

BlueScope Steel Limited

ABN 16 000 011 058

Directors' Report for the year ended 30 June 2010

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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 11 November 2010

Registered Office

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Fax: +61 3 9666 4111
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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 2010

The Directors of BlueScope Steel Limited ('BlueScope Steel') present their report on the consolidated entity ('BlueScope Steel Group' or 'the Company') consisting of BlueScope Steel Limited and its controlled entities for the year ended 30 June 2010.

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:

The reline of its No.5 Blast Furnace (one of two at Port Kembla Steelworks). The Company completed the reline of its No. 5 Blast Furnace which was blown-in during August 2009.

Sinter plant upgrade at Port Kembla Steelworks. The sinter plant upgrade at Port Kembla steelworks coincided with the reline of the No. 5 Blast Furnace and has been brought up to a rate consistent with the requirements of the blast furnace operations. The project increased 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.

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:

- Indonesia: a second metallic coating facility (capacity: 165,000 tonnes per annum) with in-line painting at Cilegon, which was temporarily placed on hold during the year ended 30 June 2009, received Board approval to recommence construction and is now planned for completion during 2011; and
- India: the metallic coating and painting facilities project in India, which forms part of a 50/50 joint venture with Tata Steel, is planned for completion during 2011.

MATTERS SUBSEQUENT TO THE YEAR ENDED 30 JUNE 2010

There were no material matters subsequent to the year ended 30 June 2010. .

DIVIDENDS

In view of the financial performance of the Company in the second half of the year ended 30 June 2009 and the half year ended 31 December 2009 the Directors' determined not to pay any dividends during the year ended 30 June 2010.

On 13 August 2010, the Directors' determined to pay a final fully franked dividend of 5 cents per share, which is to be paid to shareholders on 20 October 2010 (record date 24 September 2010).

REVIEW AND RESULTS OF OPERATIONS

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

BlueScope Steel Limited
Directors' Report

	REVENUES 2010 \$M	REVENUES 2009 \$M	EARNINGS 2010 \$M	EARNINGS 2009 \$M
Sales revenue/EBIT				
Coated & Industrial Products Australia	4,744.5	5,290.7	84.3	206.3
Australian Distribution & Solutions	1,761.6	2,120.7	11.9	(23.3)
New Zealand & Pacific Steel Products	618.1	694.9	72.9	65.1
Coated & Building Products Asia	1,348.6	1,542.8	115.6	(94.1)
Hot Rolled Products North America	0.0	0.0	60.7	(58.0)
Coated & Building Products North America	1,306.8	2,188.8	(21.3)	(93.2)
Discontinued operations	0.7	0.2	7.0	14.2
Segment revenue/EBIT	9,780.3	11,838.1	331.1	17.0
Inter-segment eliminations	(1,182.3)	(1,535.8)	(19.8)	126.4
Segment external revenue/EBIT	8,598.0	10,302.3	311.3	143.4
Other revenue/(net unallocated expenses)	25.8	26.6	(71.2)	(128.3)
Total revenue/EBIT	8,623.8	10,328.9	240.1	15.1
Net borrowing costs			(103.2)	(128.5)
Profit/(loss) from ordinary activities before income tax			136.9	(113.4)
Income tax (expense)/benefit			2.6	46.6
Profit/(loss) from ordinary activities after income tax expense			139.5	(66.8)
Net (profit)/loss attributable to outside equity interest			(13.5)	0.4
Net (profit)/loss attributable to equity holders of BlueScope Steel			126.0	(66.4)
Earnings per share (cents)			6.9	(7.1)

Underlying earnings

The reported earnings includes the following unusual and non-recurring items:

	EBIT		NPAT		EPS	
	2010	2009	2010	2009	2010	2009
Reported earnings	240.1	15.1	126.0	(66.4)	6.9	(7.1)
Unusual or non-recurring events:						
Net (gains)/losses from businesses discontinued	(7.0)	(14.7)	(6.0)	(13.0)	(0.3)	(1.4)
Asset impairment	-	36.0	-	36.0	-	3.8
Restructure and redundancy costs	30.6	110.4	21.0	77.4	1.2	8.3
Profit on Sale and Leaseback of Properties	(12.6)	-	(8.8)	-	(0.5)	-
Integration costs associated with IMSA Steel Corp	-	3.5	-	2.4	-	0.3
Write off of feasibility costs on capital projects	-	22.0	-	15.0	-	1.6
New Zealand tax adjustment	-	-	(21.5)	-	(1.2)	-
Business Development costs	3.7	-	2.6	-	0.1	-
Western Port fire	-	10.2	-	7.1	-	0.8
Other	-	(11.1)	-	(2.2)	-	(0.2)
Underlying earnings	254.8	171.4	113.3	56.3	6.2	6.1

Group Review

Given the unprecedented circumstances in the year ended 30 June 2009 and the challenging business environment in the year ended 30 June 2010, we are pleased with the improvement in our overall business performance.

We delivered an outstanding improvement in our Asian businesses, including record profits in China, Indonesia, Malaysia and Vietnam. We also achieved a significant reduction in the Company's permanent cost base. Also encouraging was increasing

demand in Australia, strong export sales and good earnings results both in New Zealand and at North Star BlueScope Steel, our steelmaking joint venture in the United States.

We have been successful in maintaining conservative gearing (held at around 11%, net debt over net debt plus equity) and a strong liquidity position (held at \$1.6B of undrawn debt and cash). Our target gearing has been reassessed and we believe a range of 25% to 30%, down from the range of 30% to 35%, to be appropriate for a business operating in a cyclical industry whilst seeking to maintain strong investment grade metrics.

Importantly for shareholders, the Directors have decided to reinstate dividend payments. This decision reflects our view of the financial performance of the business post the Global Financial Crisis, the medium to long-term outlook for the Company and the global steel industry, and improved conditions in economies where we operate.

During the year ended 30 June 2010 earnings improved as the year progressed.

First Half - Net underlying loss after tax of \$53.2M

First Quarter: Low global demand, continuing from the previous year, resulted in a first quarter loss. The Company operated below capacity with only No.6 Blast Furnace operating at 100%, whilst No. 5 was ramping up after being restarted in August 2009, at the Port Kembla Steelworks. Additionally, there was a carry-over of higher priced raw materials inventory from the second half of the previous year.

Second Quarter: On the back of improving global demand, the company returned to near full production capacity by early October, following the successful re-line and ramp up of the No.5 Blast Furnace. To support full production, a strong sales campaign resulted in improved volumes in Australia and Asia. We also saw a marked increase in capacity utilisation rates at the North Star BlueScope operations. Allied to this, a material reduction in cost base enabled the Company to deliver better margins and a return to profit.

Second Half - Net underlying profit after tax of \$166.5M

Third Quarter: Reinvigorated sales, including improved domestic and export sales from the Coated & Industrial Products Australia (CIPA) segment, improved export sales volumes from New Zealand Steel and improved net sales volumes in Asia, contributed to a positive result.

Fourth Quarter: More than two thirds of the half year result was delivered in this quarter reflecting the culmination of the hard work done earlier in the year. Collectively, the lower cost base, improved sales and better spreads (export HRC prices increased by 20-25% in Q4 vs. Q3) drove this much stronger final quarter result.

A highlight for the year was our greatly improved performance in Asia, the future growth corridor of the world, with \$115.6M underlying EBIT for the year versus a loss of \$21.0M in previous year. A new leadership team is driving our product offering and sales strategy. This, combined with a significant reduction in costs, particularly from streamlining manufacturing operations and a leaner back-office structure, underpinned the turnaround. We increased domestic sales volumes, and margins improved. Our Thailand business continued to be impacted by political instability and higher imports. Elsewhere, our second coating line (with in-line painting) development in Indonesia remains on schedule for completion in early calendar year 2011.

In Australia, our CIPA segment finished the year positively having increased despatch volumes with an improved sales mix. Underlying EBIT was \$107.6M for the year and \$187.5M in the second half. External export despatches increased 42% in the second half (compared to the first half), and improved prices in the fourth quarter enhanced margins. We also saw second half domestic demand improve by 11% on average across our core sectors. Despite this, our Distribution business struggled in a very competitive market segment with volumes and margins flat in the second half.

Our New Zealand & Pacific Steel Products segment delivered another solid underlying EBIT result of \$72.9M, of which \$51.6M was achieved in the second half. Domestic sales, to the manufacturing end-use sector in particular, increased notably in this half. The team also achieved increased export margins and despatch volumes.

In North America, the North Star BlueScope mini mill delivered a significantly improved result. Earnings from our Hot Rolled Products North America segment improved to \$60.7M (profit), over a \$58.0M loss in the prior year. The North Star team continued to produce quality products and achieve excellent delivery performance to customers. This delivered volume improvements through the year and, along with better margins, contributed to the turnaround in the second half. However, in our Coated & Building Products segment the Buildings business struggled due to continued weakness in the non-residential construction market. This was partly offset by improved performance from our Steelscape coated business, with improved sales volumes but softer margins.

Significant work has been completed in the rationalisation of the integrated Buildings businesses in the U.S. (including design, manufacturing and delivery networks) and we are confident this will deliver better results when overall market conditions improve, given our very competitive cost structure and market offers.

Turning to safety, our goal remains Zero Harm. Tragically, in March, an operator working at our Vietnam coating facility sustained a fatal injury. Following this tragedy, safety sessions were held across the entire organisation. It is only through the combined efforts and contributions of everyone that we can achieve our goal of Zero Harm.

On environment matters, we continued our focus on reducing the environmental footprint of our major manufacturing facilities, and improving our environment systems. The Company has developed eight Greenhouse Gas Policy Principles, which form the basis for responding to proposed GHG regulations. Central to our position is that such regulations must not undermine the international competitiveness of the Company's major operations. We are taking further significant steps to cut water use in our Australian operations, with a recycled water project currently under construction at the Western Port plant that will reduce its freshwater consumption by 65 per cent.

Segment Results

Coated & Industrial Products Australia

The earnings contribution from the Coated and Industrial Products Australia segment decreased significantly, primarily as a result of lower domestic selling prices across all commoditised products, lower export hot rolled coil and slab prices and a stronger Australian dollar.

These were partly offset by lower coal, iron ore and scrap costs, cost reduction initiatives, higher domestic and export despatch volumes combined with lower per unit conversion costs arising from the increased production volumes, lower inventory net realisable value provisions.

Australia Distribution & Solutions

The earnings contribution from the Australian Distribution & Solutions segment increased compared to the previous year's loss primarily due to lower steel feed costs, cost reduction initiatives and inventory net realisable value provisions taken during the prior comparative period. These were partly offset by lower domestic selling prices.

New Zealand & Pacific Steel Products

The earnings contribution from the New Zealand & Pacific Steel Products segment increased principally as a result of higher domestic despatch volumes and shipments of Taharoa iron sands, cost reduction initiatives, one-off costs incurred during the prior comparative year relating to the write-off of feasibility costs previously capitalised on capital projects placed on hold and lower inventory net realisable value provisions. These were partly offset by lower domestic and export selling prices and an unfavourable movement in the US dollar relative to the NZ dollar.

Coated & Building Products Asia

The earnings contribution from the Coated & Building Products Asia segment improved significantly compared to the prior year loss as a result of higher sales volumes, lower steel feed costs, cost reduction initiatives and one-off costs incurred during the prior comparative year relating to asset impairment charges and internal restructuring costs. These were partly offset by lower domestic and export prices and unfavourable foreign exchange movements in China, Thailand and Malaysia.

Hot Rolled Products North America

The earnings contribution from the Hot Rolled Products North America segment increased significantly compared to the previous year's loss primarily due to higher despatch volumes, lower per unit conversion costs driven by the increased volumes, cost reduction initiatives and inventory net realisable value provisions taken during the comparative period. These were partly offset by reduced spread at North Star BlueScope Steel driven by lower hot rolled coil prices partly offset by lower average scrap and pig iron prices.

Coated & Building Products North America

The earnings contribution from the Coated & Building Products North America segment increased primarily due to cost reduction initiatives and lower inventory net realisable value provisions. These were partly offset by lower sales volumes and unfavourable exchange rate translation movements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Steel Industry

In the second half of June 2010, global steel prices fell in response to reduced demand and concern about increased exports from China. A prompt response from global steel producers to reduce production and continued supply discipline in China, have contributed to steel prices stabilising in the mid-US\$600's/tonne as at mid August. Global capacity utilisation is currently around 80% (or around 75% ex-China). We need to see a return to mid-80% capacity utilisation (including China) to achieve a sustained improvement in the steel pricing environment.

Other major global steel influences are the continued high cost of raw materials and concern about a slowing Chinese economy, due to credit tightening and softer demand. The Chinese Government is taking the appropriate action to move their economy back to a more sustainable growth path. Our businesses in China continue to see robust physical activity through their order books.

Strategy

We recently undertook a review of our strategy to position us for growth, following the end of the Global Financial Crisis. Building on the strategy detailed in our November 2007 'Blueprint', the review reinforced our focus on:

1. reinvigorating our Australian and New Zealand businesses;
2. continuing the turnaround and improvement process across our Asian and North American businesses; and
3. growing, or acquiring, new businesses that build on our distinct competitive advantage:

The review also concluded that we should broaden our strategic activities to include three additional core elements. These are to:

- expand participation in our existing building and construction markets, better leveraging our current product base including custom engineered buildings, insulated panels, quality coated products and light-weight steel structures;
- invest into large, high growth regions leveraging our product capability, especially through our Butler and Varco Pruden brands; and
- evaluate raw material opportunities that reduce our raw material cost base through the cycle.

We will, of course, continue to pursue the fundamentals of maximum asset utilisation, structural cost reductions and management to strict financial targets – both with regard to the operation of our existing business and in our expansion and growth initiatives.

Outlook

In the first half of the ended 30 June 2011 we expect continued strong performance from our Asian businesses and the ongoing benefit of permanent cost reductions. However, in the first quarter we currently see:

- significant spread contraction (recent fall in export steel prices by more than USD100/tonne, coupled with higher raw material costs),
- softer demand where customers, particularly distributors, buy less during periods of price pessimism,
- continued demand weakness in the U.S.; and
- an ongoing drag due to the strong A\$ vs. US\$.

We are seeing a modest real-time increase in export steel prices in our region for second quarter delivery.

Overall, we are planning for significantly improved market conditions over the medium to long term, despite short term concerns. Over the last couple of years we have strengthened the balance sheet and improved the effectiveness of the global BlueScope operations, both in terms of reduced cost base and improved productivity. The strategic imperative now is to increase market penetration in our footprint to enable our company to profitably capitalise on improving market conditions and grow our presence in global building and construction markets.

BOARD COMPOSITION

The following were Directors for the year ended 30 June 2010: Graham John Kraehe AO (Chairman), Ronald John McNeilly (Deputy Chairman), Diane Jennifer Grady AM, Daniel Bruno Grollo, Harry Kevin (Kevin) McCann AM, Kenneth Alfred Dean, Paul Francis O'Malley (Managing Director and Chief Executive Officer) and Tan Yam Pin.

Particulars of the skills, experience, expertise and special responsibilities of the Directors are set out on the next page.

DIRECTORS' BIOGRAPHIES

Graham Kraehe AO, Chairman (Independent)

Age 67, 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, Member of the Board of Governors of CEDA and a Director of European Australian Business Council. Mr Kraehe was a Non-Executive Director of National Australia Bank Limited from August 1997 to September 2005 and 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 67, 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 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 until December 2009. Chairman of Melbourne Business School Limited until May 2010.

Diane Grady AM, Non-Executive Director (Independent)

Age 62, BA (Hons), MA (Chinese Studies), MBA

Director since: May 2002

Director of Woolworths Ltd since July 1996 and Goodman Group from September 2007, Wattyl 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 Trust, 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.

Diane 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 69, BA LLB (Hons), LL.M, FAICD

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. Director of the Sydney Harbour Conservancy, Member of the Board and NSW President of the Australian Institute of Company Directors, Member of the Council of the National Library of Australia, the Evans and Partners Advisory Board and the University of Sydney Senate.

Chairman of Healthscope Ltd from May 1994 to October 2008, Chairman of Triako Resources Limited from April 1999 until September 2006, Member of the Takeovers Panel from 2001 to March 2010, 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. Acting Chairman of Macquarie Bank Limited and Macquarie Group Limited from November 2008 to August 2009.

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 69, 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 a Director of the Board of Keppel Land Limited (Singapore), Singapore Post Limited, Great Eastern Holdings Limited, Leighton Asia Limited and The Lee Kuan Yew Scholarship Fund. Mr Tan previously served as Chairman of PowerSeraya 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, as Director of International Enterprise Singapore from 2004 to 2008 and as a Director of Singapore Food Industries Ltd from 2005 - 2009.

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 40

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 46, BCom, M. App Finance, ACA

Director since: August 2007

Appointed Managing Director and Chief Executive Officer 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 57, BCom (Hons), FCPA, FAICD

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 from which he resigned in 2009 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 occupied position of Group General Counsel for Orica.

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 of 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	-
P F O'Malley	227,613	1,477,511
D J Grady	128,382	-
H K McCann	152,720	-
Y P Tan	157,116	-
D B Grollo	128,156	-
K A Dean	26,624	-

MEETINGS OF DIRECTORS

The attendance of the current Directors at Board and Board Committee meetings from 1 July 2009 to 30 June 2010 is as follows:

	Board meetings		Audit and Risk Committee		Remuneration and Organisation Committee		Health, Safety and Environment Committee		Nomination Committee		Other Sub-Committees	
	A	B	A	B	A	B	A	B	A	B	A	B
G J Kraehe	11	11	-	4 ¹	6	6	4	4	2	2	3	3
R J McNeilly	11	11	4	4	6	6	4	4	2	2	1	1
P F O'Malley	11	11	-	4 ²	-	6 ²	4	4	-	2 ²	3	3
D J Grady	11	9 ³	-	-	6	6	4	4	2	2	-	-
H K McCann	11	11	4	4	-	-	4	4	2	2	-	-
Y P Tan	11	10	-	-	6	6	4	4	2	2	-	-
D B Grollo	11	11	4	4	-	1	4	4	2	2	-	-
K A Dean	11	11	4	4	-	1	4	4	2	2	1	1

All Directors have held office for the entire year ended 30 June 2010.

A = number of meetings held during the period 1 July 2009 to 30 June 2010 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 2009 to 30 June 2010.

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.

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

Board meetings: 3

The Non-Executive Directors have met once during the year ended 30 June 2010 (without the presence of management). Non-Executive Directors meetings are chaired by the Chairman of the Board.

REMUNERATION SUMMARY (UNAUDITED)

BlueScope's remuneration strategy is designed to support the delivery of long-term shareholder returns and to ensure executive rewards reflect achievements during the year. As a company in a highly cyclical industry, financial results vary significantly from year to year, reflecting factors such as price and spread, foreign exchange and volume variations on international markets. It is important that the remuneration policy enables the Company to retain and motivate its executive talent to manage through these cycles.

Key remuneration decisions during the year

In the past year the Board has, with management support, remained focussed on ensuring remuneration practices reflect the current operating environment, are consistent with good governance practices and take account of the potential risks to the Company. Key decisions taken by the Board include:

- **Freezing fixed remuneration for all executives and managers for the year ended 30 June 2010;**
- **Declining to pay Short Term Incentive (STI) plan bonuses for the year ended 30 June 2009, notwithstanding that many employees achieved their non-financial targets during the year;**
- **Awarding moderate STI bonuses for the year ended 30 June 2010 for significant achievements in responding to the challenges of the global financial crisis;**
- **Freezing Directors' fees for the year ended 30 June 2009 and 30 June 2010. The base fee for both the Chairman and Non-Executive Directors has not been increased since January 2006;**
- **Deferring the annual salary review for salaried employees until January 2010; and**
- **Determining there would be no vesting of the 2006 Long Term Incentive Plan Award.**

The following table shows the remuneration actually earned by each member of the Executive Leadership Team during FY2010 with comparatives for FY2009. The amounts required under accounting disclosures are disclosed at page 23.

Name	Year	Base Pay	Superannuation ¹	Total Fixed Pay	STI Awarded ³	LTIP Vested ⁴	Total
		\$	\$	\$	\$	\$	\$
Executive Director							
P F O'Malley	2010	1,680,000	235,200	1,915,200	806,400	-	2,721,600
	2009	1,666,667	233,333	1,900,000	-	411,947	2,311,947
KMP executives - current							
N H Cornish ⁴	2010	752,500	105,350	857,850	302,505	-	1,160,355
	2009	743,750	104,125	847,875	-	549,790	1,397,665
M R Vassella ⁵	2010	725,792	101,611	827,403	310,800	-	1,138,203
	2009	723,333	101,267	824,600	-	-	824,600
P E O'Keefe	2010	551,250	77,175	628,425	198,450	-	826,875
	2009	546,875	76,563	623,438	-	-	623,438
I R Cummin	2010	556,400	77,896	634,296	221,336	-	855,632
	2009	550,334	77,047	627,381	-	429,357	1,056,738
M G Barron	2010	556,400	77,896	634,296	221,336	-	855,632
	2009	550,334	77,047	627,381	-	413,426	1,040,807
S R Elias	2010	645,000	90,300	735,300	256,581	-	991,881
	2009	637,500	89,250	726,750	-	-	726,750
S Dayal ⁶	2010	630,000	88,200	718,200	378,000	-	1,096,200
	2009	630,000	88,200	718,200	-	-	718,200
KA Mitchelhill ^{6,7}	2010	718,769	100,628	819,397	306,600	-	1,125,997
	2009	740,000	103,600	843,600	-	-	843,600
Total 2010		6,816,111	954,256	7,770,367	3,002,008	-	10,772,375
Total 2009		6,788,793	950,431	7,739,224	-	1,804,520	9,543,744

¹ Superannuation entitlement of 14% of Annual Base Pay. KMP may have elected to have received some of this amount as a cash allowance. Superannuation Guarantee obligations will have been met to remit amount to a complying superannuation fund.

² No performance related bonuses were paid in the year ended 30 June 2009.

³ Share Rights vested and exercised during the year ended 30 June 2009 are valued at market value on date of exercise.

⁴ Mr Cornish is a member of the Defined Benefit Division of the BlueScope Steel Superannuation Fund. Amounts disclosed are notionally 14% of Base Pay.

⁵ Mr Vassella took a short period of leave without pay during the year ended 30 June 2010. This had the effect of reducing his Base Pay for the period.

⁶ Base Pay for 2009 has been annualised at the rate upon appointment.

⁷ Mr Mitchelhill took a short period of Leave Without Pay during the year ended 30 June 2010. This had the effect of reducing his Base Pay for the period.

Specific comments in relation to amounts included in the table are:

Base Pay has not been increased since 1 September 2008.

No STI payments for FY2009 substantially reduced Total Remuneration earned for that period from prior years. The decision to award STI payments for FY2010 has seen remuneration levels for FY2010 increase on FY2009. However, STI payments are moderate and at less than 50% of the maximum available opportunity.

Importantly, the Board's decision, with the support of management, to withhold payments under the STI Plan for FY2009, even though many participants had achieved their non-financial objectives, was evidence of the strong desire to align the experience of management with that of shareholders. Excellent performance of management in delivering on a range of initiatives to improve the Company's financial position in FY2010 has resulted in the approval of payments under the STI Plan. These included cost savings of \$526 million, balance sheet and liquidity improvement initiatives, the successful reline of Blast Furnace No5, and improved Asian segment performance.

No LTI vesting for KMP under the LTI Plan during FY2010 even though awards made in 2006 were tested on two occasions during the year. At both times, the performance did not meet the hurdle and therefore the award did not vest. This is consistent with the general performance of the Company and its share price. The last vesting occurred in September 2008 (FY 2009) in respect of awards under the 2004 and 2005 LTI Plans. LTI Plans will continue to be tested in accordance with the Terms of Issue.

BlueScope shareholding Policy

We believe the shareholding policy clearly demonstrates the personal commitment of all Directors and executives to align their interests with those of all shareholders.

- All Non-Executive Directors are required to build over time and maintain a shareholding equal to one year's total annual fees;
- 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 from participation in the Long Term Incentive Plan, net of tax obligations; and
- All other 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.

This policy results in this group having significant personal financial exposure to the value of BlueScope Steel shares.

Stringent corporate governance standards

The Remuneration and Organisation Committee (the Committee) is responsible for the Company's remuneration practices and policies on behalf of the Board. The Committee is comprised entirely of independent Non-Executive Directors and adheres to stringent corporate governance standards.

For example, prior to the release of the Productivity Commission recommendations on Executive Termination payments BlueScope had already reviewed its executive redundancy policy and limited payments to a maximum of 12 months pay.

The Board notes that existing policies and practices at BlueScope Steel are consistent with the recommendations arising from the Productivity Commission Report on Executive and Director Remuneration in Australia.

REMUNERATION REPORT (AUDITED)

The Directors of the Company present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and the consolidated entity for the year ended 30 June 2010. The information provided in this Remuneration Report has been audited as required by section 308(3c) of the *Corporations Act 2001*. This Remuneration Report forms part of the Directors' Report.

Structure of this Report

1. Remuneration and Organisation Committee
2. Non-Executive Directors' 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 consisted entirely of independent non-executive 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 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:

- Approving the terms of employment of the Executive Leadership Team, including determining the levels of remuneration;
- Ensuring a robust approach to performance management through approving the STI objectives and reviewing performance of members of the Executive Leadership Team;
- Considering all matters relating to the remuneration and performance of the Managing Director and Chief Executive Officer prior to Board approval;
- Approving 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 from the Managing Director and Chief Executive Officer and the Executive General Manager, People and Organisation Performance, who 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 advisers 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

The Committee, on behalf of 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.

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 previously been required to salary sacrifice a minimum of 10% of their fees each year to acquire BlueScope Steel shares. Changes to the taxation of employee share plans introduced by the Federal Government effective 1 July 2009, made the operation of this plan impractical and the Board resolved to cease operation of this plan with effect from 1 July 2009.

The schedule of fees and payments of Non-Executive Directors' are reviewed each January. There were no fee increases in 2009 or 2010. Some committee fees were revised in 2008. The schedule of fees effective 1 January 2008, and which currently applies, is as follows:

Role	Fees effective 1 Jan 2008
Chairman ^{1,2}	\$450,000
Deputy Chairman ¹	\$260,000
Non-Executive Director ²	\$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 ³	\$20,000

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

2 Base fee has not changed since 1 January 2006.

3 Allowance paid to Tan Yam Pin who is based in Singapore.

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. Total fees paid to Directors for the year ended 30 June 2010 amounted to \$1,765,039.

Compulsory superannuation contributions capped at \$15,199 per annum (commencing 1 July 2010) are paid on behalf of each Director. Compulsory superannuation contributions for the year ended 30 June 2010 were \$14,461 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% of target 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 prescribed shareholding in the Company.

The Company is satisfied that its remuneration strategies and outcomes remain appropriate in the current economic environment.

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 companies of similar complexity, size and geographical spread. Market data is obtained from external sources to establish appropriate guidelines for comparable roles. Remuneration reviews are usually conducted on an annual basis. There are no guaranteed remuneration increases for executives and all increases are based on individual contribution, competitive and fair market positioning, and performance. The Committee reviews proposed executive increases and approves increases for each Executive Leadership Team member. The Committee obtains market data from external advisers. No general increases were paid to executives and senior managers for the year ending 30 June 2010. The September 2009 salary review for other salaried employees was withheld until January 2010 and a modest increase was approved for a limited group of salaried employees.

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)

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 policies 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 for each participant are drawn from the following categories:
 - 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 2010 included operational targets such as long-term structural reductions to the cost base of the Company, balance sheet and liquidity initiatives and improvements to the performance of business units; 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 paid.

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.

3.4 Equity-Based Opportunities

The Company encourages employee share ownership. This is achieved in the following ways:

- for all employees, through the General Employee Share Plan; and
- for executives, through the Long Term Incentive Plan.

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.

The allocation of shares to employees under such schemes and the form of the offer are determined by the Board on a year-by-year basis taking account of Company performance. No plan was offered for the year ending 30 June 2010.

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. 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 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 at which point 52% of an award vests. 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 up to 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.

SUMMARY TABLE OF LONG TERM INCENTIVE PLAN AWARDS						
	September 2004	September 2005	September 2006	September 2007 ¹	September 2008 ¹	September 2009 ¹
Grant Date	31 August 2004	18 November 2005	18 November 2006	5 November 2007 (all executives excluding MD & CEO)	28 November 2008	30 November 2009
	(The grant to the MD & CEO was subject to shareholder approval at the 2004 AGM)	(The grant to the MD & CEO was subject to shareholder approval at the 2005 AGM)	(The grant to the MD & CEO was subject to shareholder approval at the 2006 AGM)	14 November 2007 (MD & CEO)	(The grant to the MD & CEO was subject to shareholder approval at the 2008 AGM)	(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	From 1 September 2012
Expiry Date	31 October 2009	31 October 2010	31 October 2011	31 October 2012	31 October 2013	31 October 2014
Total Number of Share Rights Granted	2,306,400	1,938,100	2,310,950	1,934,845	2,248,246	8,090,480
Total Number of Cash Rights Granted						158,000
Number of Participants at Grant Date	201	228	206	217	255	313
Number of Current Participants	0	3	134	199	244	312
Exercise Price	Nil	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	\$10,516,812
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	\$1.70
Share Rights Lapsed since Grant Date	437,978	413,780	987,569	307,788	222,928	78,349
<u>Vesting Schedule</u>						
TSR Hurdle - 75th-100th percentile	100%	100%	100%	100%	100%	100%
TSR Hurdle - 51st-<75th percentile	There is no vesting until the 51 st percentile, at which point 52% vests increasing on a linear basis to 100% vesting at the 75 th percentile. 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%	0.00%	-	-	-
Vesting Outcome 2nd Performance Period	62.82%		0.00%	-	-	-
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.

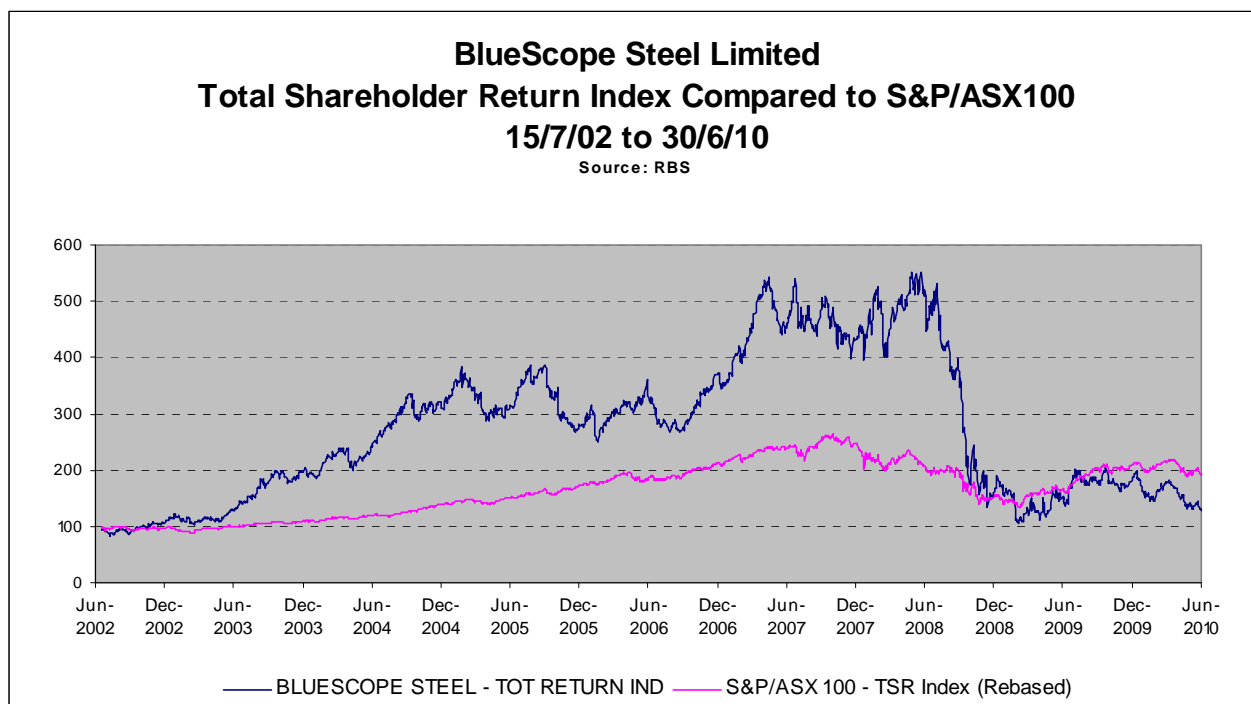
3.4.3 Share Ownership Guidelines

Long-term equity incentives are tied to Company performance as experienced by shareholders. Employees who participate in the LTIP are excluded from selling, assigning, charging or mortgaging their share rights. Share rights are personal to the employee. Employees are 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.

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 short-term and long-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 eight-year period to 30 June 2010. The TSR Index for BlueScope Steel as at 30 June 2010 was 126.68 compared to 190.50 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 when the Company has delivered superior share price and dividend returns to shareholders over the performance period. Vesting can only occur when 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

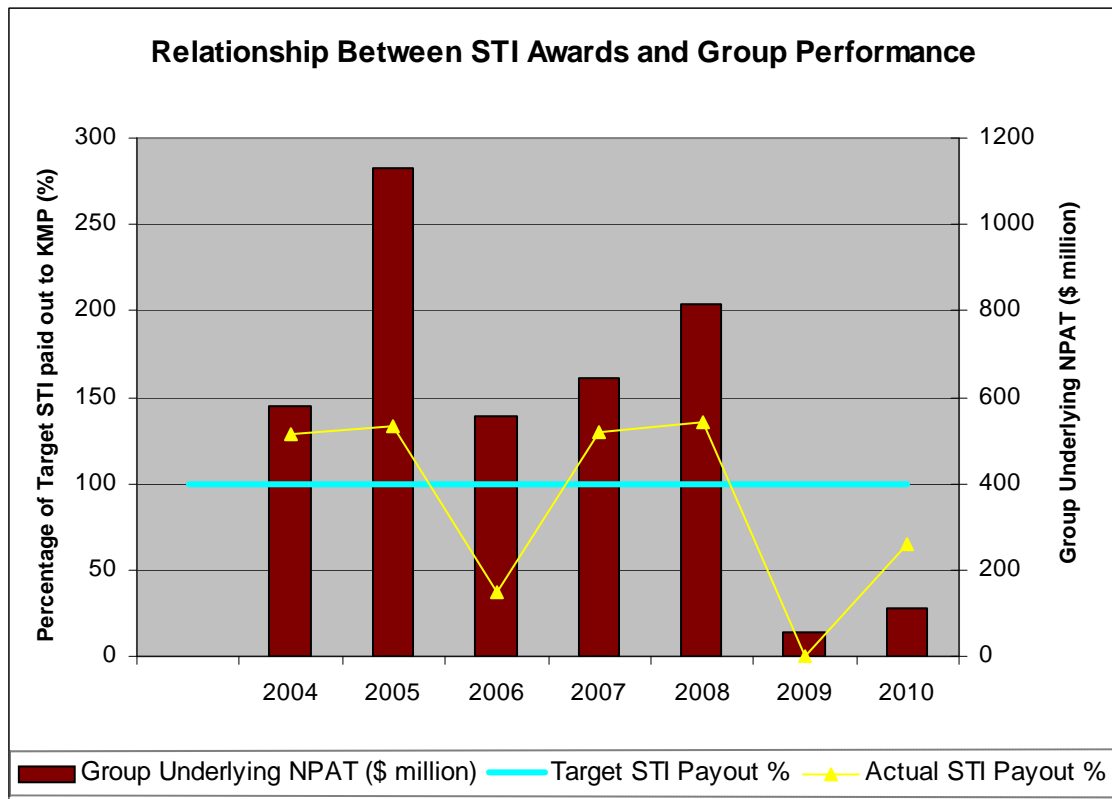
Measure	30 June 2004	30 June 2005	30 June 2006	30 June 2007	30 June 2008	30 June 2009	30 June 2010	Change Increase from 30/6/04 to 30/6/10
Share Price	\$6.74	\$8.23	\$7.95	\$10.34	\$11.34	\$2.53	\$2.10	
Change in Share Price (\$)	\$3.02	\$1.49	-\$0.28	\$2.39	\$1.00	-\$8.81	-\$0.43	-\$4.64
Change in Share Price (%)	81.2	22.1	-3.4	30.1	9.7	-77.7	-17.0	-68.8
Dividend per Share:								
Ordinary (cents)	30	42	44	47	49	5	5	N/A
Special (cents)	10	20	0	0	0	0	0	N/A
Earnings per Share (cents) ¹	77.8	134	47.9	95.3	80.1	-7.1	6.9	N/A
REPORTED								
NPAT \$ million	\$584	\$982	\$338	\$686	\$596	-\$66	\$126	-\$458
% movement	-	68.2	-65.6	103.0	-13.1	-111.1	-290.9	-78.4
EBIT \$ million	\$818	\$1,388	\$556	\$1,099	\$1,063	\$15	\$240	-\$578
% movement	-	69.7	-59.0	97.7	-3.3	-98.6	1,500.0	-70.7
EBITDA \$ million	\$1,105	\$1,696	\$850	\$1,423	\$1,420	\$380	\$590	-\$515
% movement	-	53.5	-49.9	67.4	-0.2	-73.2	55.3	-46.6
UNDERLYING								
NPAT \$ million	\$578	\$1,129	\$555	\$643	\$816	\$56	\$113	-\$465
% movement	-	95.3	-50.8	15.9	26.9	-93.1	101.8	-80.4
EBIT \$ million	\$822	\$1,559	\$840	\$1,057	\$1,273	\$171	\$255	-\$567
% movement	-	89.7	-46.1	25.8	20.5	-86.6	49.1	-69.0
EBITDA \$ million	\$1,109	\$1,856	\$1,127	\$1,374	\$1,630	\$536	\$605	-\$504
% movement	-	67.3	-39.3	21.9	18.7	-67.1	12.9	-45.4

Note: From 1 July 2004 financial information is based on International Financial Reporting Standards (IFRS).

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

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. The Board aims to align executive remuneration to business outcomes and shareholder experience.



No short-term incentive payments were made for the year ended 30 June 2009 although many employees had achieved their non-financial targets during the year. The graph above shows the actual STI outcomes against target for the Executive Leadership Team over the past seven 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.

For 2010, demanding non-financial objectives were achieved to deliver immediate and long-term value to shareholders. These included cost savings of \$526 million, balance sheet and liquidity initiatives, and improved performance in the Asian segment. Notwithstanding these achievements, STI payments will be below target, reflecting the Company's financial performance.

5 SPECIFIC REMUNERATION DETAILS

5.1 Key Management Personnel – Directors' Remuneration

Details of the audited remuneration for the year ended 30 June 2010 for each Non-Executive Director of BlueScope Steel are set out in the following table.

Short-term employee benefits						
Name	Year	Fees	Non-monetary	Sub-Total	Post-employment benefits ¹	Total
		\$	\$	\$	\$	\$
Director - Current						
G J Kraehe	2010	450,000	12,362	462,362	14,461	476,823
	2009	450,000	14,413	464,413	13,745	478,158
R J McNeilly	2010	260,000	-	260,000	14,461	274,461
	2009	260,000	-	260,000	13,745	273,745
D J Grady	2010	188,000	-	188,000	14,461	202,461
	2009	188,000	-	188,000	13,745	201,745
H K McCann	2010	181,000	-	181,000	14,461	195,461
	2009	196,000	-	196,000	13,745	209,745
Y P Tan	2010	196,000	-	196,000	14,461	210,461
	2009	196,000	-	196,000	13,745	209,745
D B Grollo	2010	181,000	-	181,000	14,461	195,461
	2009	172,554	-	172,554	13,745	186,299
K A Dean	2010	195,450	-	195,450	14,461	209,911
	2009	30,631	-	30,631	2,326	32,957
Total 2010		1,651,450	12,362	1,663,812	101,227	1,765,039
Total 2009		1,493,185	14,413	1,507,598	84,796	1,592,394

¹ Post-employment benefits relate to superannuation arrangements.

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

The Key Management Personnel of BlueScope Steel Limited include those members of the Executive Leadership Team 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 Executive Leadership Team, who all held their positions during the year.

Key Management Personnel		
Current KMP	Position	Dates Executive Leadership Team position held during year ended 30 June 2010
P F O'Malley	Managing Director and Chief Executive Officer	1 July 2009 – 30 June 2010
N H Cornish	Chief Executive, Australian & New Zealand Steel Manufacturing Businesses	1 July 2009 – 30 June 2010
I R Cummin	Executive General Manager, People and Organisation Performance	1 July 2009 – 30 June 2010
M R Vassella	President, North America	1 July 2009 – 30 June 2010
S R Elias	Chief Financial Officer	1 July 2009 – 30 June 2010
M G Barron	Chief Legal Officer and Company Secretary	1 July 2009 – 30 June 2010
P E O'Keefe	Chief Executive, Australian Coated & Industrial Markets	1 July 2009 – 30 June 2010
K A Mitchelhill	Chief Executive, Australian Distribution & Solutions	1 July 2009 – 30 June 2010
S Dayal	Chief Executive, Asia	1 July 2009 – 30 June 2010

The audited information contained in the following tables represent the annual remuneration for the year ended 30 June 2010 for the Key Management Personnel - Executives.

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

	2010	2009
	\$	\$
Short-term employee benefits ¹	10,898,772	8,409,538
Post-employment benefits	412,329	530,027
Other long-term benefits	72,432	243,320
Termination benefits	-	-
Share-based payments	2,253,122	2,002,370
Total	13,636,655	11,185,255

¹ This includes base salary, annual leave accruals, non-monetary benefits, superannuation received as cash allowance and bonus payments.

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

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 ¹⁰
		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	2010	1,680,000	-32,308	806,400	940	204,526	2,659,558	30,674	41,999	0	136,826	825,343	3,694,400	44.2
	2009	1,666,667	-10,178	0	60,878	183,333	1,900,700	50,000	47,986	0	168,000	621,586	2,788,272	22.3
KMP executives - current														
N H Cornish	2010	752,500	26,049	302,505	0	0	1,081,054	123,410	-79,592	0	0	265,638	1,390,510	40.9
	2009	743,750	-74,918	0	0	0	668,832	89,250	58,362	0	59,974	281,529	1,157,947	24.3
M R Vassella ⁶	2010	725,792	-22,470	310,800	425,021	78,694	1,517,837	22,917	18,500	0	116,128	154,351	1,829,733	25.4
	2009	723,333	26,114	0	889,009	51,267	1,689,723	50,000	51,443	0	253,020	92,451	2,136,637	4.3
P E O'Keefe	2010	551,250	-4,241	198,450	0	46,191	791,650	30,984	13,781	0	0	120,930	957,345	33.4
	2009	546,875	8,890	0	0	26,563	582,328	50,000	15,028	0	0	74,819	722,175	10.4
I R Cummin	2010	556,400	-23,540	221,336	0	8,066	762,262	69,830	13,911	0	0	199,738	1,045,741	40.3
	2009	550,334	-13,026	0	0	0	537,308	77,047	18,607	0	44,552	211,972	889,486	23.8
M G Barron	2010	556,400	-23,540	221,336	0	37,620	791,816	40,276	13,911	0	0	120,838	966,841	35.4
	2009	550,334	7,284	0	0	0	557,618	77,047	19,963	0	0	74,296	728,924	10.2
S R Elias	2010	645,000	7,442	256,581	0	62,551	971,574	27,749	16,125	0	0	139,735	1,155,183	34.3
	2009	637,500	7,164	0	0	39,250	683,914	50,000	16,841	0	0	85,781	836,536	10.3
S Dayal ^{6, 7, 8}	2010	630,000	16,751	378,000	68,378	42,367	1,135,496	45,833	15,750	0	16,067	63,283	1,276,429	34.6
	2009	693,000	20,934	0	167,335	0	881,269	44,100	7,639	0	7,810	9,107	949,925	1.0
K A Mitchelhill ^{7, 8, 9}	2010	718,769	10,614	306,600	71,570	79,972	1,187,525	20,656	18,047	0	19,833	74,412	1,320,473	28.9
	2009	842,167	22,923	0	42,756	0	907,846	42,583	7,451	0	8,154	9,319	975,353	1.0
Total 2010		6,816,111	-45,243	3,002,008	565,909	559,987	10,898,772	412,329	72,432	0	288,854	1,964,268	13,636,655	
Total 2009		6,953,960	-4,813	0	1,159,978	300,413	8,409,538	530,027	243,320	0	541,510	1,460,860	11,185,255	

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 initiative 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 executive health check.

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

⁷ KMP appointed to ELT during year ended 30 June 2009. Amounts disclosed for year ended 30 June 2009 are for part year only.

⁸ Disclosed amounts include negotiated sign-on arrangements for year ended 30 June 2009.

⁹ Non-monetary includes relocation expenses.

¹⁰ **The % of remuneration that is performance related recognises STI payouts at below target. LTI is based on accounting values rather than the amounts actually received.**

5.3 Cash Bonuses

For the year ended 30 June 2010, below-target STI payments will be made, resulting in outcomes for executives averaging less than 50% of the maximum STI. 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 employment during the period is not terminated for resignation or performance-related reasons.

Under the Company's Short Term Incentive Plan each executive can earn between 0% and 150% (maximum) 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 2010.

Name	Target of annual base pay	Actual STI as a % of maximum STI for year ended 30 June 2010	% of maximum STI forfeited for year ended 30 June 2010
	%	%	%
Executive director			
P F O'Malley	80	40	60
KMP executives - current			
N H Cornish	60	45	55
M R Vassella	60	47	53
P E O'Keefe	60	40	60
I R Cummin	60	44	56
M G Barron	60	44	56
S R Elias	60	44	56
S Dayal	60	67	33
K A Mitchelhill	60	47	53

5.4 Share Rights Holdings

Share Rights granted, exercised and forfeited by the Key Management Personnel during the year ended 30 June 2010 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	Value of share rights at lapse date, that lapsed during the year	Total value of share rights granted, exercised and lapsed during the year
	%	\$	\$	\$	\$
Executive Director					
P F O'Malley	43	1,581,000	-	-	1,581,000
KMP executives - current					
N H Cornish	26	365,500	-	-	365,500
M R Vassella	20	359,431	-	-	359,431
P E O'Keefe	28	267,750	-	-	267,750
I R Cummin	26	270,249	-	-	270,249
M G Barron	28	270,249	-	-	270,249
S R Elias	27	313,293	-	-	313,293
S Dayal	24	306,000	-	-	306,000
K A Mitchelhill	27	354,569	-	-	354,569

¹ This figure is calculated on the value of share rights awarded in the year ended 30 June 2010 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 2010. The valuation has been made using the Black-Scholes Option Pricing Model (BSM) that includes a Monte Carlo simulation analysis.

The Share Rights awarded to executives under the September 2006 Award were tested after the first (31 August 2009) and second (28 February 2010) performance periods and no vesting occurred. They will be tested after the conclusion of the third performance period on 31 August 2010.

Details of the audited Share Rights holdings for year ended 30 June 2010 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 financial year ended 30 June 2010

2010	Balance at 30 June 2009	Granted in year ended 30 June 2010	Exercised in year ended 30 June 2010 ¹	Lapsed in year ended 30 June 2010	Balance at 30 June 2010	Vested and not yet exercised in year ended 30 June 2010	Unvested at 30 June 2010	Total Share Rights vested in year ended 30 June 2010
Executive Director								
P F O'Malley	547,511	930,000	-	-	1,477,511	-	1,477,511	-
KMP executives - current								
N H Cornish	178,810	215,000	-	-	393,810	-	393,810	-
M R Vassella	103,328	211,430	-	-	314,758	-	314,758	-
P E O'Keefe	92,039	157,500	-	-	249,539	-	249,539	-
I R Cummin	134,459	158,970	-	-	293,429	-	293,429	-
M G Barron	130,159	158,970	-	-	289,129	-	289,129	-
S R Elias	93,179	184,290	-	-	277,469	-	277,469	-
S Dayal	45,400	180,000	-	-	225,400	-	225,400	-
K A Mitchelhill	55,250	208,570	-	-	263,820	-	263,820	-

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.

Share Rights holdings for the financial 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 ²	-	45,400	-	-	45,400	-	45,400	-
K A Mitchelhill ²	-	55,250	-	-	55,250	-	55,250	-

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 Appointed to Executive Leadership Team during the year.

The table below sets out the details of each specific share right tranche and awards granted and vested during the year ended 30 June 2010 for each KMP.

Share Rights Award Summary

2010	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2010	% forfeited in year ended 30 June 2010	Share Rights yet to vest	Financial year in which awards may vest	Value of Share Rights not vested 30 June 2010 ¹	
							\$ Min	\$ Max
Executive Director								
P F O'Malley	70,100	18-Nov-06	-	-	70,100	2011	-	387,653
	231,053	14-Nov-07	-	-	231,053	2011	-	1,483,360
	246,358	28-Nov-08	-	-	246,358	2012	-	404,027
	930,000	30-Nov-09	-	-	930,000	2013	-	1,581,000
KMP executives - current								
N H Cornish	70,100	18-Nov-06	-	-	70,100	2011	-	387,653
	51,756	05-Nov-07	-	-	51,756	2011	-	329,686
	56,954	28-Nov-08	-	-	56,954	2012	-	93,405
	215,000	30-Nov-09	-	-	215,000	2013	-	365,500
M R Vassella	47,320	05-Nov-07	-	-	47,320	2011	-	301,428
	56,008	28-Nov-08	-	-	56,008	2012	-	91,853
	211,430	30-Nov-09	-	-	211,430	2013	-	359,431
P E O'Keefe ²	11,500	18-Nov-06	-	-	11,500	2011	-	63,595
	38,817	05-Nov-07	-	-	38,817	2011	-	247,264
	41,722	28-Nov-08	-	-	41,722	2012	-	68,424
	157,500	30-Nov-09	-	-	157,500	2013	-	267,750
I R Cummin	53,900	18-Nov-06	-	-	53,900	2011	-	298,067
	38,447	05-Nov-07	-	-	38,447	2011	-	244,907
	42,112	28-Nov-08	-	-	42,112	2012	-	69,064
	158,970	30-Nov-09	-	-	158,970	2013	-	270,249
M G Barron ²	49,600	18-Nov-06	-	-	49,600	2011	-	274,288
	38,447	05-Nov-07	-	-	38,447	2011	-	244,907
	42,112	28-Nov-08	-	-	42,112	2012	-	69,064
	158,970	30-Nov-09	-	-	158,970	2013	-	270,249
S R Elias	44,362	05-Nov-07	-	-	44,362	2011	-	282,586

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	48,817	28-Nov-08	-	-	48,817	2012	-	80,060
	184,290	30-Nov-09	-	-	184,290	2013	-	313,293
S Dayal	45,400	28-Nov-08	-	-	45,400	2012	-	74,456
	180,000	30-Nov-09	-	-	180,000	2013	-	306,000
K A Mitchelhill	55,250	28-Nov-08	-	-	55,250	2012	-	90,610
	208,570	30-Nov-09	-	-	208,570	2013	-	354,569

¹ External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of Share Rights held by KMP at 30 June 2010

² Award granted 2006 prior to appointment to Executive Leadership Team.

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. Some of those shares vested in the year ended 30 June 2010.

Share Award Summary

2010	Number of Shares awarded	Date of grant	% vested in year ended 30 June 2010	% forfeited in year ended 30 June 2010	Shares yet to vest	Financial year in which awards may vest	Value of Shares not vested 30 June 2010 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	-	-	-	-	-	-	-	-
M R Vassella	25,000	03-Aug-07	-	-	25,000	2011	-	266,000
	32,000	01-Sep-07	100	-	-	-	-	-
P E O'Keefe	-	-	-	-	-	-	-	-
I R Cummin	-	-	-	-	-	-	-	-
M G Barron	-	-	-	-	-	-	-	-
S R Elias	-	-	-	-	-	-	-	-
S Dayal ²	20,000	10-Mar-09	-	-	20,000	2012	-	48,200
K A Mitchelhill ²	25,000	27-Feb-09	-	-	25,000	2012	-	59,500

¹ Share price at grant date has been used to determine the value of Shares held by KMP at 30 June 2010.

² Granted on appointment to BSL.

5.6 Share Holdings in BlueScope Steel Limited

The following table details the shares held by Key Management Personnel as well as any related-party interests in BlueScope Steel Limited as at 30 June 2010.

SHARE HOLDINGS¹ IN BLUESCOPE STEEL LIMITED

Name	Ordinary shares held as at 30 June 2010	Ordinary shares held as at 30 June 2009
Non-Executive Directors - current		
G J Kraehe	286,276	286,276
R J McNeilly	1,321,502	1,321,502
D J Grady	128,382	128,382
H K McCann	152,720	152,720
Y P Tan	157,116	157,116
D B Grollo	128,156	128,156
K A Dean	26,624	11,624
Executive Director		
P F O'Malley	227,613	227,613
KMP executives - current		
N H Cornish	68,584	68,584
M R Vassella	57,303	57,303
P E O'Keefe	15,303	15,303
I R Cummin	338,292	338,292
M G Barron	191,924	191,924
S R Elias	-	-
S Dayal	20,000	20,000
K A Mitchelhill	77,666	77,666

¹ Including related-party interests.

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. This has not changed since 1 September 2008.

Remuneration 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.

In a year where financial performance was adversely affected by the economic downturn, the Managing Director and Chief Executive Officer received no payment for financial outcomes. His strong leadership in cost reduction, financial restructuring and driving the strategic initiatives of Global PEB and Asian restructure resulted in an STI bonus of \$806,400 which is 40% of his maximum total bonus available.

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 - Executives

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 salary reviews have been to Key Management Personnel since September 2008 and as a result there was no increase in fixed remuneration for the year ended 30 June 2010.

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

The BlueScope Steel Group 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 and Standards detail the requirements for implementation of the policy throughout the Company.

An environment compliance system is in operation across the Company to promote compliance with all relevant laws. In addition to our compliance obligations, the Company 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. The relining of Port Kembla's No. 5 Blast Furnace included major projects to reduce fresh water usage, reduce water discharged into Allens creek and reduce emissions to air. The furnace was recommissioned in September 2009. A significant water saving project is being planned for the Western Port plant, which is expected to deliver a 65% reduction in freshwater use and a 75% reduction in wastewater discharged. BlueScope Steel, South East Water and the Victorian Government will jointly fund the project.

BlueScope Steel Group notified relevant authorities of 42 statutory non-compliances with environmental regulations during the year ended 30 June 2010. During the year the Company did not receive any environment related fines.

Energy Efficiency and Greenhouse Gas Regulation

The production of greenhouse gases is inherent in the primary chemical process used to produce iron and steel. The opportunities to reduce direct emissions from these processes are therefore very limited. Despite this, BlueScope Steel is committed to reducing the greenhouse gas intensity of its operations. The company is also playing an active role in the global steel industry's efforts to reduce greenhouse gas emissions.

We also believe BlueScope's steel products will play an integral role in reducing society's greenhouse gas emissions, including as components in renewable energy infrastructure (e.g. wind towers; gas pipelines; solar power plants), in more sustainable transport infrastructure (e.g. trains, buses; lighter, more efficient steel products for cars), and in greener, more energy efficient buildings. Steel is 100% recyclable and its life is potentially infinite.

A range of BlueScope Steel's operations, particularly iron and steelmaking in Australasia and the U.S., are emissions intensive and trade exposed, and consequently the company remains acutely aware of the ongoing national and international debate about the regulation of greenhouse gas emissions, including carbon taxes and emissions trading schemes.

In Australia, the Federal Government announced in April 2010 (and subsequently reconfirmed) that consideration of its Carbon Pollution Reduction Scheme would be deferred until 2012, implying the scheme is unlikely to commence before 2013. In July 2010, the Government announced an interim carbon policy that, if re-elected, will include investment in renewable energy infrastructure, energy efficiency measures, and the establishment of a Citizens' Assembly to advise the government. The policy is not expected to impose a carbon price directly on the steel industry, though it is likely to increase the cost of electricity.

The Victorian Government also announced a new climate change policy in July 2010, with a target of a 20 per cent reduction in greenhouse gas emissions by 2020, compared to year 2000 levels. It is not expected that a carbon price will be imposed directly on the steel industry; however, the policy is also likely to lead to an increase in electricity costs.

The New Zealand emissions trading scheme (ETS) commenced on 1 July 2010. New Zealand Steel is a liable entity and expects to be allocated a proportion of permits as an emissions-intensive, trade-exposed entity. It is expected to bear some carbon costs from suppliers (Scope 3 costs) for which it will not receive allocated permits. The New Zealand Government will review the ETS in 2011, including the arrangements for allocation of permits, and will take into account whether comparable carbon regulation has been introduced by major trading partners. The company will continue to put its view to the government in the lead up to this review that the ETS must not impose costs that adversely affect New Zealand Steel's competitiveness.

BlueScope's steelmaking plants are world competitive, and around half the steel products we make each year in our Australian plants are exported. The company works hard to maintain its competitiveness. In contrast, many overseas steelmakers receive subsidies and other support to help them export. Policy that puts higher costs on us but not on overseas steelmakers risks undermining BlueScope's competitiveness.

Accordingly, the company has developed eight Greenhouse Policy Principles by which it will assess the policies of political parties and governments, and advocate policy that minimises any loss of competitiveness:

- 1) Reducing greenhouse gas emissions is a global problem that requires a global approach.
- 2) Australia should adopt policy that achieves emissions targets at least cost. Putting a price on carbon which is visible to consumers and producers, through a market mechanism (emissions trading or carbon tax), is likely to drive least cost abatement.
- 3) The competitiveness and financial viability of Australia's trade exposed steel industry must not be eroded. We cannot place our industries at a disadvantage to the rest of the world. Transitional measures for trade exposed industries - including the steel industry - will be essential for as long as our global competitors (including India, China, US, Japan, Korea and Taiwan) do not face comparable carbon costs.
- 4) A single national carbon policy should be the goal of governments. Complementary policy measures adopted by Federal and State governments must be effective and least cost, and address recognised market failures. These policies must avoid market distortions or perverse incentives, overlap and unnecessary compliance costs and regulatory burden.
- 5) Revenue raised by a carbon price should be earmarked for investment in greenhouse gas abatement and assistance for households and industry. Policy should provide incentives for research & development and investment in abatement, including appropriate recognition for early movers.
- 6) Policy must not lead to carbon leakage, by which Australian production is simply replaced by foreign production that may, in fact, be less carbon efficient.

- 7) Policy should be comprehensive, including all sectors of the economy (and imports where appropriate), and be transparent.
- 8) Policy must recognise the very long time horizons for investment in the steel industry, including for potential next generation lower emissions iron and steelmaking technology.

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 2010 has been received from Ernst & Young. This is set out at page 37 of the Directors' Report. Ernst & Young provided the following non-audit services during the year ended 30 June 2010:

Audit related assurance services

- \$724,124 acquisition related investigating accountants assurance;
- \$63,749 greenhouse gas emissions related assurance;

Other services

- \$133,681 taxation compliance services; and
- \$53,906 other advisory 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

13 August 2010

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 2010, 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
13 August 2010

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 2010.

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 8 to 9 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 seeks to achieve a Board composition with a balance of diverse attributes including skill sets, background, gender, geography, and industry experience.

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

All Non-Executive Directors are members of the Nomination Committee. Their attendance at meetings of the Committee are set out on page 10.

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

The Board completed an internal review of its effectiveness in August 2010 involving distribution of a questionnaire to Directors and senior management. Confidential responses were collated by the Company's auditors and discussed by the Board. The review concluded that the Board is functioning well with an appropriate mix of skills and experience and that an effective working relationship exists among Board members and between Board and management.

In addition, each Committee reviews its performance and effectiveness periodically through a confidential questionnaire completed by members of the Committee and relevant management attendees. The results of these reviews are discussed by the Committee. Each Board Committee has conducted a review on this basis in the last 12 months. A formal review of the performance of individual Directors takes place periodically, involving completion of an evaluation questionnaire by other Board

members, the results of which are collated and discussed by the Chairman with the director concerned and by the Board as a whole. In addition, the performance of the Chairman and other Directors are reviewed regularly through other informal mechanisms such as meeting critiques, discussions between Directors and the Chairman, and as part of Board and Committee evaluations.

The Nomination Committee has reviewed the performance of Directors seeking election in 2010 and endorses their candidature.

Principle 3 – Promote ethical and responsible decision making

The Company welcomes recent changes announced to this Principle around diversity disclosures. BlueScope is committed to building a diverse workforce and considers that diversity (including gender diversity) is a key priority contributing to the success of our business. In addition to programmes currently in place and others which are being developed to promote diversity, the Company's policies and disclosures will be developed consistent with the requirements of the ASX Principles and Recommendations.

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. A summary of 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 page 10 of this Directors' Report. The qualifications of the members are set out on pages 8 to 9.

Principle 5 – Make timely and balanced disclosure

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

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

Principle 6 – Respect the rights of shareholders

Respecting the rights of shareholders is of fundamental importance to the Company and a key element of this is how 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 page 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 also available on the Company's website.

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

All information referred to in this Corporate Governance Statement as being on the Company's website is included under the 'Responsibilities/Corporate Governance' section of the website.