



BlueScope Annual General Meeting 2016

10 November 2016, Sydney

Address by John Bevan, Chairman

CHECK AGAINST DELIVERY

It is a pleasure to address you for the first time as Chairman, and an honour and privilege to take over from Graham Kraehe, AO, whose outstanding contribution to BlueScope we acknowledged at last year's Meeting.

2016 has been an important year of change and improved performance. That change has come through a clarity of strategy which has delivered over the past 18 months or so.

One of the Board's key priorities is to agree the strategy and then allow management to execute it in the most prudent and successful manner.

The Company's strategy on paper has some simplicity to it. To give you, the shareholder, superior returns going forward we need to do a few things really well.

Firstly all of our steelmaking activities have to be globally cost competitive. We are a small producer so in the markets we operate we must generate cash to reinvest in the future. Every facility has to pay its way.

Secondly in the markets where we have a portfolio of defendable profitable premium branded products, we must grow through innovation to maintain this position.

Achieving these two specific objectives will differentiate the Company and will help drive shareholder returns.

To execute this, your Company must be agile, innovative and internationally competitive in the very challenging global steel industry.

An essential building block to implementing this strategy is that BlueScope must have very solid foundations. It must maintain a strong balance sheet and low levels of debt – one that underpins our global operations, but with enough flex to allow us to seize growth opportunities as they present.

I'm pleased to report to you as shareholders, that the Company's ongoing improved performance in financial year 2016 shows the strategy is well on track.

In fact, the turnaround in fortune, in just a few short years, is very encouraging. The short term survival mode has largely passed – and unlike many others in the steel sector, the Board has renewed confidence and focus on the medium to long term – where BlueScope can continue to strategically invest in regions, markets, technologies, brands and importantly people – to secure its sustainable advantage.

To be successful over time, the strategy must be underpinned by a strong set of values.



One of these critical values revolves around the safety of our employees, our partners and our customers wherever we operate.

BlueScope people remain very focussed on our goal of Zero Harm.

The Lost Time Injury Frequency Rate was 0.6 per million hours worked, matching the performance of the previous year. The Medical Treated Injury Frequency Rate was 5.1 per million hours worked, compared to 4.6 the previous year.

One of the privileges of being a member of BlueScope's Board is the opportunity to meet employees at work at sites around the globe, and I am always struck by their dedication to safety.

During the year the Board visited Malaysia, where we used a new online reporting system, via a mobile phone app, to conduct safety audits on site. This is an example of in-house innovation at work in the Company. It was very impressive, bringing efficiencies and improved safety management in our business.

And in Thailand we saw product and roof fixing training delivered by the BlueScope Mobile Training Centre, a BlueScope initiative to help make the local grass-roots industry safer. It has trained over 2,500 builders since 2014, and is a tribute to our local team.

Safety will continue to be the Company's number 1 priority – and a key part of the overall performance rating and remuneration system, used by the Board to assess performance.

It's a great credit to our people that, over a period of radical change across our operations, the focus on safety has never faltered, and our class-leading performance has been sustained.

Now let's discuss the 2016 financial performance and outlook

The financial performance continued to strengthen - demonstrating that the Company is well and truly delivering on its strategic priorities.

Direct action on controllable costs significantly lifted the performance of our steelmaking businesses in Australia and New Zealand. Overall, underlying earnings rose almost 90 per cent through a combination of volume growth, cost reductions and the benefit of the North Star BlueScope Steel acquisition.

The CEO, Paul O'Malley will discuss specific financial performance – but from a shareholder, and therefore Board perspective – it was a very good year. It allowed the Board to approve payment of a fully franked final dividend of 3.0 cents per share, in line with our FY2015 final dividend.

The total dividend for the year was 6.0 cents – a prudent amount – especially in the context of the primary focus on reducing debt – an essential element in running a successful steel enterprise. We intend to continue to pay down debt towards the level we achieved prior to the acquisition of the remaining 50 per cent of North Star.

The reduced net debt position will stand us in good stead. It's part of a long term plan to enable BlueScope to ride out volatility in the steel sector – while also giving us the flexibility to invest organically, or through acquisition, when great opportunities that fit with our strategy present themselves.



We did this successfully in recent years, here in Australia, with the opportunistic acquisition of Fielders and Orrcon. We also acquired Pacific Steel in New Zealand in 2014. And we did it, more dramatically in FY2016, with the acquisition of the remaining 50 per cent of North Star in the US.

Many of you shareholders will know, the past journey with BlueScope has not been an easy one. But with this low-debt, strategy-driven mindset, the BlueScope horizon looks promising. And the Board is fully focused on rewarding shareholders as we grow.

GLOBAL STEEL SECTOR

The context for BlueScope's performance in FY 2016 is a global steel sector that has rarely been more volatile. Steel spreads – that is the margin between steel prices and raw material input costs - have hit record lows per tonne, and global capacity utilisation has been as low as mid-60 per cent, meaning that we saw 35 per cent overcapacity during the FY2016.

On the one hand, multilateral and bilateral free trade agreements abound, while on the other, protectionist trade barriers are being erected.

It's a complex and ever-changing world economy, as we saw in the conflicting signals from the G20 economic summit in China in September.

BlueScope operates in 17 countries around the world, and so we must constantly monitor and adapt our businesses to these market forces – within the context of our overall strategy, and with a long-term, prudent mindset.

And so, despite the strong performance reported in the 2016 financial year, and while we have renewed confidence about the Company's prospects and direction, it's not the time to be complacent.

The Board is well aware of the reality, that in 1HFY2017, global steel remains in oversupply.

Let me elaborate. Your Company produces approximately 5 million tonnes of steel per annum, compared to global production of 1.5 billion tonnes. China accounts for about 50% of that (800mtpa), and exports more than 100mtpa (or the equivalent to 20 times BlueScope's total production at our three steelmaking sites in Port Kembla, Glenbrook and Delta, Ohio).

Our strategy to compete against these enormous odds is to be cost competitive and to differentiate our premium branded products.

BlueScope has proved over past few years that it has the mettle to compete. We now need to prove ourselves again, by building on the FY2016 result, and by continuing to reinvent ourselves as one of the most innovative and internationally competitive steel companies.

Across all our businesses, we need to embed the lessons of survival from the last 12 months at Port Kembla Steelworks where, thanks to the cooperation and commitments made by employees, unions, the community in the Illawarra and the New South Wales government, steelmaking will continue for now. It is an ongoing challenge – to consistently deliver the returns that earn the right to future re-investment.

Now let's focus on executive remuneration.



Last year, the Board adjusted the Company remuneration structure for key management personnel. The Chair of the Remuneration and Organisation Committee, Penny Bingham-Hall explained this in some detail in the FY2015 Remuneration Report and at last year's AGM.

There was overwhelming shareholder support for the new arrangements - which shifted the performance criteria to strategic outcomes over a two year timeframe.

Looking at FY2016 performance, at the half-way mark of the assessable performance period, the Company is clearly tracking above initial expectations.

And so, this time next year, shareholders should expect it's likely that executive rewards will flow to reflect the Company's outperformance.

Chair of the Remuneration and Organisation Committee Penny Bingham-Hall will speak in more detail about BlueScope's remuneration policy.

Now let's pause and reflect on the jurisdictions we operate in.

As I've outlined, BlueScope competes successfully on the international stage, against much larger competitors. In the face of current global steel oversupply, it is imperative governments and regulators ensure trade is both free and fair. That means ensuring Australia's World Trade Organisation (WTO)-compliant anti-dumping system operates in a timely and effective manner to deter unfair or dumped imports.

Similarly, in domestic competition law or environment law, for example, there should be no domestic imposts exclusively on local companies that, in effect, give an unfair advantage or "leg up" to our international competitors.

Regrettably, sometimes Australian corporate regulations - which we support as part of ensuring a transparent and robust competitive environment - are interpreted and applied in a perverse way to favour importers at the expense of local manufacturers, their employees and shareholders.

The Company remains focused on improving the energy and carbon efficiency of all its operations. And we are getting on with business, when it comes to our energy efficiency and environmental responsibilities. We are strongly of the view that until such time as our major international competitors face mandatory carbon costs or limits, governments in countries such as Australia and New Zealand should not impose material carbon costs on their domestic steel and manufacturing industries.

In Australia and New Zealand, we are working with all sides of politics to ensure there are no unintended consequences from proposed public policy reform.

And so in conclusion.

I would like to thank my fellow Directors and BlueScope management for their tireless commitment this past year. It has been a year of strong progress.

My final thanks are to all BlueScope people who continue to work with such dedication to ensure our Company has a sustainable future.



Like all shareholders, I look forward to another successful year ahead.

Thank you