A MESSAGE FROM THE MANAGING DIRECTOR AND CEO

AT BLUESCOPE, WE ARE COMMITTED TO IMPROVING OUR ENVIRONMENTAL FOOTPRINT AND HELPING OTHERS TO DO SO THROUGH OUR SUSTAINABLE PRODUCTS AND SOLUTIONS.

A MESSAGE FROM PAUL O’MALLEY

Steel is essential to our daily lives. From our homes, offices, hospitals, schools and shopping centres to our cars, appliances, medical instruments and machinery, steel is one of the most common materials we come in contact with every day.

And steel is critical to improving the environment through its use in wind towers, water tanks, low carbon intensity construction, and lighter, more efficient cars.

Improving our environmental footprint

At BlueScope, we are committed to improving our environmental footprint and helping others to do so through our sustainable products and solutions. This year, at our Australian operations we again lowered our fresh water usage, reaching our lowest freshwater intensity in 5 years. We are pleased with this improvement but recognise more must be done and we will continue our efforts.

The financial year 2011 was a difficult one for the global steel industry and for BlueScope Steel. The Company experienced an unprecedented combination of economic challenges in the form of a record high Australian dollar, low steel prices and high raw material costs and these challenges were compounded by low domestic steel demand in the wake of the Global Financial Crisis.

We took a number of actions to improve the Company’s financial performance, combating these economic challenges. In August, the decision was made to exit our export business from Port Kembla and to align Australian steelmaking production with Australian domestic demand. Our production capacity at Port Kembla has been reduced from 5.3 million tonnes per year to 2.6 million tonnes per year. In addition to improving the future financial performance of our Australian business, there will be a further consequential environmental benefit with a reduction of carbon emissions, energy and water usage.

Earlier in the year, BlueScope concluded its carbon tax negotiations with the Government agreeing to a sectoral deal for steel under the Steel Transformation Plan. The Plan provides a pragmatic solution to the complex problem. BlueScope continues to contribute to international research efforts, in partnership with other steelmakers and the World Steel Association, to find a new, low carbon iron-making technology.

Safety First

At BlueScope, safety is Our Number 1 priority. This is true regardless of where we operate in the world.
Tragically in March this year one of our employees, Mr Bao Jian Guo, 39, was killed while working in our Butler manufacturing plant in Shanghai, China. A thorough investigation was undertaken to understand what happened and steps have been taken to prevent this type of incident happening again.

Our goal is Zero Harm and we must do everything we can to ensure all our employees and contractors are able to return home fit and healthy after every shift.

During the year, we continued to improve our Lost Time Injury Frequency Rate, lowering it to 0.6, and the Medically Treated Injury Frequency Rate reduced to a record 4.4.

Community

Our communities are our homes. BlueScope Steel contributes to local communities around the world through collaborative partnerships that nurture youth, assist the disadvantaged, enhance community facilities and support emergency services.

BlueScope and its employees share a commitment to our communities, especially during times of crises such as Thailand’s recent floods, the New Zealand Earthquake, the Queensland floods and the Rainsville, Alabama tornado.

Our people make an important contribution to the welfare and happiness of all the communities where we live and work.

We hope you enjoy this year’s Community, Safety and Environment Report.

Paul O’Malley
Managing Director & CEO
Nothing is more important at BlueScope Steel than the health and safety of our people. Our focus is Zero Harm. It's the way we do business at BlueScope Steel. We will never stop pursuing our goal of Zero Harm.

The following beliefs form the basis for achieving our goal of Zero Harm:

- Working safely is a condition of employment
- Employee involvement is essential
- Management is accountable for safety performance
- All injuries can be prevented
- Training employees to work safely is essential
- All operating exposures can be safeguarded

BlueScope Steel has a comprehensive Occupational Health and Safety Management System which is mandatory in all our operations. The system focuses on three basic areas:

- Safe and healthy people
- Safe systems
- A safe and tidy plant

The purpose of this system is to protect the health and safety of our employees, customers, contractors, visitors and the public. Under the Management System, Safety Management Standards have been established. Each business is required to demonstrate compliance to...
these standards.

Strong and caring leadership, engaged employees and a robust operating discipline support initiatives in these areas. BlueScope Steel’s safety improvement initiatives have seen a substantial reduction in injuries. We are making good progress overall, with many businesses reporting noteworthy health and safety results. But we remain vigilant in pursuing our goal of Zero Harm.

Essential to our health and safety strategy is the ongoing effort to further develop our leaders, as is the continued implementation of risk management practices, behavioural health and safety audits, the reporting of incidents and near misses and the identification and prevention of at risk behaviour and at risk conditions.
At BlueScope Steel, we are committed to continually improving our environmental footprint.

We will achieve this through:

- Fostering and promoting a continuous improvement culture
- Capital investment to maintain and improve our equipment and facilities
- Robust systems to manage our responsibilities

Even in difficult times, our commitment to caring for the environment remains strong and the performance of a number of BlueScope sites has been recognised by external bodies:

- ISO 14001 - Many BlueScope Steel sites continue certification.
- World Steel Association – Continued membership of the Climate Action program as participants in the worldsteel CO2 data collection program.
- Sydney Water - Port Kembla Steelworks awarded Largest Volume Reduction based on water savings achieved from plant improvements.
- Malaysian Prime Minister's Hibiscus Awards - Lysaght Kuching awarded the State Award and the Notable Achievement Award for Environmental Performance.
- Krakatau Industrial Estate Cilegon (KIEC) - BSI Cilegon won the inaugural award for Plant with Cleanest Environment.
- American Metal Market Awards - North Star BlueScope Steel nominated as a finalist for the Steel Excellence Environmental
New Zealand Stewardship category.

- New Zealand Institution of Professional Engineers Environmental Awards - New Zealand Steel received a Merit Award for the new Taharoa fish pass.

We manage our environmental risks and impacts through the use of a framework we call LAWWNE, which seeks to:

- Reduce our environmental impact on Land, Air, and Water
- Reduce generation of Waste and Noise
- Minimise our use of Energy and the generation of Greenhouse Gas Emissions

Through the use of this framework we also seek to conserve scarce resources by reusing and recycling material.

We are committed to monitoring and publicly reporting on our progress. Public reporting takes place through our participation in independent external reporting initiatives, such as Australian National Greenhouse and Energy Reporting and the National Pollutant Inventory, and through initiatives such as this Community, Safety and Environment (CSE) Report.

This Report provides comprehensive information about BlueScope Steel and the environment, including governance and policy arrangements, and performance measures. The Report is structured around our LAWWNE framework.

**RESTRUCTURE OF AUSTRALIAN OPERATIONS**

On 22 August 2011, BlueScope Steel announced a major restructure of its Australian operations.

The restructure, which involves a reduction in steel manufacturing capacity from 5.3 million tonnes per annum to 2.6 million tonnes per annum, includes shutting down a variety of facilities including the No. 6 Blast Furnace at Port Kembla and the Western Port Hot Strip Mill. This will better align Australian steelmaking production with Australian domestic demand and see BlueScope Steel exit the Australian export business.

A corresponding reduction in the environmental footprint will accompany the significantly reduced production capacity at both Port Kembla Steelworks and Western Port.
BLUESCOPE STEEL’S PLANTS EMPLOY MODERN ENERGY EFFICIENT EQUIPMENT WHEREVER FEASIBLE. THE COMPANY IS CONTINUOUSLY SEEKING TO REDUCE ITS ENERGY AND GREENHOUSE GAS INTENSITY.

LOWEST QUARTILE GREENHOUSE GAS INTENSITY

The steel manufacturing process consumes a large amount of energy. The chemical process used to make iron accounts for more than 80 per cent of the greenhouse emissions from and energy consumed within an integrated steelworks.

Carbon, in the form of processed metallurgical coal (coke), is the reducing agent used to convert iron ore to iron in a blast furnace. Carbon dioxide and other greenhouse gases are generated as unavoidable by-products of this process. The laws of chemistry, physics and thermodynamics dictate the amount of carbon used in the blast furnace. Current carbon usage is close to theoretical minimum levels due to our efficient furnace operations and practices. Greenhouse gas generation is heavily influenced by production output.

BlueScope Steel remains committed to progressively reducing its emissions and continues to play an active role in the global steel industry’s efforts to reduce greenhouse gas emissions. Any significant reduction in iron and steelmaking direct emissions will require a major technological breakthrough.

We are also committed to reducing the greenhouse gas intensity of our products and improving the energy efficiency of our operations. The Company seeks to maintain facility greenhouse gas intensities within the lowest quartile of comparable facilities.
CURRENT CONTROLS

BlueScope Steel’s plants employ modern energy efficient equipment wherever feasible. The Company is continuously seeking to reduce its energy and greenhouse gas intensity.

Initiatives implemented or under investigation to improve energy and greenhouse gas performance include:

- Capturing by product gases from steel making and painting processes and reusing them for heating and cogeneration.
- Development of process models to ensure fuels are used efficiently.
- Improving process control.
- Decommissioning or upgrading of older, inefficient equipment.
- Identifying and minimising gas leaks.
- Increasing use of natural light in buildings.
- Turning off or idling equipment when not in use.
- Making increased use of environmental measurement tools to monitor processes.

PERFORMANCE

Following the reline and return to service of No. 5 Blast Furnace in FY2009 – FY2010, BlueScope’s total production volumes increased to near full capacity. Total energy consumption consequently increased slightly, and the Company’s net energy intensity reduced as manufacturing efficiencies were gained.

In FY2011, BlueScope Steel’s total Scope 1 (direct) and Scope 2 (indirect) greenhouse gas emissions totalled 15.9 million tonnes CO2 emissions and greenhouse gas intensity (based on tonnes of raw steel) remained consistent.

With the cessation of steel export activities during FY2012, plant utilisation rates will be lower and as a result, are expected to adversely influence near term greenhouse gas intensities. BlueScope Steel remains focussed on reducing greenhouse gas intensity. It is expected over time that continual improvement of emissions can be achieved off the new production baseline.

<table>
<thead>
<tr>
<th>Regional Break-up</th>
<th>Scope 1</th>
<th>Scope 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Million tonnes CO2 emissions per annum</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aust/NZ</td>
<td>13.17</td>
<td>1.86</td>
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<tr>
<td>North America</td>
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<td>0.51</td>
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<tr>
<td>Asia</td>
<td>0.09</td>
<td>0.16</td>
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</tbody>
</table>
AT BLUESCOPE STEEL, WE LIVE BY OUR BOND. WE CHOOSE TO DO WHAT IS RIGHT BY OUR CUSTOMERS, OURSELVES AS EMPLOYEES, OUR SHAREHOLDERS AND OUR COMMUNITIES.

OUR COMMUNITIES ARE OUR HOMES

Our success relies on communities supporting our business and products. In turn, we care for the environment, create wealth, respect local values and encourage involvement. Our strength is in choosing to do what is right.

At BlueScope Steel, we live by Our Bond. We choose to do what is right by our customers, ourselves as employees, our shareholders and our communities. Across our Company, our employees have found a variety of ways to combine their own efforts with the resources of BlueScope Steel to help make our communities the best they can be.

These stories are just some of the programs we engaged in during the year, with a focus on shelter, safety, arts and culture, education and disaster relief.

HELPING OTHERS IN FLOOD AND EARTHQUAKE AFFECTED AREAS

BlueScope people in both New Zealand and Australia had friends and family who were directly affected by the Christchurch earthquake and floods in Queensland. Employees' generous donations to relief appeals were matched by the Company, and individual sites coordinated their own fundraising efforts and volunteered to assist the recovery.

New Zealand Steel committed $500,000 in steel products and building solutions to recovery efforts, and the Company donated $150,000 towards a Ranbuild® building for a community facility in the Lockyer Valley, Queensland, one of the areas most devastated by the floods.

The Gatton Donations Building, a Ranbuild® shed donated by BlueScope Steel to support the recovery after the devastating Queensland floods earlier this year, has been officially opened by the Lockyer Valley Regional Council Mayor.
DONATIONS TO ALABAMA TORNADO VICTIMS

BlueScope Buildings Rainsville, Alabama, facility was affected by severe weather and tornadoes in April, with three employees losing their homes and some suffering injuries. The BlueScope Foundation pledged an immediate donation to the America Red Cross Disaster Relief Fund. Employees also generously donated clothing, water, food, personal goods, and their volunteer time to assist with the recovery efforts. The Foundation will match employee donations to the Red Cross.

THAILAND FLOOD ASSISTANCE

Meanwhile in Thailand, BlueScope Steel (Thailand) Limited and Loxley Public Company Limited donated two ‘Knock Down’ home units to support residents whose homes were destroyed by the recent floods.

Three Ranbuild® buildings - a library, reading room and house gardening room – were also donated to Klongtoey Nai Temple School in Bangkok. When visiting the ASEAN region in May, BlueScope’s Board of Directors officially ‘handed over’ the new buildings to the school at a ceremony attended by BlueScope Board and management, Loxley representatives, and members of the school and local community.

MARYSVILLE AUSTRALIA OPENS NEW CENTRE

The Marysville Community Centre, the centrepiece of BlueScope Steel’s $1 million support package to help rebuild communities following the devastating 2009 bushfires in Victoria, Australia, was officially opened in November 2011.

BLUESCOPE INDONESIA TEACHES ROAD SAFETY TO SCHOOLS

BlueScope Steel Indonesia donated writing books to elementary students at local schools. The Company gave 10 books to each of the 616 students at two schools in West Jakarta. BlueScope Indonesia SmartRoads ambassadors also conducted road safety sessions for the schools. Under the SmartRoads – road safety for our communities – program, employees are trained as SmartRoads ambassadors to educate young people in the community about safer practices on the roads.

LYSAGHT LYNDHURST GIVES TO NEWSTART

BlueScope Lysaght’s Lyndhurst site donated overalls and boots to the local branch of Operation Newstart, an organisation that helps ‘at risk’ students re-engage with the education system and the local community. Newstart brings together representatives of the Victorian Police and the education department who take groups of young people through a four part, seven week program that includes adventure activities, community projects and involvement, vocational orientation and personal development courses.

PORT KEMBLA HELPS BUDDING SPORTS STARS

BlueScope Steel Port Kembla has been a significant sponsor of the Illawarra Academy of Sport since 1989. The Company’s sponsorship is directed to some of the participants in the Individual Elite Sports Development Program and the Cricket Program. The Illawarra Academy of Sport was the first regional Academy outside of the Australian Institute of Sport in Canberra, and is regarded as the benchmark for Regional Academies of Sport throughout Australia.
Heath and safety is the number one priority at BlueScope Steel. Our goal is zero harm. This goal is an important driver for continuous improvement in health and safety performance across BlueScope Steel.

In recognition of the importance of Health, Safety and the Environment, the Board established a Health, Safety and Environment Committee (HSEC) at the time of the Company’s public listing in 2002. The Company’s Health, Safety and Environment policies are fundamental to the Company values, as stated in Our Bond. The HSEC sets policy to guide management and monitors the Health, Safety and Environment performance of the Company.

Ron McNeill is the Chairman of the HSEC.
WE AND OUR CUSTOMERS PROUDLY
BRING INSPIRATION, STRENGTH AND
COLOUR TO COMMUNITIES WITH
BLUESCOPE STEEL

OUR CUSTOMERS ARE OUR PARTNERS
Our success depends on our customers and suppliers choosing us. Our strength lies in working closely with them to create value and trust, together with superior products, service and ideas.

OUR PEOPLE ARE OUR STRENGTH
Our success comes from our people. We work in a safe and satisfying environment. We choose to treat each other with trust and respect and maintain a healthy balance between work and family life. Our experience, teamwork and ability to deliver steel inspired solutions are our most valued and rewarded strengths.

OUR SHAREHOLDERS ARE OUR FOUNDATIONS
Our success is made possible by the shareholders and lenders who choose to invest in us. In return, we commit to continuing profitability and growth in value, which together, make us all stronger.

OUR COMMUNITIES ARE OUR HOMES
Our success relies on communities supporting our business and products. In turn, we care for the environment, create wealth, respect local values and encourage involvement. Our strength is in choosing to do what is right.
At BlueScope Steel, we know that our success as a company depends on how effectively and responsibly we work with our employees and the communities in which we operate to meet our health, safety, environment and community commitments.

The Health, Safety and Environment Committee (HSE Committee) is a Committee of the Board of Directors formed to assist the Board in fulfilling its oversight governance responsibilities in these important areas.

The Chairman of the HSE Committee is Ron McNeill. Due to the importance of health, safety and the environment to BlueScope Steel, all Directors are members of the HSE Committee. The HSE Committee meets regularly.

BlueScope Steel's Health, Safety, Environment and Community (HSEC) Policy outlines the Company's goals and our actions to achieve its goals in these areas.

The Policy commits BlueScope Steel to continual improvement in our performance. We aspire to zero harm to our people. We are committed to the efficient use of resources, reducing and preventing pollution, and product stewardship. We strive to be valued corporate citizens in our communities and respect the values and cultural heritage of local people.

To meet these commitments, we have put in place management systems and standards. We identify, assess and manage our risks. We set performance targets, regularly monitor and publicly report on our progress, and seek to comply with all relevant industry standards and legal requirements. We aim to engage with stakeholders to build relationships based on honesty, openness and mutual trust.

BlueScope's HSEC Policy can be viewed at: [http://www.bluescopesteel.com/responsibilities/hsec-policy](http://www.bluescopesteel.com/responsibilities/hsec-policy)

Our Health, Safety and Environment Management Standards, which include specific performance requirements and auditable criteria, apply to all our sites and operations and to major activities by contractors under our management.

We conduct a series of audits each year across a wide range of the Company's operations and activities to ensure the Health, Safety and Environment Management Standards are being applied adequately and effectively, and to verify performance.

Any concerns and complaints related to such matters are recorded as incidents and investigated.

Information about our environmental management systems can be found [here](http://www.bluescopesteel.com/responsibilities/hsec-policy).
SAFETY IS NUMBER ONE AT BLUESCOPE STEEL. ACROSS THE COMPANY, FROM OUR MANUFACTURING AND DISTRIBUTION SITES TO OUR OFFICES, OUR FOCUS IS ON ZERO HARM.

SAFETY FIRST

Safety is number one at BlueScope Steel. Across the Company, from our manufacturing and distribution sites to our offices, our focus is on Zero Harm. For over a decade, BlueScope’s safety focus has been on Zero Harm. The positive results are very evident where we have now reached a point where we incur less than one injury resulting in lost time for every million hours worked. These efforts have lowered the likelihood of injury for a considerable number of people. Globally, in the steel industry, our safety performance is cited as a benchmark and we are recognised as a leader in safety.

Tragically, in March 2011, we had a fatality at our China Butler operation in Shanghai when an operator, Mr Bao Jian Guo, was killed. A thorough investigation was undertaken to understand what happened and swift action was taken to prevent it from happening again. Our condolences go out to his family, friend and colleagues.

During the year, we improved our Lost Time Injury Frequency Rate (LTIFR), further reducing it from 0.9 in 2010 to 0.6 in 2011. Our Medically Treated Injury Frequency (MTIFR) performance also lowered from 5.0 in 2010 to 4.4 in 2011.
SAFETY ACHIEVEMENTS

There were a number of excellent safety performances and in some cases, new records were achieved.

ASIA
BlueScope Steel Indonesia, Cilegon achieved 9 years LTI free. Lysaght Indonesia achieved 16 years LTI free. Our Thailand operations achieved 26 million hours LTI free. Lysaght Thailand achieved 1 million hours LTI free. Lysaght Singapore reached 1 year MTI free.

CHINA
Butler Guangzhou achieved 6 continuous months with ZERO injuries. Lysaght China reached 1 million hours LTI free. Lysaght Shanghai achieved 5 years MTI free. Butler Tianjin achieved 3 years MTI free. Lysaght and Butler Guangzhou achieved 1 year MTI free.

AUSTRALIA AND NEW ZEALAND
- In New Zealand, the Hot Strip Mill team achieved 15 years LTI free. At Port Kembla, Mills and Coating achieved 2 years LTI free. Engineering, Manufacturing and Environment reached 2 years LTI free and the Hot Strip Mill at Port Kembla reached 5 years LTI free. Western Sydney Service Centre achieved 2 years MTI free.
- Western Port had three new safety milestones – the longest injury free period, the lowest number of injuries in a month and the lowest injury number in a financial year.
- Our Distribution business achieved 1 year LTI free for the first time since it was acquired in 2007. Sheet & Coil Processing Services achieved 2 years LTI free; Trade Coast Central, 2 years MTI free; and Fairburn Rd, Sunshine surpassed its best ever MTI free record of 698 days.
- The Queensland Logistics Terminal reached 13 months MTI free.

NORTH AMERICA
ASC Profiles, for the first time across this business, the team achieved 1 year LTI free and also achieved 4 consecutive months of Zero Harm – a new record.

North Star BlueScope Steel achieved 1 million hours (16 months) LTI free. Metl-Span, Virginia reached 1 year MTI and LTI free. BlueScope Buildings, Annville achieved 3 years LTI Free; and Arlington achieved 1 year MTI free. BlueScope Buildings Evansville attained 1 year LTI free.

EXTERNAL RECOGNITION

Other noteworthy recognition for our businesses during the year:
- China – Buildings Guangzhou achieved the “2010 Outstanding Production Safety and Fire Protection Award” from local government.
- North America – BlueScope Buildings Annville, Pennsylvania site has been recognised by the Occupational Safety & Health Administration’s Safety & Health Achievement Recognition Program (SHARP) for establishing and implementing an exemplary safety and health management system.
- Asia - BlueScope Steel Indonesia, won the “Cilegon Mayor Zero Accident Award & Safety Committee Award 2010”.
- Asia - Lysaght Indonesia received a Safety Award from the Governor East Java for achieving 606,633 hours without an accident.
Tragically, there was a fatality in our operation during 2010/2011.

On 20 March 2011, a contractor in our Butler Shanghai, China plant, Mr Bao Jian Guo, 39, was fatally injured. The incident involved moving narrow coils to load a cladding machine.

Operations at the plant ceased immediately and a thorough investigation into the incident was conducted. Action was taken to prevent this type of incident occurring again.

Across the Company, employees reviewed the Critical Safety Procedures relevant to their work and renewed their commitment to follow the safety procedures at all times.
2011 SAFETY AND ENVIRONMENT EXCELLENCE AWARDS

The Steel Transport Safety Network (STSN), SteelLogistics Safety and Environment Excellence Awards recognise outstanding leadership and performance in steel industry logistics safety and environment management.

The Steel Transport Safety Network (STSN) is a joint venture between BlueScope Steel and OneSteel which develops standards for the steel logistics industry to ensure the safety of those involved in the transport of steel. The network's annual awards night allows participants to network with their peers who share a common focus on continued safety and environment excellence performance.

The 2011 awards were presented by Kristie Keast, Vice President Occupational Health and Safety, BlueScope Steel, and Leo Selleck, Chief Executive Market Mills OneSteel.

**Individual Safety Leader Award**

**Winner**
Wayne Walker – Manager Logistics WA, BlueScope Steel

**Commendation**
David Hine – Principal Engineer, Logistics Technical Services, BlueScope Steel

**Finalist**
Richard Clarke – Principal Supply Chain & Logistics Consultant, BlueScope Steel

**Improvement Initiative Award**

**Winner**
Toll SPD – Plate Loading and Restraint Guideline

**Commendation**
BlueScope Steel – "Not Safe Not On" Initiative

**Finalist**
Patrick Stevedoring – Vessel Power Electrical Connector

**Steel Logistics Outstanding Site Award**

**Winner**
BlueScope Steel NSW Logistics Stainless Site

**Commendation**
Patrick Stevedoring Port Kembla

**Contractor Outstanding Safety and Environment Award**

**Winner**
Metropolitan Express Transport Services

**Commendation**
Toll Global Logistics SEQ

**Commendation**
Toll SPD Steel Logistics

**Environment Award**

**Commendation**
BlueScope Steel – Project Nullabore

**BLUESCOPE LYSAGHT WINS SAFETY INITIATIVE AWARD**

BlueScope Lysaght won the Improvement Initiative award in the Australian Steel Institute National Health and Safety Excellence Awards. The Award was strongly contested this year with 21 nominations submitted.
The Lysaght team was recognised for developing a Quad Bore Lifter which offers a safer alternative to bore vertical coil lifting. The Quad Bore Lifter is the result of a comprehensive review of lifting devices across Lysaght sites which led to the final design and manufacture by Eastall Engineering in Queensland. The Quad Bore Lifter was fully tested before production commenced in December last year.

The new device has now been in operation at BlueScope Lysaght sites since February. It can be adopted by any business that lifts bore vertical coils, greatly reducing the associated risks of traditional lifting devices.

The Health and Safety Excellence Awards are an initiative of the ASI National Safety Committee to recognise the dedication of steel industry companies and individuals to maintaining and improving workplace health and safety.

HELPING MAKE CONSTRUCTION SAFER

The PEB team at BlueScope Lysaght Indonesia has hosted a seminar for its fabricator and erector partners focusing on Working at Heights and general safety in construction.

BlueScope Lysaght Indonesia is recognised amongst industry peers for the attention and accountability it gives to safety. BlueScope Lysaght Indonesia Safety Manager, Surono, spoke to the participants about BlueScope Steel safety standards, the Working at Heights policy and Code of Practice, and measures to prevent injuries on construction sites.

The seminar also discussed the standard practices BlueScope Lysaght PEB uses in construction projects. In addition to safety, these include material project specification, drawing, fabrication practices such as welding and painting, and erection methods.

SAFETY EXCELLENCE AT WESTERN SYDNEY

The Western Sydney Service Centre has received a 2010 Safety and Health Excellence Recognition award from the World Steel Association for its work in developing a safe practice for loading and unloading trucks. Paul O'Malley, Managing Director and CEO, accepted the award on behalf of the Western Sydney site at the World Steel conference.

The team at Western Sydney worked with truck drivers, despatch and warehouse teams, our BlueScope Logistics experts and BlueScope safety networks to develop a simple and safe procedure for moving coil on and off trucks. The success of this initiative has contributed to the excellent safety record at the Western Sydney Service Centre.

Other BlueScope sites and customers have now adopted the procedure, resulting in a safer working environment, faster loading times and better working relationships with drivers.

STEELSCAPE NO 1 FOR SAFETY

The Steelscape Kalama team has been recognised by the National Coil Coating Association (NCCA) for its safety practices and employee involvement in safety.

The NCCA voted Steelscape number one from a field of 30 coil coaters in the United States for “Best in Safety Practices” and “Best Employee Involvement” based on the unanimous decision of the five judges who visited the Kalama site in September.

This year is special for many reasons: Steelscape was able to manage risks in a soft economy, stay focused on new employees and be recognised for employee engagement. The Kalama site also reached milestones of zero MTIs and zero LTIs during the year.

In addition to Steelscape’s safety record in Kalama, the group has excelled in sustaining continuous improvement in the safety program.

ENGINEERING EXCELLENCE COMBINES WITH SAFETY

BlueScope Lysaght Malaysia and Shell Malaysia recently undertook a joint site safety exercise at the Shell Middle Distillate Synthesis wax processing plant under construction in Sarawak.

BlueScope Lysaght Malaysia's PROBUILD™ pre-engineered building solution is being used for the Shell project, and incorporates BlueScope’s safety standards into site project management.

"This is a great opportunity to share knowledge between two different industries with a common belief in safety practice," said Heon Chee Shyong, President BlueScope Lysaght Malaysia.

The Shell Malaysia wax processing plant demonstrates yet another engineering achievement in leading the regional markets for PROBUILD™ in pre-engineered building solution.

"We use the construction state design approach, where we run design analysis at every stage of construction to ensure that the building is safely engineered and installed" said Goh Thian Aun, Vice President Pre-Engineered Building, BlueScope Lysaght Malaysia.

BlueScope Lysaght Malaysia has also recently received the ISO 18001 (OHSAS) accreditation, as well as winning the Gold in the Malaysian Society for Occupational Safety & Health (MSOSH) Occupational Safety & Health (OSH) Award.
ENVIRONMENT MANAGEMENT SYSTEM

The BlueScope Steel Environment Management System has Our Bond at the apex. Each level in the system supports those above. All components are aligned to assist BlueScope Steel in achieving and demonstrating sound environmental performance. Employees play a significant role in implementing our Environment Management System.

OUR BOND

Our Bond reminds us that our strength lies in "choosing to do what is right". Our success relies on communities supporting our business and products. In turn, we care for the environment, create wealth, respect local values and encourage involvement.

HSEC POLICY

BlueScope’s HSEC Policy states:

"We care for the environment. We are committed to the efficient use of resources, reducing and preventing pollution, and product stewardship."

To meet our commitments, we will:
- set measurable objectives and targets
- develop, implement and maintain management standards and systems
- comply with relevant industry standards and legal requirements
- regularly monitor and report publicly on our progress
- provide training to our employees
- consult and engage stakeholders
- identify, assess and manage risks
ENVIRONMENT PRINCIPLES

At BlueScope Steel, we will take action within our businesses and work with our partners to continually improve our environmental footprint. The framework for this commitment is detailed in the Environment Principles. These Principles also incorporate a set of expectations that describe what each site, manager and employee will do.

Our Environment Principles are:

E - Environmental performance and improvement is a management responsibility.
A - All employees must adhere to environmental policies and procedures.
R - Report, investigate and correct all environmental incidents.
T - Training all employees to raise awareness is essential.
H - Honest, open, and timely communication is essential.

We care for our EARTH.

ENVIRONMENT STANDARDS

The BlueScope Steel Environment Standards provide the framework for the development, implementation and maintenance of Environment Management Systems across the Company and support the implementation of Our Bond, HSEC Policy and Environment Principles. They are consistent with the requirements of the International Environment Management System Standard, ISO 14001:2004.

There are 12 Environment Standards covering requirements such as leadership, risk management, legal compliance, emergency management, training, communication, incident management and performance measurement.

COMPANY-WIDE PROCEDURES AND GUIDELINES

Company-wide Environment Procedures and Guidelines have been developed to help different areas of the business manage their environmental performance and encourage a consistent approach.

OPERATIONAL PROCEDURES

Each Business, Business Unit and Department has its own set of operational procedures. Incorporated into these procedures are environmental requirements relevant to the particular processes for that part of the business.

EXCELLENCE IN ENVIRONMENTAL MANAGEMENT

BlueScope Steel Thailand has received the Excellent Environmental Management Award presented by the Industrial Authority of Thailand (IEAT).

The award was established to recognise companies demonstrating good governance in Environment Management Systems in the Map Ta Phut community where BlueScope Thailand’s operations are located.

Under the Excellent Environmental Management Award, representatives from the community and the IEAT visit business operations in the Map Ta Phut region to conduct an audit and line walk every quarter. They then assign one of four ratings - need improvement, fair, good and excellent. BlueScope Thailand has received an excellent rating from the community visit for the second time in three years.

BlueScope Steel Thailand is now able to display the award at its site. But to continue to meet the required standards, it must comply with specified legal requirements and management systems, including the ISO 14001 management system and emission control and waste management programs.
## ENVIRONMENTAL INVESTMENTS

### LOCATION  
**MAJOR ENVIRONMENTAL INVESTMENTS SINCE 2002***  
**COST**

<table>
<thead>
<tr>
<th>Location</th>
<th>Major Investments</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port Kembla</td>
<td>Sinter machine emissions reduction project to reduce gas and dust emissions resulting in cleaner air.</td>
<td>$94 million</td>
</tr>
<tr>
<td></td>
<td>Gypsum plant reduction and conversion of SO2 emissions for use in the cement industry.</td>
<td>$9 million</td>
</tr>
<tr>
<td></td>
<td>Water recycling program at Port Kembla plant, in partnership with Sydney Water, saving up to 20 megalitres of drinking water per day.</td>
<td>Approx $350,000</td>
</tr>
<tr>
<td></td>
<td>Cokemaking project to reduce organic emissions.</td>
<td>$2 million</td>
</tr>
<tr>
<td></td>
<td>Wind blown dust control in recycling area revegetation.</td>
<td>$3 million</td>
</tr>
<tr>
<td></td>
<td>Port Kembla 33kV electrical distribution system protection project.</td>
<td>$23.4 million</td>
</tr>
<tr>
<td>Western Port</td>
<td>Optimisation of Paint Line No2 (CPL2) ovens to reduce natural gas consumption and greenhouse emissions.</td>
<td>$150,000</td>
</tr>
<tr>
<td></td>
<td>Water recycling program to reduce fresh water consumption by over 60%, co-funded by BlueScope Steel, the Victorian government and South East Water.</td>
<td>$21 million shared cost</td>
</tr>
<tr>
<td>New Zealand Steel</td>
<td>Waikato North Head ironsands attrition to reduce clay slimes disposed to landfill.</td>
<td>$3.3 million</td>
</tr>
<tr>
<td></td>
<td>Dust minimisation projects, including sealing of roads and storage areas, resulting in reduced dust and improved water discharge quality.</td>
<td>$5 million</td>
</tr>
<tr>
<td></td>
<td>New baghouse in Hollow Sections Galvanising Pipe Plant to reduce air emissions.</td>
<td>$1.5 million</td>
</tr>
<tr>
<td></td>
<td>Fish pass at Taharoa Ironsand Mine to provide continued access to Taharoa Lakes for breeding fish</td>
<td>$1.13 million</td>
</tr>
<tr>
<td>North Star BlueScope Steel</td>
<td>New baghouse installed, improving air quality within the plant.</td>
<td>US$43.5 million</td>
</tr>
<tr>
<td></td>
<td>Energy efficiency project to improve furnace efficiency and minimise power usage.</td>
<td>US$9 million</td>
</tr>
<tr>
<td>Steelscape</td>
<td>New clarifier and sand filter reduces iron discharge by about 50% and chemical use.</td>
<td>US$300,000</td>
</tr>
<tr>
<td>Visalia, California</td>
<td>Volatile Organic Compounds (VOC) capture and oxidation to reduce air emissions.</td>
<td>US$750,000</td>
</tr>
</tbody>
</table>

* Projects committed, underway or completed.
Training employees to raise their environmental awareness is essential.

BlueScope Steel has created and implemented a corporate environmental awareness program, specific to the Company’s geographically and culturally diverse workforce. Most recently, an Environmental e-learning (electronic) package was developed and is being rolled out across the Company’s businesses. Employees across the Company will have an opportunity to gain greater insight into BlueScope’s environmental programs and processes, as well as its aspirations to continue improving in its environmental performance.
BLUESCOPE STEEL ASPIRES TO ACHIEVE ZERO DAM WATER USE SO THAT OPERATIONS DO NOT DRAW ON LIMITED COMMUNITY WATER SUPPLIES.

ZERO DAM WATER USE

For many of the communities in which we operate, the shortage of drinking water is a significant, long term issue. BlueScope Steel aspires to achieve zero dam water use so that operations do not draw on limited community water supplies.

To achieve this, the Company requires that water efficiency is considered during the design of new facilities. It also means that existing operations investigate water efficiency opportunities and explore alternate sources such as recycled water. A range of successful water savings initiatives at BlueScope have already been undertaken to reduce water consumption and reliance on community supplies. The Company is continuing improvement activities toward this aspiration.

ZERO EMISSIONS FROM PROCESS DISTURBANCES
Process disturbances have the potential to lead to emissions to water. BlueScope Steel has been reducing the number of process disturbances leading to emissions to water, as well as the extent of emissions when process disturbances do occur. The Company aspires to extend this record of improvement and to eliminate all emissions to water from process disturbances.

CONTINUALLY REDUCING WATER EMISSIONS

Water is a precious commodity. Many of BlueScope Steel’s operations are located adjacent to significant water bodies. These water bodies are not only used by humans for domestic, recreational and industrial purposes, but are home to a myriad flora and fauna.

The abundance of marine life that has returned to Port Kembla Harbour over the past decade is a testament to the Company’s focus on continually reducing emissions to water. BlueScope Steel aspires to reduce all types of emissions to water.

CURRENT CONTROLS

The Company monitors water consumption and emissions to identify performance improvement opportunities, understand community impact, and to maintain regulatory compliance. Significant reductions in water consumption have been achieved in operations located in areas where water shortages are an ongoing issue. Although the iron and steel manufacturing process is unavoidably water intensive, BlueScope has identified and applied water recycling programs in parallel with water savings initiatives to reduce fresh water use.

A variety of control mechanisms to reduce water emissions have been installed throughout BlueScope’s operational facilities. The Company operates a multitude of water treatment plants so that discharge water does not have an adverse effect on the environment. It also monitors and studies the steel manufacturing processes to maintain quality and minimise disruptions so water treatment plants can operate effectively and continuously.

PERFORMANCE

The key performance indicator used by BlueScope Steel to measure the water intensity of its operations is fresh water consumed per tonne of raw steel produced. This key measure has been substantially improved over time. In FY2003 the company used 3.7 kilolitres of water per tonne of steel. In FY2011, the result was 1.9 kilolitres per tonne of steel, an improvement of over 48 per cent.

At our largest steelmaking facility, Port Kembla Steelworks in New South Wales, Australia, the great majority of water used is seawater, displacing the need to use precious fresh water for much of the site’s cooling requirements. Since FY2007, the steelworks has also been using recycled water supplied by Sydney Water. Waste water received by Sydney Water from across the Illawarra region is treated and then re-used at the Steelworks. The use of recycled water has saved more than 28 billion litres of fresh water to date.

Through diligent operational management and engineering, BlueScope Steel has successfully reduced the number of non-compliances relating to water by more than 50 per cent over the last four years.

FINES & PROSECUTION

An incident which occurred in May 2011 resulted in a fine of $1500 issued by the regulator in August 2011. The incident related to a discharge of process water into a drain and then to Port Kembla Harbour, with exceedances of concentration limits for ammonia.
RECYCLED WATER AT WESTERN PORT

A water-recycling project is being progressed at the Company’s Western Port facility in Victoria, Australia. The project, involving a partnership between BlueScope Steel, South East Water and the Victorian Government, includes a significant upgrade to South East Water’s Somers Treatment Plant. It is expected to significantly cut fresh water consumption at the Western Port site and enable a significant proportion of the wastewater discharged from the site to be treated for reuse.

SYDNEY WATER AWARD

The Port Kembla Steelworks won an award for largest volume reduction at the annual Sydney Water Business Customer Awards during the year. The award was based on water savings achieved from plant improvements as part of the No. 5 Blast Furnace Reline project. The Steelworks has saved more than one million litres of water a day by actively promoting water efficiency in new capital projects and improving existing manufacturing processes.

NEW FISH PASS AT THE TAHAROA IRONSAND MINE

Situation

In the early 1970s, a dam was installed across the Wainui Stream at the Taharoa Ironsand Mine in order to provide water to the dredge, the concentration plant and for slurry ironsand loading to ships.

In order to provide breeding fish with continued access to the sea, a fish pass was installed to provide for migration of juvenile fish into the Taharoa Lakes.

Despite a number of significant modifications over the years, the original fish pass did not allow for effective migration of the fish. In 2007, New Zealand Steel Mining launched a project to install a new fish pass.

Optimum Design for Water Flow

The design phase, undertaken over a 2½ year period, involved international experts on fish passage design and field practitioners. The investigation phase included scaled modelling of key parts of the fish pass to ensure water flows and flow rates were optimum. A key component in progressing the design and commencing construction was consultation with the Department of Conservation, Taharoa Lake Trustee Committee, the landowners and the local community.

Result

In mid 2010 the new fishpass was constructed. This involved:

- In-stream works to construct a weir so fish would be passively directed into the fish pass;
- Installation of a larger culvert under the site access road to provide more light and air;
Extension of the existing concreted sections with baffles either side of the dam, through to an exit pool into the water reservoir.

- Enhancement of the lower stream area to improve whitebait spawning. This involved planting in the riparian zone, as well as ongoing animal pest and weed control.

The commissioning phase included development of a monitoring protocol to determine the effectiveness of the fish pass.

Peak fish migration occurs from September to February and monitoring will consist of two phases:

1. Placing a trap at the pass outlet once a week for up to 24 hours.
2. Five-day intensive fish surveys in October and February, including night time spotlighting, sampling in the stream and the pass.

Fish caught will be counted and identified. A wider catchment survey is also to be conducted over two years involving fisheries survey in three tributaries and the three Taharoa Lakes. NZ Steel Mining is involving the local community in the monitoring and planting programs.
The steel manufacturing process generates various forms of by-products. Some of these materials, which were historically considered waste, are now valuable products. Other by-products are reused or recycled within the iron and steelmaking process or by partners in other industrial sectors. The Company is also working to explore new opportunities for reusing and recycling by-product material.

Good waste management practices have extensive environmental and economic benefits. The Company continues to investigate ways to achieve zero waste to landfill or incineration.

Steel is not only 100 per cent recyclable but can also be repeatedly recycled without a loss of key properties, a characteristic that can be claimed by very few materials. If steel is recovered at the end of its use, its lifecycle continues.

Recycling prevents the waste of potentially useful materials, reduces consumption of raw materials and energy, and reduces pollution. There is a long-established and competitive global market for scrap and recovered steel for recycling. Because steel products generally have a long lifespan, the steel available for recycling today may have been produced many decades ago. The following table provides some examples of the average life of items made mainly from steel.

<table>
<thead>
<tr>
<th>ITEMS MANUFACTURED FROM STEEL</th>
<th>YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>20–60</td>
</tr>
<tr>
<td>Major industrial and power plant</td>
<td>40</td>
</tr>
<tr>
<td>Heavy industrial machinery</td>
<td>30</td>
</tr>
<tr>
<td>Rails</td>
<td>25</td>
</tr>
<tr>
<td>Consumer durables</td>
<td>7–15</td>
</tr>
<tr>
<td>Vehicles – all types</td>
<td>5–15</td>
</tr>
<tr>
<td>Steel cans</td>
<td>&lt;1</td>
</tr>
</tbody>
</table>

Due to its magnetic properties, steel is relatively easy to separate from waste streams enabling higher rates of recovery than all comparable materials.

Scrap steel is an essential feed material in the integrated steelmaking processes used at Port Kembla Steelworks and New Zealand Steel, and also the electric arc furnace process used at the North Star BlueScope Steel plant in Delta, Ohio, USA.

During FY2011 the Company externally sourced and recycled over 1.27 million tonnes of steel scrap.

BlueScope Steel’s waste management strategies are based on the Waste Hierarchy designed to minimise waste generation and extract the maximum practical benefits from by-products.
Some examples include:

**Process dusts and sludges**, which contain iron, can be recycled in the Company’s iron or steelmaking process.

**Granulated Slag**, is used extensively in the cement industry, reducing the need to extract virgin limestone and avoiding greenhouse gas emissions, which occur when this material is calcinated into quicklime.

BlueScope Steel cooperates with downstream users of by-products to improve by-product quality and increase their use.

**PERFORMANCE**

Material efficiency is a measure of how efficiently a company uses raw materials to produce its products and by-products. The indicator measures the amount of by-product material that is reused, sold or recycled, relative to total crude steel production.

The maximum theoretical material efficiency (100%) would require all raw materials to be ultimately processed into saleable products or by-products. Over 96 per cent material efficiency was achieved in FY2011 and more than 2 million tonnes of by-products were sold for a wide variety of uses.

Compliance with waste legislation at each of our sites is important. Waste legislation can involve classifying the waste, on site waste storage and ensuring the waste arrives at the appropriate waste facility. The large majority of BlueScope Steel’s waste related non-compliances are minor in nature. There were no waste non-compliances for FY2011, an improvement on previous years.
BY-PRODUCT SOLUTIONS

BlueScope Steel, along with a number of industry associations, is working towards effective by-product management solutions. In particular, the Company has been involved with the World Steel Association to improve material efficiency in the steel industry worldwide.

SPRINGHILL FILTER CAKE RECYCLING

Each year, around 1,000 tonnes of iron-rich filter cake is produced by the Springhill water treatment plant. Filter cake is a residue produced in the treatment of water used in the steel manufacturing process. Typically, the filter cake has been dried and disposed to landfill.

The viability of blending iron-rich filter cake with other stockpiled material for processing through the Sinter Plant at Port Kembla Steelworks has been examined, and following extensive analysis and a successful trial, a process for blending and reusing filter cake within the sinter feed is now in place.

The majority of the existing filter cake stockpile has now been blended and processed, thus removing the landfill legacy. Processing of the Springhill filter cake will continue, further reducing by-product waste to landfill.

RAIL BALLAST RECYCLING

The BlueScope Steel Port Kembla Steelworks has a railway network of 68 kilometres of tracks. Rail track maintenance includes periodic excavation and replacement of track ballast. It is estimated that 132,000 tonnes of rail ballast, which would normally be disposed of in landfill, will be excavated over the next decade.

A new screening and recycling process has been developed that allows approximately 80 per cent of ballast material generated to be reused within the BlueScope Steel rail track network.

The project has led to a reduction of over 10,000 tonnes of virgin material that would otherwise have been required for rail track ballast within the Port Kembla Steelworks site. There has also been a reduction of 12,000 tonnes of material to landfill.
ZERO EMISSIONS FROM PROCESS DISTURBANCES

For many manufacturing activities throughout the world, process disturbances have the potential to lead to air emissions. Throughout decades of operation, BlueScope Steel has been reducing the number of process disturbances leading to air emissions, as well as the extent of emissions when process disturbances do occur. The Company aspires to extend this improvement record in order to eliminate all air emissions from process disturbances.

CONTINUALLY REDUCING AIR EMISSIONS

Clean air is essential to all living organisms. BlueScope Steel is committed to improving air quality in the communities where we operate and aspires to continually lower all types of emissions to air.

CURRENT CONTROLS

BlueScope Steel has installed control mechanisms to reduce emissions at many facilities, including:

- Baghouse / filtration systems
- Chemical treatment
- Thermal oxidation
- Scrubber systems
- Dust suppression

The Company extensively monitors emissions at its operations, both on and off site, to understand community impact, identify improvement opportunities, and maintain compliance with regulatory limits.

A number of facilities are required to report air emission data to regulators. Depending on the regulatory program, emission data may be published.

PERFORMANCE

Through diligent operational management and engineering, BlueScope Steel has successfully reduced the number of non-compliances relating to air by more than 50 per cent over the past four years. During FY2011, there were 17 air related non-compliances reported to regulators, and no significant air related incidents.

Three key pollutants have been selected to monitor and report across the Company, Particulate Matter less than 10 microns (PM10), Oxides of Nitrogen (NOx) and Sulphur Dioxide (SO2). Emissions of these pollutants are either measured at the source or estimated based on emission factors and operating data. There were no significant changes in emissions during FY2011.

The GFC and No. 5 Blast Furnace Reline affected production and thus emission levels during FY2009. From FY2010, fugitive dust emission estimates from vehicle movements and stockpiles at the Port Kembla Steelworks were included in the PM10 data set. Reductions in SO2 emissions have been achieved at the Port Kembla Sinter Plant via operation of the Gypsum Plant.

The major restructure of the Australian operations during the later part of 2011 will have a major impact on emission levels.
OXIDES OF NITROGEN
Tonnes per annum
Air emissions data are updated 30th September after submission of NPI Data.

SULPHUR DIOXIDE
Tonnes per annum
Air emissions data are updated 30th September after submission of NPI Data.

FINE PARTICULATE
Tonnes per annum
Air emissions data are updated 30th September after submission of NPI Data.
VAPOUR RECOVERY AT GAS PROCESSING

The Gas Processing Plant at the Port Kembla Steelworks refines the volatile components of coal that are driven off during the coking process into valuable by-products such as clean coke ovens gas, coal tar and BTX (Benzene, Toluene and Xylene). Many of the vessels within the Gas Processing plant are potential sources of vapour release as fugitive emissions.

To reduce organic vapour released during this process, each vessel is connected to a collection main. The recovered vapours are then returned to the main process flow. This project has delivered a 95 per cent decrease in emissions of benzene from gas processing to the atmosphere and reduces other emissions such as hydrogen cyanide and hydrogen sulphide.
LAND MANAGEMENT

Proper land management is an important part of BlueScope’s licence to operate and a key guiding principle in Our Bond which recognises that our communities are our homes. Under our stewardship, we aim to improve our working and living environment by reducing the environmental impact of our operations and addressing legacy issues.

BlueScope Steel has a total of 222 manufacturing, processing and distribution sites in 16 countries, as shown in the table below. Small sites are used for product storage through to cold metal forming operations and are often leased. Medium sites include metal coating and painting lines and mining operations. Large sites include cokemaking, ironmaking, steelmaking and hot rolling operations.

<table>
<thead>
<tr>
<th>Country</th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>152</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Brunei</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>7</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Fiji</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>3</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>4</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Caledonia</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>3</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>23</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>204</strong></td>
<td><strong>14</strong></td>
<td><strong>4</strong></td>
</tr>
</tbody>
</table>

ZERO LAND CONTAMINATION
Land contamination occurs when chemical substances are concentrated in the soil and ground water above natural levels. Elevated levels of pollutants have the potential to cause adverse effects to human health and the environment. BlueScope Steel manages ongoing operations to prevent new land contamination, while continuing to identify, understand and manage legacy issues. The Company aspires to zero new land contamination at each of its sites.

PROTECTED AREAS

Some of BlueScope’s facilities are located on or adjacent to areas which may be rich in biodiversity or have cultural significance. BlueScope Steel proactively participates in the ongoing management and protection of these areas through a variety of programs as outlined below.

<table>
<thead>
<tr>
<th>Country</th>
<th>Site</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Port Kembla Steelworks</td>
<td>Tom Thumb Lagoon</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Green and Golden Bell Frog Ponds</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dapto Remnant Indigenous Forest</td>
</tr>
<tr>
<td>Western Port</td>
<td></td>
<td>Western Port Wetlands</td>
</tr>
<tr>
<td></td>
<td></td>
<td>UNESCO Biosphere Reserve</td>
</tr>
<tr>
<td>New Zealand</td>
<td>Waikato North Head Ironsand Mine</td>
<td>Maori Burial Sites</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Waikato River and Wetlands</td>
</tr>
<tr>
<td></td>
<td>Taharoa Ironsand Mine</td>
<td>Sacred Maori Sites</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Taharoa Lakes and Wainui Stream</td>
</tr>
<tr>
<td></td>
<td>Glenbrock Mills</td>
<td>Waiuku River</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Waikato River</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Archaeological Sites</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Remnant Indigenous Forest</td>
</tr>
<tr>
<td>North America</td>
<td>Steelscape Kalama</td>
<td>Columbia River</td>
</tr>
</tbody>
</table>

WESTERN PORT WETLANDS OF INTERNATIONAL IMPORTANCE

The wetlands at Western Port are listed under the Convention on Wetlands of International Importance, more commonly known as the Ramsar Convention. A Ramsar wetland site is considered representative, rare or unique, or important for conserving biological diversity.

The wetlands at Western Port cover more than 59,000 hectares and include a wide variety of habitat types including deep channels, seagrass beds, mudflats, extensive mangrove thickets and saltmarsh vegetation. Wetlands are important feeding grounds and nurseries for land, marine and freshwater animals. Hundreds of bird species depend on wetlands around the world as part of their life cycle.

BlueScope's Western Port facility owns a section of the wetlands. The Company has implemented a Natural Resource Management Plan (NRMP), encouraging planting of indigenous species and working to reduce weeds and feral animals. Western Port’s recycled water project which is underway will also minimise discharge to Western Port.

A "Land for Wildlife" refuge, a haven for native flora and fauna on 183 hectares of the site, is helping preserve the unique natural environment of the Western Port area.

CURRENT CONTROLS

BlueScope Steel facilities have a variety of preventative and mitigating controls in place to prevent land contamination. These controls include:

- Sealed floors in operational areas
- Stockpile management
- Bunds where bulk chemicals are stored
- Maintenance of pipes, vessels and valves
- Spill response procedures
- Remediation processes

In order that protected areas are appropriately cared for, the Company employs various strategies, which include:

- Involvement with community groups
- Improvement and conservation activities
- Minimisation of operational impacts
PERFORMANCE

During the 2011 financial year, there were no significant incidents with the potential to contaminate land.
BLUESCOPE ENCOURAGES EMPLOYEES TO MAKE A DIFFERENCE TO THEIR WORKING AND LOCAL ENVIRONMENT.

CLEAN UP DAYS

Throughout the Company, business clean up events are conducted to help improve the quality of the environment and work towards reducing waste. For a number of years, BlueScope Steel has been encouraging employees to participate and make a real difference to their working and local environment.

Examples of business clean up events held in 2011 include:

**BlueScope Lysaght Darwin:** Volunteers from BlueScope Lysaght in Darwin joined over 1,000 others from 23 Northern Territory sites in the Clean Up Northern Australia campaign. The Lysaght volunteers collected around 50kg of rubbish from the roads near the site and generated interest from surrounding businesses who will be invited to participate next year. In total, 50.6 tonnes of rubbish was collected in the Northern Territory.

**BlueScope Steel Coated China:** A group of BlueScope Steel Coated China employees and their families joined together for a ‘Clean Up the Environment’ Day at the popular tourist site, Lingyan Hill, near Suzhou. The group succeeded in not only making the area clean and tidy, but also influenced several tourists who pitched in as well.

**Port Kembla Steelworks:** Over 240 employees participated in the annual PKSW business clean up day, with a record collection of 245 bags, 8 bins and 3 utility loads. Segregation of wastes collected resulted in the vast majority being recycled.

TREE PLANTING ACTIVITIES

BlueScope sites often embark on tree planting activities. Trees help absorb carbon dioxide and create a fresher, healthier and cleaner environment.

Examples of tree planting activities held in 2011 include:
BlueScope Steel Indonesia: Representatives from each department at BSI Cilegon planted trees at nine different points around their site as part of World Environment Day 2011. The theme for WED 2011 was "Forests: nature at your service" which helped employees understand the importance of taking action to preserve the environment.

BlueScope Lysaght (Sarawak) Sdn Bhd: During 2011 employees joined in planting trees with the Sarawak State Library and Sarawak Forestry Corporation.
ZERO COMMUNITY DISTURBANCES

Environmental noise has the potential to adversely affect local communities. Direct effects from environmental noise can include sleep disturbance and annoyance, while indirectly it can have a long term effect on physical and mental health.

BlueScope Steel aspires to eliminate environmental noise from process disturbances. We also aim to continually reduce environmental noise generated as a result of ongoing operations so any noise generated does not disturb local communities.

CURRENT CONTROLS

BlueScope has implemented a number of initiatives to reduce noise from operations for the health and safety of employees and the community. These include:

- Conducting operations in industrial rather than residential locations.
- Proactive monitoring of noise levels in the community.
- Ensuring operating hours are compatible with the local area.
- Installation of noise reduction equipment, for example silencers and enclosures.
- Incorporating noise limitations in selection criteria for new equipment.
- Track, manage and follow up on community complaints.

PERFORMANCE

There have been zero regulatory non-compliances relating to noise over the past two decades.
HIGH PRESSURE STEAM MAIN CLEANS NO. 2 BLOWER STATION

New high pressure steam mains were installed at Port Kembla Steelwork’s No. 2 Blower Station in 2010. The new steam mains form part of the supply to a number of steam turbines which are highly susceptible to damage from entrained particulates. The new mains require careful cleaning before they can be put into service.

To clean the mains, steam was blown through the system at a higher flow rate than expected during normal operations then discharged to the atmosphere. The community was advised of the work to the Blower Station in advance through public notices in the local newspaper.

To minimise community disturbance, a discharge silencer was designed to maintain an acceptable sound level for maximum blowing flow rates during the day. Noise testing was carried out.

The cleaning of the new high pressure steam mains was completed without any community complaints. The use of the silencer enabled cleaning of the smaller diameter pipe work around the clock, significantly reducing the total time required for the cleaning process.

Discharge silencer minimises noise disturbance from high pressure cleaning.
In FY2011, BlueScope notified relevant authorities of 30 incidents resulting in statutory non-compliances with environmental licensing requirements. During the period, there were no serious environmental incidents. BlueScope continues to reduce the number of environmental incidents requiring reporting for compliance purposes.

An incident which occurred in May 2011 resulted in a fine of $1500, issued by the regulator in August 2011. The incident related to operations at No 6 Blast Furnace at the Port Kembla Steelworks where process water discharged into a drain and then to Port Kembla Harbour. The Environment Protection Licence discharge limit for ammonia concentration was exceeded.
GLOBAL STEEL EFFORT TO IMPROVE THE ENVIRONMENT

BlueScope Steel, in partnership with other steel makers and the World Steel Association (worldsteel), is committed to continued participation in the worldsteel CO₂ emissions data collection programme, and is contributing to worldwide data collection and research efforts.

The Company has been engaged in two research projects under the worldsteel CO₂ Breakthrough Programme. The first project focuses on the potential to use biomass as a substitute for a proportion of the coal or natural gas used in the iron and steelmaking process. The second project aims to recover and reuse waste heat energy collected in a dry slag granulation process. This project also has the potential to save fresh water.

IMPROVING HEATING EFFICIENCIES AT LYSAGHT LANGFANG

The original ducts supplying heated air to the Lysaght Langfang Panel Line were made of uninsulated steel sheet. Heat losses were significant. The system took two hours to heat up before production could commence.

A fibreglass belt was installed to insulate the steel air ducts, reducing heat losses to the atmosphere. The duct outer surface temperature reduced from 70°C to 25°C and the time to heat the panel line was cut in half. For a modest investment, overall fuel consumption and related emissions were reduced by 12 per cent.

NATURAL LIGHTING IN BLUESCOPE BUILDINGS

Factory lighting is one of the key energy uses within the Lysaght Australia business. To reduce the amount of electricity needed for lighting during day time operations, Lysaght developed a new standard by using translucent sheeting during factory construction.

Four new factories have now been built to this standard. The translucent sheeting significantly reduces the electricity demand for lighting. Natural light provides a pleasant working environment for employees. Electricity costs are reduced and greenhouse gas emissions consequently decrease.
Translucent sheeting reduces electricity demand
STEEL PRODUCTS PLAY AN INTEGRAL ROLE IN REDUCING SOCIETY’S GREENHOUSE GAS EMISSIONS.

THE ROLE OF STEEL IN A CARBON CONSTRAINED WORLD

The global response to climate change is expected to involve numerous new clean energy technologies. Many of these, such as wind, wave and tidal power, carbon capture and storage, are steel intensive. BlueScope’s steel products will play an integral role in reducing society’s greenhouse gas emissions, including:

- as components in renewable energy infrastructure, such as wind towers, gas pipelines, solar power plants. For example, a typical wind turbine relies on more than 200 tonnes of iron and steel in its manufacture. Many of a wind turbine’s structural components are made of steel plate, such as BlueScope Steel’s XLERPLATE®; and cannot be economically built with alternative materials;
- in more sustainable transport infrastructure (e.g. trains, buses and, lighter, more efficient steel products for cars);
- greener, more energy efficient buildings.

Adaptation to the impact of climate change also requires steel.

- Steel is an essential material in new public transport infrastructure, and in lighter weight, hybrid and electric cars;
- Climate change may increase the frequency of bushfire events. BlueScope Steel products such as COLORBOND® steel fencing products and SURELINE® steel power poles are an ideal solution in areas which are bushfire prone;
- Innovative products such as BlueScope’s COLORBOND® Coolmax® coated steel roofing could help reduce the annual cooling energy costs of buildings by up to 7.5% by maximising the thermal performance of the building.

Importantly, steel is 100% recyclable and its life is potentially infinite.

BLUESCOPE STEEL’S GREENHOUSE GAS POLICY PRINCIPLES

We work hard to maintain our competitiveness. In contrast, many overseas steelmakers receive subsidies and other support to help them export. Policy that puts higher costs on Australian steelmakers but not on overseas steelmakers risks undermining our competitiveness.

BlueScope has developed the following greenhouse gas policy principles against which it will assess policies aimed at reducing GHG emissions.

**Global issue** - Reducing greenhouse gas emissions is a global problem that requires a global approach.

**Least cost** - Australia should adopt policy that achieves emissions targets at least cost. Putting a price on carbon which is visible to consumers and producers through a market mechanism (emissions trading or carbon tax) is likely to drive least cost abatement.

**Fair go** - The competitiveness and financial viability of Australia’s trade exposed steel industry must not be eroded. We cannot place our industries at a disadvantage to the rest of the world. Transitional measures for trade exposed industries - including the steel industry - will be essential for as long as our global competitors (India, China, US, Japan, Korea and Taiwan) do not face comparable carbon costs.
Cut green tape - A single national carbon policy should be the goal of governments. Complementary policy measures adopted by Federal and State governments must be effective, least cost and address recognised market failures. These policies must avoid market distortions or perverse incentives, overlap and unnecessary compliance costs and regulatory burden.

Reinvest - Revenue raised by a carbon price should be earmarked for investment in greenhouse gas abatement and assistance for households and industry. Policy should provide incentives for research & development and investment in abatement, including appropriate recognition for early movers.

No leakage - Policy must not lead to carbon leakage, by which Australian production is simply replaced by foreign production that may, in fact, be less carbon efficient.

One in, all in - Policy should be comprehensive, including all sectors of the economy (and imports where appropriate), and be transparent.

Investment certainty - Policy must recognise the very long time horizons for investment in the steel industry, including for potential next generation lower emissions iron and steelmaking technology.
ENERGY EFFICIENCY OPPORTUNITIES PROGRAM

BlueScope Steel is a participant in the Federal Energy Efficiency Opportunities program. The program involves detailed assessments of energy use and the identification of potential savings at the Port Kembla Steelworks, Springhill and Western Port sites.

During financial year 2011, assessments were completed to schedule on a number of key plant departments that consume a total of 6.1 PetaJoules of energy per year. Assessed energy use included consumption of utilities and liquid fuels. To date over 99.6% of BlueScope Steel’s Australian energy use has been assessed under the program.

Each savings opportunity identified is required to undergo a thorough technical and financial feasibility assessment to determine its viability. A summary of assessments completed this year is provided in Table (1).

A number of plant departments involved in the EEO program have been impacted by changes to the company resulting from its withdrawal from the steel export market; announced on 22 August 2011. A review of projects and opportunities identified and reported previously in these areas will be undertaken during FY2012.

Further information on the Energy Efficiency Opportunities program is available here.

Table 1 - Summary of Projects Identified during Energy Efficiency Opportunities Program Assessments carried out in FY2011

<table>
<thead>
<tr>
<th>Site/Plant Assessed</th>
<th>Number of Potential Energy Savings Opportunities Identified by Assessments</th>
<th>Potential Energy Savings &lt;4yrs* payback GJ/p.a.</th>
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</thead>
<tbody>
<tr>
<td>Port Kembla Steelworks Energy Services</td>
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</tr>
<tr>
<td>Port Kembla Steelworks Services and Administration</td>
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<td>1175</td>
</tr>
<tr>
<td>Springhill Works Services and Administration</td>
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<td>1656</td>
</tr>
<tr>
<td>Western Port Works Services and Administration</td>
<td>3</td>
<td>25292</td>
</tr>
</tbody>
</table>

* Pending confirmation during feasibility studies