

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

INTRODUCTION

As a global organisation with businesses operating in many countries, BlueScope Steel Limited and its subsidiaries (BlueScope or 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 (3rd edition) (ASX Principles and Recommendations).

BlueScope Steel Limited (the Company) complies with each of the recommendations in the ASX Principles and Recommendations. This Corporate Governance Statement, current as at 3 September 2019, has been approved by the Board of BlueScope Steel Limited and includes specific disclosures required by each recommendation. Further information on the Company's corporate governance policies and practices can be found under the "About Us/ Governance" section of the [Company's website](#).

The Appendix 4G, which contains a summary of the location of corporate governance information relevant to the ASX Principles and Recommendations, can also be found under the "About Us/Governance" section of the [Company's website](#).

The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition) was released in February 2019 and will apply to the Company in FY2021. The Company has undertaken a reconciliation of its governance practices against those outlined in the 4th edition and considers that it largely complies with the 4th edition. The Company proposes to consider and deal with the remaining issues during FY2020 to enable it to report against the 4th edition for FY2021.

In addition, the Board has undertaken a comprehensive review of the recommendations and commentary in the Australian Prudential Regulation Authority's (APRA) report into CBA in so far as those recommendations have application to non-APRA regulated companies. This review confirmed that BlueScope's governance and risk practices are robust. Nonetheless areas for improvement were identified and a program of work developed. In FY2019 good progress was made on these actions which has included a detailed review and rewriting of Board and Committee Charters to ensure clarity of accountability and to maintain Board effectiveness. These revised Charters were adopted by the Board in August 2019 and are available under the "About Us/Governance" section of the [Company's website](#).

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

BOARD CHARTER

The Board has adopted a Charter which sets out, among other things, the respective roles and responsibilities of the Board and management, the matters delegated to the Managing Director and Chief Executive Officer and those specifically reserved to the Board.

The Company's Board Charter is available under the "About Us/Governance" section of the [Company's website](#).

DIRECTOR APPOINTMENT

The Nomination Committee determines the skill profile for new appointees (see "Board Skills and Knowledge" under Principle 2, below) and recommendations are made to the Board on candidates for appointment. The Board recognises the importance of conducting appropriate checks on potential Directors and providing sufficient information to shareholders to enable them to make informed decisions in relation to the election or re-election of Directors. The Nomination Committee's role includes conducting appropriate checks on potential candidates before they are considered by the Board. This process is also applied to candidates nominating for election outside the Board process. Search firms are engaged from time to time to assist in identifying appropriate candidates for consideration by the Committee.

The Company will provide all material information in its possession that is relevant to a decision on whether or not to elect or re-elect a Director.

The Company has a written agreement with each Director and senior executive setting out the terms of their appointment.

COMPANY SECRETARY

The Company Secretary is accountable directly to the Board through the Chairman on all matters to do with the proper functioning of the Board.

DIVERSITY AT BLUESCOPE

At BlueScope, we recognise that an inclusive culture and diverse workforce will strengthen the Company's capability for continued and sustainable business success. Our approach to diversity and inclusion is outlined in our Diversity & Inclusion Policy which can be found in the About Us / Diversity section of the [Company's website](#).

A diverse and inclusive workforce is both a competitive advantage and reflective of our Company value to support our communities. Providing a safe and inclusive culture reflects our Company value to respect our people.

- Our Diversity goal is that **our workplaces reflect the communities in which we operate.**
- Our Inclusion goal is that **our culture invites and rewards contributions from people with different perspectives.**

In recent years, we have evolved our early focus on creating a gender balanced workforce to also transform operator and trade recruitment to ensure all members of our communities have an equal opportunity to be recruited into BlueScope. We have seen corresponding positive effects on workplace culture and employee engagement.

As we look to the future, we are excited by the opportunity to extend and deepen the value we place on diversity through an increased focus on driving an inclusive culture. In FY2020 we will build on these achievements through broader involvement of our people in inclusion initiatives, and deeper analysis of how our culture supports diversity.

GENDER RECRUITMENT

FY2019 Goal	Comment on progress
Continue to increase the proportion of female operator and trade recruits.	<ul style="list-style-type: none"> - Recruitment of permanent female operator/trade recruits is at 40%, up from 33% (FY2018). - New initiatives targeting younger generation females have been used to engage new avenues for local talent sourcing into STEM and apprentice programs.
Implement consistent recruitment practices and partnerships to further attract and retain women.	<ul style="list-style-type: none"> - Recruitment of females into permanent roles is at 43%, up from 40% (FY2018). - Proportion of internal leadership promotions who were female is at 20%, up from 10% (FY2018). - New initiatives to support Talent Acquisition and an increased social media presence, as well as the continued impact of internal Talent Acquisition Specialists are driving better quality and governance of our hiring practices and outcomes.

Female Representation in BlueScope	FY19	FY18	FY17	FY16
Board	37.5	33.0	25.0	25.0
Executive Leadership Team	40.0	38.0	25.0	11.0
Executives	27.0	20.0	14.5	13.8
Salaried	29.8	28.2	27.0	27.2
Operator workforce	10.7	8.4	6.1	3.9
Total BlueScope	20.7	19	17.4	16.5

Executive Leadership Team includes CEO and direct reports.

Executives include all employees that have an Executive contract (CEO -1, -2, -3).

All figures current at 30 June 2019.

INCLUSION

FY2019 Goal	Comment on progress
Provide a supportive work environment for all employees.	<ul style="list-style-type: none"> - A Group-wide employee engagement survey was conducted, which included a new Diversity & Inclusion scale. Results found a favourable score of 76% indicating our people hold a positive view of diversity and inclusion in BlueScope but there remain opportunities to improve. - Innovative approaches to network creation have been introduced, to better facilitate awareness of and provide support to diversity groups.
Continue focus on new employee induction through a formal program to ensure inclusion in the workplace.	<ul style="list-style-type: none"> - Extended onboarding initiatives have been engaged to support the entry and integration of new hires into the Group. - Induction programs were revised to include content around inclusion and inclusive leadership.

AWARENESS & EDUCATION

FY2019 Goal	Comment on progress
Training all leaders and managers on how to provide an inclusive environment and remove unconscious bias.	<ul style="list-style-type: none"> - A variety of learning programs were developed and delivered, to raise both awareness and ability of people to contribute to inclusive culture building. - We introduced new workplace flexibility practices to support managers in removing barriers to inclusion. - Our association in Australia with the Jawun indigenous program continued, with additional participants completing secondments this year and the establishment of an alumni group to share broader learnings.

Continue to reinforce our diversity goal through communication and awareness campaigns.	<ul style="list-style-type: none"> - We evolved our Diversity policy to a Diversity & Inclusion policy, with internal communications focused on raising awareness of the role inclusion plays in supporting and sustaining diversity. - To facilitate broader awareness and contribution of our employees to building a diverse workforce, we implemented employee referral programs. - Story-telling has been used as a key strategy for educating and raising awareness of diversity, through various campaigns across the Group.
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FY2020 GOALS

Focus Area	FY2020 Goal
Representation	<ul style="list-style-type: none"> - Target 45% female recruitment for all new leadership and overall appointments and 35% for all operator appointments across the Group. - Threshold 20% female representation on all Business Unit and Group Functional leadership teams; target 40%. - Introduction of a non-gender diversity focus, to be determined by each business.
Inclusion	<ul style="list-style-type: none"> - 100% participation of our senior leaders in inclusion awareness campaigns. - 100% of our leadership development programs to include content on contributing to an inclusive work environment. - 100% of induction and onboarding programs to include training on organisation expectations around workplace inclusion.
Analysis of Barriers to Inclusion	<ul style="list-style-type: none"> - Introduction of an inclusion index, to provide a clear picture of diversity progress across the Group through both representation and cultural indicators. - Ongoing annual analysis of pay equity.

BOARD REVIEWS

The performance of the Board and its Committees is evaluated regularly. Each year a range of formal performance reviews are conducted, including confidential evaluation questionnaires completed by Directors and management attendees at Board and Committee meetings. Informal review mechanisms, such as meeting feedback, are also used.

The performance of individual Directors is reviewed annually. The process generally involves the completion of a confidential evaluation questionnaire by other Board members, the results of which are discussed by the Chairman with the Director concerned. Evaluation results for the Chairman are provided to the Remuneration & Organisation Committee Chair for discussion with the Chairman. Regular informal discussions take place between individual Directors and the Chairman.

During FY2019, a performance evaluation of the Board, Committees and individual Directors took place. This was by way of completion of confidential evaluation questionnaires substantially in the form of those completed for the previous performance evaluation to enable a comparison year on year. The results of those reviews have been provided to the Board and the Committees and to individual Directors. The Board and Committee results have been discussed at a Board and relevant Committee meetings, respectively. Discussions with individual Directors of their results have commenced and will be completed during 2019.

SENIOR MANAGEMENT REVIEWS

As part of the Board's oversight of senior management, all Group executives are subject to an 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 goals relating to financial performance, operational excellence, safety, and delivery of strategic projects and initiatives. All senior management participated in a performance evaluation on this basis in relation to the year ended 30 June 2019.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

NOMINATION COMMITTEE

The members of the Committee, each Director's independence and attendance at meetings are set out on pages 20 to 23 of the Directors' Report contained in the 2018/2019 Annual report. A copy of the Committee Charter can be found under the "About Us/Governance" section of the [Company's website](#).

The composition and structure of the Committee complies with the requirements of the ASX Principles and Recommendations i.e. it has at least three members, a majority of whom are independent Directors and is chaired by an independent Director.

BOARD SKILLS AND EXPERIENCE

The Nomination Committee has identified the key skills and experience desirable for those on the Board as being those set out in the table below. During FY2019 the Board undertook a review of these key skills and experience and clarified them in the areas of "Legal" and "Geographic"

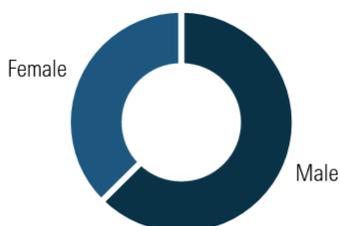
Experience” and added new key skills and experience in the areas of “Technology/Digital” and “Operations” which has been renamed “Operations & Sustainability”.

Skill/Experience	Description
Leadership	Senior leadership experience, including as a Director or CEO of a major listed business and leading through a period of significant disruption or change.
Strategy & Commercial Acumen	Experience in assessing and testing strategic objectives, business plans and financial performance including experience in assessing optimum outcomes from capital management and funding arrangements.
Legal, Risk & Governance	Experience in identifying and resolving of legal and regulatory issues. Experience and knowledge of governance requirements for listed entities and a commitment to delivering those requirements and to sustaining high standards of organisational reputation. The ability to manage, oversee or establish risk and compliance frameworks and systems processes required to identify, monitor and manage key organisational risks.
Financial Oversight	Experience in the oversight of financial statements, financial knowledge, accounting or related financial management experience or qualifications.
People & Culture	Experience in people matters including assessing and developing workplace culture, organisational transformation, talent development and retention, employee engagement, succession planning and remuneration.
Operations Management & Sustainability	An understanding of major operations management including workplace health and safety, environmental management, asset management, project management, engineering / technical operations, supply chain management and climate change reporting.
Technology/Digital	Experience in the development, selection and implementation of business transforming information systems, technology and innovation and responding to digital disruption.
Market Experience	Experience in some or all of the following markets or industries which are directly relevant to the organisation: Manufacturing, Building & Construction, Building Products, Commodity trading or the Metals / Material industry.
Customer Engagement	Experience in delivering customer focused solutions through innovation, marketing or premium brands and channels.
Geographic Experience	Experience living in, or managing projects or businesses in, different regions including Australasia, Asia or the Americas, with an exposure to a range of cultural, political, legal and social environments.

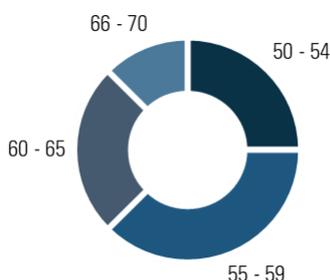
The Board has considered the revised key skills and experience desirable for those on the Board and has determined that the current composition of the Board provides coverage of all these identified skills and experiences.

The Board also looks for gender diversity within these skill sets. Based on the assessment by the Nomination Committee of the diversity and skills to complement current Board members, recommendations are made to the Board on candidates it considers appropriate for appointment. The following tables illustrate the diversity of the Board by reference to a number of factors as at 30 June 2019.

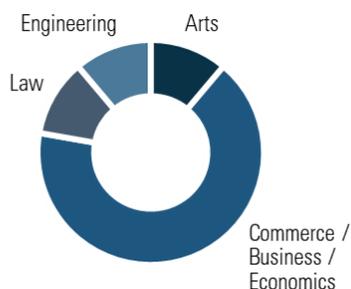
GENDER



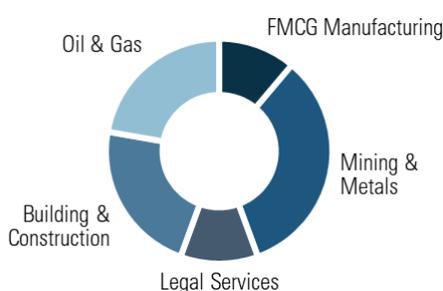
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TERTIARY QUALIFICATIONS



INDUSTRY EXPERIENCE



Upon appointment, Directors are offered a comprehensive induction program covering details of the Group's policies, operations and the environment in which it operates. The program includes site visits, meetings with management and with the Company's auditors (if requested) and extensive background reading materials. In addition, there is an ongoing programme of regular site visits to improve Director knowledge of the Group's businesses and key management personnel.

Directors are also offered support in taking up opportunities to develop and maintain the professional skills and knowledge needed to perform their role as Directors effectively. Directors receive briefings on developments in the industry and the legislative, regulatory and industry framework.

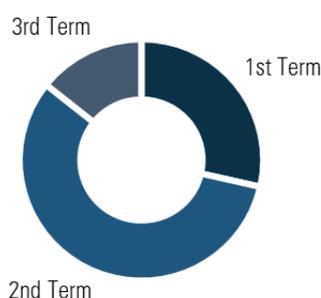
DIRECTOR INDEPENDENCE

All Directors other than the Managing Director and Chief Executive Officer are Non-executive Directors and the Board considers all of its Non-executive Directors to be independent. All Non-executive Directors are Directors of companies with which BlueScope has, or has had, a contractual or business relationship in the last three years. In making an assessment of the independence of these Non-executive Directors, the Board considered whether, and formed the view that, each Director is free of any material business or other relationship that could, or could reasonably be perceived to interfere, in a material respect, with the exercise by the Director of an independent judgement in the best interests of the Company as a whole and its security holders generally.

Further details regarding the circumstances considered by the Board in making assessments of independence, including the Director Independence Policy, are contained under the "About Us/Governance" section of the [Company's website](#).

LENGTH OF SERVICE

The length of service of each Director is included on pages 20 to 22 of the Directors' Report. Non-executive Directors are required to submit for re-election by shareholders every three years. The table below illustrates the current NED tenure.



The Board has adopted a Non-executive Director Tenure Policy which provides that a Non-executive Director may serve a maximum of three terms of three years from the date of first election by shareholders, subject to extension at the discretion of the Board, if it forms the view that to do so would benefit the Company. If the Board requests a Director (and such Director consents) to continue serving beyond three terms, the Director must submit himself or herself for re-election at the next Annual General Meeting. As a consequence of this policy, Mr Dean and Mr Grollo retired from the Board at the 2018 AGM.

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

CODE OF CONDUCT

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 and the Directors. The Bond sets out guiding principles for BlueScope's relations with its customers, employees, shareholders and the community. The Guide to Business Conduct contains the principles of conduct expected of all of our employees and is supported by other Group Policies and regular training. A full copy of the Guide and "Our Bond" is available under the "About Us/Governance" section of the [Company's website](#).

The Company continues to work on strengthening its culture to support ethical and responsible work practices across every part of our business with the support of the Company's dedicated Ethics and Compliance function. In FY2019, we focussed on increasing our employees' understanding of the ways they can report misconduct concern. We are committed to encouraging a culture of speaking up when something is not right and protecting those who do. To support this commitment, in July 2019, we issued a new "Speak Up Policy" and will continue to provide training, support and guidance to our employees to build understanding and trust in this process.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

AUDIT COMMITTEE

The Board has established an Audit Committee, which assists the Board in the effective discharge of its responsibilities for financial reporting, internal and external audit and internal controls. The Committee's Charter is set out in full under the "About Us/Governance" section of the [Company's website](#).

Separate discussions are held by the Committee with the external and internal auditors without management present.

The composition and structure of the Committee complies with the requirements of the ASX Principles and Recommendations i.e. it has at least three members, a majority of whom are independent Directors and is chaired by an independent Director who is not the chair of the Board.

The names of the members of the Audit Committee and their attendance at meetings of the Committee are set out on page 23 of the Directors' Report. The qualifications of the members are set out on pages 20 to 22 of the Directors' Report.

CEO AND CFO CERTIFICATION OF FINANCIAL STATEMENTS

For the FY2019 year annual and half-year financial reports, the Board 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:
 - give a true and fair view of the Group's financial position and performance; and
 - comply with the accounting standards and any further requirements in the Corporations Regulations and applicable ASIC Legislative Instruments/ Class Orders; and
- the above representations are based on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial reporting risks.

EXTERNAL AUDITOR AVAILABLE AT ANNUAL GENERAL MEETING

The Company's external audit engagement partner, or a suitably qualified member of the Company's external audit team, attends the Annual General Meeting (AGM) and is available to answer questions from shareholders in relation to the audit.

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 a Continuous Disclosure Policy and guidelines 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 under the "About Us/Governance" section of the [Company's website](#).

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Respecting the rights of shareholders is of fundamental importance to the Company. 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.

A summary of the Company's Communications Strategy including measures encouraging shareholder involvement in AGMs, is available under the "About Us/Governance" section of the [Company's website](#).

The Company has implemented an investor relations program to facilitate effective two-way communication with our shareholders and prospective investors. Some of the specific initiatives we have put in place include:

- webcasting important events such as financial results briefings and our AGM, and providing archives of these on our website;
- providing direct contact details of Investor Relations on all Company announcements, and responding to queries in a timely manner;
- subscription email service for announcements, and a facility to ask questions via the Company's website; and
- making available enhanced business and financial information on the Company's website including a regularly updated Investor Information Pack and 10 year financial and despatch history.

The Company provides shareholders with the option to receive communications from, and send communications to, the Company and its Registry Services Provider electronically.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

RISK MANAGEMENT

The Company has established a Risk and Sustainability Committee which assists the Board in the effective discharge of its responsibilities for risk management (which includes the effectiveness of the Group's risk management system, ethics and compliance, litigation and regulatory risks), the Company's approach to Sustainability Reporting, corporate governance and insurance (with the exception of Directors' and Officers' liability insurance).

The Committee's Charter is set out in full under the "About Us/Governance" section of the [Company's website](#).

The composition and structure of the Committee complies with the requirements of the ASX Principles and Recommendations i.e. it has at least three members, a majority of whom are independent Directors and is chaired by an independent Director.

The names of the members of the Risk and Sustainability Committee and their attendance at meetings of the Committee are set out on page 23 of the Directors' Report. The Chair of the Audit Committee will always be a member of the Committee.

Each year, the Risk and Sustainability Committee assesses whether the Group has a sound Risk Management Framework. This was confirmed by the Committee with respect to the 2019 financial year. A summary of the Group's Risk Management Framework is available under the "About Us/Governance" section of the [Company's website](#).

SUSTAINABILITY RISKS

Pages 13 and 14 of the Operating and Financial Review in the Company's Directors' Report contain a summary of the Group's key risks including, where relevant, material economic, environmental and social sustainability risks. These risks are managed within the Group's Risk Management Framework referred to above.

The Company reports on its sustainability performance through its Sustainability Report which covers governance, health, safety and environment people, community, customers and suppliers and includes information about product innovation, climate change, business conduct, employee engagement and diversity, and community investment and involvement. Summaries of these disclosures are also included in the Company's Directors' Report.

The Company issued its FY2018 Sustainability Report in October 2018. This report further builds on the Company's sustainability disclosures with key focus on the five areas deemed most material to our stakeholders and to our business – employee and contractor health, safety and wellbeing, climate change and energy, diversity and inclusion, governance and business conduct and supply chain sustainability. Specifically, we have chosen to align our approach and progress in managing climate change risks and opportunities to the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

These topics are covered in depth in the FY2018 Sustainability Report, which follows the core option of the Global Reporting Initiative standards.

The Company intends to issue its FY2019 Sustainability Report on 17 September 2019.

In addition, the Group's Guide to Business Conduct (referred to above under Principle 3) assists management of sustainability risks.

These reports and guides can be found on the "Sustainable Steel" page of the [Company's website](#).

In addition, the Board Health, Safety & Environment Committee, which comprises the entire Board, reviews health, safety and environmental performance and related risk management.

INTERNAL AUDIT

BlueScope's internal audit activities are undertaken by a separate Internal Audit function. The primary role of Internal Audit is to provide independent and objective assurance on the adequacy and effectiveness of internal controls and governance systems. An annual internal audit plan is approved and monitored by the Audit Committee. To maintain the independence necessary to carry out its role, Internal Audit reports functionally to the Chairman of the Audit Committee and does not perform any management functions or implement any internal controls. Briefings on internal audit activities are provided at each Audit Committee meeting, including through a discussion in the absence of management.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The Board has established a Remuneration and Organisation Committee, which assists the Board in ensuring that the people & remuneration strategy is aligned to the overall business strategy and consistent with good governance practices. The Committee's Charter is set out in full under the "About Us/Governance" section of the [Company's website](#).

The composition and structure of the Committee complies with the requirements of the ASX Principles and Recommendations i.e. it has at least three members, a majority of whom are independent Directors and is chaired by an independent Director.

The names of the members of the Remuneration and Organisation Committee and their attendance at meetings of the Committee are set out on page 23 of the Directors' Report.

The Remuneration Report (on pages 24 to 43 of the Directors' Report) sets out details of the Company's policy and practices for remunerating Directors, key management personnel and senior executives. Other than superannuation, there are no schemes for retirement benefits for Non-executive Directors.

The Company's Securities Trading Policy prohibits entry into transactions in associated products that limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes. A copy of the Policy is available under the "About Us/Governance" section of the [Company's website](#).