

BlueScope Steel Limited
ABN 16 000 011 058

Directors' Report - 30 June 2004

Contents

	Page
Corporate directory	2
Directors' report	4
Corporate governance statement	17
Directors biographies	30

BlueScope Steel Limited
Directors' Report

Directors

G J Kraehe AO
Chairman

R J McNeilly
Deputy Chairman

K C Adams
Managing Director and Chief Executive Officer

D J Grady

H K McCann

P J Rizzo

Y P Tan

J Crabb resigned 28 July 2004

Secretary

M G Barron

Executive Leadership Team

Managing Director and Chief Executive Officer
K C Adams

President Australian Building and Manufacturing Markets
N Cornish

President Asian Building and Manufacturing Markets
M Courtnall

Executive Vice President Human Resources
I Cummin (appointed 1 September 2003)

President Market and Logistics Solutions
K Fagg

President Industrial Markets
L Hockridge

Chief Financial Officer
B Kruger

Notice of Annual General Meeting The annual general meeting of BlueScope Steel Limited

Will be held at The Westin
1 Martin Place, Sydney

Date 2 pm, 19 October 2004

Registered Office

Level 11, 120 Collins Street (BlueScope Steel Centre)
Melbourne, Victoria 3000
(03) 9666 4000

Share Registrar

ASX Perpetual Registrars Limited
Level 4, 333 Collins Street
Melbourne, Victoria 3000
+61 3 9615 9130 or 1300 855 998

BlueScope Steel Limited
Directors' Report

Auditor	Ernst & Young Chartered Accountants Level 33, 120 Collins Street Melbourne, Victoria 3000
Stock Exchange	BlueScope Steel Limited shares are quoted on the Australian Stock Exchange
Website Address	www.bluescopesteel.com

Directors' Report for the year ended 30 June 2004

The directors of BlueScope Steel Limited ("BlueScope Steel") present their report on the consolidated entity ("BlueScope Steel Group") consisting of BlueScope Steel Limited and its controlled entities for the financial year ended 30 June 2004.

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the BlueScope Steel Group, based principally in Australia, New Zealand, China, Asia and North America, were:

- (a) Manufacture and distribution of flat steel products;
- (b) Manufacture and distribution of metallic coated and painted steel products; and
- (c) Manufacture and distribution of steel building products.

In addition, the BlueScope Steel Group extended its principal activities to include:

- (d) Design and manufacture of pre-engineered steel buildings and building solutions through the acquisition of Butler Manufacturing Company.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant events occurred during the year:

- a) On 17 November 2003, following shareholder approval, the company changed its name from BHP Steel Limited to BlueScope Steel Limited.
- b) On 27 April 2004, the BlueScope Steel Group acquired Butler Manufacturing Company, a steel pre-engineered buildings and building components business with operations in North America and China. The acquisition cost \$277 million (net of cash acquired) and is consistent with BlueScope Steel's long-term strategy to grow downstream branded products and building solutions.
- c) The BlueScope Steel Group is progressing a range of growth initiatives aimed at expanding the manufacture and distribution of metallic coating and painted steel products. The following projects are progressing to schedule:
 - Vietnam: the construction of a new metallic coating (capacity: 125,000 tonnes) and painting (capacity: 50,000 tonnes per annum) facility. The facility will cost approximately \$160 million and is expected to commence operation in early calendar year 2006;
 - Thailand: installing a second metallic coating line (capacity: 200,000 tonnes per annum) at the Map Ta Phut plant. The facility will cost approximately \$80 million and is expected to commence operations mid calendar year 2005; and
 - China: a new metallic coating (capacity: 250,000 tonnes per annum) and painting (capacity: 150,000 tonnes per annum) facility. The facility will cost approximately \$280 million and is expected to commence operation in mid calendar year 2006.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The following matters or circumstances have arisen since 30 June 2004 that have significantly affected, or may significantly affect, the BlueScope Steel Group operations, results or state of affairs in future financial years.

- (a) On 1 July 2004 BlueScope Steel Group completed a debut debt raising in the US private placement market totalling US\$300 million with terms of 7 years (US\$100 million) and 10 years (US\$200 million).
- (b) On 28 July 2004, the Board approved an investment of approximately \$100 million to increase the nominal capacity of the Hot Strip Mill at Port Kembla from 2.4 to 2.8 million tonnes per annum. The upgrade is expected to be completed in the first quarter of financial year 2006/2007.

DIVIDENDS

BlueScope Steel paid a fully franked interim dividend of 12 cents per share in March 2004 to its shareholders. On 19 August 2004, it was announced that the directors have declared a final fully franked dividend of 18 cents per share, which is to be paid on 18 October 2004 (record date 5 October 2004) to shareholders. The Directors have also declared a fully franked special dividend of 10 cents also payable on 18 October 2004.

REVIEW AND RESULTS OF OPERATIONS

	Segment revenues 2003 \$m	Segment revenues 2004 \$m	Segment results 2003 \$m	Segment results 2004 \$m
Sales Revenue				
Hot Rolled Products	2,625.5	2,731.5	471.2	565.1
New Zealand Steel	548.6	560.2	44.4	58.5
Coated and Building Products Australia	2,728.3	2,883.5	118.5	196.7
Coated and Building Products Asia	568.6	689.1	84.0	100.2
Coated and Building Products North America	-	191.5	-	(8.8)
Corporate and Group	715.9	669.0	(101.8)	(61.7)
Intersegment eliminations	(1,914.8)	(1,986.7)	(5.2)	(32.1)
Other Revenue	30.0	31.5		
Operating Revenue/EBIT	5,302.1	5,769.6	611.1	817.9
Net unallocated expenses			(17.5)	(14.5)
Profit from ordinary activities before income tax			593.6	803.4
Income tax expense			(120.9)	(201.6)
Profit from ordinary activities after income tax expense			472.7	601.8
Net profit attributable to outside equity interest			(21.0)	(17.7)
Net profit attributable to members of BlueScope Steel			451.7	584.1
Earning per Share (cents)			57.1	77.8

The BlueScope Steel Group has achieved strong financial results for the second consecutive year, delivering a net profit of \$584.1 million and earnings per share of 77.8 cents.

The company's revenue increased \$467.5 million to \$5,769.6 million, primarily due to additional despatch volumes and product mix, and improved price being partly offset by a reduction in the A\$-denominated value of sales, due to the strengthening of the Australian dollar.

Net profit after tax increased \$132.4 million to \$584.1 million. This improvement was due primarily to higher international and domestic steel prices, and higher product despatches. These were partly offset by higher raw material and operating costs, and the net impact of a higher AUD/USD on US\$ denominated revenues and costs.

Every reporting segment contributed to BlueScope Steel Group's improved performance. Earnings contributions of the Hot Rolled Products segment increased as a result of stronger hot rolled coil and slab pricing and product despatching. However, higher hot rolled coil and slab feed costs in the second half of the year compressed margins in our downstream Australian Coated and Building segment which otherwise delivered a very positive year on year result. There was a marked improvement in the New Zealand Steel business with the New Zealand domestic market remaining strong. In Asia, BlueScope Steel continues to grow with sales revenue from this segment increasing 21% to \$689 million and EBIT of \$100 million for the first time.

Butler Manufacturing Company, the world's premier manufacturer of pre-engineered buildings, was acquired in April 2004 bringing a new suite of building and construction products to our Company in China and North America.

The Company commenced a number of growth initiatives, principally a new China coating and painting facility, new Vietnam coating and painting facility and a second Thailand coating line.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

During financial year 2004/05, the Company will continue to work on improving those factors within its control.

The Company's domestic and export markets continue to be strong. Steel slab and hot rolled coil demand continues to be high, with a tightening of markets globally. With increasing demand for steel worldwide, the company expects steel prices will remain attractive through the first half of financial year 2004/05. China continues to play a pivotal role in global steel industry supply and demand although the direct impact on our sales is currently less than 5%. The Company remains optimistic about the economic prospects in China and Asia generally.

The Company will experience significantly higher raw material costs for iron ore, coking coal, energy and coating metals of aluminium, zinc and tin during financial year 2004/05, together with higher rates on marine freight.

The Company is increasing its research and technology spending by 30% to \$40 million in financial year 2004/05 to further advance its competitive edge and increasing its spending on repairs and maintenance by a further \$40 million to ensure its increased production capacity and asset lives are protected and extended.

The continued focus on monetary policy as well as elections in both the US and Australia will also add to uncertainty for these economies and exchange rates.

Overall, the Company is experiencing a strong start to financial year 2004/05, however, it is too early to be more definitive regarding the Company's full year results.

INFORMATION ON DIRECTORS

The following were directors for the year: Graham John Kraehe, AO (Chairman), Ronald John McNeilly (Deputy Chairman), Kirby Clarke Adams (Managing Director and Chief Executive Officer), John Crabb, Diane Jennifer Grady, Harry Kevin (Kevin) McCann, Paul John Rizzo and Tan Yam Pin.

Particulars of the skills, experience, expertise and special responsibilities of the Directors are set out on pages 30-31 and form part of this report. Mr Crabb resigned as a Director of BlueScope Steel on 28 July 2004.

INFORMATION ON COMPANY SECRETARIES

Michael Barron Chief Legal Officer and Company Secretary, BEc, LLB, ACIS

Michael Barron joined BlueScope Steel in 2002. He is responsible for the legal affairs of BlueScope Steel and for Company Secretarial matters. Prior to joining BlueScope Steel, Mr Barron held the position of group general counsel of Orica Limited where he was employed for 16 years, holding a variety of legal positions in Australia and overseas. His responsibilities at Orica Limited included membership of the executive team and management of the company secretarial, corporate affairs and internal audit functions.

Lisa Nicholson, B.Sc., LLB, Grad.Dip.CSP

Lisa Nicholson joined BlueScope Steel in May 2004. She is responsible for company secretarial matters for BlueScope Steel and its subsidiaries. Prior to joining BlueScope Steel Limited, Ms Nicholson worked in the company secretariat department of Coles Myer Ltd for 3 years with responsibility for compliance reporting, director related parties and company policies. She has also worked as a corporate lawyer for companies such as Lend Lease Employer Systems Ltd and DaimlerChrysler Australia/Pacific Pty Ltd.

Laurence Mandie, B.Sc. (Hons), LLB (Hons)

Laurence Mandie joined BlueScope Steel in 2002. He is responsible for the legal affairs of the Market & Logistics Solutions businesses, and corporate functions such as finance and IT, as well as being a company secretary for the group. Mr Mandie joined BlueScope Steel from Freehills, a national law firm, where he had worked in the Mergers & Acquisitions group and as Acting General Counsel and Company Secretary of Pasminco Limited.

PARTICULARS OF DIRECTORS' INTERESTS IN SHARES AND OPTIONS OF BLUESCOPE STEEL LIMITED

Director	Ordinary shares	Share rights
G J Kraeche	104,190	0
K C Adams *	902,212	1,448,800
J Crabb	41,572	0
D J Grady	30,432	0
H K McCann	20,131	0
R J McNeilly	512,239	0
P Rizzo	22,657	0
Y P Tan	131	0

* Kirby Adams' current holding of BlueScope Steel Limited Ordinary shares has no connection with any BlueScope Steel Limited executive remuneration program and such shares have been acquired with his own funds.

MEETINGS OF DIRECTORS

The attendance of the current directors at Board and Board Committee meetings from 1 July 2003 to 30 June 2004 is as follows:

	BOARD MEETINGS		COMMITTEE MEETINGS							
	A	B	Audit and Risk		Remuneration and Organisation Committee		Health, Safety & Environment		Nomination	
	A	B	A	B	A	B	A	B	A	B
G J Kraeche	12	12	*	*	6	6	5	5	2	2
K C Adams	12	12	*	*	*	*	5	5	*	*
J Crabb	12	12	*	*	*	*	5	5	2	2
D J Grady	12	12	*	*	6	6	5	5	2	2
H K McCann	12	12	7	6	*	*	5	5	2	2
R J McNeilly	12	12	7	7	6	6	5	5	2	2
P Rizzo	12	12	7	7	*	*	5	5	2	2
Y P Tan	12	12	*	*	1 ⁽¹⁾	1	5	5	2	2

⁽¹⁾ Mr Tan was appointed to the Remuneration and Organisation Committee at the Board meeting on 17 May 2004, which was prior to the Committee meeting on the same day.

All directors have held office for the entire 2003/04 financial year. Mr Crabb resigned as a director of BlueScope Steel on 28 July 2004.

A = number of meetings held during the period 1 July 2003 to 30 June 2004 during the time the Director was a member of the Board or the Committee as the case may be.

B = number of meetings attended by the director from 1 July 2003 to 30 June 2004 while the director was a member of the Board or the Committee as the case may be.

* = not a member of the relevant Committee, however directors who are not members of the relevant Committee often attend meetings.

The non-executive directors met once, during the 2003/04 financial year without the presence of management.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. The Board has determined to review non-executive directors' fees and payments annually. The Board has sought the advice of an expert external remuneration consultant to ensure non-executive directors' fees and payments reflect their duties and are in line with the market. The Chairman's fees are determined independently to the fees of other non-executive directors, based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-executive Directors do not receive share rights. Non-executive Directors are expected to accumulate over time a shareholding in the Company at least

BlueScope Steel Limited Directors' Report

equivalent in value to their annual remuneration. Non-executive Directors are required to salary sacrifice a minimum of 10% of their remuneration each year to purchase BlueScope Steel shares (instead of cash fees), which are acquired on-market. Shareholders approved this arrangement at the Annual General Meeting in November 2003, and non-executive directors commenced participation in this arrangement in January 2004.

The current remuneration of non-executive directors was last reviewed with effect from 1 January 2004. The Chairman and Deputy Chairman's remuneration is inclusive of Board Committee fees. Other non-executive directors who chair a Board Committee receive additional yearly fees and members of the Audit and Risk Committee also receive an additional yearly fee. Mr Tan (a resident of Singapore) receives a travel and representation allowance recognising his involvement in representing the Board in activities with BlueScope Steel's Asian business and the significant travel requirement imposed in respect of attendance at meetings.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum fee pool limit currently stands at \$1,750,000 per annum (inclusive of superannuation).

Compulsory superannuation contributions on behalf of each director are paid in addition to the fees. Non-executive directors do not receive any other retirement benefits.

Details of the remuneration for the year ended 30 June 2004 for each non-executive director of BlueScope Steel is set out in the following table.

Name	Base Fee \$	Committee Fee / Allowance \$	Non-monetary benefits \$	Superannuation \$	Total \$
GJ Kraehe	331,712	-	7,227	19,070	358,009
RJ McNeilly	167,365	-	-	12,286	179,651
J Crabb	116,058	12,827	-	10,832	139,717
DJ Grady	116,058	15,269	-	10,832	142,159
HK McCann	116,058	7,327	-	10,347	133,732
PJ Rizzo	127,742	20,154	-	-	147,896
Tan YP	121,827	9,769	-	10,842	142,438

SENIOR EXECUTIVES' REMUNERATION

BlueScope Steel's remuneration policy is directed at underpinning a high performance organisation. The focus of its remuneration strategy is on performance and accountability. Executive remuneration packages are designed to support the delivery of outstanding returns for shareholders by aligning performance-related reward with the value delivered to shareholders.

To compete, BlueScope Steel must be able to attract and retain the very best talent that is available within the global steel industry, while maintaining shareholder value. Our remuneration strategy enables BlueScope Steel to:

- Compete for executive talent by providing competitive remuneration; and
- Maintain an appropriate "at risk mix" in total remuneration to ensure BlueScope Steel delivers superior performance and grows shareholder value.

The Company complies with the legal requirements applicable to shareholder approval for participation in equity-based executive remuneration plans. Shareholder approval is sought for any shares or share rights to be granted to its executive director.

The reward structure combines base salary, short-term and long-term incentive plans and post-retirement benefit arrangements. The cost and value of components of the remuneration package are considered as a whole and are designed to ensure an appropriate balance between fixed and variable performance-related components, linked to short-term and long-term objectives and to reflect market competitiveness. Details of the policy applied in each component are outlined below.

Base salary

Base salaries are quantified by reference to the scope and nature of an individual's role, performance, experience and market data. Base salary drives the ultimate delivery of total remuneration including both short-term and long-term incentive targets.

Market data is obtained from external sources to determine the market value of positions.

Incentive plans

The Short-Term Incentive Plan is an annual "at risk" cash bonus scheme. Goals are established for each participant under the following categories:

- Shareholder Value Delivery - financial performance measures are used including Net Profit After Tax, Cash Flow, and Earnings Before Interest and Tax.
- Zero Harm - safety and environmental performance measures, including Lost Time Injury Frequency Rates, Medical Treatment Injury Frequency Rates and environmental measures.
- Business Excellence - performance measures for the financial year ending 30 June 2004 were focused on delivery performance, days of inventory and the cost of poor quality product.
- Strategy - implementation of specific initiatives.

Executives have a weighting of 60% of their bonus on the Shareholder Value measures.

For executives, target bonus levels range from 20% of base salary to 100% of base salary and are set to reflect market competitiveness. For outstanding results, participants may receive up to 150% of their target bonus amount.

The Long-Term Incentive Plan is an award of share rights to eligible executives. Eligibility, performance hurdles and quantity of share rights awarded is at the discretion of the Board. This decision is made annually taking into account the annual business performance results. No financial assistance is provided to executives in respect of any tax liability or costs arising from the exercising of Share Rights.

Executives are expected to accumulate over time a shareholding in the Company. For senior executives this shareholding is expected to be at least equivalent in value to their annual base salary.

Post-retirement benefits

BlueScope Steel operates superannuation funds in Australia, New Zealand and North America for its employees. In these locations there are a combination of defined benefit and accumulation type plans.

Contributions are also made to other international superannuation plans for employees outside of Australia, New Zealand and North America.

Other benefits

Additionally, executives are eligible to participate in an annual health assessment program designed to ensure that executives have their health status reviewed on a regular basis.

BlueScope Steel Limited Directors' Report

Details of senior executives' (including executive director's) remuneration

The following information represents the annual salary for the year ended 30 June 2004 for the top six executives and the Managing Director and CEO.

	Primary				Post-employment	Equity	
Name	Cash Salary and Fees \$	At Risk Cash Bonus (2) \$	Non-monetary benefits \$	Sub total \$	Super-annuation \$	Share Rights (1) \$	Total \$
Executive Director							
KC Adams – Managing Director and CEO (3)	1,391,346	1,990,000	7,227	3,388,573	204,528	815,218	4,408,319
Executives							
LE Hockridge – President Industrial Markets	612,500	560,000	17,325	1,189,825	90,038	320,806	1,600,669
KJ Fagg – President Market and Logistics Solutions	525,385	370,000	1,554	896,939	73,608	282,882	1,253,429
BG Kruger – Chief Financial Officer	494,338	430,000	7,794	932,132	71,578	247,623	1,251,333
NH Cornish – President Australian Building and Manufacturing Markets	456,153	330,000	37,535	823,688	66,546	242,733	1,132,967
M Courtneil – President Asian Building and Manufacturing Markets	405,095	320,000	13,040	738,135	59,040	199,569	996,744
IR Cummin – Executive Vice President Human Resources (from 1/9/03)	322,500	320,000	-	642,500	45,000	71,256	758,756

(1) Valuation of equity remuneration in the form of share rights granted, excludes the effect of tenure risk. For each award, total fair value is pro-rated over the award period, from grant date to expected vesting date.

(2) Refer to page 9 for details of the at risk cash bonus (Short-Term Incentive Plan). Amounts reflect the estimated annual cash bonus for the 12 months to 30 June 2004 based on actual performance. Actual annual cash bonus amounts will be paid in September 2004.

(3) Mr Adams has elected to take his short term incentive payment in the form of shares in the Company, under the Share Purchase Plan approved by Shareholders on 12 November 2003.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER - OUTLINE OF EMPLOYMENT CONTRACT

Outlined below are the key terms and conditions of employment contained within the employment contract for Kirby Adams, the Managing Director and Chief Executive Officer.

Kirby Adams' employment contract, commenced on 1 July 2002. He receives an annual base pay of \$1,350,000. This amount is reviewed on an annual basis in accordance with the Board's senior executive salary review policy. In addition, Mr Adams is eligible to participate in the Short-Term Incentive Plan and, subject to shareholder approval, Long-Term Incentive Plan awards.

Mr Adams may terminate the contract by giving three months' written notice, upon which he is entitled to his annual base pay, which has been accrued but not paid up to the date of termination, plus any vested awards under the Long-Term Incentive Plan, and any other payments which he is eligible for under the Short-Term Incentive Plan. The company may terminate the contract by giving one months' written notice (or a payment in lieu of notice based on Mr Adams' annual base pay) and a gross termination payment equal to 24 months of Mr Adams' annual base pay, plus any applicable Short-

Term Incentive Plan and Long-Term Incentive Plan awards, and reimbursement for the reasonable costs of relocation from Australia to the United States of America. The company may also terminate the contract on 30 days' notice in the event of serious misconduct or a serious breach of the contract. In this event, Mr Adams is only entitled to his annual base pay which has accrued but not been paid up to the date of termination plus any vested Long-Term Incentive Plan awards.

SHARE RIGHTS GRANTED TO EXECUTIVE DIRECTORS AND THE MOST HIGHLY REMUNERATED OFFICERS

The Company has implemented performance-based executive plans incorporating the granting of share rights.

The following share rights have been granted.

(a) July 2002 Award

Nominated executives were awarded share rights in BlueScope Steel Limited in lieu of the awards that would otherwise have been made under BHP Billiton Limited's Long-Term Incentive Plans in October 2001. For this award a once-only increase equivalent to an additional 50% of the value of the award was made. This once-only increase was to recognise that, but for the Steel separation, the nominated employees would have been eligible for an award under the BHP Billiton Limited's Long-Term Incentive Plans in October 2001, and the first performance period under the BlueScope Steel Long-term Incentive Plan will be shorter than the three year period usually adopted under BHP Billiton Limited's plans. A Share Right is a right to acquire an ordinary share in BlueScope Steel Limited at a later date, subject to the satisfaction of certain performance criteria.

Performance Period

Under the July Award there are two potential performance periods. The first performance period commenced on 15 July 2002 and ends on 30 September 2004. The Board will determine whether there will be a second performance period. If such a determination is made, the second performance period will commence on 15 July 2002 and end on 30 September 2005.

Vesting

The proportion of Share Rights that vest at the end of the relevant performance period will be determined by the Company's performance measured in terms of Total Shareholder Return ("TSR"), relative to the TSR of the companies in the ASX/S&P 100 index at the award grant date. The TSR performance hurdle, and percentages of Share Rights that become exercisable on meeting the performance hurdle is as follows:

TSR Performance Hurdle	First Performance Period % of Share Rights that Vest	Second Performance Period % of Share Rights that Vest
80th - 100th percentile	100%	50%
70th - < 80th percentile	90%	50%
60th - < 70th percentile	70%	50%
50th - < 60th percentile	50%	50%
< 50th percentile	50% of Share Rights awarded will lapse and 50% will be carried over to a second performance period at the Board's discretion	None - all unvested Share Rights will lapse immediately.

Exercise Price

The share rights awarded in July 2002 comprised both nil priced and market priced share rights. The exercise price established for the Market Priced Share Rights was based on the volume weighted average price of the BlueScope Steel Limited shares sold under the sale facility at the time of the demerger from BHP Billiton and BlueScope Steel shares on the Australian Stock Exchange during the first five trading days. Selected executives received Share Rights with a nil exercise price.

Details of the July 2002 Award

	Market Price Share Rights	Nil Priced Share Rights
Grant Date	25 July 2002	25 July 2002
Exercise Date	From 30 September 2004	From 30 September 2004
Latest Expiry Date	25 July 2007	31 March 2006
Share Rights Granted	14,335,000	2,800,300
Number of Participants at Grant Date	105	12
Number of Current Participants	99	11
Exercise Price	\$2.85	Nil
Fair Value Estimate at Grant Date ¹	\$5,734,000	\$3,276,351
Share Rights Lapsed since Grant Date	976,170	194,900

¹ External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the Executive Share Rights at grant date. The valuation has been made using the Binomial Option Pricing Model using standard option pricing inputs such as the underlying stock price, exercise price, expected dividends, expected risk free interest rates and expected share price volatility. In addition, specific factors in relation to the likely achievement of performance hurdles and employment tenure have been taken into account. Currently, these fair values are not recognised as expenses in the financial statements. However, were these grants to have been expensed they would have been amortised over the vesting period resulting in an estimated increase in employee benefits expense of \$4.2 million for the 2004 (2003: \$3.8 million) financial year. Note that no adjustments to these amounts have been made to reflect actual forfeiture of shares.

(b) September 2002 Plan

Executives were awarded Share Rights over ordinary shares in BlueScope Steel Limited. These Share Rights are subject to achievement of performance criteria and other terms on which they were awarded.

Performance Period

The performance period commenced on 1 October 2002 and ends on 30 September 2005.

Vesting

The proportion of Share Rights that vest at the end of the relevant performance period will be determined by the Company's performance measured in terms of Total Shareholder Return ("TSR"), relative to the TSR of the companies in the ASX/S&P 100 index at the award grant date. The TSR performance hurdle, and percentages of Share Rights that become exercisable on meeting the performance hurdle is as follows:

TSR Performance Hurdle	% of Share Rights that Vest
80th - 100th percentile	100%
70th - < 80th percentile	90%
60th - < 70th percentile	70%
51st - < 60th percentile	50%
< 51st percentile	None - all unvested Share Rights will lapse immediately

Exercise Price

The exercise price for all Share Rights in the September award is Nil.

Restriction on Sale of Shares

The executive cannot sell the shares acquired under this award prior to 30 September 2007. Furthermore, any executive who resigns during the two-year holding period forfeits any shares acquired under this award.

Details of the September 2002 Award

	Nil Priced Share Rights
Grant Date	30 September 2002
Exercise Date	From 1 October 2005
Expiry Date	30 September 2006
Share Rights Granted	4,645,100
Number of Participants at Grant Date	118
Number of current Participants	116
Exercise Price	Nil
Fair Value Estimate at Grant Date ¹	\$4,552,198
Share Rights Lapsed since Grant Date	191,600

¹ External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the Executive Share Rights at grant date. The valuation has been made using the Binomial Option Pricing Model using standard option pricing inputs such as the underlying stock price, exercise price, expected dividends, expected risk free interest rates and expected share price volatility. In addition, specific factors in relation to the likely achievement of performance hurdles and employment tenure have been taken into account. Currently, these fair values are not recognised as expenses in the financial statements. However, were these grants to have been expensed they would have been amortised over the vesting period resulting in an estimated increase in employee benefits expense of \$1.5 million for the 2004 (2003: \$1.1 million) financial year. Note that no adjustment to this amount has been made to reflect actual forfeiture of shares.

(c) September 2003 Plan

Executives were awarded Share Rights over ordinary shares in BlueScope Steel Limited. These Share Rights are subject to achievement of performance criteria and other terms on which they were awarded.

Performance Period

The performance period commenced on 1 October 2003 and ends on 30 September 2006.

Vesting

The proportion of Share Rights that vest at the end of the relevant performance period will be determined by the Company's performance measured in terms of Total Shareholder Return ("TSR"), relative to the TSR of the companies in the ASX/S&P 100 index at the award grant date. The TSR performance hurdle, and percentages of Share Rights that become exercisable on meeting the performance hurdle is as follows:

TSR Performance Hurdle	% of Share Rights that Vest
75 th - 100 th percentile	100%
51 st - < 75 th percentile	A minimum of 52% plus a further 2% for each percentage ranking. Any unvested SRs will be carried over to be assessed at subsequent performance periods.
< 51 st percentile	All SRs will be carried over to be assessed at subsequent performance periods.

If the performance hurdles are not met at the end of the first performance period (or are only partially met), four subsequent performance periods will apply. The subsequent performance periods commence on 1 October 2003 and end on 31 March 2007, 30 September 2007, 31 March 2008 and 30 September 2008 respectively.

Exercise Price

The exercise price for all Share Rights in the September 2003 award is Nil.

Details of the September 2003 Award

Grant Date	Nil Priced Share Rights 24 October 2003 (All executives excluding MD & CEO)
Exercise Date	13 November 2003 (MD & CEO)
Expiry Date	From 1 October 2006
Share Rights Granted	30 September 2008
Number of Participants at Grant Date	2,511,600
Number of current Participants	144
Exercise Price	143
Fair Value Estimate at Grant Date ¹	Nil
Share Rights Lapsed since Grant Date	\$6,887,769
	24,800

¹ External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the Executive Share Rights at grant date. The valuation has been made using the Binomial Option Pricing Model using standard option pricing inputs such as the underlying stock price, exercise price, expected dividends, expected risk free interest rates and expected share price volatility. In addition, specific factors in relation to the likely achievement of performance hurdles and employment tenure have been taken into account. Currently, these fair values are not recognised as expenses in the financial statements. However, were these grants to have been expensed they would have been amortised over the vesting period resulting in an estimated increase in employee benefits expense of \$1.6 million for the 2004 financial year. Note that no adjustment to this amount has been made to reflect actual forfeiture of shares.

Share rights granted to directors and the top six senior executives during the financial year ended 30 June 2004 were as follows:

Name	Number	Total Fair Value ¹ Granted	Exercise price per share
		\$	\$
Directors			
K C Adams	273,300	860,895	Nil
Executives			
L E Hockridge	97,100	313,633	Nil
K Fagg	82,600	266,798	Nil
B G Kruger	77,700	250,971	Nil
N Cornish	71,200	229,976	Nil
M Courtinall	64,000	208,981	Nil
I Cummin	94,700	305,881	Nil

¹ External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the Executive Share Rights. The valuation has been made using the Binomial Option Pricing Model using standard option pricing inputs such as the underlying stock price, exercise price, expected dividends, expected risk free interest rates and expected share price volatility. In addition, the likely achievement of performance hurdles of the share rights have been taken into account.

ENVIRONMENTAL REGULATION

The Company's values document, Our Bond and Health, Safety, Environment and Community ("HSEC") Policy sets out the philosophy of the BlueScope Steel Group with respect to the environment. The Company seeks to continuously improve its performance by reducing and preventing pollution and taking account of changing community expectations and evolving scientific knowledge. A copy of Our Bond is available on BlueScope Steel's - website www.bluescopesteel.com.

The BlueScope Steel Group has continued to focus on ensuring its systems are robust and that environmental responsibilities are managed. The international standard of ISO 14001 provides a framework for the company's environmental management system. By 31 December 2003 all then existing BlueScope Steel Group sites had attained certification to this standard. On 2 July 2004, an external audit of the environmental management system at the Port Kembla Steelworks located in New South Wales, Australia confirmed compliance with ISO 14001. Acquisitions over the second half of the financial year have resulted in new sites coming into the company. The BlueScope Steel Group also has underway construction activities at a number of greenfield and brownfield sites. The Company intends that its environmental management system will be implemented at these sites.

The Company notified relevant authorities of 76 breaches of environmental regulations occurring in the Company's operations in Australia during the reporting period. During the financial year, the Company

was fined \$70,500 under the *Protection of the Environment Operations Act 1997* (NSW) ("PEO Act") over an incident at the Port Kembla Steelworks in October 2001, that caused contamination of Allans Creek, a fish kill and air emissions.

The Company was prosecuted by the NSW Department of Environment and Conservation in relation to one Tier 2 offence under the PEO Act for failure to maintain equipment following emissions to air arising from a loss of power to the Port Kembla Steelworks in March 2003. A fine of \$70,000 was received in respect of that prosecution after the close of the financial year.

The Port Kembla Steelworks has entered into voluntary agreements with the NSW Environment Protection Authority to investigate possible land contamination of two areas within its site, the No.2 Steelworks and the recycling area. The investigations have not revealed any immediate concerns however they have indicated areas that need to be investigated further.

BlueScope Steel periodically publishes reports concerning its environmental performance and proposes to issue a 2004 Health, Safety, Environment and Community Report prior to the end of the 2004 calendar year. The report will provide further details on the Company's environmental performance.

INDEMNIFICATION AND INSURANCE OF OFFICERS

BlueScope Steel has entered into directors' and officers' insurance policies and paid an insurance premium in respect of the insurance policies, to the extent permitted by the Corporations Act 2001. The insurance policies cover former directors of BlueScope Steel along with the current directors of BlueScope Steel (listed on page 2). Executive officers and employees of BlueScope Steel and its related bodies corporate are also covered.

In accordance with Rule 21 of its Constitution, BlueScope Steel, to the maximum extent permitted by law, must indemnify any current or former director or secretary of BlueScope Steel or any of its subsidiaries, against all liabilities (and certain legal costs) incurred as such a director or secretary by a person, including a liability incurred as a result of appointment or nomination by BlueScope Steel or subsidiary as a trustee or as a director, officer or employee of another corporation.

The current directors of BlueScope Steel have each entered into an Access, Insurance and Indemnity Deed with BlueScope Steel. The Deed addresses the matters set out in Rule 21 of the Constitution and includes, among other things, provisions requiring BlueScope Steel to indemnify a director to the extent to which they are not already indemnified as permitted under law, and to use its best endeavours to maintain an insurance policy covering a director while they are in office and seven years after ceasing to be a director.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contract, as (in accordance with normal commercial practice) such disclosure is prohibited under the terms of the contract.

In respect of executive officers, under rule 21 of the Company's Constitution the Company, to the maximum extent permitted by law, may indemnify current or former executive officers of the Company or any of its subsidiaries, against all liabilities (and certain legal costs) incurred as such an executive officer to a person, including a liability incurred as a result of appointment or nomination by the Company or subsidiary as a trustee, or as a director, officer or employee of another corporation.

Under the terms of the agreement for the acquisition of Butler Manufacturing Company, the Company undertook to assume Butler Manufacturing's commitments to indemnify, and maintain insurance in respect of, former directors and officers of Butler Manufacturing against liabilities incurred by them as directors and officers, to the extent permitted by Delaware law.

PROCEEDINGS ON BEHALF OF BLUESCOPE STEEL

As at the date of this report, there are no leave applications or proceedings brought on behalf of BlueScope Steel under section 237 of the Corporations Act 2001.

ROUNDING OF AMOUNTS

BlueScope Steel is a company of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars.

AUDITOR

Ernst & Young was appointed as auditor for BlueScope Steel at the 2002 Annual General Meeting.

This report is made in accordance with a resolution of the directors.



G J KRAEHE AO
Chairman



K C ADAMS
Managing Director and CEO

Melbourne

18 August 2004

2004 CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Board operates in accordance with a set of corporate governance policies which take into account relevant best practice recommendations including the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations ("ASX CGC Recommendations"). The Board considers that BlueScope Steel complies with the requirements in the ASX CGC Recommendations.

For ease of reference, the table below notes those ASX CGC Recommendations that deal with information to be disclosed in the Corporate Governance Statement and indicates where they can be found in this report.

DISCLOSURE REQUIRED BY THE ASX CGC RECOMMENDATIONS	REFERENCE
Functions reserved to the Board and those delegated to management (page 18)	See Role of the Board on page 18
Skills experience and expertise relevant to the position of Director	See Information on Directors on page 30
Names of Directors considered by the Board to constitute independent Directors and BlueScope Steel's relevant thresholds	See Independent Non-Executive Directors on page 20
Procedure for independent professional advice	See Access to information and independent advice on page 19
Directors' terms of office	See Information on Directors on page 30
Names of the Nomination Committee members and attendance	See Nomination Committee and Meetings of Directors on page 27 and 22
Composition of Board Chairperson and role of Chairman and Managing Director and Chief Executive Officer	See Role and Composition of the Board on page 18 and 19
Code of conduct for Directors and executives	See Guide to Business Conduct on page 29
Securities Trading Policy	See Share ownership and dealing on page 28
Audit and Risk Committee members and their qualifications	See Audit and Risk Committee on page 24
Audit and Risk Committee meetings and attendance	See Meetings of Directors on page 22
Financial statements sign-off and structure of Audit and Risk Committee	See Audit and Risk Committee on page 24
Procedures for ASX disclosure requirements	See Shareholders on page 18
Shareholder communications strategy	See BlueScope Steel's website www.bluescopesteel.com
Attendance of external auditor	See the External audit on page 28
Risk oversight committee	See Audit and Risk Committee on page 24
Risk management and internal controls	See Internal audit on page 25
Performance evaluation	See Performance evaluation on page 23
Company's remuneration policies and disclosure	See Directors' remuneration and Non-Executive Directors' remuneration on page 22
Remuneration and Organisation Committee members and attendance	See Remuneration and Organisation Committee and Meetings of Directors on page 26 and 22
Retirement benefits for Non-Executive Directors	See Directors' remuneration on page 22
Company code of conduct	See Guide to Business Conduct on page 29

BlueScope Steel is a global organisation, with businesses operating in many countries, including Australia, New Zealand, the United States, China and throughout Asia. Entities within the BlueScope Steel Group must, therefore, comply with a range of varying legal, regulatory and governance requirements.

The Board places great importance on the governance of BlueScope Steel and, in particular, the need to focus on carrying out prudent risk-taking activities which achieve a balance between:

- the generation of rewards for shareholders who invest their capital;

- the supply of goods and services of value to the BlueScope Steel's global customers; and
- the provision of safe and meaningful employment for employees in a way which contributes to the welfare of the community.

This Corporate Governance Statement outlines the key aspects and mechanisms of the Company's governance framework, which were established, and are continually reviewed, by the Board.

Summaries of the policies and charters (and a copy of the Audit and Risk Committee charter) referred to in this Corporate Governance Statement are available on BlueScope Steel's website www.bluescopesteel.com

SHAREHOLDERS

A fundamental role in the governance of BlueScope Steel is performed by shareholders who elect the Board. In accordance with BlueScope Steel's Constitution, one-third of the Directors must retire each year by rotation and are subject to re-election.

The Board's task is to govern on behalf of all shareholders. The Board recognises that, to carry out this role, shareholders must receive high quality relevant information in a timely manner. BlueScope Steel's arrangements for communicating with its shareholders are summarised on BlueScope Steel's website www.bluescopesteel.com. Timely disclosure of relevant information will facilitate an efficient, competitive and informed market in BlueScope Steel's shares.

BlueScope Steel is subject to continuous disclosure obligations under the Listing Rules of the Australian Stock Exchange, which are supplemented by Australian corporations legislation. Subject to some limited exceptions, under the continuous disclosure requirements, BlueScope Steel must immediately notify the market, through the Australian Stock Exchange of any information which a reasonable person would expect to have a material effect on, or lead to a substantial movement in, the price or value of its shares.

To achieve these objectives and satisfy the regulatory requirements, the Board provides information to shareholders and the market in several ways, including:

- Communicating with all shareholders in annual reports and financial statements, releases of results to the Australian Stock Exchange each half year and at BlueScope Steel's Annual General Meeting;
- Releasing price sensitive announcements and other relevant significant announcements directly to the market via the Australian Stock Exchange. Copies of these announcements are immediately placed on BlueScope Steel's website www.bluescopesteel.com;
- Conducting briefings with analysts and institutions from time to time - in doing so, BlueScope Steel recognises the importance of making sure that any price sensitive information provided during these briefings is made available to all shareholders and the market at the same time and in accordance with the requirements of the Australian Stock Exchange and the Australian Securities and Investments Commission; and
- Providing information on BlueScope Steel's website, which contains extensive information about the BlueScope Steel Group and its activities, including statutory reports and investor information.

BlueScope Steel has a Market Disclosure Committee, comprising the Chairman, the Managing Director and Chief Executive Officer, the Chief Financial Officer, Company Secretary, the Vice-President, Investor Relations and the Executive Vice-President, Corporate Affairs, to monitor and assess all significant information which may require disclosure. The Company Secretary is responsible for providing announcements to the Australian Stock Exchange. A summary of BlueScope Steel's Continuous Disclosure Policy is available on BlueScope Steel's website www.bluescopesteel.com.

THE BOARD OF DIRECTORS

ROLE OF THE BOARD

The Board is responsible for the effectiveness of governance practices and the overall management and control of all entities within the BlueScope Steel Group.

The Board has developed and adopted a Charter that sets out:

- Its specific powers and responsibilities;
- The matters specifically reserved to the Board and those delegated to the Managing Director and Chief Executive Officer; and

- Procedures aimed at ensuring the effective operation of the Board.

Matters reserved to the Board include those relating to:

- (Values and standards) setting the Company's values and standards of conduct and monitoring adherence to these standards, in the interests of the Company's shareholders, employees, customers, suppliers and the communities in which it operates and, generally, safeguarding the reputation of the Company;
- (Leadership) providing leadership of the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;
- (Direction and objectives) setting the Company's direction, strategies and financial objectives and being satisfied that the necessary financial and human resources are in place for the Company to meet its objectives;
- (Performance assessment) ensuring that the performance of management, and the Board itself, is regularly assessed and monitored;
- (Compliance) monitoring compliance with regulatory and ethical standards; and
- (Appointing Managing Director) appointing, terminating and reviewing the performance of the Managing Director and Chief Executive Officer.

A summary of the Board Charter is available at BlueScope Steel's website www.bluescopesteel.com

The Board has delegated responsibility for the day-to-day operation and administration of the BlueScope Steel Group to the Managing Director and Chief Executive Officer, Mr Kirby Adams. The Executive Leadership Team assists the Managing Director and Chief Executive Officer in the day-to-day management of the business. The levels of authority for management are documented in detail in a Delegation of Authority Policy established under the Board Charter.

The Delegation of Authority Policy is readily available on the Company's intranet to all employees, along with detailed guidelines setting the internal approvals that must be obtained in order to enter into specific transactions.

The roles of the Chairman, and the Managing Director and Chief Executive Officer are separate.

During the financial year the Board reviewed the operation of the delegations to the Managing Director and Chief Executive Officer under the Board Charter and the Delegation of Authority Policy and made some modifications to improve the operation of the policy and increased the authority of the Managing Director and Chief Executive Officer for the conduct of certain transactions.

The Board has approved a risk management programme that is being adopted progressively throughout BlueScope Steel. The programme involves identification and assessment of significant risks and rating of the effectiveness of associated controls. Mitigation strategies are developed and implemented. Periodic reports are made to the Board on progress with this work and the Audit and Risk Committee reviews selected detailed business risk reports.

Access to information and independent advice

Directors are entitled to full access to the information required to discharge their responsibilities, including access to executives of the BlueScope Steel Group.

The Board (as well as Board Committees and individual Directors) may also obtain independent professional advice, at the expense of the Company, in carrying out their responsibilities, including in the absence of BlueScope Steel's management, where they consider it appropriate to do so. Procedures have been adopted to set out the practical steps by which independent professional advice is to be obtained.

The Board is assisted by the Company Secretary, who advises on the management of meetings, the implementation of governance procedures and compliance with regulatory requirements.

Composition of the Board

For the 2003/04 financial year, the Board comprised eight Directors, including seven independent Non-Executive Directors and one Executive Director (the Managing Director and Chief Executive Officer). Since 28 July 2004, with the resignation of John Crabb, there are six Non-Executive Directors.

The Board collectively brings significant commercial, business, operational, financial, legal and international experience in a range of industries. The Directors all bring skills and expertise which, in aggregate, combine to form a Board which is equipped to discharge its responsibilities. For the Directors' biographies, their term of office and information about their skills, experience and qualifications relevant to their position please refer to page 30.

BlueScope Steel's Constitution and the Listing Rules of the Australian Stock Exchange require that no member of the Board (other than the Managing Director and Chief Executive Officer) may serve for more than three years without being re-elected by shareholders at an Annual General Meeting of BlueScope Steel. Also, one-third of the Directors (not including the Managing Director and Chief Executive Officer) must retire, and are eligible to be re-elected by the shareholders at each Annual General Meeting. The Managing Director and Chief Executive Officer serves as a Director until he ceases to be the Chief Executive Officer. At the 2004 Annual General Meeting, Ron McNeilly and Diane Grady will stand for re-election.

Where the Board appoints a person as a Director (rather than the shareholders), that person must resign at the Annual General Meeting following their appointment and seek approval of shareholders to continue as a Director.

Independent Non-Executive Directors

The Board, excluding the Director in question, assesses the independence of each Non-Executive Director at least annually in light of the interests disclosed by that Director, as part of its overall commitment to standards of corporate governance in line with best practice.

The Board believes that independence is one important attribute of an effective Non-Executive Director. Other important attributes include business acumen and experience, an inquiring mind and personal integrity. In addition, the Board as a whole must work together effectively to combine and leverage the skills, knowledge and experience of its members to provide leadership to BlueScope Steel in generating value for shareholders and meeting the expectations of other stakeholders. The work of the Board must be supported by robust structures and processes that facilitate depth and breadth of understanding of BlueScope Steel's business, foster open and constructive debate, define roles and responsibilities clearly and ensure proper compliance with laws.

The governance process implemented by the Board has been designed, as a whole, to address all of these issues in a manner that will maximise the contribution of the Board to the success of the business.

In assessing the independence of a Non-Executive Director, consideration is given to the underlying purpose behind each of the specific relationships identified as relevant to independence (see below), and the overall purpose of independence.

The Board considers that the overall purpose of independence is to ensure that a Director does not have a relationship where there are, or are perceived to be, matters which could materially interfere with the Director:

- Making decisions on matters that regularly come before the Board or its committees;
- Objectively assessing information and advice given, or obtained, by management;
- Setting policy for general application across the BlueScope Steel group of companies; and
- Generally, carrying out the performance of his or her role as a Director, or which could inhibit free Board discussion of matters coming before the Board.

The Board considers all of the circumstances relevant to a Director, in determining whether the Director is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of BlueScope Steel. Amongst the circumstances considered by the Board are a range of factors, including the relations described in Box 2.1 of the ASX CGC Recommendations.

In determining whether a sufficiently material relationship (as described in Box 2.1 of the ASX CGC Recommendations) exists between BlueScope Steel and a third party, the Board has regard to all the circumstances of the relationship, including, among other things:

- (expenses/revenues) the proportion of a class of expenses or revenues that the relationship represents to both BlueScope Steel and the third party;

- (strategic importance) the strategic importance to BlueScope Steel's business of the goods or services purchased or supplied by BlueScope Steel;
- (uniqueness of services) the extent to which the services supplied are integral to the operation of BlueScope Steel's business, including the extent to which the services provided are unique and not readily replaceable;
- (goods/services) the nature of the goods or services;
- (transaction) the nature of the transaction; and
- (value) the value of the transaction to BlueScope Steel and the other party to the transaction.

Materiality is considered from the perspective of both BlueScope Steel and its Directors.

The Board considers that each Non-Executive Director is independent when assessed on the criteria above, taking into account all relevant matters and relationships of the particular Non-Executive Director. Relevantly, the Board's reasons include:

- Mr Kraehe is the Non-Executive Chairman of the National Australia Bank Limited, a supplier of banking services and funding facilities. The National Australia Bank Limited forms part of a consortium of eleven banks providing funding to the BlueScope Steel Group. Decisions required by the consortium are by majority of the banks (as a minimum). Having considered the goods and services supplied by the National Australia Bank Limited and the materiality criteria set out above, the Board considers that this relationship is not material for the purpose of independence. Mr Kraehe does not participate in any decisions regarding transactions with the National Australia Bank Limited.
- Mr McCann was a partner of Allens Arthur Robinson from 1974 until 30 June 2004, a national law firm, which is one of a number of law firms that provide legal advisory services to BlueScope Steel. He will remain as a non-partner Chairman of the firm until the end of the calendar year. Allens Arthur Robinson is not the exclusive or primary provider of legal services to BlueScope Steel and provides legal services to BlueScope Steel on normal terms and conditions. The Board considers that, having regard to Mr McCann's role with the firm, the amount of the fees paid to Allens Arthur Robinson and the nature of the services supplied, and based on the materiality criteria set out above, Allens Arthur Robinson is not a material professional adviser for the purposes of independence. The Board also notes that Mr McCann is not involved in Allens Arthur Robinson providing legal advice to BlueScope Steel or in selecting BlueScope Steel's legal advisers.
- Mr Rizzo will become a director of the National Australia Bank Limited, a supplier of banking services and funding facilities, in September 2004. Mr Rizzo will not participate in any decisions regarding transactions with National Australia Bank Limited. Mr Rizzo is also a member of the Advisory Board of Mallesons Stephen Jaques, a national law firm, which is one of a number of law firms that provide legal advisory services to BlueScope Steel. It is noted that Mallesons Stephen Jaques is not the exclusive or primary provider of legal services to BlueScope Steel. The Board considers that, having regard to Mr Rizzo's role with the firm, the amount of the fees paid to Mallesons Stephen Jaques and the nature of the services supplied, and based on the materiality criteria set out above, Mallesons Stephen Jaques is not a material supplier for the purposes of independence. The Board also notes that Mr Rizzo is not involved in Mallesons Stephen Jaques providing legal advice to BlueScope Steel or in selecting BlueScope Steel's legal advisers.
- None of Mr McNeilly, Mr Crabb, Ms Grady or Mr Tan had any relationships that required assessment for independence purposes.

Board succession planning and training

The Board is conscious of the need to ensure that proper processes are in place to deal with succession issues at Board level. This will require the Board periodically to assess the skill-set necessary to meet the BlueScope Steel Group's demands.

The Board has established a Nomination Committee, chaired by Mr Graham Kraehe, and comprising all the Non-Executive Directors.

Newly appointed Directors receive appropriate induction and training. This includes management briefings to familiarise themselves with the significant operations of the BlueScope Steel Group. Arrangements are made for new Directors to visit BlueScope Steel's major operational sites at Port Kembla and Western Port. New Directors also receive briefing materials, which include minutes of recent Board meetings and copies of fundamental Board and Company policies.

BlueScope Steel Limited Directors' Report

Each Non-Executive Director has received a formal letter of appointment setting out the expectations and time commitments, among other things, required of them.

Board meetings

During the 2003/2004 financial year, the Board has met 12 times to review matters such as the financial performance of the BlueScope Steel Group, current trading and key business initiatives, and the BlueScope Steel Group's strategy, budget and business plans. Included in the Board's schedule was a separate meeting held to specifically consider BlueScope Steel's Group strategy.

Procedures are also in place to ensure that Directors can meet to consider and decide urgent matters, as and when they arise.

Materials for Board and Board committee meetings are circulated to the Directors in advance. The agenda for meetings is formulated with input from the Managing Director and Chief Executive Officer, the Chairman and the Executive Leadership Team. Directors are free to nominate matters for inclusion on the agenda for any Board or Board Committee meeting.

The Chairman regularly requests a member of the Board, review the conduct of the Board meeting at its conclusion.

Members of senior management frequently make presentations to the Board, and telecommunication technologies may be utilised to facilitate participation.

In the 2003/04 financial year, Board meetings have been held in various locations, including in Melbourne (where BlueScope Steel's head office is located), Sydney, Asia (home to our various Asian operations), New Zealand (home to the New Zealand Steel operations), Port Kembla (home to BlueScope Steel's integrated steelworks operations in Australia) and Western Port (home to BlueScope Steel's major steel rolling and coating operations in Australia). The Board has a programme to meet at various sites in Australia, Asia and the United States during the remainder of 2004 and in 2005.

Meetings without management

The Non-Executive Directors hold occasional meetings without the presence of management.

Conflicts of interest

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and apparent) between their duty to BlueScope Steel and their own interests. The Board has adopted a procedure to ensure that conflicts and potential conflicts of interest are disclosed to the Board. Where a matter is to be considered by the Board, the Chairman (or where the Chairman has a conflict or potential conflict, the Deputy Chairman) in consultation with Company Secretary may implement procedures to avoid the Director with the interest acting or being perceived to act in conflict with his or her duties to BlueScope Steel. The Company Secretary maintains a register of Directors' interests.

Directors' remuneration

Under BlueScope Steel's Constitution the maximum remuneration payable by the company for the services of Non-Executive Directors in total is \$1,750,000 per annum. Shareholder approval is required to increase this amount. The total remuneration paid to the Non-Executive Directors in the financial year ended 30 June 2004 was well under the maximum amount provided in the Constitution.

Non-executive Directors receive remuneration based on membership of the Board, and for chairing Board committees. Non-executive Directors do not receive any performance-based incentives and are not entitled to any retirement benefits. Details of remuneration paid to the Non-Executive Directors are listed in the Directors' Report on page 7.

Non-executive Directors are expected to accumulate over time a shareholding equivalent in value to their annual fee. At the 2003 Annual General Meeting of BlueScope Steel, shareholders approved a Non-Executive Director Share Plan, under which Non-Executive Directors are required to receive part of their remuneration as BlueScope Steel shares (rather than cash).

For equity-based remuneration available to executive Directors or executives, shareholder approval will be sought as required by the Corporations Act 2001 or the ASX Listing Rules. At the 2004 Annual

General Meeting, shareholder approval will be sought to permit Mr Adams to participate in BlueScope Steel's Long Term Incentive Plan. Awards under equity-based remuneration plans are only made in accordance with the performance thresholds set out in the terms of those plans (the relevant thresholds are described further in the Directors' Report on page 11).

PERFORMANCE EVALUATION

Board

The Board reviews its effectiveness and individual performance regularly.

In its Corporate Governance Statement last year, the Board foreshadowed that it would undertake its first review of Board effectiveness towards the end of the 2003/2004 financial year after approximately two years of working together. The Board has now completed this review utilising an expert external consultant. Interviews were conducted with each Board member and with senior management and additional feedback was gathered by completion of a detailed [confidential] questionnaire. The review concluded that the Board is functioning well with an appropriate mix of skills and experience on the Board and effective working relationships amongst Board members and between the Board and management.

The Nomination Committee has also reviewed the performance of individual Directors seeking re-election.

Board committees

The Charter of each BlueScope Steel Board Committee requires the committee to regularly review its performance and, where necessary, make recommendations to the Board for improving the committee's effectiveness. During the financial year each Board Committee conducted a formal review of its performance that involved seeking feedback from committee members, management and other regular committee participants such as, in the case of the Audit and Risk Committee, the external auditors.

Executives

All BlueScope Steel executives are subject to annual performance planning and review.

The annual performance planning and review involves a key executive being evaluated by their immediate superior, usually the Managing Director and Chief Executive Officer. The executive is assessed against:

- achievement of financial goals;
- completion of key job specifications and goals;
- achievement of other specific business objectives; and
- contribution towards specific business plan objectives.

In assessing a key executive's performance, the Managing Director and Chief Executive Officer may consult with the Chairman. The outcomes of performance reviews are reported to the Remuneration and Organisation Committee, which has overall responsibility for ensuring that performance management processes are in place for all key executives. The Remuneration and Organisation Committee (formerly the Remuneration Committee) considers executive remuneration.

The Remuneration and Organisation Committee also considers the overall amount of any short-term incentive to be provided to eligible executives, and reviews and approves the specific amount of any short-term incentive bonus award to particular senior executives. This takes into account the overall performance of BlueScope Steel against a range of measures, and the contribution made by a particular executive.

The Chairman and the Board conduct the performance evaluation of the Managing Director and Chief Executive Officer. The evaluation of the Managing Director and Chief Executive Officer involves an assessment of a range of factors including the overall performance of BlueScope Steel and the achievement of specific pre-determined goals.

BOARD COMMITTEES

Given the importance of certain matters to corporate governance, the Board has established a number of committees to assist in the execution of its responsibilities:

- the Audit and Risk Committee;
- the Remuneration and Organisation Committee (formerly the Remuneration Committee);
- the Health, Safety and Environment Committee; and
- the Nomination Committee.

Other committees of the Board may be formed from time to time to deal with specific matters.

Each of the Board's committees operates under terms of reference (charters), detailing their role and responsibilities. The charters contain a number of common features, including the ability of a committee to obtain independent professional advice at the expense of BlueScope Steel, the requirement for reporting to the Board and periodic reviews of committee operations.

The number of Board Committee meetings held during the year ended 30 June 2004 and the attendance at those meetings by members is set out in the Directors' Report on page 7.

Regular reports of the committees' activities are provided to the Board and minutes are circulated to all Directors.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in the effective discharge of its responsibilities for financial reporting, internal controls, risk management, internal and external audit and insurance (with the exception of Directors' and Officers' Liability Insurance).

The primary objectives of the Audit and Risk Committee, as set out in its Charter, are to:

External reporting

- (review of financial statements) review all published financial statements which are required to be signed by Directors, prior to approval by the Board;
- (review of reports) review the annual report and the Directors' report to the extent that such a report discusses the financial position or operating results of BlueScope Steel;
- (accounting policies) review and assess the appropriateness of BlueScope Steel's accounting policies and principles;
- (compliance processes) review and consider the processes used by management to monitor and ensure compliance with laws, regulation and other requirements relating to external reporting of financial information;
- (regulatory changes) review proposed professional and regulatory pronouncements regarding accounting policies and financial reporting and assess their impact on BlueScope Steel.

Internal control and risk management

- (risk management systems) consider whether BlueScope Steel has effective risk management systems in place to review, assess and manage business, financial and operational risk;
- (internal controls) review and approve management's programs and policies which deal with the adequacy and effectiveness of internal controls over BlueScope Steel's business processes, including the determination of financial statements;
- (theft and fraud reports) receive reports concerning material actual and suspected breaches of law, including fraud and theft and assess systems to manage this risk;
- (litigation and contingencies) review any litigation, claim or other contingency which could have a material effect upon the financial position or operating results of BlueScope Steel;
- (superannuation plans) receive reporting concerning the accounting treatment of BlueScope Steel's superannuation plans and determine questions of accounting treatment raised;
- (related party transactions) review and monitor related party transactions and assess their propriety.

External audit

- (appointment/replacement) make recommendations to the Board on the appointment, reappointment or replacement and remuneration of the external auditor;
- (terms of engagement) review and agree with the external auditor the terms of engagement;
- (effectiveness and independence) monitor the effectiveness and independence of the external auditor;
- (scope of audit) review the scope of the external audit with the external auditor including identified risk areas and approve external audit plans;
- (non-audit services) review and assess provision of non-audit services by the external auditor;
- (policies for non-audit services) develop policies for approval by the Board, in respect of the provision of non-audit services by the external auditor;
- (coordination with internal audit) ensure the external auditor is coordinated with internal audit programs;
- (external audit findings) review and monitor management's responsiveness to the external audit findings;
- (external auditor meetings) on a regular basis meet with the external auditor without the presence of management.

Internal audit

- (appointment) approve the internal auditor;
- (scope of audit and plan) review and assess the scope of the audit and the internal audit plan, work program and resources and approve internal audit plans;
- (internal audit findings) review and monitor management's responsiveness to the internal audit findings;
- (internal auditor meetings) on a regular basis meet with the internal auditor without the presence of management.

Insurance

- (insurance) responsibility for reviewing and approving all aspects of the company's insurance programme except for the Directors' and Officers' Liability insurance, which is the responsibility of the Board.

A complete copy of the Audit and Risk Committee charter is available on BlueScope Steel's website www.bluescopesteel.com.

The Audit and Risk Committee meets before the finalisation of all major financial announcements of BlueScope Steel and, in any event, is required to meet four scheduled times a year.

The committee assists the Board with the implementation of the risk management programme approved by the Board. The programme involves identification and assessment of significant risks and rating of the effectiveness of associated controls. Mitigation strategies are developed and implemented. Periodic reports are made to the Board on progress with this work and the Audit and Risk Committee reviews selected detailed business risk reports.

As required by its charter, the Audit and Risk Committee is composed entirely of independent Non-Executive Directors.

The members of the Audit and Risk Committee are Mr Paul Rizzo (Committee Chairman), Mr Kevin McCann and Mr Ron McNeilly. In addition to their experience of business, each member of the Committee brings particular experience relevant to the functions of the Committee. Mr Rizzo has significant financial management and reporting experience. Mr McNeilly has an understanding of the industry in which BlueScope Steel operates and Mr McCann has both financial and legal experience which is valuable to the functioning of the Audit and Risk Committee.

All Board members are invited to attend meetings of the Audit and Risk Committee, with standing invitations also extended (except for certain consultations referred to above) to the Managing Director and Chief Executive Officer, Chief Financial Officer and the external and internal auditors.

Health, Safety and Environment Committee

The primary objectives of the Health, Safety and Environment Committee, as set out in its charter, are to:

- (HSEC Policy) adopt a Health, Safety, Environment and Community (HSEC) Policy and, as it considers necessary, recommend changes to that policy;
- (compliance) monitor BlueScope Steel's compliance with the approved HSEC Policy;
- (HSEC standards) assess the HSEC standards of BlueScope Steel;
- (HSEC risks) assess the operations of BlueScope Steel and make recommendations for assessing, avoiding, eliminating, controlling and minimising HSEC risks;
- (legislation) assess compliance by BlueScope Steel with applicable legislation;
- (acceptable practices) research and recommend the adoption of acceptable HSEC practices in the industries in which BlueScope Steel operates;
- (incident reporting) receive reports concerning HSEC incidents within BlueScope Steel; and
- (implications) consider HSEC issues that may have strategic, business and reputational implications for BlueScope Steel.

The Chairman of the Committee for the 2003/04 financial year was Mr John Crabb, an independent Non-Executive Director and because of the importance of health, safety and the environment to BlueScope Steel's operations, all Directors are members of the Committee. The composition of the committee has been reviewed during the year and the committee resolved to maintain its existing membership. Following Mr Crabb's resignation as a Director of BlueScope Steel on 28 July 2004, the Board has appointed Mr McNeilly as Chair of the Committee. The Health, Safety and Environment Committee charter requires that the committee meets at least four scheduled times per year.

Remuneration and Organisation Committee (formerly the Remuneration Committee)

The Remuneration and Organisation Committee assists the Board in ensuring that BlueScope Steel:

- (human resources strategy) has a human resources strategy aligned to the overall business strategy, which supports the BlueScope Steel Business Charter Our Bond;
- (practices and policies) has remuneration policies and practices that are observed and that enable it to attract and retain executives and Directors who will create value for shareholders;
- (remuneration and performance) fairly and responsibly rewards executives having regard to the performance of BlueScope Steel, the creation of value for shareholders, the performance of the executive and the external remuneration environment; and
- (succession) plans and implements the development and succession of executive management and Directors.

The Remuneration and Organisation Committee has authority to advise the Board on specific remuneration matters, as well as determining certain matters. The specific areas of responsibility are human resources strategy, remuneration policy, executive incentive and equity based plans, awards under executive incentive and equity based plans, executive Directors and senior management remuneration, performance management, succession planning, termination, succession and Non-Executive Director remuneration.

The Board has ultimate authority over the following matters:

- (contract variation) changes to the remuneration or contract terms of executive Directors;
- (incentive plans) the design of new equity plans or executive cash-based incentive plans;
- (incentive awards) total level of award proposed from equity plans or executive cash-based incentive plans;
- (Managing Director selection) selection of the Managing Director and Chief Executive officer;
- (Managing Director compensation) compensation and all performance related matters for the Managing Director and Chief Executive Officer; and
- (executive termination payments) termination payments to executive Directors.

The Remuneration and Organisation Committee is composed entirely of independent Non-Executive Directors.

The members of the Remuneration and Organisation Committee are Ms Diane Grady (Committee Chairman), Mr Graham Kraehe and Mr Ron McNeilly. All members of the Remuneration and Organisation Committee are independent Non-Executive Directors. The committee meets at least four scheduled times a year.

BlueScope Steel Limited Directors' Report

The committee seeks advice and guidance, as appropriate, from the Managing Director and Chief Executive Officer, and the Executive Vice President Human Resources. It may also seek advice from external experts, as appropriate, including in the absence of management of BlueScope Steel.

Information on BlueScope Steel's remuneration policies in respect of the costs and benefits of those policies and the link between remuneration paid to Directors and executives and Company performance is detailed in the Directors' Report on pages 4 to 16.

Nomination Committee

The Nomination Committee of the Board is responsible for reviewing the membership of the BlueScope Steel Board and for consideration of candidates for membership of the Board. Mr Graham Kraehe chairs the Committee. All Non-Executive Directors are members of the committee. The Board believes that the responsibilities of the committee will be performed most effectively if all Non-Executive Directors are involved. Detailed work of the committee may be delegated to a sub-committee.

The purpose of the committee is to assist the Board in the effective discharge of its responsibilities for ensuring that the Board is comprised of individuals who are best able to discharge the responsibilities of Directors having regard to the law and the highest standards of governance. This purpose will be achieved by:

- (required skills) assessing the skills required on the Board;
- (Board skills) assessing the extent to which the required skills are represented on the Board from time to time;
- (review processes) establishing processes for the review of the performance of the Board as a whole and individual Non-Executive Directors; and
- (Board candidates) establishing processes for the identification of suitable candidates for appointment to the Board.

Executive Leadership Team

BlueScope Steel's Executive Leadership Team (ELT) is responsible to the Managing Director and CEO for the day-to-day leadership and management of BlueScope Steel as a whole. The ELT performs its role in consultation with, and obtains guidance from the Board and Board committees. The ELT's specific responsibilities, include:

- (BlueScope Steel corporate strategy) developing and implementing the strategic direction of the BlueScope Steel Group;
- (business area strategies) reviewing and developing strategies for business areas;
- (safety) reviewing and developing safety strategy, high level processes and procedures;
- (capital expenditure) reviewing and endorsing all capital proposals over \$5 million. The ELT recommends to the Board all capital proposals over \$25 million;
- (human resources) reviewing and discussing human resource talent and succession and developing human resource strategies and practices;
- (policies and standards) discussing and endorsing major policies and standards that have been delegated to management by the Board in areas such as Human Resources, Information Technology, Risk Management and Finance; and
- (performance) reviewing company and business unit financial performance and operational performance and agreeing any necessary actions.

The members of the Executive Leadership Team are Kirby Adams (Managing Director and Chief Executive Officer), who is Chairman of the ELT, Lance Hockridge (President Industrial Markets), Noel Cornish (President Australian Building and Manufacturing Markets), Mike Courtinall (President Asian Building and Manufacturing Markets), Kathryn Fagg (President Market and Logistics Solutions), Brian Kruger (Chief Financial Officer) and Ian Cummin (Executive Vice President Human Resources). The ELT meets monthly, generally at BlueScope Steel sites.

ACCOUNTABILITY AND AUDIT

Internal control and risk management

The Board has overall responsibility for the BlueScope Steel Group's systems of internal control. These systems are designed to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations, with a view to managing the risk of failure to achieve business objectives. It must be recognised, however, that internal control systems can provide only reasonable and not absolute assurance against the risk of material loss.

The Board reviews the effectiveness of the internal control systems and risk management on an ongoing basis, and monitors risk through the Audit and Risk Committee (see the Audit and Risk Committee). The Board regularly receives information about the financial position and performance of BlueScope Steel. For annual and half-yearly accounts released publicly, the Managing Director and Chief Executive Officer and the Chief Financial Officer sign-off to the Board:

- the accuracy of the accounts and that they represent a true and fair view, in all material respects, of the BlueScope Steel Group's financial condition and operational results, and have been prepared in accordance with applicable accounting standards; and
- that the representations are based on a system of risk management and internal compliance and control relating to financial reporting which implements the policies adopted by the Board, and that those systems are operating efficiently and effectively in all material respects.

PricewaterhouseCoopers assists the Board by providing a comprehensive internal audit service.

External audit

Ernst & Young are BlueScope Steel's external auditors.

The lead audit partner and review partner of our external auditors rotate every five years. The current lead audit partner and review partner were first appointed for the 2001/02 audit of BlueScope Steel.

Non-audit work is prohibited, where independence may be compromised or conflicts arise. Any proposal for the performance of permitted non-audit related work by the auditor will require prior consultation with, and approval of, the Chief Financial Officer for certain matters under \$300,000 in value. The Audit and Risk Committee must approve permitted services with a value above this amount.

Representatives of Ernst & Young attend the Annual General Meetings of BlueScope Steel and are available to answer questions from shareholders as appropriate.

Share ownership and dealing

Details of shares in BlueScope Steel Limited held by Directors are set out in the Directors' Report on page 7.

The Board has put in place a Securities Trading Policy covering dealings in BlueScope Steel's shares. The objective of the Policy is to ensure that shareholders, customers and the business community have confidence that Directors and senior management comply with the law and best practice in corporate governance, and handle confidential information lawfully and with integrity. The Policy highlights the restrictions imposed by Australian corporations legislation on trading in BlueScope Steel shares and other entities' securities at a time when a person has non-public price sensitive information.

Under the Policy, Directors and senior management are required to notify the Company Secretary and obtain clearance before dealing in BlueScope Steel Limited shares. Directors and senior management are prohibited from dealing in BlueScope Steel Limited shares outside designated trading windows.

Any dealings in BlueScope Steel's shares by a Director are reported to the Board at its next meeting. The Australian Stock Exchange is notified of any share dealings by a Director within five business days.

Corporate social responsibility

BlueScope Steel is committed to meeting high standards of compliance with respect to its health, safety, environmental and community responsibilities, which are essential to the way in which the BlueScope Steel Group conducts its business.

Some of these important issues are the responsibility of the Health, Safety and Environment committee. However, BlueScope Steel views these matters as key issues, for which BlueScope Steel can have an impact in every aspect of its operations and interactions within the communities in which it operates.

The Health, Safety, Environmental and Community Policy addressing these issues can be found on BlueScope Steel's website www.bluescopesteel.com.

BlueScope Steel Guide to Business Conduct

BlueScope Steel Limited has a Guide to Business Conduct which provides an ethical and legal framework for all employees in the conduct of BlueScope Steel's business. The Guide defines how the BlueScope Steel Group relates to its customers, employees, shareholders and the community.

At the core of the Guide to Business Conduct is the desire to build trust between BlueScope Steel and these stakeholders, through the implementation of principles of legal compliance and proper process; fair competition; the application of industry best practice to the health, safety and well-being of BlueScope Steel's employees; a focus on long-term benefits rather than short-term advantage for individuals; cooperation, driven by BlueScope Steel's belief in people and teamwork; and respect for the diverse range of people and cultures.

The Guide to Business Conduct provides a common behavioural framework for all BlueScope Steel's employees, irrespective of their specific job, direct employer or location around the world.

The Guide to Business Conduct applies to all employees of BlueScope Steel.

It also applies to the activities of Non-Executive Directors, to extent that the provisions of the Guide are relevant to a Director's conduct in relation to BlueScope Steel.

Political contributions

BlueScope Steel does not contribute funds to any political party, politician, or candidate for public office. It may, however, incur costs for attendance at events hosted by a political party for briefing purposes or for the purpose of meeting and having dialogue with political figures and contributes to the public debate of policy issues that may affect it in the countries in which it operates.

INFORMATION ON DIRECTORS

Graham Kraehe, AO Chairman (Independent), Age 61, BEc
Director since: May 2002

Has extensive background in manufacturing and was Managing Director and Chief Executive Officer of Southcorp Limited from 1994 to February 2001. Currently Chairman of the National Australia Bank and a board member of Djerriwarrh Investments Limited. Former non-executive director of News Corporation and Brambles.

Brings skills and experience in manufacturing management and in companies with substantial and geographically diverse industrial operations. Experience with a wide range of organisations is relevant for his role as Chairman of the Board.

Ron McNeilly Deputy Chairman (Independent), Age 61, BCom, MBA, FCPA
Director since: May 2002

Deputy Chairman of the Board with over 30 years' experience in the steel industry. He joined BHP in 1962, and until 2002 held various positions with the BHP (now BHP Billiton) Group, including Executive Director and President BHP Minerals, Chief Operating Officer, Executive General Manager and Chief Executive Officer BHP Steel. In the latter role, gained practical experience of many of the businesses that today comprise BlueScope Steel.

Chairman of Melbourne Business School Limited and Ausmelt Limited, Deputy Chairman of Worley Group Limited, and a director of Alumina Ltd. Also Vice President of the Australia Japan Business Cooperation Committee and a member of the Council on Australia Latin America Relations.

Kirby Adams Managing Director and Chief Executive Officer, Age 48, BSc (Industrial Eng), MBA
Director since: May 2002.

Appointed Managing Director and Chief Executive Officer of BlueScope Steel Limited in July 2002. Joined the BHP group in 1995 and held various positions including President BHP Services, Group General Manager and Chief Executive Officer BHP Service Companies, and Corporate General Manager Planning and Development.

Current Chairman of the International Iron and Steel Institute.

John Crabb Non-executive director (Independent), Age 64
Director from May 2002 to July 2004.

Was Managing Director and Chief Executive Officer of Simsmetal Limited from 1988 until 2002. Joined the Simsmetal Group in 1965 and held a variety of management positions with the group. Chairman of Capral Aluminium Limited. Resigned: 28 July 2004.

Diane Grady Non-executive director (Independent), Age 56, BA (Hons), MA (Chinese Studies), MBA
Director since: May 2002.

A full time non-executive director of various companies since 1994 and is currently a director of Woolworths Limited and Wattyl Limited. Also a Trustee of the Sydney Opera House, a director of the Australian Institute of Management (New South Wales) and a Governor of Ascham School.

As a former partner with McKinsey & Co, spent 15 years consulting to clients in a broad range of industries on strategic and organisational issues. In Australia, led the Firm's Marketing, Retailing and Consumer Goods practice and was a global leader of McKinsey's Change Management Centre.

Kevin McCann Non-executive director (Independent), Age 63, BA LLB (Hons), LLM
Director since: May 2002

Non-Partner Chairman of Partners of Allens Arthur Robinson, a national law firm. Was a partner of the firm from 1970 to 2004, specialising in mergers and acquisitions, mineral and resources law and capital markets transactions.

BlueScope Steel Limited Directors' Report

Currently Chairman of Healthscope Limited, Origin Energy Limited, Triako Resources Limited, and the Sydney Harbour Federation Trust. A director of Macquarie Bank Limited and member of the Defence Procurement Advisory Board and has served on the Boards of Pioneer International Limited, Ampol Limited and the State Rail Authority of New South Wales. Also a member of the Takeovers Panel.

Brings extensive legal expertise, commercial experience as a director of a number of major listed companies and experience in corporate governance to the Board.

Paul Rizzo Non-executive director (Independent), Age 59, BCom, MBA
Director since: May 2002.

A director of National Australia Bank Limited from September 2004. A member of the Advisory Board of Mallesons Stephen Jaques, Innovation Economy Advisory Board for Victoria and Chairman of Foundation for Very Special Kids. Formerly Chief Executive Officer and Dean, director and Professorial Fellow of the Melbourne Business School. Held positions as Group Managing Director - Finance and Administration of Telstra Corporation Limited, Chief General Manager - Retail Banking Commonwealth Bank of Australia, Chief Executive Officer of State Bank of Victoria, and held a range of senior executive positions at Australia and New Zealand Banking Group Limited. Extensive financial experience is valuable to the Board and in his role as Chairman of the Audit and Risk Committee.

Tan Yam Pin Non-executive director (Independent), Age 63, BEc (Hons), MBA, CA
Director since: May 2003.

Resides in Singapore. A chartered accountant by profession, was formerly Managing Director of Fraser and Neave Group, one of South-East Asia's leading public companies, and Chief Executive Officer of its subsidiary company, Asia Pacific Breweries Limited. A Member of the Public Service Commission of Singapore since 1990. Chairman of PowerSereya Limited (Singapore) and is also a member of the Supervisory Board of the East Asiatic Company Limited A/S (Denmark), Keppel Land Limited (Singapore), and International Enterprise Singapore.

Brings extensive knowledge of Asian markets, an area of strategic importance to the Company and has financial and leadership skills that complement the existing Board.