



ISPAT INTERNATIONAL N.V.

Commissie corporate governance

t.a.v. drs. R. Abma

p/a Postbus 20201

2500 EE Den Haag

29 August 03

Dear Sirs,

Ispat International fully supports the objectives of the Committee on Corporate Governance. We congratulate the Committee with the quick delivery of the draft Code.

As a company listed in both New York and Amsterdam Ispat is committed to best practices in Corporate Governance. On 8 June 2003 the New York Stock Exchange wrote about Ispat's Annual Report 2002:

'Now that basically most of the Annual Reports have been received by us I have to say that Ispat's ranks way up there in terms of Corporate Governance disclosure. The 8 pages you dedicated to Corporate Governance have an extremely clear structure and are most comprehensible.'

This leads us on to our general comment: our company is subject to the US regulatory framework as well as to the Dutch regulatory framework: the Code proposed by your Committee is very detailed and differs on minor points from other regulatory frameworks. From an administrative burden point of view it would be highly preferable if the Code would be less detailed and wherever possible in line with the rules and regulations of the world's leading equity market, the US. In our opinion failure to reduce the level of detail and discrepancy will become an important factor in deciding to have a secondary listing in Netherlands or not.

Ispat has a 'one tier' Board structure with a majority of independent non-executive directors. The function of Chairman of the Board and Chief Executive Officer are combined. Ispat believes that the separation between the role of the Chairman and the day to day running of the company as envisaged (II.8.1) would not necessarily serve all companies well. In a company in its entrepreneurial phase a combination of the role of Chairman and CEO can be perfectly natural and line with the fact that investors invest more in the entrepreneur as compared to in the institution. As a company gradually becomes more institutionalised a separation of these roles can be beneficial, but we would like to point out that in the US a combination of the role of Chairman and CEO is still very common. Opposition against this combination seems to be more British based but we question the appropriateness of following the British example in view of the relative importance of the US and British capital markets.

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We have **strong** objections against the proposed rule that managing directors and members of the supervisory Board may only invest in listed funds or through an independent third party based on a written mandate (I.2.8 and II.7.3 of the Code). This rule will limit the freedom of Board members to invest as they see fit in an unnecessary manner. There is a rationale for restricting the investment of Board members in competitors, customers or suppliers of the company in which they are a Board member but further limitations are unjustified and unparalleled in other regulatory frameworks. Ispat's own nine Board Members live and work 6 countries around the globe and can not reasonably be assumed to have more knowledge about local stock markets than members of the general public. This strict regulation of investments would set the Netherlands apart and makes it substantially more difficult to find qualified Directors for an international company.

The requirement that the Management Board shall declare in the annual report that the internal risk management structure and control systems are adequate (Code 1.1.4 in conjunction with II.1.8) goes much farther than what is required under the US Sarbanes Oxley Act section 404. Under section 404 the company only comments on financial reporting risks. The proposed wording of the Code is very broad and will create an additional unspecified burden on companies. We would like to see the scope of this obligation reduced to one similar to section 404 of the Sarbanes Oxley Act.

Although we support a limit on the number of (supervisory) Directorships any one Board Member may hold, we believe that a limit of five is too low, especially in combination with the doubling counting of a Chairmanship (II.2.4). To be able to recruit candidates with the right level of seniority, standing and business acumen it would be preferable to have a higher limit. In this context we would like to seek clarification that in calculating such limit, whether Boards of subsidiaries should not also be counted. Ispat exposes its non-executive Directors to its operating subsidiaries by appointing them as a Board member at this level as well. This enhances their insight in the actual operation of the company.

We do not understand why the external accountant should be involved in drawing up the tasks of the internal accountant (IV.3.1). The function, reporting line and responsibilities of external and internal accountants are clearly separated and should not be mixed up. We believe that this proposal is misguided because it will result in the external accountant taking a degree of responsibility for the work of the internal accountant (as he was involved in the drawing up of the tasks).

From Code IV.4.1 and IV.4.2 it would appear that the external accountant should both join the Audit Committee and the Board meetings. We believe that this requirement is exaggerated; the natural place for discussions with the accountant is the Audit Committee to which the Board has delegated part of its authority. The Board itself should deal with matters of a strategic nature and should only occasionally be involved in detailed discussions.



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Paragraph IV1.4 of the proposed Code stipulates that the Board takes care that financial information from subsidiaries and divisions is reported directly (emphasis added) to the Board and that the integrity of the information is not damaged. This seems unpractical. Is it envisaged that financial reports from each of the subsidiaries are handed over separately directly from each subsidiary to each Board Member in person?

As a last point we would like to invite the Committee to deal with transitional issues: there are existing contracts, outstanding options with determined durations, appointed Board members and Board Members holding Board Memberships above the proposed limits. Is it proposed that the Code will apply to new situations and actions taken after 1 January 2004? In view of the expected short period between the final adoption of the Code and the implementation date it would appear less realistic that everything can be implemented by 1 January 2004.

We hope that you will find our remarks and suggestions helpful.

Sincerely yours,
Ispat International N.V.

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Company Secretary

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