

BlueScope Annual General Meeting 2018
23 November 2018, Sydney
Address by Penny Bingham-Hall, Chair Remuneration & Organisation Committee

CHECK AGAINST DELIVERY

Good morning ladies and gentlemen

As the Chairman has noted in his address, shareholders have continued to benefit from exceptional company performance over the past year. The remuneration outcomes for executives in FY2018 reflect this and the outstanding performance over the last couple of years.

Performance and Reward Outcomes

Performance against the financial measures in our Short Term Incentive, or STI plan, were above target with an underlying Return on Invested Capital (ROIC) of 20% and free cash flow of \$731m. While we met our gateway measures for safety - no fatalities and a Lost Time Injury Frequency Rate less than one - our Medically Treated Injury Frequency Rate, while improved since the prior year, was below the threshold set by the Board.

As a result of a safety performance that was below our expectations, the Board made a decision to reduce the maximum STI that could be awarded to participants by the 5% that is allocated to this component of the incentive.

The actual STI awarded to the MD & CEO Mark Vassella was 145% of his target, and for other executive Key Management Personnel, or KMP, the actual STI awarded ranged between 128% and 145% of target. The Board believes that this result appropriately reflects both company and individual performance for the year.

During the year, performance conditions for the Long-Term Incentive Plans granted in FY2015 and the remainder of the FY2014 were tested and, based on performance of Total Shareholder Return (TSR) relative to the ASX100 at the 95th and 93rd percentile respectively, both of these plans vested in full.

The FY2016 LTI award was tested against two performance hurdles – compound annual growth in earnings per share (EPS) and relative TSR. As outlined in our Remuneration Report, we achieved a compound annual growth in EPS of 74%, well above the target set for this measure. The relative TSR hurdle for this award was tested in September this year and our performance was at the 100th percentile. Accordingly, all rights granted under the FY2016 award vested.

Performance was driven by delivery on strategy, with initiatives such as the timely acquisition of the remaining 50% of North Star and transformation of the cost base in the Australasian businesses. Both shareholders and executives have benefited from this exceptionally strong growth.

We have continued to be conservative in our approach to fixed remuneration increases for KMP. Mark Vassella was appointed at a fixed pay of 15% less than the previous CEO, and fixed pay for new appointments to the Executive Leadership Team have been set with reference to the external market and the capability and experience of the individuals.

Changes to the Remuneration Framework in FY2018

Shareholders will remember that following significant consultation, last year we announced a range of changes to our remuneration framework. The mix of reward has changed with a higher weighting to long-term equity with the prior LTI plan replaced with Alignment Rights. In addition, the minimum shareholding requirement has doubled for all executive KMP.

These changes, which received strong support, were implemented in FY2018. The Board is confident they will:

- deliver greater value to shareholders at less cost,
- maintain a deliberate and continued focus by executives on financial fundamentals, and
- provide more perceived value to executives despite a significant reduction in quantum reflecting the increased likelihood of equity vesting compared to the prior plan.

FY2019 Equity Award

I would now like to refer you to Items 4 and 5 in the Notice of Meeting, which deal with the approval of the grant of share rights for the MD & CEO for both his short term incentive and Alignment Rights.

Item 4 relates to share rights under the FY2019 STI plan. Executives can elect to take their STI in shares or cash, or a combination of both. As he did last year, Mark Vassella has elected to take all of his FY2019 STI in shares. The shares (or a proportion of the shares) will vest at the end of the financial year based on performance against the conditions set by the Board. These include annual threshold, target and stretch objectives for financial and safety performance, as well as delivery of strategic initiatives. The specific measures and performance against them will be disclosed in the 2019 Remuneration Report.

The Notice of Meeting outlines the terms and conditions of this award and together with my fellow non-executive directors, I recommend that you approve this item.

Item 5 in the Notice of Meeting relates to approval of Alignment Rights to Mark Vassella. Consistent with the new plan introduced last year, the FY2019 Alignment Rights have a threshold return on capital measure, a maximum debt hurdle and an individual behaviour gateway of adherence to our company values. The return on capital measure is set at a level which achieves our weighted average cost of capital, top quartile performance compared to major steel companies and median performance compared with the ASX100. If each of the performance conditions is met, all the Alignment Rights will vest, and conversely, if they are not achieved, none of the rights will vest. There are no re-testing provisions under the plan and as always, the Board retains overarching discretion to protect against unintended outcomes.

Again, the Notice of Meeting outlines the terms and conditions of this award and I recommend that you approve this item.

Termination Benefits

I would now like to turn to Item 6 which requests renewal of the approval of potential termination benefits. As outlined in the Notice of Meeting, these are not new benefits. We are effectively asking that the approval given by shareholders in 2015 be renewed. This will allow the Company to provide termination benefits due to relevant employees in accordance with their employee agreement, the Company's incentive plans, and applicable laws and regulations.

Shareholder approval does not guarantee that employees will receive termination benefits, but rather preserves the discretion of the Board to determine the most appropriate benefit that may be provided in accordance with the relevant employment agreement and plan rules.

Further detail is provided in the Notice of Meeting and I recommend that you approve this item.

Diversity and Inclusion

Finally, I would like to briefly comment on our progress on diversity and inclusion in our workplace. Our goal is to ensure that our business reflects the communities where we operate and to achieve this we have continued to focus on improving our gender diversity.

I am delighted to report that 33% of our Board and Executive Leadership Team are now women. Through some innovative recruitment programs, we have increased the proportion of women in our new recruits to 40% and, whilst our overall level of women in operator and trade roles remains low, 33% of new recruits in this area are now women. At some operational sites this figure is over 50%. We are gaining some real momentum in improving our gender diversity and I'm confident this will start to be reflected in the overall percentage of women in our workplace.

Together with my fellow non-executive directors, I thank you for your ongoing support, and recommend that shareholders vote in favour of the Remuneration Report.

Thank you