Hurdle - 51st-<75th percentile	A minimum of 52% plus a further 2% for each increased percentage ranking. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.				
TSR Hurdle - < 51st percentile	All Share Rights will be carried over for assessment at subsequent performance periods.				
Vesting Outcome 1st Performance Period	58.00%	100%	-	-	-
Vesting Outcome 2nd Performance Period	62.82%		-	-	-
Vesting Outcome 3rd Performance Period	100%		-	-	-
Vesting Outcome 4th Performance Period			-	-	-
Vesting Outcome 5th Performance Period			-	-	-

¹ These grants are within the first performance period and are yet to be tested.

3.4.3 Share Ownership Guidelines

Long-term equity incentives are specifically tied to Company performance as experienced by shareholders. Employees who participate in the LTIP are specifically excluded from selling, assigning, charging or mortgaging their share rights. It is BlueScope Steel policy, and it is stated in the terms of the awards, that the share rights are personal to the employee. Accordingly, **employees are specifically excluded from transferring any risk or benefit from the unvested share rights to any other party. So called 'cap and collar' transactions cannot be made in respect of BlueScope Steel share rights.** Employees are required to provide an annual confirmation that they are in compliance with this policy.

3.4.4 Special Share Retention Plan

The Board approves the use of special retention plans on an exceptional and targeted basis for specific people over a relatively short period of time. These types of arrangements are not used in lieu of performance-related remuneration.

On 1 September 2007, a number of senior executives were awarded shares in the Special Share Retention Plan. Invitations to participate in this plan were determined on the basis of:

- Rewarding specific key individuals whose contribution to the strong Company performance in the year ended 30 June 2007, and the successful Smorgon Distribution and IMSA acquisitions; and
- Retaining specific key individuals subsequent to the appointment of a new Managing Director and Chief Executive Officer and changes at the Executive Leadership Team level.

Shares awarded were subject to the following restrictions:

- Shares awarded are forfeited in the event of cessation of employment for any reason in the restricted period, excluding:
 - a fundamental change in the executive's role following a change of control; or
 - redundancy.
- Shares cannot be sold, mortgaged, transferred, or otherwise encumbered at any time in the restricted period; and
- The restriction period applies from the date of grant for a period of either 12 months or two years.

Shares granted under restriction for 12 months were released on 1 September 2008. Those granted under restriction for two years remain, and are due to be released on 1 September 2009.

The Board is satisfied that this plan was successful in achieving its reward and retention objectives.

4 RELATIONSHIP BETWEEN COMPANY PERFORMANCE AND REMUNERATION

The short-term and long-term incentive components of the remuneration strategy reward achievement against Company and individual performance measures over both the short-term and longer-term timeframes.

The graph below shows the Total Shareholder Return ('TSR') performance of BlueScope Steel compared to the performance of the S&P/ASX 100 for the seven-year period to 30 June 2009. The TSR Index for BlueScope Steel as at 30 June 2009 was 152.62 compared to 168.2 for the S&P/ASX 100.



The use of a relative TSR measure as the Company's performance hurdle for the Long Term Incentive Plan ensures that vesting of long-term incentives will only occur where the Company has delivered superior share price and dividend returns to shareholders over the performance period. Vesting can only occur where the Company outperforms against the companies in the S&P/ASX 100 index.

For existing unvested LTIP grants to vest, the Company's relative TSR performance over the remainder of the relevant performance periods will firstly need to recover its relative performance against the companies in the S&P/ASX 100 and then to outperform those companies in order to generate superior returns by reversing the decline in share price and dividend performance of recent times.

An analysis of other Company performance and performance-related remuneration data relating to the nominated senior corporate executives set out in Section 3 over the same period are set out below.

BlueScope Steel Performance Analysis

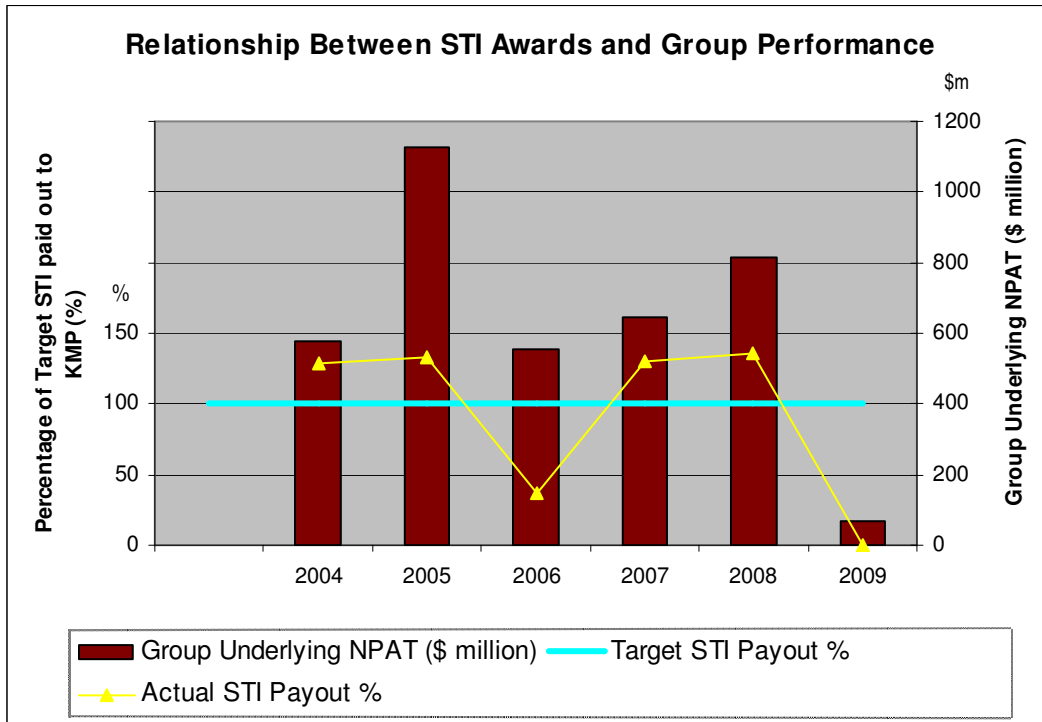
Measure	30 June 2004	30 June 2005	30 June 2006	30 June 2007	30 June 2008	30 June 2009	Change Increase from 30/6/04 to 30/6/09
Share Price	\$6.74	\$8.23	\$7.95	\$10.34	\$11.34	\$2.53	
Change in Share Price (\$)	\$3.02	\$1.49	-\$0.28	\$2.39	\$1.00	-\$8.81	-\$4.21
Change in Share Price (%)	81.2	22.1	-3.4	30.1	9.7	-77.7	-62.5
Dividend per Share:							
Ordinary (cents)	30	42	44	47	49	5	N/A
Special (cents)	10	20	0	0	0	0	N/A
Earnings per Share (cents) ¹	64.3	110.7	39.6	78.7	66.2	-7.1	N/A
REPORTED							
NPAT \$ million	\$584	\$982	\$338	\$686	\$596	-\$66	-\$650
% movement	-	68.2	-65.6	103.0	-13.1	-111.1	-111.3
EBIT \$ million	\$818	\$1,388	\$556	\$1,099	\$1,063	\$15	-\$803
% movement	-	69.7	-59.0	97.7	-3.3	-98.6	-98.2
EBITDA \$ million	\$1,105	\$1,696	\$850	\$1,423	\$1,420	\$380	-\$725
% movement	-	53.5	-49.9	67.4	-0.2	-73.2	-65.6
UNDERLYING							
NPAT \$ million	\$578	\$1,129	\$555	\$643	\$816	\$56	-\$522
% movement	-	95.3	-50.8	15.9	26.9	-93.1	-90.3
EBIT \$ million	\$822	\$1,559	\$840	\$1,057	\$1,273	\$171	-\$651
% movement	-	89.7	-46.1	25.8	20.5	-86.6	-79.2
EBITDA \$ million	\$1,109	\$1,856	\$1,127	\$1,374	\$1,630	\$536	-\$573
% movement	-	67.3	-39.3	21.9	18.7	-67.1	-51.7

Note: From 1 July 2004 financial information is based on Australian equivalents to International Financial Reporting Standards (AIFRS).

¹ Prior period earnings per share has been restated for the bonus element of the one for one share rights issue undertaken in May and June 2009 using a factor of 1.21.

4.1 Performance Related Remuneration Analysis

The short-term incentive component of the remuneration strategy rewards achievement against corporate and business unit financial targets and non-financial and strategic measures. In setting financial targets, the Board takes a number of factors into account, including market consensus on future earnings forecast movements in steel prices, exchange rate and other external factors likely to impact financial performance. This process supports the principle of aligning executive remuneration to delivery of superior business performance outcomes.



No short-term incentive payments were made for the year ended 30 June 2009. The graph above shows the actual STI outcomes against target for the Executive Leadership Team over the past five years overlaid against the changes to Group Underlying NPAT over the same period. This clearly illustrates the relationship between Company performance and awards made under the STI Plan and demonstrates that the STI awards payable to executives reflect the financial results for the year and overall Company performance.

The decision by the Board not to approve any payments under the STI Plan is consistent with overall financial performance delivered by the Company for the year ended 30 June 2009.

5 SPECIFIC REMUNERATION DETAILS

5.1 Key Management Personnel – Directors' Remuneration

Details of the audited remuneration for the year ended 30 June 2009 for each Non-Executive Director of BlueScope Steel are set out in the following table.

<u>Short-term employee benefits</u>						
Name	Year	Fees ¹	Non-monetary	Sub-Total	Post-employment benefits ²	Total
		\$	\$	\$	\$	\$
Directors - Current						
G J Kraehe	2009	450,000	14,413	464,413	13,745	478,158
	2008	450,000	9,130	459,130	13,129	472,259
R J McNeilly	2009	260,000	-	260,000	13,745	273,745
	2008	247,500	-	247,500	13,129	260,629
D J Grady	2009	188,000	-	188,000	13,745	201,745
	2008	179,000	-	179,000	13,129	192,129
H K McCann	2009	196,000	-	196,000	13,745	209,745
	2008	173,000	1,838	174,838	13,129	187,967
Y P Tan	2009	196,000	-	196,000	13,745	209,745
	2008	183,000	-	183,000	13,129	196,129
D B Grollo	2009	172,554	-	172,554	13,745	186,299
	2008	156,500	-	156,500	13,129	169,629
K A Dean ³	2009	30,631	-	30,631	2,326	32,957
	2008	-	-	-	-	-
Directors - Former						
P J Rizzo ⁴	2009	90,623	-	90,623	6,344	96,967
	2008	189,000	-	189,000	13,129	202,129
D K Jukes ^{3,4}	2009	37,443	-	37,443	2,908	40,351
	2008	-	-	-	-	-
Total 2009		1,621,251	14,413	1,635,664	94,048	1,729,712
Total 2008		1,578,000	10,968	1,588,968	91,903	1,680,871

¹ Increase in reported fees due to the full-year impact of changes made to Committee fees during prior year ended 30 June 2008 (1 January 2008).

² Post-employment benefits relate to superannuation arrangements.

³ Commenced as Director during the year. Amounts disclosed are for part year only.

⁴ Ceased as a Director during the year. Amounts disclosed are for part year only.

5.2 Key Management Personnel – Executives (including Managing Director and Chief Executive Officer's remuneration)

The Key Management Personnel of BlueScope Steel Limited are those members of the Executive Leadership Team ('ELT') who have the authority and responsibility for planning, directing and controlling the activities of the Company. These executives also represent the five most highly remunerated executives within the organisation.

The following table shows the current composition of the ELT, along with those executives who were members during the year (former members).

Key Management Personnel		
Current KMP	Position	Dates ELT position held during year ended 30 June 2009
P F O'Malley	Managing Director and Chief Executive Officer	1 July 2008 – 30 June 2009
N H Cornish	Chief Executive, Australian & New Zealand Steel Manufacturing Businesses	1 July 2008 – 30 June 2009
I R Cummin	Executive General Manager, People and Organisation Performance	1 July 2008 – 30 June 2009
M R Vassella	Chief Executive, Australian Distribution & Solutions President, North America	1 July 2008 – 31 July 2008 1 August 2008 – 30 June 2009
S R Elias	Chief Financial Officer	1 July 2008 – 30 June 2009
M G Barron	Chief Legal Officer and Company Secretary	1 July 2008 – 30 June 2009
P E O'Keefe	Chief Executive, Australian Coated & Industrial Markets	1 July 2008 – 30 June 2009
K A Mitchelhill	Chief Executive, Australian Distribution & Solutions	2 February 2009 – 30 June 2009
S Dayal	Chief Executive, Asia	5 January 2009 – 30 June 2009
Former KMP	Position	Date ELT position held during year ended 30 June 2009
B G Kruger	President, North America, Corporate Strategy & Innovation	1 July 2008 – 19 September 2008

The audited information contained in the following tables represent the annual remuneration for the year ended 30 June 2009 for the Key Management Personnel.

The aggregate remuneration of the Key Management Personnel of the Company is set out below:

	2009	2008
	\$	\$
Short-term employee benefits	8,578,288	9,892,850
Post-employment benefits	547,577	455,620
Other long-term benefits	243,320	227,061
Termination benefits	-	-
Share-based payments	1,987,549	2,807,976
Total	11,356,733	13,383,507

The remuneration of each member of the Key Management Personnel of the Company is set out in the following tables:

BlueScope Steel Limited
Directors' Report 2008/09

KMP REMUNERATION

Name	Year	Short-term employee benefits					Sub-total	Post-employment benefits ³	Other long-term employee benefits ⁴	Termination benefits	Share-based payments		Total	% of remuneration that is performance related ¹⁴
		Salary and fees	Movement in annual leave provision ¹	Bonus	Non-monetary	Other ²					Shares and units	Options and rights		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	
Executive Director														
P F O'Malley ⁵	2009	1,666,667	-10,178	0	60,878	183,333	1,900,700	50,000	47,986	-	168,000	621,586	2,788,272	22.3
	2008	1,508,654	105,021	1,689,692	1,764	130,700	3,435,831	77,954	75,444	-	189,549	397,663	4,176,441	50.0
KMP executives - current														
N H Cornish	2009	743,750	-74,918	0	-	-	668,832	89,250	58,362	-	59,974	281,529	1,157,947	24.3
	2008	691,666	-66,353	551,250	17,231	-	1,193,794	71,933	53,126	-	298,870	271,203	1,888,926	43.5
M R Vassella ^{6,7}	2009	723,333	26,114	0	889,009	51,267	1,689,723	50,000	51,443	-	253,020	92,451	2,136,637	4.3
	2008	638,461	-32,941	486,144	-	27,415	1,119,079	52,191	14,093	-	217,050	51,517	1,453,930	37.0
P E O'Keefe ⁷	2009	546,875	8,890	0	-	26,563	582,328	50,000	15,028	-	-	74,819	722,175	10.4
	2008	343,269	500	351,900	-	-	695,669	48,058	8,039	-	-	42,260	794,026	49.6
I R Cummin	2009	550,334	-13,026	0	-	-	537,308	77,047	18,607	-	44,552	211,972	889,486	23.8
	2008	516,667	-24,191	486,800	1,764	-	981,040	72,369	14,612	-	222,018	210,447	1,500,486	46.5
M G Barron ⁷	2009	550,334	7,284	0	-	-	557,618	77,047	19,963	-	-	74,296	728,924	10.2
	2008	340,000	-13,505	443,040	1,764	-	771,299	47,600	7,960	-	-	41,857	868,716	55.8
S R Elias ⁷	2009	637,500	7,164	0	-	39,250	683,914	50,000	16,841	-	-	85,781	836,536	10.3
	2008	184,615	13,998	150,090	-	-	348,703	16,615	4,549	-	-	23,840	393,707	44.2
S Dayal ^{8, 8, 9}	2009	693,000	20,934	0	167,335	-	881,269	44,100	7,639	-	7,810	9,107	949,925	1.0
	2008	-	-	-	-	-	-	-	-	-	-	-	-	-
K A Mitchelhill ^{8, 9, 10}	2009	842,167	22,923	0	42,756	-	907,846	42,583	7,451	-	8,154	9,319	975,353	1.0
	2008	-	-	-	-	-	-	-	-	-	-	-	-	-
KMP executives - former														
B G Kruger ^{11, 12, 13}	2009	168,750	-	-	-	-	168,750	17,550	-	-	115,664	-130,485	171,479	-
	2008	662,500	34,989	614,250	35,696	-	1,347,435	68,900	49,238	-	576,393	265,309	2,307,275	38.1
Total 2009		7,122,710	-4,813	-	1,159,978	300,413	8,578,288	547,577	243,320	-	657,174	1,330,375	11,356,733	
Total 2008		4,885,832	17,518	4,773,166	58,219	158,115	9,892,850	455,620	227,061	-	1,503,880	1,304,096	13,383,507	

¹ Negative movement in annual leave provision indicates leave taken during the year exceeded leave accrued. The reduction in annual leave balances has been a key intervention during the year ended 30 June 2009 to reduce employment costs, with members of the ELT setting an example.

² Due to changes in the superannuation legislation resulting in maximum contribution levels, members of the Defined Contribution Division can elect to receive a proportion of their superannuation as a cash allowance.

³ Post-employment benefits relate to superannuation arrangements. There are no other post-employment benefits.

⁴ This shows movement in long service leave benefits during the year.

⁵ Non-monetary includes spouse travel expenses for attendance at business events.

⁶ Non-monetary includes benefits provided under the Company's international assignment policy, e.g. relocation costs, accommodation, tax equalisation and medical coverage.

⁷ KMP appointed to ELT during year ended 30 June 2008. Amounts disclosed for year ended 30 June 2008 are for part year only.

⁸ KMP appointed to ELT during year ended 30 June 2009. Amounts disclosed for year ended 30 June 2009 are for part year only.

⁹ Disclosed amounts include negotiated sign-on arrangements.

¹⁰ Non-monetary includes relocation expenses.

¹¹ Annual leave and long service leave provisions reduced to zero as a result of payout of entitlements on cessation of employment.

¹² Negative movement in options and rights value is due to lapsing of all unvested share rights holdings on cessation of employment.

¹³ Resigned during the year ended 30 June 2009. Amounts disclosed are for part year only.

¹⁴ No performance-related bonuses were paid for the year ended 30 June 2009. This has the effect of reducing both the amount of total pay and the amount and % of remuneration that is performance-related relative to prior years.

KMP REMUNERATION – 'LIKE FOR LIKE ANALYSIS'

The following table provides a comparison of the remuneration of those KMP employed by the Company for at least six months in the year ended 30 June 2008 and for the full year ended 30 June 2009, on the basis that they were KMP for the entire period. This table shows a 'like to like' comparison of the annualised remuneration paid, which reduced from \$11,425,156 for year ended 30 June 2008 to \$7,534,432 for year ended 30 June 2009, a reduction of 34%.

Name	Year	Short-term employee benefits					Sub-total	Share-based payments					Total	% of remuneration that is performance related ⁸	
		Salary and fees	Movement in annual leave provision ¹	Bonus	Non-monetary	Other ²		Post-employment benefits ³	Other long-term employee benefits ⁴	Termination benefits	Shares and units	Options and rights			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Executive Director															
P F O'Malley ⁵	2009	1,666,667	-10,178	0	60,878	183,333	1,900,700	50,000	47,986	-	168,000	621,586	2,788,272	22.3	
	2008	1,600,000	105,021	1,792,000	1,764	174,000	3,672,785	50,000	75,444	-	189,549	397,663	4,385,441	49.9	
KMP executives - current															
N H Cornish	2009	743,750	-74,918	0	-	-	668,832	89,250	58,362	-	59,974	281,529	1,157,947	24.3	
	2008	691,666	-66,353	551,250	17,231	-	1,193,794	71,933	53,126	-	298,870	271,203	1,888,926	43.5	
M R Vassella ^{6,7}	2009	723,333	26,114	0	-	51,267	800,714	50,000	51,443	-	253,020	92,451	1,247,628	7.4	
	2008	700,000	-32,941	486,144	-	39,600	1,192,803	50,000	14,093	-	217,050	51,517	1,525,463	35.2	
P E O'Keefe ⁷	2009	546,875	8,890	0	-	26,563	582,328	50,000	15,028	-	-	74,819	722,175	10.4	
	2008	525,000	500	401,625	-	23,500	950,625	50,000	8,039	-	-	42,260	1,050,924	42.2	
I R Cummin	2009	550,334	-13,026	0	-	-	537,308	77,047	18,607	-	44,552	211,972	889,486	23.8	
	2008	516,667	-24,191	486,800	1,764	-	981,040	72,369	14,612	-	222,018	210,447	1,500,486	46.5	
M G Barron ⁷	2009	550,334	7,284	0	-	-	557,618	77,047	19,963	-	-	74,296	728,924	10.2	
	2008	520,000	-13,505	443,040	1,764	-	951,299	72,800	7,960	-	-	41,857	1,073,916	45.2	
Total 2009		4,781,293	-55,834	-	60,878	261,163	5,047,500	393,344	211,389		525,546	1,356,653	7,534,432		
Total 2008		4,553,333	-31,469	4,160,859	22,523	237,100	8,942,346	367,103	173,274		927,487	1,014,947	11,425,156		

¹ Negative movement in annual leave provision indicates leave taken during the year exceeded leave accrued. The reduction in annual leave balances has been a key intervention during the year ended 30 June 2009 to reduce employment costs, with members of the ELT setting an example.

² Due to changes in the superannuation legislation resulting in maximum contribution levels, members of the Defined Contribution Division can elect to receive a proportion of their superannuation as a cash allowance.

³ Post-employment benefits relate to superannuation arrangements. There are no other post-employment benefits.

⁴ This shows movement in long service leave benefits during the year.

⁵ Non-monetary includes spouse travel expenses for attendance at business events.

⁶ Non-monetary benefits provided under the Company's international assignment policy have been excluded from this table.

⁷ KMP appointed to ELT during the year ended 30 June 2008. Amounts disclosed for the year ended 30 June 2008 have been annualised for full year.

⁸ No performance-related bonuses were paid for the year ended 30 June 2009. This has the effect of reducing both the amount of total pay and the amount and % of remuneration that is performance-related relative to prior years.

5.3 Cash Bonuses

During the year ended 30 June 2009, no performance-related cash bonuses were paid to Key Management Personnel ('KMP') as disclosed in the table below under the Company's Short Term Incentive Plan (described in Section 3.3).

Eligibility to receive a bonus is subject to the terms and conditions of the plan, including a minimum of six months performance during the plan year and that employment during the period is not terminated for resignation or performance-related reasons.

Each KMP's performance is measured against an agreed scorecard that contains both financial and non-financial KPIs. This process is further described at Section 3.3.

Under the Company's Short Term Incentive Plan each KMP can earn between 0% and 150% of the STI target award. The table below shows the STI opportunity, actual percentage outcome achieved and percentage forfeited for the year ended 30 June 2009. **This table illustrates that no bonuses were paid to KMP for the year ended 30 June 2009.**

KMP	Target of annual base pay	Actual STI as a % of maximum STI for year ended 30 June 2009	% of maximum STI forfeited for year ended 30 June 2009
	%	%	%
Executive Director			
P F O'Malley	80	0	100
KMP executives - current			
N H Cornish	60	0	100
M R Vassella	60	0	100
P E O'Keefe	60	0	100
I R Cummin	60	0	100
M G Barron	60	0	100
S R Elias	60	0	100
S Dayal	60	0	100
K A Mitchelhill	60	0	100
KMP executives - former			
B G Kruger	60	0	100

5.4 Share Rights Holdings

Share Rights granted, exercised and forfeited by the Key Management Personnel during the year ended 30 June 2009 were as follows:

VALUE OF SHARE RIGHTS HOLDINGS

Name	Remuneration consisting of share rights ¹	Value of share rights granted during the year at grant date ²	Value of share rights exercised during the year ³	Value of share rights at lapse date, that lapsed during the year ⁴	Total value of share rights granted, exercised and lapsed during the year
	%	\$	\$	\$	\$
Executive Director					
P F O'Malley	14	404,027	198,390	-	602,417
KMP executives - current					
N H Cornish	8	93,405	291,261	-	384,666
M R Vassella	4	91,853	-	-	91,853
P E O'Keefe	9	68,424	-	-	68,424
I R Cummin	8	69,064	224,015	-	293,078
M G Barron	9	69,064	221,114	-	290,177
S R Elias	10	80,060	-	-	80,060
S Dayal	8	74,456	-	-	74,456
K A Mitchelhill	9	90,610	-	-	90,610
KMP executives - former					
B G Kruger	-	-	290,898	675,705	966,603

¹ This figure is calculated on the value of share rights awarded in the year ended 30 June 2009 as a percentage of the total value of all remuneration received in that same year.

² External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of share rights awarded in the year ended 30 June 2009. The valuation has been made using the Black-Scholes Option Pricing Model (BSM), which includes a Monte Carlo simulation analysis.

³ External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of share rights for the September 2004 and 2005 awards that were exercised in the year ended 30 June 2009.

⁴ External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of share rights that lapsed in the year ended 30 June 2009.

The remaining unvested portion of the Share Rights under the September 2004 Award vested at the 100% level when tested after the 3rd performance period ended on 31 August 2008.

The Share Rights awarded to executives under the September 2005 Award vested at the 100% level when tested after the 1st performance period ended on 31 August 2008.

Details of the audited Share Rights holdings for year ended 30 June 2009 for the Key Management Personnel are set out in the following table. Refer to the Summary Table of Long Term Incentive Plan Awards (section 3.4.2) for details with respect to fair values, exercise price and key dates.

Share Rights holdings for the year ended 30 June 2009

2009	Balance at 30 June 2008	Granted in year ended 30 June 2009	Exercised in year ended 30 June 2009 ¹	Lapsed in year ended 30 June 2009	Balance at 30 June 2009	Vested and not yet exercised in year ended 30 June 2009	Unvested at 30 June 2009	Total Share Rights vested in year ended 30 June 2009
Executive Director								
P F O'Malley	352,153	246,358	(51,000)	-	547,511	-	547,511	51,000
KMP executives - current								
N H Cornish	190,900	56,954	(69,044)	-	178,810	-	178,810	69,044
M R Vassella	47,320	56,008	-	-	103,328	-	103,328	-
P E O'Keefe	50,317	41,722	-	-	92,039	-	92,039	-
I R Cummin	144,952	42,112	(52,605)	-	134,459	-	134,459	52,605
M G Barron	139,966	42,112	(51,919)	-	130,159	-	130,159	51,919
S R Elias	44,362	48,817	-	-	93,179	-	93,179	-
S Dayal ³	-	45,400	-	-	45,400	-	45,400	-
K A Mitchelhill ³	-	55,250	-	-	55,250	-	55,250	-
KMP executives - former								
B G Kruger ²	182,949	-	(68,341)	(114,608)	-	-	-	68,341

¹ The number of shares issued is equal to the number of rights exercised and no amount was paid or remains unpaid for each share issued.

² Balance is at date of cessation of employment.

³ Appointed to ELT during year.

Share Rights holdings for the year ended 30 June 2008

	Balance at 30 June 2007	Granted in year ended 30 June 2008	Exercised in year ended 30 June 2008 ¹	Lapsed in year ended 30 June 2008	Balance at 30 June 2008	Vested and not yet exercised in year ended 30 June 2008	Unvested at 30 June 2008	Total Share Rights vested in year ended 30 June 2008
2008								
Executive Director								
P F O'Malley	121,100	231,053	-	-	352,153	-	352,153	-
KMP executives - current								
N H Cornish	169,800	51,756	(30,656)	-	190,900	-	190,900	30,656
M R Vassella	-	47,320	-	-	47,320	-	47,320	-
P E O'Keefe ²	11,500	38,817	-	-	50,317	-	50,317	-
I R Cummin	132,700	38,447	(26,195)	-	144,952	-	144,952	26,195
M G Barron ²	127,400	38,447	(25,881)	-	139,966	-	139,966	25,881
S R Elias	-	44,362	-	-	44,362	-	44,362	-
S Dayal	-	-	-	-	-	-	-	-
K A Mitchelhill	-	-	-	-	-	-	-	-
KMP executives - former								
B G Kruger	189,107	49,908	(56,066)	-	182,949	-	182,949	33,859

¹ The number of shares issued is equal to the number of rights exercised and no amount was paid or remains unpaid for each share issued.

² All holdings for these KMP were granted prior to their appointment to ELT.

The table below sets out the details of each specific share right tranche and awards granted and vested during the year ended 30 June 2009 for KMP.

Share Rights Award Summary

2009	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2009	% forfeited in year ended 30 June 2009	Share Rights yet to vest	Financial year in which awards may vest	Value of Share Rights not vested 30 June 2009 ¹	
							\$ Min	\$ Max
Executive Director								
P F O'Malley	51,000	18-Nov-05	100	-	-	2009	-	-
	70,100	18-Nov-06	-	-	70,100	2010	-	387,653
	231,053	14-Nov-07	-	-	231,053	2011	-	1,483,360
	246,358	28-Nov-08	-	-	246,358	2012	-	404,027
KMP executives - current								
N H Cornish	48,800	31-Aug-04	37	-	-	2009	-	-
	50,900	18-Nov-05	100	-	-	2009	-	-
	70,100	18-Nov-06	-	-	70,100	2010	-	387,653
	51,756	05-Nov-07	-	-	51,756	2011	-	329,686
	56,954	28-Nov-08	-	-	56,954	2012	-	93,405
M R Vassella	47,320	05-Nov-07	-	-	47,320	2011	-	301,428
	56,008	28-Nov-08	-	-	56,008	2012	-	91,853
P E O'Keefe ²	11,500	18-Nov-06	-	-	11,500	2010	-	63,595
	38,817	05-Nov-07	-	-	38,817	2011	-	247,264
	41,722	28-Nov-08	-	-	41,722	2012	-	68,424
I R Cummin	41,700	31-Aug-04	37	-	-	2009	-	-
	37,100	18-Nov-05	100	-	-	2009	-	-
	53,900	18-Nov-06	-	-	53,900	2010	-	298,067
	38,447	05-Nov-07	-	-	38,447	2011	-	244,907
	42,112	28-Nov-08	-	-	42,112	2012	-	69,064
M G Barron ³	41,200	31-Aug-04	37	-	-	2009	-	-
	36,600	18-Nov-05	100	-	-	2009	-	-
	49,600	18-Nov-06	-	-	49,600	2010	-	274,288
	38,447	05-Nov-07	-	-	38,447	2011	-	244,907
	42,112	28-Nov-08	-	-	42,112	2012	-	69,064
S R Elias	44,362	05-Nov-07	-	-	44,362	2011	-	282,586
	48,817	28-Nov-08	-	-	48,817	2012	-	80,060

S Dayal	45,400	28-Nov-08	-	-	45,400	2012	-	74,456
K A Mitchelhill	55,250	28-Nov-08	-	-	55,250	2012	-	90,610
KMP executives - former								
B G Kruger ⁴	53,900	31-Aug-04	37	-	-	2009	-	-
	48,300	18-Nov-05	100	-	-	2009	-	-
	64,700	18-Nov-06	-	100	-	2010	-	-
	49,908	05-Nov-07	-	100	-	2011	-	-

¹ External valuation advice from PricewaterhouseCoopers Securities Ltd has been used to determine the value of Share Rights held by KMP at 30 June 2009.

² Award granted 2006 prior to appointment to ELT.

³ Awards granted 2004, 2005 and 2006 prior to appointment to ELT.

⁴ Balance is as at cessation of employment.

5.5 Shares Awarded as Remuneration

In the year ended 30 June 2008 a number of senior executives were awarded shares under the Special Share Retention Plan (refer section 3.4.4 of this report). Some of those shares vested in the year ended 30 June 2009. In the year ended 30 June 2009 shares awarded as remuneration relate to shares granted on appointment. Details of these awards to KMP are contained in the following table.

Share Award Summary

2009	Number of Shares awarded	Date of grant	% vested in year ended 30 June 2009	% forfeited in year ended 30 June 2009	Shares yet to vest	Financial year in which awards may vest	Value of Shares not vested 30 June 2009 ¹	
							\$ Min	\$ Max
Executive Director								
P F O'Malley	15,000	06-Aug-07	-	-	15,000	2011	-	159,600
	17,000	06-Aug-07	-	-	17,000	2012	-	180,880
	18,000	06-Aug-07	-	-	18,000	2013	-	191,520
KMP executives - current								
N H Cornish	35,000	01-Sep-07	100	-	-	2009	-	-
M R Vassella	25,000	03-Aug-07	-	-	25,000	2011	-	266,000
	32,000	01-Sep-07	-	-	32,000	2010	-	328,000
P E O'Keefe ²	10,000	01-Sep-07	100	-	-	2009	-	-
I R Cummin	26,000	01-Sep-07	100	-	-	2009	-	-
M G Barron ²	26,000	01-Sep-07	100	-	-	2009	-	-
S R Elias	-		-	-	-	-	-	-
S Dayal ³	20,000	10-Mar-09	-	-	20,000	2012	-	48,200
K A Mitchelhill ³	25,000	27-Feb-09	-	-	25,000	2012	-	59,500
KMP executives - former								
B G Kruger ⁴	67,500	01-Sep-07	100	-	-	2009	-	-

¹ Share price at grant date has been used to determine the value of Shares held by KMP at 30 June 2009.

² Award granted prior to appointment to ELT.

³ Granted on appointment to BSL.

⁴ Balance for these KMP is as at cessation of employment.

5.6 Share Holdings in BlueScope Steel Limited

The following table details the shares held by Directors and Key Management Personnel as well as any related-party interests in BlueScope Steel Limited as at 30 June 2009 or cessation of employment as noted.

It should also be noted that each Non-Executive Director elected to apply for and acquire their full 'entitlement offer' of shares under the equity raising initiative undertaken by the Company in May 2009.

SHARE HOLDINGS¹ IN BLUESCOPE STEEL LIMITED

Director or KMP	Ordinary shares held as at 30 June 2009	Ordinary shares held as at 30 June 2008
Non-Executive Directors – current		
G J Kraehe	286,276	135,330
R J McNeilly	1,321,502	548,425
D J Grady	128,382	53,942
H K McCann	152,720	51,340
Y P Tan	157,116	47,922
D B Grollo	128,156	17,150
K A Dean ²	11,624	763
Non-Executive Directors – former		
P J Rizzo ³	36,727	35,497
D K Jukes ^{2,3}	-	-
Executive Director		
P F O'Malley	227,613	80,000
KMP executives – current		
N H Cornish	68,584	114,415
M R Vassella	57,303	57,144
P E O'Keefe	15,303	10,144
I R Cummin	338,292	233,287
M G Barron	191,924	196,584
S R Elias	-	-
S Dayal ⁴	20,000	-
K A Mitchelhill ⁴	77,666	1,900
KMP executives – former		
B G Kruger ³	179,047	110,547

¹ Including related-party interests.

² Opening balance is as at appointment to Board.

³ Closing balance is as at cessation of employment.

⁴ Opening balance is as at appointment to ELT.

5.7 Managing Director and Chief Executive Officer – Outline of Employment Contract

Paul O'Malley was appointed to the position of Managing Director and Chief Executive Officer effective from 1 November 2007.

Mr O'Malley's current annual base pay is \$1,680,000 effective from 1 September 2008. This amount is reviewed annually in accordance with the Board's senior executive salary review policy. In addition, Mr O'Malley is eligible to participate in the Short Term Incentive Plan and, subject to shareholder approval, Long Term Incentive Plan awards.

No annual review or STI payment will be made to Mr O'Malley for the year ended 30 June 2009.

Upon appointment Mr O'Malley was provided with 50,000 BlueScope Steel Limited shares (purchased on-market) to be held subject to certain restrictions. Some or all of these shares will be forfeited by Mr O'Malley if his employment with BlueScope Steel is terminated within the restriction period specified, other than as a result of fundamental change in his employment terms.

The employment of Mr O'Malley may be terminated in the following circumstances:

- **by notice:** on six months' notice by either party. If BlueScope Steel terminates Mr O'Malley's employment by notice, it may provide payment in lieu of notice and must make an additional payment of 12 months' annual base pay.
- **with cause:** immediate termination by BlueScope Steel if, among other things, Mr O'Malley wilfully breaches his Service Contract, is convicted of various offences for which he can be imprisoned or is disqualified from managing a corporation, or engages in conduct which is likely to adversely impact the reputation of BlueScope Steel. In this circumstance, Mr O'Malley will be entitled to his annual base pay up to the date of termination.
- **illness or disablement:** BlueScope Steel may terminate Mr O'Malley's employment if he becomes incapacitated by physical or mental illness, accident or any other circumstances beyond his control for an accumulated period of six months in any 12-month period and, in this circumstance, will make payment of six months' notice based on annual base pay.
- **fundamental change:** Mr O'Malley may resign if a fundamental change in his employment terms occurs and within three months of the fundamental change Mr O'Malley gives notice to BlueScope Steel. In this event, the Company will provide Mr O'Malley with six months' notice, or a payment in lieu of that notice, and a termination payment of 12 months' annual base pay.

The rules governing the Company's Long Term Incentive Plan and Short Term Incentive Plan will apply to his LTIP and STI awards on termination of his employment, including the STI and LTIP rules which provide that STI and LTIP awards will be forfeited if Mr O'Malley's employment is terminated for cause. Provision has also been made for early vesting (subject to testing) of LTIP awards on a change of control.

Mr O'Malley is subject to a 12-month non-compete restriction after his employment ceases with BlueScope Steel. Mr O'Malley cannot solicit or entice away from BlueScope Steel any supplier, customer or employee or participate in a business that competes with BlueScope Steel during the 12-month period.

5.8 Other Key Management Personnel

Remuneration and other terms of employment for the disclosed Key Management Personnel are formalised in employment contracts that can be terminated with notice. Each of these agreements provide for an annual review of annual base pay, provision of performance-related cash bonuses, other benefits, including annual health assessment, and participation, when eligible, in the Long Term Incentive Plan. The contracts provide for notice of six months for resignation by the executive or termination by the Company. In the event of termination by the Company other than for cause, a termination payment of 12 months' pay or the Company Redundancy Policy, whichever is the greater, will apply.

No annual review or STI payment will be made to Key Management Personnel for the year ended 30 June 2009.

Agreements are also in place for Key Management Personnel detailing the approach the Company will take with respect to payment of their termination payments and with respect to exercising its discretion on the vesting of share rights in the event of a 'Change of Control' of the organisation.

ENVIRONMENTAL REGULATION

BlueScope Steel's Health, Safety, Environment and Community ('HSEC') Policy provides the foundation for the way in which the environment is managed at all levels of the organisation. The BlueScope Steel Environment Principles, Expectations and Standards detail the requirements for Implementation of the policy throughout the business.

An environment compliance system is in operation across the business to promote compliance with all relevant laws.

In addition to our compliance obligations, BlueScope Steel has undertaken a range of initiatives that focus on five main areas: reducing greenhouse gas emissions; reducing pollution to land, air and water; reducing waste to landfill; optimisation of material reuse; and recycling and conserving energy and fresh water. We are working with government bodies in Australia and New Zealand with respect to greenhouse gas management.

BlueScope Steel notified relevant authorities of 51 statutory non-compliances with environmental regulations during the year ended 30 June 2009. During the year BlueScope Steel received three fines totalling \$26,264. Phu My, Vietnam site received a fine for \$450 related to segregation of wastes. Steelscape Rancho Cucamonga, North America received a combined fine for \$7,814 relating to the 2003-2006 Air Permit and for a 2008 NOx credit limit exceedance. Steelscape Kalama, North America received a fine of \$18,000 for an incident relating to the quality of its water discharge.

INDEMNIFICATION AND INSURANCE OF OFFICERS

BlueScope Steel has entered into directors' and officers' insurance policies and paid an insurance premium in respect of the insurance policies, to the extent permitted by the *Corporations Act 2001*. The insurance policies cover former Directors of BlueScope Steel along with the current Directors of BlueScope Steel (listed on page 2). Executive officers and employees of BlueScope Steel and its related bodies corporate are also covered.

In accordance with Rule 21 of its Constitution, BlueScope Steel to the maximum extent permitted by law:

- must indemnify any current or former Director or Secretary; and
- may indemnify current or former executive officers,

of BlueScope Steel or any of its subsidiaries, against all liabilities (and certain legal costs) incurred in those capacities to a person, including a liability incurred as a result of appointment or nomination by BlueScope Steel or its subsidiaries as a trustee or as a director, officer or employee of another corporation.

The current Directors of BlueScope Steel have each entered into an Access, Insurance and Indemnity Deed with BlueScope Steel. The Deed addresses the matters set out in Rule 21 of the Constitution and includes, among other things, provisions requiring BlueScope Steel to indemnify a Director to the extent to which they are not already indemnified as permitted under law, and to use its best endeavours to maintain an insurance policy covering a Director while they are in office and seven years after ceasing to be a Director.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contract, as (in accordance with normal commercial practice) such disclosure is prohibited under the terms of the contract.

PROCEEDINGS ON BEHALF OF BLUESCOPE STEEL

As at the date of this report, there are no leave applications or proceedings brought on behalf of BlueScope Steel under section 237 of the *Corporations Act 2001*.

ROUNDING OF AMOUNTS

BlueScope Steel is a company of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars.

AUDITOR

Ernst & Young was appointed as auditor for BlueScope Steel at the 2002 Annual General Meeting.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Auditor's Independence Declaration for the year ended 30 June 2009 has been received from Ernst & Young. This is set out at page 36 of the Directors' Report. Ernst & Young provided the following non-audit services during the year ended 30 June 2009:

- \$438,331: country specific taxation compliance services in North America, New Zealand and across Asia;
- \$289,000: greenhouse gas related assurance services; and
- \$380,000: equity raising related assurance services.

The Directors are satisfied that the provision of these non-audit services is compatible with the general standard of independence for auditors in accordance with the *Corporations Act 2001*. The nature, value and scope of each type of non-audit service provided is considered by the Directors not to have compromised auditor independence.

This report is made in accordance with a resolution of the Directors.



G J KRAEHE AO
Chairman



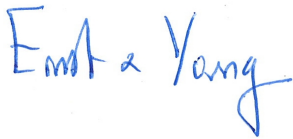
P F O'MALLEY
Managing Director and Chief Executive Officer

Melbourne

14 August 2009

Auditor's Independence Declaration to the Directors of BlueScope Steel Limited

In relation to our audit of the financial report of BlueScope Steel Limited for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'B R Meehan'.

B R Meehan
Partner
14 August 2009

CORPORATE GOVERNANCE STATEMENT

Introduction

As a global organisation with businesses operating in many countries, the BlueScope Steel 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 (2nd edition) ('ASX Principles and Recommendations').

The Company complies with each of the recommendations in the ASX Principles and Recommendations. A summary of BlueScope Steel'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 financial, safety, business excellence and strategic goals, and adherence to the Company's values as expressed in 'Our Bond'. All senior executives participated in a performance evaluation on this basis during the year ended 30 June 2009.

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 7 to 8 set out the qualifications, expertise and experience of each Director in office at the date of this 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 business or other relationship that could, or could reasonably be perceived to, materially 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 '[Directors Independence Policy](#)'.

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 pages 9 and 10.

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

The Board completed an internal review of its effectiveness in August 2009 involving distribution of a questionnaire to Directors and relevant 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.

The Nomination Committee has reviewed the performance of Directors seeking election and endorses their candidature.

Principle 3 – Promote ethical and responsible decision making

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 Steel 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. Information relating to the policy is available on the [Company's website](#).

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 pages 9 and 10 of this Directors' Report. The qualifications of the members are set out on pages 7 to 8.

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.

Information relating to 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 we communicate with our 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 Steel 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 11 to 33) 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 pages 9 and 10.

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 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 'Responsibilities' – 'Corporate Governance' section of the website.