Introduction

This document provides an overview of BlueScope’s position on climate change and energy policy, and the manner in which it engages with industry associations and policymakers on these matters. It includes:

1. a summary of BlueScope’s publicly stated positions on climate change and energy policy;
2. the approach the Company takes to advocacy;
3. the principles that guide our engagement with industry associations and policymakers; and
4. our approach to membership of industry associations.

It also includes an overview of BlueScope’s membership of key industry associations in Australia, the nature and purpose of each association, and the associations’ respective positions on climate change and energy policy.
1. BlueScope’s position on climate change and energy

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 the 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 contributing to the elimination of surplus global steelmaking capacity.

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

Source: 2016/2017 Sustainability Report

The Company supports Australia's 2030 emissions target, including the Australian government's goal to reduce emissions in the electricity sector by 26 per cent on 2005 levels by 2030.

BlueScope supported the aim(s) of the National Energy Guarantee (NEG), to deliver more reliable, affordable and cleaner energy to Australian consumers. BlueScope is very concerned that electricity has become increasingly unaffordable and potentially unreliable for large, energy-intensive manufacturers.

As BlueScope is a large electricity consumer, energy affordability, reliability and security are fundamental to the competitiveness of our business. Over recent years, BlueScope has transformed its operations to ensure its ongoing viability. Keeping domestic production costs competitive remains paramount and energy is a major cost in steelmaking. Rising energy costs represent the single largest increase in BlueScope's local production costs. More expensive energy directly affects our capacity to invest and provide employment. As such, the NEG's aim of lowering the cost of electricity to customers was central to our support for the policy.

Historically, issues of electricity supply and reliability have not been regarded as particularly high risks to BlueScope’s Australian operations, largely due to the significant reserve capacity within the National Electricity Market (NEM). However, recent assessments showing a reduction and potential shortfalls in the dispatchable capacity in the NEM, along with load shedding events last year, raise concerns about energy reliability for BlueScope’s process-critical operations.

BlueScope believes that to be effective energy policy must:

» Deliver a material and sustainable reduction in electricity costs to all consumers in order to support and promote domestic investment and employment;
» Promote lowest cost reliability, abatement (in line with Australia’s 2030 target) and compliance;
» Provide clear policy and investment signals to build an appropriate level of future dispatchable generation capacity;
» Have a positive impact on market efficiency and maintain market liquidity;
» Not reduce competition or increase the concentration of market power in the energy sector;
» Maintain flexibility for large energy users to manage electricity costs; and
» Safeguard emissions-intensive trade-exposed industries (EITEs) from costs that jeopardise their competitiveness.

Source: BlueScope public submission to NEG detailed design consultation, 13 July 2018

2. BlueScope’s public policy advocacy

BlueScope takes a bipartisan approach to political discourse in all jurisdictions where it operates, focusing on relevant policy matters. We do not endorse candidates for office, or the election (or re-election) of particular political parties.

The Company will, however, take public positions in support of or opposition to policies, legislation and regulations that will have a significant effect on its operations or financial performance, including from time-to-time seeking amendments to such policies. We will also meet with ministers, MPs and officials for the purposes of informing them about the Company and its views on such policies.

In doing so, BlueScope seeks public policy that:

» Helps underpin a competitive and sustainable steel industry;
» Provides a stable basis for investment decisions, including in long-lived assets;
» Does not disadvantage the Company compared to its industry peers and competitors;
» Is in line with BlueScope’s charter (Our Bond https://www.bluescope.com/about-us/our-bond/) and policies, where relevant; and
» Reflects what we judge to be in the overall best interests of our stakeholders, including shareholders, employees, customers and communities.

2
3. BlueScope’s membership of industry associations

BlueScope is an active member of various industry associations in many of the countries in which it operates. It participates in these organisations in order to be better informed about public policy that has the potential to affect the Company, to share knowledge about policy, and contribute its views and experience.

Our engagement with industry associations on climate change and energy matters is guided by the positions, commitments and principles outlined above.

Most of the Australian industry associations of which BlueScope is a member have a broader focus beyond climate change and energy policy, including on matters such as trade policy, industry policy, workplace relations, deregulation and infrastructure policy.

BlueScope also derives value from its industry association memberships beyond public policy. Membership of industry associations assists with:
- training of employees;
- better understanding of legal and regulatory obligations;
- sharing of knowledge and best practice; and
- learning about national and global developments in business and society.

Membership also allows companies in the steel industry to jointly address long-term, global issues, such as sharing information regarding developments in technology, including lower-emissions steelmaking technology and carbon capture and utilisation.

Each organisation is run professionally, and they typically comprise as members peer companies, and in some cases small and medium businesses, government organisations, non-government organisations, universities, think-tanks and other organisations. Some of these industry associations have a handful of members, while many have hundreds and even thousands of members.

Accordingly, we recognise that the public positions of these organisations will not always be exactly the same as BlueScope’s. However, we seek to engage with, and remain members of, organisations that have positions that are broadly consistent with ours on the issues of most importance to the Company. When assessing BlueScope’s views on public policy matters, stakeholders are encouraged to look first to the information we make publicly available, including through our financial reporting, sustainability reports, our corporate website, and our public submissions to government inquiries and consultation processes.

4. Key industry association memberships – Australia

BlueScope is a member and active participant in the groups listed below, which are the principal industry associations in Australia with which it discusses climate change and energy policy matters.

<table>
<thead>
<tr>
<th>Industry association</th>
<th>Purpose and activities</th>
<th>Position on climate change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Australian Industry Group (AiGroup)</strong></td>
<td>The Australian Industry Group (AiGroup®) is a peak employer organisation representing traditional, innovative and emerging industry sectors. Its members are small and large businesses in sectors including manufacturing, construction, engineering, transport and logistics, labour hire, mining services, the defence industry, civil airlines and ICT.</td>
<td>AiGroup is a signatory to the Australian Climate Roundtable: Joint Principles For Climate Policy. The other signatories are Australian Conservation Foundation, Australian Council of Social Services, Australian Council of Trade Unions, the Australian Energy Council, the World Wildlife Fund, the Australian Aluminium Council, the Business Council of Australia, and the Investor Group on Climate Change. The Roundtable’s overarching aim is for Australia to play its fair part in international efforts to limit global warming to less than 2°C above preindustrial levels, while maintaining and increasing its prosperity. <a href="http://cdn.aigroup.com.au/Reports/2015/Climate_roundtable_joint_principles_June_29_2015_final_embargoed.pdf">http://cdn.aigroup.com.au/Reports/2015/Climate_roundtable_joint_principles_June_29_2015_final_embargoed.pdf</a></td>
</tr>
<tr>
<td>Industry association</td>
<td>Purpose and activities</td>
<td>Position on climate change</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------------------</td>
<td>---------------------------</td>
</tr>
</tbody>
</table>
| **Australian Industry Greenhouse Network (AIGN)** | AIGN is a network of industry associations and individual businesses which contribute to the climate change policy debate and see value in joint industry action on climate change in order to promote sustainable industry development. | **AIGN policy principles**
Australia should make an equitable contribution, in accordance with its differentiated responsibilities and respective capability*, to global action to reduce greenhouse gas emissions and to adapt to impacts of climate change.

* This reflects the principle in Article 3.1 of the United Nations Framework Convention on Climate Change

| **Australian Steel Institute (ASI)** | The Australian Steel Institute is the nation’s peak body representing the entire steel supply chain from the mills right through to end users in building/construction, heavy engineering and manufacturing. It provides marketing and technical leadership to promote Australian-made steel as the preferred material to building/construction and manufacturing industries and policy advocacy to Government. | The Australian steel industry shares the view that sustainable development is a worldwide priority. Through efficient use of resources, design of products and their uses, and reduction of greenhouse emissions and water use, we have an opportunity to lower the impact of climate change.

The energy and greenhouse gas emission intensity of steel production has decreased markedly (estimated at 40 per cent) in the past 25 years through continuous improvement and technological change. (Source: The Crucible, “Environmental Performance of Steel in Buildings”)

The steel industry has proposed a framework for an intensity-based approach to measurement of CO2 emissions to enable globally consistent production-normalised CO2 emission comparisons between steelmakers.

The ASI supports improving the built environment through its Environmental Sustainability Charter (ESC). The ESC Group is made up of steel industry companies who commit to the ESC. The ASI has worked with the Australian Green Building Council to revise the steel credit available under the Green Star building rating system, and there is a credit point available for builders who use fabricators who are members of the ASI’s ESC Group.

<table>
<thead>
<tr>
<th>Industry association</th>
<th>Purpose and activities</th>
<th>Position on climate change</th>
</tr>
</thead>
</table>
| **Business Council of Australia (BCA)** | - Provides a forum for Australian business leaders to contribute directly to public policy debates.  
- The detailed work of the Business Council of Australia is undertaken through four policy committees:  
  1. Economic Policy and Competitiveness Committee  
  2. Energy and Climate Change Committee  
  3. Governance and Citizenship Committee  
  4. Skills, Education and Flexibility Committee | **Energy and Climate Change**  
- The Business Council supports the development of an integrated, national and bipartisan energy and climate change policy framework that can deliver the following four key goals:  
  » Secure and reliable energy supply  
  » Affordable energy supply  
  » Strong, internationally competitive economy  
  » Meet current and future emission reduction targets.  
- We must look economy-wide for the lowest cost sources of abatement, building on the existing regulatory frameworks while developing specific policies in key sectors. Australia must also avail itself of potentially lower-cost, credible international carbon abatement if we can.  
| **Energy Users Association of Australia (EUAA)** | - The Energy Users’ Association of Australia plays a critical role in helping companies navigate uncertainty in energy markets, participate in driving changes in market rules and the way the network is managed, to ensure better outcomes and reduced costs for energy users.  
- There are three key elements to the work of the EUAA:  
  1. Policy and Advocacy  
  2. Information  
  3. Networking | **Climate Change Policies**  
- It is in Australia’s best interests to be part of a global climate change solution that minimises overall costs of decarbonisation of its economy and takes advantage of new technological and economic opportunities. To ensure the transition to a low carbon energy market is both economically and environmentally efficient, investment grade policy is required. Central to this must be a market-based mechanism that puts a price on carbon.  
- Climate change policies must be clear in their intent, consistent and fair in their application and always seek to minimise the financial impact on consumers while meeting the government’s international commitments. Climate change is a global problem that can only be met by a global solution.  
<table>
<thead>
<tr>
<th>Industry association</th>
<th>Purpose and activities</th>
<th>Position on climate change</th>
</tr>
</thead>
</table>
| **Manufacturing Australia (MA)**<br>» 11 Member Companies                                                                 | Manufacturing Australia is a CEO-led coalition of Australia’s largest manufacturers. MA works with governments, business and community stakeholders to help the sector realise its potential. It proposes and supports practical policy measures to ensure Australian manufacturing remains internationally competitive.  
MA does not support protectionism and believes that manufacturers should be wholly accountable for their own performance. Having overcome a myriad of external economic challenges in recent years, Australian manufacturers continue to operate at scale because they are efficient, well-managed and innovative businesses that have restructured and retooled to improve productivity and remain competitive.  
MA’s priorities include:  
1. Encouraging better regulations that help keep Australian manufacturing safe, productive and high quality, without placing unnecessary burden on businesses and raising the cost of doing business in Australia;  
2. Increasing productivity through innovation, research and development, modern and flexible workplaces and direct engagement between employees and employers;  
3. Ensuring free trade is also fair trade by maintaining a strong anti-dumping system; and  
4. Maintaining Australia’s competitive advantage of diverse and affordable energy resources. | MA supports the efforts of the Commonwealth Government to develop a lasting, practical, energy policy framework.  
In particular, MA:  
» supports Australia’s Paris climate accord commitment and agrees that Australia should take action to reduce emissions, in line with our global contribution to emissions;  
» supports the National Energy Guarantee’s high level goal of balancing the objectives of energy security, energy affordability and emissions reduction in line with Australia’s global commitments;  
» supports measures that seek to retain existing or encourage new, reliable, generation that can be dispatched at times when intermittent renewable generation is unavailable;  
» proposes and supports practical solutions that balance the “trilemma” of emissions reduction, reliable energy supply and internationally competitive energy prices. Getting that balance right is necessary to sustain an internationally competitive manufacturing sector.  
MA believes Australia can harness its energy advantage if we:  
» Create a competitive domestic gas market that ensures gas is available to the domestic manufacturing sector alongside a thriving gas export industry.  
» Ensure that our carbon and emissions policies are aligned with the positions of our major trading competitors and partners so as not to place Australian industry at a competitive disadvantage.  
» Deliver clarity in energy policy to minimise uncertainty, deliver efficiencies and encourage investment. |