



BlueScope Annual General Meeting 2019

21 November 2019, Brisbane

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 again benefited from a very strong company performance this year.

Performance and Reward Outcomes

First, I would like to talk about the reward outcomes which reflect both the outstanding performance this year and over the last couple of years.

There was no increase in fixed pay for the CEO Mark Vassella, or other Key Management Personnel (KMP), as for most incumbents this financial year was the first full year in their new roles.

The Short Term Incentive (STI) outcomes in FY2019 reflect solid performance against the Group financial measures, and a range of individual performance and business unit results. Performance against the underlying return on invested capital (ROIC) measure was strong at 19.5%, although this was slightly below the target set by the Board. Performance for the Group free cash flow measure was above target.

The actual STI awarded to the MD & CEO Mark Vassella was 80% of the maximum award, or 120% of his target, and for other executive KMP, the actual STI awarded ranged between 59% and 87% of the maximum opportunity. The Board believes that this result appropriately reflects both company performance, and the range of business and individual performance for the year.

No payment was awarded with respect to the Safety component of the STI. This is because our Lost Time Injury Frequency Rate fell short of the level required to meet the gateway condition, and we also failed to meet the threshold level for Medically Treated Injury Frequency Rate. We are disappointed that the Safety target was not achieved, however, as outlined by Mark Vassella in his address this morning, we are looking at ways to move BlueScope to a new level of safety improvement with a focus on reducing the severity of injuries. We are also taking a holistic approach to health and well-being across BlueScope, and ensuring appropriate care and treatment for employees returning to work after an injury.

The FY2017 LTI, which vested in September this year, was the last outstanding award under the prior remuneration framework. This award was tested against two performance hurdles – compound annual growth in earnings per share (EPS) - and relative Total Shareholder Return (TSR). As outlined in our Remuneration Report, we achieved a compound annual growth in EPS of 62%, well above the target of 15% that was considered challenging when it was set in 2017. The relative TSR hurdle for this award was tested in September following the release of the Remuneration Report,

and performance was at the 97th percentile. Accordingly, all rights granted under the FY2017 award vested.

From next year, the Alignment Rights awards, granted under the framework introduced in FY 2018 will be tested for vesting for the first time.

Remuneration Framework Purpose

Shareholders will recall that in 2018, BlueScope introduced a new remuneration framework, designed to better align executive remuneration outcomes with value delivered for shareholders across the cycle. The framework drives executives to focus on the financial fundamentals and is intended to deliver more value to executives at less cost to shareholders.

Specifically, it is important to note that while we reference our market peers when considering the quantum of Total Reward, fixed pay is deliberately set slightly above the median, while our variable reward programs – both short-term and long-term – are set conservatively below the median of our peers.

The STI has challenging annual targets linked to safety, delivery of strategic objectives and key financial measures which take into account the expected economic environment and market conditions for the year ahead.

The LTI hurdles are set at threshold performance levels, that, if achieved over the cycle, will generate good returns for shareholders. The LTI is intended to get equity into the hands of executives to align their reward with shareholder outcomes. This is also supported by our Minimum Shareholding Policy which requires the MD&CEO to hold 200% of his fixed pay in equity, and other executive KMP to hold 100% of fixed pay in equity. Almost all executive KMP are currently holding equity at or above their minimum shareholding requirement.

FY2020 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 FY2020 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 FY2020 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 next year's 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 in 2018 and awarded for the previous two years, the FY2020 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.

Governance, Risk and Culture

Finally, I would like to comment on our approach to risk, governance and culture, and progress towards achieving our diversity objectives.

In FY2019, the Board undertook a review of the key areas highlighted in the Australian Prudential Regulation Authority review into the Commonwealth Bank of Australia and, where relevant, assessed our performance against the findings. As part of our response to this review we have made a number of improvements, including:

- Enhanced visibility of organisational culture for the Board and its Committees through quarterly review of key indicators, covering social and environmental factors, compliance and conduct, and customer and product metrics.
- We have also introduced a clawback mechanism to apply to the LTI plan. Clawback has been introduced in response to changing stakeholder expectations and is consistent with practices in many of our peer organisations.

We continue to have clear and consistent policies in place for identifying and managing misconduct and we review these regularly to ensure that they remain appropriate for our changing business.

In 2019 we have continued to work towards ensuring our workplace reflects the communities in which we operate. This year we have again increased the recruitment of women across the business moving from 33 per cent to 40 per cent for operator/trade roles and from 40 per cent to 43 per cent across all roles.

As highlighted by the Chairman, women now comprise 21 per cent of our workforce; 38 per cent of the Board of Directors; and 40 per cent of the Executive Leadership Team. We are proud of this progress and will continue to focus on making BlueScope an inclusive workplace for all.

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