

Board Guidelines on Corporate Governance Issues

This booklet summarizes the policies and practices of Dofasco's Board of Directors relating to matters of corporate governance. These guidelines are regularly reviewed, evaluated and modified by the Nominating and Corporate Governance Committee to meet the changing needs of the company and the changing expectations of the investment community.

BOARD GUIDELINES ON CORPORATE GOVERNANCE ISSUES

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1. Selection of Chair of the Board and CEO

The Board has adopted a policy favouring an independent, non-executive Chair of the Board, but allowing for exceptions when that would be in the best interests of the company.

2. Lead Director Concept

The role of the Lead Director is normally filled by the non-executive Chair of the Board. At any time when the Chair of the Board is an employee of the Company, the outside directors will select from among themselves a Lead Director. This person would fulfill the functions of the Chair of the Board set out in these guidelines, serve as Chair of the Nominating and Corporate Governance Committee of the Board, chair regular meetings of the outside directors and assume other responsibilities which the outside directors as a whole have designated.

3. Number of Committees

The current committee structure (Audit; Human Resources; Nominating and Corporate Governance; Environment, Health and Safety) is felt to be appropriate. This structure may be subject to change as the Board considers from time-to-time which of its responsibilities can best be fulfilled through detailed review of matters in committee. Whenever a committee is established, it will operate according to a Board-approved written mandate outlining its duties and responsibilities.

4. Assignment and Rotation of Committee Members

The Nominating and Corporate Governance Committee is responsible for proposing to the Board, the Chair of the Board, the Lead Director, if required, and the membership and chair of each committee on an annual basis. In preparing its recommendations, the Committee will consult with the Chair of the Board and with the CEO, and take into account the preferences of the individual directors. The Board favours a periodic rotation in committee chair and membership in a way which recognizes and balances the need for renewal of ideas, as well as continuity and maintenance of functional expertise.

5. Committee Meetings

The schedule of meetings of each committee will be determined by its chair and its members, based upon an annual work plan designed to discharge the responsibilities of the committee as set out in its mandate. The chair of the committee will develop the agenda for each committee meeting through consultation as appropriate with members of management, staff and the committee. Each committee will report to the Board on the results of each committee meeting.

6. Board Meeting Agendas

The Chair of the Board and the CEO, in consultation with the Corporate Secretary, will develop the agenda for each Board meeting. Draft agendas will be distributed to directors before each meeting, and all Board members are free to suggest additions to the draft agenda.

7. Information for Board Meetings

Whenever practicable, information and reports pertaining to Board meeting agenda items will be circulated to the directors in advance of the meeting. Such materials should be concise, yet complete – and be prepared in a way to focus attention on critical issues to be considered by the Board. Reports may be presented during Board meetings by members of the Board, management and/or staff, or by invited outside advisors. It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it would not be prudent or appropriate to distribute written materials in advance.

8. Regular Attendance of Non-Directors at Board Meetings

The Board appreciates the value of having certain members of senior management attend each Board meeting to provide information and opinion to assist the directors in their deliberations. The CEO will seek the Board's concurrence in the event of any proposed change to the management attendees at Board meetings. Management attendees will not attend the "Board Session" portion of each meeting, which is reserved for discussion among the directors only.

9. Executive Sessions of Outside Directors

The outside directors of the Board will meet at least twice each year in an Executive Session which will be followed by a discussion with the CEO.

10. Board Contacts with Senior Management

All of the directors have open access to the company's senior management. It is expected that directors will exercise judgement to ensure that their contacts will not distract from the company's business operations. Written communications from directors to members of management will be copied to the CEO. The Board encourages having members of management participate appropriately in Board meetings in order to better inform directors about the business of the company and the caliber of the management team. The Board also encourages individual directors to make themselves available for consultations with management outside Board meetings in order to provide specific advice and counsel on subjects where such directors have special knowledge and experience.

11. Board Compensation

The Nominating and Corporate Governance Committee will regularly review the compensation of the directors. The Committee will make recommendations to the Board for consideration when it believes changes in compensation are warranted.

12. Size of the Board

It is the general consensus of the Board that approximately twelve directors constitutes a Board which is large enough to provide a diversity of expertise and opinion, yet small enough to allow for efficient operation and decision-making. The Board has the ability to increase or decrease its size, within certain limits. The Nominating and Corporate Governance Committee will review the size of the Board annually and make recommendations to the Board when it believes a change would be in the best interests of the company.

13. Mix of Inside and Outside Directors

The Board believes that as long as the company's shares are widely held without any controlling shareholder, the majority of the directors should be independent and unrelated to the company and that there should generally be no more than one or two inside directors. On matters of corporate governance, decisions will be made by the outside directors.

14. Board Review of "Independence" of Outside Directors

The Nominating and Corporate Governance Committee will review on an annual basis any relationships between outside directors and the company which might be construed in any way to compromise the designation of any director as being independent or unrelated to the company. The objective of such review will be to determine the existence of any relationships, to ensure that the composition of the Board remains such that the majority of the directors are independent and unrelated and that where any relationships exist, the director is acting appropriately.

15. Former Executive Officer's Board Membership

When the CEO or any other company officer ceases to hold that office, it is expected that such officer, if a director, will offer a resignation from the Board at the same time. Whether that resignation is accepted will be determined by the Board, taking into account the circumstances existing at that time. Any former officer of the company serving on the Board will be considered to be an inside director for purposes of corporate governance.

16. Criteria for Board Membership

The Nominating and Corporate Governance Committee will review each year the general and specific criteria applicable to candidates to be considered for nomination to the Board. The objective of this review will be to maintain the composition of the Board in a way which provides the best mix of skills and experience to guide the long term strategy and ongoing business operations of the company. This review will take into account the desirability of maintaining a reasonable diversity of personal characteristics such as age, gender, geographic origin, etc. among the directors, but maintaining common characteristics such as personal integrity, outstanding ability in their individual fields of expertise and a willingness to devote necessary time to Board matters.

17. Selection of New Director Candidates

The Board is responsible for identifying suitable candidates to be recommended for election to the Board by the shareholders. The Nominating and Corporate Governance Committee has been given the responsibility of gathering the names of potential nominees, screening their qualifications against the current skill and experience needs of the Board and making recommendations in this regard to the full Board. All directors are encouraged to identify potential candidates. Additional direct input to the process is provided by the Chair of the Board and by the CEO. An invitation to stand as a nominee for election to the Board will normally be made to a candidate by the Board through the Chair of the Board or the Chair of the Board's delegate.

18. New Director Orientation

New directors will be provided with an orientation and education program which will include written information about the duties and obligations of directors, the business of the company, documents from recent Board meetings, opportunities for meetings and discussion with senior management and other directors, and tours of the company's operations. The details of the orientation of each new director will be tailored to that director's individual needs and areas of interest. When first appointed to a Board committee, directors will be offered appropriate information and orientation to prepare them to participate effectively in the work of the committee.

19. Assessing the Board's Performance

The Nominating and Corporate Governance Committee is responsible for making an annual assessment of the overall performance of the Board and each of its members and committees and reporting on the same to the Board. The objective of these reviews is to contribute to a process of continuous improvement in the Board's execution of its responsibilities. It is expected that the result of such reviews will be to identify any areas where the directors and/or management believe that the Board could make a better collective contribution to overseeing the affairs of the company.

20. Directors Who Change Their Present Job Responsibility

The Board has adopted a policy which requires a director who makes a major change in principal occupation to offer a resignation to the Board for consideration. It is not intended that directors who retire or whose professional positions change should necessarily leave the Board. The sense of the Board is that there should be an opportunity for the Board to review, through the Nominating and Corporate Governance Committee, the continued appropriateness of Board membership under such circumstances.

21. Term Limits for Directors

The Board has determined that formal term limits for directors should not be established as a general policy because this would have the effect of forcing directors off the Board who may have gained a deep and detailed knowledge of the company's operations and business affairs. At the same time, the Board recognizes the value of some turnover in Board membership to provide an ongoing input of fresh ideas and new knowledge. The Board has determined that the Nominating and Corporate Governance Committee, in consultation with the Chair of the Board and the CEO, will review annually the membership of the Board to enable the Board to manage its overall composition on a continuing basis.

22. Retirement Age

The Board continues to believe that its current policy of a retirement age of 70 is appropriate.

23. Share Ownership by Directors

The Board has determined that ownership of the company's shares by directors should be encouraged as one way of helping to align the interests of directors with those of the shareholders. The Board has adopted a policy requiring directors to allocate a portion of their annual compensation as directors towards the purchase of common shares of the company.

24. Evaluation of the CEO

The Chair of the Board will conduct an annual review of the performance of the CEO as measured against objectives established mutually in the prior year by the Human Resources Committee and the CEO. The results of this annual review will be reported by the Chair of the Board or Lead Director to the Human Resources Committee for review and discussion and presented to the Board for review and approval. The evaluation will also be used by the Human Resources Committee in its deliberations concerning the CEO's annual compensation.

25. Succession Planning

The Board expects management succession planning to be an ongoing activity, with an annual report to be made to the Board on this process. There should also be available, on a continuing basis, the CEO's recommendation as to a successor in the event of an unexpected incapacitation of the CEO. This recommendation should be supported by a process within the Human Resources Committee.

26. Management Development

The Board expects that management development should be an ongoing process and that there should be an annual report to the Board from the CEO on the status of this activity.

27. Board Communications With Stakeholders

The Board believes that it is the function of management to speak for the company in its communications with the investment community, the media, customers, suppliers, employees, governments and the general public. It is understood that the Chair of the Board or other individual directors may from time to time be requested by management to assist with such communications, and it is expected that such communications will only occur with the prior knowledge of management. If communications from stakeholders are made to the Chair of the Board or to other individual directors, management will be informed and consulted to determine any appropriate response. The Board, either directly or through the Audit Committee, approves the content of the company's major communications to shareholders and the investing public, including the Annual Report, the Interim Reports to Shareholders, the Management's Discussion and Analysis, the Proxy Circular, the Annual Information Form and any prospectuses which may be issued.

28. Corporate Strategy

The Board believes that management is responsible for the development of long term corporate strategy, while the role of the Board is to review, question and validate, and ultimately to approve the strategies proposed by management. From time to time, special meetings of the Board will be held to address questions of long term corporate strategy.

29. Individual Directors Engaging Outside Advisors

The Board has determined that any director who wishes to engage outside advisors should review the request with the Chair of the Board.

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