ADAPTable

BLUESCOPE

2017/2018

SUSTAINABILITY
REPORT

BlueScope is committed to continuous improvement.

The long term growth of our company is underscored by the sustainability of steel and the critical role it will play in supporting a sustainable society.

We take a life cycle approach, looking at the impact of a product over its entire life and focus on the four principles of a circular economy: reduce, reuse, remanufacture and recycle.

CONTINUING *to* ADAPT *to the* OPPORTUNITIES *and challenges* OF SUSTAINABILITY

Contents

OUR BOND

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.

All data is reported on an equity/proportional basis unless otherwise stated.

Welcome to BlueScope's Sustainability Report for FY2018, which communicates our progress in further embedding sustainability into every aspect of how we do business.

message from the MANAGING DIRECTOR AND CEO

Mark Vassella
Managing Director & CEO

At BlueScope, we strive to live by the values expressed in Our Bond. It 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 there that all of our Company's policies, processes and approaches are driven.

Last year we engaged with a cross section of our stakeholder groups and identified five sustainability topics considered most material to our business – safety, health and wellness; climate change and energy; diversity and inclusion; governance and business conduct; and supply chain sustainability. These topics form the foundation for BlueScope's sustainability reporting, which follows the core option of the Global Reporting Initiative (GRI).

BlueScope has a reputation for industry leading safety performance, and has maintained a Lost Time Injury Frequency Rate below 1.0 for 14 years. This year we have improved on last year's performance, reporting a Lost Time Injury Frequency Rate of 0.62. Encouraging as that number is, we are acutely aware that our people still get hurt at work, so we will never lose our focus or allow ourselves to be distracted from our relentless pursuit of zero harm.

In our FY2017 Sustainability Report we made a commitment to focus our attention on climate change and report in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Since then we have analysed how three different climate change scenarios may affect our business, and this is discussed in detail in the body of the report. This work has reinforced our belief in BlueScope's resilience and confirmed the essential role steel must play in a low carbon economy.

We support the international climate agreement developed at the 2015 Paris Conference of Parties as well as the 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 (GHG) emissions to transition to a more sustainable economic model. It is important to acknowledge that through the removal of surplus export steelmaking capacity, BlueScope has reduced its Australian GHG emissions by over 40 per cent since 2011, making a significant contribution to Australia's commitment to a 26–28 per cent reduction on 2005 levels under the Paris agreement.

This year we developed continuous improvement targets, based on our 2018 performance, for reducing GHG emission intensity for all three of our steel manufacturing sites. These will ensure we follow the path described by the International Energy Agency 2 Degree Scenario (IEA 2DS) model at least until 2027. We are also encouraging all our businesses to consider a move to renewable energy wherever it is commercially viable – in support of the energy sector's transition to a low carbon future. Recently we announced a very important renewable energy Power Purchase Agreement, equivalent to 20 per cent of Port Kembla Steelworks' electricity grid demand. We acknowledge we have more work to do to ensure we follow the IEA 2DS route out to 2050 and we are actively seeking opportunities to do so.

We have commenced projects to further consider the physical risks of climate change, such as rising sea levels and severe weather, not only to our facilities but also to our supply chain. We are revising our plans to ensure we have contingencies in place to address more frequent severe weather.

We consider that climate change may cause fresh water supply to become an issue in some areas and have increased our focus on this important resource.

In FY2018 our total global fresh water consumption reduced mainly due to the sale of our Taharoa ironsand business and from improvements at Port Kembla Steelworks, but again we see challenges here. We are determined to revitalise our efforts to ensure fresh water consumption is managed efficiently and our fresh water use is minimised.

We are committed to pursuing an ever-decreasing environmental footprint by directing our efforts to reducing consumption, reusing materials and recycling. Our manufacturing teams pursue cost reduction initiatives across every aspect of our business with a specific focus on energy and adopting renewable sources wherever it make sense; our technical and sales people have found many innovative ways of creating valuable products by reusing material originally considered waste; and we have increased our focus on all waste streams to ensure our operations are as efficient as possible. Scrap steel (the most recycled material in the world) remains a very important raw material for all our steelmaking operations – and especially at our North Star facility in North America.

In our FY2017 report we made a statement of commitment to the UN Guiding Principles on Business and Human Rights. To ensure we live up to our obligations we have initiated a significant project to review our supply chain, segment it based on risk, and develop plans for ensuring all our suppliers are committed to operating to a similar set of values to those expressed in Our Bond.

In recent years we have increased the emphasis on diversity and we have focused initially on improving our gender balance. During FY2018 we have made significant gains across all levels of our Company: one in three new recruits in operating roles is female, we have doubled the rate of hiring women to all roles across the Company, and women now comprise 33 per cent of our Board and Executive Leadership Team. Every business, in every region, has made a determined effort and contributed to this change which is actively reshaping our organisation and building the Company we want to be in the future.

Many of our products are now registered under the Australian environmental product declaration program which provides detailed information about their environmental performance, and can assist in determining the environmental impact of buildings and infrastructure that use those products and help earn points for Green Star building projects. We have also continued to develop new products such as COLORSTEEL DRIDEX® designed specifically to address the negative impacts of humidity from the New Zealand climate in commercial and residential buildings.

This Sustainability Report explains in detail the work we are doing to ensure BlueScope is alert, responsive and adapting to every aspect of our ever-changing environment.

Always guided by Our Bond, we are determined to do what's right for ourselves and our stakeholders, and that determination bolsters our resilience no matter what the challenge. We are continuing to make progress as our reporting matures, and we welcome your views and feedback at sustainability@bluescope.com.

I am inspired and excited by BlueScope's achievements and proud to present this report. I sincerely hope you will take the time to read it, and find it informative.

Mark Vassella, *Managing Director & CEO*

our approach to SUSTAINABILITY

Underpinned by the values and principles described in Our Bond, 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, adopting new operating methods and anticipating new products to support the future needs of a sustainable society.

Our approach to sustainability is aligned to the principles of the United Nations (UN) Global Compact and informed by the UN Sustainable Development Goals (SDGs). The 17 SDGs provide organisations with a lens through which to translate global needs and ambitions into business solutions across the value chain. Through our materiality processes, we have identified eight priority SDGs based on our current business plans. In FY2019 we will undertake a review to further embed the SDGs into our sustainability strategy and to identify the key opportunities for BlueScope to align our business activities to our priority SDGs.

Our FY2018 Sustainability Report is our second report that aligns with the core option of the GRI standards. This enables stakeholders to clearly understand our performance and our approach to managing key sustainability matters. References to key GRI disclosures are set out in the GRI content index in Section 10.

Stakeholder engagement

We rely on the support of our stakeholders, with whom we work to develop and maintain relationships. Our Bond identifies our key stakeholders: our customers, our shareholders, our people and our communities. In addition, we recognise the governments 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.

Materiality assessment

In FY2017 we conducted a comprehensive materiality assessment to identify the sustainability topics that matter most to our stakeholders. Our approach was guided by the GRI principles for defining report content (stakeholder inclusiveness, sustainability context, materiality and completeness). The results were used to inform our strategic approach to sustainability and sustainability initiatives.

For the FY2018 reporting period we undertook a review to confirm that our materiality results remain consistent with current and emerging topics raised through formal stakeholder channels, our peers' material sustainability topics, and media reports relating to BlueScope and the global steel industry.

In collating and presenting the results of our materiality procedures, we have categorised the topics identified through the materiality assessment:

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 Group. We have disclosed our management approach and selected performance data for these topics in this report.

Other sustainability topics regarded as not material or less important continue to be assessed as part of our periodic materiality processes or are reported as part of our broader suite of financial and non-financial disclosures. These topics are also addressed through specific stakeholder or local engagement initiatives, and are reported on through other channels.

BlueScope sustainability topics determined through our materiality processes

Material Important Other

Safety, health and wellness	Climate change and energy	Diversity and inclusion	
Governance and business conduct	Supply chain sustainability		
Environmental impacts	Innovation	Leadership and talent development	
Workplace culture and engagement	Communities	Product stewardship	Tax transparency
International trade	Environmental regulation	Commodity prices	Local investment
Management of joint ventures	Competitiveness of brands and products		
Sensitive sites	Executive remuneration	Social media risk	Changing workforce
Digital experience	Financial sustainability and growth	Impact of automation on workforce	

The definitions and boundaries of each topic are detailed in Section 9.

Below we provide a snapshot of some of our key sustainability metrics.

BlueScope sustainability scorecard			
Metric	**FY2018**	**FY2017**	**Change**
Raw steel produced (000 tonne)	5,971	5,868	1.8%
Percentage of female employees (%)	19	17	11%
Percentage of women in operator roles (%)	8.4	6.1	38%
Lost time injury frequency rate (LTIFR)	0.62	0.80	-23%
Medically treated injury frequency rate (MTIFR)	5.4	5.6	-3.6%
GHG emissions intensity of steelmaking facilities (tCO_2-e/t)[2]	1.66	1.68[1]	-1.2%
Energy intensity of steelmaking facilities (GJ/t)[3]	17.1	17.2[1]	-0.6%
Fresh water consumption (ML)	22,940	29,907	-23%
Fresh water intensity of steelmaking facilities (ML/t)[4]	2.40	2.29[1]	4.8%

Improvement in performance metric Decline in performance metric

SUSTAINABLE DEVELOPMENT GOALS

Our priority SDGs are informed by our materiality processes, and the SDGs that align to worldsteel's seven sustainability principles. In FY2019 we will undertake a review to further embed the SDG targets into our sustainability strategy to identify the key opportunities for BlueScope to align our activities to them.

1 FY2017 intensity metrics have been revised. Refer to Section 3 (Restatement of information) for details.
2 Tonnes of carbon dioxide equivalent (tCO_2-e) per tonne (t) of raw steel produced
3 Gigajoules (GJ) per tonne (t) of raw steel produced
4 Megalitre (ML) per tonne (t) of raw steel produced

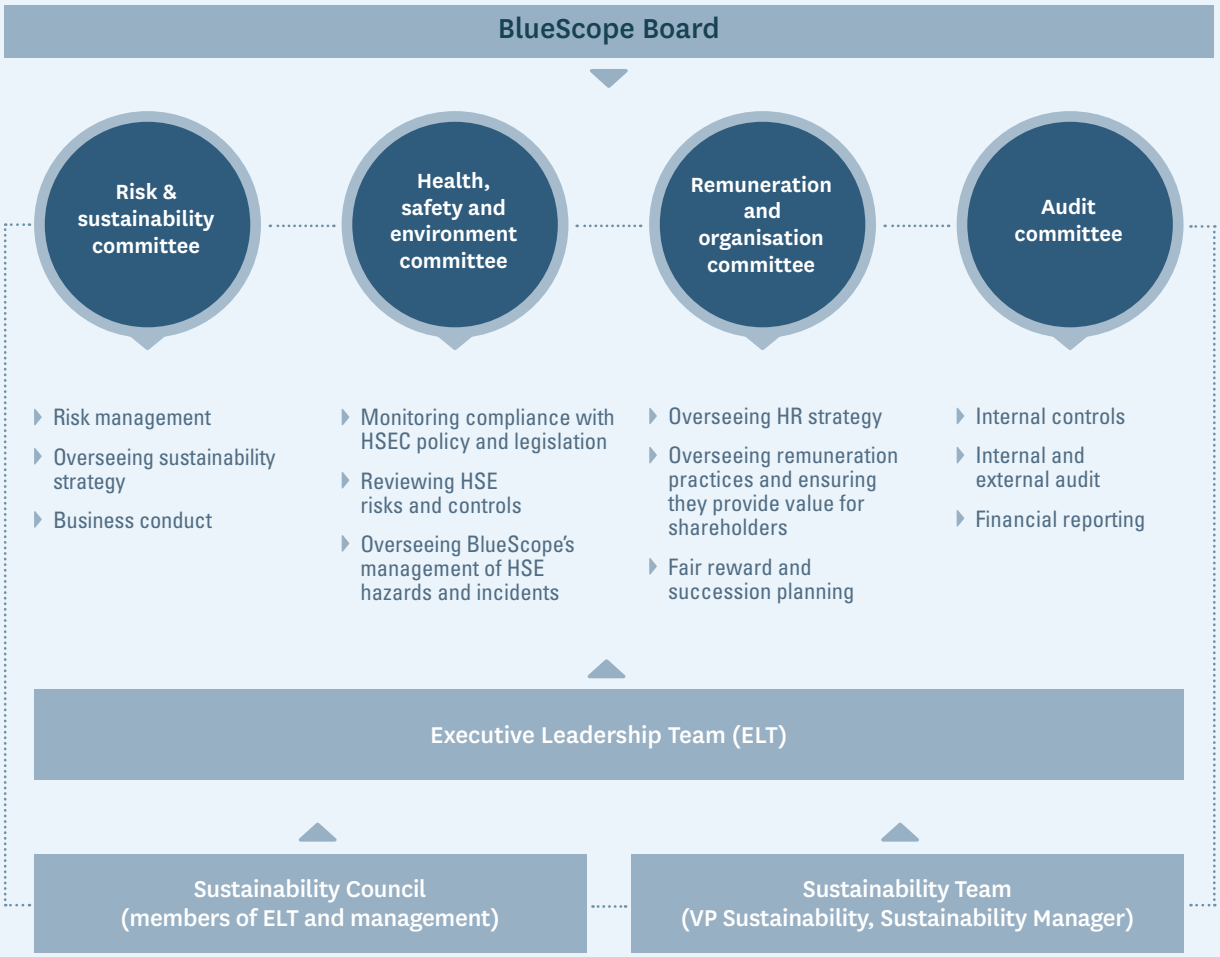
sustainable GOVERNANCE

Governance and management

Our Board with the assistance of its committees oversees sustainability matters, while day to day accountability rests with management teams. Sustainability topics are a key focus for the Board and regularly discussed at its meetings.

In FY2017 we strengthened our approach to sustainability and modified the structure of our Board committees to create a Risk and Sustainability Board Committee, separate from the Audit Committee.

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. The Risk and Sustainability Committee also assists the Board in the effective discharge of its responsibilities for risk management (which includes the effectiveness of the Group's risk management system, business conduct, litigation and regulatory risks), as well as working with each of the other committees to ensure BlueScope's material sustainability aspects have appropriate oversight and align with BlueScope's strategy.



BlueScope's vision and strategy for health, safety and environment are guided by the Board Health, Safety and Environment (HSE) Committee. Each member of the Board is a member of this Committee, which meets quarterly. The HSE Committee reviews and recommends actions to the Board with respect to policy, plans, performance against targets, risks and emerging issues.

The Board has ultimate responsibility for BlueScope's consideration of climate related risks and opportunities, through the support of the HSE and Risk and Sustainability Committees. The Remuneration and Organisation Committee has oversight of the Group's people and culture vision and strategy, including BlueScope's performance relating to diversity and inclusion, talent development, and culture and engagement.

In addition to the four committees above, the Nomination Committee has responsibility for Board renewal and succession planning, and ensures the Board and its committees have the skills, experience and diversity to discharge the Board's duties. Further details regarding our governance structures, including committee memberships and attendance can be found in our 2018 Corporate Governance Statement and on our website.

Executive Leadership Team

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 sustainability and climate change functions and responsibilities of the ELT are: reviewing Company strategy and strategic plans, promoting robust structures and procedures for governance and legal compliance, reviewing allocation of resources (capital and human) including budgets and business plans, and reviewing sustainability and climate change strategy and governance processes and procedures for the Company as a whole (including those relating to risk management, reporting and monitoring performance).

The ELT's 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).

Sustainability Council

BlueScope's Sustainability Council meets monthly, and is comprised of members of the ELT and senior management. The Sustainability 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.

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 FY2018 CCI survey for each of the measures listed below.

Capable senior executives

Strong focus on enhancing shareholder wealth

Effective board

High standard of corporate governance

Senior executive remuneration aligned with shareholder interests

Judgement in acquisitions, divestments and investments

Appropriate long term strategy

Effective capital management

Communicates well with investment community

High level of integrity

Good market disclosure

Informative management briefings

Good access to senior management

Good exposure to operations and operational management

Safety, health and environmental management

BlueScope's integrated HSE management system is outlined below, with further information provided in our Health, Safety, Environment and Community (HSEC) Policy and 2017 Sustainability Report, both of which are available on our website.

Many of BlueScope's operating facilities maintain certification to ISO 14001. These sites have made changes to transition to the updated ISO 14001 2015 standard, with all sites to be recertified to the new version by the end of 2018. This certification along with internal HSE governance audits to check compliance to the Company's HSE Standards provides further assurance that the HSE management system continues to be suitable, adequate and effective.

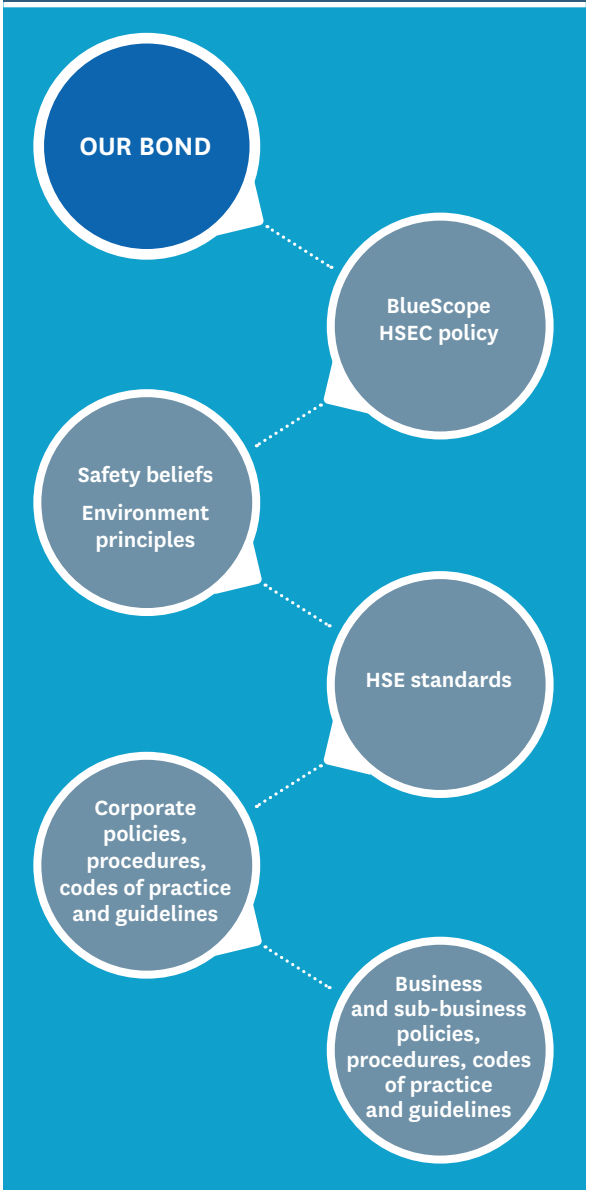
Executive remuneration

BlueScope's remuneration structures play an important role in motivating executives to deliver the business strategy and deliver sustainable results to create shareholder value, while supporting appropriate governance and business conduct. The Board therefore takes great care to ensure that, as the business priorities evolve, so too do BlueScope's remuneration arrangements.

The Board regularly consults with shareholders to understand prevailing views on remuneration practice in general, and expectations of BlueScope. In FY2018, following significant consultation with shareholders and other stakeholders, BlueScope made several changes to its remuneration framework that are outlined in the Remuneration Report within the FY2018 Directors' Report available on our website. We are pleased that these changes have received a high degree of support.

BlueScope is proud of its leading safety performance and safety remains our priority. To that end, safety performance is a core element of executives' short term incentive (STI) structures. For key management personnel, medically treated injury frequency rate improvement targets are established against the previous year's performance and form the safety measure to be assessed, subject to hurdles of no fatalities and a lost time injury frequency rate of less than one per million hours worked.

HSE at BlueScope is managed in accordance with this hierarchy:



In FY2019, in addition to safety performance, all members of the Executive Leadership Team have a component of their STI linked to specific sustainability measures aligned to BlueScope's material sustainability topics.

These measures are set to ensure that each ELT member has clear line of sight to the topic, and can directly contribute to performance through their actions.

Other measures within the STI include the key annual financial measures, and individual strategic projects that are linked directly to each executive's role, and support longer term business plans.

Further information on executive remuneration policies can be found in the Remuneration Report within the FY2018 Directors' Report available on our website.

Tax transparency

BlueScope supports the global development of improved tax transparency to assist with building trust in the tax systems in which we operate.

For the second consecutive year, BlueScope has provided information on our tax strategy and tax position to help meet the expectations under 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 is endorsed by the Audit Committee and the Board. The Framework covers:

- tax delegation of authority
- tax policy objectives
- tax risk appetite
- tax strategy

and is supported by documented key tax controls and governance principles as part of BlueScope's tax risk management process.

Further details on our tax contributions globally and effective company tax rates are detailed in Section 9 of this report.

Core elements: Task Force on Climate-related Financial Disclosures		
Core element	**TCFD recommended disclosure**	**Page**
Governance	Board's oversight of climate-related risks and opportunities	9, 47
	Management's role in assessing and managing climate-related risks and opportunities	10
Strategy	Climate-related risks and opportunities the organisation has identified over the short, medium, and long term	47, 51–52
	Impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	47, 50
	Resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	54–55
Risk management	Organisation's processes for identifying and assessing climate-related risks	52, 53
	Organisation's processes for managing climate-related risks	52, 53
	How processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	13, 50
Metrics and Targets	Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	56–57, 60–61
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks	56–57
	Targets used by the organisation to manage climate-related risks and opportunities and performance against targets	56–57, 59

Risk management

The Board recognises that a sound culture, supported by a strong framework of risk management policies, procedures and controls is fundamental to good corporate governance.

BlueScope's approach to risk management through a structured and consistent framework is in line with our business model and management approach. It is seen as a core and integral component of doing business, not a separate function, and is 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 risks and opportunities

BlueScope acknowledges that climate change is affecting a wide range of industries around the world. Transition risks, related to regulation, carbon pricing technology and market shifts will affect the demand for our products. Physical risks, related to extreme weather, may also continue to affect BlueScope through potential supply chain disruptions. Risks associated with climate change are included in BlueScope's Group Risk Profile risk register.

In FY2018 we undertook detailed climate risk and scenario planning for each of our businesses in reference to the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD) recommendations. These scenarios and our approach and our progress against implementing the four core TCFD recommendations are detailed above and in Section 7 of this report.

The table above describes each recommended disclosure and where it is located within this report.

Restatement of information

BlueScope endeavours to ensure the data in this report is as accurate and up to date as possible to enable stakeholders to understand our performance and appropriately compare to prior periods. Where appropriate, historical data has been restated to present data on a consistent and comparable basis. Where data has been restated a footnote is included.

BUILDING *long term* VALUE

Steel has a critical role to play in underpinning sustainable development. Steel is one of the most used[5], recycled and therefore vital materials in our modern world. Whether it is for infrastructure, housing, transport systems, manufacturing or energy, steel will continue to play a vital role in meeting the challenge of transitioning to a more sustainable future.

Steel is central to a circular economy – one where society ensures resources and materials remain in use for as long as possible.

BlueScope is taking advantage of the opportunities that a circular economy presents. 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 products such as COLORBOND® steel which conserves resources and energy that may otherwise be invested in products with a shorter life span.

5 worldsteel, www.worldsteel.org/about-steel/steel-facts

The four principles of a circular economy as they relate to steel[6] are:

Reduce

Less material, water, energy and other resources used to create steel, and reduced weight of steel used in products.

Reuse

Use of an object or material again, either for its original purpose or for a similar purpose, without significantly altering the physical form of the object or material. This includes re-purposing by-products to minimise the amount of waste sent to landfill, and preserve the use of raw materials in sectors beyond the iron and steel industry.

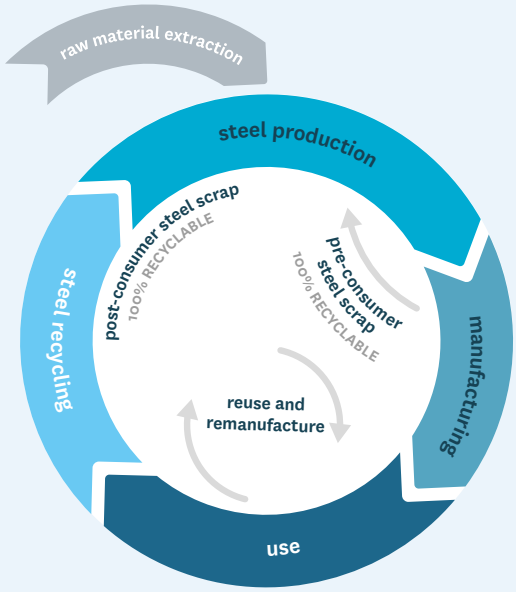
Remanufacture

Restore durable used steel products to as-new condition.

Recycle

Melting steel products at the end of their useful life to create new steel, and creating a new application from the recycled material.

Steel is central to a circular economy – one where society ensures resources and materials remain in use for as long as possible



Reference: Steel's contribution to a low carbon future and climate resilient societies – worldsteel position paper, World Steel Association, 2017.

The inherent properties of steel allow it to be recycled over and over into equivalent or higher quality products. Steel's magnetic properties mean that it can be easily separated for recycling, enabling the transformation into new products to support innovative solutions to solve sustainable development challenges. Around 600 Mt of steel scrap are recycled every year, avoiding over 900 Mt of GHG emissions[7]. Globally, steel recovery rates are estimated at 85 per cent for construction, 85 per cent for automotive, 90 per cent for machinery, and 50 per cent for electrical and domestic appliances[8]. Projects designed to maximise recycling help minimise the whole of life impact of any project.

Integral to circular design is the useful application of by-products and wastes. Steel manufacturing produces by-products and associated waste which have many uses, from road base, concrete and cement to garden mulch, pigments and fertiliser; additionally vanadium slag is recovered which can be used in the manufacture of high strength steel products. These and other initiatives prevent significant quantities of waste materials going to landfill each year and preserve the use of raw materials in sectors beyond the iron and steel industry.

The steel industry creates value and sustains the communities where it operates. BlueScope recognises its important role as a major community employer and partner. In our operations across 18 countries we employ local people and use local suppliers, and we support broader economies through taxes and other government payments.

The support of our communities gives BlueScope the confidence to continue investing to ensure the future of our operations. In all regions we actively engage with our communities through a range of activities including community consultation committees and financial and in-kind support for local community organisations and events.

6 Steel: the permanent material in the circular economy, World Steel Association 2017
7 Sustainable steel – Indicators 2017 and the future, World Steel Association 2017
8 Product sustainability, worldsteel.org 2018

HOW WE *create* VALUE

BlueScope relies on the support of all our stakeholders to be successful. We have a track record of world class safety, innovation and environmental performance.

We work closely with our customers and suppliers to create products and services that add value and help build sustainable communities. We create wealth by investing in these communities and offering a broad range of employment and opportunities for local businesses to work with us.

The strength of our products and services combined with the strong relationships we enjoy with all our stakeholders ensures we are responsive and quick to adapt to the opportunities and challenges of climate change.

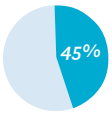
SOURCING

The way we source and procure raw and recycled materials, component products, logistical and business support services

Managing supply chains to ensure continuity, efficiency, and reduce risk exposure

Maximising use of recycled and scrap steel to minimise the use of virgin raw materials

Aggregated recycled steel feed

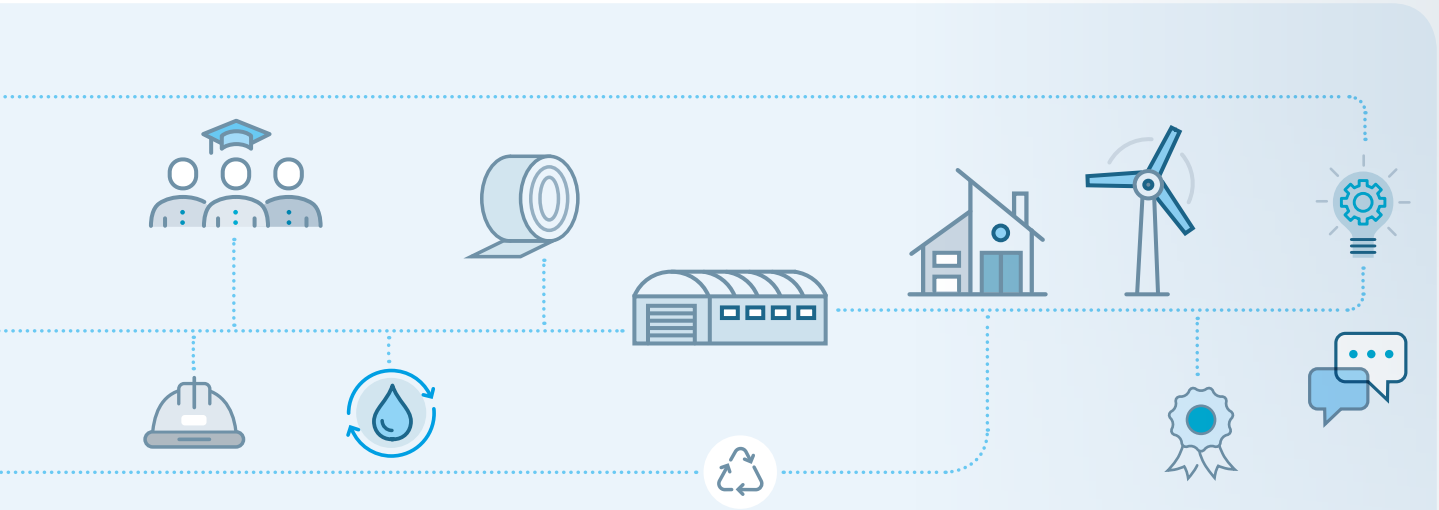


Contributing to local economies by using local suppliers and labour wherever possible

Collaborating with suppliers to procure quality products and ensure ethical conduct and practices

GOVERNANCE

The way we manage our organisation's people, finances, assets and resources to build trust and business success, to the benefit of all our stakeholders



OPERATIONS

The way we make, sell and distribute steel products and engineered building solutions globally

Relentless pursuit of Zero Harm for our people, our communities and our environment

Fostering a culture of inclusion, wellbeing, learning, innovation, high performance and high standards of behaviour

Employing locally and supporting community development

Continuous process improvement and efficient use of resources and energy

Contributing organisational knowledge to the steel industry and society

Providing diverse employment opportunities in the regions in which we operate

Lost time injury frequency rate below 1 since 2005

Aligning climate disclosures with the TCFD recommendations

Recovery and use of steel industry by-products

PRODUCTS

The way we design and market premium products and engineered building solutions to suit diverse customer needs

Working closely with our customers to ensure we provide products which support transition to low carbon economy

Product stewardship initiatives demonstrating improved benefits of our steel products through their full life cycle

Collaborating with customers, architects, academics and industry to build knowledge and share ideas to improve product performance and customer experience

Reliable, ethically sourced and manufactured, long-lasting and continuously recyclable steel products and solutions

Environmental Product Disclosures (EPD) compliant with ISO 14025

Clear strategies for business performance, organisational effectiveness, risk management, financial management and investment, reputation and issues management

Transparent communications with shareholders, the financial community and all stakeholders

Clear accountabilities, authorities, measures, policies and expectations of behaviour

Fit-for-purpose processes and systems embed sustainability into how we do business

Our business and key brands

The transformation of BlueScope in recent years has resulted in a more diversified business with a greater contribution from value-added products, principally focused on building and construction markets. Today, greater geographic diversity also provides growth opportunities and a broader spread of earnings, and both of these factors have given rise to more even profitability.

Australian Steel Products

- 6,100 employees produce and market a range of value-added coated and painted flat steel products for Australian building and construction customers, together with a broader offering of commodity flat steel products – hot rolled coil and plate
- Key brands include zinc/aluminium alloy-coated ZINCALUME® steel, next generation pre-painted COLORBOND® steel and TRUECORE® steel
- Operates pipe and tube manufacturing, and network of rollforming and distribution sites throughout Australia, acting as a major steel product supplier to the building and construction, manufacturing, transport, agriculture, mining and renewable energy industries
- Main manufacturing facilities at Port Kembla (NSW) and Western Port (Victoria). Products sold mainly to Australian domestic markets, with some volume exported

New Zealand & Pacific Islands

- 1,420 employees across three businesses: New Zealand Steel, Pacific Steel and BlueScope Pacific Islands
- New Zealand's only steel producer 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 manufacture and distribution of LYSAGHT® range of products in Fiji, Vanuatu and New Caledonia
- Pacific Steel, supplied with billet from New Zealand Steel, is sole producer of long steel products such as rod, bar, reinforcing coil and wire in New Zealand
- Waikato North Head mine supplies ironsand for internal feed to New Zealand Steel and a small quantity for export

North Star BlueScope Steel

- Single-site electric arc furnace producer of hot rolled coil in Ohio, United States
- Strategically located near its customers and in one of the largest scrap markets in North America
- 390 employees produce over two million tonnes of hot rolled coil annually from scrap steel, pig iron and alloys
- Consistently ranked number 1 in overall customer satisfaction in North America (Jacobson Survey)
- BlueScope acquired full ownership in October 2015, having already owned 50 per cent of the company as a founding investor

Building Products Asia and North America

- Technology leader in metal coated and painted steel building products, principally focussed on the Asia Pacific region, with wide range of branded products that include pre-painted COLORBOND® steel, zinc/aluminium alloy-coated ZINCALUME® steel and the LYSAGHT® range of products
- 4,060 employees across an extensive footprint in Indonesia, Thailand, Malaysia, Vietnam, Singapore, Brunei, Myanmar and in the United States, through Steelscape (metal coating and painting) and ASC Profiles (building panels)
- Primarily serving the residential and non-residential building and construction industries across Asia, and the non-residential construction industries through Steelscape (metal coating and painting) and ASC Profiles (building panels) in North America
- Products designed to meet needs specific to the region, including Clean COLORBOND® steel designed for tropical climates, PrimaMaju® steel, TRUZINC® galvanised steel, Z-NAL®, BlueScope Zacs®, SPECTRASCAPE® and DURASHINE®, and Viewkote® and SuperDyma® for home appliance market
- Includes BlueScope's engineered building solutions business and metal coating, painting and Lysaght operations in China
- Operates in ASEAN and North America in partnership with Nippon Steel Sumitomo Metal Corporation, and in India with Tata Steel

Buildings North America

- With 2,270 employees a leader in engineered building solutions in the low-rise non-residential market in North America
- Leading brands include Butler®, Varco Pruden®, EcoBuild™ and PROBUILD™
- Value proposition based on speed of construction, low total cost of ownership and delivery capability
- Includes BlueScope Properties Group which develops industrial properties, predominantly warehouses and distribution centres

*All references to employee numbers are actuals unless otherwise stated.

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

- BlueScope and major partner Nippon Steel Sumitomo Metals Corporation (NSSMC) own an equal share of each business
- BlueScope holds the right to appoint the Chief Executive Officer with NSSMC retaining the right to appoint the JV Chairman and Chief Financial Officer
- JV functions according to BlueScope's operating, safety, environmental, financial, accounting and governance policies
- BlueScope controls and therefore consolidates the JV businesses in its group financial accounts

Tata BlueScope Steel

- Equal JV between BlueScope and Tata Steel
- Operations in India include a metal coating and painting line and LYSAGHT® rollforming operations, with a LYSAGHT® rollforming facility in Sri Lanka
- BlueScope actively contributes to operating, safety, environmental, financial, accounting and governance policies and practices through representation on the Tata BlueScope Steel board
- These businesses are jointly controlled and therefore equity accounted in BlueScope's group financial accounts.

Full details of BlueScope's investments can be found in the notes to the Company's FY2018 Financial Report.

BlueScope has 162 manufacturing, processing and distribution sites located in 17 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. Large sites include BlueScope's two integrated steelmaking plants, one in Australia, and one in New Zealand and an electric arc furnace facility in North America. The three large and 14 medium sites represent the vast majority of BlueScope's environmental footprint, and are key employers in the communities in which they are located.

	S	M	L
Australia	98	5	1
Brunei	1		
China	4	1	
Fiji	2		
India	3	1	
Indonesia	4	1	
Malaysia	4	1	
Myanmar	1		
Mexico	1		
New Caledonia	2		
New Zealand	2	1	1
Singapore	1		
Sri Lanka	1		
Thailand	4	1	
USA	14	2	1
Vanuatu	1		
Vietnam	2	1	
Total	**145**	**14**	**3**

Scale of our organisation (as at 30 June 2018)

*In addition to the sites listed above, BlueScope also has employees in Canada.

our PEOPLE

"Safety and health are at the core of all that BlueScope does, our commitment to our people is genuine and a key foundation of our organisation. Even though we continue to demonstrate improved performance, there are still opportunities to do more to ensure effective risk control, engage our people and improve how we understand and manage health and wellness. No serious incident is acceptable, we need to all work together to realise the many benefits that come from HSE excellence."

Mark Vassella, Managing Director & CEO

As stated in Our Bond, our success comes from our people. BlueScope continues to build a workplace culture guided by our values of trust and respect, which actively promotes a relentless focus on safety, drives diversity and inclusion and develops skills, talent and leadership for our global businesses.

This culture is critical to our success. We have an engaged workforce which operates in a safe environment and is encouraged to embrace the highest expectations of personal and professional behaviour. Our leaders communicate these expectations through key policies, practices and systems, which are underpinned by our Guide to Business Conduct.

Health, safety and wellness

Our first priority is always Zero Harm in the workplace and we endeavour to prevent all work-related injuries and potential accidents. We're determined to provide our people, contractors and partners with a working environment that is safe and fosters good health and wellbeing. This drives a continual review and challenge of our strategy, processes and activities to ensure ongoing improvement in safety performance across all our operations. We believe that genuine felt leadership is fundamental, not only to our safety performance but to all aspects of our business activities.

Involving our people is critical to move us to the next level of safety and health improvement. Accordingly, more than a dozen pilot programs have been conducted at a variety of our businesses to explore effective ways to increase mindfulness, improve mental wellbeing and the engagement of both employees and leaders. The lessons from these programs will help to set the foundation for a more holistic approach.

HSE management is covered by one integrated system. Our approach to HSE governance is detailed in Section 3, with our HSE Management System provided in more detail in our FY2017 Sustainability Report on our website.

Health and safety principles

- Risk control effectiveness – greater use of engineered solutions to control top ranked risks
- Intelligent metrics to drive change
- Clear accountabilities
- Continually improving health and safety capabilities
- Integration and simplification – basics done well
- Communication and recognition – engage and consult workforce
- Business culture of care, learning and trust
- Peer on peer felt leadership, team focus and care
- Foster innovation – courage to lead change
- Technology to support user needs, simplicity and effectiveness
- Increased understanding and mitigation of health and wellness risks

HIGHLIGHTS

- 23 per cent improvement in Lost Time Injury Frequency Rate to 0.62 for FY2018, and maintained below one since 2005
- Increased focus on proactive safety risk reduction and control effectiveness
- Significant gender diversity achievements at all levels:
  - Percentage of women recruited to operator and trades roles increased to 33 per cent, from 29 per cent in FY2017
  - Recruitment of women to permanent roles has risen to 40 per cent, up from 37 per cent for FY2017
  - Percentage of women on Board of Directors and Executive Leadership Team increased to 33 per cent
  - Ongoing high level of gender pay equity; evidenced through regular formal reviews of remuneration practices

Top ranked health and safety risks

To ensure that we consistently manage our top ranked safety risks, we have developed a Code of Practice for each risk. Our businesses have continued to implement these codes, focussing particularly in FY2018 on Load Restraint, Live Equipment, Contractor Management and Manual Handling. In future, our focus will be to further eliminate or replace administrative controls with higher level controls where practicable.

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 whistle-blower 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.

Performance

In FY2018, lost time injuries fell by 21 per cent, particularly those associated with more severe hand injuries. A business-wide campaign has challenged manual handling tasks and, with the engagement of our employees, the risks associated with a significant number of tasks has reduced through improvements such as 'no touch tools' and work redesign.

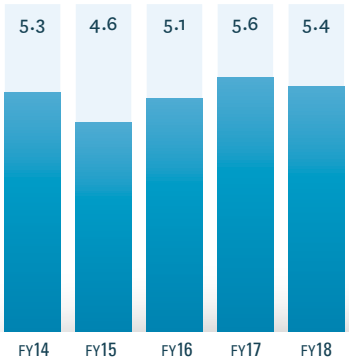
With an improved LTIFR of 0.62 (26 Lost Time Injuries) and a MTIFR also showing an improvement at 5.4 (226 Medically Treated Injuries), we are continuing to expand our focus on proactive activities through lead indicators such as potential incident reporting, leader engagement and completing improvement actions to schedule.

Lost time injury frequency rate

Lost time injuries per million hours worked

Medically treated injury frequency rate

Medically treated injuries per million hours worked



CASE STUDY **CHAIN OF RESPONSIBILITY – KEEPING DRIVERS AND PUBLIC ROAD USERS SAFE**

BlueScope collaborates with supply chain partners to improve systems and processes which help truck drivers manage fatigue and safely transport our steel on public roads. Under legislation in Australia and New Zealand, every party in the heavy vehicle transport supply chain has a duty – known as Chain of Responsibility – to ensure the safety of their transport activities.

BlueScope is now applying this philosophy of supply chain partners working together to improve road safety across its global network.

Also in Australia, BlueScope is an active participant in the Steel Transport Safety Network and the Australian Logistics Council Safety Committee, and has contributed to a Transport Safety Code of Practice which is mentioned in the amended Australian Heavy Vehicle National Law.

CASE STUDY MENTAL HEALTH AWARENESS

Orrcon Steel recognises that the complexities of modern society may affect employees in many different ways, and that the combination of work pressures, family dynamics, friendships and personal feelings influence our sense of wellbeing. To help support employees, Orrcon Steel has launched 'OrrCare' as the first stage of a new Mental Health Awareness program. The OrrCare intranet site acts as a reference point to help build awareness and knowledge of mental health and wellbeing, and to provide tools and techniques to assist any employee, their family or friends who may need support. OrrCare introduces a series of topics including facts about mental health, signs and symptoms; seeking help; having a conversation and listening without judging; assisting a colleague; training and education; and mindfulness.

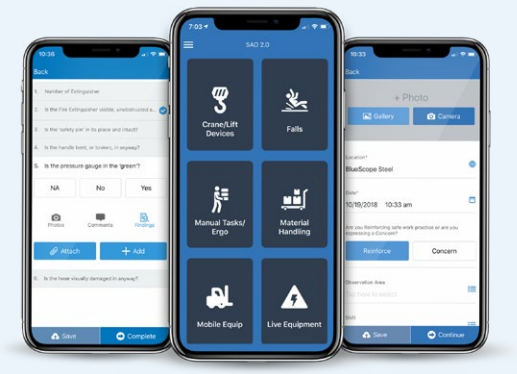
Orrcon Steel aims to foster an environment where it is OK to say 'I am not OK' and know that employees will look after each other in a confidential and understanding manner. Employees learn how to stay mindful in everyday tasks, both at work and home. Participants in a site pilot of the OrrCare mindfulness program have responded very positively, and benefits have already been seen. The team has reported that they feel they are able to do their tasks more efficiently and safely, and that well-being has clearly improved. In addition, better communication across the site, in particular between office and warehouse roles, has improved workflow management.

For the second year, BlueScope sites actively participated in 'RUOK day' to raise awareness of mental health and suicide prevention, and to promote ways to support colleagues, family and friends.

CASE STUDY NEW APPROACH TO SAFETY REPORTING

An overhaul of safety reporting systems at eight Buildings North America sites has resulted in more efficient and effective reporting. Importantly, taking a new approach has also boosted employees' understanding of and engagement in managing safety risks and issues in the workplace.

Moving to mobile app-based, online reporting has not only eliminated a significant number of paper-based audits, but gives access to live data which tracks actions from incidents and audit findings. This has helped site managers and business leaders prioritise the people and resources needed to focus on the most important safety risks. Risk reviews are now completed in hours instead of days.



A further benefit of the new system methodology has been employees' renewed willingness to learn from safety incidents and make improvements to prevent them recurring. As well, participation in the Buildings North America 'Good Catch' program, which encourages employees to recognise and correct safety hazards at their site, has increased thanks to the new mobile Incident Management System launched during the year.

Plans to expand the online reporting in FY2019 will lead to further reduction in paper-based processes.

Diversity and inclusion

We continue to work towards our diversity and inclusion goal: that our workplaces reflect the communities where we operate.

We know that a talented workforce is a competitive advantage and believe that workforce diversity and inclusion best leverage that advantage:

- A diverse BlueScope workforce generates a breadth of perspectives and ideas that makes us more agile and creative. We are better able to anticipate and respond to customer needs and to change, and to leverage difference as a source of innovation.
- An inclusive BlueScope workplace understands and accepts why diversity makes good business sense and makes people feel safe and confident bringing their full self to work and full potential to the job without any fear of judgement, bias or discrimination. We want people to feel they have opportunities for personal growth and that working with us fits well in their career and life goals.

Attract and retain talent

To attract capable people, we are ensuring our recruitment programs target and draw from the whole community, wherever our businesses are located. To retain our people, we are building a culture that genuinely honours, nurtures and creates opportunities for increased capability and performance.

We have set some foundations and are taking some bolder steps to trial new diversity and inclusion initiatives in the different cultures and operating environments across our global business. We're learning as we go from our experiences, challenges and successes, and adapting and sharing the best approaches based on suitability and readiness. This iterative approach, which ensures we leverage local knowledge of what, why and how campaigns will work best, is enabling better take-up and efficiency.

Focus on increasing female representation

Like many other heavy manufacturing organisations our workforce has been historically male-dominated at all levels. So, in pursuing our diversity and inclusion goal, most initiatives focus on a Company-wide priority to attract more women to BlueScope across all job levels and locations, and a more deliberate and comprehensive inclusion strategy to engage and retain our people.

BlueScope is a highly regarded employer and we pride ourselves in our workforce practices, having set an overriding priority on caring for people – their safety, health and wellbeing.

We are now becoming even more intentional in equipping leaders and employees with knowledge, skills and tools to perform their role in fostering an inclusive work environment.

In the last two years, we have focused our gender diversity effort on the recruitment of operators and tradespeople. We can confidently say that our transformed approach ensures everyone in our communities has an equal opportunity to be recruited and successful in a BlueScope operator or trade role. We have achieved a significant improvement in the number of female recruits which, most importantly, has also had a positive effect on workplace culture and employee engagement.

The focus on female diversity has led us to explore different avenues and approaches to recruit candidates. In this way, we have increased the diversity mix of our candidate pool beyond just gender.

Employees per business

Australian Steel Products	6,100	43%
New Zealand & Pacific Islands	1,420	10%
North Star BlueScope Steel	390	3%
Building Products Asia & North America	4,060	28%
Buildings North America	2,270	16%
Total	14,240	100%

Diversity and inclusion strategy

In working to achieve our diversity and inclusion goal, we continue to implement the key elements of our strategy:

Gender diversity: Focusing on gender diversity first is an intentional unifying element of our strategy, as we believe this mindset and behavioural changes will have a halo effect on promoting all aspects of diversity, such as ethnicity, ability, age and sexuality.

Inclusion: We seek to provide a supportive working environment that makes people feel safe and confident and enables all of our employees to meet their potential.

Equity: Our people, according to their performance level, receive equal pay for equal work.[9]

Development: We offer our people development and leadership opportunities to increase the diversity of our leadership pipeline.

Training: We provide our people with knowledge and guidance to identify, prevent, and remediate instances of discrimination. In FY2018 we launched unconscious bias training and diversity awareness programs and developed local diversity and inclusion initiatives.

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. In each of our businesses regional Diversity Councils work to develop and support country-based strategies and initiatives.

BlueScope Diversity Council: Our Diversity Council aims 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 unit also has its own diversity council to oversee individual objectives and performance.

Diversity Action Plans: Each BlueScope business unit has a specific diversity action plan to address diversity and inclusion challenges in each of its sites. Performance against plan is overseen by the relevant business unit diversity council.

9 Gender pay equity is checked through formal annual review processes and ongoing monitoring at key decision points (eg appointment, promotion) to minimise unconscious bias and ensure objective inputs into remuneration decisions (eg role benchmarking, market practice, geographical location, etc.)

Performance

During the year we continued to make good progress against our principal objectives.

Diversity objectives

Continue to increase the proportion of women recruited to operator and trade roles and implement consistent recruitment practices and partnerships to increase attraction and recruitment of women.

FY2018 achievements:

- recruitment of women to permanent roles has risen to 40 per cent, up from 37 per cent for FY2017
- recruitment of women to operator and trade roles has risen to 33 per cent, up from 29 per cent for FY2017
- some operational sites in Asia have achieved female recruitment targets above 50 per cent
- new recruitment channels opened by using innovative recruitment campaigns and introducing talent acquisition specialists to drive consistent practices
- conducted global survey on recruitment practices to ensure we maintain an innovative and efficient approach

We have implemented several initiatives to facilitate the rate of women returning to work from parental leave, including training for direct managers to support their return and a greater focus on support from the HR team.

Inclusion objectives

Provide a supportive work environment for all employees and continue focus on new employees, with a formal program highlighting inclusion in the workplace.

FY2018 achievements:

- updated new starter training to reflect our more deliberate focus on inclusion to realise optimal performance and retain talent
- implemented a global survey to capture timely feedback from new starters within their first three months to learn how we can improve induction
- established a system to track how many employees leave the organisation within 12 months and understand retention issues
- introduced trials of a range of workplace flexibility options in various locations and for different job levels
- included questions on diversity and inclusion in our employee engagement survey to ensure regular employee feedback

Awareness and education objectives

Train all leaders and managers on how to provide an inclusive environment and remove unconscious bias, and continue to reinforce our diversity goal through communication and awareness campaigns.

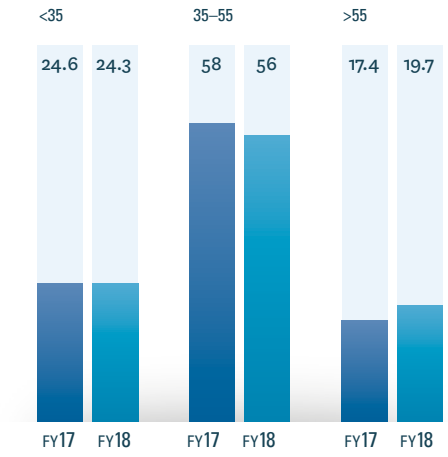
FY2018 achievements:

- developed a global diversity and inclusion communication plan to reinforce our diversity goal and diversity initiatives, and to build awareness about the benefits of an inclusive workforce
- All ELT and 60 per cent of people managers completed unconscious bias training
- launched a toolkit to assist managers in engaging in conversations about the business case for diversity and inclusion

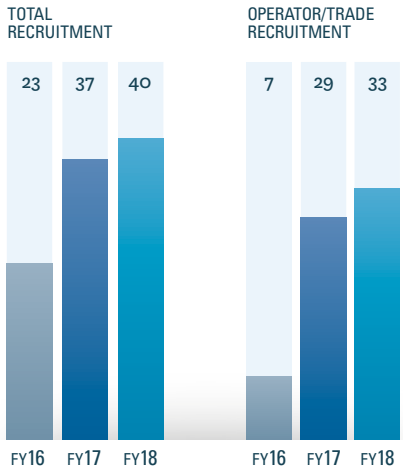
More information on diversity and inclusion training can be found on page 30 of this report.

Employees by age (%)

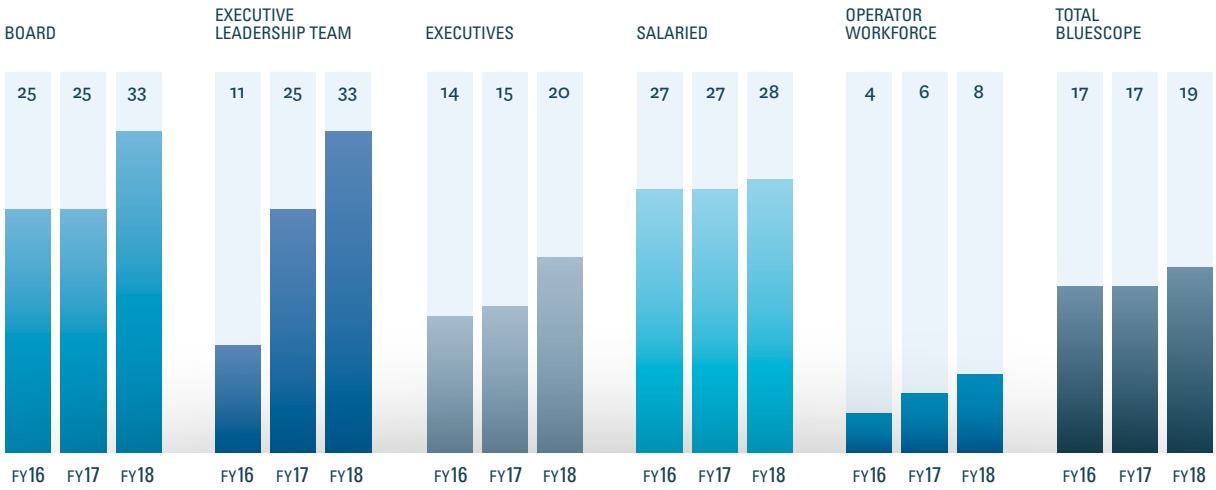
as at 30 June 2018



Female % of recruitment



Representation of women (%)



CASE STUDY **APPRENTICE OF THE YEAR**

Electrician Naomi Alves took top honours in the 2018 Excellence Awards and was named Apprentice of the Year by the organisation responsible for training BlueScope apprentices based at Port Kembla Steelworks. The awards recognise Naomi's all-round achievement during her apprenticeship.

Following in the footsteps of her father in pursuing an electrical trade career, Naomi completed her Electrotechnology apprenticeship in BlueScope's Electrical Shop to become a fully-qualified High Voltage Specialist Electrician.

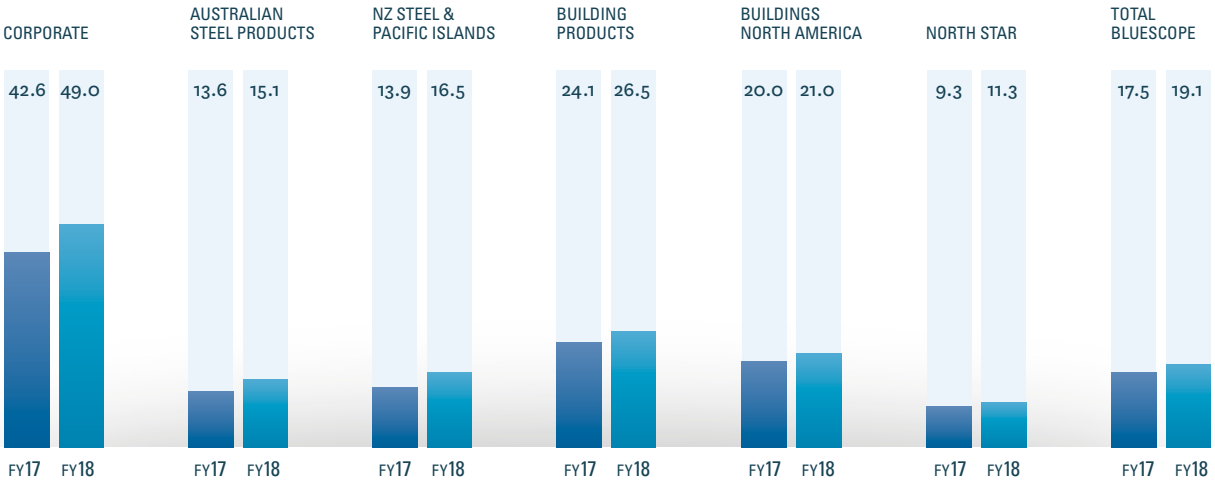
Naomi's job ranges from practical, hands-on work to problem solving, with many opportunities to expand her skills. She actively encourages other women interested in pursuing a trade to not be discouraged by the thought of entering traditionally male dominated careers.

"Take a leap of faith. I've met a lot of other women working in the same or similar trades at the Steelworks and they've been very supportive and encouraging."

CASE STUDY **CHINA DIVERSITY CHAMPIONS**

In BlueScope China, Diversity Champions have delivered diversity and inclusion training sessions to more than 120 managers throughout the business. The Champions also engaged the managers in conversations about diversity, and each manager has personally committed to take action on diversity and inclusion in their workplace.

Female employees per business (%)



CASE STUDY

ENGINEERING DIVERSITY AT BLUESCOPE LYSAGHT FIJI

For the first time, two women have joined BlueScope Lysaght Fiji as trainee mechanical engineers. Both have graduated with a trade diploma in mechanical engineering from the Fiji National University.

The two trainees chose this career path as a challenge to try something outside the box. BlueScope allows them to practise what they have learned while gaining first-hand experience of working with their colleagues in a traditionally male-dominated industry.

CASE STUDY

THE LANGUAGE OF DIVERSITY AT PACIFIC STEEL

A poster campaign was developed to engage employees and represent all cultures, genders and languages at Pacific Steel. The campaign sought to visually represent Pacific Steel's own people championing diversity and inclusion by showing in their own words the benefits of a diverse and inclusive workforce. The phrases are displayed in English and one of the five main ethnic group languages which make up Pacific Steel. These posters displayed throughout the organisation have helped create a more inclusive Pacific Steel culture and encouraged employees themselves to become ambassadors of the organisation's diversity and inclusion journey.

Learning, development and leadership

We are committed to developing our people and have increased our investment in development programs in FY2018, with a particular focus on leadership development.

This focus on capability development is crucial to ensuring that we have the knowledge, experience and thinking to meet our key strategic goals and deliver sustainable growth.

Targeted development programs

We target our training programs to all levels of the business, for example new trainees and apprentices, graduates, those managing a team for the first time, or those providing strategic leadership in an Executive role.

Our leadership programs offer a blended learning environment through a mix of face-to-face and self-paced learning.

We are leveraging digital learning opportunities, incorporating project work, formalising self-development, encouraging collaboration, focusing on coaching and providing immersive development experiences. A key to this approach is supporting our people in transferring new thinking and skills into an existing work practice.

WITTS

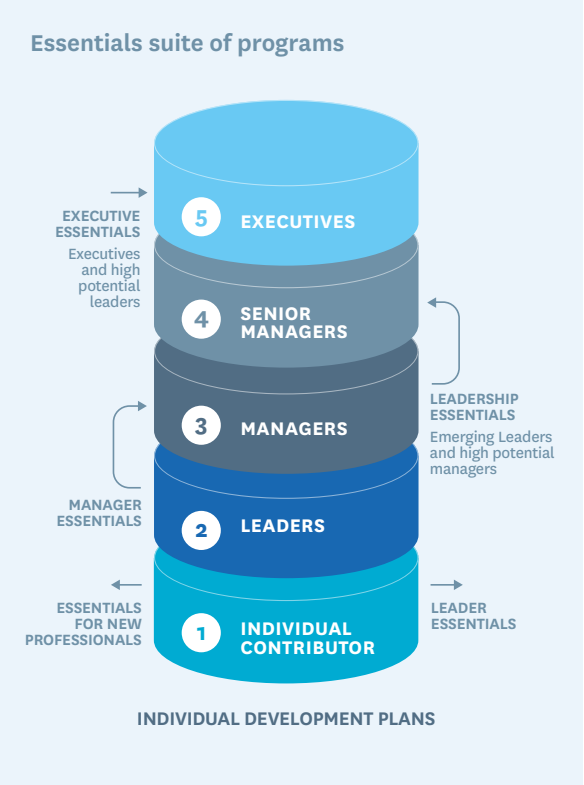
The What It Takes To Succeed at BlueScope (WITTS) development tool enables employees to identify the personal capabilities that are required for success, to perform a self-assessment of their development and identify the actions they need to take to progress further. We are reviewing the framework, which is linked to the Company's strategic goals, to ensure the skills and capabilities it contains remain relevant.

Essentials

The Essentials suite of leadership programs helps develop BlueScope's future leaders. These programs begin with the New Professionals 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.

In FY2018 and FY2019 we are participating in an intensive blended learning program through Melbourne Business School for 24 high potential executives globally. The program is focused on adaptive leadership challenges and incorporates strategic projects to deliver back to the business. The participants pursue key themes in corporate decision making and ownership, global collaboration and working with ambiguity.

We are reviewing all our Manager Essentials and Emerging Leader programs to ensure they include contemporary practices, and drive a culture of feedback, coaching, accountability and leadership. We believe that getting the balance of leadership and management right will contribute to sustainable growth and innovative practices at all levels.



Diversity and inclusion training

In support of our diversity and inclusion training strategy focusing on awareness, understanding and on-the-job application:

- we have rolled out specific training to match three diversity and inclusion key focus areas;
- global unconscious bias training has been completed by all top-level executives and 60 per cent of people managers; and
- training materials have been translated for our China and ASEAN business

A new e-learning package will be launched in FY2019 for all new starters, setting the tone at the commencement of employment and reinforcing our commitment to diversity and inclusion.

Engagement and expectations

We are committed to building modern engaging workplaces in which our employees thrive. We seek to understand our employees' goals and concerns, to promote appropriate conduct and provide open channels for employees to confidentially report any concerns.

Workforce engagement

Our people and our workplace culture are critical to maintain our strong safety record, drive diversity and inclusion, develop future leaders for our global businesses and achieve business success.

Our approach

We know that highly engaged teams bring many benefits to the business, and we need managers and employees to work together to create the right work environment to deliver on our strategy.

Through our engagement survey we seek feedback from employees to understand what is important to them, how we are doing in these important areas and what gets in the way of building an innovative and inclusive business. This helps us identify opportunities to improve in our various local work environments, and employees have told us how much they value their voice being heard. Our continued focus on creating an inclusive and productive workplace brings benefits for all our stakeholders and communities.

Managers are encouraged to talk with their teams to discuss the survey feedback and identify the specific team issues that get in the way of engagement. Based on this feedback, teams develop action plans to address key concerns and pursue new ideas.

Promptly taking the right action and ensuring that the results are communicated back to employees is a central part of our survey approach and how we respond to feedback.

Performance

During the past 12 months we conducted two surveys of all employees. Almost 11,000 of our people gave their view and offered over 8,000 comments on what we are doing well, and another 7,900 suggestions for improvement. We are delighted with this high level of participation.

"I find the continued focus on process improvement to be the most encouraging aspect of our business today." ***Employee, BlueScope Buildings***

"I really appreciate the good communication from our plant manager and corporate, it makes me feel valued." ***Employee, North Star BlueScope Steel***

At the same time, other employees told us that we needed to improve in these same five areas. So, we recognise that we still have work to do. We will continue our efforts to improve the work environment, to focus on our people and how we communicate with them, and ensure we capitalise on improvement opportunities as they arise.

Top five areas nominated by employees where we do well include:

1. *Our commitment and focus on safety*
2. *Our focus on ongoing improvements to our business*
3. *Our focus on our people*
4. *How we communicate*
5. *How we reward our people*

Recognising that we need to allow sufficient time to act on employees' feedback and follow through with meaningful changes, in FY2019 we will conduct one annual engagement survey with periodic pulse checks during the year to gauge progress.

Managers will continue to play an essential role in working with their teams to develop actions that support an engaged workforce.

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 environment and the way 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 per cent of our employees are covered by enterprise arrangements. The Company collectively bargains with employee representatives in full compliance with the requirements of the jurisdictions in which it operates.

At our large manufacturing sites with collective agreements, 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 a constructive dialogue with negotiating parties.

Expectations of business conduct

As Our Bond says, "our strength is in choosing to do what is right", and we work diligently to ensure that BlueScope is managed in a responsible, honest and transparent manner.

BlueScope is committed to competing fairly and honestly to the highest standard of the laws under which we operate. Anti-competitive and unethical behaviour is not tolerated.

We expect everyone working for and on behalf of BlueScope to act in full compliance with all laws and adhere to our high standards of behaviour as set out in BlueScope's Guide to Business Conduct (the Guide), and the more specific Anti-Bribery and Corruption policy – even if local legal requirements are less stringent.

The Guide provides a practical framework for employees to understand their responsibilities in relation to ethical and social behaviours and business conduct. It addresses health and safety, equal employment opportunity, anti-discrimination, fair dealing, anti-bribery and corruption and the use of BlueScope's information, systems and resources. The Guide is supported by online and face-to-face training, which is conducted on induction and at regular intervals for all employees to remind them of our expectations, and their responsibilities, in relation to the conduct of our business.

BlueScope expects all directors, employees and contractors to report suspected breaches of the Guide. The Guide helps employees across the globe recognise and report potential business conduct issues, including via a confidential, externally managed reporting hotline. A Business Conduct Panel, which is comprised of the Group Counsel Governance, the Group Financial Controller, Vice President Corporate Human Resources and Organisation Capability and the Vice President Internal Audit, is responsible for overseeing the investigation of all business conduct reports. Current allegations and the outcome of investigations are reported quarterly to the Risk and Sustainability Committee.

In FY2018 BlueScope completed a review of its key business conduct risks across its global business including bribery and corruption, fraud, sanctions, conflicts of interest, business human rights, equal employment opportunity, data privacy and insider trading. The review identified BlueScope's top inherent compliance risks based on geography, business activity and impact on the Company, and assessed the existing controls for managing and mitigating those risks. From the beginning of FY2019, a separate Ethics & Compliance function will support the business to manage these risks. Additional specialist

personnel are being recruited into this function to strengthen compliance performance and minimise compliance risk. Further work is underway to strengthen BlueScope's compliance framework including to review and revise core policies and ensure a strong and consistent message is communicated across our global operations.

We have also reviewed the content and mode of delivery of key aspects of our business conduct training to achieve the highest possible levels of engagement and understanding. More face-to-face interactive sessions have been introduced to help our people understand their responsibilities for business conduct, and to recognise and report breaches of the Guide.

In FY2018 12 reports of alleged misconduct were made to BlueScope's externally managed business conduct hotline. One allegation was proven resulting in two people leaving the Company. Six allegations were disproved, and the remaining investigations are still in progress.

As previously communicated to BlueScope stakeholders, the Australian Competition and Consumer Commission (ACCC) is investigating potential cartel conduct by BlueScope relating to the supply of steel products in Australia, that allegedly involved a small number of BlueScope employees from late 2013 to mid-2014. It is not known when the ACCC's investigation will be completed, or what the potential outcome might be. Possible outcomes include the commencement of either civil or criminal proceedings or no action being taken. BlueScope has cooperated, and continues to cooperate, with the ACCC's investigation.

BlueScope's Guide to Business Conduct, and the Anti-Bribery and Corruption policy can be found on the Company's website.

our CUSTOMERS *and suppliers*

Our approach is to work closely with our customers to understand their issues and then use our innovation framework and processes to develop products that offer innovative solutions to those challenges.

We are proud to make high-quality, durable, premium steel products that are endlessly recyclable from responsibly sourced materials and services.

Supply chain sustainability

BlueScope has a global footprint and we source goods and services from many organisations in over 25 countries. The principal categories of goods and services we procure include raw materials, component products and operational consumables, freight, storage and logistical services and business support services.

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. We seek to work with suppliers who share the core values expressed in Our Bond and the behaviours and principles of our Guide to Business Conduct.

Developing supplier partnerships based on strong relationships makes good business sense, and enables us to proactively manage the supply of key production inputs and any issues that arise in our supply chain.

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 both financial and non-financial elements when considering whole of life impact from sourcing through to disposal, 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 is committed to conducting procurement and sourcing activities with high ethical integrity, in accordance with our Bond, Our Guide to Business Conduct and our Responsible Sourcing Standard, all of which are designed to set standards that go beyond compliance 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

We seek to partner with supplier businesses large and small who share and commit to work in accordance with our supply chain sustainability values and standards. We communicate and set our expectations with suppliers, and monitor supplier alignment with our Responsible Sourcing Standard. We work with suppliers to improve social (including health and safety and human rights), environmental and ethical standards in our supply chain and within their own value chain.

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

Further details regarding our Guide to Business Conduct and our Responsible Sourcing Standard is available in Section 9 of this report and on our website.

RESPONSIBLESTEEL

BlueScope is a founding member of ResponsibleSteel, an international organisation that has been established to improve 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 reviewing the draft performance standard and will continue to take an active role in the implementation of minimum performance standards in the future.

HIGHLIGHTS

- Completed ESG risk assessment and segmentation of our global supply chain
- Completed gap analysis of supply chain management processes
- Implemented a refreshed innovation framework
- Successfully rolled out our formal Innovation Champions training in Australia, ASEAN, the United States and China.

Establishing improved sourcing standards and capabilities

Our procurement strategy focuses on sourcing from reputable suppliers to ensure reliable and secure supply to our production operations.

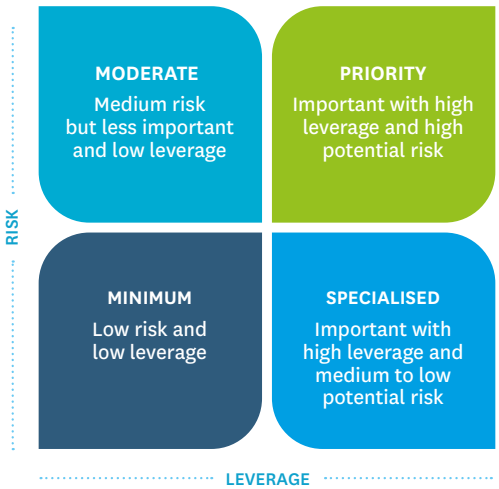
In 2017 we developed a Responsible Sourcing Standard which sets out our principles in relation to supply chain sustainability and our commitment to embed managing supply chain risk into our processes.

In FY2018 we partnered with a global independent sustainable supply chain consultancy to conduct a review of our capability and management approach in facilitating alignment with our Responsible Sourcing Standard. This included a review of sourcing practices across our business with reference to best practice in other organisations and emerging legislation, such as the Australian Modern Slavery Bill.

The review guided development of an implementation strategy, including core capabilities for the business to adopt. The review also included the completion of an ESG risk assessment and segmentation exercise illustrated below, which resulted in the inclusion of 80 per cent of our supply chain by value. This enables us to assess suppliers based on influence and risk, and design a prioritised approach to engaging or verifying suppliers with reference to our standards and expectations.

MODEL	ANALYSIS (WEIGHTING)
RISK Assess **potential** risk associated with suppliers based on set risk criteria.	30%: inherent social risks from public domain data 25%: inherent environmental risks from public domain data 45%: independent external supply chain audit data at country/province level (globally over 12,000 audits in 2017)
LEVERAGE Assess **possible** leverage to engage with suppliers based on materiality and length of relationship.	60%: BlueScope $ spend with supplier 25%: BlueScope years of relationship with supplier 15%: trend of BlueScope spend over the last three years

SEGMENTATION



The segmentation analysis informs our program strategy. This is designed as a multi-year program, involving: engagement, assessment, management of corrective actions and activities targeted at building capacity with our suppliers.

Gaining supplier commitment

The initiative BlueScope has undertaken to improve standards, management capabilities and practices means we now have sustainability principles visibly embedded within our sourcing processes, including supplier selection, performance monitoring and ongoing cooperation.

BlueScope expects our suppliers to commit to these standards in supplying BlueScope and in respect of their own value chain. In FY2019 we will seek supplier commitment to the improved standards and expectations. This will require certain existing and new suppliers to demonstrate that the way in which they operate aligns to our Responsible Sourcing Standard. Additionally, suppliers will be required to respond to any specific concerns or disclosures.

Supplier monitoring and compliance

BlueScope seeks declarations of compliance with certain national and international regulations annually, and as required by our customers. Our businesses perform a risk-based review of potential and existing suppliers through a due diligence database. This sources publicly available information on supplier conduct through global media reports, regulatory actions, government notification lists and politically exposed persons, and alerts the business to new information.

Major new supplier arrangements will continue to be overseen by a steering committee comprised of the Chief Financial Officer and Chief Legal Officer together with representatives from relevant businesses. These steering committee processes oversee due diligence checking and will be strengthened by the application of the Responsible Sourcing Standard.

Our procurement teams are required to undertake regular training on our Guide to Business Conduct and jurisdiction-specific competition and consumer law. Through FY2019 this will be upgraded with training on our principles and approach to responsible sourcing.

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 5.

Key focus areas for FY2019

- Collecting supplier data and checking for alignment with ESG risk assessment and segmentation processes
- Refining internal management systems and capability at the same time as implementing supplier engagement processes
- Determining relevant and compatible industry certification programs across our supplier base

CASE STUDY **NORTH STAR BLUESCOPE STEEL**

Like other United States (US) electric arc furnace steelmakers, pig iron and scrap are the two key inputs into North Star's steelmaking process. Pig iron is a form of virgin iron used as a scrap supplement to reduce impurities. Although possible in the future, merchant pig iron for electric arc furnace steelmakers is not available from sources in the US, rather it is imported from producers in Russia, Ukraine and Brazil.

Certain environmental, social and governance risks have existed historically for US steelmakers and other US companies importing pig iron. For example, when sourcing from Russia or Ukraine, US companies must be diligent to ensure they are compliant with US economic sanctions.

When sourcing from Brazil, US steelmakers face a different challenge due to differences in the pig iron production process in Brazil. Unlike Russia and Ukraine, coking coal is not available on economic terms as a reducing agent for iron ore, so pig iron producers in Brazil use charcoal. The charcoal production process is labour-intensive and often takes place in remote areas. In the past, some producers of charcoal have been accused of poor working conditions, use of forced labour and illegally sourcing wood from the rainforest.

Because Brazilian pig iron plays a role in North Star's supply chain (similar to other US steelmakers), BlueScope has taken a proactive, two-tiered approach to give itself comfort that suppliers of pig iron meet BlueScope's standards and expectations:

1. **Licensing, certifications and memberships.** North Star requires that each of its pig iron suppliers (a) is licensed by the Brazilian government, (b) certify with each delivery that they used no involuntary labour in the manufacturing process, and (c) become associates in a Brazilian organisation that oversees labour conditions and helps enforce a set of member company commitments to promote fair labour conditions in Brazil.

2. **Reviews and ongoing monitoring.** In addition to periodic in person site visits by North Star employees to observe operations and working conditions, North Star is working to test whether its Brazilian supply chain is meeting good international industry practices for labour and the environment. To that end, BlueScope has engaged a third party risk management consultant experienced in assessing and managing labour human rights in industrial supply chains to conduct an objective assessment of risks and controls regarding pig iron supply from Brazil. This study is underway and included field work in FY2018.

To the extent BlueScope identifies any gaps or opportunities for improvement, it plans to work closely with suppliers to avoid unfair practices and proactively monitor contractor performance. Some of the actions under consideration are: requiring periodic monitoring visits to third-party charcoal suppliers; assisting to design a grievance mechanism; broadening and strengthening pig iron vendor audit process to better address fair labour practices; and assisting to prepare training material for third-party charcoal suppliers on fair labour practices.

Through these actions, BlueScope is demonstrating its support for the elimination of forced labour and its care for the environment. Consistent with those goals, BlueScope continues to look for ways to ensure its suppliers adopt practices that are consistent with good international industry practices for labour and the environment.

CASE STUDY ROLLING MILL ROLLS

During FY2018 BlueScope conducted a sourcing review process for a critical spend category, rolling mill rolls. Two emerging suppliers, one from China and one from Brazil, were among the participants selected for future business pending due diligence checks.

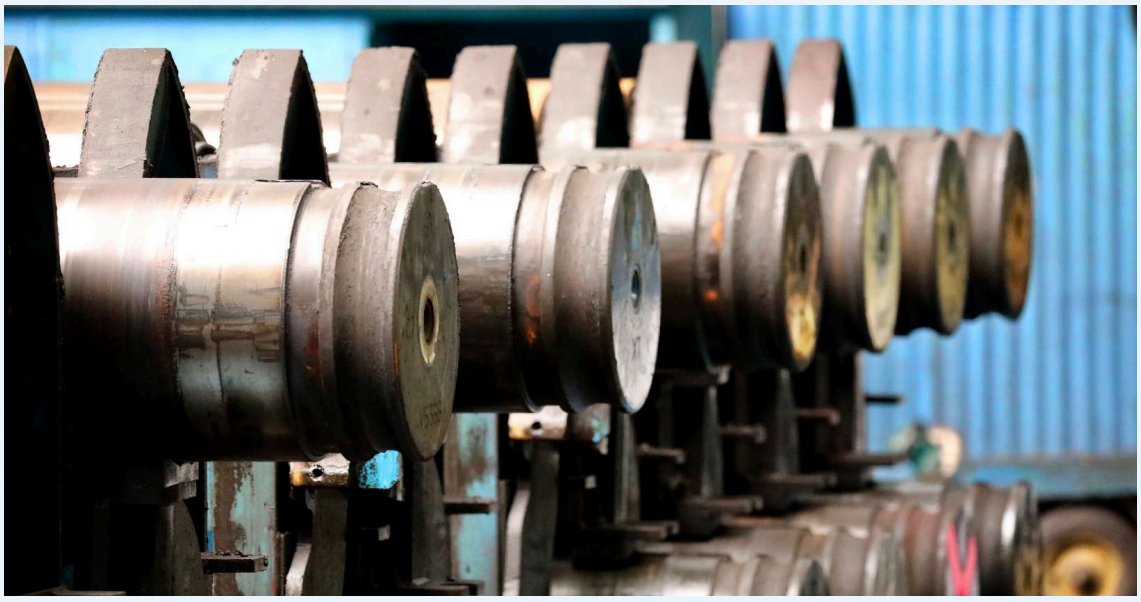
The BlueScope project team set up a due diligence process to ensure that the operations of the two companies were capable of supplying to the required standard and in a way that is consistent with Our Bond, our Guide to Business Conduct and our Responsible Sourcing Standard.

Desktop research included using an online due diligence search tool to check for any reports of fraudulent, illegal, corrupt, non-compliant or unethical activity against the suppliers. The team also reviewed the suppliers' corporate statements regarding social responsibility, ethical behaviour and the rights of their employees, and made a formal request to the suppliers on their alignment to BlueScope's Statement on Human Rights and Responsible Sourcing Standard.

Operations audit – BlueScope sent representatives to Brazil and China to view and audit the suppliers' operations, interacting with all levels of employees and across key functions. The team reviewed working conditions, safety and environment management systems, team building and reward processes, and community activity.

Outcome – No issues of concern were identified with either of the suppliers and both indicated and demonstrated alignment with BlueScope's sustainability and business conduct policies. As a result, the Company has entered into supplier arrangements with both.

Governance – Ongoing formal relationship management is now in place including face-to-face annual performance reviews where standards and expectations are reviewed. As we develop formal systems for supplier ESG management, these suppliers will participate in regular assessments.



Innovating for the future

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. We innovate to make products more valuable and our customers' experience more satisfying.

Our approach

In FY2017 we partnered with an independent innovation consultant to help develop an Innovation Roadmap. Our strategy is to follow a tiered approach where we focus on the 'foundation' elements of process, climate, and capability first, then move on to 'graduation' and 'optimisation' elements, as shown below.

OPTIMISATION	**MEAUSUREMENT** quantifying your efforts	**COMMUNICATION** turning innovation into a habit	**POSITIONING** being a thought leader
GRADUATION	**RESOURCES** time, people and money	**STRATEGY** aligning to corporate strategy	**ROLES** driving motivation
FOUNDATION	**PROCESS** from mission to market	**CLIMATE** employee perceptions	**CAPABILITY** innovation skill building
	STRUCTURE	**LEADERSHIP**	**PEOPLE**

CASE STUDY **INNOVATION**

In Australia, BlueScope's Ranbuild business facilitated an innovation session using the BlueScope innovation process to focus on its product line and how to use the Ranbuild dealer network to provide a unique experience to customers. Employees were tasked to think creatively of ways to improve the customer experience by actively looking at the situation from many different perspectives. Out of the 70 ideas generated, the team determined the three most significant to be taken back to the business for more in-depth planning and evaluation of the viability of the project. Once the ideas have passed this stage, the effectiveness of the ideas will be tested by presenting them to customers for their feedback. The intent of this is to quickly and cheaply validate the idea before going into full implementation.

RANBUILD

Better sheds. Bigger choice.

Our innovation process

BlueScope's long history of success is testament to our ability to innovate and transform. Innovation is in BlueScope's DNA and will form the lifeblood of our future – innovation in products, processes, business models and ways of thinking. The focus of our renewed innovation strategy on process has ensured we are uniting globally behind a proven innovation method with a consistent language, to facilitate better collaboration and knowledge sharing between businesses.

Across the Company, we are implementing a consistent innovation process to improve how we develop customer solutions. The process is designed to generate new creative ways of thinking about problems and how to solve them – it guides us to empathise with our customers to truly understand their concerns and explore a more diverse array of possibilities, potentially revealing new solutions that were not recognised before. The process is all about opening up imagination through divergent thinking, and then using innovation techniques to converge on the best options for consideration and decision making.

BlueScope innovation process

- **Immerse** – meet with our customers to understand their needs and 'Immerse' ourselves in open and collaborative discussion about their issues and concerns to help identify and articulate the problem.
- **Challenge** – agree on a defined 'Challenge' statement so that everyone is aligned and focused on addressing the most pertinent problem presented.
- **Ideation** – brainstorm ways to address the customer problem, ideally using teams with a diverse range of skills and experience to maximise the number of ideas, and taking time to think about how other companies may address the challenge.
- **Shortlisting** – select the best ideas to progress further into **Experimentation**, **Implementation** and **Promotion**.

We have facilitated several innovation cultural workshops in each business unit using the innovation process to help identify gaps and develop tangible things we can do that will help promote a Company-wide culture of innovation.

We are introducing Innovation Champions throughout the business to ensure we have the innovation skills we needed to facilitate the process. These employees have been selected for their passion for improving the business and their willingness to keep an open mind to new ways of doing things. Their training consists of a customer driven innovation workshop where they learn not only how to facilitate innovation sessions, but also the science behind why we follow our defined innovation approach. Their goal is to not only apply the innovation tools in their respective businesses, but also to act as promoters of BlueScope's innovation process.

Because innovation needs to be driven by the needs of our customers, we've assigned specific management and oversight responsibilities to both our corporate and business unit teams.

Business unit teams are responsible for facilitating the innovation process and managing the innovation pipeline of projects in their businesses.

The corporate team oversees the activities performed by the business units to ensure that they align to our corporate strategy and broader business goals. The corporate innovation steering committee reports quarterly to the ELT.

CASE STUDY **PRODUCT INNOVATION**

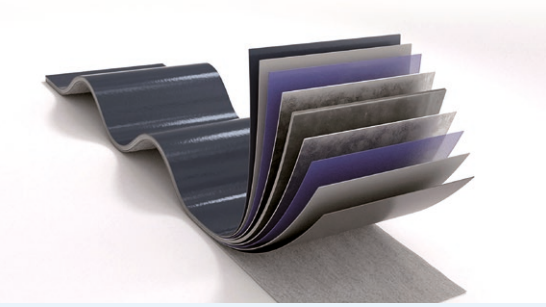
New Zealand's moist and humid climate means that moisture is often an issue in commercial and residential buildings. In response, a new COLORSTEEL® solution transforms the traditional system of roofing iron, underlay and netting with an innovative new product.

New Zealand Steel's COLORSTEEL DRIDEX® is a unique anti-condensation fleece that is adhered to COLORSTEEL® roofing products. It is designed to absorb condensation, storing it until the roof temperature rises and the water evaporates. Not only does it have twice the absorbency of normal underlay, but eliminating the underlay greatly improves natural ventilation and the roof stays drier. This reduces mould and other pollutants associated with asthma and other respiratory tract inflammations and allergies.

The Asthma Foundation New Zealand has awarded COLORSTEEL DRIDEX® 'Sensitive Choice' for the way it manages condensation and discourages mould growth.

As COLORSTEEL DRIDEX® does not require a separate layer of roofing underlay, the environmental impact from the manufacture and eventual disposal of these support materials is reduced. Installation is also safer, as when using COLORSTEEL DRIDEX® the roofer can identify the purlin, or beam, positions without the purlin being hidden by the roofing underlay.

Customers also benefit, as independent studies and user testimonials show that the installation of COLORSTEEL DRIDEX® is at least 10 per cent faster than conventional systems.



CASE STUDY COMMITMENT TO INNOVATION AND RESEARCH

For many years, BlueScope has supported research and development into steel manufacturing and products, and has a strong record of achievement from a range of partnerships and collaborations.

One example is the Company's partnership with the University of Wollongong's Steel Research Hub, to which BlueScope provides financial and in-kind support.

The Steel Research Hub is a research-led centre for innovation in steel manufacturing and products. It brings together government, academic and steel industry partners who work collaboratively to develop innovative solutions and breakthrough technologies in steel for the benefit of industry customers and downstream channel partners. It focuses on competitive processing methodologies and differentiated end-user products for the manufacturing sector to ensure sustainable growth across the Australian steel value chain.

A number of BlueScope's own Technology and Operations employees actively participate in the Hub's research programs, with specific activities in market-focused product innovation, innovative coating technologies and sustainable steel manufacturing:

- **Sustainable steel manufacturing** – projects focusing on economic sustainability through the productivity and flexibility of raw material use in steelmaking; and environmental sustainability through lower GHG emissions and greater recycling of plant waste.
- **Market focused product innovations** – projects engage customers in developing ideas and subsequent product development, and lead to improved high strength hot rolled products, coated products for resilient Australian buildings, and surface engineering of coatings.
- **Innovative coating technologies** – projects aim to strengthen existing capability and develop breakthrough technology in the field of continuous coil coating for steel.

Critical projects underway include increasing the abrasion resistance of steel plate, supporting steel product developments, developing anti-microbial coating systems and supporting Australia's competitiveness in steelmaking.

In addition, BlueScope has played a key role in the development of the University of Wollongong's Sustainable Buildings Research Centre, producing innovative new building materials and systems that feature in the building.

Product stewardship

Steel's strength, durability, flexibility and ability to be endlessly recycled make it a critical component of sustainable infrastructure. We seek to manage responsibly 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 respond proactively 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 their entire life cycle, and manage product testing and review through a stage-gate process. We conduct comprehensive testing on our products before they are released into 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 publicly 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 using our products for their buildings and infrastructure.

BlueScope focussed this year on educating and informing key customers of our range of EPDs that now cover COLORBOND® steel, XLERPLATE® steel, Hot Rolled Coil and Welded Beams and Columns which are registered under the Australasian EPD® programme (AEPD). A thorough review of our life cycle analysis data and associated impacts was undertaken in FY2017 to meet the AEPD requirements.

EPDs are designed to meet market demand for detailed information about the environmental performance of our products. They 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 life cycle 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.

CASE STUDY COLORBOND® COOLMAX® STEEL

COLORBOND® Coolmax® steel was specifically designed as our highest solar reflectance pre-painted steel product. We first launched the product in 2010 to achieve durable thermal performance and help reduce building temperatures.

We instigated detailed analysis with key partners to better understand how cool roofs perform. In FY2017 we developed case studies to explore how micro-climate effects above roofs can affect predicted energy savings for large roof buildings specified with COLORBOND® Coolmax® steel.

Two major studies have been completed and were published in FY2017:

- A study at Stockland Hervey Bay Shopping Centre in Queensland, Australia, investigated the potential of cool roofs to reduce both the upfront and ongoing costs of air-conditioning.
- Building Modelling and Climate Studies: a broader independent study conducted by Arup engineering consultants to understand the performance of cool roofs on different buildings and in different climates, including changing future climates.

Both case studies indicated that conventional building modelling energy software packages may underestimate the cool roof savings on buildings with large roofs supporting HVAC (heating, ventilation and air-conditioning) equipment. These packages may not consider the heat bubble (2nd order effects) that may occur on these large roofs in warmer climates on hot sunny days.

In response, BlueScope has developed an online calculator designed to provide a guide to potential air-conditioning energy savings.

These findings and a range of tools to support the design of cool roofs have been launched to specifiers, developers and ecologically sustainable development consultants at a 'Green Cities' industry conference in Australia.

our ENVIRONMENT

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, which includes continued reinvestment required to ensure our plant and equipment remains efficient, productive and minimises its impact on the environment.

Climate change and energy

In our FY2017 Sustainability Report we committed to further align our climate change and energy reporting with the TCFD recommendations.

This year's report seeks to further align our disclosure of the risks and opportunities presented by the transition to a lower carbon economy, assisting our investors, lenders, insurers and other stakeholders to better understand how BlueScope is managing these topics.

We recognise that there has been increasing interest in how organisations engage in the public policy debate regarding climate and energy policy. This includes interest in companies' memberships of industry associations, and the role of industry associations in promoting particular public policy positions.

Our approach to engaging with industry associations and policymakers is summarised in Section 9 of this report, with a more detailed disclosure of these matters published on our website.

Governance

The Board, assisted by the Risk and Sustainability Committee and HSE Committee, is responsible for overseeing the effective management of our climate change risks and opportunities. Further detail on the key structures and responsibilities is outlined in Section 3 of this report.

Strategy

BlueScope constantly analyses trends and changes in the global and regional steel industry and the impact they may have on demand and supply of steel, cost of raw materials and prices within the supply chain. Our assessments include the broader megatrends that will have a longer term effect, such as the impact of more countries moving to regulate reductions in GHG emissions, as well as the physical effects of climate change.

Our focus on the trends and changes in the steel and related industries means BlueScope is well placed to anticipate and react to changes that may come about through the imposition of climate policies and associated climate change risks.

Given the GHG emissions intensive nature of our operations driven primarily by the use of coal in steelmaking, BlueScope accepts it is exposed to medium to long term risks which could arise out of market shifts, changes in policy, and changes to the physical environment. The nature of our operations also exposes us to reputational risks.

AGGREGATED GHG EMISSIONS INTENSITY DECREASED

25%

RECYCLED SCRAP STEEL USE

45%

TOTAL WATER USE DECREASED

21%

HIGHLIGHTS

- 25 per cent decrease in aggregated GHG emissions intensity per tonne of steel since FY2005
- Reduction in Australian GHG emissions by over 40 per cent since FY2011 through removing surplus steelmaking capacity at a time of global overcapacity
- Achieved 45 per cent aggregated pre- and post-consumer recycled scrap steel use across our steelmaking operations in FY2018
- Reduced total fresh and recycled water use by 21 per cent in FY2018
- Achieved material efficiency rate of 97 per cent
- 43 environmental improvement project nominations for the 2018 BlueScope environmental awards, exceeding our target of 25
- Environmental non-compliances reduced from 26 minor non-compliances in 2017 to nine minor non-compliances in FY2018

OUR POSITION ON CLIMATE CHANGE

BlueScope strongly advocates a fair and equitable approach to addressing climate change to deliver real reductions in global GHG emissions.

BlueScope supports the international climate agreement developed at the 2015 Paris Conference of Parties, as well as the 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 GHG emissions to transition to a more sustainable economic model, and we are already making a significant contribution to that effort.

We acknowledge that steelmaking generates GHG emissions, and continue to work diligently and continuously to improve the efficiency of our operations and reduce those emissions.

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

OUR POSITION ON ENERGY

Our priority is on obtaining reliable and affordable energy, which also meets the GHG emissions reduction commitments of the countries in which we operate – regardless of its source.

In many of the jurisdictions in which we operate, renewable energy is playing a growing role. Indeed, BlueScope is playing a key role in this transition, through the Company's renewable power purchase agreement (PPA) in Australia, and through the provision of a range of its steel products to wind and solar farms.

Reliable and affordable electricity supply is vital for BlueScope: both because our operations are exposed to international competition; and because many of our manufacturing processes must operate without interruption. Unplanned electricity outages are extremely detrimental to many of our operations and can cause costly damage to process-critical equipment.

It is very important, therefore, that the transition underway in electricity supply is carefully managed, in order to maintain reliability and minimise volatility in prices. That means ensuring there is sufficient dispatchable generation capacity to meet forecast demand in the markets in which we operate, including during periods of peak demand. This is likely to require a greater role for technologies such as battery storage, pumped hydro and gas peaking generation.

Reliable and affordable supplies of gas are also critical – particularly in Australia where domestic gas supplies have become increasingly tight and prices much higher than historical levels. While most fuel gas consumed in BlueScope's Australian operations is recycled from its iron and steelmaking processes, the Company has to supplement this with a proportion of purchased natural gas.

Reliable and affordable natural gas is also critical for electricity generation, given that gas peaking generation often sets the electricity price in many electricity markets.

Our diversified steelmaking portfolio

BlueScope's three steelmaking operations – our two integrated steelworks (Port Kembla Steelworks and New Zealand Steel), and its electric arc furnace mini-mill (North Star BlueScope Steel) – each use different steelmaking technologies and mix of raw materials.

Metallurgical coal, also known as coking coal, is a critical ingredient in the production of steel in blast furnace (BF) ironmaking and basic oxygen steelmaking (BOS) facilities, such as those at Port Kembla Steelworks. It differs from thermal coal (which is used to produce electricity) as, in addition to a higher relative energy content and lower moisture content, coking coal has a high caking ability which is the specific property required to make coke suitable for steelmaking.

Integrated steelmaking is inherently GHG emissions-intensive as coal and coke are used as both chemical reductants and energy sources in ironmaking. This chemical process accounts for more than 80 per cent of energy consumed and GHG emissions generated.

At Port Kembla, the principal raw materials for steelmaking via the BF-BOS method are metallurgical coal, iron ore and limestone. Port Kembla's location provides excellent access to Australia's high-quality coking coals, which help maximise the productivity of the blast furnace operations.

New Zealand Steel's unique steelmaking processes use local ironsand which, along with coal and limestone, is heated and dried in one of four multi-hearth furnaces. It is then fed into one of four reduction kilns, where it is converted to 80 per cent metallic iron before passing through an electric melter to produce molten iron for steelmaking through a process known as KOBM (Combined Oxygen Blowing Method).

North Star uses the electric arc furnace method which melts scrap steel and pig iron to produce steel. This method removes the need for direct use of coal in steelmaking by melting scrap steel to make new steel at lower GHG emissions-intensity than blast furnaces.

Experts such as the International Energy Agency expect global demand for steel to continue to increase, driven by increased demand for steel in emerging economies, and as a building material for growing populations.

Given this expected growth, it will not be possible to meet demand entirely from recycled steel. New, virgin steel will continue to be manufactured from traditional BF-BOS technology in the short to medium term.

The only commercially viable technology available today to manufacture steel from raw materials (other than ironsand) is to use carbon, derived from metallurgical coal, as the chemical reductant to extract iron from iron ore. 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.

We are determined to ensure our portfolio of operations is competitive with global better practice producers. We maintain a close watching brief on technological change so that we can respond quickly to take advantage of any developments that occur.

Ironsand

New Zealand Steel, the only fully integrated steel producer in New Zealand, uses locally-sourced ironsand and thermal coal to manufacture about 650,000 tonnes of steel slab and billet a year at the Glenbrook Steelworks south of Auckland. The business covers the entire steel supply chain, mining iron-rich sands on the west coast of the North Island, producing a wide range of steel products, and running an extensive customer service network.

The ironsand is mined at Waikato North Head before undergoing a series of separation processes to produce a magnetic concentrate. The concentrate is then mixed with water to create a slurry, which is then pumped to the Glenbrook Steelworks via an 18 kilometre-long underground pipeline.

Waste water is treated on-site and either recycled or returned to the Waikato River in compliance with both Australian and New Zealand Guidelines for Fresh and Marine Water Quality and local resource consent. Once the water has been extracted, the by-products – or tailings – are contoured and marram grass is planted. Trace elements in the tailings provide nutrients for the marram which enhances rehabilitation of the site.

While considered comparatively small and lower risk by industry standards, the water and tailing storage dams are closely monitored by mining engineers as an integral part of our risk management and governance processes for these facilities.

We believe steel is fundamental to a sustainable future; structures made of steel can minimise the effects of natural disasters, provide strength and durability to withstand severe weather and are integral to the provision of energy infrastructure for a low carbon economy and to the global circular economy.

As the world moves toward lower carbon economies there will be opportunities for BlueScope to further differentiate our products from our competitors and potential substitutes through innovation and the development of new products and services which complement a low carbon environment.

BlueScope recognises that climate change presents ongoing risk to its supply chain from instances of severe weather which may become more frequent. For our key sites, we are undertaking additional work to understand the resilience of the energy supply infrastructure (eg electricity and gas distribution and transmission assets). Some contingency plans exist with others being developed based on scenario modelling.

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

Capital investment framework

BlueScope has historically included future carbon and energy prices as inputs into its capital evaluation processes, typically by factoring shadow carbon prices into decision-making for large scale investments in carbon-intensive assets or carbon reduction technologies. This is important to be prepared for climate and energy policy and regulatory changes, to test business project sensitivities under various carbon-pricing scenarios, and to encourage innovation.

During FY2018 we continued to evolve our capital investment framework to further formalise processes and better align with our climate risk scenarios ('global cooperation', 'runaway climate change', and 'patchy progress'). A key objective was to incorporate the carbon price risk assessment into capital investment decision-making in a manner that is insightful, clear and consistent across projects and regions.

As a global organisation, we use a range of values (instead of a central estimate), to reflect the specific legislative environments of our operations and the markets to which they are exposed. Additionally, there is significant uncertainty as to what carbon value is consistent with the Paris agreement, due to the unpredictability of future socioeconomic and technological trends. In response, we have adopted low, medium and high carbon price values, and an assessment approach that is consistent with the uncertain operating environment.

Exposure to climate change and energy regulation

Much work has already been done to understand the potential impact of current and future climate change and energy policy in both Australia and New Zealand. In addition, BlueScope also monitors policy developments in the other jurisdictions in which it operates. The regulation of GHG emissions can have both a direct cost impact on our operations (if, for example, a carbon price is imposed on direct or 'Scope 1' GHG emissions from our plants), and an indirect cost impact (for example, by increasing the cost of steelmaking inputs such as raw materials or electricity). The imposition of carbon costs can also have different effects on the costs and consumption of steel, in relation to materials such as aluminium, timber, bricks, tiles and cement.

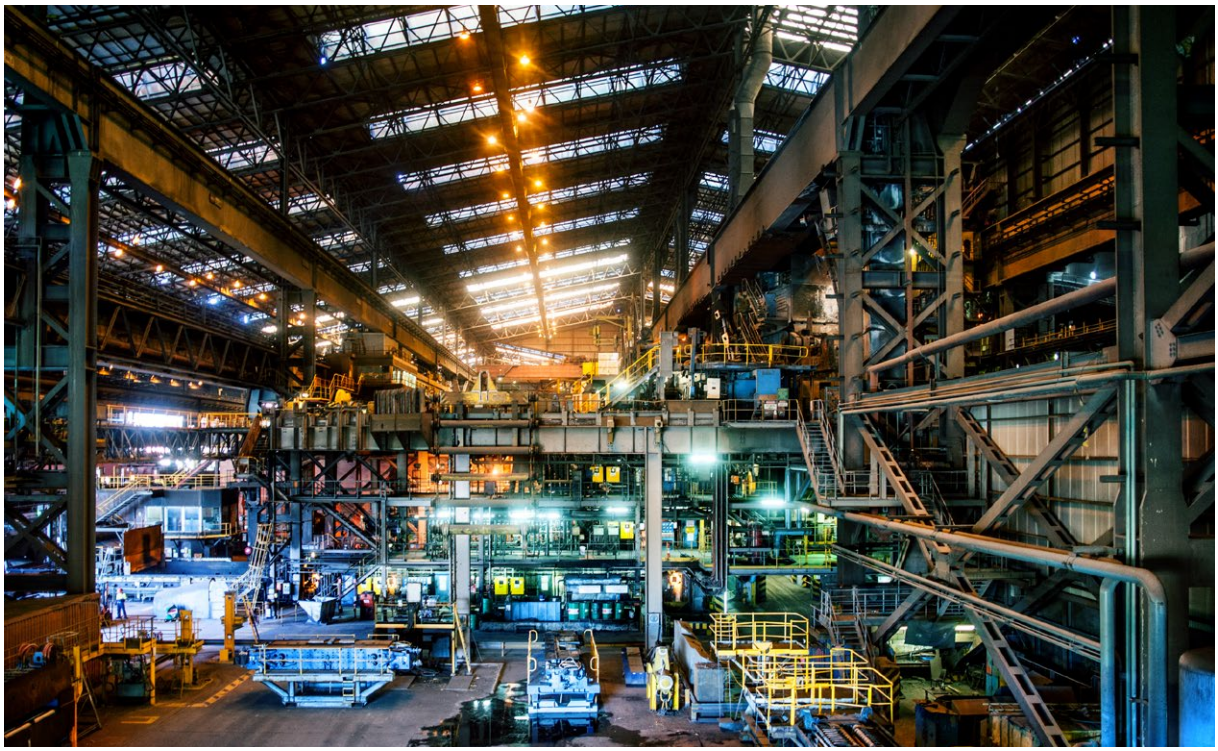
The United States has announced its intention to withdraw from the Paris agreement, but various state and regional carbon pricing schemes are in operation, which can have an effect on input costs such as electricity. In China, the national government is introducing an emissions trading scheme, which will initially apply only to the electricity sector, but the government has stated its intention for the scheme to be expanded to other sectors including steelmaking from 2020.

India has policies for energy efficiency, a renewable energy certificate scheme, and imposes a tax on imported and domestically produced coal. BlueScope is closely monitoring developments in these and other jurisdictions in order to understand the potential impact of such schemes on our manufacturing plants, markets and supply chain.

Both major parties in Australia have publicly indicated that they will not impose direct carbon costs on Australia's steel industry that impair its international competitiveness.

The Australian Safeguard Mechanism to limit GHG emissions growth came into effect in July 2016. A feature of the Australian Federal Government direct action policy, the mechanism covers the Port Kembla Steelworks and Western Port Works. Due to significant reductions in GHG emissions in the last seven years, the baseline for Port Kembla Steelworks has been set at a level greater than current and foreseeable plant GHG emissions levels. However, expansion of production underway at Western Port could see GHG emissions exceed that plant's baseline by a maximum of approximately 8,000t CO_2-e in FY2019 or later. This is not expected to incur a material cost under the current design of the Safeguard Mechanism. A review of the Safeguard Mechanism by the Australian Department of Environment and Energy is underway, and BlueScope has been contributing to this review.

In response to industry and community concerns about rising prices and declining reliability, the Australian Federal Government had proposed the implementation of a National Energy Guarantee (NEG). The NEG would have set targets for reliability and GHG emissions reduction, which would need to be met by electricity retailers. In particular, it would have sought to ensure that intermittent sources of electricity, such as wind and solar, would be backed up by dispatchable sources of electricity, such as thermal generation, batteries or pumped hydro.



BlueScope was a strong supporter of the NEG, believing that it had the potential to most effectively integrate and manage the three elements of Australia's energy 'trilemma' (affordability, reliability and GHG emissions), and could potentially lead to more reliable and affordable electricity supplies.

In September 2018 the Australian government announced that the NEG would not proceed in its previous form, and that future policy would have a stronger focus on the affordability of electricity. The government has suggested a number of policy levers that might be used to bring down prices, but has not yet decided which of these it will implement. Regardless of the policy lever, BlueScope believes that 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.

New Zealand Steel is a liable company under the New Zealand emissions trading scheme (NZ ETS). The NZ ETS obligates New Zealand Steel to surrender emissions credits to the government, with a proportion of those credits (currently 90 per cent) provided by the government to New Zealand Steel 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 NZ 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 GHG emissions would be required to fall to a net zero level by 2050. At the time of publication, the Government has been consulting with stakeholders about the design of the Bill. Once the Bill is introduced to parliament, it will be followed by a Select Committee process, with the aim of passing the legislation by mid-calendar 2019.

The NZ ETS is expected to remain in operation for the (three-year) term of this government. The government is currently undertaking a consultation process regarding the strengthening of the NZ ETS to meet New Zealand's international climate commitments. It plans to prepare draft amendments to the Climate Change Response Act by mid-calendar 2019, with a view to legislating these amendments by late-2019.

New Zealand Steel is participating in the review processes for both pieces of legislation.

Climate risk scenario planning

In FY2018 we undertook a project to review our approach to climate risk and disclosures – including developing a Climate Risk Strategy and three year plans for tackling our key climate risks and opportunities in each of our businesses. This work sought to:

- capture strengths in existing strategies
- compare and make choices relative to TCFD recommendations
- undertake analysis of our portfolio and underlying businesses under a range of future energy and climate scenarios

The TCFD categorises climate risks into two broad categories:

Transition risks *such as climate policy (eg carbon price regulation) or technological shifts (eg the rise of electric vehicles) which impact demand and costs of supply of steel*

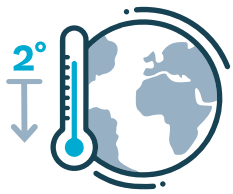
Physical risks *such as the impact of more frequent extreme weather on assets, operations or supply chains*

We held climate risk scenario workshops with key leaders and employees from our businesses around the world to understand the potential impacts and opportunities presented by three different climate change scenarios.

The scenarios were considered plausible rather than probable, and were intended to consider extreme circumstances to ensure a broad perspective was adopted and maintained throughout the exercise. These scenarios are not intended to predict the future, but rather help our business stress test our preparedness for it.

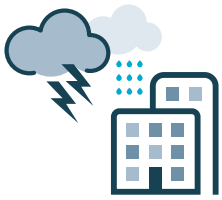
BlueScope climate scenarios

Global cooperation



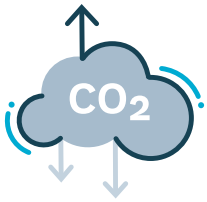
To limit global temperature increase to much less than two degrees Celsius this century. Uniform carbon pricing is introduced in most OECD countries. Carbon price is expected to reach $140 in advanced economies and $125 in Brazil, China, Russia and South Africa. Fossil fuel subsidies are removed everywhere except the Middle East by 2035. Cooperation leads to minimal protectionism and the development of new industries, technologies and carbon markets. Global GHG emissions peak in 2025. Fossil fuel component of energy supply falls from 80 per cent in 2016 to 60 per cent by 2040 and continues to decline. There are significant advances in green technologies, and energy storage continues to improve which enables significant growth in renewables. Electric vehicles are the norm. Climate impacts are generally constrained but not totally avoided. The growth in urbanisation and increasing population mean that steel intensity in the construction sector falls but demand overall increases.

Runaway climate change



There is little or no global action to tackle climate change, resulting in global temperatures reaching four degrees Celsius by the end of the century. No additional carbon prices are implemented and some countries wind back existing mechanisms. Countries go it alone, some introduce trade restrictions and tariffs to protect local industries. Energy from fossil fuels remains at 80 per cent of overall energy mix, oil and coal remain primary sources of energy. GDP experiences incremental growth, rapid urbanisation increases demand for high rise buildings. Changes in climate include more heatwaves, changes in rainfall patterns, half a metre rise in sea levels and large-scale displacement of people. These changes negatively affect workforces, supply chains and operations, but also increase demand for durable and weather resilient products.

Patchy progress



No additional carbon pricing is introduced outside those countries that already have a mechanism in place or that have been included within global climate commitments. GHG emissions continue to grow, peaking in 2060. Global temperature increase is limited to three degrees Celsius. Carbon pricing, where it exists, rises to $25–$40 in 2016 dollars. Energy mix differs greatly from country to country depending on carbon pricing. GDP grows incrementally but conditions vary greatly based on the resilience of individual countries to climate change. Rapid urbanisation drives demand for high rise buildings, steel intensity in construction industry falls but demand increases due to urbanisation and increasing population. Tariffs and trade restrictions are introduced in some countries based on a divergence of approaches to tackling climate change. Changes in climate bring increased demand for weather resilient products and countries with progressive environmental policies regulate stricter building and environment codes.

These three scenarios combine elements from distinct scenarios set out by international agencies including the Intergovernmental Panel on Climate Change (IPCC), IEA and World Energy Outlook.

Global cooperation

In this scenario, we have assumed there will be inter-material transfer and steel will be used only where it is not readily substitutable. The universal application of carbon pricing will ensure that steel production is minimised and limited to the most efficient producers. Despite this, overall demand is still expected to increase (International Energy Agency (IEA) estimates that global raw steel production will increase by almost 55 per cent in 2050 based on 2010 levels[10]) partly because of steel's use as a building material for a growing population. To that end BlueScope is continually investing in energy reduction and efficiency projects to ensure our operations remain world class.

With a significant cost of carbon applied unilaterally, it will be important to understand the life cycle carbon footprint of all products to ensure our customers have the information they need to make informed choices. Several of our products have well documented Environmental Product Disclosures and we are working to expand our efforts and provide information for a greater range of products.

We are advocates of the global cooperation scenario as the only effective way to manage GHG emissions from the steel industry and make a real and significant contribution to limit global warming to much less than two degrees above pre-industrial levels. We believe steel is essential to our way of life and a critical component of a low carbon economy.

Runaway climate change

This scenario presents a worst-case situation, however if it were to materialise, BlueScope would be well positioned to provide high strength durable products that are already proven performers in severe weather. We expect that the increased frequency of severe weather may cause regulators to stipulate stricter building codes and standards, again with which BlueScope products would readily comply. We recognise the increase in urbanisation may change the demand for some of our products, but we believe steel's basic attributes – light weight, high strength and durability – combined with our ability to provide innovative energy efficient solutions, will ensure they are a critical component of tomorrow's urban developments.

The physical risks of severe weather are already present and we have plans in place to assess our key facilities to understand the impact of sea level rise and potential disruption to upstream and downstream supply chains. We are developing contingency plans, where they don't already exist, to ensure we are prepared for those eventualities. We don't see any imminent risks to our facilities, but there are potential exposures in transporting steel by rail that could affect customer deliveries in the short term.

Patchy progress

This scenario is likely to present very similar challenges and outcomes to runaway climate change, but means BlueScope must ensure our businesses in jurisdictions with carbon pricing mechanisms remain competitive against key (and often much larger) competitors who are not faced with similar costs where they operate.

Our global footprint to some degree protects us from the worst consequences of trade restrictions and tariffs, and we have recently enjoyed support from the Australian government in this regard. However, we will continue to advocate for global cooperation as the most effective way to limit global warming to much less than two degrees Celsius.

We are concerned that well-meaning but uncoordinated actions by individual states, nations or companies risk carbon leakage, in which reduced steel production in some jurisdictions sees steel demand met by producers in other jurisdictions who are not subject to an equivalent carbon price and are no less GHG emissions-intensive. Uncoordinated action of this nature risks inflicting unnecessary social and economic costs on people, communities and companies, with limited impact on climate change mitigation. We will continue to strongly advocate for universal application of carbon pricing mechanisms to ensure that GHG emissions are effectively managed and not transferred from one jurisdiction to another.

As with the first two scenarios, the current forecasts of increasing population combined with growth in urbanisation suggest that although steel intensity may decline, the demand for steel will continue to increase. The challenge for BlueScope is to ensure we continue to provide products most suitable for an energy efficient, lower carbon economy.

10 SBTi Sectoral Decarbonisation Approach p53

Our detailed climate scenario analysis has led us to develop the six strategic pillars that are the focus of BlueScope's revised climate risk strategy, which is underpinned by the belief that steel is fundamental to a sustainable future. Our strategic pillars are:

1. *Advocate for global cooperation on climate action*
2. *Improve our GHG emissions intensity*
3. *Deliver resilient operations and supply chain*
4. *Monitor evolution of key climate risk uncertainties*
5. *Understand and pursue creative offset and raw material displacement opportunities*
6. *Resilient, efficient and innovative products*

Under all scenarios there will be strong demand for innovative steel solutions – for which BlueScope has demonstrated a strong track record. Many of the critical components of a low carbon economy, such as renewable energy infrastructure, are made from steel, and our products already contribute significantly to energy efficient buildings, providing insulation or solar reflective characteristics. High strength steel is another example which will likely play an increasingly important role in vehicle manufacture due to its strength, light weight and lower carbon footprint compared to alternative materials.

Analysing the impact of the three plausible climate change scenarios highlights that our geographically and technologically diversified portfolio of steelmaking assets and downstream manufacturing is robust under each of the scenarios presented. However, this work has reinforced our belief that global collaboration is the only effective way to provide steel products that are critical to enabling a low carbon economy with the least environmental impact.

Our business units have developed three-year plans to address the physical risks as they relate to each separate business and make the most of the opportunities we see for BlueScope's products in the short to medium term. Progress against these plans is reviewed quarterly by our ELT and reported annually to our Board through the Risk and Sustainability Committee.

Regardless of the actual scenario that plays out, we believe society will demand that steel be provided by the most efficient producers, both from a cost and environmental perspective. To that end, we are determined to ensure our portfolio of operations is competitive with the best producers in the world. We will maintain a close watching brief on technological change so that we are able to respond quickly and take advantage of any developments that occur.

Metrics and targets

Monitoring resource and energy consumption, and associated GHG emissions, of our operating facilities is critical to understanding productivity and business performance. BlueScope participates in the World Steel Association's CO_2 Climate Action program, submitting annual operational data for our three steelmaking facilities.

The emissions generated from our Australian operations have decreased by more than 40 per cent since 2005, exceeding the percentage commitment made by Australia within the Paris agreement (26–28 per cent on 2005 levels). The closure of a blast furnace at the Port Kembla Steelworks in 2011 effectively removed surplus export steelmaking capacity which resulted in the elimination of approximately 5.7 million tonnes of CO_2-e from the BlueScope and Australia's national GHG emission inventory.

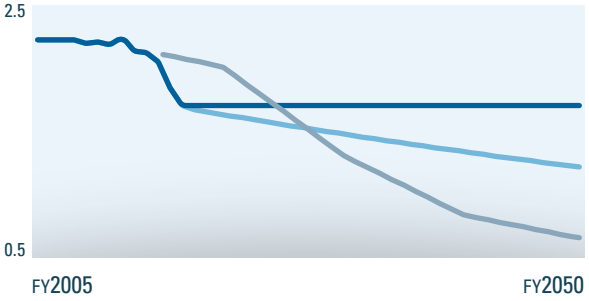
BlueScope has committed to a 33 per cent reduction in Scope 1 and Scope 2 GHG emissions intensity of our steelmaking sites by 2030 compared to 2005.

BlueScope has made sustained improvements in energy and emissions intensity for a number of years. To further demonstrate our desire to reduce the climate impacts of our operations, we are committing to a 33 per cent reduction in Scope 1 and Scope 2 GHG emissions intensity of our steelmaking sites by 2030 compared to 2005. This target recognises our strong performance in improving our GHG emissions intensity in recent years and equates to an additional one per cent year on year reduction in Scope 1 and Scope 2 GHG emissions intensity for each of our steelmaking sites, between 2018 and 2030. The performance of individual assets against the targets will be tracked and reported to the ELT quarterly, and annually to the Risk and Sustainability Committee. The aggregated performance of the three steelmaking sites will be reported publicly as part of our annual Sustainability Report.

In setting these targets, we have considered the continually evolving science and projections relating to the IEA 2DS, and global initiatives such as the Science Based Targets Initiative. These targets ensure that our steelmaking sites collectively follow the detailed sector scenario from the IEA 2DS model for the steel industry out to at least 2027.

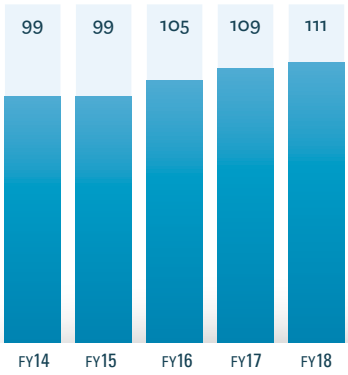
Steelmaking GHG emissions intensity pathway

Scope 1 & 2 tCO2-e/t



Net energy consumption

Petajoules per annum



GHG emissions

ktCO2-e per annum

Scope 1 emissions refer to direct GHG emissions from our own operations, including the electricity we generate at our sites
Scope 2 emissions refer to indirect GHG emissions from the generation of purchased electricity
Scope 3 emissions refer to indirect GHG emissions other than Scope 2 that occur in our supply chain

We acknowledge that additional work is required to define BlueScope's GHG emissions intensity reduction pathway out to 2050 and beyond to ensure we play our part in limiting climate change to much less than two degrees above pre-industrial levels. Accordingly, we commit to undertaking a review of the emissions intensity reduction targets every three years, in line with our regional businesses' three-year Climate Risk and Opportunities plans.

We have also begun work to further understand the Scope 3 emissions associated with our operations to ensure we can accurately determine the full life cycle carbon footprint of our products and operations. We expect to provide further details on our Scope 3 GHG emissions in our future reporting.

Performance

BlueScope's energy consumption and absolute GHG emissions rose in FY2018, driven by the increase in raw steel production to meet strong market demand in most jurisdictions in which we operate. This increase in steel production increased our absolute GHG emissions, despite further reductions in energy and GHG intensity.

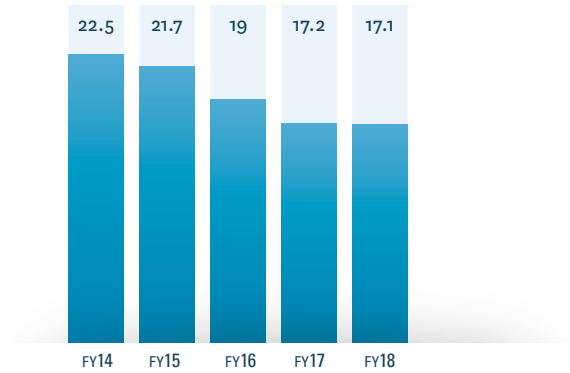
BlueScope's emissions intensity reduced by an additional 1.2 per cent in FY2018, and overall has reduced by 25 per cent since 2005. The move to 100 per cent equity share of North Star BlueScope Steel in FY2016 has contributed strongly to reduced emissions intensity, which was complemented by significant efficiency improvements undertaken at our other two steelmaking sites. Some of the major projects enabling BlueScope to achieve these emission intensity and energy savings in FY2018 are detailed in the Energy section below.

The Science Based Targets Initiative (SBTi) Sectoral Decarbonisation Approach forecasts that global steel production is expected to increase by almost 55 per cent by 2050 based on 2010 levels[1]. However for the sector to do its part in meeting International Energy Agency's 2 Degree Scenario (IEA 2DS), the SBTi estimates that the sector would need to achieve a 31 per cent reduction in absolute Scope 1 GHG emissions by 2050. This would result in a 55 per cent reduction in the GHG emissions intensity of raw steel by 2050 based on 2010.

1 The SBTi is a joint initiative by the CDP, UN Global Compact, World Resources Institute, and WWF. Further information on the SBTi Sectoral Decarbonisation Approach for the iron and steel industry can be found here: https://sciencebasedtargets.org/sda/

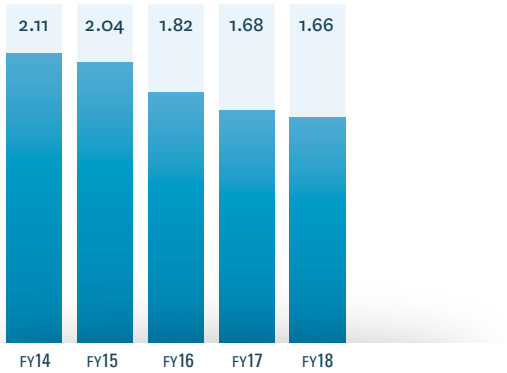
Energy intensity for steelmaking facilities

GJ per tonne raw steel



GHG emission intensity for steelmaking facilities

tCO2-e per tonne raw steel



GHG emissions and energy are reported on an equity basis in line with the GHG Protocol.
Historical data for energy and GHG emissions have been corrected due to updates in emission factors and the identification of a small number of immaterial transcription errors.

Energy

Energy is a significant input cost in steelmaking and BlueScope is committed to reducing energy consumption. We maintain energy management plans that guide our businesses on maximising operational efficiencies and managing the GHG emissions and energy footprint of their activities.

Energy efficiency measures are implemented wherever they are technically and commercially feasible. Given the technical 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 optimise efficiency in our processes)
- 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 coke and ironmaking for heating and to generate electricity

BLUESCOPE PPA FACTS:

500,000 SOLAR PANELS

133MW POWER GENERATED (BLUESCOPE ALLOCATION 88MW/233,000 MWH)

130 JOBS CREATED DURING CONSTRUCTION, 8 PERMANENT ROLES ONCE OPERATIONAL

300 HECTARES. ALMOST HALF THE SIZE OF BLUESCOPE'S PORT KEMBLA STEELWORKS SITE

EQUIVALENT TO:

300,000 TONNES OF CO_2e

20% OF BLUESCOPE'S AUSTRALIAN ELECTRICITY PURCHASES

As detailed in 'Our position on energy', we support the energy sector as it transitions to renewables by encouraging all facilities to include climate change considerations into energy supply assessments, including the move to renewable or co-generated energy sources wherever it makes sense.

Performance

In FY2018 we concluded an energy strategy review for our Australian operations. A key outcome included signing a seven year, 233,000 megawatt hour (MWh) per annum Power Purchasing Agreement with ESCO Pacific for a new 500,000 panel solar farm at Finley, New South Wales. The agreement is one of Australia's largest corporate PPAs and equivalent to 20 per cent of BlueScope's Australian purchased electricity demand. BlueScope's support for this project emphasises our commitment to support the decarbonisation of the electricity supply sector.

Complementing the PPA, several energy saving and electricity generation projects were implemented in FY2018 including waste heat recovery, installing energy efficient lighting, and upgrades to make pumps, motors and fans more efficient. The pinnacle of this work however was the relocation and installation of an alternator and the restart of a steam turbine at Port Kembla Steelworks. This project, described in more detail on the following page, increased internal generation of electricity using by-product fuels and reduced grid electricity demand from that plant by over seven per cent, avoiding over 46,000 tCO_2-e per annum.

Our Western Port plant in Victoria participated in a demand management initiative, under which it was paid to reduce its electricity consumption during times of peak demand. In FY2018, the agreement was activated once, with operation of the Cold Mill stopped for a three-hour period.

CASE STUDY **IMPROVING ENERGY EFFICIENCY**

BlueScope's metal coating and painting facility at Cilegon, Indonesia is continuously investigating ways to improve the efficiency of its operations and reduce its environmental footprint. In FY2018, three projects were identified to improve energy efficiency; one to install an inverter on a blower, one to install an active harmonic filter on a transformer, and another to replace halogen lighting with LED lighting. This work has resulted in improved reliability and operation of the plant and a 668 MWh per year reduction in purchased electricity at the site.

At BlueScope's Phu My site in Vietnam, 72 solar panels have been installed, reducing power consumption by 2.9 MWh per annum.

CASE STUDY **CONTINUOUS IMPROVEMENT**

Continuous environmental improvement on a global scale is important to BlueScope. Each of the regions in which we operate has continuous improvement and innovation programs looking at ways we can do better. Our aspirational environmental targets guide our approach to mitigating our environmental impacts, and each of BlueScope's businesses is required to establish annual performance targets and report quarterly on the aggregated results to the ELT and the Board HSE Committee.

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 emissions intensity

FY2018 BlueScope Environment Awards

BlueScope's annual Environment Awards acknowledge environment improvement projects and community engagement activities. Forty-three projects were nominated for the FY2018 awards, 18 more than our target of 25 projects, demonstrating a strong commitment by our workforce to seek opportunities to improve our environmental footprint.

Notable achievements in FY2018 include significant energy savings through internal electricity generation using excess by-product fuels, installing new energy saving equipment, improved operational performance and efficiencies; reducing dust emissions and pollutants discharged via process stacks; reducing water consumption and improving water quality; diverting and eliminating waste to landfill; and strengthening BlueScope's relationship with local communities and regulators.

The 43 nominated projects are estimated to improve BlueScope's environmental footprint by:

- reducing GHG emissions by 53,000 tCO_2-e
- reducing water use by 30,000 kilolitres
- reducing waste to landfill by approximately 23,000 tonnes

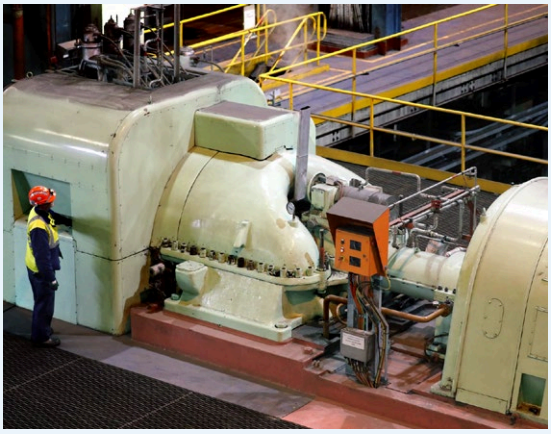
The recipients of this year's BlueScope Environment Awards:

Environment Improvement Award

No. 22 Turbo Alternator, Port Kembla Steelworks

This one-year project has resulted in significant energy reduction following the commissioning of a new electrical power generating machine called the 22 Turbo Alternator (22TA). The 22TA was built using redundant equipment, relocated from other parts of the plant, that was still in good condition and with remaining life. The benefits of the 22TA project are numerous, providing improved efficiency and reliability of electrical power generation within the Steelworks; using excess by-product fuels which were previously flared to the atmosphere; and a reduction in electricity purchases from the New South Wales grid.

The project resulted in a 28 per cent increase in onsite electricity generation (over 57,000 MWh/yr), representing a 7.4 per cent reduction in purchased electricity from the grid, equivalent to 46,000 tCO_2-e per annum.



Environment Engagement Award

Wetland conservation and education program, North Star BlueScope Steel (refer to the case study on page 62)

Water

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

BlueScope recognises that water is a scarce resource and that future supplies will be affected by population growth and climate change. In addition to the water objectives included in our climate risk and opportunity business plans, we are committed to developing a holistic water strategy to better understand the water risks for each of the businesses and to continue to optimise monitoring, reduce water use and improve water discharge quality.

Water use (both fresh water and other water sources) is tracked and reported regularly as part of environmental metrics.

Where possible we use internally and externally recycled water in our operations to minimise our impact on fresh water sources, including local reservoirs. 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 per cent of water used at Port Kembla normally comes from recycled or sea water.

At all our major sites water is cleaned, cooled and recirculated as many times as possible during the manufacturing process, and rainwater captured on site is used where possible.

An example of process water reuse and rainwater use at Port Kembla is the Coke Ovens Industrial Water System. Rainwater collected across the cokemaking footprint and treated coke ovens waste water is reused in the cokemaking process, saving approximately 1,000ML of fresh water every year.

Performance

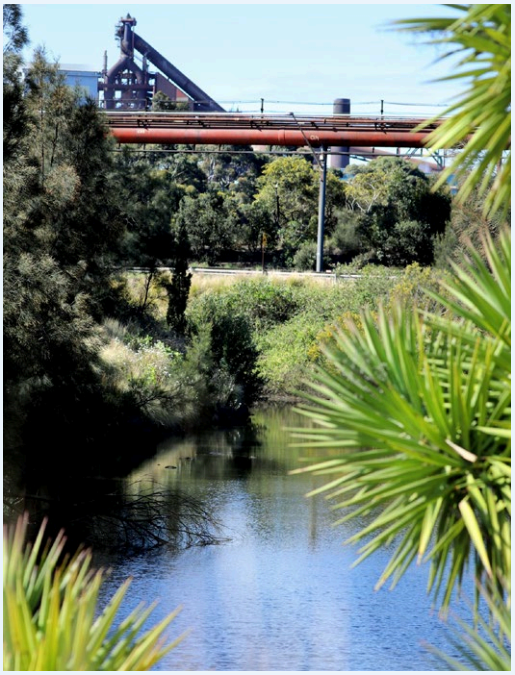
In FY2018 we consumed 26,229 ML of water – fresh and recycled – across our operations, compared to 33,208 ML in FY2017. Total fresh water use has decreased by 23 per cent. The sale of the Taharoa ironsand site in May 2017 is the main contributor to this reduction, however significant reductions have been made with the implementation of several water efficiency projects across the business. These were offset by an increase in fresh water use at Glenbrook Steelworks. As a result, the fresh water intensity from our steelmaking sites has been impacted, increasing our total water intensity from 2.29 in FY2017 to 2.40 kilolitres per tonne of steel in FY2018.

In FY2019 we expect our annual global fresh water use to reduce and will again see fresh water use intensity per tonne of steel reduce to an intensity similar to pre-FY2018 years.

CASE STUDY

REDUCING WATER CONSUMPTION

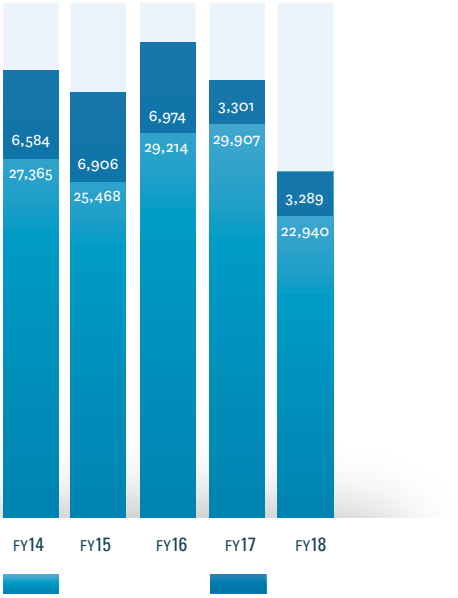
Port Kembla Steelworks seeks to continuously improve the water efficiency of its operations, and two FY2018 projects have resulted in a 16ML reduction in fresh water use. The installation of new automated valving at slabmaking and a new pump at ironmaking have allowed process water to be recycled, avoiding the use of fresh water.



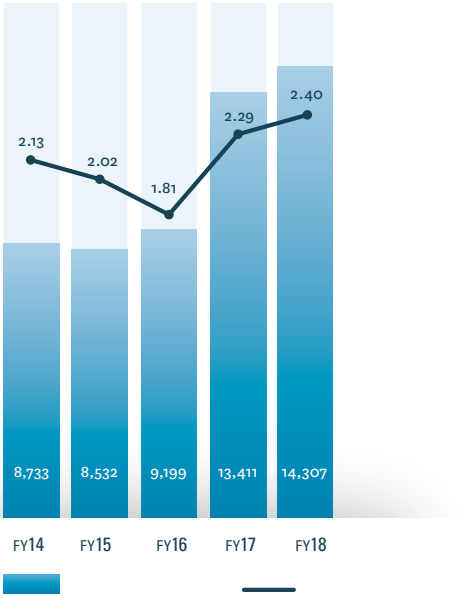
CASE STUDY IMPROVING WATER QUALITY

The team at New Zealand Steel has successfully improved the quality of water discharge from the Glenbrook Steelworks and reduced flowrate fluctuations. This work has significantly reduced the likelihood of the discharge limit being exceeded. Several improvement projects were implemented to achieve this result, in particular focused on installing baffles to increase the time water rests in settling ponds. As a result, effluent solids were reduced, and flowrate fluctuations have been minimised.

Total fresh water and recycled water consumption



Steel manufacturing fresh water consumption and intensity



Certain historical data has been restated due to the identification of a small number of immaterial transcription errors
* Kilolitre (kL) per tonne (t) of raw steel produced

Land

We are custodians of the land and the areas in which we operate. Several of our sites are situated near areas of cultural or ecological significance[11].

Various controls and management processes are in place to ensure the preservation and improvement of these protected areas. These include specifying minimum requirements for the design of operational infrastructure, such as sealed floors and areas for hazardous chemicals to be isolated, maintenance requirements for manufacturing equipment and machinery, as well as standardised incident response processes.

Performance

BlueScope proactively manages known contamination issues, in conjunction with regulatory authorities to both monitor and progressively remediate where required.

For example, remediation at a site adjacent to the Port Kembla Steelworks continued in FY2018 and will continue throughout FY2019. The NSW Environmental Protection Agency (EPA) has confirmed that BlueScope's other sites at Port Kembla, including the main Steelworks site, do not require regulation under the contaminated land legislation. BlueScope regularly reports to the NSW EPA on the results of contamination monitoring at its Port Kembla sites.

To ensure we properly understand the business's land contamination risk we have begun a preliminary site assessment process across our footprint, which will be completed by the end of FY2019.

CASE STUDY **ENVIRONMENT ENGAGEMENT AWARD – NORTH STAR WETLANDS CONSERVATION**

Over 20 years ago, North Star BlueScope Steel established a seven-acre wetland to replace a smaller wetland area that had existed before the mill facility was built. Today, the wetlands serve as an active site for promoting environmental awareness, including on North Star's Biennial Wetlands Day.

This year, North Star hosted the Wetlands Day in partnership with the Ohio EPA, Fulton Country Soil and the Department of Natural Resources, and over 200 fifth and sixth grade students from local schools visited the protected wetlands. The students participated in a range of different activities that highlighted the importance of wetland ecosystems and environmental conservation. A number of dedicated employees volunteered their time to organise and run the event. The Wetlands Day will be held again in 2020, and is an excellent example of BlueScope's Our Bond belief that "Our communities are our homes".

11 A list of the areas of cultural or ecological significance located near our sites is included in Section 10 (Disclosure 304-1)

CASE STUDY **IMPROVING A LOCAL MARINE PARK**

Every year Lysaght Sabah participates in environmental conservation activities to celebrate World Environment Day. In FY2018, working with community partners Sabah Parks and Borneo Divers, a group of employees and local volunteer divers cleaned beaches and dived into the ocean to collect rubbish and plant coral. Together they collected over 360 kg of rubbish from Manukan and Slung Islands in the Tunku Abdul Rahman Marine Park, and planted 40 pieces of coral at Mamutik Island. The local environment in this area has been affected by increasing tourism, and sedimentation and high nutrient levels in the water have affected coral growth. Pleasingly, tests conducted four months after planting showed that 80 per cent of the coral had survived.

Air

BlueScope maintains a strong focus on reducing the impact of our operations 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.

Emissions of oxides of nitrogen (NOx), sulphur dioxide (SO_2), and fine particulates less than 10 microns (PM_{10}) are recognised as key steelmaking air emission metrics. These emissions directly impact air quality and have the potential to affect the communities in which we operate.

Continuous online monitoring of process variables such as temperature, pressure and flow, automated control systems and appropriate maintenance strategies are used to sustain stable operations and maintain compliance with the relevant environmental licence limits.

BlueScope has strict sampling and monitoring processes in place across all required sites which capture and report on air quality metrics and check compliance. This monitoring network included continuous ambient particulate monitoring in place at our steelmaking sites in Australia and New Zealand. In addition to checking compliance, this monitoring enables us to react to any disturbances quickly and identify opportunities for process improvements to further minimise emissions.

In New South Wales there is strong coordination with the EPA to complete pollution reduction projects (PRPs), with four active PRPs relating directly to reducing air emissions. New Zealand Steel is working to minimise fugitive dust emissions from coal stockpiles by optimising their location, maintaining lower stockpile heights and installing dust suppression sprays.

Performance

As with previous years, BlueScope continues to report trending data on air emissions for our large and medium facilities. The incremental increase in emissions (i.e. less than 5 per cent) from FY2017 to FY2018 can largely be attributed to a proportional incremental increase in production output from steelmaking facilities.

Air emissions tonnes	FY2014	FY2015	FY2016	FY2017	FY2018
Oxides of nitrogen	8,907	8,546	8,610	8,457	8,711
Sulphur dioxide	6,072	6,907	8,114	7,239	7,463
Fine particulates	1,733	1,568	1,743	1,807	1,732

Note: Air emissions have been calculated using available stack sampling data and are based on regulator approved methodologies in the regions in which BlueScope operates.

CASE STUDY **IMPROVING AIR QUALITY**

Air quality at North Star BlueScope Steel has improved following the completion of a project to reduce sulphur dioxide emissions. A study highlighted the desulphurisation process at the Ladle Metallurgical Furnace (LMF) as the main source of sulphur dioxide. Tests were then conducted to determine if any process variables could affect the amount of sulphur dioxide generated. The results showed that higher intensity stirring leads to higher sulphur dioxide emissions through oxidation. Employee training in changes to the stirring action at the LMF has seen sulphur dioxide emissions reduce by 25 per cent.

Waste and the circular economy

A key part of BlueScope's manufacturing processes is to minimise the use of resources, reducing the amount of waste material produced and re-using or converting waste materials into other valuable products. Not only does this produce significant commercial benefits, it promotes a circular economy, preventing waste materials going to landfill each year and preserving the extraction and use of raw materials in sectors beyond the iron and steel industry.

The use of recycled scrap steel is key to minimising the use of natural resources and significantly reduces the generation of GHG emissions.

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. In FY2019, three Australian sites will participate in a new "Zero Waste to Landfill" pilot project. These pilots will provide information on our waste streams that will help reduce waste to landfill across the Company.

Performance

In FY2018 BlueScope used 45 per cent[12] pre- and post-consumer recycled scrap steel. Increased use of recycled scrap steel at Port Kembla Steelworks and Glenbrook Steelworks reduced the consumption of raw materials, contributing to improved GHG emissions intensity of the facilities.

We use the material efficiency measure for steelmaking facilities to assess waste management. This measures the percentage of total outputs that are converted to products and by-products. In FY2018 less than three per cent of the outputs from our steelmaking facilities were classified as waste.

Material efficiency

Waste as a % of products and by-products

FY2014	FY2015	FY2016	FY2017	FY2018
96.6%	96.4%	97.0%	96.5%	97.0%

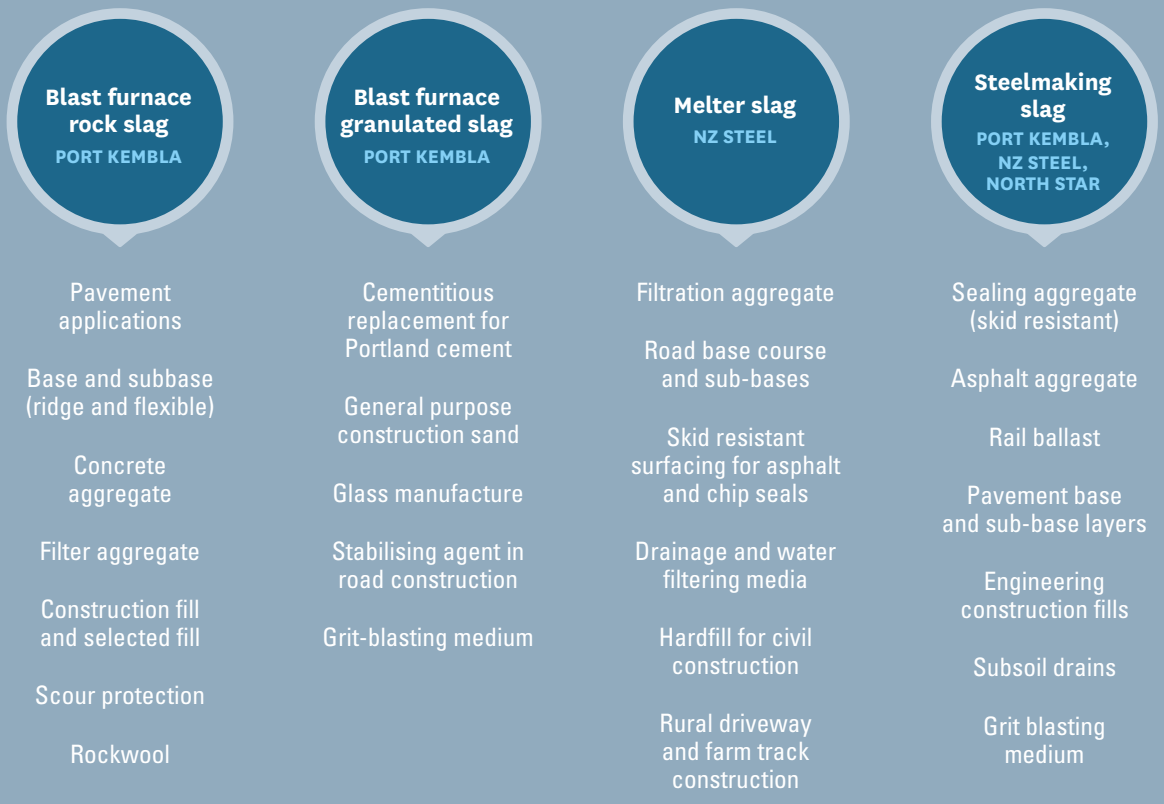
FY2018 material efficiency breakdown

RAW STEEL	BY-PRODUCTS	WASTE
74%	23%	3%

12 Methodology updated to better account for internally generated scrap steel feed, and historical data has been revised following the identification of a small number of transcription errors.

Slag reuse

BlueScope produces three main types of slag; blast furnace slag (Port Kembla Steelworks), Melter Slag (New Zealand Steel) and steelmaking slag (Port Kembla, New Zealand Steel and North Star), which are transformed into saleable products. Over the years slag has transitioned from a waste to a sought after product, with each type of slag having its unique properties and thus typical uses[13].



In addition to the above, New Zealand Steel's steelmaking slag can be used as a lime substitute in stabilising clay sub-bases and as an additive to cement manufacture. A vanadium slag is also produced in the New Zealand steelmaking process, which is exported as a raw material for vanadium pentoxide and ferro vanadium manufacture.

Our environmental licence performance

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. In FY2018 the number of non-compliances reduced by 65 per cent to nine minor non-compliances, a significant improvement.

This reduction was largely due to a number of improvement projects at New Zealand Steel's Glenbrook Steelworks to decrease fluctuations in effluent discharge flowrate and suspended solids concentration. This project is highlighted as one of our case studies on page 61 of this report. For more detail of our environmental licence performance refer to the GRI Content Index in Section 10.

13 Typical uses of slag sourced from the Australasian Slag Association.

CASE STUDY

REDUCING WASTE AT NEW ZEALAND STEEL

New Zealand Steel's Glenbrook Steelworks has reduced waste to landfill by reducing the amount of accretion, a by-product from ironmaking going to landfill. The separated fines material is recycled back to the ironmaking process, reducing waste going to landfill by 12,000 tonnes every year.

CASE STUDY

REDUCING AND REUSING WASTE – SUZHOU, PORT KEMBLA STEELWORKS AND ACACIA RIDGE SERVICE CENTRE

At three BlueScope sites, Suzhou in China, Port Kembla Steelworks and Acacia Ridge in Queensland, programs have been put in place to reduce the use of new timber pallets. At Suzhou, a review of steel coil storage and transport and changes to packaging have reduced the need for timber pallets. At Acacia Ridge and Port Kembla Steelworks, used pallets are sorted and, where possible, reused internally in daily production. Many of those unable to be reused onsite are recycled into mulch. These projects have reduced timber waste going to landfill by over 6,500 tonnes per year.

our COMMUNITY

Community investment and involvement

At BlueScope, in line with Our Bond, we recognise that our communities are our homes.

This is a longstanding and actively pursued belief and commitment across BlueScope's global operations. Our businesses and people are part of the social, economic and environmental fabric of the communities in which we operate.

We participate strongly as grass roots community citizens, providing direct and indirect employment, supporting local community initiatives through employee volunteerism in the form of skills and knowledge, and funding through sponsorships and donations. Our people live in their communities so it is natural for BlueScope to truly respect and recognise our communities as our homes.

From a business perspective, the support of our local communities – wherever we operate – is essential, and gives us the confidence to continue investing to sustain and build on our operations and continue to deliver employment and social and economic benefits to those communities into the future.

Our approach

Our community focus is aligned to our key business and sustainability commitments. Wherever we operate, we:

- actively promote grass roots participation through collaboration, open dialogue, and support in many forms, designed to bring added value and empowerment to the lives of the people working and living in our communities
- seek to ensure we mitigate any negative effects our operations may have on our communities or 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 people and cultures represented in the communities where we operate.

We acknowledge our important role as a major community employer and partner. In our operations across the globe we employ local people and use a mix of national and local suppliers, and we support broader economies through taxes and other government payments.

In all regions, notably at the grass roots level, BlueScope people look for opportunities to participate in and support value-adding community initiatives focused on health, safety, education and the environment. Increasingly, we have supported education initiatives focused on promoting STEM (Science, Technology, Engineering and Maths) subjects to women in the community, given the clear link from this field of study to careers at BlueScope, and our focus on increasing the number of women into technical roles in our business.

Individual businesses are responsible for the governance, management and funding of community activities. A report of the Company's community investment is regularly presented to BlueScope's Board.

HIGHLIGHTS

- BlueScope businesses combined donated more than $2 million to their communities
- The BlueScope Foundation supported more than 100 organisations across the United States
- The BlueScopeWIN Community Partners program distributed funds to over 60 community groups in the region surrounding the Port Kembla Steelworks
- Employees across our global operations volunteered their time to participate in community support programs, including local humanitarian, educational and skills development initiatives

We aim to maintain productive relationships built on trust and open communication.

The stakeholder engagement table in Section 9 of this report outlines the methods by which we engage with various members of our communities.

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. Minutes of the meetings are made available on the BlueScope Illawarra website.

Similarly, at its Western Port plant in Victoria, BlueScope's Community Liaison Committee meets at least twice a year to enable Company and community representatives to share and get feedback on progress, initiatives, concerns and issues related to the plant's environmental and community relations performance and improvement. Minutes of the meetings are made available through the plant's local channels.

We also aim to support sustainable economic and social development in our communities, for example by 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.

Consistent with our approach to continuous improvement across all aspects of our business, in FY2019 we will undertake a review of the Company's community engagement plans and investment activities. The scope of this work will include:

- alignment to BlueScope's overarching sustainability strategy and material aspects;
- processes for identifying community groups and projects to support;
- Company support for employee involvement in the community;
- the allocation of funds and resources invested; and
- systems and processes in place for governance, measurement and reporting

We will report on the outcome of this review in the FY2019 Sustainability Report.

Our performance

In FY2018, BlueScope businesses combined donated more than $2 million to their communities.

The BlueScopeWIN Community Partners Program continued to support 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.

More broadly, BlueScope makes a sizable contribution to Australia and particularly to the Illawarra region, home to the Port Kembla Steelworks. The most recent data available shows that nationally, BlueScope's activities represent 0.4 per cent of Gross Domestic Product and household income, and support 33,641 full time equivalent (FTE) direct and indirect jobs. In the Illawarra, BlueScope represents 10 per cent of jobs, 11 per cent of Gross Regional Product and 24 per cent of the region's total output (value added).[14]

In the United States, the BlueScope Foundation provided funding support to over 100 different organisations, and together with employee volunteerism from over 3,000 workers across 24 locations, provided significant support to local North American communities.

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 direct and indirect jobs in 2016–17. New Zealand Steel accounts for approximately 0.24 per cent of New Zealand Gross Domestic Product.[15]

CASE STUDY **TE WHANGAI TRUST**

New Zealand Steel's community support programs focus on safety, education, and social and cultural activities.

The Te Whangai Trust supports and trains vulnerable people who have difficulty finding jobs, and helps them to improve their lives. In partnership with local volunteers, iwi, government agencies, philanthropic groups and businesses such as New Zealand Steel, the Trust's life skills centres provide a safe and structured environment for people to develop skills and to transition into the workplace.

Since 2009 the Te Whangai Trust has grown and planted native trees and shrubs for New Zealand Steel's mitigation and re-vegetation program, and it assists the Company in caring for local streams. In this way it provides a valuable social service to the local community.

In addition, the Company and the Trust have worked together to establish a nursery learning centre on land owned by New Zealand Steel. The employees at Te Whangai Trust run the entire operation, and thus gain new skills. Each year the Trust provides education, advisory skills and the equivalent of 156,000 volunteer hours, in addition to the 500,000 native plants it nurtures for the local community.

14 IRIS Economic Impact Study 2017
15 Deloitte Access Economics – Economic contribution of New Zealand Steel September 2017

CASE STUDY BLUESCOPE FOUNDATION

In North America, the BlueScope Foundation provides funding support to over 100 different organisations across the United States where BlueScope operates. It supports agencies based on the needs of 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. The Foundation also provides a post-secondary education scholarship program for children of employees, open to all BlueScope sites located in the United States.

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 funds to be distributed to non-profit agencies that provide essential services to families in our communities.

The Foundation's philanthropic activity is governed by a Board of Trustees comprised of community leaders within our businesses. The Board is guided by a United States government approved charter and Foundation guidelines which include parameters for giving, administrative policies, contribution categories and the process for applying for funding. The Board manages the investment and disbursement of assets, oversees Company giving programs, and meets quarterly to review grant requests, which are directed to communities in which BlueScope operates. In reviewing grants, the Board considers: employee and/or site involvement at the organisation (for example if site employees are volunteers, board members or have a strong community presence), program impact on the local community, and whether the organisation's focus aligns with BlueScope's core values and has sound fiscal management.

The Foundation's funding, together with employee volunteerism from over 3,000 workers across 24 locations provides significant support to local North American communities. As well as providing employment to its people and contractors, the Company supports nearly 2,400 small to medium builder businesses that supply jobs with reliable benefits.

CASE STUDY SCIENCE YOUR FUTURE COMPETITION

BlueScope Indonesia is supporting the Austrade 'Science Your Future Competition 2018'. Students from selected Indonesian schools are invited to participate in the competition for the chance to join a week-long study tour to Australia to learn about the real-world application of STEM disciplines.

CASE STUDY ILLAWARRA COMMUNITY PARTNERS PROGRAM

The BlueScopeWIN Community Partners Program brings together BlueScope and the WIN Network to create a local community support fund that is a model for community engagement. Based in Wollongong, the WIN Network is Australia's largest regional television network. It raises awareness of the Program and the activities and organisations it supports through promotions on WINTV news.

Each year the BlueScopeWIN Community Partners Program distributes $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.

The Program supports causes related to health, safety, environment, diversity, youth and education. It is administered by Inside Industry, a not-for–profit company run by a volunteer board, which also operates the Port Kembla Steelworks Visitor Centre and conducts plant tours on BlueScope's behalf.

A volunteer sub-committee comprised of representatives of Inside Industry, BlueScope and WIN makes decisions on the allocation of funds to community groups. Applications are assessed against published criteria, and compared against each other using a matrix-based decision-making process. The selection criteria include community benefit, worthiness of the recipient, potential exposure and recognition, and potential to create shared value.

CASE STUDY COMMUNITY SUPPORT IN MALAYSIA

BlueScope Malaysia's CONNACTION – 'Continuous In Action' – community initiative was launched in 2016 with business partners and NGOs to provide shelter and support to communities across Malaysia. The program has been strengthened to cover a broader scope of activities including community care, animal welfare, environmental sustainability and heritage conservation, education and skill development. Projects have included extensions to a nursing home, and construction of facilities and fundraising for Positive Living Community, an organisation that provides shelter, care, treatment and support to people who have become homeless due to HIV and AIDS, and drug or alcohol addiction. Under the CONNACTION banner, BlueScope also provided roofing materials for renovations to the Cheshire Home for underprivileged communities.

CASE STUDY FIRST ROBOTICS

FIRST® (For Inspiration and Recognition of Science and Technology) is a national program that combines the rigours of science with the excitement of sports to engage students in STEM. BlueScope supports FIRST® Robotics programs in Washington state and through the greater Kansas City regional organisation, with local chapter volunteers and regional grant support.

FIRST® Robotics allows high school students to take STEM skills and apply them to real world conditions. They also develop other skills including project management, time management, strategy, project scheduling, budgeting, marketing, fundraising and communication.

BlueScope supports the Shawnee Mission Northwest High School Cougar Robotics team which won the FIRST® Robotics Challenge Kansas City Heartland Regional and, in doing so, qualified for the World Robotics Championships in Houston, TX. Over 400 teams from 23 countries competed with robots built by the students in a complex game played on a basketball arena sized floor. The team lost in the semi-final to the eventual winner.

BlueScope Construction's Vice President, Program Accounts & Engineering, Mick Schneider, has been the team mentor for 12 years, and helps the students understand the potential for the skills they acquire to be applied in a future career at BlueScope.

CASE STUDY MAMA SAYANG ORPHANAGE

BlueScope Indonesia supplied and installed a roofing system to the Mama Sayang orphanage which was damaged by fire. The building is now covered with Lysaght TRIMDEK® Optima COLORBOND® steel and has an insulation system to assist in providing a comfortable environment for the residents.

CASE STUDY A 10 YEAR JOURNEY WITH XINGREN SCHOOL

BlueScope China has celebrated ten years of friendship with the Xingren School in Sichuan, China. Following the devastating 2008 Sichuan earthquake which hit Xingren and its community, BlueScope donated a light gauge steel building to the school, providing a safe learning environment for its 300 students. BlueScope also contributed to the Xingren infrastructure project to build new roads, playground and gardens and to purchase educational equipment. Separately, BlueScope employees raised over $25,000 for the Xingren project. Most recently, BlueScope's partnership with Xingren includes support for exceptional students, for disadvantaged students living in poverty, and for teacher training and development.

supplementary
information

Memberships and partnerships

BlueScope participates in a number of local, national and global organisations. Membership of these organisations assists with:

- sharing knowledge and best practice
- better understanding legal and regulatory obligations
- employee training and development
- 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 information regarding developments in technology, for example lower-emissions steelmaking technology and carbon capture and utilisation.

The organisations we join typically comprise peer companies, and in some cases small and medium businesses, government and 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 whose positions 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.

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 contributing to its seven sustainability principles which are aligned to the UN SDGs. worldsteel collects performance data from its members for eight indicators to monitor and drive best practice sustainability initiatives throughout the global steel industry.

ResponsibleSteel

BlueScope is a founding member of ResponsibleSteel, an international organisation that has been established to improve 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 reviewing the draft performance standard and will continue to be involved in the implementation of minimum performance standards.

Australian Steel Institute

The Australian Steel Institute (ASI) 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, as well as policy advocacy to government.

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, which provides a Green Star credit point available for builders who use fabricators who are members of the ASI's ESC Group.

American Iron and Steel Institute

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

New Zealand Sustainable Business Council

The Sustainable Business Council is an executive-led organisation that, together with its members, develops thought leadership and engages in effective advocacy to generate constructive solutions and take shared action for sustainable development.

In addition to the above organisations with which we engage on sustainability matters, BlueScope also holds memberships of a range of industry associations that deal with broader public policy matters. These matters include skills and training, workplace productivity, transport and logistics, infrastructure development, trade matters, and climate change and energy policy.

BlueScope has published a summary regarding its membership of industry associations in Australia that deal with climate change and energy policy, which is available on our website at https://www.bluescope.com/sustainability/governance/policies-and-positions.

Stakeholder engagement

We work hard to develop and maintain relationships with our principal stakeholders 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 and local websites provide our stakeholders with a wealth of information relating to all aspects of our business. 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. In the table below, we have identified stakeholder interests and the methods through which we engage with them.

Stakeholder	Interests	Principal engagement methods
Customers	▸ Reliability of supply ▸ Product cost and quality ▸ Product performance and environmental value ▸ Development of innovative solutions ▸ Availability of local BlueScope representatives ▸ Business conduct ▸ 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 ▸ Employee engagement survey ▸ Online and other communication channels ▸ Training sessions ▸ Employee forums ▸ Site visits from leadership teams
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 ▸ Business conduct ▸ 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

Material topics and definitions

The table below details definition and boundaries for our most material and important topics as identified through our materiality processes, and detailed further in Section 2.

Rating	Topic	Definition	Boundary	Pg
Material	**Employee and contractor safety, health and wellness**	Maintaining the health of all people who work with BlueScope, or who are affected by BlueScope's operations, including managing safety risks	Employees, contractors	21
	Climate change and energy	Reducing our carbon footprint across our global operations	Suppliers, operations, customers	46
	Supply chain sustainability	Managing the social, environmental and ethical risks present in our global supply chain	Suppliers, corporate, operations	35
	Governance and business conduct	Managing our business in a responsible, honest and transparent manner and in compliance with our policies and relevant legislation	Customers, corporate, operations, employees, suppliers	8
	Diversity and inclusion	Developing a diverse and inclusive workforce	Employees	25
Important	**Communities**	Supporting and engaging with the communities in which we operate, including Indigenous communities	Communities, employees	68
	Leadership and talent development	Attracting, retaining and developing talented people	Employees	30
	Workplace culture and engagement	Maintaining a positive and engaging workplace culture	Employees	31
	Environmental impacts	Minimising the environmental impact of our operational sites	Operations	56
	Product stewardship	Maintaining the quality, safety and environmental performance of our products throughout the product life cycle	Customers, corporate, operations, suppliers	44
	Innovation	Investing in innovation to enhance the value and social and environmental performance of our products and improve the efficiency with which we operate	Corporate, operations, customers, suppliers	40
	Tax transparency	Being transparent about our tax affairs	Corporate, operations	12

Our tax contribution

As detailed in Section 3 of this report, our approach to tax is in line with the values and principles set out in Our Bond and our Guide to Business Conduct. Additionally, the tax information included in this Sustainability Report is intended to meet the expectations and align with the Australian Taxation Office's (ATO) better practice guidance under the Australian Tax Transparency Code.

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 20 of the FY2018 Financial Report.

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). Most of the corporate income tax was paid in North America, which relates to the North Star BlueScope Steel and BlueScope Buildings North America businesses.

Below is a summary table of BlueScope's 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 FY2018, 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 United States. 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).

Country	*Corporate income tax and WHT*	*Employer payroll tax*	*Other*	*Total tax payments borne*	*Employee payroll taxes*	*Value added tax (paid but reclaimed)*	*Value added tax (collected and remitted)*	*Total tax payments collected*	*Total tax payments*
United States*	38.2	21.6	17.7	77.6	75.5	0.0	46.6	122.1	199.6
New Zealand	1.8	6.5	1.1	9.4	38.9	(95.3)	93.0	36.6	45.9
Australia	0.0	22.0	1.8	23.7	199.3	(384.9)	445.7	260.2	283.9
Vietnam	3.6	0.0	0.6	4.2	1.8	(28.4)	22.1	(4.5)	(0.3)
Indonesia	2.7	0.0	0.5	3.2	2.0	(37.1)	34.3	(0.8)	2.4
Thailand	5.2	0.8	0.0	6.0	2.4	(39.4)	40.9	3.8	9.8
Malaysia	3.4	0.3	0.3	4.0	1.5	(13.8)	12.7	0.4	4.3
Singapore	2.5	0.0	0.0	2.5	0.7	(1.5)	1.4	0.6	3.1
China	5.3	0.0	3.1	8.4	7.2	(117.1)	141.0	31.1	39.4
Other	3.7	2.0	1.6	6.0	3.5	(81.2)	89.7	11.9	17.9
	66.4	53.2	26.6	144.9	332.6	(798.7)	927.2	461.2	606.1

* United States corporate tax paid was lower in FY2018 as compared to FY2017, predominantly due to the United States Corporate tax rate reduction of ~7% from headline corporate rate of ~35% to ~28%, and timing of tax payments.

Effective company tax rates

The BlueScope Australian tax consolidated group does not currently pay corporate income tax due to it having an estimated $1.84 billion of carried forward tax losses at 30 June 2018. The losses are attributable to the operating losses suffered in Australia between FY2009 and FY2015. As at 30 June 2018, the balance of these carried forward Australian tax losses has been booked in the financial statements due to the expectation of satisfying the relevant accounting standard requirement and this explains the negative Reported Effective Tax Rate.

The Australian tax rate of 30 per cent 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 2018:

		Global	Australia*
Australian Statutory Tax Rate		**30%**	**30%**
Adjustments			
Tax Concessions	(a)	-1.0%	-0.4%
Tax Rate Differential	(b)	-0.7%	0.0%
Other		-2.5%	0.9%
Underlying Effective Tax Rate		**25.8%**	**30.5%**
Adjustments			
Tax Losses	(c)	-37.3%	-59.2%
United States tax reform	(d)	-6.4%	0.0%
Other	(e)	-2.1%	-8.7%
Reported Effective Tax Rate		**-20.0%**	**-37.4%**

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

The adjustments to income tax expense relate to:

a) The effects of tax concessions (i) research and development (R&D) incentive in Australia and (ii) manufacturing deductions in the United States.

b) Foreign tax rate differential predominantly relates to lower tax rates on profits in North America and Asia.

c) Utilisation of unbooked tax losses primarily in Australia and the recognition of the remaining unbooked Australian tax loss assets.

d) The United States tax reform bill was signed into law on 22 December 2017. The reduction in the United States corporate tax rate from 35 per cent to 21 per cent effective 1 January 2018 (a blended 28 per cent rate applied for the 30 June 2018 year-end) and the toll charge on overseas operations are the main features of United States tax law changes impacting BlueScope's income tax expense.

e) Includes write-back of asset impairments

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 its 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 principle

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 whistle-blower hotline is readily accessible on our website and open to all our suppliers and stakeholders if questionable conduct is observed or suspected.

BlueScope's Board of Directors as at 30 June 2018

Directors	Appointment
John Bevan (Independent Chairman)	March 2014
Mark Vassella (Managing Director & Chief Executive Officer)	January 2018[1]
Penny Bingham-Hall (Non-executive Director)	March 2011
Ewen Crouch, AM (Non-executive Director)	March 2013
Ken Dean (Non-executive Director)	April 2009
Rebecca Dee-Bradbury (Non-executive Director)	April 2014
Daniel Grollo (Non-executive Director)	September 2006
Lloyd Jones (Non-executive Director)	September 2013
Jennifer Lambert (Non-executive Director)	September 2017[2]

1 On 21 August 2017, 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.

2 On 21 August 2017, BlueScope announced the appointment of Jennifer Lambert to the Board of Directors, effective 1 September 2017.

* On 22 June 2018, BlueScope announced the appointment of Mark Hutchinson to the Board of Directors, effective 1 October 2018.

BlueScope's Executive Leadership Team as at 30 June 2018

Member	Role	Appointment to ELT
Mark Vassella	Managing Director & Chief Executive Officer	August 2007[1]
Tania Archibald	Chief Financial Officer	April 2016[2]
Debra Counsell	Chief Legal Officer & Company Secretary	January 2017
Charlie Elias	Chief Executive, NS BlueScope	February 2009[3]
Pat Finan	Chief Executive, BlueScope Buildings	November 2010
Alec Highnam	Executive General Manager People	April 2016
John Nowlan	Chief Executive, Australian Steel Products	January 2018
Gretta Stephens	Chief Executive, New Zealand & Pacific Islands	June 2018[4]

1 Mr Vassella assumed the role of BlueScope's Managing Director & Chief Executive Officer from 1 January 2018

2 Ms Archibald assumed the role of BlueScope's Chief Financial Officer from 1 March 2018.

3 Mr Elias assumed the role of Chief Executive NS BlueScope from 1 March 2018. From 1 July 2018 he also assumed responsibility for BlueScope China.

4 Ms Stephens assumed the role of Chief Executive, New Zealand & Pacific Islands from 25 June 2018. Ms Stephens joined BlueScope from New Zealand's Aluminium Smelters, a joint venture between Pacific Aluminium and Sumitomo Chemical Company, where she had been General Manager and Chief Executive since 2013.

* On 2 July 2018, Andrew Garey assumed the role of Chief Strategy & Transformation Officer

GRI content

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102-4	Location of operations	Our business and operations, page 9
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102-6	Markets served	Business summary and key brands, page 18, detailed information regarding our principal markets can be found in our Directors' Report 30 June 2018, page 1
102-7	Scale of the organisation	Our business and operations, page 9
102-8	Information on employees and other workers	Our business and key brands, page 18 Our people, page 25
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Strategy		
102-14	Statement from senior decision-maker	Message from the Managing Director and CEO, page 3
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102-16	Values, principles, standards, and norms of behaviour	Our Bond, page 2 Sustainable governance, page 8 Business conduct, page 32
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Disclosure	Description	Location
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102-40	List of stakeholder groups	Supplementary information, page 76
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102-45	Entities included in the consolidated financial statements	Annual Financial Report 30 June 2018, page 40
102-46	Defining report content and topic boundaries	Our approach to sustainability, page 5 Supplementary information, page 77
102-47	List of material topics	Our approach to sustainability, page 6
102-48	Restatements of information	Sustainable governance page 13
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102-50	Reporting period	Message from Managing Director and CEO, page 3
102-51	Date of most recent report	Message from Managing Director and CEO, page 3
102-52	Reporting cycle	Message from Managing Director and CEO, page 3
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	Message from Managing Director and CEO, page 3
102-55	GRI content index	GRI content index, page 83
102-56	External assurance	We have not sought external assurance over disclosures included in the report

Specific standard disclosures

Disclosure	Description	Location	Omission
Health and wellness			
103-1	Explanation of the material topic and its boundary	Supplementary information, page 77	N/A
103-2	The management approach and its components	Sustainable governance, page 11	N/A
103-3	Evaluation of the management approach	Health, safety and wellness, page 21	N/A
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Health, safety and wellness, page 23	▸ No fatalities occurred in FY2018 ▸ 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	Supplementary information, page 77	N/A
103-2	The management approach and its components	Diversity and inclusion, page 25	N/A
103-3	Evaluation of the management approach	Diversity and inclusion, page 25	N/A
405-1	Diversity of governance bodies and employees	Diversity and inclusion, page 28	N/A
Climate change and energy			
103-1	Explanation of the material topic and its boundary	Supplementary information, page 77	N/A
103-2	The management approach and its components	Climate change and energy, page 46	N/A
103-3	Evaluation of the management approach	Climate change and energy, page 56	N/A
305-4	GHG emissions intensity	Climate change and energy, page 57	N/A

Disclosure	Description	Location	Omission
Supply chain sustainability			
103-1	Explanation of the material topic and its boundary	Supplementary information, page 77	N/A
103-2	The management approach and its components	Supply chain sustainability, page 35	N/A
103-3	Evaluation of the management approach	Supply chain sustainability, page 35	N/A
414-1	New suppliers that were screened using social criteria	As detailed in Section 6 of this report, BlueScope intends to commence recording screening information relating to our Responsible Sourcing Standard in future reporting periods	N/A
Business conduct			
103-1	Explanation of the material topic and its boundary	Supplementary information, page 77	N/A
103-2	The management approach and its components	Expectations of business conduct, page 32	N/A
103-3	Evaluation of the management approach	Expectations of business conduct, page 33	N/A
205-3	Confirmed incidents of corruption and actions taken	Expectations of business conduct, page 33	N/A

Specific standard disclosures

Disclosure	Description	Location	Omission
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	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. Country / Site / Area Australia / Port Kembla Steelworks / Tom Thumb lagoon Australia / Port Kembla Steelworks / Green and gold bell frog ponds Australia / Western Port / Western Port Ramsar wetlands Australia / Western Port / UNESCO biosphere reserve New Zealand / Waikato North Head ironsand mine / Maori burial sites New Zealand / Waikato North Head ironsand mine / Waikato River and wetlands New Zealand / Glenbrook Steelworks / Waiuku River New Zealand / Glenbrook Steelworks / Waikato River New Zealand / Glenbrook Steelworks / Archaeological sites New Zealand / Glenbrook Steelworks / Remnant indigenous forest USA / Steelscape Kalama / Columbia River USA / North Star BlueScope Steel / North Star wetlands	N/A
307-1	Non-compliance with environmental laws and regulations	During FY2018, BlueScope notified relevant authorities of nine environmental non-compliances with environmental regulation or legislation. Six occurred at Port Kembla Steelworks, one at the Glenbrook Steelworks, one at North Star and one at the Map Ta Phut coating lines; four of these related to water and four related to air. All of the non-compliances were relatively minor in consequence. See page 66 for further details.	

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