

## CORPORATE GOVERNANCE STATEMENT

OneSteel has been listed on the Australian Securities Exchange (ASX) since 23 October 2000 (ASX:OST). This statement outlines the corporate governance practices adopted by the Board or put in place throughout the financial year.

### Board of Directors

The Board has adopted a Board Charter & Corporate Governance Guidelines (Guidelines).

The Guidelines constitute a reference point for Directors, employees and shareholders in understanding the Company's approach to the processes, performance measures, values and ethical standards which govern Directors and employees. It is designed to facilitate an evaluation of the Company's framework and procedures in the context of ensuring accountability and transparency.

The primary role of the Board is the protection and enhancement of shareholder value. The Board has responsibility for corporate governance. 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 indirectly through Board committees.

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

The Board reviews the Company's performance and considers other important matters such as strategic issues and plans, major investment and divestment decisions, diversity, human resources matters, governance and compliance matters and receives regular Division and corporate function presentations. Senior management is regularly involved in Board discussion and Directors have opportunities, such as visits to major operational sites, for contact with a wider group of employees.

The Board embraces the need for, and continued maintenance of, the highest standards of ethical conduct. The Company's Code of Conduct formalises

the obligation of Directors and employees to act within the law and to act honestly and ethically in all business activities.

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 pre-approval by the Chairman. This advice is treated as advice to the Board.

### Board committees

The Board has established five committees. Each committee has a clear mandate and operating procedures and operates principally in a review or advisory capacity, except in cases where particular powers are specifically conferred on the committee by the Board. Board committees may also be established from time to time to deal with matters arising.

In considering the composition of committees, the Board considers the number of Directors and the skills required to discharge and appropriately share the responsibilities conferred by the Board.

DIRECTOR	BOARD MEMBERSHIP	COMMITTEE MEMBERSHIP				
		Audit & Compliance	Governance & Nominations	Human Resources	Occupational Health, Safety & Environment	Operational Risk
P J Smedley	Independent Non-Executive Chairman		Member	Member		Chairman
G J Plummer	Managing Director & Chief Executive Officer					
R B Davis	Independent Non-Executive Director	Member			Chairman	Member
C R Galbraith, AM	Independent Non-Executive Director	Member	Chairman			
P G Nankervis	Independent Non-Executive Director	Chairman				Member
D A Pritchard	Independent Non-Executive Director			Member	Member	Member
G J Smorgon	Independent Non-Executive Director			Chairman	Member	Member
R Warnock	Independent Non-Executive Director	Member			Member	

## Board composition and Non-Executive Director 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 principles for Directors' conduct and Directors' responsibilities outlined in the Guidelines, Directors must be meticulous in disclosure of any material contract or relationship in accordance with the Corporations Act. 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) may be a shareholder in the Company. Each Director may be involved with other companies or professional firms which may from time to time have dealings with OneSteel. Directors must be 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 Report.

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 of each Director, noting that those dealings are not material under accounting standards
- No Director is a substantial shareholder or an officer of or otherwise associated with a substantial shareholder
- No Non-Executive Director has ever been employed by OneSteel or any of its subsidiaries
- No Director has a contract with OneSteel (other than as a Director), or is associated with, a supplier, professional adviser, consultant to or customer of OneSteel, that is material under applicable 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 is not in the Company's interests. Instead, it considers that a Director should not seek re-election if they or the Board considers it is not appropriate to do so. Matters considered by the Board may include renewal and succession, size, experience and skill mix, diversity and performance.

A key responsibility of the Board's Governance & Nominations Committee (G&NC) is to consider and make recommendations to the Board in relation to Board composition. The aim of the Directors is to create a Board which has the appropriate mix and depth of skills, experience and attributes to discharge its responsibilities to the highest standard and which, in discharging those responsibilities, vigorously and constructively challenges and motivates the Company's executives to achieve outstanding performance in the interests of all stakeholders.

In considering the appointment or recommendation for appointment of Directors, attributes and matters which are taken into account include diversity in its widest sense, outstanding career performance, impeccable values, capacity to contribute constructively to a team, willingness and capacity to devote the time and effort required, capacity to contribute strongly to the assessment and oversight of risk and risk management, capacity to contribute to the development and implementation of strategy and the Company's policies and a strong appreciation of the responsibilities of the Company to its shareholders, employees, the communities in which it operates, its suppliers, customers and other stakeholders. Where the G&NC considers it appropriate, external professional consultants are engaged to assist in identifying suitable candidates for appointment to the Board.

Refer to pages 42-43 for the period of office held by each Director and to pages 42-43 for the experience and qualifications of each Director and the Company Secretary.

## Performance evaluation

In each reporting period, the performance of the Board and each committee in meeting shareholder and stakeholder expectations is evaluated under the direction of the Chairman. In addition, the Chairman discusses individual Director contributions with each Director face-to-face annually.

Senior management is subject to an annual performance evaluation process which involves the assessment of performance against specific and measurable qualitative and quantitative performance criteria. An annual performance evaluation for senior management has been undertaken during the reporting period in accordance with this process.

## Remuneration and diversity

The Human Resources Committee reviews and makes recommendations to the Board in respect of remuneration.

Details concerning diversity matters are set out on page 34.

The remuneration of Key Management Personnel is set out in the Remuneration Report on pages 50 to 59.

## 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.

OneSteel's risk-based system of internal control assists it to operate effectively and efficiently, achieve business objectives, ensure reliable reporting and comply with applicable laws and regulations.

Management implements this by designing and establishing a system for identifying, assessing, monitoring and managing material business risk throughout the Company including the Company's internal compliance and control systems. Management is expected to:

- Design and implement a system of ongoing risk reviews capable of responding promptly to new and evolving risks
- Monitor the effectiveness of the system of risks and internal controls management
- Provide an annual assurance to the Board regarding the extent of its compliance.

Management regularly reports to the Board on the effectiveness of the management of OneSteel's material business risks.

A description of the Company's risk management system and the nature of the risks are outlined in the Finance and Risk Management section on pages 38-39.

The Managing Director & Chief Executive Officer (MD & CEO) and Chief Financial Officer (CFO) are required to provide and have provided assurance via a written statement to the Board in accordance with s295A of the Corporations Act.

The Board notes that, due to its nature, internal control assurance from the MD & CEO and the CFO can only be reasonable rather than absolute. This is due to factors such as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and the fact that much of the evidence available is persuasive rather than conclusive and therefore cannot, and cannot be designed to, reveal all weaknesses in control procedures. In response to this, an internal control certificate is completed by each division Chief Executive and corporate functional head and their respective finance managers to support the assurance provided.

### External audit

KPMG was appointed as the Company's external auditor in 2007.

The external auditor attends the AGM and is available to answer questions about the conduct of the audit and the preparation and content of the audit report.

The Board conducts discussions and holds meetings with the external auditor without management present. Additional information on the appointment, review, provision of non-audit services, independence and other considerations is set out in the Audit & Compliance Committee Charter.

### Shareholdings of Key Management Personnel

The shareholdings of Key Management Personnel are set out in Note 30 of the Financial Report on pages 111 to 113.

### Securities dealing

The Company's Securities Dealing Policy requires all Directors, officers and employees (including employees on fixed term contracts), relevant consultants and contractors retained by the Company from time to time (collectively OneSteel People and individually a OneSteel Person) to comply with the law relating to insider trading and with the rules outlined in the Securities Dealing Policy. The Securities Dealing Policy contains additional responsibilities which apply to OneSteel People who are managers at level 3 (General Managers) and above, including Directors and senior executives.

### Continuous disclosure

OneSteel's Continuous Disclosure Policy sets out the procedures in place to ensure that shareholders and the market are provided with full and timely information about the Company's activities in compliance with its continuous disclosure obligations.

### Shareholder communications

The methods by which OneSteel communicates with shareholders include:

- Releases to ASX
- www.onesteel.com which hosts:
  - ASX/media releases
  - webcasts
  - corporate governance documents
  - Constitution
  - Dividend Reinvestment Plan rules
  - presentations provided to fund managers, financial analysts and the Annual General Meeting
  - information on the Company, its divisions and key activities.

Shareholders are encouraged to attend the AGM or, if they are unable to attend, to appoint a proxy or vote online.

### Corporate governance documents

OneSteel has a range of charters, policies and codes in connection with its governance practices. These documents are available on [www.onesteel.com](http://www.onesteel.com) and include:

- Audit & Compliance Committee Charter
- Human Resources Committee Charter
- Occupational Health, Safety & Environment Committee Charter
- Governance & Nominations Committee Charter
- Operational Risk Committee Charter
- Board Charter & Corporate Governance Guidelines
- Securities Dealing Policy
- Continuous Disclosure Policy
- Shareholder Communications Policy
- Risk Policy
- Diversity Policy
- Code of Conduct
- Annual Report Corporate Governance Statement
- Sustainability Report.