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General Manager
Corporations and Financial Services Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir

Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Bill 2011

On behalf of BlueScope Steel, I am pleased to provide our submission in response to the introduction of Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Bill 2011.

BlueScope supports, without reservation, accountability to shareholders on remuneration matters and seeks to ensure our remuneration practices are consistent with or exceed the highest governance standards. Shareholder acceptance of BlueScope remuneration reports has been consistently above 90% with an average 4.5% negative vote. Importantly, in years, such as experienced in recent AGM seasons, of shareholder hostility toward executive remuneration, BSL shareholders have overwhelmingly endorsed our Remuneration Report and other remuneration related matters.

However, the right approach is important and we urge the Government to reconsider two recommendations which will have a detrimental impact on the ability of boards to operate effectively. These are:

- The two vote test
- The requirement that remuneration consultants may only be engaged by the board or a director

The two vote test

It is appropriate to maintain the non-binding status of shareholder votes on remuneration reports. The explanatory memorandum confirms that only 5% of ASX companies have experienced a negative vote in excess of 25% in two consecutive years. Accordingly, we consider the proposed change is not justified by the actual experiences of shareholders in Australia.

A spill of all directors is an excessive response. Shareholders have the ability to remove the Chair or the Chair of the Remuneration Committee or any other director if they think it appropriate.

Appointment of remuneration consultants

The BlueScope Remuneration Committee which is comprised entirely of independent directors has on a number of occasions commissioned remuneration advice from a consultant other than that used by management. This approach provides directors with independent advice when they judge it to be necessary but does not burden non executive directors with the workload of managing all consulting arrangements. I believe this approach is consistent with best corporate governance and the role of NEDs and is vastly preferable to the approach being contemplated by Government.

The requirement that only directors can instruct consultants to provide 'advice relating to the nature and amount or value of remuneration' will actually serve to reduce governance standards as Boards will no longer perform an

independent review function on these matters as they will be required to adopt a management role in determining the appropriate approach. Further, the proposed changes in relation to the use of remuneration consultants will disrupt a wide range of day-to-day activities normally undertaken by management.

If required, I will be pleased to provide further information to assist the Government in its deliberations.

Yours faithfully


Graham Kraehe
Chairman