

**OneSteel Limited listed on the Australian Securities Exchange (ASX) on 23 October 2000. This statement outlines the corporate governance practices adopted by the Board which were in place throughout the financial year and at the date of this report.**

#### Role of Board of Directors

The primary role of the Board is the protection and enhancement of shareholder value. The Board has the responsibility for corporate governance of the company. It oversees the business and affairs of the company, establishes the strategies and financial objectives with management and monitors the performance of management directly and through Board Committees.

The Board has established a framework for the management of the consolidated entity, including a system of internal control and business risk management and appropriate ethical standards.

The agenda for Board meetings is prepared in conjunction with the Chairman and the Managing Director and submissions are circulated in advance. The Board reviews the Company's performance and considers other important matters such as strategic issues, plans, major investment decisions, human resources matters, governance and compliance, and significant management presentations. Executives are regularly involved in Board discussion and directors have other opportunities, including visits to operations, for contact with a wider group of employees.

#### Board Charter and Corporate Governance Guidelines

The Board has established a Board Charter and Corporate Governance Guidelines. These constitute a reference point for directors, employees and investors in understanding OneSteel's approach to the processes, performance measures, values and ethical standards which govern directors and employees. They are designed to facilitate an evaluation of the company's framework and procedures in the context of ensuring accountability and transparency.

The Guidelines are reviewed at least annually by the Governance & Nominations Committee and then the Board, in the light of the Company's experience, the expectations of its shareholders, changes in the law and the requirements and recommendations of regulatory and other public bodies, including the ASX Corporate Governance Council. The Board Charter and Corporate Governance Guidelines, together with other governance documents, are published on the OneSteel website at [www.onesteel.com](http://www.onesteel.com).

#### Code of Conduct

The directors embrace the need for and continued maintenance of the highest standards of ethical conduct by all directors and employees of the consolidated entity. The Board has adopted a code of business conduct which formalises the obligation of individuals to act within the law and act honestly and ethically in all business activities. This code of conduct is reviewed by the Governance & Nominations Committee and is distributed to all business units to ensure staff are familiar with its contents.

#### Composition of the Board and its Committees

The Board consists of 10 directors. The current membership of the Board and its Committees is set out below.

#### Independence

The Board regularly assesses the independence of each director. For this purpose an independent director is a non-executive director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement.

In addition to being required to conduct themselves in accordance with the principles for directors' conduct and responsibilities of directors outlined in the Board Charter and Corporate Governance Guidelines, directors must be meticulous in their disclosure of any material contract or relationship in accordance with the Corporations Act. The disclosure also includes interests of family companies, spouses, etc. Directors must strictly adhere to the constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the Corporations Act and OneSteel policies.

Each director (or interests associated with each director) is a shareholder in the company. Each director may be involved with other companies or professional firms that may from time to time have dealings with OneSteel. Directors are meticulous in ensuring that disclosure, as required by law, is made of any dealings and, where requisite, details are set out in the company's Financial Statements.

The Board has assessed that each of the non-executive directors of the company is an independent director. In reaching that determination, in addition to the matters referred to above, the Board has taken into account:

- Specific disclosures made by each director
- Where applicable, the related party dealings with each director, noting that those dealings are not material under accounting standards
- No director is, or is associated directly with, a substantial shareholder of the company
- No non-executive director has ever been employed by OneSteel or any of its subsidiaries
- No director is, or is associated with, a supplier, professional adviser, consultant to or customer of OneSteel that is material under accounting standards.

The Board does not consider that term of service should be considered as a factor affecting the question of independence.

The Board considers that a fixed maximum tenure for directors is not in the company's interests. Instead, it considers that a director should not seek re-election if the Board considers (whether by reason of considerations such as the need for Board renewal and succession, Board size, skill mix, performance or otherwise) it is not appropriate to do so.

DIRECTOR	BOARD MEMBERSHIP	COMMITTEE MEMBERSHIP				
		Governance & Nominations	Operational Risk	Audit & Compliance	Occupational Health, Safety & Environment	Human Resources
P J Smedley	Independent Non-executive	Member	Chairman			Member
G J Plummer	Executive Managing Director					
L G Cox	Independent Non-executive			Member		Member
R B Davis <sup>1</sup>	Independent Non-executive		Member	Member	Chairman	
E J Doyle	Independent Non-executive	Member		Member	Member	
C R Galbraith	Independent Non-executive	Chairman		Member		
P G Nankervis	Independent Non-executive		Member	Chairman		
D A Pritchard	Independent Non-executive		Member		Member	Member
N J Roach <sup>3</sup>	Independent Non-executive			Member	Member	Member
G J Smorgon <sup>2</sup>	Independent Non-executive		Member		Member	Chairman

1. Mr R B Davis was appointed a member of the Audit and Compliance Committee from 19 August 2009.

2. Mr G J Smorgon was appointed a member and Chairman of the Human Resources Committee from 19 August 2009.

3. Mr N J Roach who was Chairman of the Human Resources Committee until 19 August 2009 remains a member of the Committee.

**Board evaluation**

Each year the directors conduct a formal review to evaluate their performance in meeting shareholder and stakeholder expectations. It is considered that this matter is appropriately reviewed by the whole Board under the direction of the Chairman and not by a Board committee alone. The Chairman discusses individual director contributions with each director face-to-face annually.

**Board Committees**

The Board Committees are:

- Governance & Nominations
- Audit & Compliance
- Occupational Health, Safety & Environment (OHS&E)
- Human Resources
- Operational Risk.

Ad hoc Committees are established from time to time to deal with matters arising. All Committees have clear mandates and operating procedures, which are reviewed on a regular basis. The Committees operate principally in a review or advisory capacity, except in cases where particular powers are specifically conferred on a Committee by the Board.

The Board Committees meet as required, although the Audit & Compliance Committee and the Occupational Health, Safety & Environment Committee have regular quarterly meetings. The matters dealt with by the Committees are set out below.

**Governance & Nominations Committee**

The role of the Governance & Nominations Committee is set out in a charter that has been approved by the Board. The responsibilities of the Committee are to:

- Review the corporate governance procedures of the company and any statement on corporate governance and recommend changes to the Board as appropriate
- Assess the necessary and desirable competencies of Board members
- Review Board succession plans
- Ensure there is an appropriate process for evaluation of the Board
- Recommend new nominees for membership of the Board.

The Managing Director and relevant senior staff are invited to Governance & Nominations Committee meetings at the discretion of the Committee.

**Audit & Compliance Committee**

The role of the Audit & Compliance Committee is set out in a charter which has been approved by the Board. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and compliance reporting for the management of the company. The responsibilities of the Committee are to:

- Review and report to the Board on half-yearly and yearly financial statements prior to their approval and external release
- Review all significant accounting policy changes and where appropriate recommend them to the Board
- Monitor and report to the Board on the framework, adequacy and security of internal control and accounting and management information systems
- Monitor the working relationship between the internal and external audit functions
- Ensure adequate audit coverage for all major financial risks of the business and report to the Board on any issues arising from this coverage
- Review internal and external audit reports to ensure that, where significant deficiencies in controls or procedures have been identified, management takes prompt remedial action and reports to the Board as appropriate
- Review the annual and half-yearly financial statements with the external auditor, review whether audits have been conducted effectively and report thereon to the Board as appropriate

- Provide an open communication channel between internal and external auditors and the Board
- Review internal and external audit programs, agree fees and recommend to the Board on the appointment or replacement of the internal and external auditors
- Monitor the engagement of the external auditor to undertake non-audit services where the company will accept the auditor's performance of the engagement in accordance with OneSteel's policy on audit independence and non-audit services
- Assess the performance and review the independence of the external auditor including whether the external auditor has met its obligations to ensure its independence having regard to the provision of non-audit services
- Assess the performance and, where appropriate, the independence of the internal auditor
- Monitor and report to the Board on relevant tax and legal matters including tax compliance procedures
- Review major capital project Post Implementation Reviews
- Monitor funding commitments and availability
- Assess and review the business risk process including major customer contracts
- Review major non-financial regulatory matters through the use of a compliance monitoring reporting regime which covers the following areas of exposure:
  - Asset protection including insurance
  - Trade practices
  - Conflict of interest
  - Discrimination and harassment
  - Ethical standards
- Review adequacy of processes to ensure compliance with new or merging government reporting legislation in relation to a carbon pollution reduction scheme and to also review adequacy of controls, risk processes and reporting with respect to any related permits, and
- Approve the internal audit risk assessment and related audit plan.

The Managing Director, relevant senior staff and the internal and external auditors are invited to Audit & Compliance Committee meetings at the discretion of the Committee. The Committee regularly meets with the internal and external auditors without management present.

**Occupational Health, Safety & Environment Committee**

The role of the Occupational Health, Safety & Environment Committee is set out in a charter which has been approved by the Board. In relation to Occupational Health, Safety and Environment (OHS&E) matters, the role of the Committee includes to monitor and review:

- The effectiveness of the corporate OHS&E policies
- OHS&E legislative compliance
- OHS&E management systems
- OHS&E performance and compliance
- OHS&E assurance and audit schedule compliance and results
- The effectiveness of the OHS&E governance structure
- Outcomes of the company's OHS&E Council management reviews
- The response to all significant incidents
- The Committee reports to the Board on key OHS&E issues and areas of OHS&E focus.

The Managing Director and relevant senior staff are invited to Occupational Health, Safety & Environment Committee meetings at the discretion of the Committee. The Committee regularly visits site operations to obtain an overview of the environment and the safe working operations of these sites.

### Human Resources Committee

The role of the Human Resources Committee is set out in a charter which has been approved by the Board. The responsibilities of the Committee are to:

- Review the remuneration of non-executive directors and recommend any changes to the Board
- Advise the Board on remuneration policies and practices
- Make recommendations to the Board on remuneration policies and procedures applicable to the executive Lead Team, including recruitment, retention, termination and approve specific arrangements within these policy frameworks
- Advise the Board in relation to share plans
- Review processes relating to the identification and development of high-potential future leaders
- Ensure adequate succession planning is in place for senior executives, and
- Review and recommend superannuation arrangements for senior executives.

The Managing Director and the Executive General Manager Human Resources are invited to the Human Resources Committee meetings at the discretion of the Committee.

### Operational Risk Committee

The role of the Operational Risk Committee is set out in a charter which has been approved by the Board. The responsibilities of the Committee are to focus on particular operational and business risks referred to the Committee by the Board. These responsibilities include to:

- Monitor and report to the Board on critical operational and business risks
- Ensure monitoring, review and audit coverage for all operational and business risks are appropriate, and
- Initiate any investigations or review of processes that are deemed appropriate for such specific critical risk.

The Managing Director and relevant senior staff are invited to Operational Risk Committee meetings at the discretion of the Committee.

### Remuneration

A detailed Remuneration Report is contained in the Directors' Report of this Annual Report. The report explains the basis for remunerating non-executive directors. The report also explains the structure of, and rationale behind, OneSteel's remuneration practices and the link between the remuneration of employees and OneSteel's performance. Remuneration details of each director and relevant senior management are set out in the Remuneration Report.

### Risk management

OneSteel is committed to managing risk to protect our people, the environment, company assets and our reputation as well as to realise opportunities. This risk-based system of internal control helps us to operate effectively and efficiently, achieve business objectives, ensure reliable reporting and comply with applicable laws and regulations.

The Board implements this policy by overseeing the establishment and implementation of the risk management system, reviewing the effectiveness of the company's implementation of that system and ensuring investors are informed of material changes to the Company's risk profile. The Board is assisted in this process through the Audit & Compliance Committee, the Occupational, Health, Safety & Environment Committee and the Operational Risk Committee.

The Committees assist the Board in implementing this policy by focusing the company on risk oversight and management and on internal control. The Committees oversee the establishment of policies on risk oversight and management.

The Committees provide advice to the Board and report on the status of the company's business risks through integrated risk management programs. These management programs cover areas such as the environment, occupational health and safety, operations, asset protection, financial reporting and internal control. Except for financial reporting and treasury risk, which are handled centrally, each business operational unit is responsible and accountable for implementing and managing to the standards required by risk management programs.

Management implements this policy by establishing and implementing a system for identifying, assessing, monitoring and managing material risk throughout the company. A description of the risk management system and the nature of the risks are included in the section of the Annual Report on pages 37 and 38.

A copy of the OneSteel Risk Policy is available at the Company's website.

### Chief Executive Officer & Chief Financial Officer Certification

In accordance with section 295A of the Corporations Act, the Chief Executive Officer and Chief Financial Officer have provided a written statement to the Board that:

- their view provided on the company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- the company's risk management and internal compliance and control system is operating effectively in all material respects in relation to financial reporting risks.

The Board notes that due to its nature, internal control assurance from the Chief Executive Officer and the Chief Financial Officer can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures. In response to this, an internal control certificate is completed by the chief executives and finance managers of all OneSteel business units or functions, in support of these written statements.

### External audit

The external audit of OneSteel is governed by the following principles:

- The external auditor must clearly demonstrate its independence
- The external auditor must not provide services which are in conflict with the role of an auditor unless Audit & Compliance Committee approval is obtained for the service
- The quality of the audit is reviewed annually
- The lead audit partner and the independent review partner are to be rotated at the end of a period no longer than five years
- The appropriateness of putting the audit to tender is reviewed at the end of a period no longer than five years, and
- The services and fees provided by the external auditor are fully disclosed.

Our external auditor attends the company's annual general meeting each year to be available to answer questions about the conduct of the audit and the preparation and content of the auditor's report.

### Dealing in company shares

Current shareholdings of directors are shown on page 47 of the Remuneration Report. Directors and senior management are precluded from trading in OneSteel shares at any time if they are aware of price sensitive information that has not been made public. Subject to that overriding rule, company policy permits directors and senior management to deal in company shares in the four week periods from the date of:

- The Company's annual general meeting
- Release of the half-yearly announcement to the ASX
- Release of the full year announcement to the ASX, and
- Release of a disclosure document or cleansing notice in connection with an offering of equity securities in the company.

Directors and senior management are cautioned of the rules regarding buying or selling OneSteel shares at any time if they are aware of price sensitive information that has not been made public.

Directors and employees must not engage in hedging arrangements (such as collar transactions involving put and call options) over unvested shares or options in a Company Share or Option Plan. In addition, the company's policy and the Corporations Act 2001 restrict the use of hedging arrangements over vested shares or options in company plans and shares withdrawn from those plans.

Directors and senior management may also acquire shares on the market under company share plans. The amount to be invested must be specified at least six months ahead. The amount is invested in equal monthly instalments with payment being made by way of deduction from the participant's remuneration. The plans are administered by an independent trustee.

Executive directors have entitlements to shares and options under the Executive Directors' Long-Term Incentive Plan, subject to performance hurdles being met.

### Access to independent professional advice

For the purposes of the proper performance of their duties relating to the company, directors are entitled to obtain independent professional advice at the company's expense following approval by the Chairman. The advice is treated as advice to the Board.

### Disclosure

OneSteel has in place comprehensive policies and procedures for the purpose of compliance with our continuous and periodic disclosure obligations under the ASX Listing Rules and the Corporations Act, including a Continuous Disclosure Policy. The policy is published on our website. The Company Secretary has primary responsibility for ASX and Australian Securities and Investments Commission (ASIC) disclosure requirements.

### Communications to shareholders

The Board aims to ensure that shareholders are informed, in a timely and readily accessible manner, of all major developments affecting the consolidated entity's state of affairs.

Information is provided to shareholders through:

- Releases to the ASX in accordance with continuous disclosure obligations
- The annual report
- The annual general meeting
- Media coverage of significant announcements, and
- Extensive use of OneSteel's website.

Shareholders may choose to receive company information electronically by registering their email address online with the company's shareholder registry. The procedure for registering is explained in the Shareholder Information section of OneSteel's Annual Report and on the Company's website.

The company's website at [www.onesteel.com](http://www.onesteel.com) includes:

- Announcements lodged with the ASX
- The half-yearly and full year results announcements
- The annual report and notice of annual general meeting
- The Chairman's and CEO's address to the Annual General Meeting
- Webcasts of Annual General Meetings
- Webcasts of half-yearly/full year results presentations to fund managers and financial analysts
- Other presentations and briefings given to fund managers and financial analysts including those during site visits, and
- General information on the company and its activities.

The company's website also has a Corporate Governance section where Board and Board Committee charters are published as well as other company policies that are likely to be of interest to shareholders and potential investors.

The annual general meeting provides an important opportunity for shareholders to express views and respond to Board proposals. Shareholders are encouraged to attend the annual general meeting.