



**SIMS
METAL
MANAGEMENT**

Sims Metal Management Limited

ABN 69 114 838 630

1- 000001 000 SGM

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



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I ND

12 October 2015

Dear Shareholder

I have pleasure in inviting you to attend the 2015 Annual General Meeting of Sims Metal Management Limited to be held on Level 2, Crown Perth Convention Centre, Great Eastern Highway, Burswood WA on Thursday, 12 November 2015 at 10.00am (Perth time).

Enclosed is the Notice of Annual General Meeting which sets out the items of business to be considered.

If you are attending, please bring this letter with you to facilitate registration into the meeting.

If you are unable to attend the meeting, you are encouraged to complete the enclosed proxy form. The proxy form should be returned in the envelope provided so that it is received no later than 48 hours before the commencement of the meeting. Alternatively, you may vote online at www.investorvote.com.au.

Corporate shareholders will be required to complete a "Certificate of Appointment of Representative" to enable a person to attend on their behalf. A form of this certificate may be obtained from the Company's share registry.

A copy of the address to be given by each of the Chairman and Chief Executive Officer at the meeting will be available for viewing and downloading from the Company's website at www.simsmm.com, following the meeting. You may also request a copy from the Company.

I look forward to your attendance at the meeting.

Yours sincerely

Frank Moratti
Company Secretary



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Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

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Proxy Form

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Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au



Cast your proxy vote



Access the annual report



Review and update your securityholding

Your secure access information is:

Control Number: 999999

SRN/HIN: 1999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10.00am (Perth time) on Tuesday, 10 November 2015

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

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Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



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Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Sims Metal Management Limited hereby appoint

☐

the Chairman
of the Meeting OR



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Sims Metal Management Limited to be held on Level 2, Crown Perth Convention Centre, Great Eastern Highway, Burswood WA on Thursday, 12 November 2015 at 10.00am (Perth time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 3, 4 and 5 (except where I/we have indicated a different voting intention below) even though Items 3, 4 and 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 3, 4 and 5 by marking the appropriate box in step 2 below.

STEP 2

Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
1. To re-elect Mr Jim Thompson as a Director of the Company.	☐	☐	☐
2. To re-elect Mr Geoff Brunsdon as a Director of the Company.	☐	☐	☐
3. To approve the change to Non-Executive Director Fee Pool.	☐	☐	☐
4. To adopt the Remuneration Report for the year ended 30 June 2015.	☐	☐	☐
5. To approve the participation in the Sims Metal Management Long Term Incentive Plan by Mr Claro.	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

_____ / /

Date

SGM

201316A

Computershare +

NOTICE OF 2015 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING (MEETING) OF THE SHAREHOLDERS (SHAREHOLDERS) OF SIMS METAL MANAGEMENT LIMITED (COMPANY) WILL BE HELD ON LEVEL 2, CROWN PERTH CONVENTION CENTRE, GREAT EASTERN HIGHWAY, BURSWOOD WA ON THURSDAY, 12 NOVEMBER 2015 AT 10.00AM (PERTH TIME).

SIMS METAL MANAGEMENT LIMITED ACN 114 838 630

BUSINESS

ACCOUNTS AND REPORTS

To receive and consider the financial statements of the Company and its controlled entities for the year ended 30 June 2015 and the related Directors' Report, Directors' Declaration and Auditor's Report.

RE-ELECTION OF DIRECTORS

MR JIM THOMPSON

RESOLUTION 1

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Mr Jim Thompson, who retires by rotation at the Annual General Meeting in accordance with the Company's Constitution and the ASX Listing Rules and having offered himself for re-election and being eligible, be re-elected as a Director of the Company."

MR GEOFF BRUNSDON

RESOLUTION 2

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Mr Geoff Brunson, who retires by rotation at the Annual General Meeting in accordance with the Company's Constitution and the ASX Listing Rules and having offered himself for re-election and being eligible, be re-elected as a Director of the Company."

APPROVAL OF CHANGE TO NON-EXECUTIVE DIRECTOR FEE POOL

RESOLUTION 3

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, in accordance with clause 21 of the Company's Constitution and ASX Listing Rule 10.17, approval is given to change the Non-Executive Director Fee Pool from A\$3,000,000 per annum to the greater from time to time of A\$3,000,000 and US\$3,000,000 per annum, and as more particularly described in the Explanatory Memorandum accompanying the Notice of Meeting convening this meeting."

REMUNERATION REPORT

RESOLUTION 4

To consider and, if thought fit, pass the following resolution as a non-binding ordinary resolution:

"That the Remuneration Report for the year ended 30 June 2015 (as set out in the Directors' Report) is adopted."

PARTICIPATION IN THE COMPANY'S LONG TERM INCENTIVE PLAN BY MR CLARO

RESOLUTION 5

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That approval is given for the purpose of ASX Listing Rule 10.14 and for all other purposes, for the Company to issue to Mr Galdino Claro, the Chief Executive Officer and Managing Director of the Company, a maximum of 554,090 Performance Rights and 343,650 Options under the terms of the Company's Long Term Incentive Plan, as more particularly described in the Explanatory Memorandum accompanying the Notice of Meeting convening this meeting."

By order of the Board



Frank Moratti
Company Secretary

12 October 2015

INFORMATION FOR SHAREHOLDERS

VOTING ENTITLEMENTS

For the purpose of the Meeting, shares will be taken to be held by persons who are registered as Shareholders as at 7.00pm (Perth time) on Tuesday, 10 November 2015. Accordingly, transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the Meeting.

PROXIES

A Shareholder who is entitled to attend and cast a vote at the Meeting has the right to appoint a proxy to attend and vote on behalf of the Shareholder. The proxy need not be a shareholder of the Company and may be an individual or a body corporate. If a Shareholder is entitled to cast two or more votes they may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the proxy appointments do not specify a proportion or number, each proxy may exercise half of the Shareholder's votes.

The Proxy Form must be signed by you or your attorney. Proxies given by corporations must be executed either in accordance with section 127 of the *Corporations Act 2001* (Cth) (**Corporations Act**) or under the hand of a duly authorised officer or attorney.

*Voting restrictions apply to members of the key management personnel for the Sims Metal Management Limited consolidated group whose remuneration details are included in the Remuneration Report (each a **KMP**) and their closely related parties, which affect proxy voting.*

The KMP (which includes, amongst others, each of the non-executive Directors, the Managing Director and the Chief Financial Officer) and their closely related parties will not be able to vote your proxy on Resolutions 3, 4 or 5 unless you direct them how to vote by marking the voting boxes for those items. The term "closely related party" is defined in the Corporations Act and includes the KMP's spouse, dependants and certain other close family members, as well as any companies controlled by the KMP, or the KMP's spouse, dependants and certain other close family members.

If you intend to appoint a KMP as your proxy, please ensure that you direct them how to vote on Resolutions 3, 4 and 5. If you intend to appoint the Chairman of the Meeting as your proxy, you can direct him to vote by marking the relevant boxes on the Proxy Form. If you sign and return your Proxy Form and do not provide any voting directions, you will be deemed to have expressly authorised the Chairman of the Meeting (where he is appointed your proxy or becomes your proxy by default) to cast your vote on each of Resolutions 3, 4 and 5 even though each of those Resolutions is connected with the remuneration of a KMP.

The Chairman of the Meeting intends to vote any undirected proxies held by him in favour of all items of business (subject to the requirements for voting directions noted above in relation to Resolutions 3, 4 and 5).

WHERE TO LODGE A PROXY

The Proxy Form and the power of attorney or other authority under which it is signed (if any), or a certified copy of the power of attorney or authority, must be:

- deposited at the share registry of the Company, Computershare Investor Services Pty Limited, located at Level 4, 60 Carrington Street, Sydney NSW 2000 (or by mail to GPO Box 242, Melbourne Vic 3001);

- deposited at the Company's Registered Office, Sir Joseph Banks Corporate Park, Suite 3, Level 2, 32-34 Lord Street, Botany NSW 2019;
- sent to the Company by mail to PO Box 651, Botany NSW 1455; or
- sent by facsimile to Computershare on 1800 783 447 or (03) 9473 2555 or to the Company on (02) 8113 1622.

ELECTRONIC PROXY

You may lodge an electronic proxy online at www.investorvote.com.au. To do so, you will need to enter the Control Number shown on the front of the Proxy Form, followed by your Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

You will be taken to have signed the Proxy Form if you lodge an electronic proxy online in accordance with the online instructions. Custodians, nominees, non-broker participants, portfolio administrators, portfolio aggregators and eligible financial advisers may lodge their proxy vote via Computershare's Intermediary Online Vote and Confirmation website. Go to www.intermediaryonline.com.

To be effective, proxies must be lodged by 10.00am (Perth time) on Tuesday, 10 November 2015. Proxies lodged or received after that time will be invalid.

CORPORATE REPRESENTATIVES

A body corporate which is a Shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the Meeting. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act. The representative should bring to the Meeting a properly executed letter or other document confirming their authority to act as the Shareholder's representative.

SHAREHOLDER QUESTIONS

If you would like a question to be put to the Chairman of the Meeting or the Auditor and you are not able to attend the Meeting, please email your question to the Company Secretary at frank.moratti@simsmm.com.

To allow time to collate questions and prepare answers, questions are to be received by the Company Secretary by 10.00am (Perth time) on Tuesday, 10 November 2015.

Shareholders should read the Explanatory Memorandum accompanying, and forming part of, this Notice of Meeting (**Notice**) for more details on the resolutions to be voted on at the Meeting.

VOTING

The Board has resolved that each resolution to be put to the Meeting will be decided by a poll. This follows representations from a number of large institutional investors, and follows the precedent set by over 80% of ASX 100 companies which have now adopted voting by poll. The poll will be taken after the other business of the Meeting has been concluded. The Company's Share Registry will then collect all polling cards and calculate the results which will, in line with market practice, be subsequently announced to the ASX.

EXPLANATORY MEMORANDUM FOR THE 2015 ANNUAL GENERAL MEETING (MEETING)

BUSINESS OF THE MEETING

ACCOUNTS AND REPORT

The Financial Report, Directors' Report and the Auditor's Report for the financial year ended 30 June 2015 (**FY2015**) will be laid before the Meeting.

Together, the Financial Report, Directors' Report and the Auditor's Report constitute the Company's FY2015 Annual Report. Unless the Company's Share Registry has been notified otherwise, Shareholders will not be sent a hard copy of the Annual Report. All Shareholders can view the FY2015 Annual Report on the Company's website at www.simsmm.com.

Following the consideration of the Reports, the Chairman will give Shareholders a reasonable opportunity to ask questions about or comment on the management of the Company.

The Chairman will also give Shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the Auditor's Report;
- the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the Auditor in relation to the conduct of the audit.

The Chairman will also give the Auditor a reasonable opportunity to answer written questions submitted by Shareholders that are relevant to the content of the Auditor's Report or the conduct of the audit. A list of written questions, if any, submitted by Shareholders will be made available at the start of the Meeting and any written answers tabled by the Auditor at the Meeting will be made available as soon as practicable after the Meeting.

RESOLUTION 1 – RE-ELECTION OF DIRECTOR – JAMES T THOMPSON BS (AGE 65)

INDEPENDENT NON-EXECUTIVE DIRECTOR

The ASX Listing Rules require that the Company hold an election of Directors at least once per year. The Company's Constitution requires that at least one Director, excluding the Managing Director, must retire each year. The retiring Director is then eligible to offer themselves for re-election by Shareholders.

Mr Thompson retires by rotation and, being eligible, offers himself for re-election as a Director.

Mr Thompson was appointed as a Director in November 2009. He is Chairperson of the Safety, Health, Environment, Community & Sustainability (SHECS) Committee, and is a member of the Finance & Investment Committee and the Remuneration Committee. Mr Thompson was, from 2004 until his retirement in 2007, Executive Vice President Commercial for The Mosaic Company, one of the world's largest fertiliser companies, with sales of US\$9 billion and some 8,000 employees, which is publicly traded on the New York Stock Exchange. Prior to that, he was engaged for 30 years in the steel industry from 1974–2004 in various roles at Cargill, Inc of Minnesota, United States, leading to the position of President of Cargill Steel Group from 1996–2004. During that period, Mr Thompson also served for a time as Co-Chairman of the North Star BlueScope Steel joint venture, and was a member of various industry boards, including AISI (American Iron and Steel Institute), SMA (Steel Manufacturers Institute) and MSCI (Metals Service Center Institute). He is currently a director

of Hawkins, Inc, and serves as Chairman of the Board of Visitors of the University of Wisconsin School of Education. Mr Thompson has a BS from the University of Wisconsin Madison.

Mr Thompson has broad experience in leading companies engaged in commodity oriented businesses. He has over 30 years of steel industry experience which includes serving as President of the Cargill Steel Group. This encompassed a major North American mini mill company, steel processing facilities, and a global ferrous trading business. In addition, he served as EVP of a global leader in fertilizer mining and processing which he helped take public on the NYSE. Mr Thompson believes that his experiences are well aligned with the key elements of the Company's activities. He believes that the breadth and depth of his knowledge brings value to the Company in multiple ways, including by way of leadership of the Board's SHECS Committee.

The Board considers Mr Thompson to be an Independent Director.

Prior to submitting himself for re-election, Mr Thompson acknowledged to the Company that he would have sufficient time to properly fulfil his duties to the Company.

Board's recommendation

The Board, with Mr Thompson absent and not voting, unanimously recommends you vote in favour of the re-election of Mr Thompson.

RESOLUTION 2 – RE-ELECTION OF DIRECTOR – GEOFFREY N BRUNSDON B COMM (AGE 57)

CHAIRPERSON AND INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Brunson retires by rotation and, being eligible, offers himself for re-election as a Director.

Mr Brunson was appointed as a director in November 2009, appointed Deputy Chairperson in September 2011 and appointed Chairperson of the Company on 1 March 2012. He is Chairperson of the Nomination/Governance Committee, and is a member of the Risk, Audit & Compliance Committee and the Remuneration Committee. Until June 2009, Mr Brunson was Managing Director and Head of Investment Banking of Merrill Lynch International (Australia) Limited. He is Chairman of IPE Limited (since 2004), APN Funds Management Limited (since November 2009), and MetLife Insurance Limited (since April 2011) and a member of the Takeovers Panel. He was a member of the listing committee of the Australian Securities Exchange between 1993 and 1997 and was a director of Sims Group Limited between 1999 and 2007. He is a Fellow of the Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australia and a Fellow of the Institute of Company Directors. Mr Brunson is also a director of the Wentworth Group of Concerned Scientists and Purves Environmental Custodians.

Mr Brunson has extensive experience in investment banking and risk management. He has over 30 years' experience in structuring, underwriting and syndicating significant capital markets transactions in Australia, the US and Europe. As well as strong technical expertise in global equity and debt markets, he has had management responsibility for large banking businesses with significant revenues and large numbers of employees. Mr Brunson believes that this experience adds a valuable dimension to the Company, particularly in relation to capital structure, risk management and meeting Shareholders' expectations.

The Board considers Mr Brunson to be an Independent Director.

EXPLANATORY MEMORANDUM FOR THE 2015 ANNUAL GENERAL MEETING (MEETING)

Prior to submitting himself for re-election, Mr Brunsdon acknowledged to the Company that he would have sufficient time to properly fulfil his duties to the Company. In considering Mr Brunsdon's candidature, the Board Nomination/Governance Committee (with Mr Brunsdon abstaining from the discussion) paid particular attention to the commitment involved in the other companies Mr Brunsdon chairs and noted the following:

- IPE Ltd is a closed end Private Equity fund of funds which is in run-off and consequently undemanding time requirements.
- APN Funds Management is the responsible entity for funds managed by the APN Property Group. The role of APN Property Group is to provide the strategic framework and management of the APN Property Group Funds and is independently listed and has a separate board of which Mr Brunsdon is not a member. As a consequence, the scope of APN Funds Management board's role and responsibilities is considerably narrower than that of a conventional company.
- MetLife Insurance Limited is a wholly owned subsidiary of MetLife Inc. and, as a wholly owned subsidiary, is managed on a global functional basis. Consequently, the time commitment required in such a role is considerably less than would be the case if the company was an ultimate holding company.

Since taking on the role of Chairperson of the Company, and effecting considerable change at Board and management levels, the Board has had ample opportunity to assess first-hand the extent of Mr Brunsdon's commitment to, and involvement in, the governance of the Company, and is of the view that Mr Brunsdon is clearly adequately fulfilling the obligations of Chairperson.

Board's recommendation

The Board, with Mr Brunsdon absent and not voting, unanimously recommends you vote in favour of the re-election of Mr Brunsdon.

RESOLUTION 3 – APPROVAL OF CHANGE TO NON-EXECUTIVE DIRECTOR FEE POOL

In accordance with clause 21 of the Company's Constitution and ASX Listing Rule 10.17, shareholder approval is sought to change the currency in which the maximum aggregate amount available for Non-Executive Directors' Remuneration (as that term is defined in clause 21.1(a) of the Company's Constitution) (**Fee Pool**) is denominated in any financial year from A\$3,000,000 per annum to the greater of A\$3,000,000 and US\$3,000,000 per annum. This will be the maximum aggregate amount of Directors' fees that may be paid to all of the Company's Non-Executive Directors.

The Company's Board is made up of nine Non-Executive Directors, four of whom are US residents and whose remuneration is set in US dollars (**US\$**). The remaining Non-Executive Directors are paid in Australian dollars (**A\$**). The Fee Pool was set at A\$3,000,000 in November 2009. Since that time, the US\$:A\$ exchange rate has traded close to parity and often the A\$ has traded at a premium to the US\$. Thus, on a same currency basis, there has been little difference between the remuneration of each of the Non-Executive Directors. However, the recent weakness of the A\$ against the US\$ has resulted in an increase in the A\$ equivalent of the fees paid to the US based Non-Executive Directors, even though there has been no change in the fees paid to them in their home currency of US\$.

The A\$ equivalent of the payments made to the four US based Non-Executive Directors is calculated at the time the payment is made. From time to time the exchange rate is hedged if it is deemed prudent to do so.

During the last six years, the Company's Remuneration Report has disclosed the A\$ equivalent of the US based Non-Executive Directors' remuneration. In the Company's FY2015 Remuneration Report, as well as showing the A\$ amount for each Non-Executive Director, we have also included the US\$ amount paid in respect of the US based Non-Executive Directors. We will continue this practice in future reports so that Shareholders can see what, if any, changes have occurred in the home currency of the fees of each Non-Executive Director.

The Company will maintain its current policy of only paying Non-Executive Directors who are US residents in US\$. With approximately 58% of the Company's revenue derived from operations in the US it is essential that we are able to attract and retain competent and experienced US based Directors.

Payments to the US based Non-Executive Directors for the first half of the financial year ended 30 June 2016 (**FY2016**) are hedged at US\$0.77, while payments for the second half of FY2016 are currently unhedged. As the Board is currently configured, the average US\$:A\$ exchange rate would have to fall to US\$0.53:A\$1.00 or lower in the second half of FY2016 for the A\$3,000,000 cap to be breached. The Board believes it is prudent to contemplate this possibility and the possibility that the US\$:A\$ exchange rate may fall further in future years. Further, it is possible that the Company's business may continue to expand in the US, or other circumstances may necessitate changing the geographic balance of the Board membership.

The table below shows the A\$ equivalent at various average exchange rates for the current configuration of the Board:

US\$:A\$ Exchange Rate (US\$)	A\$ Board fees
80 cents	\$ 2,686,845
75	\$ 2,766,236
70	\$ 2,856,969
65	\$ 2,961,661
60	\$ 3,083,802
55	\$ 3,228,150
50	\$ 3,401,367

Shareholder approval to change the currency for the Fee Pool is being sought for the following reasons:

- to align the currency of the Fee Pool with the currency (US\$) in which four of the Company's nine Non-Executive Directors' fees are paid; and
- to eliminate the variability of the headroom in the Fee Pool due to movement in the US\$:A\$ exchange rate.

If approved, this will be the first change in the Fee Pool since 20 November 2009. The amount of the increase in the cap as measured in A\$ will be the difference between A\$3,000,000 and US\$3,000,000 (at the then current US\$:A\$ exchange rate) per annum, assuming that the A\$ is weaker than the US\$. If the A\$ trades at a premium to the US\$, then the approval sought by this Resolution will not change the amount of the Fee Pool as the Fee Pool will, in such circumstances, remain capped at A\$3,000,000. The change is not being sought to permit the payment of enhanced fees to the Non-Executive Directors, as the Board has resolved that there will be no increase in individual Non-Executive Director fees for FY2016.

Details of fees paid to Non-Executive Directors for FY2015 are included in the Company's FY2015 Remuneration Report.

EXPLANATORY MEMORANDUM FOR THE 2015 ANNUAL GENERAL MEETING (MEETING)

There have been no securities issued to a Non-Executive Director under ASX Listing Rules 10.11 or 10.14 with shareholder approval within the preceding three years.

Voting exclusion statement

The Company will disregard any votes cast on Resolution 3:

- by or on behalf of any Director of the Company (and any of their associates); and
- by a KMP, or a closely related party of a KMP, as a proxy,

unless the vote is cast as proxy for a person entitled to vote on Resolution 3:

- in accordance with a direction in the Proxy Form; or
- by the Chairman of the Meeting where the proxy appointment expressly authorises the Chairman to exercise an undirected proxy even if the Resolution is connected directly or indirectly with the remuneration of a KMP (please refer to the Proxy Form for this authorisation).

Board's recommendation

The Board abstains from providing any recommendation in respect of Resolution 3.

RESOLUTION 4 – REMUNERATION REPORT

The Remuneration Report is contained in the Directors' Report of the Company's FY2015 Annual Report. The Report explains the Company's executive remuneration practices and the link between the remuneration of employees and the Company's performance and sets out remuneration details for each Director and for each named Executive.

The Corporations Act requires listed companies to put the Remuneration Report for each financial year to a resolution of members at their Annual General Meeting. Under section 250R(3) of the Corporations Act, the vote is advisory only and does not bind the Directors or the Company. However, if at least 25% of the votes cast on Resolution 4 are against adoption of the Remuneration Report at this Meeting, and then again at the 2016 Annual General Meeting, the Company will be required to put to Shareholders at the 2016 Annual General Meeting a resolution proposing the calling of an extraordinary general meeting to consider a spill of the Board (**spill resolution**).

If more than 50% of Shareholders vote in favour of the spill resolution, the Company must convene the extraordinary general meeting (**spill meeting**) within 90 days of the 2016 Annual General Meeting. All of the Directors who were in office when the FY2016 Directors' Report was approved, other than the Managing Director, will cease to hold office immediately before the end of the spill meeting but may stand for re-election at the spill meeting. Following the spill meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The Chairman will give Shareholders a reasonable opportunity to ask questions about or make comments on the Remuneration Report.

Voting exclusion statement

The Company will disregard any votes cast on Resolution 4 by or on behalf of a KMP, or a closely related party of a KMP, in any capacity (including as proxy), unless the vote is cast as proxy for a person entitled to vote on Resolution 4:

- in accordance with a direction in the Proxy Form; or

- by the Chairman of the Meeting where the proxy appointment expressly authorises the Chairman to exercise an undirected proxy even if the Resolution is connected directly or indirectly with the remuneration of a KMP (please refer to the Proxy Form for this authorisation).

Board's recommendation

The Board unanimously recommends you vote in favour of adopting the Remuneration Report.

RESOLUTION 5 – PARTICIPATION IN THE COMPANY'S LONG TERM INCENTIVE PLAN (LTIP) BY MR CLARO

The Board (with Mr Claro absent and not voting) believes it is appropriate that the Group CEO, Mr Claro be entitled to be granted Performance Rights (which are subject to the performance hurdles described below) and Options (collectively **Equity Rights**), under the LTIP.

The Board believes that the grant of the Equity Rights, more fully described below, pursuant to the LTIP which was introduced in 2007, is an important element of the Company's remuneration strategy for the Group CEO, which includes fixed remuneration and other benefits (**Total Fixed Remuneration** or **TFR**), a short-term incentive (**STI**) and a long-term incentive (**LTI**) as set out in the Company's FY2015 Annual Report.

Mr Claro's compensation was increased from 1 September 2015 and, from that date, comprises TFR of US\$1,275,000 per annum, an annual STI opportunity of 115% of TFR (target) and 230% of TFR (maximum), and an annual LTI award equal to 275% of TFR (target) and approximately 385% of TFR (maximum). Consequently, the LTI award (**FY2016 LTI Award**) has a value of US\$3,506,250 at the "target" performance hurdle. The FY2016 LTI Award has a maximum value of US\$4,908,425 if the "maximum" performance hurdle is achieved in respect of the ROIC Performance Rights as explained under paragraph (d) of the heading 'Key terms of FY2016 Performance Rights' described below. This is the first increase Mr Claro has had since his remuneration was negotiated in July 2013, prior to his commencing as Group CEO in November 2013.

At the time of Mr Claro's employment, he had extensive industry and turn around experience. However, until his appointment as the Company's CEO, Mr Claro had not had major listed public company CEO experience. Mr Claro's compensation was set accordingly. Notwithstanding the significant deterioration in the operating environment over the two years since Mr Claro commenced, he has developed, articulated and implemented a turnaround strategy that is progressing in line with plan. Accordingly, the Board has resolved to bring Mr Claro's remuneration into line with market. In determining market, the Board has had regard to the remuneration of the Company's peer group, remuneration practices in the US where 58% of the Group's revenue is generated and the Company's executive leadership team is based, practices of Australian companies with significant international operations, and the progress the Company has made in the implementation of strategy and the assessed performance of Mr Claro against his personal objectives set annually by the Board.

It is important that the compensation of the Company's CEO remains competitive in an environment where demonstrated industrial turnaround skills are in high demand.

The Board believes that the Group CEO's compensation is within market. A recent CEO compensation review carried out by Mercers concluded that the Group CEO's 2016 total compensation, at target, approximates the 50th percentile of the proxy data of an

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international peer group of 15 companies. The major component of the recent increase in Mr Claro's compensation was in the form of a hurdled LTI award.

Subject to this Resolution 5 being passed, Mr Claro will be entitled to the FY2016 LTI Award, comprising:

- (a) 218,437 Performance Rights with a relative Total Shareholder Return (**TSR**) performance hurdle set against a peer group of companies and vesting conditions based on this hurdle and on continued employment;
- (b) 335,653 Performance Rights with a return on invested capital (**ROIC**) hurdle, with vesting conditions based on this hurdle and on continued employment; and
- (c) 343,650 Options with a market price exercise price, with vesting conditions based on continued employment.

The Performance Rights referred to above will vest subject to the performance hurdles described below. The number of Performance Rights that actually vest will depend on the extent to which these performance hurdles are achieved. This means that the maximum number of Performance Rights (as referred to above) will vest only upon the achievement of the maximum performance hurdles in each of the two performance measures – TSR and ROIC.

Detail of FY2016 LTI Award

If approved by Shareholders, Mr Claro will receive his FY2016 LTI Award in three components:

1. A grant of Performance Rights with a nil issue and exercise price, with automatic vesting based on the TSR of the Company relative to the performance of an international peer group of companies in the Company's sector (subject to a continued employment vesting condition described in more detail below) (**TSR Performance Rights**). The list of these comparators is in Annexure 1 to this Explanatory Memorandum. While performance hurdles for vesting are common in Australia, they are only used in a minority of US plans. This grant would constitute approximately two-fifths of Mr Claro's FY2016 LTI Award.
2. A grant of Performance Rights with a nil issue and exercise price, with automatic vesting based on the ROIC achieved by the Company (subject to a continued employment vesting condition described in more detail below) (**ROIC Performance Rights**). This grant (at target) would constitute approximately two-fifths of Mr Claro's FY2016 LTI Award.
3. A grant of Options, with an exercise price based on the average of the closing prices of the ordinary shares of the Company (**Shares**) traded on ASX in the ordinary course of trade during the five trading days up to, but not including, the grant date (**FY2016 Options**). The FY2016 Options will vest automatically in three equal tranches on each of 31 August 2016, 31 August 2017 and 31 August 2018 (subject to a continued employment vesting condition described in more detail below). The vesting of any of the FY2016 Options is not subject to any performance hurdles. Whilst option grants without performance hurdles are uncommon in Australia, they are common practice in the US. Moreover, no gains will be available to Mr Claro unless the Share price of the Company increases above the exercise price for the FY2016 Options. This grant would constitute approximately one-fifth of Mr Claro's FY2016 LTI Award.

The grant of the FY2016 LTI Award will provide:

- a reward for strong performance relative to peers;
- a reward for generating significantly improved returns for Shareholders, and
- a reward for an absolute increase in the Company's Share price,

with vesting based both on performance and on continued employment.

This LTI structure ensures that Mr Claro focuses on shareholder value creation relative to companies within the Company's industry, as well as achievement of a return on invested capital target and absolute Share price growth.

Accordingly, the Board believes that the proposed grant of the FY2016 LTI Award to Mr Claro is an approach which will support both the business direction of the Company in accordance with its five-year strategic plan, and Shareholder expectations.

Key terms of FY2016 Performance Rights

- (a) A maximum of 554,090 Performance Rights (which comprise a maximum of 218,437 TSR Performance Rights and a maximum of 335,653 ROIC Performance Rights) (**FY2016 Performance Rights**) will be granted to Mr Claro under the LTIP Rules, conditional on obtaining Shareholder approval pursuant to Resolution 5. A Performance Right is the right to be issued a Share upon satisfaction of all applicable vesting conditions for a nil issue price. Under the LTIP Rules, the Company may, in its discretion, cause existing Shares to be transferred to Mr Claro in satisfaction of its obligation to issue Shares to him on exercise of his FY2016 Performance Rights.
- (b) *Performance Period:*

The performance period in which the FY2016 Performance Rights will be tested is the three-year period commencing 1 July 2015 (**Start Date**) and ending 30 June 2018 (**Test Date**) (**Performance Period**).

The FY2016 Performance Rights will be tested for satisfaction of their vesting conditions at the Test Date. Any FY2016 Performance Rights which have not vested as at the Test Date will immediately lapse.

If the FY2016 Performance Rights vest, they will be automatically exercised (with no further action required on the part of Mr Claro) into Shares on 31 August 2018, being the last business day in August following the Test Date (**Rights Vesting Date**).

- (c) *TSR Performance Hurdle:*

The TSR Performance Rights are subject to a vesting condition based on a TSR performance hurdle.

TSR measures the change over a particular period in the price of shares plus dividends notionally re-invested in shares.

In order for any of Mr Claro's TSR Performance Rights granted to him under the FY2016 LTI Award to vest, the Company's TSR for the relevant Performance Period must be at the 50th percentile or higher against the TSRs of an international peer group of 15 specified comparator companies in the Company's sector. The list of these comparators is in Annexure 1 to this Explanatory Memorandum.

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Based on the Company's relative TSR performance over the Performance Period, Mr Claro's TSR Performance Rights will vest in accordance with the following table:

TSR of the Company relative to TSRs of Comparators	Proportion of TSR Performance Rights vesting	Number of TSR Performance Rights vesting
Less than the 50 th percentile	0%	0
50 th percentile	50%	109,219
Between 50 th percentile and 75 th percentile	Straight-line vesting between 50% and 100%	Straight-line vesting
75 th percentile or higher	100%	218,437

TSR is calculated in each case on the following basis:

- dividends are re-invested on the ex-dividend date;
- Share prices are calculated as a volume weighted average sale price of Shares on the ASX for the three months preceding the Start Date and the three-month period up to and including the Test Date;
- local currencies are used for non-Australian comparator companies, so currency movements are ignored; and
- tax and any franking credits (or similar) will be ignored.

(d) ROIC Performance Hurdle:

The Board has chosen a return on invested capital (**ROIC**) performance hurdle as a component of Mr Claro's FY2016 LTI Award because:

- ROIC includes all operating cost and investment in the business;
- it balances the cyclical nature of commodity prices and the investment required to support working capital;
- it ties directly to the Company's FY2018 five-year strategic plan goal to achieve a ROIC above the Company's cost of capital independently of external market and economic conditions; and
- it aligns management's long-term decision making with Shareholder interests.

The ROIC Performance Rights are subject to a vesting condition based on a ROIC performance hurdle. This hurdle measures the Company's ROIC at the end of the Performance Period.

ROIC is an acronym that means return on invested capital and is calculated as profit divided by invested capital:

- Profit in the numerator refers to earnings before interest and after taxes which the Board Remuneration Committee believes represents ordinary earnings within the influence of management (**Profit**).
- Invested capital in the denominator is the average capital employed by the Company during the test year (in this case FY2018) being total Shareholders' funds plus net debt (**Invested Capital**). It is a broader measure than Controlled Capital, which is used in the Company's STI Plan calculation, as it aligns with returns received by Shareholders and rewards efficient use of capital.

The ROIC hurdle assesses the success of the business in generating an ROIC consistent with the Company's five-year strategic plan and significantly ahead of the Company's performance in the last four financial years. In recognition that US LTI plans typically provide an upside opportunity relative to the target LTI grant opportunity for significant "out performance", this grant provides for a maximum vesting at 200% of the target for out performance. Based on the Company's ROIC performance, Mr Claro's ROIC Performance Rights will vest in accordance with the table below:

ROIC of the Company for FY2018	Proportion of ROIC Performance Rights vesting	Number of ROIC Performance Rights vesting
Less than 8.0%	0%	0
8.0% (Threshold)	50%	83,913
Between 8.0% and 10.0%	Straight-line vesting between 50% and 100%	Straight-line vesting
10.0% (Target)	100%	167,826
Between 10.0% and 12.0%	Straight-line vesting between 100% and 200%	Straight-line vesting
12.0% (Maximum)	200%	335,653

The ROIC of the Company for FY2018 will be determined by taking the Profit of the Company for FY2018 and dividing it by the Invested Capital.

When determining the ROIC of the Company at the end of the Performance Period for this purpose, the Board has full discretion to include or exclude items, if appropriate, to better reflect shareholder expectations or management performance. In particular, the Board retains the discretion to consider exceptional circumstances pertaining to the Company or to the industry in which the Company operates to ensure there is no material advantage or disadvantage due to factors outside management's control that materially affect the extent to which ROIC Performance Rights may vest. In exercising its discretion, the Board will not increase the number of ROIC Performance Rights which can be issued under this component of Mr Claro's FY2016 LTI Award.

(e) Continued employment vesting condition:

In addition to the Company meeting the applicable respective TSR and ROIC performance hurdles specified above, Mr Claro must also continue to be a full-time employee of the Company (or its subsidiary) at the Rights Vesting Date for the FY2016 Performance Rights to vest.

Unvested FY2016 Performance Rights lapse upon Mr Claro ceasing to be an employee, subject to his Executive Employment Agreement dated 7 October 2013 (as amended) which may allow continued vesting in certain circumstances (referred to as a **Qualifying Cessation**). A Qualifying Cessation allowing continued vesting of any unvested FY2016 Performance Rights will occur in the following circumstances:

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- (i) If Mr Claro's employment is terminated by the Company for convenience, unless the Board determines otherwise acting reasonably having regard to the performance of Mr Claro over the preceding years.
- (ii) If Mr Claro terminates his employment for good reason.
- (iii) If Mr Claro's employment is terminated on his death or permanent disablement, or in other circumstances determined at the discretion of the Board.

In the event of a Qualifying Cessation on or prior to the Test Date, Mr Claro's unvested FY2016 Performance Rights will not immediately lapse, but instead will be retained and tested for satisfaction of vesting conditions at the end of the Performance Period (that is, the Test Date).

Where there is a Qualifying Cessation after the Test Date but prior to the Rights Vesting Date, Mr Claro's vested FY2016 Performance Rights will, assuming they have satisfied the vesting conditions, not lapse but will instead be automatically exercised on the Rights Vesting Date.

All FY2016 Performance Rights will lapse and be immediately forfeited in cases of fraud, gross dishonesty or termination of Mr Claro's employment for cause.

(f) *Change of control:*

The Board has the discretion to immediately vest Mr Claro's unvested FY2016 Performance Rights if:

- a person who did not control the Company at the date of grant of the FY2016 Performance Rights gains control of the Company; or
- a takeover bid is recommended by the Board, or a scheme of arrangement which would have a similar effect to a full takeover bid is approved by the Company's Shareholders.

Key terms of FY2016 Options

- (a) 343,650 Options will be granted to Mr Claro under the FY2016 LTI Award, conditional on obtaining Shareholder approval to Resolution 5. An Option is a right to be issued a Share upon the applicable vesting conditions being met and payment of the exercise price. The FY2016 Options to be issued to Mr Claro will be issued at a nil issue price. Under the LTIP Rules, the Company may, in its discretion, cause existing Shares to be transferred to Mr Claro in satisfaction of its obligation to issue Shares to him on exercise of his FY2016 Options.
- (b) The exercise price of the FY2016 Options will be calculated using the average of the closing prices of the Shares traded on the ASX in the ordinary course of trade during the five trading days up to, but not including, the date of grant of the FY2016 Options. If Resolution 5 is passed, the FY2016 Options will be granted to Mr Claro on 13 November 2015.
- (c) The FY2016 Options will vest, and become exercisable, in three equal tranches over approximately three years on 31 August 2016, 31 August 2017 and 31 August 2018 (**Options Vesting Date**) as set out below (**Vesting Schedule**).

Vesting Schedule		
	Number of FY2016 Options which will vest	Date
Tranche 1	114,550	31 August 2016
Tranche 2	114,550	31 August 2017
Tranche 3	114,550	31 August 2018

- (d) Once vested, the FY2016 Options can be exercised up until the date which is 7 years from the date of their grant, at which time all unexercised FY2016 Options will expire.

(e) *Continued employment vesting condition:*

Mr Claro must continue to be a full-time employee of the Company (or its subsidiary) at the relevant Options Vesting Date for the relevant tranche of FY2016 Options to vest.

Unvested FY2016 Options lapse upon Mr Claro ceasing to be an employee, subject to his Executive Employment Agreement dated 7 October 2013 (as amended) which may allow continued vesting in certain circumstances (referred to as a **Qualifying Cessation**). These circumstances are detailed above in paragraph (e) under the heading 'Key terms of FY2016 Performance Rights'.

In the event of a Qualifying Cessation, Mr Claro's unvested FY2016 Options will not immediately lapse, but instead will vest in accordance with the original Vesting Schedule.

All FY2016 Options will lapse and be immediately forfeited in cases of fraud, gross dishonesty or termination of Mr Claro's employment for cause.

(f) *Change of control:*

The Board has the discretion to immediately vest Mr Claro's unvested FY2016 Options if:

- a person who did not control the Company at the date of grant of the FY2016 Options gains control of the Company; or
- a takeover bid is recommended by the Board, or a scheme of arrangement which would have a similar effect to a full takeover bid is approved by the Company's Shareholders.

Equity Rights generally

In relation to both Performance Rights and Options, the LTIP Rules:

- (a) prohibit the executive from hedging unvested awards;
- (b) allow the Company to settle awards in cash upon vesting at the Board's discretion;
- (c) state that if, prior to their exercise, the Company undergoes a reorganisation of capital (other than by way of a bonus issue or issue for cash), the terms of the Equity Rights will be changed to the extent necessary to comply with the ASX Listing Rules as they apply at the relevant time to a reorganisation of capital at the time of the reorganisation; and
- (d) state that the holder is not entitled to participate in a new issue of shares or other securities made by the Company to holders of its shares unless the Equity Rights are vested and exercised before the record date for the relevant issue.

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ASX Listing Rules requirements

The following further information is provided for the purposes of the ASX Listing Rules:

- (a) The approval sought under Resolution 5 is in relation to the grant of securities (being the Equity Rights under Mr Claro's FY2016 LTI Award) to Mr Claro, who is a director of the Company.
- (b) Under Mr Claro's FY2016 LTI Award, the maximum number of FY2016 Performance Rights that will be granted to him is 554,090 and the maximum number of FY2016 Options that will be granted to him is 343,650. Each FY2016 Performance Right and FY2016 Option, on vesting, entitles Mr Claro to be issued one Share.

No exercise price is payable to exercise the FY2016 Performance Rights (subject to the vesting conditions being satisfied).

The exercise price of the FY2016 Options is based on the average of the closing prices of the Shares traded on the ASX in the ordinary course of trade during the five trading days up to, but not including, the grant date of the FY2016 Options.
- (c) No issue price is payable by Mr Claro for the grant of the FY2016 Performance Rights and FY2016 Options to him.

No exercise price is payable to exercise the FY2016 Performance Rights (subject to the vesting conditions being satisfied).

The exercise price of the FY2016 Options is based on the average of the closing prices of the Shares traded on the ASX in the ordinary course of trade during the five trading days up to, but not including, the grant date of the FY2016 Options.
- (d) No funds are being raised from the grant of the FY2016 Performance Rights or FY2016 Options.
- (e) The terms of the FY2016 Performance Rights and FY2016 Options proposed to be granted to Mr Claro are summarised above. Shares issued on exercise of any of the FY2016 Performance Rights and FY2016 Options have the same rights as the then existing fully paid ordinary shares of the Company.
- (f) Since the date of the last Shareholder approval under ASX Listing Rule 10.14 (being 13 November 2014), grants of 219,248 Performance Rights and 172,866 Options were made to Mr Claro for nil consideration under the LTIP.
- (g) All Directors are eligible under the terms of the LTIP to participate in the LTIP, although there is no intention to make awards to Non-Executive Directors.
- (h) If Resolution 5 is passed, the FY2016 Performance Rights and FY2016 Options will be granted to Mr Claro on 13 November 2015.
- (i) No loan is advanced to Mr Claro in relation to the proposed grant of the FY2016 Performance Rights and FY2016 Options to him.
- (j) Under ASX Listing Rule 7.1, a listed entity has the ability to issue 15% of its issued capital without shareholder approval in a 12 month period. When an entity issues or agrees to issue securities under ASX Listing Rule 7.1 without shareholder approval, that issue or agreement to issue uses up part of the 15% capacity available under that rule. However, if approval is given by shareholders under ASX Listing Rule 10.14, approval will not be required under ASX Listing Rule 7.1. This means that the Equity Rights granted to Mr Claro and any Shares issued pursuant to this approval will not use up part of the 15% capacity under ASX Listing Rule 7.1.

- (k) A voting exclusion statement for Resolution 5 is set out below.

Voting exclusion statement

The Company will disregard any votes cast on Resolution 5:

- by or on behalf of Mr Claro and any of his associates; and
- by a KMP, or a closely related party of a KMP, as a proxy, unless the vote is cast as proxy for a person entitled to vote on Resolution 5:
 - in accordance with a direction in the Proxy Form; or
 - by the Chairman of the Meeting where the proxy appointment expressly authorises the Chairman to exercise an undirected proxy even if the Resolution is connected directly or indirectly with the remuneration of a KMP (please refer to the Proxy Form for this authorisation).

Board's recommendation

The Board, with Mr Claro absent and not voting, unanimously recommends you vote in favour of Resolution 5 which will complete the Company's remuneration strategy for Mr Claro for FY2016.

ANNEXURE 1

Comparator companies for TSR performance hurdle

- AK Steel Holding Corporation
- Alcoa Inc.
- Allegheny Technologies Inc.
- ArcelorMittal S.A.
- Arrium Limited
- BlueScope Steel Limited
- Commercial Metals Co.
- Gerdau S.A.
- Nucor Corporation
- POSCO
- Reliance Steel & Aluminum Co.
- Schnitzer Steel Industries Inc.
- Steel Dynamics Inc.
- Tokyo Steel MFG Co Ltd.
- United States Steel Corporation

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