



BlueScope Annual General Meeting 2023

21 November 2023

Address by Rebecca Dee-Bradbury, Chair Remuneration & Organisation Committee

CHECK AGAINST DELIVERY

Our approach to remuneration in FY23 has remained unchanged and previous presentations to investors have been fulsome in nature. Therefore today, I will focus on addressing feedback received from investors and shareholders, and then detail KMP reward outcomes which reflect company performance.

We have received several questions relating to whether the ROIC hurdles in the Alignment Rights plan are sufficiently challenging. To recap briefly, the intention of the design of the overall remuneration programme was to align the interests of Shareholders and employees in a way that provides more value to employees at a lower cost to shareholders.

The hurdles are set at threshold level to reduce the impact of external cyclicity on reward outcomes. Plans are expected to vest more often than other more traditional LTI designs in the market, but the quantum is set much lower than the peer group median. I want to highlight that if the business delivers above the threshold; as it has done in the past, Executives do not receive any additional awards.

The three-year rolling ROIC hurdle of 10 per cent was set relative to the median long term ROIC performance of our remuneration peers, major steel companies and the ASX 100, and with reference to broadly achieving our cost of capital.

Moving now to BlueScope's growth in the US and the difference between remuneration structures in US and Australian markets. It is expected there will be an increasing requirement to attract and retain US-based executive talent. Our current remuneration policy of paying at, or slightly above market median fixed pay and conservative variable reward, is outside of market expectations in the US. From a structural and pay-mix perspective, but also lower in overall quantum.

In FY2023, a detailed review of the equity-based component of US remuneration was undertaken and the Alignment Rights target opportunity for US participants, at certain executive levels, was increased by approximately 10-15 per cent. We will continue to review our approach to remuneration to ensure we attract and retain the right talent in a way that best serves the business and its shareholders.

I'll now move to company performance and executive reward.

A significant part of the remuneration package is at risk and is only available when performance hurdles are met. Further, BlueScope's at-risk executive pay is at the lower end of peer group companies. As the Chair outlined, we have delivered strong financial performance in FY2023.

For safety, TRIFR exceeded the target range of 5-7, with the inclusion of scrap recycling acquisitions. Therefore, the threshold for safety under the STI was not achieved. To reflect the below threshold TRIFR result, the Board used its discretion to reduce the maximum STI payable from 150 to 145 per cent of target.

Pleasingly, our climate action targets are on track. Steelmaking emissions intensity is tracking ahead of target with an 8 per cent reduction since FY2018 and midstream emissions intensity has decreased 8.8 per cent since FY2018.

The actual STI awarded to the MD&CEO was 88.9 per cent of the maximum. Awards for other executive KMP were between 60.4 per cent to 96.7 per cent of the maximum opportunity. The FY21 alignment rights vested in full in September of this year.

The MD&CEO received a three per cent increase to his fixed remuneration in FY2023 – his second increase in five years. Executive KMP received a 3.5 per cent increase to their fixed pay after a robust remuneration benchmarking exercise.

The Board reviews fixed remuneration for the MD&CEO and other executive KMP each year. For FY24, the Board approved an increase of approximately 3.5 per cent for the MD&CEO in recognition of the significant inflationary pressures in our operating markets.

In FY2023 there was no increase to the fees or travel allowance payable to the Chair and other Non-Executive Directors.

I will now refer you to Items 4 and 5 in the Notice of Meeting, which deal with the approval for a grant of share rights to the MD&CEO for his short-term incentive and Alignment Rights.

Item 4 relates to share rights under the FY2024 STI plan. Executives can elect to take their STI in shares or cash, or a combination of both. Mark Vassella has again voluntarily elected to take all his FY2024 STI in shares. The shares (or a proportion of the shares) will vest at the end of the financial year based on performance against the objectives set by the Board. The specific measures and performance against them will be disclosed in next year's Remuneration report.

The Notice of Meeting outlines the terms and conditions of this award and, together with my fellow non-executive directors, I recommend that you approve this item.

Item 5 in the Notice of Meeting relates to approval of Alignment Rights to Mark Vassella for FY2024. Consistent over the last five years, the FY2024 Alignment Rights have a threshold return on capital measure, a maximum debt hurdle and an individual behaviour gateway of adherence to our bond. The return on capital measure is set at a level which broadly achieves our cost of capital and with reference to the median of our remuneration peers, major steel companies and ASX100.

If each of the performance conditions is met, all the Alignment Rights will vest, and conversely, if they are not achieved, none of the rights will vest. There are no re-testing provisions under the plan and as always, the Board retains overarching discretion to protect against any unintended outcomes.

Again, the Notice of Meeting outlines the terms and conditions of this award and I recommend that you approve this item.

In FY2023, we continued to build a workforce reflecting the diversity of the communities in which we operate. Total female representation is unchanged at 24 per cent.

Pleasingly, female representation on the ELT now exceeds 50 per cent, with the Board also having 50 per cent female representation. We continue to focus on attracting and retaining executive talent globally - an ongoing challenge with inflation pressures and tight talent markets in most geographies.

Together with my fellow non-executive directors, I thank you for your ongoing support, and recommend that shareholders vote in favour of the Remuneration report.

Authorised for release by: Penny Grau, Company Secretary

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