BlueScope is a sustainable business that is committed to continuous improvement. That’s why this year, we engaged with independent stakeholders and identified five key material topics.

Our responses are our future.
THINKING and ACTING more SUSTAINABLY
Our global operations
BlueScope’s footprint covers over 100 manufacturing plants employing over 14,000 people

Our Bond
We and our customers proudly bring inspiration, strength and colour to communities with BlueScope.

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.
<table>
<thead>
<tr>
<th>Region</th>
<th>Employees</th>
<th>Sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>MIDDLE EAST JV</td>
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<tr>
<td>INDIA &amp; SRI LANKA</td>
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<td>CANADA, US, MEXICO</td>
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</tbody>
</table>

**Bluescope Australia & New Zealand**
- NS Bluescope Coated Products JV
- Bluescope Buildings
- North Star Bluescope Steel
- Tata Bluescope Steel JV
Welcome to BlueScope’s Sustainability Report for FY2017, which builds on our FY2016 report and highlights the progress we have made and the work we still intend to do.

We are taking this opportunity to present our Company and our approach to the challenges and opportunities we can foresee to you, our stakeholders.
Our FY2016 report marked the beginning of our sustainability reporting initiative and our reports will evolve and improve with every iteration. In FY2017 we established a Sustainability Council comprised of members of the Executive Leadership Team and senior management. The Sustainability Council is responsible for overseeing sustainability risks and exposures, engaging with key stakeholders and ensuring we adopt a consistent approach to sustainability issues. The Sustainability Council reports quarterly to BlueScope’s Board of Directors through our new Risk and Sustainability Committee.

At BlueScope, we strive to live by the values expressed in Our Bond, which has guided how we work with our stakeholders and how we make decisions since the Company was established in 2002. It is from Our Bond and the values expressed in it that all of our Company’s policies, processes and approaches are driven.

In preparing our FY2017 report we engaged with a number of stakeholder groups, seeking to identify the topics they believe are most material to our business. These conversations highlighted five areas deemed most important – employee and contractor health, safety and wellness, climate change and energy, diversity and inclusion, governance and business conduct and supply chain sustainability. These topics are covered in depth in the report, which follows the core option of the Global Reporting Initiative (GRI) standards.

Today perhaps more than ever before, the world is concerned about the impact of climate change, and there is growing expectation that organisations like ours take a position and outline the challenges and opportunities that climate change may create for our business. We believe that climate change is a global issue that requires a global solution. We know that steel has been a vital part of building the societies we enjoy today, and we are convinced that steel’s endless recyclability, durability and strength will ensure it is an essential ingredient of a future low carbon world.

Fortunately for BlueScope some of the significant challenges we have faced in the past have prepared us well to respond to issues that climate change presents. We have continued to focus on the three Rs: reducing consumption, reusing materials and recycling. Our operations relentlessly pursue cost reduction initiatives across every aspect of our business; our technical and sales staff have found many innovative ways of creating valuable products by reusing material that was previously considered waste; and scrap steel (the most recycled material in the world) is a very important raw material for all of our steelmaking operations — and especially at our North Star facility in North America.

I am inspired and excited by BlueScope’s achievements, highlighted in this report. We have reduced Australian CO₂ emissions by 43% since FY2011 – a far greater reduction than Australia’s commitment of 26–28% reduction on 2005 levels under the Paris Accord. The disposal of the Taharoa business will result in a one-third reduction in annual global fresh water use in future.

BlueScope has a reputation for world leading safety performance, and has maintained a Lost Time Injury Frequency Rate below 1.0 for 13 years.

We have continued to improve our economic sustainability in the regional communities of the Illawarra in Australia, and Glenbrook in New Zealand, keeping people in jobs and establishing a more viable future for those operations.

We are achieving gender diversity gains across all levels of our business: one in three new recruits to operating roles are women, we have doubled the rate of hiring women to all roles across the Company, and women now comprise 33 per cent of our Board following the appointment of Jennifer Lambert from 1 September 2017. This has not been accidental. It has been a focus in every business, in every region, as we seek to build the company we want to be in the future.

During the year, the Financial Sustainability Board’s (FSB) Taskforce on Climate-related Financial Disclosures (TCFD) released its framework for reporting on climate-related financial risks. We have made some initial disclosures in this report and we are currently analysing the risks and opportunities that a range of climate scenarios may present for BlueScope in line with the TCFD framework. We will comment more fully on this work in the FY2018 Sustainability Report.

Finally, I would like to acknowledge that the initiatives highlighted in this report were achieved under the leadership of our former BlueScope Managing Director & CEO Paul O’Malley, who retired on 31 December 2017.

I am proud to present the Sustainability Report for FY2017 and excited to be leading BlueScope’s sustainability journey from here on. I hope you enjoy reading about our challenges, our successes and our plans for shaping our future.

Mark Vassella
Managing Director & CEO
## Our Business

<table>
<thead>
<tr>
<th>BlueScope Australia and New Zealand</th>
<th>Building Products ASEAN, North America and India</th>
<th>BlueScope Buildings</th>
<th>North Star BlueScope Steel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Steel Products</td>
<td>New Zealand and Pacific Steel</td>
<td>BlueScope Buildings</td>
<td>BlueScope Steel</td>
</tr>
<tr>
<td>Producer and marketer of premium branded and coated and painted steels for building and construction – such as COLORBOND® steel</td>
<td>Only fully integrated flat steel maker in New Zealand, with leading domestic market share of flat products</td>
<td>Manufacturer and distributor of branded building and home appliance steels.</td>
<td>High-performance hot rolled coil mini-mill in Ohio</td>
</tr>
<tr>
<td>Producer and marketer of commodity steels – hot rolled coil, plate</td>
<td>Leading domestic market share in long products through Pacific Steel</td>
<td>Operates metallic coating and painting lines and rollforming in Thailand, Malaysia, Indonesia, Vietnam, India and North America</td>
<td>Sells ~2.0mtpa of HRC to customers mainly in a 250 mile radius</td>
</tr>
<tr>
<td>Significant channels to market through our building components and distribution businesses</td>
<td>Ironsands mine for internal feed</td>
<td>Joint ventures with Nippon Steel Sumitomo Metal Corporation and Tata Steel</td>
<td>Consistently ranked #1 in overall customer satisfaction in North America (Jacobson Survey)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Leading designer and manufacturer of engineered building solutions</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Key markets in North America and China; plants also in ASEAN and Middle East</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Supplying buildings to global customers</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Coated and painted steels in China</td>
<td></td>
</tr>
</tbody>
</table>
BlueScope Australia and New Zealand

BlueScope Australia and New Zealand (BANZ) employs approximately 7,500 people across Australia, New Zealand, Fiji, Vanuatu and New Caledonia.

Our Australian business produces and markets a range of high value coated and painted flat steel products for Australian building and construction customers, and provides a broader offering of commodity flat steel products such as hot rolled coil (HRC) and plate. Products are sold mainly to the Australian domestic markets, with the balance exported. Key brands include next generation ZINCALUME® steel and next generation pre-painted COLORBOND® steel, both with Activate® technology which increases the resistance and durability of the product. The main manufacturing facilities are at Port Kembla (NSW) and Western Port (Victoria).

The business also operates pipe and tube manufacturing, and a network of rollforming and distribution sites throughout Australia, acting as a major steel product supplier to the building and construction, manufacturing, automotive and transport, agriculture and mining industries.

New Zealand Steel is the only steel producer in New Zealand, producing slab, billet, hot rolled coil and value-added coated and painted products for both domestic and export markets across the Pacific Region. Operations include the manufacture and distribution of the LYSAGHT® range of products in Fiji, New Caledonia and Vanuatu.

Supplied with billet from New Zealand Steel, Pacific Steel is the sole producer of long steel products such as rod, bar, reinforcing coil and wire in New Zealand.

During the year, BlueScope sold the Taharoa iron sands export consortium to an investment group largely comprised of the local landowners. Our Waikato North Head mine supplies iron sands to the Glenbrook Steelworks and a small quantity for export.

North Star BlueScope Steel

North Star BlueScope Steel is a single-site electric arc furnace producer of hot rolled coil in Ohio; U.S. North Star’s 400 employees produce slab, pig iron and alloys. BlueScope acquired the remaining 50 per cent of North Star in October 2015, having already owned 50 per cent of the company as a founding investor.

BlueScope Building Products

BlueScope Building Products is a metal coating, painting and roll-forming business. It employs 3,000 people in 29 production plants in Indonesia, Thailand, Malaysia, Vietnam, Singapore, Brunei, Myanmar and the USA, through Steelscape (metal coating and painting) and ASC Profiles (building panels).

This business, a joint venture between BlueScope and Nippon Steel Sumitomo Metal Corporation, produces locally manufactured premium products that are targeted at the residential and non-residential building and construction industries, and the home appliance manufacturing industry.

These products are designed to meet needs specific to the region in which they are used, such as Clean COLORBOND® steel which is resistant to the discolouration caused by tropical climates. In addition the business produces market-specific products like PrimaMaju® steel, TRUZINC® galvanised steel, Z-NAL®, BlueScope Zacs®, SPECTRASCAPE® and DURASHINE®, and Viewkote® and SuperDyma® for the home appliance market.

BlueScope Buildings

BlueScope Buildings is a leader in engineered building solutions serving customers in the low-rise non-residential market from engineering and manufacturing bases in Asia and North America.

Its 3,500 employees work in plants located in China, Thailand, Vietnam, North America and Saudi Arabia. Leading brands, including Butler®, Varco Pruden®, EcoBuild™ and PROBUILD™, are supplied from BlueScope’s global supply chain and major manufacturing and engineering centres in Asia and North America. Our value proposition is based on speed of construction, low total cost of ownership and delivery capability.

As part of its integrated value chain feeding the operations, the business includes BlueScope’s metal coating, painting and Lysaght operations in China.

Productivity and efficiency improvements

Identifying and implementing productivity and efficiency improvements is a key strategic priority for BlueScope, and a key ingredient in the Company’s turnaround success since the global steel industry was hit by the financial crisis of 2008.

In FY2017, each of our operations made progress against their specific productivity goals. This aligns with our company-wide focus on the 3Rs: reducing consumption, reusing materials and recycling. In Australia, $300 million of cost and productivity initiatives were achieved in the Australian operations. These initiatives focussed on the following areas:

» Labour 20 per cent
» Raw materials 20 per cent
» Manufacturing 20 per cent
» Production volume 25 per cent
» Overheads 15 per cent
New Zealand Steel also made progress on cost reductions and productivity improvements, with savings of $80 million achieved in FY2017. These were comprised as follows:

- Labour 25 per cent
- Raw materials and overheads 20 per cent
- Manufacturing 35 per cent
- Production volume 20 per cent

North Star BlueScope Steel has reduced conversion costs and delivered cost savings of over $10M pa in recent years.

BlueScope Buildings North America delivered most of its $30 million FY2018 target productivity improvements and cost savings in FY2017 through business restructuring and reduced employee numbers, consolidating engineering sites, centralising support functions and negotiations with vendors.

A major manufacturing transformation, site rationalisation and reduced employee numbers in BlueScope Buildings China contributed to significant conversion cost savings realised in FY2017.

**Joint Ventures**

BlueScope has interests in a number of joint ventures (JVs). The most substantial are the NS BlueScope Coated Products JV and the Tata BlueScope Steel JV.

**NS BlueScope Coated Products**

In this joint venture with major partner Nippon Steel Sumitomo Metals Corporation (NSSMC), BlueScope and NSSMC own an equal share of each business together with, in some cases, minority investment of a local partner. Full details of BlueScope’s investments can be found in the notes to the Company’s annual accounts.

BlueScope holds the right to appoint the Chief Executive Officer. NSSMC retains the right to appoint the JV Chairman and Chief Financial Officer.

The JV functions according to BlueScope’s operating, safety, environmental, financial, accounting and governance policies, and BlueScope also provides certain shared/back office functions.

BlueScope controls and therefore consolidates the JV businesses in its group financial accounts.

**Tata BlueScope Steel**

Tata BlueScope Steel (TBSL) is an equal JV between BlueScope and Tata Steel (Tata) with operations in India that include a metal coating and painting line and LYSAGHT® rollforming operations. TBSL's operations also include a LYSAGHT® rollforming facility in Sri Lanka.

These businesses are jointly controlled and therefore equity accounted in the BlueScope financial statements.

BlueScope actively contributes to the operating, safety, environmental, financial, accounting and governance policies and practices of TBSL through its representation on the TBSL board.

**Events since balance date**

In August, BlueScope announced the retirement of Paul O’Malley as Managing Director & CEO effective 31 December 2017, and the appointment of Mark Vassella, Chief Executive BlueScope Australia and New Zealand, to succeed him as Managing Director and CEO from 1 January 2018.

In November, incoming Managing Director and CEO Mark Vassella announced a new management structure and Executive Leadership Team, which is shown in Section 9 of this report.

With effect from 1 January 2018, BlueScope ANZ was split into two business units: Australian Steel Products and New Zealand and Pacific Islands.
Our Approach

To BlueScope, sustainability means developing, manufacturing and selling steel products and solutions in a manner that provides for a sustainable future. This requires a focus on continuous improvement and adoption of new operating methods and products. Consistent with Our Bond we strive to:

- achieve Zero Harm across our operations by focussing proactively on the safety, health and wellness of our people and the people who choose to work with us;

- conduct business in an ethical manner; and

- minimise the impact of our operations on the environment.
Steel and sustainable development

Steel plays a critical role in sustainable development. Sustainability is not only about energy use or carbon dioxide emissions – how a product is created is important but it is equally important to consider how that product is used over its life, and how it is disposed of at the end of that life.

Steel is theoretically 100% recyclable: if recovered at the end of each use phase, the life cycle of steel is potentially endless. Recycled steel maintains the inherent properties of the original steel, and the quality of the steel product can also be improved on recycling.

The high value of steel scrap ensures the economic viability of recycling. Given the inherent magnetism of steel, it is easy and affordable to recover from almost any waste stream. This is why steel is the most recycled material in the world. Around 650 million tonnes (Mt) of steel are recycled annually, avoiding over 900Mt of CO2 emissions.

Importantly, all BlueScope steel products are 100% recyclable into equivalent or higher quality products. BlueScope believes in the life cycle approach to steel sustainability. This means assessing the impact of a product over its entire life, from cradle-to-grave, including raw material extraction, product manufacture, product use, disposal or recovery at end-of-life and transport. Advances in technology have led to product innovations such as lighter and stronger products, improved thermal efficiency and greater resistance to extreme weather and corrosion. These factors help extend the life of our products and conserve energy and natural resources.

We recognise that climate change is a significant global concern and strongly advocate a fair and equitable global approach to addressing it. We acknowledge that steelmaking generates greenhouse gas emissions and we work diligently to seek to improve the efficiency of our operations and reduce those emissions.

BlueScope is one of 75 steel companies who are signatory to the worldsteel Sustainable Development Charter, reaffirming our commitment to the seven industry sustainability principles on safety and health, local communities, financial standards, stakeholder engagement, disclosure and transparency, value for stakeholders and environmental protection.

Examples of how sustainability at BlueScope is driven by the principles of reduce, reuse and recycle can be found throughout this report.

1. Steel – the permanent material in the circular economy, World Steel Association 2017, page 19

Governance and management

Our Board, with the assistance of its Committees, oversees sustainability matters, while management accountability rests with management teams.

<table>
<thead>
<tr>
<th>BlueScope Board</th>
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</thead>
<tbody>
<tr>
<td>Audit committee</td>
</tr>
<tr>
<td>» Internal controls</td>
</tr>
<tr>
<td>» Internal and external audit</td>
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<tr>
<td>» Financial reporting</td>
</tr>
<tr>
<td>Health, safety and environment committee</td>
</tr>
<tr>
<td>» Monitoring compliance with HSEC Policy and legislation</td>
</tr>
<tr>
<td>» Reviewing HSE risks and controls</td>
</tr>
<tr>
<td>» Overseeing BlueScope’s management of HSE hazards and incidents</td>
</tr>
<tr>
<td>Remuneration and organisation committee</td>
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<tr>
<td>» Overseeing HR strategy</td>
</tr>
<tr>
<td>» Overseeing remuneration practices and ensuring they provide value for shareholders</td>
</tr>
<tr>
<td>» Fair reward and succession planning</td>
</tr>
<tr>
<td>Risk &amp; sustainability committee</td>
</tr>
<tr>
<td>» Risk management</td>
</tr>
<tr>
<td>» Overseeing sustainability strategy</td>
</tr>
<tr>
<td>» Business Conduct</td>
</tr>
</tbody>
</table>

Further details regarding our governance structure can be found in our FY2017 Annual Report and on our website.
In FY2017 we strengthened our approach to sustainability. We created a Risk and Sustainability Board Committee, and established a Sustainability Council comprised of members of our ELT and senior management. The Council is responsible for understanding our sustainability exposures, engaging with key stakeholders and directing the consistent implementation of sustainability initiatives across our global businesses. The Sustainability Council reports quarterly to the Board through the Risk and Sustainability Committee.

Four committees assist the Board in delivering upon its responsibilities and allow for detailed consideration of complex issues.

**Stakeholder engagement**

The values and principles described in Our Bond underpin everything we do.

Our licence to operate relies on the support of our stakeholders, with whom we work hard to develop and maintain relationships. Our Bond identifies our key stakeholders as: our customers, our shareholders, our people and our communities. In addition we recognise the Government and regulatory bodies, suppliers and joint venture partners who also have an interest in the performance of our business. Section 9 of this report includes further details of our principal stakeholder groups, their interests and the methods through which we engage with them.

**Sustainability reporting**

We have further developed our approach to reporting on sustainability performance.

We have elected to produce our FY2017 Sustainability Report in line with the core option of the GRI Standards. This enables stakeholders to better understand our performance and our approach to managing key sustainability matters. References to GRI disclosures are set out in the GRI content index in Section 10.

**Materiality assessment**

We have conducted a materiality assessment to identify the topics that matter most to our stakeholders. This was guided by the GRI principles for defining report content (stakeholder inclusiveness, sustainability context, materiality and completeness) and the results have been used to inform the content of this report and the focus of future sustainability initiatives.

The materiality assessment was conducted over three phases:

1. **Identifying the issues that our stakeholders are interested in via a comprehensive review of internal and external sources. This analysis was based on:**
   - Key internal policies and procedures
   - Our corporate strategy and risk register
   - Interviews with internal and external personnel representing key stakeholder groups
   - Media reports relating to BlueScope and the global steel industry
   - Our peers’ material sustainability topics

2. **Aggregating the issues identified into topics and organising according to stakeholder priorities.**
   The topics were ranked and sorted into two tiers according to the importance afforded to the topic and the frequency with which the topic was raised.

3. **Validating the results of the materiality assessment with our leadership team via a workshop to determine whether the topics identified accurately reflected the views of BlueScope.**
We have categorised the topics identified through the materiality assessment into two tiers:

**Material**
Topics identified most material by both internal and external stakeholders which have an impact on our global businesses. We consider these topics to be critical aspects of our sustainability performance. We have reported our performance for these topics against an applicable GRI standard.

**Important**
Topics identified frequently by either internal or external stakeholders, or which have a localised impact on the Company. We have disclosed our management approach and selected performance data for these topics in this report.

We identified other sustainability topics that are not regarded as material or important. We will continue to assess these topics in our periodic materiality process.
<table>
<thead>
<tr>
<th>Rating</th>
<th>Topic</th>
<th>Definition</th>
<th>Boundary</th>
<th>Pg</th>
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</thead>
<tbody>
<tr>
<td>Material</td>
<td>Employee and contractor health, safety and wellness</td>
<td>Maintaining the health of all people who work with BlueScope, or who are affected by BlueScope’s operations, including managing safety risks</td>
<td>Employees, contractors, JV partners</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Climate change and energy</td>
<td>Reducing our carbon footprint across our global operations</td>
<td>Suppliers, operations, customers</td>
<td>35</td>
</tr>
<tr>
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<td>Supply chain sustainability</td>
<td>Managing the social, environmental and ethical risks present in our global supply chain</td>
<td>Suppliers, corporate, operations</td>
<td>28</td>
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<tr>
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<td>Governance and business conduct</td>
<td>Managing our business in a responsible, honest and transparent manner and in compliance with our policies and relevant legislation</td>
<td>Customers, corporate, operations, employees, suppliers, JV partners</td>
<td>54</td>
</tr>
<tr>
<td>Important</td>
<td>Diversity and inclusion</td>
<td>Developing a diverse and inclusive workforce</td>
<td>Employees</td>
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<tr>
<td></td>
<td>Communities</td>
<td>Supporting and engaging with the communities in which we operate, including Indigenous communities</td>
<td>Communities, employees</td>
<td>48</td>
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<td>Leadership and talent development</td>
<td>Attracting, retaining and developing talented people</td>
<td>Employees</td>
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<td>Workplace culture and engagement</td>
<td>Maintaining a positive and engaging workplace culture</td>
<td>Employees</td>
<td>26</td>
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<tr>
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<td>Environmental impacts</td>
<td>Minimising the environmental impact of our operational sites</td>
<td>Operations</td>
<td>41</td>
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<tr>
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<td>Product stewardship</td>
<td>Maintaining the quality, safety and environmental performance of our products throughout the product life cycle</td>
<td>Customers, corporate, operations, suppliers</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Innovation</td>
<td>Investing in innovation to enhance the value and social and environmental performance of our products and improve the efficiency with which we operate</td>
<td>Corporate, operations, customers, suppliers, JV partners</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>Tax transparency</td>
<td>Being transparent about our tax affairs</td>
<td>Corporate, operations</td>
<td>56</td>
</tr>
</tbody>
</table>
People and culture

As stated in Our Bond, our success comes from our people. The way we work is guided by our values of trust and respect. BlueScope’s culture is critical to the sustainability of our workforce, it helps us maintain our strong safety record, drive diversity and engagement and develop future leaders for our global businesses.
Highlights

- Maintained Lost Time Injury Frequency Rate below one since 2005
- One of the first manufacturing companies worldwide to use Workplace, a new digital communication channel
- Significant gender diversity achievements at all levels:
  - Percentage of women recruited to operator and trades roles increased to 29%, from 7% in FY2016
  - Percentage of women on Board of Directors increased to 33%
- Launched the Pulse employee engagement survey

Health, Safety and Wellness

We are determined to provide our people with the safest possible working environment.

We have a relentless focus on Zero Harm and endeavour to prevent all work-related injuries and potential accidents, and to protect employees’ mental and physical health. We continuously strive to improve safety performance across our operations and to improve the safety practices of our industry.

Our approach

Wellness, productivity and efficiency are interconnected. Our measures to address health and safety risks accompany broader business improvement and sustainable development initiatives. Our focus extends beyond the scope of our immediate operations to everyone who works with BlueScope. We work with our contractors, suppliers and customers to improve the standards they work to, which contributes to the success and sustainability of the steel industry. We know there are significant opportunities available to us to work with our suppliers to further improve safety performance.

We recognise that due to the nature of our industry, our people may encounter risks in the workplace, and believe that through proactively identifying and managing these risks all injuries can be prevented. As described in our Health, Safety, Environment and Community Policy, we aspire to achieve Zero Harm. BlueScope goes to considerable lengths to ensure that everyone who works with us is aware of our safety standards, and BlueScope employees are required to hold each other accountable to these standards.

Health, Safety and Environment Leadership

Health, safety and environment (HSE) matters are regular agenda items at meetings of BlueScope’s Board and Executive Leadership Team.

Each member of the Board of Directors is a member of the HSE Committee which meets quarterly.

The HSE Committee assists the Board in its responsibilities in relation to health, safety and environmental matters arising out of the activities of the Company and as they affect employees, contractors and the communities in which it operates.

The HSE Committee’s key responsibilities include:

- Reviewing and recommending amendments to elements of BlueScope’s HSE governance system to the Board
- Monitoring compliance with the Health, Safety, Environment and Community Policy, regulatory standards and legislation
- Reviewing and monitoring HSE risks and identifying processes and resources that may be used to mitigate these risks
- Reviewing incident and hazard reports and identifying appropriate responses to them
- Reviewing reports on HSE issues that may have strategic, business or reputation implications for BlueScope and monitoring the management of these issues

The Executive Leadership Team meets frequently and its HSE responsibilities include reviewing HSE strategy, risks, governance processes and procedures for the group as a whole (including those relating to reporting and monitoring performance).

In FY2017, we undertook a review to simplify our approach to the governance and management of HSE risks. Our health and safety management system specifies the processes, policies, procedures, responsibilities and accountabilities in place to meet legal requirements and to proactively manage risks. We maintain a HSE governance program to monitor the adequacy of our risk management processes and to oversee our response to any incidents that occur.
The key management responsibilities distributed through our HSE governance framework are as follows:

**Governance of our safety management system**
- Corporate safety teams:
  - conduct audits of system owners and users to independently verify self-assessments conducted by system owners
  - Co-ordinate the response to company-wide HSE issues
  - Report on the status, progress and recommended changes to our ELT Central Safety Committee and the HSE Committee annually

**Safety management system owners**
- BlueScope’s businesses are responsible for carrying out self-assessments of compliance with our safety management system and auditing the users of these systems
- Report on the status and planned progress to address the gaps identified through management teams’ review of their systems

**Safety management system users**
- Apply the safety management system as directed by system owners
- Provide ongoing feedback to safety management system owners and identify opportunities to improve our approach to the management of safety risks

We renewed our HSE risk management processes as part of our FY2017 review:

**32 standard risks, including 10 top ranked risks**
- We have identified 32 health, safety and environment risks present across our global businesses and have ranked the ten most critical of these: Falls, Product Load Restraint, Process Safety, Traffic Management, Mobile Equipment, Overhead Cranes, Product Storage/Handling, Live Equipment, Construction, and Manual Handling.
- Our approach to the management of each top ranked risk is reviewed annually by our ELT and HSEC Committee. All other risks are managed and reported upon in accordance with our safety and environmental management systems.

**Code of practice**
- We have developed a code of practice for each of our top ranked risks. Our codes of practice specify the control requirements for each risk so that they are managed consistently and effectively. The codes apply to all operations and projects managed by our global businesses.

**Technical guidelines**
- Technical guidelines for each top ranked risk accompany our codes of practice and provide our people with a practical reference guide for achieving the key criteria described in the codes of practice.
While the framework aims to develop global consistency in how we manage safety risks, each site and business unit retains responsibility for implementing HSE controls. Under the new framework the Board, assisted by the Health, Safety and Environment Committee, retains ultimate oversight of safety performance and the ELT remains responsible for monitoring and evaluating the effectiveness of our approach.

**Our performance**

We experienced a higher number of injuries during FY2017 than the previous two years. Our lost time injury frequency rate (LTIFR) was 0.8 (33 Lost Time Injuries), up from 0.6 in FY2016. Our medically treated injury frequency rate (MTIFR) increased to 5.6 (230 Medically Treated Injuries) from 5.1 in FY2016.

Over half of all injuries that we experienced were to hands, shoulders and arms, and were incurred as a result of manual handling processes. We have developed an initiative that specifically focuses on manual handling as part of our FY2018 HSE plan. In FY2017 we released a code of practice for manual handling and will continue to monitor our performance in relation to this risk.

We report our safety performance to the World Steel Association annually for benchmarking against our global steel industry peers. At 0.8, our LTIFR compares favourably to the steel industry average of 1.0. We will continue to benchmark our performance against our peers in order to identify opportunities for further performance improvement and ensure that we are providing our people with the safest possible working conditions.

During the year, BlueScope ANZ conducted a number of initiatives as part of its health and wellbeing strategy, aimed at enabling employees to be physically and mentally fit for work. These include:

- mental health awareness sessions facilitated by BlueScope Health Centre employees and external experts in the field. These will continue in 2018 and 2019, with the addition of training for managers and supervisors.
- support for all managers and supervisors looking after employees with emotional problems available through the Employee Assistance Program. The EAP service is extended to all employees and their families.
- promotion of ‘RUOK Day’ across BlueScope ANZ, with events at a number of sites. Mental health experts, nutritionists, and personal trainers delivered presentations which were communicated to all employees.

In addition, 600 employees took advantage of free skin cancer checks. Teams of employees in Australia, New Zealand and Asia participated in ‘Steptember’ which encourages being active to keep cardio-vascular systems healthy. And the annual ‘Rise and Recharge’ event encourages all employees, but particularly those who are office-based, to move during the day to improve mobility and cardio-health.
Striving towards zero loads lost on public roads

BlueScope Australia and New Zealand takes a leading industry role in developing and implementing processes and standards to safely secure steel product on vehicles.

If even a small box of parts or a piece of timber falls from a truck it is considered a serious incident, and a thorough investigation follows. The safety of the truck driver and public road users is paramount.

In Australia, BlueScope’s Risk Engineering team designs, tests, writes standards and trains those people who pack, load, manage and drive vehicles that carry BlueScope’s products. While sites have been conducting risk-based audits on loads for the past 15 years, BlueScope, in conjunction with two major transport companies, recently developed the SteelDrive mobile phone app to help drivers understand the requirements and check their loads are compliant. In FY2018, our focus will be on continuing to improve training and coaching in using the SteelDrive app and challenging our approach to develop innovative engineering solutions.

Safety awards

Glenn Todd, Warehouse & Logistics Manager, Orrcon Steel, was named Individual Safety Leader in the 2017 National Steel Transport Safety Network Awards.

Glenn was recognised for his passion in working to improve site safety, including a focus on reducing the high frequency of injuries relating to manual handling; risk based load restraint auditing; engaging teams in critical risk areas such as Chain of Responsibility, load restraint and mobile equipment; and reducing driver waiting time as part of fatigue management. Glenn has set a very high benchmark for his team to follow in safety systems, process and culture, and has successfully engaged them in the site’s safety journey.

Peter Ossmann, Health & Emergency Response Coordinator at North Star BlueScope Steel, was one of three recipients of the 2017 Steel Manufacturers Association annual Don B. Daily Achievement in Safety award. Peter was selected for his engagement and outreach with local first responders in Northwest Ohio, and recognised for his dedication to safety which extends beyond the job. The Association commended his work to ensure his community and emergency response organisations are knowledgeable and well-trained.
In response to the challenge of maintaining a capable and skilled workforce in the Thai construction industry, BlueScope Thailand teamed up with the Department of Skill Development and the Ministry of Labour to launch the BlueScope Training Centre, a comprehensive training facility aiming to ensure there is a capable workforce for the steel construction industry. Enrolment is free, and students who successfully complete the course receive a certificate of achievement from the Department of Skill Development.

The Training Centre, the first of its kind in Thailand, is based on a successful BlueScope model developed in Australia, and welcomes interested representatives from dealers and business partners. Students study theory and also engage in practical workshops that deliver hands-on experience. The training programs incorporate a variety of topics including occupational safety, occupational health in workplaces, general product knowledge and installation techniques.

The main training centre at BlueScope Thailand’s Map Ta Phut site is complemented by a Mobile Training Unit, self-contained in a truck fully equipped with the necessary tools and materials, which visits remote areas of Thailand for on-site training. The BlueScope Training Centre reflects the Company’s genuine commitment to improving the skills of the Thai workforce, and to giving back to its communities. The BlueScope Mobile Training Centre has now trained hundreds of fixers and builders since it began in FY2014.
Diversity and inclusion

We recognise that inclusive and diverse workforces are more productive, motivated and engaged. The range of perspectives that result from developing a diverse and inclusive workplace will strengthen BlueScope’s capability for continued and sustained business growth.

Like many other heavy manufacturing organisations our workforce has been historically male-dominated at all levels. Gender balance remains our most pressing business-wide diversity challenge and our diversity and inclusion initiatives to remediate this issue are already delivering positive results. We have made significant inroads into making BlueScope a more inclusive and diverse business but we have a long way to go to achieve our goal.

Our stated goal, is that our employee representation at each site reflects the community in which it operates. We strive to hire, develop, promote and retain the most qualified people available at all levels – people who reflect the diversity of our customers, markets and communities.

Our approach

In FY2017 we continued to implement our diversity strategy through a range of initiatives. The key elements of this strategy are:

| Gender recruitment | BlueScope aims to recruit and retain people who reflect the diversity of our communities |
| Development        | We offer our people development and leadership opportunities to increase the diversity of our leadership pipeline |
| Equity             | Our people, according to their performance level, receive equal pay for equal work |
| Inclusion          | We recognise that diverse workforces are more productive and we seek to provide a supportive working environment that enables all of our employees to meet their potential |

Our approach to diversity and inclusion is as follows:

| BlueScope Diversity Council | Our Diversity Council was created to develop diversity strategies and programs and to monitor performance against company-wide diversity objectives. The Diversity Council is comprised of the ELT and other senior business leaders, and reports annually to the Board through the Remuneration and Organisation Committee. Each business also has its own diversity council to oversee individual objectives and performance. |
| Training on diversity and inclusion | In FY2017 we launched unconscious bias training and diversity awareness for the ELT, and developed local diversity and inclusion initiatives. These are intended to provide our people with knowledge and guidance to prevent, identify and remediate instances of discrimination. |
| Diversity Action Plans | Each of BlueScope’s business units has developed a specific diversity action plan to address the diversity and inclusion challenges in each of our sites. |
| Local networks | BlueScope employees recognise the importance of strengthening the diversity of our workplaces. A number of employee groups have created local networks and working groups to advance site-level diversity initiatives. Regional Diversity Councils for China, North America, ASEAN and BANZ have been created to develop and support country based strategies and initiatives. |
Our performance

We made progress against our diversity and inclusion objectives during the year, and we will continue to put effort into improving gender balance.

### Percentage of female employees at 30 June 2017*

<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2016</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board</strong></td>
<td>25.0</td>
<td>25.0</td>
<td>22.2</td>
</tr>
<tr>
<td><strong>Senior Leadership roles</strong></td>
<td>19.0</td>
<td>16.0</td>
<td>14.3</td>
</tr>
<tr>
<td><strong>Executives</strong></td>
<td>14.5</td>
<td>13.8</td>
<td>14.5</td>
</tr>
<tr>
<td><strong>Salaried</strong></td>
<td>27.0</td>
<td>27.2</td>
<td>27.1</td>
</tr>
<tr>
<td><strong>Operator workforce</strong></td>
<td>6.1</td>
<td>3.9</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total BlueScope</strong></td>
<td>17.4</td>
<td>16.5</td>
<td>16.6</td>
</tr>
</tbody>
</table>

* With the appointment of Jennifer Lambert as a non-executive director in September 2017, women now comprise 33% of the Board.

The increase in the number of women recruited in FY2017 reflects initiatives implemented to make our workplaces more suitable for female employees. These included installing site specific amenities for women and making appropriate uniforms and personal protective equipment more readily available at operational sites.

The rate of women returning to work from maternity leave increased in FY2017 to 83% from 73%. We have implemented several initiatives to facilitate this, including training for direct managers to support their return and a greater focus on support from the HR team.

A new Diversity Toolkit provides guidance on initiatives to drive diversity and inclusion at BlueScope. The toolkit is intended to be used by nominated Diversity Champions in each business to develop employee-led initiatives that address the most important diversity issues present in our site-based workforces.

### Recruitment of women into permanent roles 2017

<table>
<thead>
<tr>
<th></th>
<th>BLUESCOPE TOTAL</th>
<th>OPERATOR/TRADE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Women as % of total employed</strong></td>
<td>17%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>% of recruits</strong></td>
<td>37%</td>
<td>23%</td>
</tr>
</tbody>
</table>

### FY2017 Workforce profile – by age*

<table>
<thead>
<tr>
<th>&lt; 35 years</th>
<th>35–55 years</th>
<th>&gt; 55 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,538</td>
<td>8,365</td>
<td>2,509</td>
</tr>
</tbody>
</table>

*Excludes North Star BlueScope Steel

### Female employees by business

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CORPORATE</strong></td>
<td>43%</td>
</tr>
<tr>
<td><strong>NS BLUESCOPE</strong></td>
<td>24%</td>
</tr>
<tr>
<td><strong>BLUESCOPE BUILDINGS</strong></td>
<td>20%</td>
</tr>
<tr>
<td><strong>BLUESCOPE ANZ</strong></td>
<td>14%</td>
</tr>
<tr>
<td><strong>NORTH STAR BLUESCOPE STEEL</strong></td>
<td>9%</td>
</tr>
</tbody>
</table>
**Recruitment broadening diversity**

BlueScope’s Western Port site in Victoria has taken an innovative approach to recruitment to broaden the diversity of its workforce.

With the reopening of a metal coating line and overall operations ramping up, in the past year over 100 new recruits have been employed at Western Port. The site has partnered with the Brotherhood of St Laurence agency to link to local community job networks and youth employment programs, and support the “Transitions to Employment” program. BlueScope is now working with the Brotherhood of St Laurence to recruit a further round of candidates from the Transitions to Employment Program.

Meanwhile, through a range of initiatives implemented during the year, North Star BlueScope Steel has increased the percentage of women recruited to permanent roles, including operator and trade positions. These initiatives include: a review of shift schedules to help attract and retain the workforce of the future; aligning resources and diversity success stories with BlueScope Buildings North America; an intensive recruiting campaign for Operations team members featuring several North Star women and launched on television and social media; and the launch of an online ‘talent community’ to communicate news and updates, including job openings. In addition, North Star has coordinated ten ‘Great Opportunities for Women’ tour groups to visit the facility and speak to employees, and a number of women from North Star have attended a local ‘Leadership for Women’ conference.

**Continuing to change the game**

The second round of Change The Game, BlueScope’s partnership with the Australian Institute of Sport, was launched at the Australian Institute of Sport in Canberra during 2017.

Change the Game brings together ten elite female athletes and ten BlueScope ANZ employees for mutual learning and development opportunities over a 12 month period. The athletes, from nine different sports, include Olympians, Paralympians, Commonwealth Games medallists, world champions and emerging talent.

The first year of Change the Game was very encouraging for the synergies it showed between the sporting and corporate worlds. This exciting program will continue to help develop BlueScope’s next generation of leaders into elite performers. It also supports the Company’s diversity strategy – to foster a talented workforce comprised of diverse opinion, gender, background, education, culture, experience, and beliefs. BlueScope’s emerging leaders who participate in the program have many opportunities to learn from some of Australia’s most talented and elite sportspeople.

**Taking the lead on diversity**

At BlueScope China, a two day Women Leadership Forum was held to encourage the development of ideas and action plans for embedding diversity in the workforce.

The key theme was that diversity will strengthen BlueScope’s capability for continued and sustained success, and must become part of the way we do business. At the conclusion of the forum, participants agreed that everyone has a role to play in making diversity a reality. The China lead team was actively involved and engaged in the forum, and supports the roll out of the initiatives developed.
In South Australia, the Women in Steel program is helping attract more women to work in the steel industry. The program, run in cooperation between BlueScope and tertiary education, employment and government agencies, takes candidates through a selection process and a foundation skills course to prepare them for work in the steel industry. BlueScope’s expectations on safety and other critical procedures, including bullying and harassment policies, were all built into the course, and this knowledge has helped set candidates up for careers in the industry.

To date four women have joined BlueScope after completing the program, and are now working in a range of operations roles, including working in our sheet-metal trades department. It is expected that at least four more women will join BlueScope from the second round of the program.

“I’ve been with BlueScope for nearly three months and it’s beyond what I thought it would be,” says Mandy Incourvayar, who is working at Fielders in South Australia. “The guys I’m working with in my section are excellent. With what I’m doing, I’ve learnt a lot.”
Leadership and talent development

BlueScope’s ongoing success relies on the talents and skills of our employees. We encourage our employees to take advantage of development opportunities to consolidate their skill capabilities and to advance their future prospects. The goals of our talent and leadership development programs are underpinned by our company-wide values of living Our Bond, diversity and inclusion and Zero Harm.

Our approach

We provide a number of programs to support employees in reaching their development goals. The annual performance review includes mandatory development objectives for all employees. Two programs, WITTS and Essentials, facilitate employees’ personal development with the support of their managers and mentors.

WITTS (What It Takes To Succeed)

WITTS is our global capability framework. The skills cultivated through WITTS are aligned to BlueScope’s strategy and company-wide performance goals.

WITTS enables employees to identify the personal capabilities that are required for success, to perform a self-assessment of their development and identify the actions to take to progress further. It is the primary personal development tool for employees across our global businesses.

Essentials

The Essentials suite of leadership programs help develop BlueScope’s future leaders. These programs begin with the New Starter Program and run through to Executive level programs, and offer business, people and technical leadership skills for employees who are part of our leadership pipeline.

The objectives of Essentials are aligned to our business strategy and performance goals and support the development of talent which is critical for our future success.
Working together

We aim to maintain our open and honest company culture. We work to ensure that our employees have the confidence and support to raise concerns about their work environments and the way that BlueScope operates. We seek to maintain sustainable employee arrangements and respect the right of our employees to choose whether they negotiate the terms of their employment individually or collectively. Approximately 30% of our employees are covered by enterprise arrangements. In Australia, negotiations over collective employee arrangements are monitored by a Steering Committee that includes relevant members of our ELT. We enter all negotiations in good faith and endeavour to maintain constructive dialogues with negotiating parties.

Freedom of Association

Employees in BlueScope have the right to choose whether or not they want to be represented by an employee association and are completely free to exercise those rights. The Company collectively bargains with employee representatives in full compliance with the requirements of the jurisdictions in which it operates.

Labour disputes

Across the Company, BlueScope experiences very few industrial disputes, and there has been continual improvement in the relationship between BlueScope and unions.

<table>
<thead>
<tr>
<th>Lost time due to industrial disputes (hours)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
</tr>
<tr>
<td>FY2013</td>
</tr>
<tr>
<td>FY2014</td>
</tr>
<tr>
<td>FY2015</td>
</tr>
<tr>
<td>FY2016</td>
</tr>
<tr>
<td>FY2017</td>
</tr>
</tbody>
</table>

The lost hours in 2015 related to one dispute: renegotiation of the 2014 Western Port Enterprise Agreement, which became protracted with significant and prolonged protected action. We are pleased that the subsequent Agreement: BlueScope Steel Western Port Enterprise Agreement 2017 was successfully negotiated without any protected action. This was achieved by a new approach including improved employee engagement and communication and using an external facilitator.

Improving productivity and adopting a more flexible approach to labour are vital to meet BlueScope’s strategic objective to maintain sustainable, cost-competitive operations and deliver value through the cycle.

In Australia, as part of this new approach to workplace relationships, BlueScope has convened a joint session between the Fair Work Commission, managers, union delegates and union leaders, which led to the development of a Joint Communication and Mission and Value Statement. In addition, joint interest based problem solving groups have begun looking at how to resolve workplace issues of interest to the Company and unions.

A new profit share arrangement has been introduced into the BlueScope Australia & New Zealand business. A key principle of the scheme is that incentives are only awarded if all financial targets are met after accruing for the cost of the incentives. This ensures that when the Company performs well employees all share in that success. Awards to individual employees take into account their overall performance and contributions to the Company’s performance.

Jawun community partnership

In FY2017 BlueScope entered into a new partnership with Jawun, an indigenous, not-for-profit organisation that aims to build the capacity of Indigenous people and help communities achieve their goals.

Jawun places skilled people from the corporate sector into Indigenous organisations to work with local people on a six week secondment, using their skills and expertise to lead, develop or support specific projects.

Eight BlueScope employees have participated in the program, based in Alice Springs and working with organisations that service the Ngaanyatjarra Pitiatjatajara Yankunytjatjara (NPY) Lands in Australia’s central desert.

The personal development opportunities for secondees include working with diverse teams to deliver tangible results and improving personal effectiveness. On their return from secondment, participants are required to present on the experience and apply what they learned in their own workplace for the benefit of the wider BlueScope community.

The skills and experiences to be gained from participating in the Jawun program are all core to BlueScope employees working to deliver on our strategy. The program also reflects our commitment in Our Bond to our communities.
**Connecting our workplace**

BlueScope is the first manufacturing company in Australia – and one of a select group of companies around the world – to adopt ‘Workplace’ to help employees better connect, communicate and collaborate together.

Limited access to the BlueScope network and slow internet speeds in some areas means that many employees don’t have access to Company news and information. In short, the channels BlueScope uses to communicate with our people were not keeping pace with how we communicate and connect outside of work.

BlueScope recognised that our 14,000 employees around the world need to be able to connect and communicate. The challenge was to find a solution to connect all BlueScope employees no matter where they are – by means of a PC, laptop or mobile device – and let them see, comment on and respond to Company news and information – whether they are connected to the BlueScope network or not.

‘Workplace’ began as a pilot in BlueScope Australia & New Zealand, and has now been launched across BlueScope with adoption rates approaching 70% of the employee population.

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**Culture and engagement**

The way we work is guided by our values of trust and respect. BlueScope’s culture is critical to maintain our strong safety record, drive diversity and engagement and develop future leaders for our global businesses. We seek to better understand our employees’ goals and concerns, to promote appropriate conduct and the channels for reporting concerns and to deliver these messages in a format that is useful for all employees.

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**Taking the pulse of our people**

Pulse, launched in FY2017, replaces BlueScope’s Our Bond survey as a new way to help measure employee engagement in our workplaces. For BlueScope, employee engagement is all about how involved employees are in their work, and the enthusiasm they have for their work and for the Company.

We know that an engaged workforce brings many benefits to our business, including a great work environment, greater productivity and improved performance. To understand the level of engagement across BlueScope, we need to measure it regularly, and Pulse will enable us to do that.

The Pulse survey will be offered several times a year to monitor progress and help understand changes in the way employees are feeling towards their work and towards BlueScope.

The data from each round of Pulse is used by managers to host discussions and ‘listening sessions’ for their teams to help gauge what they are doing well and what they could be doing differently. Teams then develop 3–4 month action plans to address key concerns and ideas.

The Pulse Survey produces an individual score to help leaders and managers really understand what’s happening in the workplace and how employees are feeling about their particular area of the Company. The aim is to generate regular discussion for all teams with their managers.

We are delighted with the initial participation rates and are actively listening to our employees’ thoughts and views.

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‘Workplace’ began as a pilot in BlueScope Australia & New Zealand, and has now been launched across BlueScope with adoption rates approaching 70% of the employee population.
Product and customer

Our success depends on the ability of our products to meet our customers’ needs. We work closely with them to develop innovative solutions to their challenges, creating superior products and providing outstanding service. We are proud to make high-quality, durable, premium steel products from responsibly sourced materials that are also endlessly recyclable.
BlueScope treats suppliers as partners and acknowledges that these partnerships are crucial in managing the social, environmental and ethical risks inherent in our global supply chains.

**Highlights**

- Launched the COLORBOND® steel Environmental Product Declaration
- Developed our first responsible sourcing standard
- Implemented a refreshed innovation framework

**Supply chain sustainability**

BlueScope has a global footprint and we source goods and services from many organisations in a variety of countries. We seek to work with suppliers who share the core values expressed in Our Bond and our Guide to Business Conduct. Developing strong relationships with suppliers makes good business sense and enables us to proactively manage the supply of key production inputs.

We recognise that there are social, environmental and ethical risks in our global supply chains, including risks relating to human rights and modern slavery. Partnerships with our suppliers enable us to identify and effectively manage any issues that arise in our supply chain.

**Our approach**

In 2017 we developed a Responsible Sourcing Standard which sets out our principles in relation to supply chain sustainability and our commitment to embed management of supply chain risk into our processes. Our procurement strategy focuses on sourcing from reputable suppliers to ensure reliable and secure supply to our production units. We recognise that reliability and security of supply may be affected by environmental, social and ethical risks in our supply chains. We are implementing processes to assess and manage these risks.

Our aim is to ensure that sustainability principles are embedded within our sourcing processes, including supplier selection, performance monitoring and ongoing cooperation. BlueScope values and prioritises the core principles set out in our Responsible Sourcing Standard and expects its suppliers to commit to them in supplying us and in respect of their own value chain.

**Responsible sourcing at BlueScope**

To be the best at what we do we need to rely on strong relationships with our suppliers both globally and locally. Our suppliers are critical resources for our business and we recognise that our success is a mutual proposition.

**Our Commitment**

- BlueScope is committed to sustainable sourcing practices that create, protect and grow long-term environmental, social and economic value for all stakeholders involved in bringing BlueScope's products and services to market. We consider whole of life impact when assessing value and we will choose products and services that have lower environmental and social impacts over their life cycle compared to competing products and services.
- BlueScope aims to conduct procurement and sourcing activities with integrity, in accordance with Our Bond and in accordance with applicable laws and regulations. We have a zero tolerance approach to bribery, corruption and improper practices and encourage reporting of any observed or suspected misconduct.
- We partner with businesses large and small who share our values. We will communicate our principles and expectations to suppliers and review supplier alignment with our responsible sourcing standard from time to time. We will work with suppliers to improve social (including health and safety and human rights), environmental and ethical standards in our supply chain and within our suppliers’ value chain.
- Non-compliance with our principles and expectations as communicated by us to a supplier may lead BlueScope to require corrective action or take other measures, including termination of the business relationship. BlueScope’s Responsible Sourcing Standard can be read in full in Section 9 of this report.
Statement on Human Rights

BlueScope is committed to respecting human rights in all of the countries where we operate. We believe that all people should be treated with dignity and respect, and we are working to ensure our business activities and practices are aligned with the UN Guiding Principles on Business and Human Rights.

We are guided by ‘Our Bond’, a written expression of our values and principles that also reflects the importance of our customers, suppliers, our people, our shareholders and the communities in which we operate. Our Bond guides our actions and decisions and supports us in choosing to do what is right. We have a Guide to Business Conduct which outlines expected behaviours in the market place and key personnel are regularly educated regarding those expectations.

Our commitment to human rights includes the following commitments.

» OUR PEOPLE We believe that employees must be treated fairly and without discrimination. All employees in BlueScope have the right to choose to be represented by an employee association and are free to exercise this right.

» OUR WORKPLACE We believe that equality of opportunity is an essential ingredient of a respectful workplace and to that end we are actively working to improve our gender diversity. We have an absolute commitment to delivering a zero harm workplace for our employees and for the suppliers, contractors and customers who chose to work with us.

» OUR COMMUNITIES We respect the human rights of the communities in which we operate, and meet regularly with our local communities to ensure our relationships remain strong and their voices are clearly heard. We recognise the rights of Indigenous peoples in all jurisdictions in which we operate.

» OUR SUPPLIERS We seek to engage suppliers who hold values similar to those expressed in Our Bond and this Statement on Human Rights and who will collaborate with us to maintain those values. We support the elimination of all forms of forced or compulsory labour and the abolition of child labour and require our suppliers to do the same.

A whistleblower hotline is readily accessible on our website and open to all of our stakeholders if questionable conduct is observed or suspected. We have policies and processes in place to ensure grievances can be addressed sensitively and without fear of repercussion.

The Board, through its Risk and Sustainability Committee, maintains oversight of all sustainability issues including human rights to ensure our expectations as defined by the values expressed in Our Bond are realised wherever we operate.

Human rights in the supply chain

We are in the process of assessing our supply chain for human rights impacts and establishing a management approach which embeds our Responsible Sourcing Standard and minimum requirements for suppliers, as well as supporting systems and processes for screening, assessing and on-going auditing of our suppliers.
Engaging Suppliers

We are implementing processes to ensure that our global businesses conduct thorough due diligence of their supply chains.

BlueScope businesses will assess their suppliers based on materiality and risk, and will require certain existing and potential new suppliers to demonstrate that the way in which they operate aligns to BlueScope’s expectations. These suppliers will be asked to commit to the sustainability principles articulated in the BlueScope Responsible Sourcing Standard. Further details regarding our standards of business conduct are available in Section 8.

Major new supplier arrangements will continue to be overseen by a steering committee comprised of representatives from relevant businesses, including members of the ELT. These steering committee processes oversee due diligence checking and will be strengthened by the application of the Responsible Sourcing Standard.

Compliance with our standards of performance is monitored through our approach to supplier management. We seek declarations of compliance with national and international regulations annually, and as required by our customers. A number of areas of our business already perform a review of potential and existing suppliers through a due diligence database tool. This tool sources publicly available information on supplier conduct related to global media reports, regulatory actions, government notification lists and politically exposed persons, and alerts the business to new information.

Our procurement teams are required to undertake training on our Guide to Business Conduct and jurisdiction-specific competition and consumer law. Allegations of misconduct or breaches of our standards of performance can be reported through our independent whistle-blower hotline, and will be investigated by our Business Conduct Panel. Further details of this process are available in Section 8.

Our performance

<table>
<thead>
<tr>
<th>Business Services renewal</th>
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<tbody>
<tr>
<td>The renewal of the contract for outsourced business services delivered by Capgemini, demonstrates the process undertaken in BlueScope Australia and New Zealand.</td>
</tr>
</tbody>
</table>

BlueScope accepted the proposal to move the delivery of these services to Capgemini’s Bangalore office. As Bangalore is a major service delivery hub for Capgemini, and home of much of its innovation expertise in business process management, the proposal was attractive both commercially and from an innovation point of view.

The BlueScope sourcing team and project steering committee set up a due-diligence process to ensure that Capgemini’s operations in Bangalore were capable of providing the services to the required standard and in a way that is consistent with Our Bond and our Guide to Business Conduct.

**Desktop research** – Initial checking for the country and regional approach to education standards, wages and living standards, human rights and labour conditions, and commuting requirements. Checking and confirming Capgemini’s corporate statements about ethical behaviour and the rights of their employees.

**Validation** – BlueScope conducted due diligence, including sending a team of people to Bangalore to assess Capgemini’s operations and interacting with all levels of staff. The team explored working conditions, work-life balance, transport arrangements for unusual hours of operation and systems for remuneration, team building and reward processes. Customer reference checks helped validate these aspects.

**Transition** – Service delivery was transitioned to Bangalore during FY2017, with several site visits to validate processes, establish face-to-face relationships and observe team and working environments.

**Governance** – Ongoing face to face discussions with Capgemini management and work teams to ensure that standards and expectations are upheld have been critical to ongoing success. BlueScope and Capgemini employees have travelled to each other’s operations to improve business understanding and personal connections.

**Innovation** – Ongoing review of the service delivery arrangements and mechanisms. BlueScope and Capgemini are working together to ensure that team structures are appropriate and sustainable and to take advantage of automation opportunities. A major focus is to increase the flexibility of hours of work to give team members the opportunity to work more standard hours during the day. BlueScope has also established and sponsors a “Triple A Award”, which fits into the overall Capgemini approach to employee recognition.
**Product and process innovation**

Innovation is central to our business. Our competitive advantage is built on our ability to respond to our customers’ emerging challenges and to create new products and processes to address those challenges as efficiently as possible. Our innovation pursuits are designed to enhance the value of our products and our customers’ experience.

**Our approach**

Innovation specialists in both our Corporate and Business Unit teams enable us to identify the specific challenges our customers face in the markets in which we operate. In FY2017 we adopted a new approach to ensuring that the innovation projects we pursue align to our business strategy and implemented a refreshed innovation framework that sets out the key activities to undertake when identifying, interrogating, developing and reviewing innovation activities. The framework enables our businesses to discuss our approach to innovation in a consistent language which facilitates better collaboration and knowledge sharing between our businesses.

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### BlueScope Innovation Process

#### Divergent thinking

- **Immersion**
- **Ideate**
- **Experiment**
- **Promote**

#### Convergent thinking

- **Strategy**
- **Focus Area**
- **Challenge**
- **Shortlist**
- **Implement**

---

Our Corporate and Business Unit teams have specific management and oversight responsibilities:

| **Business Units** | Business Unit teams are responsible for managing the innovation agenda in their businesses. Business Units obtain feedback from customers on existing products, engage with them to understand their goals and challenges, and how BlueScope can provide solutions.  
Our Business Unit teams have a number of innovation and research specialists who focus on developing new products, evolving our existing product range and improving the efficiency of our production processes.  
Each Business Unit has an innovation Steering Committee that oversees the innovation agenda. The Steering Committees meet quarterly. |
| **Corporate** | Our corporate team oversees the activities performed by our business Units to ensure that the activities they pursue align to our corporate strategy and broader business goals. The corporate innovation Steering Committee reports quarterly to the ELT. |
nVision: a new way forward

Great progress is being made in developing BlueScope Buildings’ new nVision engineering system. This building design and modelling software package performs a number of functions to help improve the service BlueScope Buildings can offer:

» **Sales** – fast BIM (Building Information Model) modelling gives more control to the BlueScope Builder network, and makes it much easier for engineers, architects and building accessory suppliers to import models into nVision.

» **Automated design** – to deliver efficient, consistent design, and able to automatically apply special requirements such as snow loads. This feature also makes quoting easier and more accurate.

» **Automated Detailing** – saves significant engineering hours.

» **Integration Tool** – bringing together supply chain and shop floor to leverage economies of scale for product purchases, and align the design solution with manufacturing capabilities.

nVision is a cloud based system with substantial benefits for all users, such as: less reliance on local machine hardware for performance; direct data transfer instead of emailing files, which reduces risk and increases throughput; and ability to determine which customers and products are in actual use at any time.

In addition, using modern coding techniques and focusing system design into independent components improves system agility and decreases the time required to test each future software release.
Innovation recognised

In FY2017 BlueScope Buildings North America secured a number of patents for new technologies developed by its innovation teams. One example, the “System for Enhancing the Thermal Resistance of Roofs and Walls of Buildings” is now commercialised as the Butler TBS Insulation System and Varco Pruden ThermaLift Insulation System. It is a building insulation system that reduces heat transfer through building envelopes, and reduces the amount of energy required for heating and cooling buildings throughout the life of the buildings. It is almost totally made from components – steel panels supports and glass fibre insulation – with significant recycled material content (scrap steel and glass bottles), and can be recycled again at the end of the building life. The concept was developed as a proprietary insulation system for the BlueScope Buildings North America brands (Butler Buildings and VP Buildings) to meet increasingly stringent building energy codes.

Product stewardship

Steel’s durability, flexibility and ability to be recycled contribute to sustainable infrastructure. We seek to responsibly manage the quality, safety and environmental impacts of our products through the whole product life cycle. We operate and sell our products around the world, and we work to proactively respond to changes in legislation that affect the way our products are manufactured and used. We conduct a comprehensive process of testing and review during our design and manufacture processes to ensure that our products meet our high standards of performance.

Our approach

We analyse the performance of our products throughout the entire lifecycle, and manage product testing and review through a stage-gate process. We conduct comprehensive testing on our products before they are released onto the market to ensure that they meet BlueScope’s standards of performance and the specific regulatory and legislative requirements of the jurisdictions in which they are sold and used.

Our products contribute to improving the environmental performance of our customers’ projects. We monitor and track the impact of our products and, for a range of products, disclose our performance publically through environmental product declarations (EPDs). The disclosures in these EPDs reflect our long-term commitment to sustainability, transparency and positive environmental stewardship. EPDs enable our customers to understand the whole of life environmental impact of their buildings and infrastructure.

The COLORBOND® steel Environmental Product Declaration (EPD) was launched during the year. EPDs are designed to meet market demand for detailed information about the environmental performance of our products. These EPDs offer building owners, architects, engineers and other users transparent information that explains the environmental impacts of our products, including raw materials used in production, life-cycle analysis and recycling data.

EPDs assist in determining the environmental impact of buildings and infrastructure that use BlueScope’s products, and can help earn points for Green Star building credits in sustainable products and lifecycle analysis. Each of our EPDs is compliant with the International Standard on environmental labels and declarations ISO 14025. The EPDs are available on our website.
Environment

At BlueScope, our communities are our homes and our health, safety, environment and community responsibilities are integral to the way we do business. Our Bond articulates our role in caring for the environment and doing what is right for the communities in which we operate.
We have a record of environmental improvement stretching back many years, including continued reinvestment required to ensure our plant and equipment remains efficient, productive and minimises its impact on the environment.

BlueScope’s HSEC policy specifies our key environmental commitments: using resources efficiently, preventing pollution and reducing the environmental impact of our operations. Our performance in FY2017 demonstrates that we are making significant headway in our efforts to reduce our impact on the environment but we acknowledge there is still more to do.

We achieve improvements in our environment performance through:

> Fostering and promoting a continuous improvement culture with emphasis on the three Rs – reduce, reuse, recycle;
> Capital investment to maintain and improve our equipment and facilities; and
> Robust systems to manage our responsibilities.

**Environmental performance highlights:**

> Reduction in carbon emissions by over 40% since FY2011
> Reduced fresh and recycled water use by 8% from FY2016 with further reductions planned for FY2018
> 33 environmental improvement projects nominated for our 2017 environment awards focused on water efficiency and quality, energy savings and materials efficiency, waste minimisation and diversion and reducing dust emissions and air pollution
> Maintained a material efficiency rate of more than 95% since FY2011
> 8% reduction in emissions intensity per tonne of steel

We recognise the importance of the global effort to mitigate the effects of climate change and that the transition to a lower emissions global economy presents us with both risks and opportunities. As stated in Section 3, via the materiality assessment, climate change and energy have been defined as key material topics. For this reason climate change and energy will be addressed first in this chapter, followed by an environment overview and the other environment impact information.

### Climate change and energy

#### Our position on climate change

BlueScope strongly advocates a fair and equitable approach to addressing climate change, which delivers real reductions in global emissions.

BlueScope supports the intentions of the international climate agreement developed at the 2015 Paris Conference of Parties as well as the Intended Nationally Determined Contributions of the countries where we operate. We recognise that the changes required to achieve these targets will require organisations around the world to reduce greenhouse gas emissions (GHGs) to transition to a more sustainable economic model. BlueScope is already making a significant contribution to that effort.

We acknowledge that steelmaking generates greenhouse gas emissions and we work diligently and continuously to improve the efficiency of our operations and reduce those emissions. In 2011 BlueScope closed a Blast Furnace at the Port Kembla Steelworks reducing our Australian emissions by more than 40% and effectively eliminating surplus steelmaking capacity.

We believe steel products play an essential role in sustainable development given its strength, versatility, long life cycle and endless recyclability.

BlueScope operates two integrated steelmaking plants, one in Australia, and one in New Zealand.

Integrated steelmaking is inherently emissions-intensive as coal and coke are used as both chemical reductants and energy sources in the iron making process. This chemical process accounts for more than 80% of the energy consumed and greenhouse gas emissions. While electric arc furnaces (such as North Star BlueScope Steel) can melt scrap steel to make new steel at lower emissions-intensity than blast furnaces, there is only enough scrap in the world to meet part of the demand for new steel. This means that the manufacture of raw steel from iron ore and coal will continue to be a central part of the world’s steel industry for the foreseeable future.

While many steelmakers, including BlueScope, have made incremental improvements in energy and emissions intensity and not withstanding concerted research by the industry over many years, there is currently no technology which would permanently and materially reduce emissions from the steelmaking process.
BlueScope has in the past invested in such research and development efforts with the Australian Government’s Commonwealth Scientific and Industrial Research Organisation (CSIRO), and regularly shares information about technology developments with its industry counterparts worldwide.

**Exposure to climate change regulation**

The Australian Government has set a national target of a 26–28% reduction in emissions by 2030 from 2005 levels. Both major parties in Australia have publicly indicated that they will not impose carbon costs on Australia’s steel industry that impair its international competitiveness.

The Australian Federal Government introduced the direct action policy in FY2015. This policy includes a provision for the Emissions Reduction Fund which provides incentives for organisations to conduct emissions reduction projects and a Safeguard Mechanism that is intended to limit emissions growth. The Safeguard Mechanism came into effect in July 2016.

The Clean Energy Regulator has finalised emissions baseline determinations for the Port Kembla Steelworks and for Western Port Works.

<table>
<thead>
<tr>
<th>Facility</th>
<th>Set Baseline</th>
<th>FY2017 Scope 1 emissions*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port Kembla Steelworks</td>
<td>11,040,213t CO2-e</td>
<td>6,191,218t CO2-e</td>
</tr>
<tr>
<td>Western Port Works</td>
<td>109,524t CO2-e</td>
<td>100,351t CO2-e</td>
</tr>
</tbody>
</table>

* as reported to the Australian National Greenhouse and Energy Reporting Scheme

Due to significant reductions in emissions in the last six years, the baseline for Port Kembla Steelworks has been set at a level in excess of current and foreseeable plant emissions levels. Expansion of steel production underway at Western Port could see emissions exceed that plant’s baseline by a maximum of approximately 8,000t CO2-e in FY2019 or later. However, this is not expected to incur a material cost under the current design of the Safeguard Mechanism.

The Federal Government released its review of climate change policy in December 2017. One of the issues identified is that reported emissions baselines, set according to historical data, are becoming out of date and do not adequately allow for growth in production at some facilities. The Government has said it plans to consult with business about options to improve the baseline setting process, including potentially setting baselines in accordance with contemporary emissions and production levels rather than historical levels.

**New Zealand**

New Zealand Steel (NZS) is a liable company under the New Zealand emissions trading scheme (ETS). The ETS obligates NZS to surrender emissions credits to the government, with a proportion of those credits (currently 90%) provided by the government to NZS at no cost.

During 2017 the former New Zealand government announced the New Zealand Productivity Commission would conduct a review of the operation and future direction of the ETS, and advise on a transition to a low-carbon economy that would maximise benefits and minimise costs and risks. The present government, which came to power in October 2017, has announced that it will seek to legislate a Zero Carbon Act, under which the country’s emissions would be required to fall to a net zero level by 2050. The Government has said it will consult with stakeholders about the design of the Act during 2018, with the aim of legislating by October 2018. The ETS is expected to remain in operation for the (three-year) term of this government.

**Energy**

BlueScope is committed to reducing its energy consumption where it is commercially feasible to do so, and has implemented a number of energy savings projects over the past year. Projects implemented in Australia during 2017 included: harnessing renewable energy at one of our building products manufacturing sites; installing energy efficient lighting; and upgrades to make pumps, motors, conveyor belts and fans more efficient. At Port Kembla Steelworks, a project to relocate an alternator and restart a steam turbine will increase self-generation of electricity and reduce grid demand from that plant by over 7%, avoiding over 46,000 tonnes of greenhouse gases (CO2-e) per annum. Our Western Port plant in Victoria is participating in a demand management initiative, under which it can be paid to reduce its electricity consumption during times of peak demand.

BlueScope has played a prominent role in the public debate about energy policy in Australia. In response to industry and community concerns about rising prices and declining reliability, the Federal Government has proposed the implementation of a National Energy Guarantee (NEG). The NEG will set targets for reliability and emissions reduction, which will need to be met by electricity retailers. In particular, it will seek to ensure that intermittent sources of electricity, such as wind and solar, will be backed up by dispatchable sources of electricity, such as thermal generation, batteries or pumped hydro.

BlueScope believes the NEG begins to address Australia’s energy crisis, and could potentially lead to more reliable and affordable electricity supplies. However, it will be important that the policy is robust enough to attract new investment, is implemented transparently and at lowest cost to electricity consumers, and does not unduly disrupt existing contract markets where those markets are operating efficiently.
The Company also supports efforts currently underway by the Federal Government to monitor the operation of electricity and gas markets and prices, and make recommendations to enhance competition in those markets.

**Climate Risk Disclosure**

In June 2017 the G20 Financial Stability Board’s Task force on Climate-Related Financial Disclosures (TCFD) released its final recommendations on the disclosure of the risks and opportunities presented by the transition to a lower emissions economy. We recognise that our stakeholders wish to understand how this transition is likely to affect BlueScope.

We have decided to align our climate change reporting with the TCFD’s recommendations. This will be the first year of reporting against the recommendations and we expect to be able to improve our alignment and level of disclosure in future years.

The following section details BlueScope’s approach to climate change as it relates to the TCFD framework.

**Governance**

BlueScope understands the importance of climate change and is focussed on ensuring there is appropriate oversight at both the Board and ELT level.

Our Board, assisted by its Health Safety and Environment (HSE) Committee and Risk and Sustainability Committee, is responsible for overseeing the effective management of our climate change risks and opportunities. The HSE Committee reviews and recommends actions to the Board with respect to: policy, plans, performance against targets, risks and emerging issues relating to climate change. The Risk and Sustainability Committee has oversight of the Company’s environmental, social and governance (ESG) responsibilities and reporting, including reviewing and recommending to the Board the Company’s Annual Corporate Governance Statement and Sustainability Report.

In FY2017 we took steps to strengthen our approach to sustainability with the development of a Sustainability Council. This Council is comprised of members of our ELT and senior management. The Council is responsible for understanding our sustainability exposures, engaging with key stakeholders and directing the consistent implementation of sustainability initiatives across our global businesses. The Sustainability Council reports quarterly to the Board through the Risk and Sustainability Committee.

The ELT consists of the most senior executives in the Company responsible for providing leadership and shaping the Company’s strategic direction, developing governance systems and specifying the desired operating approach and culture. The key functions and responsibilities of the ELT with respect to climate change are: reviewing Company strategy and strategic plans; promoting robust structures and procedures in the Company for governance and legal compliance; reviewing allocation of resources (capital and human) across the Company, including budgets and business plans; and reviewing sustainability/environment strategy and governance processes and procedures for the group as a whole (including those relating to reporting and monitoring performance).

ELT, the relevant Board Committees and the Sustainability Council receive regular updates on the management of climate change as it affects BlueScope’s business. The Vice President Health, Safety and Environment provides updates on the management of environmental risks. The Vice President Sustainability is responsible for developing and implementing strategies that support BlueScope’s sustainability goals and for compiling the Sustainability Report, and provides updates on climate change performance, policy and risk.

**Strategy**

BlueScope is constantly analysing trends and changes in the global and regional steel industry and the impact those changes may have on demand and supply of steel, cost of raw materials and prices within the entire supply chain. This includes the impact of more countries moving to regulate reductions in greenhouse emissions.

Given the emissions intensive nature of our operations and the use of coal in the steel making process, BlueScope will be subject to medium to long term risks which arise out of market shifts, policy, legal matters and reputation.

On the other hand there will also be opportunities created for BlueScope under these scenarios. We believe steel is fundamental to a sustainable future; steel protective designs can minimise the effects of natural disasters and are integral to the global circular economy. There will be opportunities for BlueScope to further differentiate our products from our competitors and from potential substitutes through innovation and the development of new products and services.

In addition, we conduct analysis on megatrends that will impact on supply and demand of steel products. This focus on trends and changes in the steel industry means BlueScope is well placed to anticipate and react to changes that may come about through climate policies and associated climate change risks.

Raw materials and energy are key cost inputs for the manufacture of steel. BlueScope invests significant time and thought into improving the efficiency of the value chain, optimising the manufacturing process and looking for opportunities to reduce energy intensity and use renewable energy sources.

Much work has already been done to understand the potential impact of climate reforms and energy policy in Australia and New Zealand. BlueScope has been actively engaging with the relevant government departments and industry bodies to ensure that issues are understood and considerations are given to the impact of policy change on the strategy and operations of BlueScope.
We have initiated a program to better understand the climate related risks and opportunities BlueScope may face as the world transitions to a lower-carbon economy consistent with a 2°C scenario (i.e. reducing global CO2 emissions to limit global average temperature increase to less than 2°C).

Risk management

BlueScope’s approach to risk management is consistent with our business model and management approach. It is seen as a core and integral component of doing business, not a separate function, and should be part of all key business decisions. Business unit leaders have a clear and unequivocal responsibility to consider and manage risk in their decision making.

Climate change is included as an aspect within BlueScope’s environment risk process.

Energy is a significant input cost in steelmaking and BlueScope is focused on using it efficiently. We maintain energy management plans that guide our businesses on maximising operational efficiencies and managing the emissions footprint of their activities. Our businesses report Scope 1 and Scope 2 emissions performance quarterly to the ELT and to the Board’s HSE Committee.

Energy efficient measures are implemented wherever they are technically and commercially feasible. Given the constraints of the steelmaking process this is largely focused on reducing natural gas and electricity consumption through process optimisation. Opportunities continue to be explored in areas such as:

- Improving process control
- Optimising operational and materials efficiency (for example, we constantly and rigorously test various coal types/variants to ensure that coal is used in the most efficient way possible)
- Optimising operational process yields
- Decommissioning or upgrading older, inefficient equipment
- Optimising steam and gas systems
- Increasing use of natural light or high efficiency lighting in buildings
- Turning off or idling equipment when not in use
- Increased use of environmental tools to monitor processes
- Capturing and reusing by-product gases from iron making for heating and to generate electricity.

Metrics and Targets

At BlueScope, we monitor the energy consumption of our operating facilities. From this we calculate greenhouse gas emissions and steelmaking intensities, based on standardised methodologies. BlueScope participates in the World Steel Association’s CO2 Climate Action program through the submission of annual operational data for its three steelmaking facilities.

The emissions generated from our Australian operations have decreased by more than 40% since 2011. The shut-down of a blast furnace at our Port Kembla site in 2011 effectively removed our surplus steelmaking capacity and reduced our emissions footprint in excess of Australia’s required contribution (26–28% on 2005 levels) to the Paris Accord.

In FY2017 we commenced an energy strategy review for our Australian sites. This review is focused on delivering reliable and cost effective supply arrangements for both electricity and natural gas. We are exploring opportunities to incorporate renewable sources of electricity into our operations as part of this review.

Performance data

Overall, BlueScope’s energy consumption and greenhouse emissions increased in FY2017. The main contributor to this increase was increased raw steel production. In addition BlueScope accounted for 100% equity share of North Star BlueScope Steel for the first full year in 2017.

Net energy consumption (Petajoules per annum) and Greenhouse gas emissions (ktCO₂-e per annum)
Reducing energy – Environment Improvement Award

BlueScope’s metallic coating and painting facility at Phu My, Vietnam has worked extensively over the past four years to reduce energy consumption and optimise plant operations through initiatives such as: installing inverters on cooling fans and compressors; reducing pre-pot temperatures during shutdowns and installing energy efficient LED globes. These actions have resulted in considerable energy savings for the site. It has been calculated that the intensity for electricity and gas usage has decreased by 18.2% and 5.45% respectively since 2014.

Improving energy efficiency

North Star BlueScope Steel investigated a number of ways to improve the energy efficiency of the electric arc furnace. After considerable research, the team elected to adopt new technology to upgrade the EAF transformer and high voltage system to create a “smart furnace”. Since the installation of the furnace transformer, total energy consumption for the site has reduced by 4.7%. It now requires approximately 30 kWh less electricity to produce a ton of raw steel.

North Star also works to reduce the amount of electricity consumed per ton of steel produced. While large projects like new deeper heel shells, optimizing the ABB smart furnace, and reducing the air compressor use from 5 to 4 units provide significant reductions, smaller projects such as changing plant lights to new more efficient LED lighting also make a contribution. Overall electricity consumption per ton of steel produced has reduced by more than 10% since FY2012.

Certification for BlueScope Thailand

BlueScope Thailand has received certification for Carbon Footprint Organisation from the Greenhouse Gas Management Organisation (TGO), in recognition of its efforts to reduce greenhouse gas emissions. TGO has been established under Thailand’s Ministry of Natural Resources and Environment to analyse and scrutinise views and opinions in relation to greenhouse gas emissions.

The certification is another step in BlueScope Thailand’s commitment to be a leading organisation committed to the environment, in particular to reduce greenhouse gas and conserve energy. It reflects the work done in FY2016 to upgrade the painting line incinerator to a Regenerative Thermal Oxidiser, reducing the site’s natural gas consumption by almost 50%.

Energy Intensity for steelmaking facilities (Gigajoules per tonne raw steel)

<table>
<thead>
<tr>
<th>Year</th>
<th>Energy Intensity</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2011</td>
<td>22.3</td>
</tr>
<tr>
<td>FY2012</td>
<td>22.1</td>
</tr>
<tr>
<td>FY2013</td>
<td>22.3</td>
</tr>
<tr>
<td>FY2014</td>
<td>22.3</td>
</tr>
<tr>
<td>FY2015</td>
<td>21.5</td>
</tr>
<tr>
<td>FY2016</td>
<td>18.7</td>
</tr>
<tr>
<td>FY2017</td>
<td>17</td>
</tr>
</tbody>
</table>

Greenhouse gas intensity of steelmaking facilities (tonnes CO2-e per tonne raw steel)

<table>
<thead>
<tr>
<th>Year</th>
<th>Greenhouse Gas Intensity</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2011</td>
<td>2.16</td>
</tr>
<tr>
<td>FY2012</td>
<td>2.22</td>
</tr>
<tr>
<td>FY2013</td>
<td>2.11</td>
</tr>
<tr>
<td>FY2014</td>
<td>2.10</td>
</tr>
<tr>
<td>FY2015</td>
<td>2.02</td>
</tr>
<tr>
<td>FY2016</td>
<td>1.92</td>
</tr>
<tr>
<td>FY2017</td>
<td>1.67</td>
</tr>
</tbody>
</table>

Increased production, first full year ownership of North Star and efficiency gains contributed to the decrease in energy and greenhouse gas intensities.
Environment overview

BlueScope’s Environment Footprint

BlueScope has 164 manufacturing, processing and distribution sites located in 16 countries around the globe. Small sites are typically 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 steelmaking operations. The three large and 14 medium sites listed below represent the vast majority of BlueScope’s environment footprint.

<table>
<thead>
<tr>
<th>Country</th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>101</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Brunei</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>4</td>
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<td></td>
</tr>
<tr>
<td>Fiji</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
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<tr>
<td>Indonesia</td>
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<td>Malaysia</td>
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<td></td>
</tr>
<tr>
<td>Mexico</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>New Caledonia</td>
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<td></td>
</tr>
<tr>
<td>New Zealand</td>
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<td>1</td>
<td>1</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>4</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>14</td>
<td>2</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>Total</td>
<td>147</td>
<td>14</td>
<td>3</td>
</tr>
</tbody>
</table>

Environment Management System

BlueScope’s Environment Management System is comprised of four key aspects:

Our Bond

Our Bond is our company charter and specifies the principles that guide our business decisions and actions. It explicitly states the Company’s commitments to customers, employees, shareholders and communities.

HSEC Policy

The HSEC Policy expands on the commitments we make in Our Bond and details the actions we take to meet these commitments. These actions are to:

» Clearly define responsibilities and accountabilities
» Set measurable objectives and targets
» Use internal and external expertise as required
» Regularly monitor and report publicly on our progress
» Develop, implement and maintain management standards and systems
» Comply with legal requirements, relevant industry standards, and the intent of the HSEC policy
» Identify, assess and manage our HSEC risks
» Provide appropriate HSEC training to all our employees
» Disseminate HSEC information to our employees, contractors and visitors to our workplaces
» Consult and engage our stakeholders to facilitate shared responsibility for meeting the goals of our HSEC Policy

Corporate environment policies, procedures, targets and guidelines

Company-wide policies and procedures provide supplemental guidance to the management of HSEC issues. These policies allow us to make consistent business decisions throughout our organisation.

Environment Principles

At BlueScope, we seek to continuously improve our environmental footprint. The framework for this commitment is detailed in our Environment Principles, which support the HSEC Policy and incorporate a set of expectations that describe what each site, manager and employee will do.

Health, Safety and Environment Standards

BlueScope’s Health, Safety, and Environment Standards provide the framework for developing, implementing and maintaining Environmental Management Systems across the Company and support the implementation of Our Bond, HSEC Policy and Environment Principles.

There are 14 Health, Safety and Environment Standards covering requirements such as leadership, risk management, legal compliance, emergency management, training, communication, incident management and performance measurement.

Environmental Risk Management

We manage our environmental risks through 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
Aspirational Targets
We have developed aspirational environmental performance targets that address our LAWWNE impacts:

**Land**
- Zero Land Contamination Risk

**Air**
- Zero Emissions from Process Disturbances
- Continually Reducing Air Emissions

**Water**
- Zero Dam Water Use
- Zero Emissions from Process Disturbances
- Continually Reducing Water Emissions

**Waste**
- Zero Waste to Landfill

**Noise**
- Zero Community Disturbances

**Energy and GHG emissions**
- Lowest Quartile GHG Intensity

Each of BlueScope’s businesses is required to establish annual performance targets for each key environmental risk. All sites are required to report their environmental performance to their Business Unit management team and to the ELT and Board HSE Committee quarterly, and the aggregated results are presented in this report. Our Board, assisted by the HSE Committee is responsible for overseeing the effective management of our environmental risks.

Business-level policies and procedures, codes of practice and guidelines
Each business maintains more detailed policies and procedures that guide health, safety, environment and community decision-making. These policies and procedures reflect the unique nature of each business and are consistent with overall BlueScope standards. Many of BlueScope’s operating facilities maintain certification to ISO 14001. This certification provides additional assurance that the Environment Management System continues to be suitable, adequate and effective:

<table>
<thead>
<tr>
<th>Business</th>
<th>Scope of ISO 14001 certification</th>
</tr>
</thead>
<tbody>
<tr>
<td>BlueScope Australia and New Zealand</td>
<td>Australian manufacturing, including processing and logistics, New Zealand Steel and Pacific Steel</td>
</tr>
<tr>
<td>NS BlueScope</td>
<td>Thailand, Malaysia, Indonesia and Vietnam</td>
</tr>
<tr>
<td>BlueScope Buildings</td>
<td>China</td>
</tr>
<tr>
<td>North Star BlueScope Steel</td>
<td>North Star operations</td>
</tr>
</tbody>
</table>

Our performance against environmental metrics
Maintaining our licence to operate
BlueScope’s facilities worldwide are regulated on environmental matters by local authorities, and in many cases the Company is obliged to report environmental performance data to those authorities.

During FY2017, BlueScope notified relevant authorities of 26 environmental non-compliances with environmental regulation or legislation. Twenty of these related to water and six related to air. All of the non-compliances were relatively minor in consequence. One environmental penalty infringement notice was filed against BlueScope in relation to discharge of coke ovens gas condensate at Port Kembla Steelworks.

A system to promote continuous improvement is in place in BlueScope Australia and New Zealand. Known as ‘Triple A’ it promotes Alignment, Accountability and Agility. The database tracks improvement initiatives and opportunities within the business and drives other forms of continuous improvement. In the Australian operations alone, more than 220 business improvement activities that improved environment performance were completed during FY2017. We continue to see business improvement initiatives that contribute to improving environmental performance across our global footprint.

FY2017 BlueScope Environment Awards
Across BlueScope, many environmental projects were implemented in FY2017 to improve performance. BlueScope’s annual Environment Awards acknowledge environment improvement projects and community engagement activities. Notable achievements in FY2017 include reducing dust emissions and pollutants discharged via process stacks, eliminating contaminated runoff and process discharges to land and water; mitigating potential future environmental non-compliances; significant energy savings through improved operational performance and efficiencies; diverting and eliminating several thousand tonnes of waste to landfill; and strengthening BlueScope’s relationship with local communities and regulators.

The recipients of this year’s BlueScope Environment Awards:

Environment Improvement Award
- Significant Energy Reductions Phu My, NS BlueScope Vietnam

Environment Engagement Award
- Return of an Endangered Species (Green & Gold Bell Frog) Port Kembla Steelworks, BANZ Manufacturing

A selection of projects nominated for the Awards is included alongside the relevant LAWWNE metric below.
**Land**

We seek to prevent and mitigate instances of land contamination and disturbance, and to appropriately remediate or manage legacy contamination issues.

All of BlueScope’s operational facilities maintain management controls that aim to prevent and mitigate instances of land contamination. These controls specify minimum requirements for the design of operational infrastructure, such as sealed floors and areas for hazardous chemicals to be isolated, maintenance requirements for equipment and machinery used in manufacturing, as well as standardised incident response processes.

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**Return of the Green & Gold Bell Frog – Environment Engagement Award**

A pond habitat was established at BlueScope’s Port Kembla Steelworks in 2008 to foster the migration and growth of the endangered Green & Gold Bell Frog species within the area. The species has been in decline over the last few years and had not been sighted at the Port Kembla Steelworks since 2010. Many employees have volunteered to maintain the pond habitat by removing noxious plants; repairing any damage to the perimeter fence, topping up water levels and implementing controls to ward off predatory species. Audits are also conducted to monitor and record sightings of tadpoles and frogs. During routine audits in March 2017, as many as fourteen individual Green and Gold Bell Frogs were sighted, confirming the return of the Green and Gold Bell Frog species to the region.

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**Performance**

In FY2017 there were no instances of reportable land management non-compliances.

Remediation at the stainless site, adjacent to the Port Kembla Steelworks, continues with some significant reductions in measured contaminant concentrations along the northern site boundary. Asbestos remediation at the Sunshine site in Victoria has been completed and accepted as satisfactory by the local Environment Protection Authority.

**Sensitive sites**

As shown below, a number of our sites are situated in close proximity to areas of cultural or ecological significance. Various controls and management processes are in place to ensure the preservation and enhancement of these protected areas.

<table>
<thead>
<tr>
<th>Country</th>
<th>Site</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Australia</strong></td>
<td>Port Kembla Steelworks</td>
<td>Tom Thumb lagoon Green and gold bell frog ponds</td>
</tr>
<tr>
<td></td>
<td>Western Port</td>
<td>Western Port Ramsar wetlands</td>
</tr>
<tr>
<td><strong>New Zealand</strong></td>
<td>Waikato North Head iron sands mine</td>
<td>Maori burial sites Waikato River and wetlands</td>
</tr>
<tr>
<td></td>
<td>Glenbrook Steelworks</td>
<td>Waikato River</td>
</tr>
<tr>
<td><strong>USA</strong></td>
<td>Steelscape Kalama South Star BlueScope Steel</td>
<td>Columbia River North Star wetlands</td>
</tr>
</tbody>
</table>
Air

BlueScope maintains a strong focus on reducing its impact on local air quality. The production of steel is a complex process and stable operations are required to ensure disturbances in air quality and air emissions are minimised.

BlueScope has strict monitoring processes in place across all sites which capture and report on air quality metrics and ensure that we are compliant with the relevant environmental licence limits. In addition to ensuring compliance, this monitoring enables BlueScope to identify opportunities for process improvements to further minimise emissions.

In New South Wales, Australia, there is strong coordination with the Environmental Protection Agency (EPA) to complete pollution reduction projects (PRPs). BlueScope has four active PRPs relating directly to reducing air emissions in the future.

Improving air quality

Each year, BlueScope ships over 755,000 tonnes of coke generated during steel manufacture from Port Kembla Harbour. A new conveyor transfer system has been designed and installed to significantly reduce the environmental risks associated with coke loading activities. With covers and dust collection systems the new conveyor ensures minimal dust emissions, and has reduced truck hours by 13,500 hours per annum.

Performance

In FY2017 we reported six incidents of air non-compliances to the relevant authorities. These non-compliances were all minor in nature and did not result in any prosecutions or fines.

Air emissions of oxides of nitrogen (NOx), sulphur dioxide (SO2), and particulate matter less than 10 microns (PM10) are important due to the effect they have on air quality and the community. As with previous years, BlueScope continues to report trending data on these emissions. Estimated FY2017 NOx and PM10 emissions are consistent with previous years while a decrease in SO2 has been driven by improved reliability of the Sulphur Rich Gas Plant at the Port Kembla Sinter Plant.

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Oxides of Nitrogen (t/annum)¹</td>
<td>10,578</td>
<td>8,443</td>
<td>8,429</td>
<td>8,907</td>
<td>8,546</td>
<td>8,610</td>
<td>8,457</td>
</tr>
<tr>
<td>Sulphur Dioxide (t/annum)</td>
<td>9,286</td>
<td>7,166</td>
<td>6,480</td>
<td>6,072</td>
<td>6,907</td>
<td>8,114</td>
<td>7,239</td>
</tr>
<tr>
<td>Fine Particulates (t/annum)</td>
<td>1,899</td>
<td>1,711</td>
<td>1,661</td>
<td>1,733</td>
<td>1,568</td>
<td>1,743</td>
<td>1,807</td>
</tr>
</tbody>
</table>

Note: The estimated emissions have been calculated using available stack sampling data from BlueScope’s medium and large operating facilities. Historical data has been revised following a review of emission calculation methodologies.

¹ Historic emissions data FY2013–FY2016 has been restated to correct a manual transcription error.
Water

BlueScope uses water in steelmaking and product manufacturing processes. Most water is consumed at our three steel manufacturing plants, and at our ironsands mining operations in New Zealand.

BlueScope considers water to be a precious resource and is focused on reducing the amount of water required in the steelmaking process. Where possible we use sea water and recycled water in our operations to minimise our impact on fresh water sources including local reservoirs.

Water use (both fresh water and other water sources) is tracked regularly and reported monthly as part of the environmental metrics. The Port Kembla Steelworks uses both recycled water and sea water and Western Port works also uses recycled water to reduce the amount of fresh water consumed. Over 97% of water used at Port Kembla normally comes from recycled or sea water. Our site in Glenbrook New Zealand ensures that water is cleaned, cooled and recirculated as many times as possible during the manufacturing process and that rainwater captured on site is used in the process where possible. The sale of the Taharoa iron sand mine in May 2017 reduced BlueScope’s water consumption in FY2017 and will significantly reduce it in future.

Our North Star operations have similar processes in place to re-use and recirculate water as many times as possible in the process to reduce the amount of fresh water consumed.

Reducing emissions to water

At BlueScope Buildings Laurinburg NC, the team has successfully reduced zinc levels in runoff water from the site. A number of best practice management controls have been put in place, including strategically planting various plant species around the site which are effective in the uptake of zinc and other such minerals; and constructing a series of rock berms to slow and temporarily retain stormwater to allow for sufficient time for the vegetation to filter the runoff. Controls have been implemented at the site to ensure it complies with the US EPA’s Clean Water Act.

Reducing water consumption

North Star BlueScope Steel works to continuously improve the efficiency of its operations and reduce consumption – not only to improve the bottom line but also to reduce its overall environmental footprint. Water consumption reduction programs have become an increasing area of focus over the past few years. With the support of the onsite waste water treatment plant contractor the business has identified three main projects that have the potential to greatly reduce incoming water consumption: a new chemical treatment process, updating contact system filters and reducing backwash frequency, and softening water in a basin onsite. North Star has also set internal targets for water discharge per tonne of steel produced.

Performance

In FY2017 we consumed 33,158 ML of water – fresh and recycled – across our operations, compared to 36,188 in FY2016. Fresh water use decreased following the sale of the Taharoa site in May 2017, although this was offset by an increase in fresh water use at the Port Kembla Steelworks when our access to recycled water was disrupted in December 2016 due to a failure of the supplier’s infrastructure. We were obliged to use fresh water while repairs were carried out, and this resulted in an increase in annual fresh water use at the Steelworks.

Twenty instances of water-related non-compliances were reported to relevant authorities. One incident involved the discharge of coke oven gas condensate into an internal drain at the Port Kembla Steelworks, which resulted in the New South Wales EPA imposing a $15,000 penalty infringement. We are committed to implementing a pollution reduction program to mitigate the risk of similar incidents occurring in future.

We did not receive any other prosecutions or fines relating to water, or any of our other LAWWNE aspects in FY2017.

In FY2018 we expect our annual global fresh water use to reduce by around one third relative to FY2016 use as a result of the sale of the Taharoa business.
A key part of the manufacturing process at BlueScope is reducing the amount of waste material produced and re-using or converting waste materials into other valuable products. Not only does this focus have significant commercial benefits for the organisation, it also ensures that we minimise the amount of waste products that end up in landfill.

The strategy for waste reduction at BlueScope is to follow the simple waste hierarchy of Avoid, Reduce, Reuse, and Recycle and only then Dispose.

Waste reduction is part of the continuous business improvement process at BlueScope and manufacturing sites are constantly looking for ways to reduce the amount of waste produced, or increase the ways in which the waste material can be further used.

For example, a number of projects have been undertaken at New Zealand Steel’s Glenbrook site to use the slag produced in the steelmaking process as a replacement input for limestone, thus reducing the amount of limestone required but also minimising the amount of slag that ends up in landfill. Slag from the ironmaking process at New Zealand Steel has also been applied as a road material, and this was so successful it now consumes all of the slag uprisings from Ironmaking.
Reducing waste – Steelscape Kalama

At Steelscape, Kalama, employees calculated that each year approximately three tons of plastic film used to protect coils from damage and moisture was being sent to landfill. The team initiated a comprehensive waste audit of all site activity which, in addition to solving the plastic film issue, also identified opportunities for recycling cardboard and managing garbage transported off site in dumpsters. All plastic film and cardboard used on site is now bailed before being sold for recycling, and garbage is now compacted to one quarter of its volume to reduce the frequency of waste collections required. In addition to the environmental benefits, this new waste management program saves approximately $30,000 in annual dumpster rental and fees for waste collection and disposal.

The measure we use to assess waste management is the material efficiency for steelmaking facilities. This measures the percentage of total outputs that are converted to products and by-products.

Reducing waste – BlueScope Buildings North America

BlueScope Buildings North America Rainsville has reduced waste paint by more than 40% after introducing a new collection system that helps overcome the limitations of the paint pumps used previously. This simple process has eliminated the need to dispose of over 3.7 litres of waste paint from each paint supply drum. In addition, waste disposal drums are now inspected to ensure they are at full capacity before they are sent for disposal, leading to a 35% cost reduction.

Performance

In FY2017 our total steel production increased by 8%, however the total amount of waste produced increased by only 3% compared to FY2016. Less than 3% of the materials we used in our steelmaking facilities was classified as waste. We have maintained a materials efficiency rate of more than 95% since 2011.

We recycled more than 2.7 million tonnes of scrap steel in FY2017, which comprises approximately 47.06% of the total amount of steel we produced.

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Material Efficiency (% of total output converted to products and by-products)</td>
<td>96.1%</td>
<td>95.4%</td>
<td>96.6%</td>
<td>96.4%</td>
<td>97.0%</td>
<td>96.5%</td>
<td>96.8%</td>
</tr>
</tbody>
</table>

FY2017 material efficiency breakdown

Noise

BlueScope monitors noise levels to ensure that they do not exceed maximum levels allowed by local areas. We have implemented a number of controls that aim to reduce the noise generated by our operations. We recognise that industrial noise can disrupt communities, and as such the vast majority of our sites operate in industrial-zoned areas. Where appropriate we investigate noise-related complaints reported by community members.

Performance

No confirmed reportable noise-related incidents occurred in FY2017.
In the words of Our Bond, our communities are our homes. The ongoing support of the communities where we operate is critical in maintaining our licence to operate, and gives BlueScope the confidence to continue investing in our operations around the globe. Ultimately, we strive to be a valued member of the communities in which we live and work, and seek to demonstrate the respect we have for the wide range of cultures represented in our workforce and our communities.
Our approach

Our success relies on communities supporting our business and products. In turn, we conduct a variety of programs every year to support our communities and make a positive influence on people’s lives.

We aim to maintain productive relationships with our communities, built on trust and open communication. Our commitments to our communities are aligned to our key business and sustainability commitments. Wherever we operate, we:

» Relentlessly pursue Zero Harm for our people, and seek to mitigate the effect of our operations on communities and the environment
» Conduct business responsibly and ethically, and work to prevent instances of bribery and corruption that take resources away from communities and governments
» Cultivate diversity and inclusion, so that our workforces reflect the wide range of cultures represented in the communities where we operate.

In rural and regional locations we acknowledge our important role as a major community employer and partner. In our operations across the globe we employ local people and use local suppliers, and we support broader economies through taxes and other government payments. We recognise the need to be transparent about our tax affairs and we seek to comply with all relevant tax legislation. The Governance section of this report has more information on our approach to tax governance and taxes paid.

Community Relations management plans for each of our larger sites are aimed at promoting engagement activities that align to the specific values, goals and cultural customs of our communities. These plans guide the nature of our activities and partnerships, ensure that we deliver programs aligned to our commitments and enable us to identify opportunities for further engagement. Across our business, community engagement areas of interest focus on health, safety, education and the environment.

BlueScope’s Board oversees the range of community engagement activities we conduct.

We maintain an open and productive dialogue with community stakeholders through direct meetings and forums and being present at community events. In the Illawarra region, BlueScope’s Community Consultative Committee meets quarterly to provide a forum for open discussion between BlueScope, community representatives and other stakeholders in relation to the environmental management and performance of operations at the Port Kembla Steelworks.

We also conduct capacity building initiatives aimed at fostering sustainable economic and social development. These initiatives include opening our work health and safety training centres to community participants and raising awareness of broader health and wellness issues, such as traffic safety and mental health.

Our performance

In Australia, BlueScope makes a sizable contribution, particularly to the Illawarra region, home to the Port Kembla Steelworks. Nationally, BlueScope’s activities represent 0.4% of Gross Domestic Product and household income, and support 33,641 full time equivalent (FTE) jobs. In the Illawarra, BlueScope represents 10% of jobs, 11% of Gross Regional Product and 24% of the region’s total output (value added).

In New Zealand, the total economic contribution of New Zealand Steel to the national economy was $629 million in value added and 3,959 FTE jobs in 2016–17. New Zealand Steel accounts for approximately 0.24% of New Zealand Gross Domestic Product.

Our tax contribution

The distribution of taxes paid by the BlueScope Steel Group reflects the geographical spread of the Group’s businesses (noting available corporate tax losses which offset taxable profits). The majority of the corporate income tax was paid in North America which relates to the North Star BlueScope and BlueScope Buildings North America businesses.

1 IRIS Economic Impact Study 2017
2 Deloitte Access Economics – Economic contribution of New Zealand Steel September 2017
Below is a summary table of BlueScope tax contributions in AUD. All related party transactions are made at arm’s length basis, both at normal market prices and on normal commercial terms. During FY2017, the most significant cross border transactions between BlueScope Australia and overseas related entities are:

» Sales of products to overseas controlled entities. Most of BlueScope Australia’s related party sales are to its subsidiaries in the United States.

» Provision of source of capital and funding from Australia. The financing activities mainly relate to loans between Australia and the US and New Zealand. An arms-length interest methodology applies.

» Receipt of dividends in Australia from overseas controlled entities (which are treated as non-taxable under Australian tax law).

<table>
<thead>
<tr>
<th>Country</th>
<th>Corporate Income Tax and WHT</th>
<th>Employer Payroll Tax</th>
<th>Other</th>
<th>Total tax payments borne</th>
<th>Employee payroll taxes</th>
<th>Value added tax paid but reclaimed</th>
<th>Value added tax collected and remitted</th>
<th>Total tax payments collected</th>
<th>Total tax payments collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>108.2</td>
<td>21.4</td>
<td>13.2</td>
<td>142.8</td>
<td>72.4</td>
<td>--</td>
<td>47.9</td>
<td>120.4</td>
<td>263.2</td>
</tr>
<tr>
<td>New Zealand</td>
<td>1.1</td>
<td>1.9</td>
<td>1.0</td>
<td>4.0</td>
<td>46.4</td>
<td>(107.1)</td>
<td>100.2</td>
<td>39.4</td>
<td>43.4</td>
</tr>
<tr>
<td>Australia</td>
<td>0.0</td>
<td>15.6</td>
<td>2.5</td>
<td>18.0</td>
<td>171.7</td>
<td>(411.3)</td>
<td>458.0</td>
<td>218.3</td>
<td>236.3</td>
</tr>
<tr>
<td>Vietnam</td>
<td>4.4</td>
<td>0.0</td>
<td>0.5</td>
<td>4.9</td>
<td>1.5</td>
<td>(16.1)</td>
<td>14.2</td>
<td>-0.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Indonesia</td>
<td>7.9</td>
<td>0.0</td>
<td>0.5</td>
<td>8.4</td>
<td>1.7</td>
<td>(33.6)</td>
<td>32.0</td>
<td>0.1</td>
<td>8.5</td>
</tr>
<tr>
<td>Thailand</td>
<td>9.8</td>
<td>0.7</td>
<td>0.0</td>
<td>10.5</td>
<td>2.5</td>
<td>(36.3)</td>
<td>38.3</td>
<td>4.5</td>
<td>15.0</td>
</tr>
<tr>
<td>Malaysia</td>
<td>8.5</td>
<td>0.3</td>
<td>0.8</td>
<td>9.6</td>
<td>1.6</td>
<td>(14.2)</td>
<td>11.7</td>
<td>-0.9</td>
<td>8.7</td>
</tr>
<tr>
<td>Singapore</td>
<td>3.9</td>
<td>0.0</td>
<td>0.0</td>
<td>3.9</td>
<td>0.3</td>
<td>(1.3)</td>
<td>1.1</td>
<td>0.0</td>
<td>4.0</td>
</tr>
<tr>
<td>China</td>
<td>9.1</td>
<td>0.0</td>
<td>1.1</td>
<td>10.2</td>
<td>7.9</td>
<td>(106.3)</td>
<td>129.0</td>
<td>30.6</td>
<td>40.8</td>
</tr>
<tr>
<td>Other</td>
<td>5.4</td>
<td>2.2</td>
<td>1.1</td>
<td>8.8</td>
<td>3.5</td>
<td>(82.6)</td>
<td>78.1</td>
<td>-1.0</td>
<td>7.8</td>
</tr>
<tr>
<td></td>
<td>158.3</td>
<td>42.1</td>
<td>20.7</td>
<td>221.0</td>
<td>309.5</td>
<td>(809.0)</td>
<td>910.5</td>
<td>411.0</td>
<td>632.0</td>
</tr>
</tbody>
</table>

* For FY2017 the total payroll tax was $37.3 million of which $15.6 million was paid. Pursuant to an agreement with the NSW Government, BlueScope has deferred the entire amount of tax payable for NSW which was $21.7 million.

**In Australia, available corporate tax losses (attributable to operating losses suffered in Australia between FY2009 to FY2015) offset taxable profits.
Community investment and involvement

During the year, BlueScope businesses undertook a range of initiatives and activities in support of their communities. Some examples follow.

BlueScope Foundation

In North America, the BlueScope Foundation is steered in its support of community service by the principles of Our Bond, realising that our business success relies on the support of the communities that we call home.

The Foundation provides funding support to over 90 different organisations across the US where BlueScope operates. The Foundation supports agencies based on the needs of our local communities, such as food pantries, youth development programs, domestic abuse and homeless shelters, technical scholarships at community colleges, arts organisations, and many other worthy charities that represent the BlueScope spirit of helping build our communities and support our neighbours.

Across BlueScope Buildings North America, employees participate in United Way volunteer events such as Day of Caring, school supply and holiday gift drives for area children in need, and many other activities in partnership with the local community. In addition to volunteer activities, the Company also donates to local fundraising campaigns, which help raise support to be distributed to non-profit agencies providing essential services to families in our communities.

Building a stronger industry

BlueScope Malaysia has joined forces with the Department of Polytechnic Education and the Ministry of Higher Education Malaysia to host an educational program for students and lecturers from the Faculty of Architectural and Structural Engineering at Port Dickson Polytechnic.

The program aims to give the students insight into the evolution of steel products and the development of new products, as well as educating them about selecting and using quality steel materials.

A shortage of skilled workers in the building and construction industry encouraged BlueScope to work alongside Ministry of Higher Education Malaysia to develop the training program. The three-day program covers a variety of topics including BlueScope’s best practice safe work behaviours for roof and wall cladding installation, and the environmental attributes of coated steel.

The Ministry of Higher Education Malaysia has welcomed the collaboration and partnership with BlueScope, which it believes will help strengthen the knowledge and expertise of steel industry participants.
Community in action

NS BlueScope Malaysia has strengthened its work in the community with a broader scope of activities covering community care, animal welfare, environmental sustainability and heritage conservation, as well as education and skill development.

The launch of ‘CONNACTION’, a joint community initiative with business partners and NGOs to help improve the lives of people in communities across Malaysia, marked a significant milestone in BlueScope’s community outreach efforts. Working with partners under this overarching initiative, the Company engaged in several projects to provide shelter and support.

These included an English outreach centre for the Positive Living Community in Batu Arang, Selangor; a community training centre for an Orang Asli community in Chenderiang; two model IBS (Integrated Building System) houses with Port Dickson Polytechnic; the Zomi educational centre in Kampung Attap, Kuala Lumpur; and a community home in Kilanas, Brunei.
BlueScope Thailand in the community

Bluescope Thailand employees celebrated the two millions hours LTI free safety milestone by planting 300 mangrove trees to support the Rayong community.

Community partnership model in the Illawarra

Each year the BlueScopeWIN Community Partners Program distributes a total of $500,000 in funding grants to a range of local community groups in the Illawarra region of New South Wales surrounding the Port Kembla Steelworks.

In FY2017, the program supported over 60 community groups, including the BlueScope Youth Orchestra, Lifeline South Coast, SES, Surf Life Saving Illawarra, The Salvation Army, the Wollongong Art Gallery and Warrawong Community of Schools Permaculture Partners program.

The Community Partners Program brings together BlueScope and the WIN Network, Australia’s largest regional television network which is headquartered in Wollongong, to create a local community support fund that is a model for community engagement. The Program supports the community in the areas of health, safety, environment, diversity, youth and education. Each application is assessed on merit, and funding decisions made by an independent Board. The WIN Network raises awareness of the Program and the funding recipients through promotions on WINTV news.
Governance

As Our Bond says, our strength is in choosing to do what is right. We are judged not only by the profits we make and the products we deliver to our customers, but by the way we act. Acting with integrity is key to maintaining the trust of our stakeholders, so we insist that everyone who works for BlueScope adheres to our high standards of behaviour as set out in our Guide to Business Conduct.
Highlights

- Stakeholder survey results
- Over 4000 employees identified for online and face-to-face training on BlueScope’s Guide to Business Conduct to ensure fully aware of policies
- Developed first tax transparency report

Responsible Governance

Our Approach

We work diligently to ensure that BlueScope is managed in a responsible, honest and transparent manner in accordance with our high standards of behaviour and in full compliance with all laws. Behaving with integrity is the right thing to do and is crucial for the ongoing support of all our stakeholders. We pursue operational excellence and maintain robust risk controls throughout our global businesses. Everyone at BlueScope is required to act in compliance with our standards of behaviour, as set out in Our Bond and the Guide to Business Conduct.

BlueScope’s Guide to Business Conduct ("the Guide") sets out the basic principles of how our people are expected to behave. The Guide provides a practical framework for employees in relation to social behaviours (the way we treat each other), health and safety, fair dealing, anti-bribery and corruption and the use of BlueScope’s information, systems and resources. The Guide helps employees recognise behaviour that may create a business conduct issue and sets out the processes for addressing any concerns.

BlueScope expects all directors, employees and contractors to report conduct which they suspect may breach the Guide. At BlueScope we encourage all employees to raise any concerns about business conduct issues with their immediate supervisor or manager. We also provide a confidential, externally managed reporting hotline that is available to all of our people across the globe. Reports of suspected misconduct can be made through a secure internet site, email, telephone or by post.

In FY2017 we undertook a detailed review of the way we manage business conduct and corporate compliance issues across our businesses. Following this review we are progressing the establishment of a dedicated internal governance function within each of our businesses, and have restructured the Audit Committee and established the new Risk and Sustainability Board Committee.

We conduct regular training sessions on the Guide throughout our global businesses, as well as more detailed training for selected employees on specific business conduct issues. Training sessions have traditionally been delivered online, however, given the importance of some of these issues, in 2018 and beyond we plan to offer a range of training options. These will include a higher number of face-to-face interactive sessions that are intended to help our people understand appropriate behaviour and to recognise and report breaches of the Guide.

Corporate Confidence Index survey

BlueScope regularly monitors investor perceptions of the Company’s performance amongst Australian listed companies through the Corporate Confidence Index (CCI).

BlueScope was rated in the top five against other major Australian listed companies in the FY2017 CCI survey for each of the measures listed below.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective CEO</td>
<td></td>
</tr>
<tr>
<td>Capable senior executives</td>
<td></td>
</tr>
<tr>
<td>Effective board</td>
<td></td>
</tr>
<tr>
<td>High standard of corporate governance</td>
<td></td>
</tr>
<tr>
<td>Senior executive remuneration aligned with shareholder interests</td>
<td></td>
</tr>
<tr>
<td>Judgement in acquisitions, divestments and investments</td>
<td></td>
</tr>
<tr>
<td>Communicates well with investment community</td>
<td></td>
</tr>
<tr>
<td>High level of integrity</td>
<td></td>
</tr>
<tr>
<td>Good market disclosure</td>
<td></td>
</tr>
<tr>
<td>Informative management briefings</td>
<td></td>
</tr>
<tr>
<td>Good access to senior management</td>
<td></td>
</tr>
<tr>
<td>Good exposure to operations and operational management</td>
<td></td>
</tr>
</tbody>
</table>

Anti-bribery and corruption

Bribery and corruption are a risk to businesses all around the world. Fraudulent and corrupt behaviours breach the law in all jurisdictions in which we operate, diminish the value of our business and deprive communities and governments of the resources they are entitled to.

The Guide and our more specific Anti-Bribery and Corruption policy explicitly state that BlueScope’s people must never commit or be involved in corrupt activities. BlueScope’s directors, employees and contractors must not make payments that would unduly influence commercial decisions in BlueScope’s favour or would provide BlueScope with goods or services to which the Company is not legally entitled.

The Anti-Bribery and Corruption Policy sets out the expectations for all people who work with BlueScope in relation to preventing corrupt behaviours, as well as the expectations of managers in relation to the people they are responsible for. BlueScope’s Executive Leadership Team must ensure that:
The Anti-Bribery and Corruption Policy is made available to and is understood by all employees. The operational processes in BlueScope business units align to the requirements of the Policy. All allegations of misconduct are investigated in accordance with the Business Conduct investigation protocols.

All allegations of bribery or corruption or misuse of company assets are reviewed by the Business Conduct Panel which is responsible for ensuring each allegation is appropriately investigated and overseeing appropriate outcomes, including disciplinary actions. Current allegations and the outcome of investigations are reported quarterly to the Risk and Sustainability Committee.

The Business Conduct Panel is comprised of the Group Counsel Governance, the Group Financial Controller and the Vice President Internal Audit.

Our performance

In FY2017 we identified 4,852 employees for online training and 4,129 for face-to-face training based on their roles, responsibilities and level of authority. Of those identified, 99.9% and 94.5% respectively undertook this training.

In FY2017 the Business Conduct Panel dealt with 19 anonymous complaints via the business conduct hotline and oversaw 24 investigations of alleged misconduct. Upon completion of the investigations into these allegations nine people left the Company.

Competition law compliance

At BlueScope we are committed to competing responsibly and fairly and complying with all laws that apply to our operations. By keeping to these commitments, we will help BlueScope deliver value to our customers and shareholders and manage compliance risk.

In many countries in which BlueScope operates competition and consumer protection laws regulate the way in which companies act so that competition can be encouraged and consumers are protected from anti-competitive conduct and unfair business practices.

In other countries where BlueScope operates these laws do not exist or may be less stringent or developed. In these circumstances, BlueScope remains committed to competing fairly and honestly and avoiding anti-competitive business practices even if local legal requirements are less stringent.

Each employee is responsible for ensuring that this commitment is honoured. Competition and consumer law guidelines and a range of other tools and resources are provided to help employees understand and comply with competition and consumer law and BlueScope policies.

Employees who engage with customers or suppliers, or who make strategic business decisions are required to regularly complete competition law training, and all employees are required to seek appropriate guidance and advice on issues that may involve competition law risks.

In 2017, BlueScope informed its stakeholders that the Australian Competition and Consumer Commission (ACCC) was investigating potential cartel conduct by BlueScope relating to the supply of steel products in Australia, that involved a small number of BlueScope employees in the period from late 2013 to mid-2014. BlueScope has co-operated, and continues to co-operate, with the ACCC’s investigation. This investigation is ongoing.

Executive Remuneration

BlueScope’s remuneration structures play an important role in motivating executives to deliver the business strategy and deliver results that reward shareholders. The Board therefore takes great care to ensure that, as the business priorities evolve, so too do BlueScope’s remuneration arrangements.

The Board, through the Chair of the Remuneration and Organisation Committee and the Chairman, regularly consults with shareholders to understand prevailing views on remuneration practice in general, and expectations of BlueScope.

BlueScope is proud of its leading safety performance and safety remains our first priority and core value. To that end, safety performance is a core element of executives’ short term incentive structures. For key management personnel, performance hurdles of no fatality and a lost time injury frequency rate of less than one per million man-hours worked are in place. Medically-treated injury frequency rate improvement targets are established against the previous year’s performance.

In FY2017 the Board undertook a review of the remuneration framework as the previous two-year incentive plan came to its conclusion. The purpose of the review was to develop a framework that pays fairly for delivering on our strategy, and creates value over time in the eyes of both external and internal stakeholders.

Members of the Board’s Remuneration & Organisation Committee spent considerable time talking to major shareholders, proxy advisors, and the Australian Shareholders Association about the design principles considered appropriate for BlueScope. The aim was to provide a remuneration scheme which improved the alignment with shareholders through a greater level of share ownership whilst providing a clear link to our strategy by rewarding management focus on three areas: reducing the impact of cyclicality on business performance; maintaining cost control, debt management and balance sheet integrity; and growing the business and delivering Return on Invested Capital (ROIC) and cash flow targets. In addition, a gateway of adherence to the Company’s values in Our Bond remains in place.

Further information on executive remuneration policies can be found in the Remuneration Report within the FY2017 Directors’ Report.
The Company's Remuneration Report has received strong support through shareholder voting at recent Annual General Meetings. At the FY2017 meeting, 94.6% of shareholders voted in favour of adopting the Remuneration Report, while in FY2016 and FY2015 the figure was 94.6% and 95.2% respectively.

Tax transparency

Our approach

This is the first year that we have provided additional information on our tax strategy and tax position, as guided by the Australian Tax Transparency Code.

Our approach to tax is in line with the values and principles set out in Our Bond and our Guide to Business Conduct. Our Tax Management Framework brings together the principles of BlueScope’s tax delegation of authority, tax policy objectives, tax risk appetite and tax strategy. This Framework is endorsed by the Audit Committee and the Board.

The ultimate parent entity within the group is BlueScope Steel Limited, which is incorporated in Australia. All BlueScope’s legal entities are disclosed at note 21 of the FY2017 Financial Report.

The BlueScope Australian tax consolidated group does not currently pay corporate income tax due to it having an estimated $2.3 billion of carried forward tax losses at 30 June 2017. The losses are attributable to the operating losses suffered in Australia between FY2009 and FY2015. As no deferred tax asset has been recognised for $1.6 billion of these losses (due to not satisfying the relevant accounting standard requirement), the future use or recognition of these losses results in a reduction in the accounting effective tax rate.

The Australian tax rate of 30% is reconciled below to the "underlying" effective tax rates (the ‘normalised’ income tax expense as a percentage of ‘normalised’ profit) compared to the "reported" effective tax rates for the year ended 30 June 2017:

<table>
<thead>
<tr>
<th>Adjustment</th>
<th>Global</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian Statutory Tax Rate</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Concessions</td>
<td>(a)</td>
<td>(1.4%)</td>
</tr>
<tr>
<td>Tax Rate Differential</td>
<td>(b)</td>
<td>1.8%</td>
</tr>
<tr>
<td>Other</td>
<td>(c)</td>
<td>2.1%</td>
</tr>
<tr>
<td>Underlying Effective Tax Rate</td>
<td></td>
<td>28.3%</td>
</tr>
<tr>
<td>Adjustments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Losses</td>
<td>(c)</td>
<td>(11.7%)</td>
</tr>
<tr>
<td>Other</td>
<td>(c)</td>
<td>2.4%</td>
</tr>
<tr>
<td>Reported Effective Tax Rate</td>
<td></td>
<td>19.0%</td>
</tr>
</tbody>
</table>

The above adjustments to income tax expense relate to:

a) The effects of tax concessions (i) research and development (R & D) incentive in Australia, (ii) manufacturing allowance deductions in the US, and (iii) tax incentives in Thailand.

b) Foreign tax rate differential, which predominantly relates to higher tax rates on profits in North America offset by lower taxes on profits earned in New Zealand and Asia.

c) Non recognition of tax losses in NZ and Australia.

Refer to Community – Our Performance for further details on our tax contribution globally.

Risk Management

BlueScope adopts a structured and consistent framework to managing risk which is an integral part of key business decisions. The Company considers that a sound framework of risk management policies, procedures and controls is fundamental to good corporate governance.

The objective of the Company’s risk management policies, procedures and controls is to:

» Link the identification and management of risk to the achievement of business strategy and objectives

» Systematically identify and proactively manage risk

» Equip employees to take responsibility for managing risk and be trusted to make risk management decisions

» Identify the Company’s principal market, operational, reputation and financial risks

» Have in place effective systems to monitor and manage risks

» Have in place reporting systems and effective internal controls, including major risks and key mitigation strategies being reported to the Board and relevant Board Committees

Regulatory Compliance

BlueScope is subject to an extensive range of laws and regulations in the countries in which we operate. These include laws and regulations relating to the environment, greenhouse gas emissions, tax, occupational health and safety, competition law and trade restrictions.

BlueScope continues to focus on improving environmental compliance performance. During FY2017, BlueScope notified relevant authorities of 26 environmental non-compliances. There were no environmental prosecutions against BlueScope during the period.

1. The Australian underlying effective tax rate excludes the impact of dividends received from overseas subsidiaries (these profits have been taxed in the foreign jurisdiction).
Supplementary information

Stakeholder engagement

Our licence to operate relies on the support of our stakeholders. We work hard to develop and maintain relationships with our principal stakeholders, who are those identified in Our Bond: our customers, our shareholders, our people and our communities. In addition Government and regulatory bodies, suppliers and joint venture partners also have an interest in the performance of our business.
Our Corporate website provides our stakeholders with a wealth of information relating to all aspects of our business. In the table below we have identified stakeholder interests and the methods through which we engage with them. The primary interests of each stakeholder group were identified through our materiality process and discussions with the BlueScope personnel who engage regularly with each stakeholder group.

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Interests</th>
<th>Principal engagement methods</th>
</tr>
</thead>
</table>
| Customers            | » Reliability of supply  
» Product cost and quality  
» Product performance and environmental value  
» Development of innovative solutions  
» Availability of local BlueScope representatives  
» Engagement by BlueScope to understand customer needs | » Sales and contract negotiations  
» Visits to customer sites  
» Presence at industry events including conferences and forums  
» Direct engagement to understand long-term needs and emerging challenges |
| Shareholders         | » Delivery of top quartile investment returns  
» Corporate governance  
» Business conduct  
» Risk management and controls  
» Climate transition risk mitigation  
» Safety performance and controls  
» Supply chain risk controls | » Release of half-year and year-end financial reports and presentations  
» Annual General Meeting  
» ASX announcements  
» ESG briefings with institutional investors  
» Remuneration briefings with institutional investors |
| BlueScope people     | » Safe workplace  
» Meaningful employment  
» Positive and engaging culture  
» Training and development opportunities  
» Visibility of leadership teams  
» Sustainability of financial performance | » Regular contact with direct manager or supervisor  
» Site visits from leadership teams  
» Pulse Survey  
» Workplace  
» Training sessions  
» Employee forums |
| Communities          | » Environmental and social impact of operations  
» Employment opportunities  
» Economic contribution  
» Impact on local cultural heritage | » Community liaison groups and forums  
» Support of and presence at community events |
| Government and regulatory bodies | » Compliance with environmental, social and commercial legislation and regulation  
» Economic contribution, including taxes paid  
» Product and process innovation | » Liaison with local and national government and regulators in all jurisdictions in which we operate  
» Direct policy submissions to government  
» Membership of industry associations |
| Suppliers            | » Transparency during the procurement process  
» Financial performance | » Meetings and discussion during procurement process  
» Ongoing questionnaires and disclosure |
| Joint venture partners | » Governance of non-controlled operation  
» Product cost quality and performance | » Meetings with joint venture partners  
» Site visits to joint venture businesses |
**Responsible Sourcing Standard**

At BlueScope, we recognise that for us to be the best at what we do we need to rely on strong relationships with our suppliers both globally and locally. Our suppliers are critical resources for our business and we recognise that our success is a mutual proposition.

At BlueScope, we are guided by "Our Bond", a written expression of our values and principles that also reflects the importance of our Customers, Suppliers, our People, our Shareholders and the Communities in which we operate. Our Bond guides our actions and decisions and supports us in choosing to do what is right.

**Our commitment**

BlueScope is committed to sustainable sourcing practices that create, protect and grow long-term environmental, social and economic value for all stakeholders involved in bringing BlueScope’s products and services to market. We consider whole of life impact when assessing value and we will choose products and services that have lower environmental and social impacts over their life cycle compared to competing products and services.

BlueScope aims to conduct procurement and sourcing activities with integrity, in accordance with Our Bond and in accordance with applicable laws and regulations. We have a zero tolerance approach to bribery, corruption and improper practices and encourage reporting of any observed or suspected misconduct.

**Our approach**

BlueScope businesses are required to assess their supply chains based on materiality and sustainability risk factors. We require certain existing and potential new suppliers to demonstrate that the way in which they operate aligns with BlueScope’s expectations, and to commit to the principles expressed in this Supplier Standard.

We partner with businesses large and small who share our values. We will communicate our principles and expectations to suppliers and review supplier alignment with our responsible sourcing standard from time to time.

Suppliers will be required to comply with BlueScope assessment processes that seek to show compliance with this standard. This includes responding to requests for information and may include site visits, or third party assessments.

We will work with suppliers to improve social (including health and safety and human rights), environmental and ethical standards in our supply chain and within our suppliers’ value chain.

Non-compliance with our principles and expectations as communicated by us to a supplier may lead BlueScope to require corrective action or take other measures, including termination of the business relationship.

**Our principles**

Our aim is to ensure that sustainability principles are embedded within our sourcing processes, including supplier selection, performance monitoring and ongoing cooperation. BlueScope values and prioritises the following core principles and expects its suppliers to commit to them in supplying us and in respect of their own value chain.

1. **Knowledge of material impacts** BlueScope recognises that understanding the nature and extent of an organisation’s key impacts is critical to managing and minimising those impacts. BlueScope encourages its suppliers to identify their material sustainability issues, including their impacts on people, the environment, communities and their own supply chains.

2. **Resourcing and scope** BlueScope encourages suppliers to invest sufficient resources to deliver sustainable outcomes, to improve their sustainability performance and to apply similar sustainability principles and approaches beyond its direct operations, to its suppliers, customers and investments.

3. **Measure, Manage and Report** BlueScope believes that measuring, disclosing and being accountable for organisational performance can be a catalyst for driving sustainable business practices and improvement over time. BlueScope expects suppliers to have policies, procedures and management systems in place to measure and improve material environmental and social impacts.

4. **Respecting human rights** BlueScope expects its suppliers to respect human rights within its own operations and supply chains. In particular, we reject all forms of forced and compulsory labour and child labour.

5. **Minimising environmental impact** BlueScope expects its suppliers to minimise and improve the environmental impacts associated with their products and services, operational footprint and supply chain.

6. **Positively impacting communities** BlueScope expects its suppliers to manage their operations to have a positive impact on the communities in which they operate and serve.

7. **Legal and regulatory compliance** BlueScope requires suppliers to comply with all applicable laws and regulations. This includes having a zero tolerance approach to bribery and corruption.

8. **Engaging with BlueScope on these principles** Suppliers will be required to comply with BlueScope processes that seek to show compliance with this standard. This includes responding fully and honestly in relation to requests for information and may include joint assessments, such as site visits, or third party assessments to evaluate performance against the standard.

**Supplier compliance** If any part of this standard is unclear suppliers should ask their BlueScope contact for explanation.

A whistleblower hotline is readily accessible on our website and open to all our suppliers and stakeholders if questionable conduct is observed or suspected.
Memberships and partnerships
BlueScope participates in a number of local, national and global organisations. The key organisations that influence our approach to sustainability and the way we report our performance are as follows:

worldsteel
BlueScope is a member of the World Steel Association (worldsteel), an international organisation that represents more than 160 steel producers. As a member of worldsteel we are committed to making a positive contribution to its seven sustainability principles which are aligned to the UN SDGs. worldsteel collects sustainability performance data from its members for eight indicators to monitor and drive best practice sustainability initiatives throughout the global steel industry.

American Iron and Steel Institute
The American Iron and Steel Institute is the principal steel sector industry body in North America. AISI works to advocate the North American steel industry, to drive quality and innovation and to improve the sustainability performance of steel manufacturers.

Australian Steel Stewardship Forum
BlueScope is a sponsoring member of the Australian Steel Stewardship Forum (ASSF). ASSF was created to drive stewardship throughout the steel product lifecycle and to improve and advocate the economic, environmental and social credentials of the Australian steel production value chain.

ResponsibleSteel
BlueScope is a founding member of ResponsibleSteel, an international steel industry organisation that was developed to enhance the transparency of steel product supply chains. ResponsibleSteel is developing a performance standard that will set the minimum expectations of transparency, governance and risk management for organisations that participate in the steel value chain. We are actively involved in the review of the draft performance standard and will continue to take an active role in ResponsibleSteel both on the board and in the implementation of the performance standard once it is finalised.

BlueScope’s Board of Directors as at 30 June 2017*:

<table>
<thead>
<tr>
<th>Directors</th>
<th>Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Bevan (Independent Chairman)</td>
<td>March 2014</td>
</tr>
<tr>
<td>Paul O’Malley (Managing Director &amp; Chief Executive Officer)</td>
<td>August 2007**</td>
</tr>
<tr>
<td>Penny Bingham-Hall (Non-Executive Director)</td>
<td>March 2011</td>
</tr>
<tr>
<td>Ewen Crouch, AM (Non-Executive Director)</td>
<td>March 2013</td>
</tr>
<tr>
<td>Ken Dean (Non-Executive Director)</td>
<td>April 2009</td>
</tr>
<tr>
<td>Rebecca Dee-Bradbury (Non-Executive Director)</td>
<td>April 2014</td>
</tr>
<tr>
<td>Daniel Grollo (Non-Executive Director)</td>
<td>September 2006</td>
</tr>
<tr>
<td>Lloyd Jones (Non-Executive Director)</td>
<td>September 2013</td>
</tr>
</tbody>
</table>

* On 21 August, BlueScope announced the appointment of Jennifer Lambert to the Board of Directors, effective 1 September 2017.
** On 21 August, BlueScope announced the retirement of Paul O’Malley as Managing Director & CEO, and the appointment of Mark Vassella to the position, effective 1 January 2018. Mark Vassella was formerly Chief Executive BlueScope Australia & New Zealand.
### BlueScope's Executive Leadership Team as at 30 June 2017:

<table>
<thead>
<tr>
<th>Member</th>
<th>Role</th>
<th>Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paul O’Malley</td>
<td>Managing Director &amp; Chief Executive Officer</td>
<td>August 2007*</td>
</tr>
<tr>
<td>Tania Archibald</td>
<td>Chief Financial Officer, BANZ and BlueScope Coated Products</td>
<td>April 2016</td>
</tr>
<tr>
<td>Michael Barron</td>
<td>Company Secretary</td>
<td>July 2002**</td>
</tr>
<tr>
<td>Debra Counsell</td>
<td>Chief Legal Officer</td>
<td>January 2017</td>
</tr>
<tr>
<td>Sanjay Dayal</td>
<td>Chief Executive, NS BlueScope</td>
<td>July 2012</td>
</tr>
<tr>
<td>Charlie Elias</td>
<td>Chief Financial Officer</td>
<td>March 2008</td>
</tr>
<tr>
<td>Pat Finan</td>
<td>Chief Executive, BlueScope Buildings</td>
<td>July 2015</td>
</tr>
<tr>
<td>Alec Highnam</td>
<td>Executive General Manager People and Performance</td>
<td>April 2016</td>
</tr>
<tr>
<td>Mark Vassella</td>
<td>Chief Executive, BlueScope Australia and New Zealand</td>
<td>July 2011</td>
</tr>
</tbody>
</table>

* On 21 August, BlueScope announced the retirement of Paul O’Malley as Managing Director & CEO, and the appointment of Mark Vassella to the position, effective 1 January 2018.

** Michael Barron retired as Company Secretary on 30 June 2017. Debra Counsell assumed the role of Chief Legal Officer & Company Secretary from 1 July 2017.

### BlueScope's Executive Leadership Team as at 1 January 2018:

<table>
<thead>
<tr>
<th>Member</th>
<th>Role</th>
<th>Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark Vassella</td>
<td>Managing Director &amp; Chief Executive Officer</td>
<td>January 2018</td>
</tr>
<tr>
<td>Tania Archibald</td>
<td>Chief Financial Officer, BANZ and BlueScope Coated Products</td>
<td>April 2016¹</td>
</tr>
<tr>
<td>Debra Counsell</td>
<td>Chief Legal Officer &amp; Company Secretary</td>
<td>January 2017</td>
</tr>
<tr>
<td>Sanjay Dayal</td>
<td>Chief Executive, NS BlueScope</td>
<td>July 2012²</td>
</tr>
<tr>
<td>Charlie Elias</td>
<td>Chief Financial Officer</td>
<td>March 2008³</td>
</tr>
<tr>
<td>Pat Finan</td>
<td>Chief Executive, BlueScope Buildings</td>
<td>July 2015</td>
</tr>
<tr>
<td>Alec Highnam</td>
<td>Executive General Manager People and Performance</td>
<td>April 2016</td>
</tr>
<tr>
<td>John Nowlan</td>
<td>Chief Executive, Australian Steel Products</td>
<td>January 2018</td>
</tr>
<tr>
<td>tbc</td>
<td>Chief Executive, New Zealand &amp; Pacific Islands</td>
<td>tbc</td>
</tr>
</tbody>
</table>

¹ As announced to the ASX on 27 November 2017, with effect from 1 March 2018 Ms Archibald will assume the role of BlueScope’s Chief Financial Officer

² As announced to the ASX on 27 November 2017, with effect from 1 March 2018, Mr Dayal will assume the role of Chief Executive Strategy & Optimisation, overseeing corporate strategy, M&A, supply chain and the Buildings business in ASEAN

³ As announced to the ASX on 27 November 2017, with effect from 1 March 2018 Mr Elias will assume the role of Chief Executive NS BlueScope. From 1 July 2018 he also assumes responsibility for BlueScope China
## General standards disclosures

<table>
<thead>
<tr>
<th>Disclosure</th>
<th>Description</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>102-1</td>
<td>Name of the organization</td>
<td>Back cover of this report</td>
</tr>
<tr>
<td>102-2</td>
<td>Activities, brands, products, and services</td>
<td>Our business, page 7</td>
</tr>
<tr>
<td>102-3</td>
<td>Location of headquarters</td>
<td>Introduction, page 3</td>
</tr>
<tr>
<td>102-4</td>
<td>Location of operations</td>
<td>Introduction page 3</td>
</tr>
<tr>
<td>102-6</td>
<td>Markets served</td>
<td>Our business, page 7, detailed information regarding our principal markets can be found in our Director’s Report 30 June 2017, page 6</td>
</tr>
<tr>
<td>102-7</td>
<td>Scale of the organization</td>
<td>Our business, page 8</td>
</tr>
<tr>
<td>102-8</td>
<td>Information on employees and other workers</td>
<td>People and culture, page 14</td>
</tr>
<tr>
<td>102-9</td>
<td>Supply chain</td>
<td>Supply chain sustainability, page 28</td>
</tr>
<tr>
<td>102-10</td>
<td>Significant changes to the organization and its supply chain</td>
<td>Our business, page 8</td>
</tr>
<tr>
<td>102-11</td>
<td>Precautionary Principle or approach</td>
<td>Sustainability at BlueScope, page 9</td>
</tr>
<tr>
<td>102-12</td>
<td>External initiatives</td>
<td>Supplementary information, page 57</td>
</tr>
<tr>
<td>102-13</td>
<td>Membership of associations</td>
<td>Supplementary information, page 60</td>
</tr>
<tr>
<td>Disclosure</td>
<td>Description</td>
<td>Location in SR</td>
</tr>
<tr>
<td>------------</td>
<td>-------------</td>
<td>----------------</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-14</td>
<td>Statement from senior decision-maker</td>
<td>Message from the Managing Director and CEO, page 5</td>
</tr>
<tr>
<td><strong>Ethics and integrity</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 102-16 | Values, principles, standards, and norms of behaviour | Our Bond, page 2  
Governance, page 54 |
| **Governance** | | |
| 102-18 | Governance structure | Sustainability at BlueScope, page 10 |
| **Stakeholder engagement** | | |
| 102-40 | List of stakeholder groups | Supplementary information, page 58 |
| 102-41 | Collective bargaining agreements | People and culture, page 25 |
| 102-42 | Identifying and selecting stakeholders | Supplementary information, page 58 |
| 102-43 | Approach to stakeholder engagement | Supplementary information, page 58 |
| 102-44 | Key topics and concerns raised | Supplementary information, page 58 |
| **Reporting practice** | | |
| 102-45 | Entities included in the consolidated financial statements | Annual Financial Report 30 June 2017, page 41 |
| 102-46 | Defining report content and topic Boundaries | Sustainability at BlueScope, page 13 |
| 102-47 | List of material topics | Sustainability at BlueScope, page 13 |
| 102-48 | Restatements of information | Historic NOx emissions data FY2013 – FY2016 has been restated to correct a manual transcription error |
| 102-49 | Changes in reporting | Sustainability at BlueScope, page 11 |
| 102-50 | Reporting period | Message from Managing Director and CEO, page 5 |
| 102-51 | Date of most recent report | Message from Managing Director and CEO, page 5 |
| 102-52 | Reporting cycle | Message from Managing Director and CEO, page 5 |
| 102-53 | Contact point for questions regarding the report | Back cover of this report |
| 102-54 | Claims of reporting in accordance with the GRI Standards | This report has been prepared in accordance with the GRI Standards: Core Option |
| 102-55 | GRI content index | GRI content index, page 62 |
| 102-56 | External assurance | We have not sought external assurance over the disclosures included in the report. |
## Specific standard disclosures

<table>
<thead>
<tr>
<th>Disclosure</th>
<th>Description</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Health and wellness</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>103-1</td>
<td>Explanation of the material topic and its boundary</td>
<td>Sustainability at BlueScope, page 13</td>
<td>N/A</td>
</tr>
<tr>
<td>103-2</td>
<td>The management approach and its components</td>
<td>People and culture, page 15</td>
<td>N/A</td>
</tr>
<tr>
<td>103-3</td>
<td>Evaluation of the management approach</td>
<td>People and culture, page 15</td>
<td>N/A</td>
</tr>
</tbody>
</table>
| 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | People and culture, page 17 | » No fatalities occurred in FY2017  
» BlueScope has not identified any major occupational illnesses in our workplaces and therefore we do not record this data |
| **Diversity and inclusion** | | | |
| 103-1 | Explanation of the material topic and its boundary | Sustainability at BlueScope, page 13 | N/A |
| 103-2 | The management approach and its components | People and culture, page 20 | N/A |
| 103-3 | Evaluation of the management approach | People and culture, page 20 | N/A |
| 405-1 | Diversity of governance bodies and employees | People and culture, page 21 | N/A |
| **Climate change and energy** | | | |
| 103-1 | Explanation of the material topic and its boundary | Sustainability at BlueScope, page 13 | N/A |
| 103-2 | The management approach and its components | Environment, page 37 | N/A |
| 103-3 | Evaluation of the management approach | Environment, page 37 | N/A |
| 305-4 | GHG emissions intensity | Environment, page 39 | N/A |
## Supply chain sustainability

<table>
<thead>
<tr>
<th>Disclosure</th>
<th>Description</th>
<th>Location in SR</th>
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<td>103-1</td>
<td>Explanation of the material topic and its boundary</td>
<td>Sustainability at BlueScope, page 13</td>
</tr>
<tr>
<td>103-2</td>
<td>The management approach and its components</td>
<td>Product and Customer, page 28</td>
</tr>
<tr>
<td>103-3</td>
<td>Evaluation of the management approach</td>
<td>Product and Customer, page 28</td>
</tr>
<tr>
<td>414-1</td>
<td>New suppliers that were screened using social criteria</td>
<td>BlueScope intends to commence recording screening information relating to our Responsible Sourcing Standard in future reporting periods</td>
</tr>
</tbody>
</table>

## Business conduct

<table>
<thead>
<tr>
<th>Disclosure</th>
<th>Description</th>
<th>Location in SR</th>
</tr>
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<tbody>
<tr>
<td>103-1</td>
<td>Explanation of the material topic and its boundary</td>
<td>Sustainability at BlueScope, page 13</td>
</tr>
<tr>
<td>103-2</td>
<td>The management approach and its components</td>
<td>Governance, page 54</td>
</tr>
<tr>
<td>103-3</td>
<td>Evaluation of the management approach</td>
<td>Governance, page 54</td>
</tr>
<tr>
<td>205-3</td>
<td>Confirmed incidents of corruption and actions taken</td>
<td>Governance, page 55</td>
</tr>
</tbody>
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