



NOTICE OF MEETING AND INFORMATION FOR SHAREHOLDERS 2017

8 September 2017

Dear Shareholder

I am pleased to invite you to attend BlueScope Steel Limited's 2017 Annual General Meeting.

The meeting will be held on **Wednesday, 11 October 2017 at the Grand Hyatt, 123 Collins Street, Melbourne** commencing at 10.00am (Melbourne time). Registration desks will be open from 9.00am.

Enclosed is your Notice of 2017 Annual General Meeting together with a personalised proxy form. If you do not intend to attend the meeting, you should complete and return this form in the envelope provided, or fax it to the number noted at the top of the form. Alternatively, instructions on how to lodge your proxy on-line are at **www.linkmarketservices.com.au**.

Please present your proxy form to assist with your registration at the meeting if you will be attending in person and not voting by proxy.

The 2017 Annual Report (including the Financial Statements and the reports of the Directors and the auditor for the year ended 30 June 2017) has been posted with this Notice of Meeting to shareholders who have elected to receive a hard copy on 8 September 2017 and made available on-line at **www.bluescope.com/investors/annual-reports**.

The ordinary business of the 2017 Annual General Meeting is to consider the 2017 Annual Report, Remuneration Report and re-election of Directors. I am retiring by rotation, together with Ms Bingham-Hall and Ms Dee-Bradbury and we are each seeking re-election at the meeting. Ms Lambert is seeking election, having been appointed as a Director since the 2016 Annual General Meeting.

In addition, the grant of share rights to the incoming Managing Director & Chief Executive Officer and the renewal of proportional takeover provisions in the Company's Constitution will be considered.

The Board asks shareholders to support these resolutions.

I look forward to welcoming you to the meeting.

Yours sincerely,

A handwritten signature in blue ink, appearing to be "John Bevan", with a long horizontal stroke extending to the right.

John Bevan Chairman

NOTICE OF MEETING AND INFORMATION FOR SHAREHOLDERS

Notice is given that the 2017 Annual General Meeting of BlueScope Steel Limited (the **Company**) will be held at the Grand Hyatt, 123 Collins Street, Melbourne on Wednesday, 11 October 2017 at 10.00am (Melbourne time).

ORDINARY BUSINESS

1. Annual Report

To receive and consider the Annual Report, Financial Statements and the reports of the Directors and the auditor for the year ended 30 June 2017.

2. Remuneration Report

To consider and, if thought fit, pass the following resolution:

“That the Remuneration Report, which forms part of the report of the Directors for the year ended 30 June 2017, be adopted.”

Note: the vote on this resolution is advisory only and does not bind the Directors or the Company.

3. Election and re-election of Directors

To consider and, if thought fit, pass the following resolutions as separate ordinary resolutions:

- (a) That Mr John Bevan, who retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.
- (b) That Ms Penny Bingham-Hall, who retires by rotation in accordance with the Company's Constitution and, being eligible, offers herself for re-election, be re-elected as a Director of the Company.
- (c) That Ms Rebecca Dee-Bradbury, who retires by rotation in accordance with the Company's Constitution and, being eligible, offers herself for re-election, be re-elected as a Director of the Company.
- (d) That Ms Jennifer Lambert, having been appointed as a Director since the 2016 Annual General Meeting, vacates office in accordance with the Company's Constitution and, being eligible, offers herself for election, be elected as a Director of the Company.

SPECIAL BUSINESS

4. Renewal of proportional takeover provisions

To consider and, if thought fit, to pass the following resolution as a special resolution:

“That the proportional takeover provisions in the form of rules 6.12 to 6.17 (inclusive) of the Company's Constitution are renewed for a period of 3 years commencing immediately.”

5. Approval of grant of share rights to Mark Vassella under the Company's Short Term Incentive Plan

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That the grant of share rights to Mark Vassella, under the Company's Short Term Incentive Plan as described in the Explanatory Notes to this Notice of 2017 Annual General Meeting be approved for all purposes, including for the purpose of ASX Listing Rule 10.14.”

6. Approval of grant of alignment rights to Mark Vassella under the Company's Long Term Incentive Plan

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That the grant of alignment rights to Mark Vassella, under the Company's Long Term Incentive Plan as described in the Explanatory Notes to this Notice of 2017 Annual General Meeting be approved for all purposes, including for the purpose of ASX Listing Rule 10.14.”

Voting restrictions for key management personnel and closely related parties

Item 2 – voting restrictions

Except to the extent otherwise permitted by law, any member of the key management personnel of the Company's consolidated group (**Group**) whose remuneration details are included in the Remuneration Report (or a closely related party of any such member), may not vote, and the Company will disregard the votes cast by or on behalf of such persons on Item 2, unless the vote is cast:

- as proxy for a person entitled to vote in accordance with a direction on the proxy form; or
- by the Chairman of the meeting as proxy for a person entitled to vote and the Chairman has received express authority to vote undirected proxies as the Chairman sees fit.

Items 5 & 6 – voting restrictions

Items 5 and 6 are resolutions connected directly or indirectly with the remuneration of key management personnel.

The following persons may not vote, and the Company will disregard any vote cast by the following persons, on Items 5 and 6:

- Mark Vassella and any of his associates. The Company does not need to disregard votes by such a person as proxy for another person who is entitled to vote if the vote is cast:
 - in accordance with the directions on the proxy form; or
 - by the Chairman of the meeting as a proxy, in accordance with the direction on the proxy form to vote as the proxy decides; and
- any member of the Group's key management personnel (or a closely related party of any such member) that is appointed as proxy where the proxy appointment does not specify the way the proxy is to vote on Item 5 and 6, unless:
 - the proxy is the Chairman of the meeting at which Items 5 and 6 are voted on; and
 - the proxy appointment expressly authorises the Chairman to exercise the proxy even though Items 5 and 6 are connected directly or indirectly with the remuneration of a member of the Group's key management personnel.

The Chairman of the Meeting and undirected proxies

The Chairman of the Meeting intends to vote undirected proxies (where he has been appropriately authorised) in FAVOUR of each Item.

If a shareholder appoints the Chairman of the Meeting as their proxy and the shareholder does not direct him how to vote on Items 2, 5 and 6, the shareholder authorises the Chairman of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Company's key management personnel.

If you do not wish to appoint the Chairman of the Meeting as your proxy to vote on an Item in the manner indicated above, the Company encourages you to complete the voting directions in respect of each Item in Step 2 of the proxy form.

Proxy information

- A shareholder who is entitled to attend and cast a vote at the 2017 Annual General Meeting may appoint a proxy.
- A proxy need not be a shareholder and can be an individual or a body corporate.
- A body corporate appointed as a shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the meeting (see "**Corporate representatives**" below).
- A shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- The following addresses and facsimile number are specified for the purposes of receipt of proxy appointments:

Addresses

By hand:*

BlueScope Steel Share Registry
c/- Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW, 2000

*During business hours (Monday to Friday, 9:00am-5:00pm)

By fax:

Facsimile: +61 (0)2 9287 0309

By mail:

BlueScope Steel Share Registry
c/- Link Market Services Limited
Locked Bag A14, Sydney South, NSW, 1235
Australia

Electronic proxy voting:

www.linkmarketservices.com.au

- To be effective, the instrument by which a proxy is appointed by a shareholder and, if the instrument is signed by the shareholder's attorney, the authority under which the instrument is signed or a certified copy of the authority, must be received by the Company at least 48 hours before the meeting.
- Shareholders should consider directing their proxy as to how to vote on each resolution by marking either the "For", "Against" or "Abstain" box when completing their proxy form to ensure that their proxy is permitted to vote on their behalf in accordance with their instructions.

- Under the Corporations Act, if the appointment of a proxy specifies the way the proxy is to vote on a particular resolution:
 - the proxy is not required to vote on a show of hands, but if the proxy does so, the proxy must vote as directed (subject to any applicable voting exclusions);
 - if the proxy has two or more appointments that specify different ways to vote on the resolutions, the proxy must not vote on a show of hands;
 - if the proxy is not the Chairman, the proxy need not vote on a poll but if the proxy does so, the proxy must vote as directed (subject to any applicable voting restrictions); and
 - if the proxy is the Chairman, the proxy must vote on a poll and must vote as directed.
- In addition, there are some circumstances where the Chairman will be taken to have been appointed as a shareholder's proxy for the purposes of voting on a particular resolution even if the shareholder has not expressly appointed the Chairman as their proxy. This will be the case where:
 - the appointment of proxy specifies the way the proxy is to vote on a particular resolution; and
 - the appointed proxy is not the chair of the meeting; and
 - a poll is called on the resolution; and
 - either of the following applies:
 - the proxy is not recorded as attending the Annual General Meeting; or
 - the proxy attends the Annual General Meeting but does not vote on the resolution.
- For more information concerning the appointment of proxies and the addresses to which proxy forms may be sent, please refer to the proxy form.

Corporate representatives

- A body corporate that is a shareholder (or which is appointed as a proxy) may appoint a person to act as its representative. The representative should bring to the meeting:
 - a letter or certificate authorising him or her as the body corporate's representative, executed in accordance with the body corporate's constitution; or
 - a copy of the resolution appointing the representative, certified by a secretary or director of the body corporate.
- To be effective, the instrument appointing a person as the representative of a body corporate that has been appointed as a proxy must be received by the Company **at least 48 hours before** the meeting.

VOTING ENTITLEMENTS

- The Board has determined that for the purposes of the meeting, shares will be taken to be held by those persons recorded on the Company's share register as at 7.00pm (Melbourne time) on Monday, 9 October 2017.

By order of the Board

Debra Counsell, Company Secretary
Melbourne, **8 September 2017**

EXPLANATORY NOTES

This information forms part of the Notice of Meeting.

ITEM 1. ANNUAL REPORT

The Annual Report, Financial Statements and the reports of the Directors and the auditor for the year ended 30 June 2017 will be presented for consideration.

These documents are accessible on the Company's website www.bluescope.com/investors/annual-reports.

ITEM 2. REMUNERATION REPORT

The Remuneration Report forms part of the Directors' Report, and is included in the Company's Annual Report for the year ended 30 June 2017. The Remuneration Report is also available on the Company's website www.bluescope.com/investors/annual-reports.

The Remuneration Report:

- explains the Company's remuneration policy and its relationship with the Company's performance;
- contains the remuneration details of the Directors and the other key management personnel of the Company; and
- explains the incentive arrangements in place for the Company's employees.

The Directors unanimously recommend that shareholders vote in favour of this advisory resolution.

ITEM 3. CANDIDATES FOR ELECTION AND RE-ELECTION AS DIRECTORS

Mr John Bevan, Ms Penny Bingham-Hall and Ms Rebecca Dee-Bradbury retire by rotation and, being eligible, offer themselves for re-election. Ms Jennifer Lambert, having been appointed as a Director since the 2016 Annual General Meeting, vacates office in accordance with the Company's Constitution and, being eligible, offers herself for election. Biographical information on the Directors seeking election and re-election is set out below. Additionally, information on the process and criteria for determining the independence of these Directors for the purposes of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations is contained in the Company's Corporate Governance Statement, which can be found on the Company's website www.bluescope.com/about-us/governance.

The Board (in each case excluding the relevant candidate) supports the re-election of Mr Bevan, Ms Bingham-Hall and Ms Dee-Bradbury and the election of Ms Jennifer Lambert.

John Bevan, Chairman (Independent)

Age 60, BCom (Mkt)

Director since: March 2014

Mr Bevan was CEO of Alumina Limited from 2008 to 2014. Before joining Alumina Limited in 2008 Mr Bevan spent 29 years in a variety of senior management roles with BOC Group, including as a director on The BOC Group plc Board, Chief Executive Process Gas Solutions with responsibility for the bulk and tonnage business for the entire BOC group, Chief Executive Asia and country lead roles in the United Kingdom, Thailand and Korea. Mr Bevan is also Deputy Chairman of Ansell Limited. In July 2017, Mr Bevan was appointed to the board of the Humpty Dumpty Foundation.

He brings to the Board extensive experience in international business and heavy industrial operations.

Mr Bevan is also Chair of the Nomination Committee.

Penny Bingham-Hall, Non-Executive Director (Independent)

Age 57, BA (Ind.Des) FAICD, SF(Fin)

Director since: March 2011

Ms Bingham-Hall is a director of DEXUS Property Group, Fortescue Metals Group Ltd, the Port Authority of NSW and Macquarie Specialised Asset Management, and is a former director of Australia Post and The Global Foundation. She is a director of Taronga Conservation Society Australia and has previously held non-executive directorships with other industry and community organisations, including the Tourism & Transport Forum, Infrastructure Partnerships Australia and as the inaugural Chairman of Advocacy Services Australia. Ms Bingham-Hall is a member of Chief Executive Women and of the WomenCorporateDirectors Foundation.

Ms Bingham-Hall spent more than 20 years in a variety of roles with Leighton Holdings (now Cimic Group) prior to retiring from the company at the end of 2009. Senior positions held with Leighton include Executive General Manager Strategy, responsible for Leighton Group's overall business strategy and Executive General Manager Corporate, responsible for business planning and corporate affairs. She brings extensive knowledge of the building and construction industry in both Australia and Asian markets.

Ms Bingham-Hall is Chair of the Remuneration and Organisation Committee.

Rebecca Dee-Bradbury, Non-Executive Director (Independent)

Age 49, BBus (Mkt), GAICD

Director since: April 2014

Ms Dee-Bradbury was Chief Executive Officer/President Developed Markets Asia Pacific and ANZ for Kraft/Cadbury from 2010 to 2014, leading the business through significant transformational change. Before joining Kraft/Cadbury Ms Dee-Bradbury was Group CEO of the global Barbeques Galore group, and has held other senior executive roles in organisations including Maxxium, Burger King Corporation and Lion Nathan/Pepsi Cola Bottlers.

Ms Dee-Bradbury is a director of GrainCorp Limited, Energy Australia Holdings Ltd and former director of TOWER Limited. She is also an inaugural Member of the Business Advisory Board for the Monash Business School, a member of Chief Executive Women and of the WomenCorporateDirectors Foundation, and a former member of the Federal Government's Asian Century Strategic Advisory Board. Ms Dee-Bradbury brings to the Board significant experience in strategic brand marketing, customer relationship management and innovation.

Jennifer Lambert, Non-Executive Director (Independent)

Age 50, BBus, MEc, CA, FAICD

Announced as a new director on 21 August 2017 to take effect from 1 September 2017.

Ms Lambert is a Non-Executive Director of Investa Office Management Pty Ltd, Place Management NSW (part of Property NSW) and Mission Australia. She is also on the Council of the Sydney Church of England Grammar School and the Mosman Church of England Preparatory School.

Ms Lambert has extensive business and leadership experience at the senior executive and board level. Ms Lambert was Group Chief Financial Officer of 151 Property (previously known as Valad Property Group) from 2003 to 2016, where her responsibilities included operational and strategic finance, tax, treasury, legal and compliance. Prior to that Ms Lambert was a Director at PricewaterhouseCoopers specialising in capital raisings, and structuring and due diligence for acquisitions and disposals across various industries.

Ms Lambert brings more than 25 years of financial management and accounting experience, along with over 15 years specialising in the property industry.

ITEM 4. RENEWAL OF PROPORTIONAL TAKEOVER PROVISIONS

Under the Corporations Act, a company may include provisions in its constitution that enable it to refuse to register shares acquired under a proportional takeover bid unless a resolution approving the bid is passed by shareholders.

Rules 6.12 to 6.17 of the Company's Constitution currently contain provisions dealing with proportional takeover bids in accordance with the Corporations Act. These provisions were last approved at the 2014 Annual General Meeting and will automatically cease to have effect after 12 November 2017, unless the resolution in Item 4 is passed. The Directors consider it in the interests of shareholders to renew these provisions. If the resolution in Item 4 is passed, the proportional takeover provisions will apply for a further 3 years from the time the resolution is passed.

A copy of the Company's Constitution, containing the proportional takeover provisions in rules 6.12 to 6.17, is available on the Company's website at www.bluescope.com/about-us/governance.

Where the approval of shareholders is sought to renew proportional takeover provisions, the Corporations Act requires certain information to be included in the notice of meeting. That information is set out below.

Proportional takeover bid

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares in the Company.

Effect of proportional takeover provisions

The proportional takeover provisions provide that if a proportional takeover bid is made, the Directors must ensure that a resolution of shareholders to approve the takeover bid is voted on before the fourteenth day before the last day of the bid period. The vote is decided on a simple majority and each person (other than the bidder and its associates) who, as at the end of the day on which the first offer under the bid was made, held bid class securities, is entitled to vote. If the resolution is not passed, transfers giving effect to takeover contracts for the bid will not be registered and the offer will be taken to have been withdrawn. If the resolution is not voted on within the required time, the bid will be taken to have been approved.

If the bid is approved (or taken to have been approved), the transfers must be registered (provided they comply with other provisions of the Corporations Act and the Company's Constitution).

The proportional takeover approval provisions do not apply to full takeover bids and will only apply for 3 years from the date of renewal. The provisions may be renewed for a further term, but only by a special resolution of shareholders.

Reasons for proportional takeover provisions

A proportional takeover bid may result in control of the Company changing without shareholders having the opportunity to dispose of all their shares. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium.

In order to deal with this possibility, a company may provide in its constitution that:

- in the event of a proportional takeover bid being made for shares in the company, shareholders are required to vote by ordinary resolution and collectively decide whether to accept or reject the offer; and
- the majority decision of the company's shareholders will be binding on all individual shareholders.

These provisions allow shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

Knowledge of any acquisition proposals

As at the date on which this notice of meeting was prepared, no Director of the Company is aware of any proposal by any person to acquire or to increase a substantial interest in the Company.

Potential advantages and disadvantages

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for the Directors and that they remain free to make a recommendation as to whether an offer under a proportional takeover bid should be accepted.

The potential advantages for shareholders of the proportional takeover provisions include:

- shareholders – as a collective – have the right to consider the terms of the proportional takeover bid and to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- the provisions can assist in ensuring that control does not pass without an appropriate premium being paid to all shareholders;
- they may help shareholders to avoid being locked in as a minority;
- they increase shareholders' bargaining power and may assist in ensuring that any proportional takeover bid is adequately priced; and
- knowing the view of the majority of shareholders may help each individual shareholder assess the likely outcome of the proportional takeover bid and decide whether to accept or reject an offer under the bid.

The potential disadvantages for shareholders include:

- proportional takeover bids for shares in the Company may be discouraged;
- shareholders may lose an opportunity to sell some of their shares at a premium;
- the likelihood of a proportional takeover succeeding may be reduced;
- reduced flexibility for the Board in responding to a proportional takeover bid; and
- the Board already has the ability to recommend shareholders reject a proportional offer and any additional step could add complexity.

While the previous proportional takeover provisions have been in effect, there were no full or proportional takeover bids for the Company. Therefore there has been no example against which to review the advantages or disadvantages of the provisions for the Directors and shareholders respectively, however, the Directors are not aware of any potential takeover bid that was discouraged by these provisions.

The Directors believe that the potential advantages outweigh the potential disadvantages of renewing the proportional takeover provisions for a further 3 years.

Directors' Recommendation

The Directors recommend that shareholders vote in favour of Item 4.

ITEMS 5. AND 6. APPROVAL OF GRANT OF SHARE RIGHTS AND ALIGNMENT RIGHTS TO MARK VASSELLA

Background to Items 5 and 6

Remuneration package of Mark Vassella

On 21 August 2017 the Company announced the appointment of Mark Vassella as its new Managing Director and Chief Executive Officer, effective 1 January 2018.

Given Mark Vassella's appointment part-way through the performance year, the Company has decided his remuneration package for the year will reflect 6 months of his current remuneration package and 6 months of his remuneration package as Managing Director and Chief Executive Officer. Paul O'Malley will not receive any short or long term incentives for FY2018. Consistent with this, and the FY2018 remuneration framework described below, Mark Vassella's remuneration package effective 1 January 2018 includes:

- **total fixed compensation** of \$1,800,000 per annum, inclusive of superannuation contributions and services as a director of any Group company;
- **a short term incentive (STI)**, which Mark Vassella may elect to take as cash or, subject to shareholder approval, share rights, or half cash and half share rights; and
- **a long term incentive (LTI)**, all of which is delivered in alignment rights, subject to shareholder approval.

Key changes to FY2018 remuneration framework

As described in the Remuneration Report, the Board has undertaken a comprehensive review of the remuneration framework to be adopted for FY2018 and beyond. After extensive internal and external consultation, the Board determined that an incentive plan which created a greater level of share ownership by executives would better align executive and shareholder interests.

The FY2018 remuneration framework has been developed with the following key changes:

- (STI) Reduction in the quantum of STI, with the reduced amount being directed to longer-term equity in the form of alignment rights, to reinforce executive focus on longer-term performance while retaining some STI to reward achievement of annual business plan targets and growth. Accordingly, the amount previously provided as STI and now provided as alignment rights will be deferred for 3 years.
- (LTI) Replacement of share rights with alignment rights as the LTI instrument. Alignment rights will vest subject to achievement of a threshold average annual "Underlying EBIT ROIC" (described further below) and a maximum debt leverage hurdle, both measured over a three year performance period. The Board has discretion to determine that alignment rights lapse if Company values have not been adhered to. The quantum of the long-term component has also been reduced, reflecting the potential for greater certainty of payment compared to the prior share rights awards. Vesting remains subject to performance thresholds that are higher than those consistently delivered by the Company over the past 10 years. There will be no retesting.
- (Minimum shareholding) To further increase the alignment between shareholders and executives, the minimum shareholding requirements have been increased, with the new Managing Director and Chief Executive Officer now required to hold the value of two times fixed pay in shares in the Company, while other KMP members are required to hold the value of one times fixed pay in shares.

The Board is confident that the new remuneration framework will deliver greater value to shareholders at less cost, maintain a deliberate and continued focus by executives on financial fundamentals, and provide the potential for more value to executives despite a significant reduction in quantum of maximum performance pay:

- 41% reduction for the new MD & CEO (compared to the current MD & CEO); and
- approximately 20% reduction for other KMP Executives (compared to the previous remuneration framework).

Overview of proposed grants of Share Rights and Alignment Rights

In light of Mark Vassella's remuneration package outlined above, it is proposed that, subject to Board approval, he be granted:

- share rights to acquire fully paid ordinary shares in the Company in respect of the Company's Short Term Incentive Plan (Share Rights); and
- alignment rights to acquire fully paid ordinary shares in the Company in respect of the Company's Long Term Incentive Plan (Alignment Rights).

Items 5 and 6 seek shareholder approval for those grants for the 2018 performance year.

Proposed grant of Share Rights under the Company's Short Term Incentive Plan

Under the Company's new short term incentive arrangements Mark Vassella may elect to receive nil, 50% or 100% of his potential short term incentive for each performance year in Share Rights. For the 2018 performance year, Mark Vassella has elected to receive 100% of his short term incentive award in Share Rights, i.e. he will not receive any cash incentive.

The maximum number of Share Rights Mark Vassella is entitled to be granted in the 2018 performance year will be determined by:

- dividing \$918,270 (which amount takes into account 6 months of Mark Vassella's current fixed pay and 6 months of his proposed new fixed pay applicable on assuming the role of Managing Director and Chief Executive Officer and the STI opportunities applicable to each role for the relevant periods) by the volume weighted average price (VWAP) of the Company's shares traded on ASX for the 3 months up to and including 31 August 2017; and
- multiplying the result by the percentage of Mark Vassella's potential 2018 short term incentive award that he has elected to receive in Share Rights, being 100%.

Vesting of Share Rights

Except in limited circumstances mentioned below, Share Rights would vest only to the extent that the relevant performance conditions are satisfied. The performance conditions are designed to:

- provide specific Company financial performance targets for Mark Vassella. Targets will be selected by the Board from measures for underlying net profit after tax, return on invested capital and / or free cash flow for the performance year. The Company's policy is not to provide earnings guidance and accordingly the details of the relevant financial conditions will not be disclosed in advance; and
- incentivise Mark Vassella to achieve targets relating to safety and specific business strategy priorities. The Company considers the conditions relating to execution of the strategy initiatives to be commercial-in-confidence with the result that publication of that information prior to the end of the performance period may be prejudicial to the interests of the Company.

The number of Share Rights that vest will be determined in accordance with the vesting schedule below and will depend on the extent to which the performance conditions are satisfied:

Satisfaction of performance conditions	% of Share Rights that vest
Below threshold	0%
Threshold	33%
Target	67%
Maximum or greater	100%

Between “threshold” and “maximum” the number of Share Rights that vest will be determined on a straight-line basis.

“Threshold”, “target” and “maximum” performance levels will be determined by the Board and notified to Mark Vassella. The Board will disclose, in the Remuneration Report for the year ending 30 June 2018, the outcome against the performance conditions, including the rationale for the relevant vesting percentage.

Proposed grant of Alignment Rights under the Company’s Long Term Incentive Plan

Subject to shareholder approval, it is proposed Mark Vassella will be granted Alignment Rights with a performance period start date of 1 July 2017 (2018 Alignment Rights Award) on the basis described below.

The maximum number of Alignment Rights to be granted to Mark Vassella will be determined by dividing \$1,297,838 (which amount takes into account 6 months of his current fixed pay and 6 months of his proposed new fixed pay applicable on assuming the role of Managing Director and Chief Executive Officer and the LTI opportunities applicable to each role for the relevant periods) by the VWAP of the Company’s shares traded on ASX for the 3 months up to and including 31 August 2017. These Alignment Rights will be subject to the conditions described below.

Vesting of Alignment Rights

For the 2018 Alignment Rights Award, the performance period starts on 1 July 2017 and ends on 30 June 2020.

Except in limited circumstances mentioned below, Alignment Rights would only vest if:

- the Company’s average annual “Underlying EBIT ROIC” over the relevant three year performance period is greater than 10%. “Underlying EBIT ROIC” is the ratio of the Company’s consolidated underlying earnings before interest and tax (EBIT) to the Company’s average net operating assets (defined as net assets minus future income tax benefits plus provision for deferred tax plus provision for income tax). The Company’s average net operating assets for the period is calculated as the average of the opening balance and each of the 12 months in the relevant period (ie a 13 month average); and
- the ratio of the Company’s average annual “Leverage” calculated at 6 monthly intervals over the relevant three year performance period is less than 1. “Leverage” is the ratio of the Company’s consolidated current and non-current external borrowings less cash and cash equivalents as at the relevant balance date to the Company’s consolidated underlying earnings before interest, tax, depreciation and amortisation (EBITDA) for the relevant period.

The calculation of “Underlying EBIT ROIC” and “Leverage” is to be as determined by the Board, after such adjustments (if any) as the Board determines.

If one or both of the performance conditions is not satisfied, all of the Alignment Rights will lapse (unless the Board exercises its discretion to allow them to vest which it will only do in exceptional circumstances).

Additional information for Items 5 and 6

Under ASX Listing Rule 10.14, shareholder approval is required before Mark Vassella can acquire shares in the Company under the Company’s Short Term Incentive Plan and Long Term Incentive Plan.

Share Rights and Alignment Rights

Subject to the rules of the Company’s Short Term Incentive Plan, each Share Right would entitle Mark Vassella to be provided with one fully paid ordinary share in the Company upon vesting. Subject to the rules of the Company’s Long Term Incentive Plan, each Alignment Right would entitle Mark Vassella to be provided with one fully paid ordinary share in the Company upon vesting.

No amount is payable by Mark Vassella in respect of the award of Share Rights or Alignment Rights, or the exercise of a Share Right or an Alignment Right. Mark Vassella will be liable for income tax in respect of the Share Rights and Alignment Rights in accordance with applicable tax laws. No financial assistance is, or will be, provided by the Company to Mark Vassella in respect of the tax liability arising from the award or exercise of the Share Rights or Alignment Rights.

Exercise and lapse of Share Rights and Alignment Rights

If a Share Right or an Alignment Right vests, it may be exercised by Mark Vassella and he will be provided with a fully paid ordinary share in the Company. Shares would be acquired for Mark Vassella by the trustee of the Company’s share plan trust by way of subscription for new shares or on-market purchase with funds provided by the Company. If a Share Right or an Alignment Right does not vest, it will lapse.

The Board has discretion to determine that Share Rights and Alignment Rights lapse if it determines that Mark Vassella has not adhered to all of the Company’s policies that apply to him, he has not conducted himself in accordance with the Company’s values, his conduct has otherwise been unsatisfactory or otherwise as it sees fit, including having regard to business performance.

Ceasing employment

Unvested Share Rights and Alignment Rights will lapse if Mark Vassella ceases to be employed because of termination for cause or as a result of him resigning. If it considers it appropriate, the Board has discretion to treat a resignation as if it was a retirement or redundancy (as described below).

If Mark Vassella ceases to be employed because of death or disability, all his unvested Share Rights and Alignment Rights would vest. Vesting in these circumstances would occur without regard to performance conditions.

In relation to the Share Rights, if Mark Vassella ceases employment due to retirement or redundancy within 6 months of the performance period start date of the Share Rights, all unvested Share Rights will lapse. After the initial 6 month period, Mark Vassella will retain a pro-rated number of share rights in proportion to the performance period that has elapsed at the time he ceases employment. Whether those share rights vest will depend upon an assessment of the performance conditions at the end of the performance period. However, the Board has discretion to determine that pro-rating will not apply and/or that the performance conditions are to be assessed at the time Mark Vassella ceases employment. Any Share Rights that are not retained will lapse.

In relation to the Alignment Rights, if Mark Vassella ceases employment due to retirement or redundancy, he will retain a pro-rated number of Alignment Rights in proportion to the service period that has elapsed at the time he ceases employment. Whether those Alignment Rights vest will depend upon an assessment of the performance conditions at the end of the performance period. However, the Board has discretion to determine that pro-rating will not apply and/or that the performance conditions are to be assessed at the time Mark Vassella ceases employment. Any Alignment Rights that are not retained will lapse.

Clawback

The Board has discretion to clawback (ie lapse) Share Rights and Alignment Rights in its absolute discretion, including in the event of serious misconduct by management which undermines the Company's performance, financial soundness and reputation. These events could include misrepresentation or material misstatements due to errors, omissions or negligence.

Change of control

If, at any time while there are Share Rights or Alignment Rights which have not lapsed or vested, a takeover bid is made to acquire the whole of the issued ordinary share capital of the Company or a transaction is announced by the Company which, if implemented, would result in a person owning all of the issued shares in the Company, then the Board may permit the Share Rights or Alignment Rights to vest. The Company must permit the Share Rights and Alignment Rights to vest if a person acquires more than 50% of the issued share capital of the Company provided

that the Board determines that the performance hurdles have been satisfied as assessed at that time having regard to the shorter performance period.

Annual Remuneration Strategy Review

Each year the Remuneration and Organisation Committee of the Board reviews the Company's remuneration structure and strategy taking into account developments in the market to ensure that it remains consistent with the "Key Principles" of the Company's remuneration framework (most recently set out in the 2017 Remuneration Report). If, following a review, it is proposed to materially change the terms of the proposed award of Share Rights or Alignment Rights to Mark Vassella, further approval would be sought from shareholders (if required).

Other information

In accordance with the ASX Listing Rules and the Corporations Act, the following additional information is provided concerning the Share Rights and Alignment Rights to be awarded to Mark Vassella:

- Mark Vassella will be the only Director who is entitled to participate in the Short Term Incentive Plan and Long Term Incentive Plan for the 2018 performance year. The current Managing Director and Chief Executive Officer, Mr O'Malley was awarded 1,305,680 share rights under the Company's Short Term Incentive Plan, and 1,686,520 share rights under the Company's Long Term Incentive Plan, in October 2015 pursuant to shareholder approval obtained at the 2015 Annual General Meeting.
- There is no loan scheme in relation to the Short Term Incentive Plan (or Share Rights awarded under it) or Long Term Incentive Plan (or Alignment Rights awarded under it).
- Any Share Rights or Alignment Rights to be granted to Mark Vassella will be granted as soon as practicable after the meeting, and in any event no later than 10 October 2018.

Directors' Recommendation

The Directors (other than Mr O'Malley) recommend that shareholders vote in favour of Items 5 and 6. As Mr O'Malley will be stepping down as Managing Director and Chief Executive Officer with effect from 31 December 2017 he does not consider it appropriate to make a recommendation.

ANNUAL GENERAL MEETING LOCATION

GRAND HYATT

123 Collins Street, Melbourne, Victoria at 10.00am (Melbourne time) on Wednesday, 11 October 2017

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