



BlueScope Annual General Meeting 2017

11 October 2017, Melbourne

Address by John Bevan, Chairman

CHECK AGAINST DELIVERY

BlueScope's FY2017 annual results are the best and most important in a decade.

The return to a \$1 billion Earnings Before Interest and Tax (EBIT) result marks the transformation of BlueScope from an Australian focused commodity steel producer into a value added, geographically diverse company with a clear ongoing strategy.

This transformation has been led by Paul O'Malley since 2007, having navigated the company through the global financial crisis.

Paul has announced he will retire this year.

If you look closely at BlueScope today, you can see a vastly different company from that of 10 years ago when Paul assumed the role of Managing Director & CEO.

Ten years ago the world could not supply enough steel to meet the growth in China. BlueScope focussed and became dependent on its export business. As undersupply has changed to significant oversupply in the last decade, BlueScope has had to change too.

Today the Company has a much lower dependency on export driven commodity sales, and has refocused to serve the changing needs of its domestic customers.

Today, a large proportion of the business is providing value added, differentiated painted and coated products. This change in our sales mix, gives a greater diversity to our earnings and lower exposure to fluctuations in spread.

Today, BlueScope's geographic diversity also provides great growth opportunities. Ten years ago 70 per cent of earnings were derived in Australia. In FY2017, Australian operations accounted for 41 per cent of earnings, and North America 41 per cent.

Moving forward, our established footprint in Asia will enable us to diversify this further.

Importantly, BlueScope has learnt the necessity of a very strong balance sheet. This gives us the resilience to counter the economic cycles and also to take advantage of opportunities, an example of which was acquiring the remainder of North Star two years ago. The cost of purchasing the second half of North Star has been paid off in just two years. Other acquisitions made, such as Orrcon, Fielders and Pacific Steel, have also reaped volume and synergy benefits, and importantly have also been paid off.

All these factors enable the Company to have a more predictable cash flow and a strong balance sheet while having good exposure to growth markets.



CEO

This transformation will all be part of Paul O'Malley's legacy - he has been an outstanding leader with great strength of vision and purpose.

However the real legacy Paul leaves behind is his strong personal values that have set the tone from the top, and are reflected in everything the business does.

His focus on safety, and on the turnaround and transformation of the Company in the decade after the global financial crisis showed leadership of the highest order.

He retires as Managing Director & Chief Executive Officer in December. I am sure you will join with me, my fellow Directors, and all BlueScope employees in giving him our warmest thanks and best wishes.

Mark Vassella will take over as Managing Director and CEO from 1 January. He was appointed by the Board after a full external and internal CEO search and a thorough selection process which was undertaken in accordance with the Company's formal succession planning strategy.

Mark joined BlueScope in 2007, and is currently Chief Executive BlueScope Australia and New Zealand. He started in the steel industry as a cadet at BHP Newcastle, in the early 80s, and has worked through the ranks, in a range of general management and leadership roles in Australia, the UK and the US.

Mark has been a key part of the development of our strategy, working in the US, Australia and New Zealand. He has led a major restructure of the business and most recently has overseen the return of the Australian business to profitability.

Mark will lead from the front, and his priority now is to keep delivering on the strategy, and build on our recent performance and successes.

My fellow Directors and I look forward to working with Mark in the years ahead.

FINANCIAL PERFORMANCE

CEO Paul O'Malley will speak to specific financial performance, but the improvement in underlying return on invested capital (ROIC) to 18.5 per cent from 9.6 per cent in FY2016 further confirms that strategic initiatives across the Company are working well.

The improved financial performance has enabled the Board to approve payment of a fully franked full year dividend of 5.0 cents per share, bringing the total dividend for the year to 9.0 cents per share.

The \$150 million on-market share buy-back announced in February was completed in June. We are now undertaking a further on-market share buy-back of up to \$150 million during the first half of this new financial year.

It is the Board's intention to pay consistent dividends in conjunction with on-market share buy-backs. Directors believe this achieves the appropriate balance between retaining strong credit metrics, continuing to fund our growth opportunities and returning cash to shareholders.

The combination of nine cents of dividends and \$300 million of buy-backs in calendar 2017 is equivalent to a notional yield of around 5.5 per cent based on an \$11 share price. We believe this is



very much in line with many other companies, and the buy-back is generally more tax effective for shareholders.

We continue to believe that BlueScope has a strong future. As I have already noted, the work done to reset the cost base, improve the geographic and product mix of the portfolio and deliver cash returns to shareholders will stand the Company in very good stead.

As we work to embed sustainable profits and growth, we recognise the challenges of a cyclical business. But we have confidence in our leaders and the work that has been done to develop a sound platform and strategy to support the Company through the cycle.

The steel industry is a capital intensive sector, with investments running over decades. A company must make its capital work hard to drive returns through the cycle, and ROIC is the right measure for this. Our philosophy is to invest capital wisely and then make it work hard.

In this context, and to support our strategy for the future, challenging ROIC targets will be the key driver of remuneration rewards for all employees.

Remuneration and Organisation Committee Chair Penny Bingham-Hall will speak about remuneration and other matters in more detail, but briefly, we believe this new approach, together with the new remuneration framework, will bring more value to shareholders with less cost.

It supports a long-term focus on delivering value, and will dictate a continued focus on annual targets aligned to the overall Company strategy, resulting in increased executive and shareholder alignment.

SAFETY & SUSTAINABILITY

Now let's turn to safety and our journey to Zero Harm.

Regrettably, the Company's safety performance deteriorated in FY2017, as measured by the Lost Time Injury Frequency Rate of 0.8, and the Medically Treated Injury Frequency Rate of 5.6 per million hours worked.

This was most disappointing. At a time of great change people can become distracted and the risk of injury rises. However, while that is somewhat understandable, it is not acceptable.

Across the business, managers are working with their teams to identify the causes of this increase in injuries, to design solutions and to ensure the Company actively continues to pursue its Zero Harm goal. Paul will talk in more detail about some of the initiatives underway.

Our Bond provides that health, safety, environment, community and governance are integral to the way we do business, and are core elements of strategy and risk management.

To ensure all stakeholders can see how we manage these responsibilities, earlier this year we published the FY2016 BlueScope Sustainability Report, the Company's first integrated report on environment, social and governance matters. I hope you have had a chance to read the report on the Company's website.

Our FY2017 Sustainability Report, planned for publication in early 2018, will be another step forward in our sustainability journey. We will focus further on key areas of sustainability including supply chain management and climate-related governance, strategy, risk management and metrics.



BlueScope has been very focused on these areas.

BlueScope has reduced its Australian CO₂ emissions by an estimated 43% since FY2011. This is well in excess of Australia's commitment to the Paris agreement to reduce emissions by 26-28 per cent over 2005 levels due by 2030.

According to the World Steel Association's CO₂ emissions database, Port Kembla Steelworks sits just outside the top one third of plants surveyed for carbon efficiency.

Across our business, energy efficiency measures are being implemented where they are technically and commercially feasible and are largely focussed on reducing natural gas and electricity consumption and cost. All of these initiatives will lead to reduced CO₂ emissions.

Elsewhere, we continue working to increase the diversity of our workforce to better reflect our communities through training, recruitment, and the facilities we provide at our sites. In FY2017 the percentage of women recruited to permanent roles was almost double that for the previous financial year at close to 40 per cent. For operator and trade roles, women comprised 29 per cent of all new recruits, up from seven per cent the previous year.

Women now comprise 17 per cent of BlueScope's global workforce, 25 per cent of our Executive Leadership Team and 30 per cent of our Board.

We remain vigilant on governance and business conduct, and rigorous systems are in place to report and investigate any cases of misconduct. Allegations reported to the independent reporting hotline during the year led to 24 investigations, with a total of nine people subsequently leaving the business.

In 2017, the Board undertook an external board review as part of its overall drive to improve. One issue we looked at was both the tenure and skills required for the Board. We have now confirmed our policy to aim to limit Directors to no more than three terms. Accordingly, we recently announced the appointment of Ms Jennifer Lambert as a new Director. In addition, our two longest serving Directors, Daniel Grollo and Ken Dean, have indicated their intention to retire from the Board before our next Annual General Meeting.

And so, to conclude.

I thank you, our shareholders, who have continued to support BlueScope in the past year when we have really seen our strategy delivering results.

With you, I look forward to another year of strong performance under the leadership of Mark Vassella, who we will welcome as our new Managing Director & CEO from 1 January 2018.

I thank my fellow Directors and BlueScope management for their continued commitment to our Company in a year when much has been achieved.

In particular, I would like to recognise Michael Barron, who retired on 30 June 2017. Michael was the founding Chief Legal Officer and Company Secretary of BlueScope when it was listed on the ASX in 2002. He has made an enormous contribution to shaping our Company. Michael's wise counsel has always been appreciated by the Board, and his support has been invaluable.



We welcome Debra Counsell, BlueScope's Chief Legal Officer, who has assumed the role of Company Secretary from 1 July this year.

Finally, I thank Paul O'Malley for his outstanding leadership of BlueScope since November 2007, guiding the Company through one of the most difficult periods seen in the global steel industry and transforming it into the Company that it is today.

It's a big decision to retire, and a tribute to Paul that he leaves BlueScope in such capable hands, through Mark Vassella and the rest of our 15,000 employees worldwide.

Please join me in showing our appreciation for Paul as we wish him well in the future.

Thank you