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## **China Steel Australia Limited Corporate Governance Policies**

DLA Phillips Fox is a member of DLA Piper Group, an alliance of independent legal practices. It is a separate and distinct legal entity.

DLA Phillips Fox offices are located in Adelaide Auckland Brisbane Canberra Melbourne Perth Sydney and Wellington.

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**China Steel Australia Limited ACN 128 988 732**

**Board Charter**

Adopted by the Board on 22 January 2008

*(Corporate Governance Principles and Recommendations Principle 1)*

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**1 Corporate Governance Statement**

**Role of the Board**

- 1.1 The Directors are responsible, and primarily accountable to the shareholders, for the effective corporate governance of the Company. This means that the Board is responsible for directing and controlling the Company, guiding and monitoring its strategy and business affairs.

**Role of management**

- 1.2 The corporate governance of the Company is carried out through the delegations of appropriate authority to the Chief Executive Officer (CEO) and, through the CEO, to management of the Company.

**Purpose of this Charter**

- 1.3 The Board has adopted this Charter as a guiding framework for the corporate governance of the Company. In addition a Directors Code of Conduct has been adopted by the Board, and also a range of relevant Governance Policies, all of which are attached to this Charter and available on the Company's website. All Directors, individually and as a Board, are required to agree, upon appointment, to act in accordance with this Charter, the Code of Conduct and the Policies.

**2 Role of the Board**

**General**

- 2.1 The role of the Board, as the body ultimately responsible for the corporate governance of the Company, specifically consists of the following major functions, which are further detailed in this Charter:
- 2.1.1 Providing accountability to shareholders / stakeholders.
  - 2.1.2 Appointing and working with the CEO.
  - 2.1.3 Approval of Company strategy.
  - 2.1.4 Development of key Company policy.
  - 2.1.5 Monitoring management and operations.

**Accountability to Shareholders**

- 2.2 The Board is primarily responsible and accountable to Company's Shareholders to oversee the proper management and conduct of the business of Company. The Board discharges this accountability through:
- 2.2.1 responsible reporting to the ASX (for continuous disclosure – see also Board's Continuous Disclosure Policy);
  - 2.2.2 written reporting prior to the Company's AGM;
  - 2.2.3 verbal reporting and discussion at the AGM;
  - 2.2.4 through formal annual, half-yearly, quarterly and other reporting processes; and
  - 2.2.5 through informal communication channels eg on the Company's website.

To give effect to this accountability, the Board has approved the External Communications Policy.

**(Corporate Governance Principles and Recommendations Principle 6.1)****Appointing and working with the CEO**

- 2.3 The Board is responsible for the appointment of the Company's Chief Executive Officer, and for ensuring a strong ongoing relationship with the CEO for the benefit of the Company.
- 2.4 This is done through:
- 2.4.1 Encouraging a strong working relationship between the Chairman, on behalf of the Board, and the CEO;
  - 2.4.2 Ensuring clear terms of appointment, position description and delegations are in place for the CEO at all times;
  - 2.4.3 Agreeing annual key performance indicators (KPIs) for the CEO;
  - 2.4.4 Conducting annual performance reviews of the CEO, including considering achievement of the agreed KPIs;
  - 2.4.5 Regular ongoing reporting by the CEO to the Board;
  - 2.4.6 Working with the CEO to ensure that a CEO succession plan is in place; and
  - 2.4.7 Having involvement in the selection by the CEO of key executives of the Company.

**Approval of Company strategy**

- 2.5 The Board is responsible to ensure that the Company is pursuing appropriate strategies for the future security and growth of the Company. It does so by delegating

certain responsibilities to the CEO for the development of strategy, but retains the following responsibilities:

- 2.5.1 agreeing with the CEO the annual cycle and process for review of strategic plans, including which stakeholders are to be involved and how;
- 2.5.2 ensuring that the whole Board is directly involved in the strategic planning and review processes;
- 2.5.3 ensuring that strategy development includes proper consideration by Board and Management of associated risks and opportunities;
- 2.5.4 ensuring that all approved strategic plans include clear and measurable financial and other objectives;
- 2.5.5 requiring that business plans and budgets are prepared (and provided for information to the Board) to support the agreed strategic plans; and
- 2.5.6 monitoring and reviewing the performance of the Company against the agreed strategic plans and goals.

#### **Development of key Company policy**

- 2.6 The Board develops key governance policies, including policies dealing with:

<b>Reference</b>	<b>Policy</b>
Board Policy 08/01	Independence and Conflicts of interest
Board Policy 08/02	Risk Management
Board Policy 08/03	Board Performance Evaluation
Board Policy 08/04	CEO Performance Evaluation
Board Policy 08/05	External Communications
Board Policy 08/06	Securities Trading
Board Policy 08/07	Audit Committee Charter

- 2.7 In addition, the Board is responsible for devising policies dealing with:

- 2.7.1 Selection, nomination, succession and remuneration of Directors (see paragraph 3.5 of this Board Charter); and
- 2.7.2 Delegation authorities to CEO responsibility for development of operational policy and any limitations or requirements in respect of operational policy.

## Monitoring management and operations

- 2.8 The Board is responsible for the development of appropriate internal controls to monitor and supervise the implementation of agreed strategies and policies and the financial and other performance of the Company against approved strategies, budgets, and delegations.
- 2.9 This is done through:
- 2.9.1 receiving regular management reporting at Board meetings;
  - 2.9.2 working with the Company's auditors to ensure, as far as reasonably possible, appropriate integrity in financial reporting of the company;
  - 2.9.3 ensuring that there is an appropriate documented system for risk management within the Company and that it is regularly monitored, reviewed and updated;
  - 2.9.4 appropriate use of Committees of the Board in areas requiring detailed attention or monitoring. The Committees of the Board will be:
    - (a) Finance and Audit Committee;
    - (b) Risk Management and Compliance; and
    - (c) Governance (Nominations, Remuneration and Succession);
  - 2.9.5 regular evaluations of the effectiveness of each of the following:
    - (a) the Board (including individual Director evaluations);
    - (b) the Committees of the Board; and
    - (c) the CEO.
  - 2.9.6 Board professional development activities, for improved knowledge, skills or information required to enable the Board to carry out its role.

## 3 Composition of the Board

### Board composition

#### (Corporate Governance Principles and Recommendations Principle 2)

- 3.1 Under the Company's Constitution, the Board comprises a minimum of 3 and a maximum of 7 Directors. As far as practicable, the Board should:
- 3.1.1 comprise people who bring robust and independent judgment to the Board;
  - 3.1.2 comprise people with a broad range of experience, expertise, skills and contacts relevant to the Company and its business at the relevant point in time; and

- 3.1.3 include an independent Chairman.

#### Independence and conflicts of interest

- 3.2 The Board's policy on independence is set out in its Policy on Independence and Conflicts of Interest Policy (see Board Policy 08/01). The Board distinguishes between the two concepts.
- 3.3 In devising its policy on independence, the Board's emphasis is to encourage independent judgement amongst all Directors, at all times, irrespective of their background, rather than necessarily aiming for rigid compliance with the requirement of a majority of independent directors under the *Corporate Governance Principles and Recommendations*.
- 3.4 Nonetheless, the Board, in its Nominations capacity (see paragraph 3.5) will assess annually the 'independence' of each Director in light of the principles in the *Corporate Governance Principles and Recommendations*, and will disclose the results in the annual report as required by ***Corporate Governance Principles and Recommendations Principle 2.1***.

#### Nomination and Remuneration Committee Role of the Board

- 3.5 Given the importance of this function, the Board as a whole, undertakes the responsibilities of a 'Nomination Committee' and of a 'Remuneration Committee' respectively, for the purposes of ***Corporate Governance Principles and Recommendations Principle 2.4 and 8.1***.
- 3.6 This includes responsibility for devising policies with respect to:
- 3.6.1 Regularly reviewing the composition, including appropriate mix of skills, experience and independence;
  - 3.6.2 Succession planning for the Board;
  - 3.6.3 Where appropriate, identifying and selecting nominees for appointment to the Board;
  - 3.6.4 Ensuring fulfilment of the Board's policies on Board composition under this Charter;
  - 3.6.5 Reviewing and making recommendations on the appropriate remuneration of Directors;
  - 3.6.6 Ensuring that the structure of non-executive and executive directors' remuneration is clearly distinguished;
  - 3.6.7 Ensuring that equity-based executive remuneration is paid in accordance with thresholds set in plans approved by Shareholders; and
  - 3.6.8 Ensuring disclosure of the information required in each annual report of the Company in accordance with *Corporate Governance Principles and Recommendations Principle 2*.

### **Chairman of the Board**

- 3.7 The role of the Chairman of the Board is occupied by a separate individual from the CEO. Moreover, it is preferred that an 'independent' Director be Chairman. Whether these criteria are met in the case of the Chairman will be assessed annually by the Board and disclosed in the annual report (**Corporate Governance Principles and Recommendations Principle 2.2 and 2.3**).
- 3.8 The Chairman of the Board acts as leader of the Board in carrying out the Board's role under this Charter, including by:
- 3.8.1 presiding as Chairman at all meetings of the Board;
  - 3.8.2 planning, and setting the agenda, for meetings of the Board in consultation with the CEO and other members of the Board;
  - 3.8.3 ensuring, as far as possible, that the Board has full information on which to base its decisions on the business of the meeting;
  - 3.8.4 building a strong working relationship within the Board and between the Board and the CEO;
  - 3.8.5 leading the Board in developing a strong commitment to good corporate governance practices; and
  - 3.8.6 with the CEO, representing the views of the Board outside the boardroom, provided that both the CEO and the Chairman are the delegates of the Board for this purpose and do not, except in emergency, have the authority to represent positions or views that have not previously been approved by the Board.

## **4 Board meetings**

### **Full Board**

- 4.1 The Board will meet as often as they consider necessary in order to carry out their duties and responsibilities and as required by the business of the Company. Under normal circumstances, the Board should meet once every two months.

### **Meetings of non-executive Directors**

- 4.2 Under normal circumstances, non-executive Directors will meet together without the presence of executive directors [quarterly] each financial year to discuss the executive management of the Company.

### **Board papers and minutes**

- 4.3 Papers for Board and Committee meetings should be circulated, if practical, at least five days before the relevant meeting.
- 4.4 Draft minutes of Board and Committee meetings (for consideration and approval at the next relevant meeting) should be circulated within 21 days following each meeting.

## **Confidentiality**

- 4.5 All proceedings of the Board including papers submitted and presentations made to the Board must be kept confidential and not disclosed or released to any person other than Board members except as required by law or as agreed by the Board.

## **5 Company secretary**

- 5.1 The Company Secretary is accountable to the Board, through the Chairman, for:

- 5.1.1 Monitoring the Company's compliance in respect of all corporate governance matters, including the implementation of this Charter;
- 5.1.2 Drafting and circulating the minutes of meetings of the Board and all Committees for approval at the next meeting;
- 5.1.3 Monitoring the Company's compliance with all disclosure obligations and regularly reviewing Company policies and procedures relating to compliance with such disclosure obligations.

**China Steel Australia Limited ACN 128 988 732**

**Board Policy 08/01: Independence and Conflicts of Interest**

**Adopted by the Board on 22 January 2008**

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## **1 Purpose of this Policy**

- 1.1 The Board has adopted this Policy:
- 1.1.1 to assess the independence of directors; and
  - 1.1.2 to handle conflicts which may arise for Directors

## **2 Independence**

### **Board policy on 'independence'**

- 2.1 Independence is about whether a Director is independent of management and free of outside influences which could materially interfere with the independent and objective judgement of the Director.
- 2.2 Generally, an independent Director will:
- 2.2.1 Be a non-executive Director;
  - 2.2.2 not be a substantial shareholder of the Company or an officer of or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
  - 2.2.3 not have, within the last three years, been employed in an executive capacity by the Company or another Group Company, or been a Director after ceasing to hold any such employment,
  - 2.2.4 not be a principal or employee of a professional advisor or consultant to a Group Company whose annual billings to the Group represent more than 5% of the advisor's or consultant's total annual billings or greater than 5% of the Company's annual (before tax) profit,

- 2.2.5 not be a supplier or customer whose annual revenues from the Group represent more than 5% of the Company's annual (before tax) profit or more than 5% of the supplier's or customer's total annual revenue;
  - 2.2.6 not have a material contractual relationship with the Company or another Group Company other than as a Director;
  - 2.2.7 be free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
  - 2.2.8 not have served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.
- 2.3 The Board will periodically assess the Independence of each Director in the light of the interests disclosed by them, and each Director will provide the Board with all relevant information for this purpose. The Independence of Directors will be disclosed in the annual report.

#### **Independence is distinct from conflicts of interest**

- 2.4 A Director's independence is different to whether that Director has or could be perceived to have a conflict of interest. The Board considers that the concepts of 'independence' and 'conflicts' should be distinguished for the purposes of assessing the independence of a director.
- 2.5 Any determination regarding independence does not change a Director's obligations in relation to addressing conflicts of interest. The Board's policy conflicts is set out below.

### **3 Conflicts of interest**

#### **Meaning of Conflict**

- 3.1 In this Policy, **Conflict** refers to an actual or potential conflict of interest and interest, or of interest and duty, or of duty and duty. It includes situations covered by the provisions of the Corporations Act relating to 'material personal interests' and 'related party transactions'.
- 3.2 Directors will comply with both the letter and spirit of the law and of this Policy relating to the handling of Conflicts. When in doubt as to whether a Conflict exists, or might be perceived to exist, Directors will adopt a cautious approach and will assume that there is a Conflict and act accordingly.

#### **Standing agenda item**

- 3.3 Conflicts will form a standing item on the agenda of all meetings of the Board, and the Chairman will ask all Directors to declare all Conflicts at the meeting.

### Protocol in the event of a potential Conflict

- 3.4 Where a matter on the agenda of a Board meeting is identified before the meeting as involving a Conflict for a Director/s, the Company Secretary will consult with the Chairman, or in the case of a Conflict involving the Chairman, then with another appropriate independent Director, and if appropriate the Director/s affected by the perceived Conflict will not be sent the papers on that matter and will be informed of the reasons.
- 3.5 Where a matter discussed at a Board meeting involves a Conflict, the Director affected must disclose full details of the Conflict verbally, and:
- 3.5.1 the declaration will be incorporated in the minutes of the meeting;
  - 3.5.2 if the other Directors are satisfied that it is a potential Conflict only, the Conflicted Director may remain in the meeting to fully participate in the discussions and voting, unless the Board resolves otherwise;
  - 3.5.3 if the other Directors are satisfied that it is an *actual* Conflict:
    - (a) the Conflicted Director must, if required by the Board, provide full written details of the Conflict and other related information as reasonably required;
    - (b) the Conflicted Director must withdraw from the meeting room while the matter is discussed, and the minutes noted accordingly;
    - (c) before withdrawing, the Conflicted Director may address the Board or ask or answer any questions in relation to the matter (but it is in the discretion of the Board whether it is appropriate to answer the question); and
    - (d) those Directors unaffected by the Conflict (assuming they constitute a quorum) must consider whether the Conflict requires other action to be taken in compliance with the 'material personal interest' provisions or the 'related party transactions' provisions of the Corporations Act, including whether it may require approval of shareholders, and if necessary will reserve any decision until appropriate advice can be taken on the point.
- 3.6 Full details of all discussions and resolutions of the Board, in absence of a Conflicted Director, are to be recorded in the minutes of the meeting, and, if thought desirable in the interests of the Company, that part of the minutes may be withheld from the Conflicted Director.

**China Steel Australia Limited ACN 128 988 732**

**Board Policy 08/02: Risk Management**

**Adopted by the Board on 22 January 2008**

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## **1 Purpose of this Policy**

- 1.1 In its governance role, and particularly in exercising its duty of care and diligence, and associated legal duties, the Board is responsible for ensuring that appropriate risk management policies and procedures are in place to protect the assets and undertaking of the company.
- 1.2 This Policy is adopted to ensure fulfilment of those duties and responsibilities.

## **2 Policy**

### **General approach**

- 2.1 Underpinning this policy, the Board adopts an active approach to risk management which recognises that the Company is engaged in activities, which necessarily demand that the Company take certain usual business, entrepreneurial and operational risks.
- 2.2 Accordingly, and in the interests of the enhanced performance of the Company, the Board embraces a responsible approach to risk management, as a risk-aware Company, and not a risk-averse one. In doing so, the main material risks confronting the company, as identified by the Board, are those set out in the Company's prospectus

### **Risk management**

- 2.3 The Board requires the CEO to design an approach to managing risk and ensure that it is implemented as part of the day to day operations of the Company, identifying and managing the material business risks in the following categories:
- 2.3.1 Core business and strategy risks;
  - 2.3.2 Operational risks;
  - 2.3.3 Legal and contractual risks;
  - 2.3.4 Financial risks; and
  - 2.3.5 Governance risks (includes legal and ASX listing compliance).

- 2.4 Separate Risk Management Plans for these areas are to be developed with a view to ensuring that, rather than being a complete and stand-alone document, the company's risk management plans are part of the day to day business and project decision-making within the Company.
- 2.5 The Company's approach to prudent risk management does not require that all risks be identified and eliminated, but that procedures are in place to identify material risks and, where the likelihood and/or consequences of such a risk occurring so demand, that steps be taken to minimise, eliminate or transfer that risk.
- 2.6 Specifically, in managing risk, the Board and Management are to adhere to the following principles:
- 2.6.1 When considering new strategies or projects, management is to analyse the major risks of those opportunities being secured or being lost, and will consider appropriate strategies for minimising those risks where they are identified.
- 2.6.2 The Company will, where thought prudent by the CEO or the Board, take appropriate external advice to determine the best way to manage a particular risk.
- 2.6.3 Financial risk will be managed by the whole of the Board working closely with the CEO and the Chief Financial Officer, to ensure that the financial statements and other financial reporting are rigorously tested prior to submission for audit.
- 2.6.4 To complement risk management by the Company, appropriate insurances are to be in place, and advice taken from the Company's brokers or insurers where necessary, to cover the usual risks for businesses such as that of the Company, and where practicable, to cover any particular extraordinary risks which arise in the circumstances of the Company.
- 2.6.5 The Company's approach to risk management, and the effectiveness of its implementation, is to be reviewed formally at least annually by the Board.
- 2.7 **(Corporate Governance Principles and Recommendations Principle 7.3)** The CEO and CFO will at least on an annual basis provide written assurances to the Board in writing that:
- 2.7.1 In accordance with section 295A of the *Corporations Act*, all assurances given by Management in respect of the integrity of financial statements are founded on sound systems of risk management and internal compliance and control which implements the policies adopted by the Board; and
- 2.7.2 The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

**China Steel Australia Limited ACN 128 988 732**

**Board Policy 08/03: Board Performance Evaluation**

Adopted by the Board on 22 January 2008

*(Corporate Governance Principles and Recommendations Principle 2.5)*

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**1 Purpose of this Policy**

- 1.1 To assist the Board on its role of monitoring performance of the Company, the Board has undertaken to regularly evaluate the performance of the Board (including individual Directors) and of the Committees of the Board.
- 1.2 Those evaluations will occur in accordance with this Policy.

**2 Policy**

**Annual reviews**

- 2.1 There will be an annual evaluation of the performance of the Board (including Directors and Committees), conducted in, or as close as possible to, [month] in each year.
- 2.2 The purpose of the evaluation is to evaluate how effectively the Board, the Directors and the Committees are fulfilling their role and duties.
- 2.3 The annual review will commence each year in [May], with the Chairman requesting feedback at a meeting of the Board as to the members of the senior management team (if any) (and anyone else) whose views should be included in the Board/Committee evaluation process and, subject to this Policy, to agree the manner in which the evaluation is to be conducted (eg whether an external consultant is to be engaged, which would be expected to be the case at least every 3 years, or whether it will be conducted by more informal discussion within the Board).

**Process for reviews**

- 2.4 The process at each annual evaluation is to include written questions given to each Director for completion before the evaluation, in respect of:
  - 2.4.1 the performance and functioning of the Board as a whole;
  - 2.4.2 the performance and functioning of the Board's Committees;
  - 2.4.3 evaluation of the effectiveness of the Chairman of the Board; and
  - 2.4.4 self-evaluation of the Directors' own performance.

- 2.5 At each evaluation corresponding questions will also be given to the CEO, and such other people as the Board has decided to be included in respect of each of the performance evaluations.
- 2.6 The questions to be asked, and all other aspects of the process, are to be specifically designed/tailored for the Board, and aimed at assessing the performance of the Board and its Committees against the:
- 2.6.1 the Board's Charter and Code of Conduct;
  - 2.6.2 Terms of Reference for Committees; and
  - 2.6.3 agreed Board-specific and Committee-specific goals (KPIs).

#### **Outcomes of reviews**

- 2.7 All reviews are to include open discussion by the Board of the results of the evaluations and to decide any changes which are required to be made by the Board to address any lack of performance and to agree the goals (KPI's) for the Board and, separately, for its Committees for the ensuing year. Board and Committee KPIs will always be set having regard to the approved strategy of the Company.
- 2.8 If particular concerns arise from the evaluation in relation to any individual Director, or Committee, the Chairman will meet with that Director, or Chairman of that Committee, to discuss the concerns and any actions to be taken as a result. If the concerns relate to the Chairman, then the Chairman will discuss the matter as appropriate with the Board.

#### **Regular feedback**

- 2.9 Directors will also be encouraged to provide feedback on a regular basis on the conduct of Board meetings and other business, and the preparation for them, in order to assist in the continual improvement of the way the Board carries out its role at a 'micro' level. For this purpose, it will be a standing item on the agenda at the end of each meeting, to ask for feedback or concerns of Directors with respect to the way in which the meeting, or preparation for it, could have been improved, or any other issues of concern to Directors with respect to the conduct of Board business.

**China Steel Australia Limited ACN 128 988 732**

**Board Policy 08/04: CEO Performance Evaluation**

Adopted by the Board on 22 January 2008

*(Corporate Governance Principles and Recommendations Principle 2.1)*

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**3 Introduction**

- 3.1 To assist the Board in its role of monitoring performance of the Company and to ensure that the CEO is given a clear understanding of the Board's expectations of the CEO, the Board has undertaken to regularly review the performance of the CEO.
- 3.2 This Policy expresses the Board's policy for review of the CEO's performance.

**4 Policy**

**Ongoing and formal reviews**

- 4.1 There will be:
- 4.1.1 monthly reports from the CEO to the Board in the regular monthly reporting cycle, in the form and containing the information which the Board and the CEO from time to time decide together to be appropriate;
  - 4.1.2 annual reviews of the CEO's performance, conducted in, or as close as possible to, [June] of each year; and
  - 4.1.3 interim 6-monthly interim reviews of the CEO's performance conducted in, or as close as possible to, [January] of each year.

**Annual reviews**

- 4.2 The Chairman will commence the process in [May] of each year, by requesting feedback from the Board as to which members of the senior management team should be included in the review of the CEO and in what manner.
- 4.3 Each Director will be invited to provide written or verbal comments to the Chairman as to the performance of the CEO against the CEO's then current role description and CEO's KPIs (which were agreed out of the previous annual performance review).
- 4.4 The CEO will be requested to provide a written report of the Chairman setting out how the CEO believes he/she has worked to achieve against the CEO's then current role description and CEO's KPIs.

- 4.5 The Chairman and/or another independent Director involved in the review process will interview those members of the senior Management team (if any) which the Board has directed be included in the performance review process for the CEO.
- 4.6 The Chairman and/or another independent Director involved in the review process will meet with the CEO, once all comments and the CEO's Report have been received to:
- 4.6.1 discuss any matters (positive or negative) raised by the feedback received and the CEO's Report;
  - 4.6.2 give useful feedback to the CEO as to the Board's expectations of the CEO and the ways in which those expectations have been met, exceeded or not met and how the CEO's performance can be improved in the view of the Board;
  - 4.6.3 discuss and agree with the KPI's for the CEO for the following year, for submission to the Board for approval at the next Board meeting. KPIs for the CEO will always be prepared having regard to the then strategic priorities and objects of the Company; and
  - 4.6.4 discuss and agree with the CEO any amendments which may appear to be required to be made to the CEO's then current role description, for submission to the Board for approval at the next Board meeting.
- 4.7 The Chairman will report fully to the Board (verbally or in writing) at its next meeting as to matters discussed with the CEO, and the CEO's KPIs which are recommended to the Board for approval (or modification if required) for the following year.
- 4.8 The results of the process will be appropriately taken in to account in the CEO's salary review each year.

**Interim 6-monthly reviews**

- 4.9 Informal interim reviews of the CEO's performance will be conducted by discussion between the Chairman and the CEO so as to:
- 4.9.1 give the CEO regular and useful feedback of relevance to preparing for the annual review;
  - 4.9.2 inform the CEO of issues of concern which the Board may wish the CEO to address in preparation for the full review; and
  - 4.9.3 give the CEO an opportunity to give feedback to the Board of issues of concern which the CEO may have, such as any resourcing or other factors which are inhibiting performance and which are beyond the power of the CEO to influence.

**China Steel Australia Limited ACN 128 988 732**

**Board Policy 08/05: Continuous Disclosure**

Adopted by the Board on 22 January 2008

*(Corporate Governance Principles and Recommendations Principle 5.1)*

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**1 Policy objectives**

- 1.1 The objective of this Policy is to ensure that the market is fully informed about the Company's strategy, financial performance and outlook and business operations.
- 1.2 The Company will seek to achieve this objective by seeking to provide equal access to information for all investors and avoiding the disclosure of price sensitive information (refer to paragraph 2.3) to any person on a selective basis.

**2 Policy**

**Equal access to information**

- 2.1 Price sensitive information that is required to be disclosed by the ASX listing rules must be disclosed to ASX prior to disclosure to institutional investors, analysts, the media or others outside the Company.
- 2.2 Following receipt of confirmation that ASX has released information, lodged by the Company, to the market, that information will be available on or through the Company's website.

**Continuous disclosure**

- 2.3 Except for certain confidential information that no reasonable person would expect to be disclosed, once the Company becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities it will immediately tell ASX that information (**price sensitive information**).
- 2.4 Continuous disclosure obligations are reviewed as a standing item on the agenda for each regular meeting of the Board and all Directors are required to confirm details of any matter within their knowledge that might require disclosure to the market.

**3 Reporting and disclosure**

**Periodic reporting**

- 3.1 The Company will communicate regularly with shareholders through its:

- 3.1.1 full annual report, which the Company will send to shareholders in hard copy unless they elect to receive it by electronic copy;
- 3.1.2 annual general meeting, at which shareholders will be updated as to the Company's strategy, financial performance and outlook and business operations. Shareholders will be given the opportunity to ask questions of the Board and the auditor will be invited to the meeting to answer questions about the audit; and
- 3.1.3 release of the annual results in August each year and the interim results in February.

**Public announcements - authorised spokespersons and releases**

- 3.2 Only the Chairman or a person authorised by the Chairman is authorised to make any public statement on behalf of the Company.
- 3.3 All ASX and media releases are to be approved by the Board except for:
  - 3.3.1 urgent releases which must be approved by the Chairman and advised to all Directors prior to release; and
  - 3.3.2 administrative releases such as disclosure of Directors' interests and substantial holder notices.
- 3.4 Subject to its continuous disclosure obligations, the Company will not comment on rumours or market speculation.

**General briefings**

- 3.5 The Company will brief the market as required:
  - 3.5.1 if unexpected material events occur; and
  - 3.5.2 to ensure that the market is informed about the Company's strategy, financial performance and outlook and business operations.

**Briefings to institutional investors and analysts**

- 3.6 The Company will not communicate any price sensitive information to institutional investors, analysts or any other third party unless that information has first been disclosed to ASX.
- 3.7 The Company may hold general or one-on-one briefings with institutional investors or analysts. At such briefings, the Company will not disclose price sensitive information but may give background and other information to assist institutional investors and analysts to understand its strategy, financial performance and outlook and business operations.

3.8 All written information and presentations to be used at general or one-on-one briefings will be reviewed by the Company secretary (refer paragraph 3.13) to determine whether information in the proposed briefing has previously been disclosed to ASX. If the proposed briefing contains information that has not previously been disclosed to ASX, that information must be:

3.8.1 deleted from the briefing; or

3.8.2 disclosed to ASX and not disclosed in any briefing until receipt of confirmation that ASX has released that information to the market.

#### **Answering questions**

3.9 No price sensitive information that has not been disclosed to ASX will be provided at general, institutional investor or analyst briefings. Questions at briefings that deal with such price sensitive information will either:

3.9.1 not be answered; or

3.9.2 taken on notice and not answered until the information is released to ASX and receipt of confirmation that ASX has released that information to the market.

#### **Written record**

3.10 More than one Company representative must be present at all institutional investor or analyst briefings and file notes of all such briefings must be made and kept for a reasonable period having regard to the nature of information discussed at the briefing.

#### **Disclosure to ASX**

3.11 Slides and presentation materials used in general, institutional investor or analyst briefings will be released to ASX before the briefing.

3.12 If there is any inadvertent disclosure of price sensitive information during any briefing, it will be released to ASX as soon as practicable.

#### **Role of Company secretary**

3.13 All proposed media releases and external presentations must be reviewed by the Company secretary in advance in order to minimise the risk of breaching the continuous disclosure requirements.

3.14 The Company secretary is responsible for all communications with the ASX. The Company secretary should be involved in all discussions and meetings with institutional investors and analysts, if possible or be fully briefed about those meetings.

## **4 Other matters**

#### **Trading halts**

4.1 If a trading halt is necessary to ensure an orderly, fair and informed market, it must be approved by the Board unless it is urgent in which case it must be approved by the

Chairman (or a person authorised by the Chairman) and advised to all directors prior to release.

**Analyst reports**

- 4.2 The Company may review analysts' research reports but will limit its comments to factual matters and information previously disclosed.

**China Steel Australia Limited ACN 128 988 732**

**Board Policy 08/06: Securities Trading**

Adopted by the Board on 22 January 2008

*(Corporate Governance Principles and Recommendations Principle 3.2)*

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**1 Policy objectives**

- 1.1 Directors and other shareholders are encouraged to be long term holders of the Company's shares. Care must be taken in the timing of any acquisition or disposal of securities of the Company.
- 1.2 The objective of this policy is:
  - 1.2.1 to ensure that the Directors and employees do not inadvertently breach the insider trading provision of the Corporations Act 2001 when dealing in securities in the Company (including shares and options); and
  - 1.2.2 to assist in maintaining market confidence in the trading of the Company's securities.

**2 Who does this policy apply to?**

**People covered**

- 2.1 This policy applies to all Directors, the Company Secretary, and to all executives and employees of the Company and their associates.
- 2.2 In this policy, **Leadership Team** means all Directors, the Company Secretary, and all senior executives.
- 2.3 Persons covered by this policy must not trade through any member of their family, or through a trust or company over which they have influence or control, in circumstances where they would have been prohibited from trading in their own name.

**Securities covered**

- 2.4 This policy applies to all securities issued by the Company from time to time including ordinary shares, preference shares, debentures, convertible notes, options and derivatives created over the Company's securities by third parties (such as warrants).
- 2.5 This policy is not limited to insider trading in the Company's securities. It includes trading the securities of our customers or suppliers or those with whom the Company may be negotiating major transactions such as an acquisition, investment or sale. Information that is not material to the Company may nevertheless be material to one of those other companies.

### Activities covered

- 2.6 This policy applies to:
- 2.6.1 any proposal to apply for, acquire or dispose of any security or to enter into any agreement to do those things; and
  - 2.6.2 any proposal to procure another person to apply for, acquire or dispose of any security or to enter into any agreement to do those things.

These activities are referred to in this policy as **Trading**.

- 2.7 A person who *'incites, induces, or encourages an act or omission by another person'* is taken to procure the act or omission by the other person.

### Exclusions

- 2.8 This policy does not apply to any acquisition of securities as part of a new issue:
- 2.8.1 where the issue is available pro rata to all holders of securities of the relevant class; a
  - 2.8.2 under a dividend reinvestment plan available to all shareholders; or
  - 2.8.3 under an executive or employee share or option plan.
- 2.9 The policy will apply however to any subsequent disposals of securities acquired under any of the above.

## 3 What is insider trading?

### Insider trading

- 3.1 If a person covered by this policy has Inside Information relating to the Company and they know or ought reasonably to know that it is Inside Information, it is illegal for the person to:
- 3.1.1 Trade in securities in the Company;
  - 3.1.2 Advise, procure or encourage another person (for example, a family member, a friend, a family company or trust) to Trade the Company's securities; or
  - 3.1.3 Pass on information to any other person, if you know or ought to reasonably know that the person may use the information to Trade (or procure another person to Trade) the Company's securities.

**Inside Information**

- 3.2 Inside Information is information which is not generally available to the market and, if it were generally available to the market, would be likely to:
- 3.2.1 have a material effect on the price or value of any company's securities (not just the Company's securities); or
  - 3.2.2 influence persons who commonly invest in securities in deciding whether or not to buy or sell the Company's securities.
- 3.3 Information is generally available if:
- 3.3.1 It consists of readily observable matter;
  - 3.3.2 It has been made known in a manner likely to bring the information to the attention of people who commonly invest in securities of a kind whose price or value might be affected by the information, and, since it was made known, a reasonable period for it to be disseminated among such persons has elapsed;
  - 3.3.3 It is derived from information which has been made public; or
  - 3.3.4 It consists of observations, deductions, conclusions or inferences made or drawn from the other generally available information.
- 3.4 It does not matter how or where you obtain inside Information – it does not have to be from the Company or about the Company to constitute Inside Information. For example, knowledge about another person's intentions in relation to the Company (eg their intention to buy or sell shares in the Company) may constitute Inside Information.

**Examples of Inside Information**

- 3.5 Inside Information could include:
- 3.5.1 Historical financial information contained in management accounts;
  - 3.5.2 Current or prospective same store sales, network sales, revenue (at Group level or for a particular market) or earnings generally;
  - 3.5.3 Operational performance of the Group or in any individual market;
  - 3.5.4 Proposed corporate or strategic actions such as the declaration or payment of dividends, new share issues, new or additional Bank facilities major acquisitions or disposals or major contracts; and
  - 3.5.5 Changes or proposed changes to senior executive positions or at Board level.

**Penalties for non-compliance**

- 3.6 Insider trading is a criminal offence punishable by a fine of up to \$200,000 per offence or a jail term of up to 5 years, or both.

- 3.7 In addition, the insider trader and any other person involved in the contravention may be liable to compensate third parties for any resulting loss.
- 3.8 Non-compliances will be treated seriously by the Company and breaches of this policy, whether or not they result in a breach of the law, may result in disciplinary action including dismissal.

## **4 Policy**

### **No Trading when in possession of Inside Information**

- 4.1 No person to whom this policy applies may Trade in any security at any time if they have Inside Information.

### **Trading windows**

- 4.2 A person covered by this policy may Trade in securities:
- 4.2.1 in the [4 week] period after:
    - (a) the release to ASX of the half-yearly and annual results; or
    - (b) the end of the AGM; and
  - 4.2.2 at any time the Company has a prospectus open,  
but only if:
    - 4.2.3 they have no Inside Information;
    - 4.2.4 The Trading is not for short term or speculative gain.

### **Other authorised trades**

- 4.3 A person covered by this policy may trade in securities at other times only if:
- 4.3.1 They are personally satisfied that they are not in possession of Inside Information;
  - 4.3.2 In the case of the Leadership Team members – they have obtained the approval of the Chairman or in the case of any proposed trade by the Chairman, of another non-executive Director nominated by the Board for the purpose; and
  - 4.3.3 In the case of others - they have obtained the approval of the Managing Director.

- 4.4 Permission will be given for such trading but only after a written request for approval is provided and only if the approving person is satisfied that the transaction would not be:
- 4.4.1 contrary to law;
  - 4.4.2 for speculative gain;
  - 4.4.3 to take advantage of inside knowledge; or
  - 4.4.4 seen by the public, press, other shareholders or ASX as unfair.
- 4.5 Approval to trade may be given, for example:
- 4.5.1 in cases of hardship where it can be shown that securities are to be sold to realise cash in a time of need; or
  - 4.5.2 where securities are transferred from one member of a family or trust to another when to delay the transaction to the next permitted period would be detrimental to the family's affairs.
- 4.6 Approval will only be given under exceptional circumstances where trading would occur in the period between 30 June and the announcement to ASX of final results for the year and between 31 December and the announcement to the ASX of the interim results for the half-year.
- 4.7 If approval is given, the trade must be completed by 5.00pm Brisbane time on the second business day after the approval.

#### **Disclosure to the Company**

- 4.8 Senior managers must advise the Company Secretary in writing of the details of completed transactions within 2 business days following each transaction. Such notification is necessary whether or not prior authority has been required.
- 4.9 The Company Secretary must maintain a register of securities transactions for the purposes of this policy.
- 4.10 The Company must comply with its obligations to notify ASX in writing of any changes in the holdings of securities or interest in securities by Directors.

#### **Large dealings**

- 4.11 Persons to whom this policy applies must not sell more than [say 2% of the total issued share capital] worth of securities in any [6 month] period without obtaining approval from the Chairman (or in the case of a proposed sale by the Chairman), from the Board, as to the form and timing of the sale and the management of its public disclosure.

**China Steel Australia Limited ACN 128 988 732**

**Board Policy # 08/07: Audit Committee Charter**

**Adopted by the Board on 22 January 2008**

***(Corporate Governance Principles and Recommendations Principle 4.3)***

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## **1 Role of the Committee**

1.1 The role of the Audit Committee is to assist the Board in discharging its obligations with respect to ensuring:

1.1.1 the correctness and reliability of financial information prepared for use by the Board; and

1.1.2 the integrity of the Company's internal controls affecting the preparation and provision of that financial information in determining policies or for inclusion in the financial report.

## **2 Composition and administration**

### **Composition**

2.1 The Committee, of at least 3 Directors, will be appointed by the Board and so far as is possible:

2.1.1 comprise only non-executive Directors;

2.1.2 comprise a majority of Directors who are independent;

2.1.3 comprise members who are financially literate (i.e. they must be able to read and understand financial statements);

2.1.4 have at least one of the Committee members with financial expertise (i.e. is a qualified accountant or other financial professional with experience of financial and accounting matters); and

2.1.5 have at least one of the Committee members with an understanding of the industry in which the entity operates.

### **Term**

2.2 The Board will confirm membership of the Committee yearly.

### **Administration and procedures**

2.3 The Committee will regulate itself consistently with the procedures set out in section 4 of the Board Charter.

### **3 Specific Responsibilities of the Committee**

#### **Audit responsibilities**

- 3.1 Monitor and make recommendations to the Board on the effectiveness of the Company's [internal and] external audit function.
- 3.2 Make recommendations to the Board regarding:
  - 3.2.1 the scope of internal and external audit, and the development of audit plans;
  - 3.2.2 the process for putting the external audit function out to tender at least once in every 3 years;
  - 3.2.3 the appointment of the external auditors; and
  - 3.2.4 any exceptions or qualifications reported, or recommendations made, by the external auditor in the auditor's opinion and management letter.
- 3.3 Directly oversee the external audit tender process, including at least two of the members of the Audit Committee on the interview panel for the tender.
- 3.4 Review the form and content of representation letter/s provided by the external auditors and management representation letters provided by management to the external auditors.
- 3.5 Monitor implementation of any actions required by the Board to be taken by management to address any exceptions or qualifications reported, or recommendations made, by the external auditor.
- 3.6 Liaise with the external auditors, including at least 2 meetings each year with the auditors, including a portion of the meeting in absence of all management, in relation to the preparation of the audited accounts of the Company.

#### **Accounting policies**

- 3.7 Review and make recommendations to the Board in relation to accounting policies, or changes, or required changes, to the major accounting policies of the Company.
- 3.8 Monitor compliance by Management with all approved accounting policies of the Company.

#### **Risk and Compliance**

- 3.9 Monitor the effectiveness of the Company's risk and compliance internal controls and systems, and make recommendations to the Board as necessary.
- 3.10 Regularly consider and monitor the Company's exposure to significant risks, and make recommendations to the Board in respect of such monitoring findings, including strategic and operational improvements in risk management planning and implementation and insurance strategies.
- 3.11 Oversee the development by Management of, and make recommendations to the Board regarding, risk management plans for the Company.

- 3.12 Monitor the implementation of approved risk management plans across the Company.
- 3.13 Monitor compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by Management in relation to those requirements.
- 3.14 Ensure completion of the Company's annual corporate governance statement for inclusion in the annual report of the Company, as required by the *Corporate Governance Principles and Recommendations Principle*.

#### **Integrity of Audit and Risk Controls**

- 3.15 Evaluate the adequacy and effectiveness of the internal financial and other controls used by the Company to ensure the accuracy and integrity of all information provided to the Board and to others outside the Company
- 3.16 Where the Committee considers it necessary, it will enquire into the resources, systems and controls of the Company as they affect the audit, financial management, risk or compliance functions or the integrity of the systems and controls relating to those functions, and will make any resulting recommendations to the Board.

### **4 Authority and powers**

#### **Authority**

- 4.1 The Committee has authority to:
  - 4.1.1 investigate any matter brought to its attention;
  - 4.1.2 obtain any information that it requires from any employee of Company in order to discharge its responsibilities;
  - 4.1.3 have direct access to any employee or contractor of the Company and seek any information that it requires from any employees of the Company in order to discharge its responsibilities; and
  - 4.1.4 have direct access to independent auditors, company, tax and other financial advisors and company papers and lawyers.

#### **Powers**

- 4.2 The Committee has an advisory role to assist the Board and does not have any power to commit the Board to any recommendation or decision made by it except if it has express delegated authority from the Board.

### **5 Audit engagement policy**

- 5.1 The Committee's criteria for selecting external auditors includes the following:
  - 5.1.1 The extent of any current or past connection or association with the Company or with any member of senior management that could in any way

impair, or be seen to carry with it any risk of impairing, the independent external view they are required to take in relation to the Company;

- 5.1.2 Their general reputation for independence and probity and professional standing within the business community;
- 5.1.3 Their knowledge of the industry within which the Company operates; and
- 5.1.4 The extent to which audit staff employed by the external audit partner, including the partner or other principal with overall responsibility for the engagement, are required to be rotated periodically, and in any event at intervals not exceeding five years, so as to avoid any risk of impairing the independent external view that the external auditors are required to take in relation to the Company.

## **6 Audit process**

6.1 The Committee has adopted the following audit planning process:

6.1.1 As required during the year, it will:

- (a) Discuss the external audit plan, any significant problems that may be foreseen and the impact of any proposed changes in accounting policies on the financial statements;
- (b) Review the nature and impact of any changes in accounting policies adopted by the Company during the year and the fees proposed for the audit work to be performed; and
- (c) organise, review and report on any special reviews or investigations deemed necessary by the Board.

6.1.2 Prior to announcement of results, it will:

- (a) Make the necessary recommendation to the Board for the approval of relevant documents.
- (b) Review the results and findings of the audit (or audit review), the adequacy of accounting, financial and operating controls and the implementation of any recommendations made;
- (c) Review the pro-forma half-yearly and pro-forma preliminary final report, draft financial report and the audit report (or audit review report) and make the necessary recommendations to the Board for the approval of the financial report;

## **7 Charter Reviews**

7.1 This Charter will be reviewed, and, if appropriate, updated by the Board on recommendation from the Audit Committee every 2 years



**China Steel Australia Limited ACN 128 988 732**

**Code of Conduct for Directors and Officers**

Adopted by the Board on 22 January 2008

***(Corporate Governance Principles and Recommendations Principle 3.1)***

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**1 Code objectives**

- 1.1 Shareholders and the broader community have particular expectations about the way in which the Company operates.
- 1.2 The objectives of this policy are to guide behaviour, enhance investor confidence in the Company and demonstrate the commitment of the company to ethical standards and practices.

**2 Who does this Code apply to?**

- 2.1 This policy applies to all Directors, the Company Secretary and all executives of the Company (**Officers**).

**3 Standard of behaviour**

- 3.1 All Directors and all officers and of the Company must, as far as possible, act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company and the Group and, where possible, to act in accordance with the interests of shareholders, staff, clients and all other stakeholders in the Company.
- 3.2 If an Officer becomes aware of unlawful or unethical behaviour, he or she will report it to the Chairman. The identity of the Officer reporting the violation in good faith will remain confidential.

**4 Interests of legitimate stakeholders**

- 4.1 In making decisions on behalf of the Company, Directors and Officers will respect and have regard to the bona fide interests of legitimate stakeholders in the Company, including its shareholders, employees [customers/clients/partners/suppliers].
- 4.2 The Company will not knowingly infringe the legal rights of legitimate stakeholders, and will take reasonable steps to minimise the risk of doing so unintentionally.

## **5 Whistleblowing**

- 5.1 The Board takes responsibility to enquire into, and take appropriate action in relation to, all bona fide complaints or allegations which indicate that there may be illegal or unethical conduct by the Company or any of its Officers or employees.
- 5.2 The CEO will make him/herself available as the initial point of contact for all persons lodging such complaints or allegations and will inform the Board of such complaints and allegations.
- 5.3 If a complaint or allegation relates to the CEO, or the person making the complaint or allegation is uncomfortable, for bona fide reasons, with making the complaint or allegation to the CEO, then the Chairman of the Board will receive and deal with the complaint or allegation.
- 5.4 The person making a complaint or allegations will, in all circumstances, be treated with respect and anonymity, except to the extent that they agree to having their identity disclosed for the purposes of enquiring in to the complaint or allegation.

## **6 Conflicts of interest**

- 6.1 Officers are not to give preference to personal interests or to the interests of any associate or other person, where to do so would be in conflict with the interests of the Company. Personal dealings should be kept separate from dealings in their capacity as Officers of the Company. Any avoidable conflicts of interest must be disclosed to the Chairman.
- 6.2 A separate Conflict of Interest Policy exists for handling actual and potential conflicts of Directors (see Board Policy 08/01)

## **7 Use of information or position**

- 7.1 Officers must not misuse information, their position or opportunities arising as a result of their position, improperly gain advantage for themselves or for someone else or to cause detriment to or compete with the Company. Officers must not use the name of the Company to further any personal or other business transaction for their personal benefit.

## **8 Use of Company property**

- 8.1 Officers must not use property or opportunities arising from property, improperly to gain advantage for themselves or for someone else or to cause detriment to or compete with the Company. Officers have a duty to account to the Company for business opportunities which arise as a result of their role in the Company and to use Company resources only for the benefit of the Company. Officers must take reasonable steps to protect the Company's assets and ensure all such assets are used efficiently and for business purposes only.

## **9 Proper purpose**

- 9.1 Officers are to use their powers for a proper corporate purpose and whilst Officers have a primary responsibility to the Company, regard should also be had to other relevant interests.

## **10 Confidentiality**

- 10.1 Confidential information received by an officer in the course of his or her duties remains the property of the Company and should not be disclosed to any other person without the prior written consent of the Chairman unless the disclosure is required by law or in accordance with their duties as an officer of the Company. Officers should respect the privacy of others.
- 10.2 Officers must protect proprietary, commercial and other information that is confidential to the Company. These obligations continue after the Officer's engagement with the Company ends.

## **11 Fair dealing**

- 11.1 Officers must act fairly and honestly in all their dealings with and for the Company. Business relationships must be maintained in a way which is consistent with the principles of respect for others and fairness.

## **12 Compliance with the law**

- 12.1 Officers should comply with the letter and where it is clear the spirit of all laws and regulations relating to their business conduct to the best of their abilities. This includes understanding the laws and regulations relevant to their work. The laws that govern the Company's activities may be complex, but ignorance of the law does not excuse Officers from their obligations to comply.
- 12.2 Officers should not engage in conduct likely to have an adverse effect on the reputation of the Company.

## **13 Political contributions and activities**

- 13.1 The Company maintains a position of impartiality with respect to party politics. Accordingly the Company does not contribute funds to any political party, politician, or candidate for public office.
- 13.2 The Company does not prohibit Officers from making personal political contributions but should not use their role with the Company for political interests at any time.