



# BLUESCOPE SUSTAINABILITY

2015-16 REPORT



BLUESCOPE



# OUR BOND

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

## OUR CUSTOMERS ARE OUR PARTNERS

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

## OUR PEOPLE ARE OUR STRENGTH

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

## OUR SHAREHOLDERS ARE OUR FOUNDATIONS

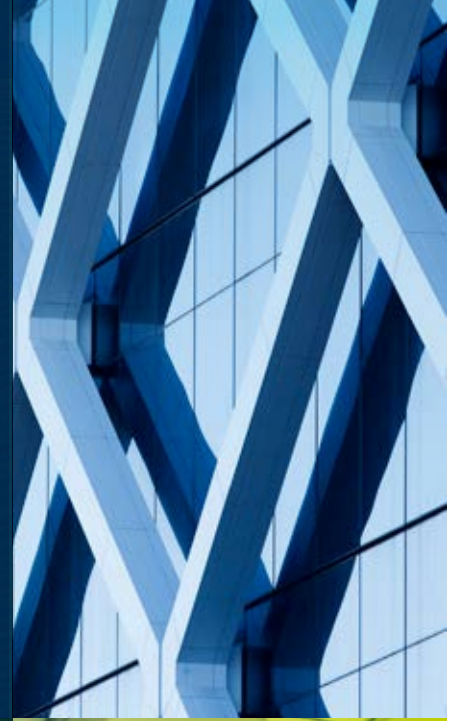
Our success is made possible by the shareholders and lenders who choose to invest in us. In return, we commit to continuing profitability and growth in value, which together make us all stronger.

## OUR COMMUNITIES ARE OUR HOMES

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

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# 1. INTRODUCTION

## MESSAGE FROM THE MANAGING DIRECTOR & CEO

At BlueScope our health, safety, environment and community responsibilities are integral to the way we do business.

In past years, our governance approach and performance in these areas has been reported in BlueScope's annual Community Safety and Environment Report, our People Report, and of course in the statutory Annual Report.

This year we are making a transition to a new format of sustainability reporting.

Welcome to the BlueScope FY2016 Sustainability Report. The Report covers governance, environment, people, community, customers and suppliers, and it is our intention to use this combined format as the basis for more fulsome sustainability reporting in FY2017 and beyond.

At BlueScope, we express our fundamental beliefs—what we value and how we will behave—in Our Bond and our Guide to Business Conduct.

Our Bond is a statement of commitment to four stakeholder groups that are very important to us—our customers, employees, shareholders and communities. The words in Our Bond reflect the characteristics of honesty and integrity that we value and which we aspire to live by.

Our Guide to Business Conduct sets the principles that govern how people should behave when conducting business on BlueScope's behalf. These aspects are discussed further in this Sustainability Report. Both Our Bond and the Guide to Business Conduct are supported by internal policies and formal procedures that guide our employees' every day actions and behaviours.

We place great importance on the proper governance of the Company and, in particular, the need to achieve a balance between generating rewards for shareholders who invest their capital; supplying

goods and services of value to the Company's customers; and providing meaningful employment for employees in a way which contributes to the welfare of the community.

The safety of our people is always our number one priority. We believe that all safety incidents can be prevented if hazards are identified and alleviated or eliminated. We know that open and honest incident and risk reporting is a key element of our safety management system. Being proactive in safety can and does prevent or reduce the severity of workplace injuries.

Our success comes from our people. We choose to treat each other with trust and respect, and understand that the range of perspectives that result from having a diverse and inclusive workplace that reflects the communities where we operate will strengthen BlueScope's capability for continued and sustained business success.

We are committed to improving our environmental footprint and help others to do the same through our products and solutions. We continue to invest in environmental improvements in all areas of our business, and to maintain and operate pollution control equipment.

Elsewhere in the Report we explore where our people make contributions to their communities around the world; and we showcase the progress we are making on our environmental performance.

I hope you find this Report interesting and informative.



**Paul O'Malley**  
Managing Director & CEO



AUSTRALIAN  
GHG EMISSIONS  
HAVE FALLEN  
BY ALMOST

**40%**  
SINCE FY2012



AT PORT KEMBLA  
STEELWORKS OVER

**99%**

OF WATER  
USED IS  
EITHER  
RECYCLED  
OR SALT  
WATER



SAFETY—IN FY2016 OUR LTIFR WAS

**0.6** PER MILLION  
HOURS WORKED





ONLY  
**3%**  
 OF MATERIALS  
 USED AT  
 BLUESCOPE  
 SITES LEFT  
 AS WASTE  
 IN FY2016



IN FY2016 WE ACHIEVED COST  
 SAVINGS ACROSS OUR BUSINESS  
 TO THE SUM OF  


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**\$328 MILLION**

BLUESCOPE EMPLOYS OVER  


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**15,000** PEOPLE



# OUR GLOBAL OPERATIONS

**CHINA**  
1390 EMPLOYEES  
5 SITES

**MIDDLE EAST JV**  
1 SITE

**INDIA & SRI LANKA**  
7 SITES

**THAILAND**  
900 EMPLOYEES  
5 SITES

**VIETNAM**  
530 EMPLOYEES  
7 SITES

**MALAYSIA/BRUNEI/  
MYANMAR**  
480 EMPLOYEES  
7 SITES

**SINGAPORE**  
120 EMPLOYEES  
1 SITE

**INDONESIA**  
540 EMPLOYEES  
5 SITES

**AUSTRALIA**  
6110 EMPLOYEES  
OVER 100 SITES

**MELBOURNE**  
BLUESCOPE GLOBAL HQ



**NORTH AMERICA**  
3430 EMPLOYEES  
20 SITES

# BLUESCOPE'S FOOTPRINT COVERS OVER 100 MANUFACTURING PLANTS EMPLOYING OVER 15,000 PEOPLE

- BLUESCOPE AUSTRALIA & NEW ZEALAND
- NS BLUESCOPE COATED PRODUCTS JV
- BLUESCOPE BUILDINGS
- NORTH STAR BLUESCOPE STEEL
- TATA BLUESCOPE STEEL JV



**NEW ZEALAND/PACIFIC ISLANDS**  
1610 EMPLOYEES  
7 SITES

# 2. OUR BUSINESS

## 2.1 OUR OPERATIONS

BlueScope Australia and New Zealand		Building Products ASEAN, North America and India	BlueScope Buildings	North Star BlueScope Steel
Australian Steel Products	New Zealand and Pacific Steel			
				
<ul style="list-style-type: none"> <li>– Producer and marketer of premium branded and coated and painted steels for building and construction                             <ul style="list-style-type: none"> <li>– such as COLORBOND® steel</li> </ul> </li> <li>– Producer and marketer of commodity steels                             <ul style="list-style-type: none"> <li>– hot rolled coil, plate</li> </ul> </li> <li>– Significant channels to market through our building components and distribution businesses</li> </ul>	<ul style="list-style-type: none"> <li>– Only fully integrated flat steel maker in New Zealand, with leading domestic market share of flat products</li> <li>– Leading domestic market share in long products through Pacific Steel</li> <li>– Ironsands mines for internal feed and export sales</li> </ul>	<ul style="list-style-type: none"> <li>– Manufacturer and distributor of branded building and home appliance steels.</li> <li>– Operates metallic coating and painting lines and rollforming in Thailand, Malaysia, Indonesia, Vietnam, India and North America</li> <li>– Joint ventures with Nippon Steel Sumitomo Metal Corporation and Tata Steel</li> </ul>	<ul style="list-style-type: none"> <li>– Leading designer and manufacturer of engineered building solutions</li> <li>– Key markets in North America and China; plants also in ASEAN and Middle East</li> <li>– Supplying buildings to global customers</li> <li>– Coated and painted steels in China</li> </ul>	<ul style="list-style-type: none"> <li>– High-performance hot rolled coil mini-mill in Ohio</li> <li>– Sells ~2.0mtpa of HRC to customers mainly in a 250 mile radius</li> <li>– Voted no.1 flat rolled steel supplier in North America (Jacobson Survey) for 12 of the last 14 years.</li> </ul>



### 2.1.1 BlueScope Australia and New Zealand

BlueScope Australia and New Zealand (BANZ) employs approximately 7,700 people across Australia, New Zealand, Fiji, Vanuatu and New Caledonia.

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

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

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

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

Our New Zealand operations include the Waikato North Head ironsands mine which supplies ironsands to the Glenbrook Steelworks and for export, and the Taharoa ironsands mine which supplies ironsands for export.

### 2.1.2 North Star BlueScope Steel

North Star BlueScope Steel (North Star) is a single-site electric arc furnace producer of hot rolled coil in Ohio, U.S. The facility produces over two million tonnes of HRC annually from scrap steel, pig iron and alloys. BlueScope acquired the remaining 50 per cent of North Star in October 2015, having already owned 50 per cent of the company as a founding investor.

### 2.1.3 BlueScope Building Products

BlueScope Building Products is a metal coating, painting and roll-forming business. It employs 2,800 people in 29 production plants in Indonesia, Thailand, Malaysia, Vietnam, India, Singapore, Brunei, Myanmar and the USA, through Steelscape (metal coating and painting) and ASC Profiles (building panels).

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

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

### 2.1.4 BlueScope Buildings

BlueScope Buildings is a leader in engineered building solutions serving customers in the low-rise non-residential market from engineering and manufacturing bases in Asia and in North America. Its plants are located in China, Thailand, Vietnam, North America and Saudi Arabia. Leading brands, including Butler®, Varco Pruden®, EcoBuild™ and PROBUILD™, are supplied from BlueScope's global supply chain and major manufacturing and engineering centres in Asia and North America. Our value proposition is based on speed of construction, low total cost of ownership and delivery capability.

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

## 2.1.5 Productivity and efficiency improvements

Identifying and implementing productivity and efficiency improvements is a key strategic priority for BlueScope, and a key ingredient in the Company's turnaround success since the global steel industry was hit by the financial crisis of 2009.

In FY2016, we achieved \$328 million of cost and productivity goals across our business.

Each of our operations made progress against their specific productivity goals. In Australia, \$235 million cost and productivity initiatives were achieved in the Australian operations. This was comprised of the following areas:

- Labour 30 per cent
- Raw materials 20 per cent
- Manufacturing 20 per cent
- Production volume 15 per cent
- Overheads 15 per cent

The support and efforts of key stakeholders such as employees, unions, the Illawarra community and the NSW Government enabled us to deliver these significant operational cost and productivity savings, and thereby continue steelmaking at Port Kembla. Progress on cost reductions and productivity improvements was also made at the Glenbrook Steelworks.

## 2.1.6 Countries in which we operate

BlueScope Australia and New Zealand	Australia New Zealand Fiji Vanuatu New Caledonia
BlueScope Building Products	Thailand Malaysia Vietnam Indonesia India USA Singapore Brunei Myanmar
BlueScope Buildings	USA China Vietnam Thailand Saudi Arabia
North Star BlueScope Steel	USA





## 2.2 JOINT VENTURES

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

### 2.2.1 NS BlueScope Coated Products

NS BlueScope Coated Products encompasses metal coating, painting and rollforming businesses, and employs 2,800 people across 29 plants in Indonesia, Thailand, Malaysia, Vietnam, Singapore, Brunei and the USA. The JV footprint also covers Myanmar, Cambodia, Laos and the Philippines.

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

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

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

BlueScope consolidates the JV businesses in its group financial accounts.

### 2.2.2 Tata BlueScope Steel

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

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

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

### 2.2.3 North Star BlueScope Steel

North Star BlueScope Steel is a high-performance hot rolled coil mini-mill in Ohio.

In October 2015 BlueScope moved to full ownership of North Star BlueScope Steel, acquiring Cargill's 50 per cent interest. North Star operates according to BlueScope's safety and environment procedures and standards, and its performance is included in BlueScope overall measures. North Star has its own governance and business conduct policies and procedures; BlueScope continues to review these for alignment with its own policies and procedures.

## 2.3 OUR PRODUCTS

### 2.3.1 Sustainable products

We are committed to reducing the impact our operations have on the environment. As part of this commitment we seek to understand and reduce the environmental impact of our products throughout the product lifecycle.

In 2015, BANZ released a series of environmental product declarations (EPDs) to meet market demand for detailed information about the environmental performance of our products. These EPDs offer building owners, architects, engineers and other users transparent and credible information that explains the environmental impacts of our products, including raw materials used in production, life-cycle analysis and recycling data.

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

The EPDs are available on our website.

### 2.3.2 Product innovation

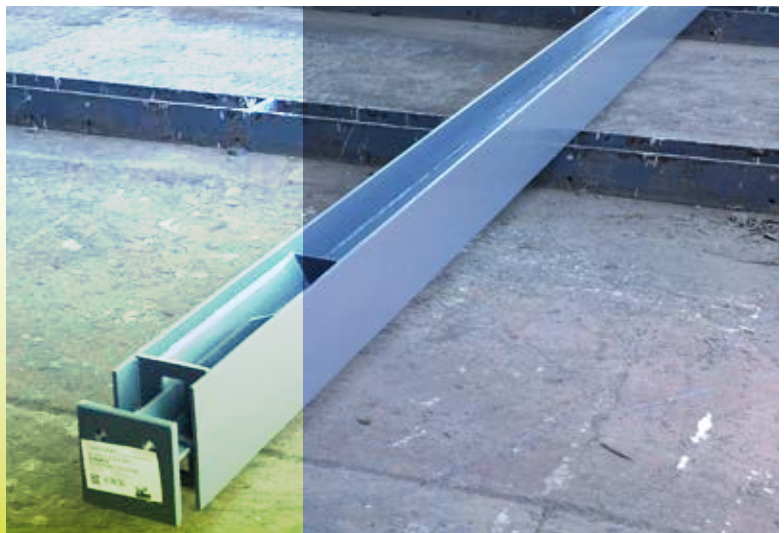
Product innovation is key to the ongoing viability and relevance of our business. We endeavour to design and manufacture products that address the ever-changing needs of our customers, are not harmful to the environment and contribute to further innovations

in the building and construction industries. Continued investment in innovation is a strategic priority as it allows us to be leaders in the global steel market and provides us with opportunities to reduce the ongoing costs of production.

A number of business areas have launched innovation initiatives. BlueScope Buildings North America has developed the Web Restrained Brace, a buckling-restrained brace used in construction in earthquake prone regions which has been successfully patented in the USA and Canada. Also in BlueScope Buildings, the WideBay Truss Purlin<sub>xt</sub>™ is a cost-effective solution that offers wider spanning capability for low incremental cost. And the Sunlite Strip/Prismax SL™ daylight system developed at the BlueScope Buildings Research and Testing centre allows natural sunlight to provide interior lighting.

BANZ's SlimFlor system is a shallow floor system new to the Australian market which reduces the typical floor construction depth of a steel framed building. SlimFlor delivers a cost effective form of construction as it doesn't require extensive form-work and provides speed of construction with less onsite labour, waste and logistics.

Other initiatives are designed to improve the quality and efficiency of our operations. For example, ASC Profiles has launched an e-commerce platform to improve customer service, BlueScope Lysaght Thailand introduced a remote controlled roller system to create a safer working environment, and new ways of working at BlueScope Malaysia, which include adopting a critical thinking approach to root cause analysis, have improved productivity and reduced costs.



# 3. GOVERNANCE

BlueScope has implemented a comprehensive governance framework that supports prudent risk-taking activities that maximise the value generated for our investors, employees and customers.

The framework includes:

- Board and Committee Charters
- Delegation of Authority Policy
- Our Bond and Guide to Business Conduct
- A comprehensive risk management framework

These are supported by other company policies and procedures. A list of key corporate governance policies and practices can be found on our website.

## 3.1 THE BOARD OF DIRECTORS AND EXECUTIVE LEADERSHIP TEAM

BlueScope is led by an eight member Board of Directors and a nine member Executive Leadership Team.

### Members of the Board of Directors as at 31 December 2016:

Directors	Appointment
John Bevan (Independent Chairman)	March 2014
Paul O'Malley (Managing Director & Chief Executive Officer)	August 2007
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

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

The Health, Safety and Environment Committee

The Audit and Risk Committee

The Remuneration and Organisation Committee



OUR REPUTATION  
RELIES ON OUR  
BUSINESS ACTIVITIES  
BEING CONDUCTED  
IN AN ETHICAL AND  
LAWFUL MANNER.



### The Executive Leadership Team

Member	Role	Appointment to role
Paul O'Malley	Managing Director & Chief Executive Officer	August 2007
Tania Archibald	Chief Financial Officer, BANZ and BlueScope Coated Products	April 2016
Michael Barron	Company Secretary	July 2002
Debra Counsell	Chief Legal Officer	January 2017
Sanjay Dayal	Chief Executive, NS BlueScope	July 2012
Charlie Elias	Chief Financial Officer	March 2008
Pat Finan	Chief Executive, BlueScope Buildings	July 2015
Alec Highnam	Executive General Manager People and Performance	April 2016
Mark Vassella	Chief Executive, BlueScope Australia and New Zealand	July 2011

## 3.2 HEALTH, SAFETY AND ENVIRONMENT LEADERSHIP

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

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

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

The HSE Committee's key responsibilities include:

- Reviewing and recommending amendments to all elements of BlueScope's HSE governance system to the Board
- Monitoring compliance with the Health, Safety, Environment and Community Policy, regulatory standards and legislation

- Reviewing and monitoring HSE risks and identifying processes and resources that may be used to mitigate these risks
- Reviewing incident and hazard reports and identifying appropriate responses to them
- Reviewing reports on HSE issues that may have strategic, business or reputation implications for BlueScope and monitoring the management of these issues

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

BlueScope's approach to health and safety governance is covered in detail in Section 5.2.

### 3.3 RISK MANAGEMENT

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

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

- Link the identification and management of risk to the achievement of business strategy and objectives
- Systematically identify and proactively manage risk
- Equip employees to take responsibility for managing risk and be trusted to make risk management decisions
- Identify the Company's principal market, operational, reputation and financial risks
- Have in place effective systems to monitor and manage risks
- Have in place reporting systems and effective internal controls, including major risks and key mitigation strategies being reported to the Board and relevant Board Committees

An illustrative representation of the Company's framework follows.

## RISK MANAGEMENT FRAMEWORK





## 3.4 BUSINESS CONDUCT

We recognise that the manner in which we act significantly influences our relationships with our shareholders, employees, customers and communities.

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Our reputation relies on our business activities being conducted in an ethical and lawful manner. All BlueScope employees and directors are responsible for behaving in a manner consistent with Our Bond and with our policies, guidelines and standards.

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### Guide to Business Conduct

The BlueScope Guide to Business Conduct provides employees and directors with a practical framework to identify business conduct issues and respond to them appropriately.

The Guide covers policies and guidelines on:

- Fair dealing competition and consumer law
- Equal employment opportunity and anti-discrimination
- Safety, health and environment
- Use of company information, information systems, and company funds and property
- Conflicts of interest
- Travel, entertainment and gifts
- Financial inducements, facilitation payments and political contributions
- Use of third parties and agents
- Trading in BlueScope shares

The BlueScope Guide to Business Conduct is available to view on our website.

### Reporting Business Misconduct

BlueScope does not tolerate incidents of business misconduct by its employees or contractors. BlueScope strongly encourages all employees to make disclosures that reveal business misconduct to their immediate supervisor or manager, or the Business Conduct Reporting Hotline (the Hotline).

The Hotline is an independent service run by Deloitte Digital which enables employees and external parties to make reports (anonymously, if preferred) concerning issues of suspected or known business misconduct through a number of different channels including phone, email and website disclosure.

BlueScope is committed to the protection of those making genuine disclosures from any reprisal or detrimental action arising as a result of their disclosure.

### Recording and Responding to Allegations

All allegations of business misconduct are reported to the Company's Business Conduct Panel. The panel is sponsored by the Company Secretary and includes corporate executives from finance, human resources, legal and internal audit, and an executive representative from each BlueScope business (normally the business CFO). The Panel is responsible for:

- keeping records of all allegations;
- assessing the allegations, appointing an investigation lead and determining what resources will be needed to investigate;
- overseeing the investigation process to ensure that it is impartial and fair to all people involved;
- approving final reports and conclusions, including recommendations for disciplinary action and improvements in processes/controls; and
- reporting outcomes to the Company's Executive Leadership Team and Board.

### Training and Compliance

The Business Conduct Panel also regularly reviews and considers options for enhancing the Company's overall business conduct compliance system and training programs. The Panel holds quarterly meetings which consider regulatory development, lessons learnt from investigations and associated improvement initiatives. It also oversees business conduct training through reviewing annual training plans submitted by the business, keeping records of training completion and making suggestions to improve the quality and effectiveness of training. The Business Conduct Panel provides an annual training and compliance report to the Company's Executive Leadership Team and Board which includes training completion statistics by business, investigation statistics, and key themes and compliance system improvement initiatives.

### Improvement Projects

BlueScope periodically conducts anonymous surveys of employees to gauge the effectiveness of the Company's business conduct compliance framework. These surveys have been effective in highlighting the strengths and weaknesses of the compliance system and have prompted targeted improvement activities.

BlueScope is in the process of bolstering its third party due diligence capability by implementing a new tool which enables desktop due diligence based on public source information covering:

- involvement, or alleged involvement in bribery and corruption, money laundering, fraud and other crimes;
- inclusion on sanctions lists;
- involvement, or alleged involvement in child and/or forced labour; and
- politically exposed persons.

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### 3.5 COMPETITION AND CONSUMER LAW

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

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

In some countries these laws do not exist or may be less stringent. In these circumstances, BlueScope remains committed to dealing with others fairly and honestly and avoiding anti-competitive business practices even if local legal requirements are less stringent.

Each employee is responsible for ensuring that this commitment is honoured. Competition and consumer law guidelines are provided to help employees, and employees are strongly encouraged to always seek legal advice before making decisions that may involve competition law issues.

Nominated employees are also required to regularly undertake competition and consumer law training. The training assists our team in understanding the standards of business conduct expected by BlueScope.

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### 3.6 REGULATORY COMPLIANCE

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

BlueScope continues to focus on improving environmental compliance performance. During FY2016 BlueScope notified relevant authorities of 31 environmental non-compliances.

There were no environmental prosecutions against BlueScope during the period.

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### 3.7 BRIBERY AND CORRUPTION

Our Guide to Business Conduct explicitly states that employees or directors must never offer or accept financial inducements to influence business decisions in our favour. Not only are these types of payments unethical and illegal, they can expose BlueScope and our employees to legal action and criminal prosecution in Australia and other countries in which we operate.

A number of policies provide further governance of these areas, including the Anti-Bribery and Corruption Policy, Political Donations Policy and Gift, Entertainment and Travel Policy, as well as the Business Conduct Reporting Hotline which protects employees' anonymity and is managed by an external third party.

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### 3.8 EXECUTIVE REMUNERATION

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

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

Over recent years, BlueScope has successfully navigated the challenges of a global steel industry undergoing fundamental change. In the years ahead, it will be important for BlueScope to continue to deliver game-changing cost and revenue improvements. The Board reviewed the Company's remuneration arrangements and, as foreshadowed in the FY2015 Remuneration Report and Annual General Meeting, implemented a number of special arrangements for FY2016 and FY2017 to more closely align executive remuneration with shareholder experience.

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

The Company's Remuneration Report has received strong support through shareholder voting at recent Annual General Meetings. At the FY2016 meeting, 94.6 per cent of shareholders voted in favour of adopting the Remuneration Report, while in FY2015 and FY2014 the figure was 95.2 per cent and 93.9 per cent respectively.

Meaningfully, the Corporate Confidence Index October 2016 (CCI) found that investors and analysts believe BlueScope is in the top decile of Australian large-capitalisation listed companies for alignment of executive remuneration with shareholder interests.

Further information on executive remuneration policies can be found in the Remuneration Report within the FY2016 Directors' Report.

### 3.9 INDUSTRY ACTIVITIES

In 2015 we became a signatory to the World Steel Association's (worldsteel) Sustainable Development Charter. Members of the Charter pursue seven areas of sustainable development relating to environmental protection, safety and health, local communities, ethical standards, stakeholder engagement, disclosure and transparency and providing value to stakeholders.

The worldsteel sustainable development principles are reflected in Our Bond, BlueScope's company charter which sets out the commitments we make to our stakeholders and guides our business decisions.

BlueScope is a founding member of Australia's Steel Stewardship Council (SSC), a body formed in 2016 to manage the implementation and development of the global Responsiblesteel certification. This certification will set out a series of requirements for steel producers relating to environmental and social performance. It will include criteria that relate to a number of issues including analysis and response to ethical issues, biodiversity impacts, product design and development and external reporting. Originally developed by BlueScope and its industry partners in Australia, Responsiblesteel has now received financial and in-kind support from a number of global steel companies and their customers. A Global Working Group has been developed with 29 company and organisation members. Certification methodologies are now being developed as the scheme moves towards implementation, initially in Europe and Australia. BlueScope is well placed to influence the development of this certification. Once adopted, compliance with this certification will clearly demonstrate BlueScope's commitment to being a responsible and innovative supplier of steel products.

BlueScope has also been working with a number of industry associations to improve compliance with Australian Standards and encourage governments to adopt procurement policies that recognise the economic and social benefits of 'buying local'.

In September 2016, the Victorian Government announced changes to its Victorian Industry Participation Policy (VIPPP) to strengthen the scheme. These changes included the introduction of a formal 10 per cent local content weighting as part of tender evaluations, strengthening compliance with the policy through random industry audits, and the introduction of a 'Local Jobs First' brand.



The changes built on previous reforms to the policy, which saw mandatory targets introduced for local content on major projects valued from \$50 million and above ('strategic projects').

In October 2016, the South Australian Government updated its South Australian Industry Participation Policy to include a range of government procurement, infrastructure and construction projects above \$33,000. Design specifications are required to use Australian Standards, or standards commonly in use in Australia, to ensure that Australian suppliers are not 'designed out' of contracts. An industry advocate liaises with government on behalf of local suppliers and ensures tender requirements are followed.

Weighted tender criteria are also used on certain projects to encourage local employment.

In late-2016, the Federal Government announced changes to Commonwealth Procurement Rules. These changes, which came into effect on 1 March 2017, require an assessment of the economic benefit of each supplier's bid to the Australian economy (for projects over \$4 million), evaluation of the employment, occupational health & safety and environmental practices of potential suppliers, and demonstrated capability by suppliers to meet Australian or accepted international standards, including reasonable steps to ensure compliance.

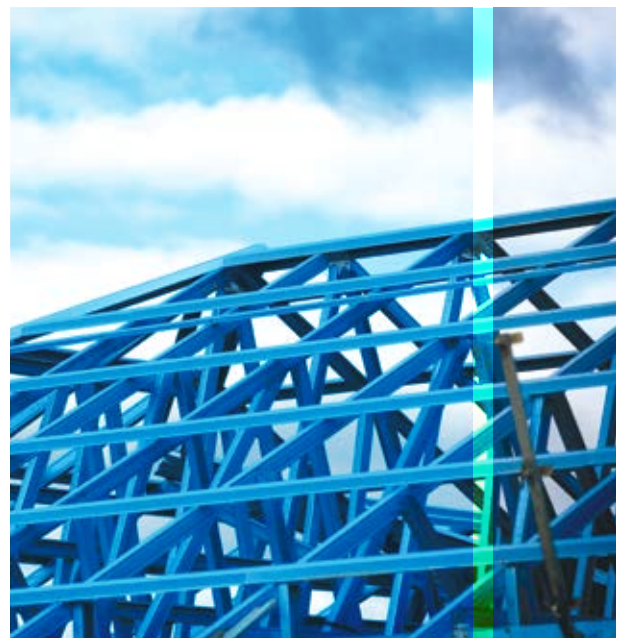
### 3.10 SHAREHOLDER PERCEPTIONS OF CORPORATE GOVERNANCE

We regularly monitor investor perceptions of BlueScope's performance amongst Australian listed companies and interpret the outcomes as signs of business health. The Corporate Confidence Index (CCI) is a key tool for such monitoring, and our results in these surveys have been consistently strong from period to period. In the most recent study of October 2016, BlueScope ranked very highly amongst peers in the following key areas:

CCI measure	BlueScope position
High level of integrity	top decile
High standard of corporate governance	top decile
Effective Board	top decile
Strong focus on enhancing shareholder wealth	top quintile
Measures of treatment of shareholders	top decile

There are very few areas in the study where BlueScope is weak compared to peers. Two areas where we are lagging relate to shareholder perceptions of competitive advantage and quality earnings.

To address these issues, we have made considerable progress in restructuring the business portfolio and individual businesses, and expect that market recognition may follow should performance continue to be strong. We will also increase our efforts to communicate the strengths of our business portfolio.



# 4. ENVIRONMENT

At BlueScope, our communities are our homes and our health, safety, environment and community responsibilities are integral to the way we do business.

We have a record of environmental improvement stretching back many years. Steelmaking is a capital intensive business, with continued reinvestment required for plant and equipment to remain efficient, competitive and productive.

Our businesses have been charged with setting their own short and medium term environmental improvement objectives.

We achieve improvements in our environment performance through:

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

## 4.1 ENVIRONMENTAL GOVERNANCE AND RISK

We manage our environmental risks through a framework we call LAWWNE, which seeks to:

- Reduce our environmental impact on **Land, Air, and Water**
- Reduce generation of **Waste and Noise**
- Minimise our use of **Energy** and the generation of greenhouse gas emissions

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

### 4.1.1 Maintaining our licence to operate

BlueScope's facilities worldwide are regulated on environmental matters by local authorities, and in many cases the Company is obliged to report environmental performance data to those authorities.

In Australia, BlueScope submits annual reports under the National Energy and Greenhouse Reporting Scheme and to the National Pollutant Inventory. New South Wales facilities with Environment Protection Licences publish emission monitoring data on the BlueScope in the Illawarra website.

New Zealand Steel participates in the New Zealand Emissions Trading Scheme and Steelscape Rancho Cucamonga, in the USA, participates in oxides of nitrogen (NOx) trading.

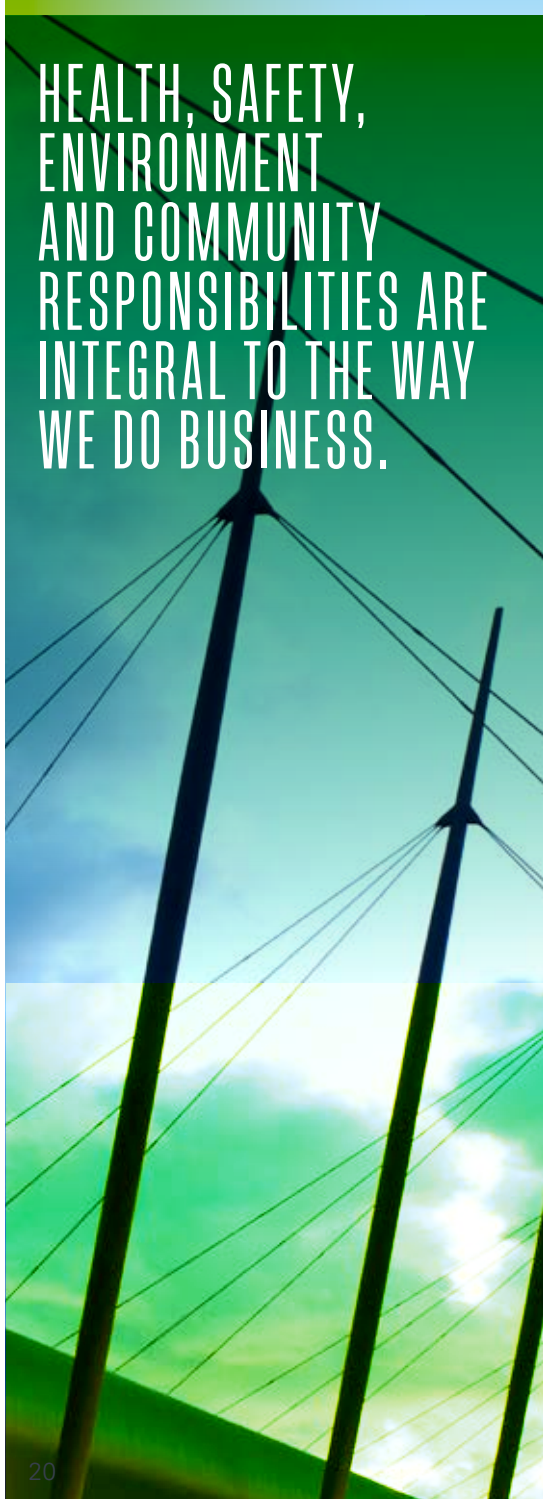
During FY2016, BlueScope notified relevant authorities of 31 environmental non-compliances with environmental regulation or legislation. Twenty of these related to water and eight to air. All of the non-compliances were relatively minor in consequence. There were no environmental prosecutions against BlueScope during the period.

### 4.1.2 Environment Management System

BlueScope's Environment Management System is comprised of six key elements.

#### Our Bond

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



HEALTH, SAFETY,  
ENVIRONMENT  
AND COMMUNITY  
RESPONSIBILITIES ARE  
INTEGRAL TO THE WAY  
WE DO BUSINESS.

### HSEC Policy

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

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

### Environment Principles

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

- Environmental performance and improvement is a management responsibility
- All employees must adhere to environmental policies and procedures
- Report, investigate and correct all environmental incidents

- Training all employees to raise awareness is essential
- Honest, open, and timely communication is essential

### Health, Safety and Environment Standards

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

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

### Corporate policies and procedures, codes of practice and guidelines

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

### Business-level policies and procedures, codes of practice and guidelines

Each business maintains more granular policies and procedures to guide health, safety, environment and community decision-making. These policies and procedures reflect the unique nature of each business and are consistent with overall BlueScope standards.

Many of BlueScope’s operating facilities maintain certification to ISO 14001. This certification provides additional assurance that the Environment Management System continues to be suitable, adequate and effective.

## Areas of the Company with ISO 14001 certification.

Business	Certificate Scope
BlueScope Australia & New Zealand	Australian manufacturing, including processing & logistics New Zealand Steel & Pacific Steel
NS BlueScope	Thailand, Malaysia, Indonesia, Vietnam
BlueScope Buildings	China
North Star BlueScope Steel	North Star operations

Information relating to the environmental considerations of our products, including life cycle analysis and product certifications, can be found in Section 2.3.

## 4.2 EMISSIONS AND ENERGY EFFICIENCY

### 4.2.1 Energy efficiency and greenhouse gas emissions

We regard climate change as a global issue that requires a global response. BlueScope is focused on reducing its energy consumption and carbon emissions. We support policies that reduce carbon emissions, provided such policies do not compromise international competitiveness.

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

While many steelmakers, including BlueScope, have made incremental improvements in energy and emissions intensity, the industry is yet to develop and commercialise technology that would permanently and materially reduce emissions from the integrated steelmaking process.

BlueScope has in the past invested in such research and development efforts with the Australian Government's Commonwealth Scientific and Industrial Research Organisation (CSIRO), and regularly shares information about technology developments with its industry counterparts worldwide. However, commercial breakthroughs are likely to be many years away.

The Company's Australian emissions have fallen by almost 40 per cent since the closure of the No.6 Blast Furnace at Port Kembla Steelworks in 2011. Combined Scope 1 and 2 emissions have fallen by six million tonnes (CO<sub>2</sub>-equivalent) per annum, or a cumulative reduction of 29 million tonnes to the end of FY2016. This is a significant reduction in the context of Australia's GHG emissions abatement targets.

According to the World Steel Association's CO<sub>2</sub> emissions database, BlueScope's Australian integrated steelmaking facility, Port Kembla Steelworks, sits just outside the top one-third of plants surveyed for carbon efficiency (number 23 out of 61 plants), with emissions of approximately 2.16 tonnes (CO<sub>2</sub> equivalent) per tonne of steel manufactured.

During FY2016, BlueScope undertook a careful review of a potential closure of our primary steelmaking operations at Port Kembla Steelworks. Such a move would have significantly reduced the Company's emissions. However, it would also have meant that we would need to procure feedstock from foreign steel suppliers, quite possibly from facilities with higher emissions intensity. Moreover, such a closure would have led to the loss of an estimated 4,500 jobs and resultant severe disruption to the local community. Instead, employees, the community and the NSW Government rallied around the cause of delivering productivity improvements and cost reductions and we have been able to continue steelmaking at Port Kembla. BlueScope's view is that the objective of reducing Australia's greenhouse gas emissions must be considered in a global context, and balanced against the need to maintain employment, economic activity and social cohesion.

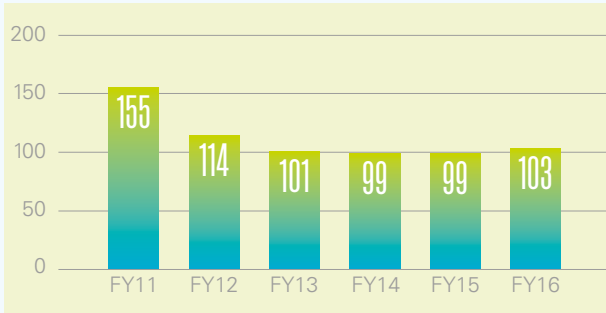
### 4.2.2 Performance

The following charts show BlueScope's total energy consumption and greenhouse gas emissions, and the energy intensity and greenhouse gas intensity of BlueScope's steelmaking facilities.

In October 2015, BlueScope increased its equity of North Star BlueScope Steel from 50 per cent to 100 per cent. This resulted in a slight increase in total emissions and a reduction in intensities. Increased production levels at the No.5 Blast Furnace at Port Kembla Steelworks have also increased totals and reduced intensities.

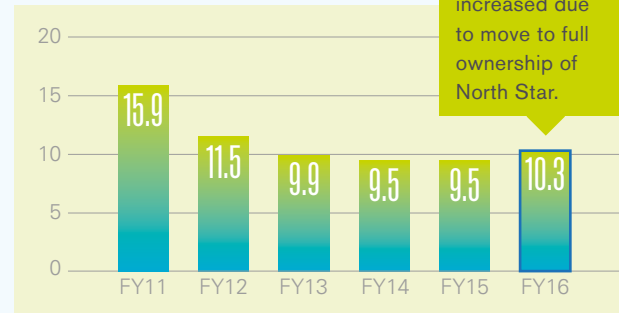


### BlueScope Net Energy Consumption Petajoules per annum



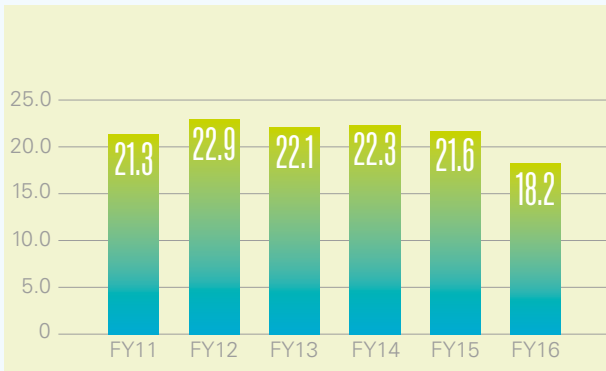
BlueScope global operations net energy consumption (excludes India and Pacific Islands)

### BlueScope Greenhouse Gas Emissions Million Tonnes CO<sub>2</sub>-e per annum



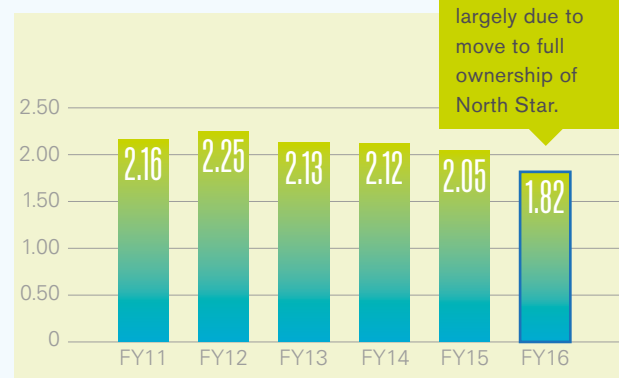
BlueScope global operations Scope 1 and Scope 2 emissions (includes India and Pacific Islands)

### Energy Intensity of Steelmaking Facilities Gigajoules per tonne raw steel



Port Kembla Steelworks, New Zealand Steel, North Star BlueScope Steel

### Greenhouse Gas Intensity of Steelmaking Facilities Tonnes CO<sub>2</sub>-e per tonne raw steel



Port Kembla Steelworks, New Zealand Steel, North Star BlueScope Steel

Greenhouse Gas Emissions	Scope 1	Scope 2	Total GHG
<b>Regional Breakup</b>	ktCO <sub>2</sub> -e	ktCO <sub>2</sub> -e	ktCO <sub>2</sub> -e
Australia/New Zealand	7,934	1,317	9,251
North America	150	766	916
Asia	61	107	168
<b>Total</b>	<b>8,145.0</b>	<b>2,190.0</b>	<b>10,335.0</b>

**Notes:**

Following the major restructuring of BlueScope's Australian operations during FY2012, all subsequent data represents operations under the new structure and the significantly lower production baseline. BlueScope's total energy usage and greenhouse gas (GHG) emissions have reduced significantly since the full year FY2011, and have largely stabilised for this level of operation. Intensity levels show incremental improvements that reflect the successful implementation of process and energy efficiency projects.

### 4.2.3 Energy and greenhouse reporting and legislative programs

BlueScope actively participates in voluntary and legislated programs of regional and national significance in the countries where it operates. BlueScope participates in the following legislated schemes:

- Australian National Greenhouse and Energy Reporting Scheme – mandatory reporting
- The Australian Renewable Energy Target (RET) – mandatory obligations
- The NSW Energy Savings Scheme (ESS) – mandatory obligations, potential certificate (credit) generation.
- The Victorian Energy Efficiency Target – mandatory obligations and potential certificate (credit) generation.
- The New Zealand Emissions Trading Scheme – mandatory obligations
- The Australian Emissions Reduction Fund's Safeguard Mechanism – mandatory obligations
- worldsteel CO<sub>2</sub> reporting – voluntary

### 4.2.4 Costs of exposure to climate change regulation

#### Australia

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

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

The Clean Energy Regulator has finalised emissions baseline determinations for the Port Kembla Steelworks, and is in the process of finalising them for Western Port Works.

Due to significant reductions in emissions in the last six years, the Baseline for Port Kembla Steelworks has been set at a level in excess of current and foreseeable plant emissions levels. We therefore do not expect the Safeguard Mechanism will impose a material cost for so long as this Baseline remains in place.

BlueScope will continue to work with the Australian Federal Government on the development of these initiatives, both of which are due to be reviewed during 2017.

The Federal Opposition has stated publicly that if it is elected to office, it will establish a Strategic Industries Task Force to determine the treatment of the steel, cement, aluminium and other industries so as to ensure its planned emissions trading scheme does not lead to any unnecessary loss of competitiveness.

#### New Zealand

New Zealand Steel is a liable company under the New Zealand emissions trading scheme (ETS). Iron and steel manufacturing have been assessed as highly emissions intensive and trade exposed. New Zealand Steel qualifies for the allocation of Emissions Units at the maximum rate.

Participants in the New Zealand ETS were previously subject to a transitional measure in which they surrendered one emission unit for two tons of carbon dioxide equivalent emissions.

The New Zealand Government performed a review of the ETS in FY2016 and as a result the Government announced that the one for two transitional measure will be phased out over two years from 1 January 2017. We will continue to work with the New Zealand Government to reach an acceptable financial outcome from the ETS.

### 4.2.5 Climate change mitigation

Energy efficiency measures are being implemented where they are technically and commercially feasible, and are largely focussed on reducing natural gas and electricity consumption through process optimisation.

Within existing facilities, a range of initiatives have been implemented, or are under investigation, to improve energy and greenhouse gas performance. These include:

- Improving process control
- Optimising operational and materials efficiency, and process yields
- Decommissioning or upgrading older, inefficient equipment
- Optimising steam and gas systems
- Increasing use of natural light in buildings
- Turning off or idling equipment when not in use
- Increased use of environmental measurement tools to monitor processes
- Capturing and reusing by-product gases from steel making and painting for heating and to generate electricity

- Developing process models to allow fuels to be used efficiently
- An energy efficiency focus in business improvement processes to give employees the opportunity to contribute to improving our energy profile
- Increased training and awareness of energy and greenhouse gas issues within the organisation
- Internal and external benchmarking and technical exchanges to learn and share experiences in energy efficiency

Case studies from across BlueScope’s operations illustrate that these initiatives are widespread, and lessons are being communicated and implemented across the global footprint.

Port Kembla Steelworks uses around 21 per cent recycled scrap feed in its Basic Oxygen Steelmaking

process, and approximately 20 per cent of the electricity consumed by the Steelworks is self-generated by using process gases. A proportion of the externally generated electricity we purchase is from renewable sources, in line with Federal and State renewable energy policies.

At New Zealand Steel’s fully integrated Glenbrook Steelworks, off-gases and waste heat from the iron-making process are used to generate over 55 per cent of total site electricity requirements. The balance of requirements comes from the national grid and is generated from an average of greater than 80 per cent renewable fuel sources. Around 70,000 tonnes of scrap steel is recycled each year in the steel making process. The iron feed-stock for the Steelworks comes from low environmental impact locally mined ironsand. Aggregate by-products are used in road making, replacing material that would otherwise be quarried.

## 4.3 WATER

Water is a vital natural resource that is essential to support life.

It also plays an extremely important role in the steelmaking process as it is used for a range of activities such as cooling, dust suppression, descaling and scrubbing. BlueScope aims to responsibly and efficiently manage water supplies.

### 4.3.1 Water usage

BlueScope continues to explore and implement water conservation initiatives to reduce its reliance on scarce community resources.

At our steelmaking facilities, recycled and sea water are used to minimise fresh water intake. Over 99 per cent of water used at the Port Kembla Steelworks is now either recycled water or salt water.



BlueScope's Western Port operation in Victoria, Australia has similarly commenced using recycled water to reduce dam water consumption under an agreement with South East Water.

At our steelmaking facility in Glenbrook, New Zealand, over one billion litres of water is in circulation throughout the steelmaking and finishing operations each day. To achieve maximum conservation, water is cleaned, cooled and recirculated many times in each process. Rainwater harvested across the 190 hectare site is also used in the process.

### 4.3.2 Water quality

BlueScope monitors water consumption and emissions to identify improvement opportunities, maintain regulatory compliance and understand community impact. Water efficiency is a key consideration in the design of all new BlueScope facilities. Existing operations also seek to continuously improve water efficiency and utilise alternative sources, such as recycled water.

BlueScope has been steadily reducing emissions to water, resulting in continued improvement in the quality of water that leaves our plants. We continue to work at extending this record of improvement. We maintain water treatment plants at a number of our sites that systematically process the water used in our production processes before it is discharged from our operations. These treatment plants reduce the risk of untreated or contaminated water being released back into local catchments.

Water quality is tested and analysed on site to check that treatment plants are operating appropriately and to help employees identify opportunities for process improvements and efficiencies.

We remain committed to our goal of minimising manufacturing process disturbances that can result in emissions to water.

### 4.3.3 Performance

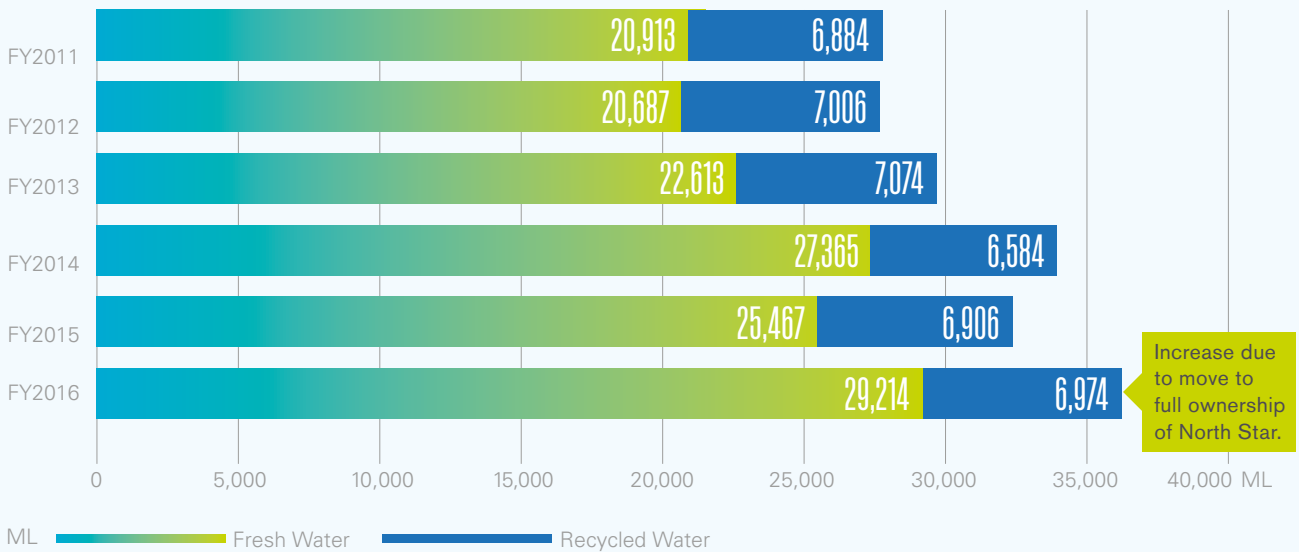
During FY2016, BlueScope's total water consumption (including both fresh water and recycled water) increased, predominately due to a 31 per cent increase in mining production and associated increase in mine water used at the Taharoa iron sands mine for washing and transporting iron sands. Water consumed at both the Taharoa and Waikato North Head mines accounts for over 64 per cent of BlueScope's total water consumption.

Water intensity continues to decrease at the Port Kembla Steelworks as more water saving projects come to fruition. BlueScope continues to use recycled water wherever possible at the Port Kembla Steelworks site to reduce the demand on precious fresh water supplies.

In FY2016, BlueScope reported 20 water related non-compliances to the relevant authorities. All of the non-compliances were relatively minor in consequence. BlueScope continues to investigate additional targeted measures and practices to minimise non-compliances.

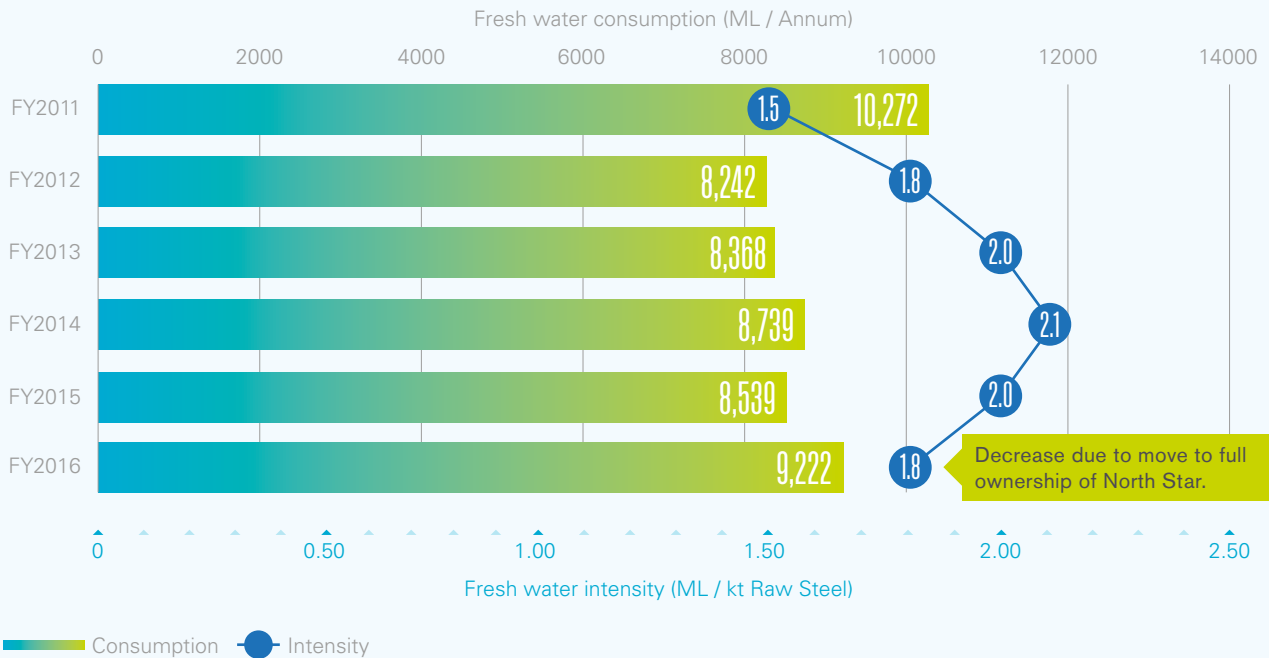


### Total Fresh Water and Recycled Water Consumption (ML/Annum)\*



Global operations excluding India and Pacific Islands

### Steel Manufacturing Fresh Water Consumption and Intensity\*



Port Kembla Steelworks, New Zealand Steel and North Star BlueScope Steel

\*Figures restated following review of consumption data reporting

## 4.4 LAND

### 4.4.1 Land management

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

### 4.4.2 Performance

BlueScope reported one land regulatory non-compliance in relation to our tailings operations at the Waikato North Head ironsand mine in New Zealand during FY2016.

Remediation strategies are employed to address legacy land contamination, where necessary.

### 4.4.3 Sensitive sites

A number of our sites are situated in close proximity to areas of cultural or ecological significance. Management processes are in place to protect these sites. Details of these sites are shown below.

Country	Site	Area
Australia	Port Kembla Steelworks	Tom Thumb Lagoon
		Green and Golden Bell Frog Ponds
	Western Port	Western Port RAMSAR Wetland
		UNESCO Biosphere Reserve
New Zealand	Waikato North Head Ironsand Mine	Maori Burial Sites
		Waikato River and Wetlands
	Taharoa Iron Sand Mine	Sacred Maori Sites
		Taharoa Lakes and Wainui Stream
	Glenbrook Steel Mill	Waiuku River
		Waikato River
		Archaeological Sites
		Remnant Indigenous Forest
USA	Steelscape Kalama	Columbia River
USA	North Star BlueScope Steel	North Star Wetlands

## 4.5 AIR QUALITY

BlueScope continues to actively manage air quality. In particular, BlueScope focuses on minimising process disturbances that can result in emissions.

Many complex processes are involved in the manufacture of steel products; and stable operation of these processes is required to avoid disturbances and minimise air emissions. The Company strives to achieve this through process control and maintenance strategies which help maintain air quality. We monitor emissions from operations to check that they comply with environmental license limits. These monitoring processes also allow us to identify opportunities in which we can improve operational processes.

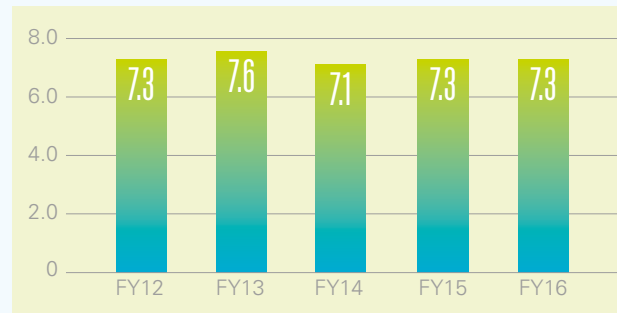
BlueScope investigates all cases in which air emissions fall outside of expected levels and reports these cases to regulatory authorities if we determine that a breach of statutory regulations has occurred.

### 4.5.1 Performance

Air emissions of oxides of nitrogen (NO<sub>x</sub>), sulphur dioxide (SO<sub>2</sub>) and particulate matter less than 10 microns (PM<sub>10</sub>) are important due to the effect they may have on air quality and the community. As with previous years, BlueScope continues to report trending data on these measures. Estimated FY2016 NO<sub>x</sub> and PM<sub>10</sub> emissions are similar to previous years' emissions. SO<sub>2</sub> emissions increased in FY2016 due to continuing repairs at the Port Kembla Steelworks Sinter Plant Waste Gas Cleaning Plant, and to a lesser degree, to the move to the full ownership of North Star.

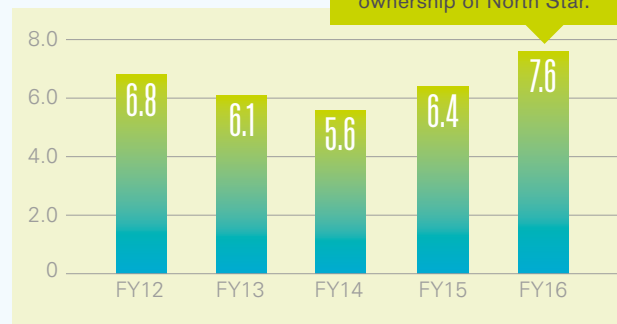
In FY2016, BlueScope reported eight air related non-compliances to the relevant authorities, four less than FY2015. All of the non-compliances were relatively minor in consequence. No air emission related fines were received in FY2016. BlueScope continues to investigate additional targeted measures and practices to minimise its non-compliances.

### OXIDES OF NITROGEN x1000 Tonnes per annum

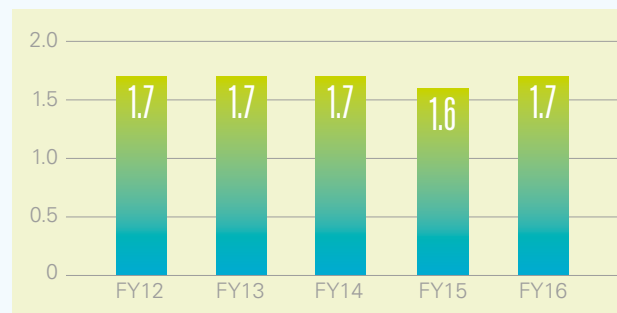


### SULPHUR DIOXIDE x1000 Tonnes per annum

Increase due to continuing repairs at PKSW sinter plant waste gas cleaning plant and move to full ownership of North Star.



### FINE PARTICULATES (PM<sub>10</sub>) x1000 Tonnes per annum



#### Notes

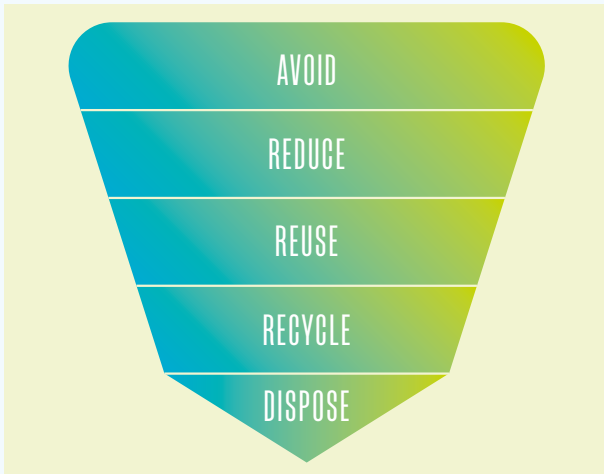
The estimated emissions have been calculated using available stack sampling data from BlueScope's global operations. Emissions data is available for the large majority of BlueScope stacks but not all.

## 4.6 WASTE MANAGEMENT

Waste reduction, reuse and recycling activities are carried out across all BlueScope facilities. By employing sound waste management practices, BlueScope has improved its environmental performance in this area year on year and has also derived financial benefit from what is ultimately good business practice.

BlueScope’s waste management strategies are based on a simple waste hierarchy principle. To dispose of by-products is the least preferred option, with increasing preference given to recycle, reuse, reduce and avoid.

### BLUESCOPE'S WASTE MANAGEMENT STRATEGY



During FY2016, external steel scrap recycling constituted 43 per cent of total external raw steel production. This equates to over 2.2 million tonnes of recycled steel.

In FY2016, BlueScope’s manufacturing activities generated approximately 1.71 million tonnes of secondary products. In addition to the material recycled back into the process, many of these are sold to other companies for reuse, for example for cement and road construction, plastics, paints and the manufacture of fertiliser.

### 4.6.1 Performance

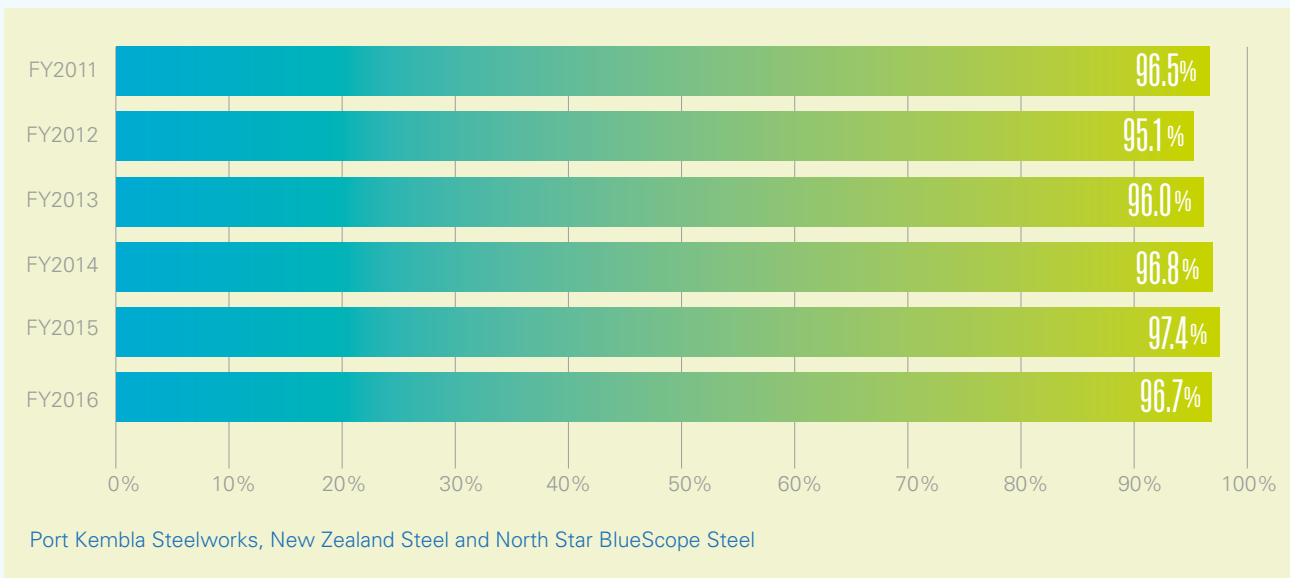
Material efficiency has consistently been maintained above 95 per cent; and was 96.7 per cent in FY2016. Only three per cent of materials used at BlueScope sites left as waste in FY2016. BlueScope continues to optimise the use of input materials and waste products, aiming to reduce yield losses and improve the recyclability of its products.

Nearly half the projects nominated for BlueScope’s 2016 Environment Awards related to improving material efficiency and waste management. These projects clearly exemplify BlueScope’s aspiration to achieve zero waste to landfill.

In FY2016, BlueScope reported one non-compliance, of relatively minor consequence, relating to waste management that occurred at a BlueScope Buildings facility in the United States.

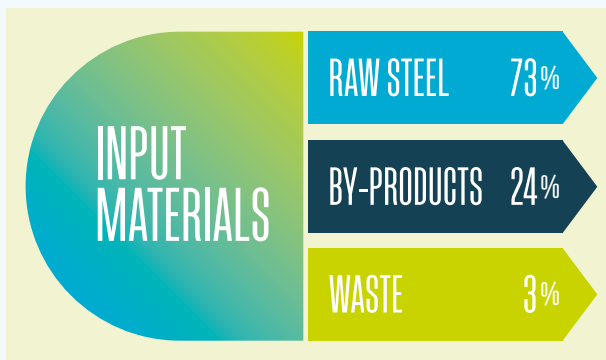
## MATERIAL EFFICIENCY FOR STEELMAKING FACILITIES

% of total outputs converted to products and by-products





## MATERIAL EFFICIENCY BREAKDOWN FOR FY2016



## 4.7 NOISE

BlueScope has implemented a number of management controls that aim to reduce the noise generated by our operations. We monitor noise levels to verify that they do not exceed maximum levels allowed by local areas. We have also installed noise reduction equipment such as silencers and enclosures, and the amount of noise generated is a key selection criteria for new equipment.

We are also committed to recording, managing and following up on any community complaints.

In Australia during FY2016, we recorded one regulatory noise non-compliance that related to night noise levels at our Western Sydney Service Centre.

## 4.8 ENVIRONMENT AWARDS

### Green Globe 10 year sustainability achievement Award

In November 2016, BlueScope received the 10 year sustainability achievement award at the New South Wales Green Globe Awards for demonstrating real and sustained leadership in reducing and preventing pollution over a 10 year period.

The judges noted that BlueScope demonstrated a commitment to improving environmental performance and resource use, as well as minimising the impacts we have on communities and people.

### BlueScope Environment Awards

The annual **BlueScope Environment Awards** recognise achievement in environmental engagement and innovation. The 2016 winners delivered operational efficiencies and cost savings to help improve our environmental performance and build relationships with the communities that live and work around our sites.

### Environment Improvement Award – No. 5 Blast Furnace, Ironmaking BANZ Manufacturing

The Port Kembla Steelworks No 5 Blast Furnace team identified an opportunity to reduce and reclaim waste materials generated during stove replacements and refractory trough outages. This project has delivered significant cost savings and reduced the annual stockpile of refractory waste by over sixteen hundred tonnes, reclaimed over fifteen hundred tonnes of iron skulls and led to four thousand tonnes of fines being screened and stockpiled for future use.

### Environment Engagement Award – Community Waste Oil Collection Program

This award was presented to Pacific Steel Fiji for helping the local community to create waste oil storage tanks that prevent water and land contamination. The Pacific Steel Fiji team also conducted an education program to heighten awareness of environmental risks within the local community.

## 4.9 ENVIRONMENTAL CASE STUDIES

### Water

**BlueScope Suzhou.** The team focused efforts on identifying opportunities to reduce fresh water use by analysing consumption patterns and proactively addressing any irregularities. This led to the identification and repair of broken pipes and valves, as well as increasing employee awareness of water efficiency. In total, water consumption at the site has reduced by over 19 per cent.

### Waste

**BlueScope Malaysia, Kapar.** A project was initiated to replace failing fluorescent lights with energy efficient LED lighting fixtures. In the past, approximately 190kg of fluorescent lights were disposed of as hazardous waste (mercury in fluorescent lamps) each year. Replacing the lights with energy efficient LED globes has resulted in the elimination of hazardous waste to landfill and a reduction in electricity consumption.

### Energy and GHG

#### BlueScope Buildings North America, Annville.

The facility completed the change-over from metal halide lighting to LED fixtures, resulting in a brighter, well-lit work environment for employees – and reduced energy usage. “Task specific” lighting was also installed where required. Electric power consumption has reduced by almost 30 per cent.

**BlueScope Thailand Map Ta Phut.** The painting line incinerator was upgraded to a Regenerative Thermal Oxidiser, reducing the site’s natural gas consumption by almost 50 per cent.

WE ARE COMMITTED  
TO PROVIDING A SAFE  
WORK ENVIRONMENT  
FOR ALL EMPLOYEES  
AND CONTRACTORS



# 5. SOCIAL – PEOPLE

## 5.1 WORKPLACE PROFILE

### Headcount

Headcount	2016	2015	Movement
Total employees	15,249	16,071	(822)

Headcount includes all individuals employed by BlueScope on a full-time, part-time or fixed contract basis, including individuals employed by controlled subsidiaries in the BlueScope Group.

The total number of people employed by BlueScope decreased by 822 in FY2016. This change is attributable to reductions in the number of people employed by BlueScope Australia and New Zealand. This movement was partially offset by the addition of 388 employees as a result of the acquisition of North Star BlueScope Steel.

### Geographical data of employees at 30 June 2016:

Country	Employees	Percentage
Australia	6,188	41%
North America	3,494	23%
ASEAN	2,533	17%
New Zealand	1,533	10%
China	1,494	9%
Other	7	
Total	15,249	100%

### Gender

Women comprise 25 per cent of BlueScope's Board at present, and two of the nine members of the Executive Leadership Team.

Women currently make up 16.5 per cent of our entire organisation.



Discussion of our diversity goals and strategies is found in Section 5.4.

## 5.2 HEALTH AND SAFETY

### 5.2.1 Health and safety governance and risk

We are committed to providing a safe work environment for all employees and contractors. Our goal is to deliver a zero harm workplace that does not risk the safety of our employees, customers, contractors or the public. Our approach to health and safety governance is detailed in the governance section of this report.

Our safety management system focuses on identifying risks present in our workplace and implementing controls to mitigate or eliminate them. Each of our workplaces is required to maintain a risk register that records safety risks and the associated controls that the workplace has implemented. We also continuously monitor safety performance to identify recurrent trends that may indicate where hazards require additional attention.

Open and honest incident and risk reporting is a key element of our safety management system. We believe that all safety incidents can be prevented if hazards are identified and alleviated or eliminated. In recent years we have focused on reporting serious safety occurrences (SSOs) as we recognise that proactively intervening to mitigate safety risks can and does prevent or reduce the severity of workplace injuries.

Each business in the BlueScope Group is required to demonstrate that their workplace operates in compliance with our safety management standards. These standards are described in Section 4.1.2.

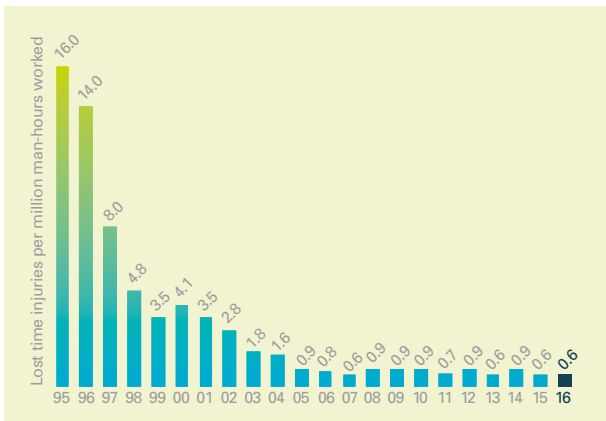
### 5.2.2 Performance

Our lost time injury frequency rate (LTIFR) at the end of FY2016 was 0.57. This represents a small increase of 0.02 from FY2015 but included for the first time the Pacific Steel, Fielders and Orrcon acquisitions. As a comparison across the global steel industry, safety data collected from worldsteel member companies shows a LTIFR of 1.17 in 2015.

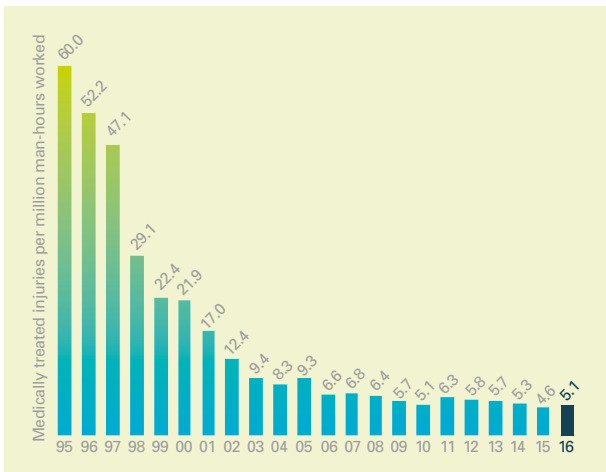
We have steadily reduced our LTIFR from 2.78 in 2002 through the introduction of safety programs in all of our workplaces.

Our FY2016 medically treated injury (MTI) rate was 5.12, an increase of 0.51 from FY2015 which demonstrates that there are further opportunities for us to develop safety initiatives that prevent and mitigate workplace injuries.

### Lost Time Injury Frequency Rate



### Medically Treated Injury Frequency Rate



In FY 2016, the following sites recorded safety achievements:	Years LTI Free
BlueScope China: Suzhou	10
NS BlueScope Lysaght Vietnam	20
BlueScope Buildings North America	9
NS BlueScope North America: Kalama	11
BANZ Distribution: Ballarat	17
BANZ Manufacturing: Western Port Paint Lines	7

### 5.2.3 Developing a safety culture

Developing and maintaining a positive and transparent culture of safe work practices is of vital importance to us. We know that changing behaviours that contribute to workplace hazards is just as important as minimising physical risks.

We have developed a number of strategies aimed at developing or changing attitudes towards workplace safety, and rely on the active engagement of employees in all safety programs and initiatives. We conduct detailed analysis of the safety practices at sites that experience recurrent incidents to identify the behaviours that lead to our employees sustaining injuries, and use this to develop programs to address the issues identified. The implementation of these actions is progressively monitored and reviewed by site based safety committees.

One example is the ‘Stand up for Safety’ program developed in our Malaysian business in FY2016 to address attitudes of complacency about workplace hazards and challenge employees to proactively identify and address safety risks. Employees took part in team workshops and brainstorming sessions, and received coaching to help them to develop new safety behaviours.

Our commitment to safety extends beyond our operations. When five New Zealand Steel employees were involved in motorcycle accidents, New Zealand Steel partnered with the Accident Compensation Corporation to establish a motorcycle rider’s safety program offering employees the opportunity to learn and practise riding skills under controlled conditions. This safety program aims to make riders more aware of the dangers of road riding, and how to control their motorcycles.

BlueScope’s safety achievements, and those of our employees, were recognised by a number of awards during the reporting period, as detailed at the end of this report.

### 5.2.4 Employee health

We support employee health through a range of initiatives across the organisation.

As part of Men’s Health Month, New Zealand Steel employees enjoyed Free Soup Day and listened to experts speak about the importance of maintaining a healthy heart and a healthy diet, while being presented with statistics about the amount of sugar in popular snack foods.

At BlueScope Malaysia the Health, Safety and Environment team has held ‘Fruit Days’, distributing a piece of fruit to employees and contractors to help

promote the awareness of eating well and the need to maintain health and well-being both in and outside the workplace.

The Port Kembla Steelworks 'R U OK? Day' helped raise awareness amongst employees of the need to look out for each other's mental health.

The BlueScope Lysaght Singapore Health Committee has developed a range of health and wellness programs to help create a healthy and engaged workforce. Yoga, meditation and other programs have helped employees learn to reduce stress, keep a healthy lifestyle and build better working relationships.

## 5.3 MANAGING OUR WORKFORCE

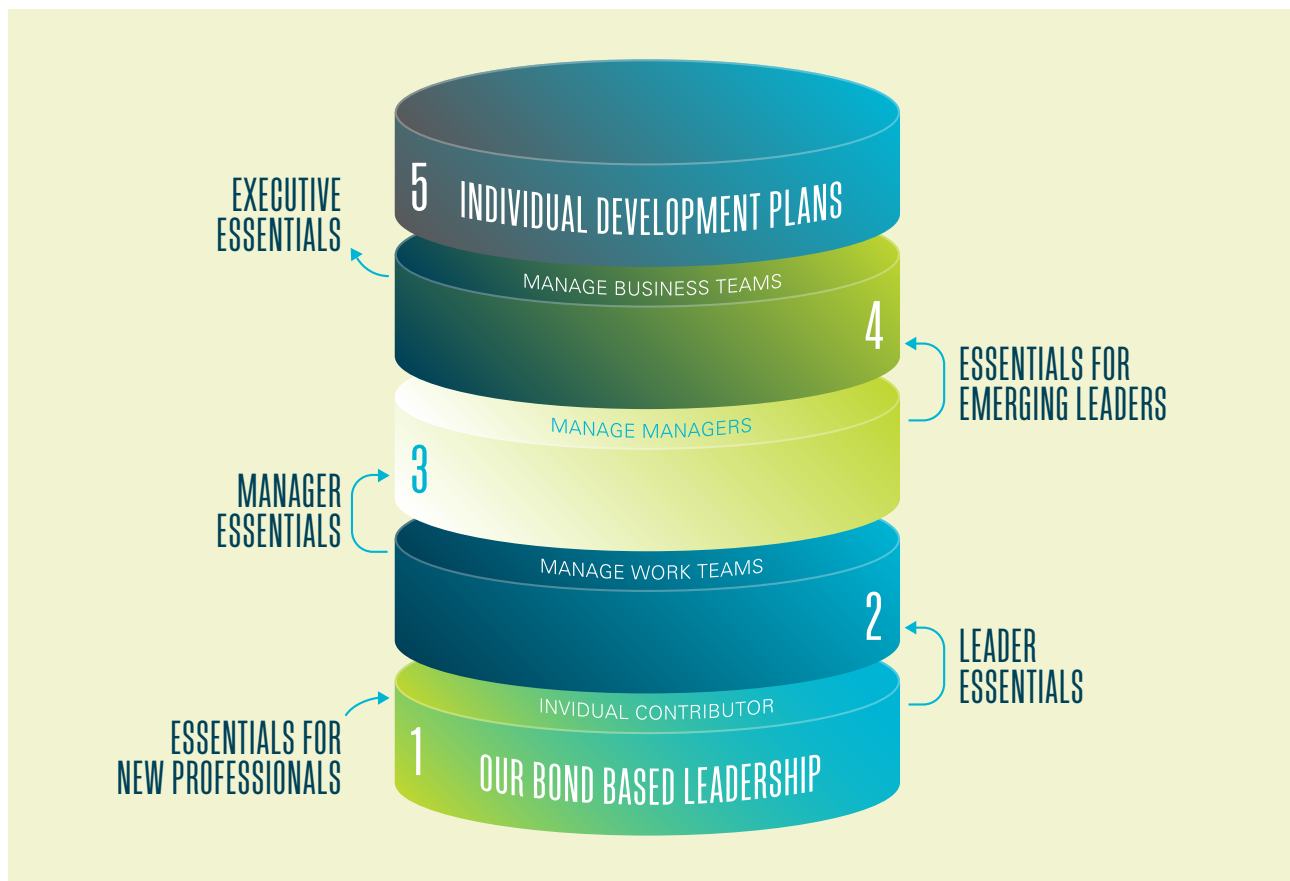
### 5.3.1 Training and development

We recognise that the ongoing training and development of our employees is key to the long-term success of our business. We provide employees with numerous development opportunities that are aligned to their career goals and preferences.

BlueScope's suite of leadership programs, known as 'Essentials', commences with the New Starter Program and runs through to Executive level programs. The aim of these programs is to develop BlueScope people to create and sustain high performance and deliver against strategy and business plans. In addition, BlueScope's Educational

Assistance Policy supports employees undertaking external training programs, and helps foster a culture of growth and development within the company.

The annual performance review includes mandatory development objectives for all employees. BlueScope's employee development and capability framework, known as WITTS (What It Takes To Succeed at BlueScope), provides a starting point for identifying the capabilities – the skills, abilities and behaviours – required for success in the employee's current role, and for any new roles they may be interested in moving to as their career progresses.





### 5.3.2 Employee engagement

BlueScope experiences low levels of voluntary employee turnover.

BlueScope’s company-wide employee engagement plan is central to our approach to labour management. The plan incorporates remuneration, communication and personal development aligned to the business strategy. In addition, BlueScope engages in local community programs to ensure our employees see the benefit of the Company’s involvement outside their employment arrangement.

BlueScope’s communication strategy promotes two way communication and feedback. A number of media, tools and processes are used to monitor employee morale and satisfaction. Reward and recognition programs provide a positive link to morale and satisfaction.

BlueScope has introduced a new profit based incentive scheme for employees in Australia and New Zealand. At North Star BlueScope Steel a profit share plan aligns the interests of employees with the Company performance so that approximately 50 per cent of overall compensation is tied to a weekly bonus and annual profit sharing based on production performance metrics, safety, and earnings.

BlueScope’s direct engagement approach places Front Line Leaders front and centre of day to day employee relations and business operations, with responsibility for articulating the Company vision, values and purpose, communicating business performance, clarifying roles and responsibilities, leading change and innovation, setting and reviewing performance expectations, developing employee potential and fostering a high performance culture.

### 5.3.3 Freedom of Association

All employees in BlueScope have the right to choose whether or not they want to be represented by an employee association and are completely

free to exercise those rights. The Company collectively bargains with employee representatives in full compliance with the requirements of the jurisdictions in which it operates.

### 5.3.4 Labour disputes

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

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

In October 2015, unions and employees at Port Kembla agreed to the introduction of savings in labour costs, which included a reduction in employee numbers of 500, to ensure the sustainability of the Port Kembla Steelworks and prevent the loss of 4,500 jobs. Employees and unions agreed to new flexible arrangements in the new three year agreement.

### 5.3.5 Human rights

BlueScope’s Guide to Business Conduct outlines policies and guidelines on BlueScope’s approach to relevant humanitarian issues. BlueScope supports the elimination of all forms of forced and compulsory labour and the effective abolition of child labour.

### 5.3.6 Handling of labour and human rights grievances

Each BlueScope business has labour standards and grievances policies. Employees are encouraged to raise any concerns initially with their manager or human resources representative. However, should they feel uncomfortable with such an approach, they are welcome to contact BlueScope’s global Business Conduct Reporting Hotline.

## 5.4 DIVERSITY

### 5.4.1 Gender diversity

One of our biggest diversity challenges is increasing female representation across our workforce. Women currently make up only 16.5 per cent of our organisation, with the greatest gender imbalances in our operator and trades (3.9 per cent female employees) and executive roles (14 per cent female employees).

BlueScope's Diversity Council is working to increase female representation across our business. The Diversity Council comprises the Executive Leadership Team led by the Managing Director and CEO, and is responsible for creating development strategies and programs, promoting diversity as a strategic priority and monitoring progress against our diversity goals.

We amended our Diversity Policy during 2016 so that it more accurately reflects our strategic priorities and commitments. It clearly prioritises the recruitment of individuals from diverse backgrounds and the facilitation of flexible work arrangements. It also sets out new diversity commitments and targets. In addition to formal initiatives, the Diversity Policy calls on all BlueScope employees to commit to behaviours that support the integration of employees of diverse backgrounds into our workforce.

Across the Company, 23 per cent of all employees hired in FY2016 were women (in middle management 62 per cent of employees hired were women). We acknowledge that we still need to make significant progress to increase the number of women employed in our business, however these results demonstrate that initiatives implemented in recent years are having a discernible effect on our business decisions and priorities.

A number of operational sites have developed their own initiatives aimed to improve gender diversity in the workplace. The Western Sydney Service Centre (WSSC) has introduced an 'open doors' policy that encourages prospective female employees to visit the site and interact with current employees while they are in the process of applying for a position. The 'open doors' policy is intended to demonstrate the diversity within the WSSC team and to address the mistaken belief that only men can have a career in the manufacturing industry.

BlueScope China has developed a program in conjunction with two local technical universities that prioritises the recruitment of female civil engineers. In 2016, 50 per cent of the graduate engineers employed by the Xi'an facility were women. Under the recruitment program participants undertake

a year-long apprenticeship so that they develop practical technical skills and experience life in the workplace. BlueScope China is progressively improving facilities to better accommodate female employees.

At Port Kembla Steelworks, the Plate Mill – which had previously had an all male workforce – presented the ideal opportunity to test a new recruitment model designed to attract women. The model emphasises personal attributes and behaviours, while technical skills are taught as part of induction to the new role and in training on site.

The employment offer includes shorter shifts and flexible hours, which allow women to better manage work and family responsibilities. The model also uses contractors to help match periods of variable demand. To date three intakes of operators have been employed under the new arrangements, and women now make up 25 per cent of the workforce. The response from employees has been overwhelmingly positive.

### 5.4.2 Diversity of ideas and experience

The diverse range of experiences, cultures, beliefs and attitudes present in our global workforce is one of our business's key strengths. These characteristics drive us to create innovative products that respond to our customers' diverse needs and increase our responsiveness to market preferences and conditions.

We maintain a number of initiatives aimed at fostering diversity. We provide our employees with job-swap and secondment opportunities that are intended to create understanding between cultures and to develop employee knowledge. Additionally, our employee development programs include a component that encourages diverse and inclusive practices from our emerging leaders. We are also refocusing efforts to ensure that employees from diverse backgrounds are represented in each employment band by working to provide new employees with technical development opportunities.

In 2015, we introduced a scholarship program to support the development of young people of Aboriginal and Torres Strait Islander background. In 2016, the second BlueScope Indigenous scholarship was awarded to Corey Davies, a Business student at the University of Sydney. Corey was recognised for his academic performance and demonstration of leadership capabilities. The scholarship will give him real-life business experience

as he will be joining BANZ as an intern in the Sales, Marketing, Innovation and Trade department during his university break.

‘Change the Game’, a partnership between BlueScope and the Australian Institute of Sport, has seen 10 BANZ employees matched with 10 elite champion female athletes for mutual learning and development.

While the athletes learn how qualities such as strength and resilience can apply to business, the BlueScope employees develop their skills on how to pursue elite performance and overcome setbacks. The program also opens up recruitment opportunities and at the end of the first year of the program, one of the AIS participants has been employed by BlueScope.

### 5.4.3 Discrimination

At BlueScope, diversity is about having a workplace where differences are respected and valued. These differences can include ethnicity, gender, sexual orientation, age, physical abilities, family status, experience, perspective, religious beliefs and other ideologies.

We expect that all BlueScope employees are treated in a fair and equal manner. Our Guide to Business Conduct sets out the types of behaviours that all BlueScope employees are expected to practise as well as the actions employees should take if they identify instances of discrimination or harassment.

We explicitly oppose behaviour that offends, humiliates or intimidates others. These types of behaviours include bullying, physical abuse, sexual harassment and verbal comments of a sexual or racist nature. Our diversity, equal employment opportunity (EEO) policies and our EEO anti-discrimination guidelines provide further information about the types of behaviours we consider unacceptable.

We encourage our employees to inform their supervisors of any instances of bullying or harassment that they identify. Employees can also speak to human resources representatives for further assistance.

Anyone that is found to have behaved in a manner prohibited by our Guide to Business Conduct will be subject to disciplinary actions, including dismissal from employment at BlueScope.





# OUR DIVERSITY POLICY

## Our Diversity Commitment

At BlueScope our success comes from our people. We choose to treat each other with trust and respect.

We understand that the range of perspectives that result from having a diverse and inclusive workplace will strengthen BlueScope's capability for continued and sustained business success.

We know that a talented and capable workforce is a competitive advantage.

To build on this advantage we will strive to hire, develop, promote and retain the most qualified people available at all levels – people who reflect the diversity of our customers, markets and the communities in which we operate.

## Our Principles for Diversity

BlueScope recognises and values the different skills, perspectives and backgrounds that our employees bring to the Company.

At BlueScope, diversity is about having a workplace where differences are respected and valued. These differences can include ethnicity, gender, sexual orientation, age, physical abilities, family status, experience, perspective, religious beliefs and other ideologies.

A diverse and inclusive workplace will ensure that we have a better business, a better place to work, and a better future for all us, our customers and our communities.

We also recognise that an inclusive environment and culture will attract, encourage and develop a talented, diverse, capable and engaged workforce.

**PAUL O'MALLEY**

Managing Director and CEO | June 2016

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The key principles that underpin our approach to Diversity are:

- A diverse workforce is a competitive advantage and we will strive to attract, recruit, develop, and promote people who represent the countries and communities in which we operate.
- Recruitment and selection practices at all levels are appropriately structured so that a diverse range of candidates are considered.
- When required, due to a lack of diverse representation in occupational disciplines, the Company will target diversity groups as part of our recruitment activity.
- Leadership and talent development programs improve diversity of the talent pipeline, while supporting merit based talent practices.
- All employees who are performing to the same level should receive equal pay for work of equal value.
- Flexible work practices are developed to meet the needs

of our employees at different stages of their life in the context of business requirements.

- Our work environments should be safe and free from inappropriate behaviour, such as harassment, bullying, victimisation and vilification.

The way we apply these principles is through a combination of:

- Leadership accountability, engagement and commitment
- Reporting to the Board, Diversity Council and senior management
- HR policies, systems and processes
- Targeted projects and programs
- Internal and external communications

## Measures and Accountability

In order to improve the diversity of our workforce we will set ourselves objectives that will be clearly stated, measurable, and achievable over a period of time. These objectives will be approved each year by the Board. We will disclose the results of our achievements against these objectives in the Annual Report.

To achieve this, we continue to develop and implement strategies, initiatives and programs around recruitment, retention, development and improving awareness of diversity. We will monitor, review and report on our progress to the Board twice a year.

BlueScope has established a Diversity Council which is chaired by the CEO and Managing Director. The Council is responsible for promoting diversity as a key strategic business driver, developing and recommending strategies and programs, monitoring compliance with this policy, setting measurable objectives and reviewing progress against them.

Additionally, the business units have dedicated diversity committees and networks to implement initiatives that support specific business needs.

Management is responsible for providing leadership and implementing initiatives to achieve our Diversity objectives.

## Reporting

Management will report to the Board in relation to:

- Initiatives undertaken in relation to improving diversity and to achieve the measurable objectives
- Progress in achieving the measurable objectives

The Board will at least annually review and approve the measurable objectives for achieving diversity, and assess progress in achieving these objectives.

The Board will ensure that appropriate disclosures are made in the Annual Report regarding Diversity in compliance with the Corporate Governance Principles and recommendations of the ASX Corporate Governance Council.

# 6. SOCIAL – COMMUNITY, CUSTOMERS AND SUPPLIERS

## 6.1 COMMUNITY

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

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We recognise our social responsibilities and strive to continuously improve our performance in the areas of health, safety, environment and community. Across all our businesses worldwide we embrace meaningful community engagement and support as we actively participate in community initiatives and commit to making a positive contribution.

Our management and operational practices are designed to identify, assess and manage hazards and to develop appropriate responses. These practices also enable us to comply with industry standards, and legislative and regulatory requirements. Our HSEC Policy details the actions we implement in order to meet our health, safety and environmental goals.

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## 6.2 COMMUNITY INVESTMENT AND INVOLVEMENT

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.

We recognise that our communities have diverse values and we endeavour to work constructively with them to understand their unique needs. Our engagement with local communities is underpinned by the principles of active partnership, mutual respect and long-term commitment.

In FY2016, many of our businesses undertook initiatives to strengthen our relationship with our communities. Here are a few examples.

### Community partnership model in the Illawarra

Each year the BlueScopeWIN Community Partners Program distributes a total of \$500,000 in funding grants to a range of local community groups in the Illawarra region of New South Wales surrounding the Port Kembla Steelworks. In FY2016, over 30 community groups received a funding grant, including the BlueScope Youth Orchestra, Lifeline South Coast, SES, Surf Life Saving Illawarra, The Salvation Army, the Wollongong Art Gallery and Warrawong Community of Schools Permaculture Partners program.

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

Since 1952 the BlueScope Foundation has provided consistent support to not-for-profits in our communities in North America. Local organisations have come to rely on the generous support and guiding leadership the business has provided through Foundation grants. Long-term investment in these organisations has resulted in the completion of building campaigns in our communities (such as universities, domestic violence shelters, and art museums) and the implementation of successful youth and education programs in our communities.

**BlueScope SmartRoads program – Indonesia**

The SmartRoads program educates local BlueScope Indonesia employees to be road safety ambassadors and enables them to educate students and other members of the community about road safety. In 2016, six new ambassadors were appointed and road safety sessions were conducted for more than 200 students with the focus on personal safety and preventing dangerous behaviour.



**Commitment to local communities – Vietnam**

Employees volunteered at the Thien Than orphanage, Ba Ria Vung Tau province which relies on donations and other support to provide adequate living conditions. Employees distributed toys and gifts and decorated the orphanage for Tet, the Vietnamese New Year celebrations.

Also as part of Tet, nearly 400 employees visited local schools and child welfare centres that together look after more than 5,000 pupils. Employees helped educate the children on school safety and cleanliness, painted classrooms, renovated school facilities and planted trees. Employees also gave books for school libraries, distributed awards to students, and many also donated money.



To mark World Environment Day, BlueScope Vietnam organised activities to educate the community about the importance of caring for and preserving the environment. A number of BlueScope Lysaght employees planted trees on site to help improve the working environment, and others did maintenance work and planted trees at a local school. At the Phu My manufacturing plant employees made a video about saving energy and protecting the environment, while employees at the Ho Chi Minh office held a discussion panel to raise awareness of environmental issues such as saving energy and water, tree planting and classifying waste.

**Community action – Malaysia**

BlueScope Malaysia, together with business partners and NGOs, has launched CONNATION – Continuous In Action – to improve the lives of the people in the communities where BlueScope operates.

The CONNATION partners will work together to re-roof homes of those in the community who would otherwise be unable to afford a new roof.

The first CONNATION project was conducted in collaboration with the Engineers Without Borders, Monash University Malaysia Student Chapter, and involved the installation and retro-fitting of steel structures, roofing and wall cladding for the Positive Living Community in Batu Arang, Selangor.

## 6.3 SUPPLIERS

BlueScope seeks to engage suppliers with like values and who support our licence to operate.

In general, given the nature of BlueScope’s business, we tend to be supplied by a small number of larger companies that provide a large quantity of goods and services – such as steel, iron ore, coal, zinc, aluminium and paint. This model more readily allows us to be familiar with the nature of our suppliers’ operations.

Where possible, BlueScope employees visit major suppliers and as part of this informally observe suppliers’ environmental performance, and the safety and work conditions of their workers.

BlueScope’s Guide to Business Conduct sets out expectations of employees with respect to fair dealing: employees are expected to act fairly, in good faith and not apply undue influence, pressure or

engage in unfair tactics in dealings with customers, suppliers or other third parties. Employees are expected to comply with relevant competition and consumer law, and act in a manner which is not misleading or deceptive when dealing with customers, suppliers or other third parties, or with other employees.

BlueScope also supports the elimination of all forms of forced and compulsory labour and the effective abolition of child labour.

Where possible and within our jurisdiction, we pay close regard to the safety of contractors who may install our products. This can be especially relevant in Asia where safety standards can vary from nation to nation. Our Construction Global Requirements describe BlueScope’s minimum standards required to manage high risk activities associated with the construction of engineered buildings.

## 6.4 LOCAL EMPLOYMENT

Over recent years we have worked to ensure that management teams in our ASEAN and China businesses are largely comprised of local nationals, and as a result the number of expatriate employees has reduced.

Local nationals hold nearly 90 per cent of management roles in ASEAN, and over 70 per cent in our businesses in China.



## 6.5 CUSTOMERS

Engaging with customers is a critical element of our business. Understanding and responding to their needs is essential to the sustainability of our business, and we work closely with them to understand and respond to their needs.

### Getting closer to customers in Vietnam

To expand the reach of BlueScope Zacs® products, we have commenced a program to open Zacs® retail stores and outlets in Vietnam through an accredited dealership network. By the end of FY2016, NS BlueScope had entered into agreements with 50 dealers, to establish BlueScope Zacs® branded stores, and they had in turn entered into partnering arrangements with 500 Zacs® outlets, reaching over 12,000 local builders.

To support our dealers in establishing their BlueScope Zacs® stores, we provide a range of support tools including infrastructure investment, training, sales resources and safety improvements.

Zacs® outlets provide BlueScope products to end-consumers in remote areas that the stores are unable to service. Our FY2020 goal is for 100 BlueScope Zacs® stores, 2,500 Zacs® outlets, 20,000 listed local builders and 350 specifiers.

### Developing strong relationships in North America

Over the past 21 years, BlueScope Construction's business relationship with FedEx Ground has resulted in more than 150 projects representing 20 million square feet.

BlueScope Construction has developed a deep understanding of FedEx Ground's business requirements and, using 3D technology, has integrated its structure with FedEx Ground's complex conveyor layout to reduce cost and free up critical floor space for other uses.

The relationship is based on continuous feedback through performance metrics, ongoing communication including quarterly meetings and is focused on continuous improvement in safety, innovation, flexibility, schedule, project integration, quality and cost.

BlueScope has been in a strategic partnership with Costco since 1989 to design and build warehouse outlets worldwide. Projects have been completed in the United States, Canada, Australia, Mexico, Taiwan, South Korea and Japan, with the average project size 14,000sqm. BlueScope works to an aggressive schedule of 45 days for erecting the building shell. The benefits of the global program for Costco include certainty of delivery and build quality, standardised designs and development timetables legal and contract efficiencies and risk management



### BlueScope Buildings and China Zhongwang Holdings

We have been working with and developing an important relationship with China Zhongwang Holdings since 2012. The company is the largest industrial aluminium extrusion product developer and manufacturer in Asia and the second largest in the world. To date, BlueScope Buildings has completed projects for the company totalling 1.04 million square metres, with a value of \$60 million.

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BlueScope Buildings and the China Coated business have worked closely together to develop the relationship into a strategic key account.

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A key element of this has been visits by senior Zhongwang leaders to BlueScope facilities to better understand our business, services and products.

### BlueScope Lysaght in China

In China, BlueScope Lysaght aims to be the trusted partner for building systems, and is working to build closer relationships with customers. Through a series of targeted seminars and site visits to major projects, customers are able to see BlueScope Lysaght's design capability, and range of products and systems.

# AWARDS

BlueScope has received the following awards and acknowledgements:

## GREEN GLOBE 10 YEAR SUSTAINABILITY ACHIEVEMENT AWARD



In November 2016, BlueScope received the 10 year sustainability achievement award at the New South Wales Green Globe Awards for demonstrating real and sustained leadership in reducing and preventing pollution over a 10 year period.

The judges noted that BlueScope demonstrated a commitment to improving environmental performance and resource use, as well as minimising the impacts we have on communities and people.

## WOMEN IN LEADERSHIP SCHOLARSHIP

In July 2016, Elana Kells, Logistics Manager, Warehouse Operations for BlueScope Australia and New Zealand Supply Chain and Processing at Port Kembla Steelworks, was awarded a scholarship to participate in the Australian Graduate School of Management (AGSM) Women in Leadership Program at the UNSW Business School. The AGSM program aims to develop participants' strategic thinking skills.

## INTERNATIONAL SCHOLARSHIP

In May 2016, Kristie Keast, General Manager People BlueScope Australia New Zealand, won a scholarship to attend a leadership program at Massachusetts Institute of Technology in the United States. The scholarship is part of the Chief Executive Women (CEW) Scholars program, which helps Australian women develop their career by participating in executive education programs at internationally acclaimed business schools.



## HEALTH AND SAFETY AWARDS

- Steelscape Kalama, part of NS BlueScope North America, was awarded 'best safety practices' by the U.S. National Coil Coating Association
- Michael Farrelly, BANZ Manufacturing Senior Health, Safety and Environment (HSE) Professional, was awarded the 'Individual Practitioner Award' at the annual Australian Steel Institute Health and Safety Excellence Awards
- Richard Beker, BANZ Manufacturing Victoria Processing Leader, received a special commendation for 'Individual Safety Leader' at the 2015 Steel Transport Safety Awards
- Chennai (Tata BlueScope Building Products) received a 'Best Safety Practice Award' from the Indian SAFE Association
- Jamshedpur Tata BlueScope Building Products received the Confederation of Indian Industry Eastern Region Safety, Health and Environment (SHE) Award (large scale manufacturing category)

## AWARD FOR BLUESCOPE'S XI'AN FACILITY



BlueScope's Xi'an plant won the Luban construction project prize in January 2016. The award, presented by the Ministry of Housing and Urban-Rural Development and the China Construction Industry Association, recognises the highest quality in building architecture and engineering.

The Xi'an facility, officially opened in October 2013, demonstrates how premium steel buildings support

sustainable green building technology. A custom engineered building commissioned with BlueScope roofing and walling systems, the facility is China's first three-star green industrial building, which is the highest environmental rating available in that country. It also won a LEED (Leadership in Energy & Environmental Design) gold award from the USA Green Building Council.



[www.bluescope.com](http://www.bluescope.com)