Sustainability Report 2020/21

BlueScope

Our Purpose

We create and inspire smart solutions in steel, to strengthen our communities for the future.

Our Bond

Our Customers
are our partners

Our People
are our strength

Our Shareholders
are our foundations

Our Local Communities
are our homes

Contents

This Report outlines the sustainability performance of the consolidated entity ('BlueScope' or 'the Group'), consisting of BlueScope Steel Limited ('the Company') and its controlled entities for the year ended 30 June 2021. Read more on page 65.

Cover image: New lodges built along the Three Capes Track in Tasmania, Australia, illustrate the benefits of smart solutions in steel, with galvanised steel used for subfloor framing components and underfloor custom-made AQUAPLATE® steel rainwater tanks used for drinking water. Read more about our sustainable product solutions on pages 50-55. Photography by Brett Boardman.

BlueScope Steel Limited ABN 16 000 011 058

A message from our Managing Director & CEO

Mark Vassella
Managing Director & CEO

I am proud to present BlueScope's FY2021 Sustainability Report – our latest update on the Company's progress towards our sustainability goals.

As we live through a second year of the COVID-19 pandemic, our 14,000 strong team continues to show great resilience, focusing on health and safety as they operate our businesses around the world. Living Our Purpose to strengthen our communities, the BlueScope team has responded at a very tangible and commendable level on-the-ground, supplying personal safety equipment, food packs and other essential items to help those most in need. Beyond the pandemic, wherever they work, BlueScope employees are active community members, making a difference through their volunteer and philanthropic endeavours.

We continue to demonstrate our commitment to action on climate change. In February, we welcomed Gretta Stephens as Chief Executive Climate Change, to coordinate our global climate change response. Gretta and the Climate Change team will help our businesses drive BlueScope's decarbonisation program.

In early September, we published BlueScope's first standalone Climate Action Report setting out our climate strategy and decarbonisation pathway. This pathway is based on two mid-term 2030 greenhouse gas (GHG) emissions intensity targets and a longer-term 2050 net zero goal. We acknowledge that achieving the 2050 net zero goal is highly dependent on several enablers, including the commerciality of emerging and breakthrough technologies, the availability of affordable and reliable renewable energy and hydrogen, the availability of quality raw materials, and appropriate policy settings. I believe the strategy and pathway are crucial steps in helping the Company to play its part in a low-carbon future.

Across our portfolio, our progress in each of our five sustainability outcomes continues apace.

BlueScope continues to progress the evolution of its approach to risk management, with an emphasis on a culture of learning, to drive sustained improvements in safety. We continue to integrate our human-centred approach, which leverages the knowledge of BlueScope's people to identify and implement strengthened controls. Through the year, we also sought to create greater capacity in systems and processes to tolerate error without harm to our people or the environment.

In building safe and inclusive workplaces, we are proud to be a signatory to 40:40 Vision, an initiative led by Australia's investor community to achieve gender balance in executive leadership across all ASX200 companies by 2030. We have created a new function; Social Impact and Inclusion which guides us in protecting the rights of our communities, partners, and our employees, including delivering on our diversity and inclusion strategy.

Launched this year, our refreshed Code of Conduct, *How We Work*, was actively promoted across our regions to reinforce our expectations for responsible business practices, and to encourage a culture of speaking up when something isn't right.

Despite the challenges presented by travel restrictions during the pandemic, we have continued our independent assessment program of suppliers and sites, confirming they meet appropriate standards. Our progress in supply chain sustainability is covered in detail in our FY2021 Modern Slavery Statement.

The sustainability initiatives and achievements you will discover in our FY2021 Sustainability Report all demonstrate how BlueScope people are living Our Purpose: 'We create and inspire smart solutions in steel, to strengthen our communities for the future'.

I thank all BlueScope people who deliver on our sustainability goals every day.

Mark Vassella
Managing Director & CEO

Who we are and what we do

BlueScope is a leader in metal coating and painting for building and construction.

Principally focused on the Asia Pacific region, our 14,000 people in 18 countries manufacture and market a wide range of branded products that include pre-painted COLORBOND® steel, zinc/aluminium alloy coated ZINCALUME® steel and the LYSAGHT® range of building products.

BlueScope is Australia's largest steel manufacturer, employing around 6,000 employees at more than 100 sites. Our Australian Steel Products segment manufactures and distributes flat steel products, with a key focus on higher value, branded products for the building and construction industry – with leading brands such as COLORBOND® steel and TRUECORE® steel.

North Star BlueScope Steel is a low-cost hot rolled coil producer in the US, serving the automotive and construction industries. It operates at industry leading utilisation rates and is strategically located in Delta, Ohio, in a key scrap-rich area near its customers. An 850,000 tonnes per annum expansion of the mill is underway, which will add more low GHG emissions intensity steel capacity to BlueScope's portfolio.

BlueScope has an extensive footprint of metallic coating, painting and steel building product operations across China, India and ASEAN, primarily servicing the residential and non-residential building and construction industries. The business also operates coating and painting assets on the West Coast of the US, serving the non-residential construction industry.[1]

BlueScope is also a leading supplier of engineered building solutions (EBS) to industrial and commercial markets in the US. Its value proposition is based on speed of construction and low total cost of ownership, with leading brands, including BUTLER® and VARCO PRUDEN®. This segment also includes the BlueScope Properties Group, which develops Class-A industrial properties (such as warehouses and distribution centres).

BlueScope is the only integrated steel producer in New Zealand, using locally-sourced iron sands to produce a range of flat and long steel products for domestic and export use. Our New Zealand operations include the Pacific Islands businesses, with facilities in Fiji, New Caledonia and Vanuatu.

1 BlueScope has interests in a number of joint ventures (JVs). The most substantial are in partnership across ASEAN and the west coast of North America with Nippon Steel Corporation (NSC) and in India with Tata Steel. Both are 50:50 joint ventures with BlueScope controlling and therefore consolidating the joint venture with NSC (NS BlueScope Coated Products), and jointly controlling and therefore equity accounting the joint venture with Tata Steel (Tata BlueScope Steel).

2 Based on direct revenue representing receipts from customers and other income.

Our businesses

Australian Steel Products
New Zealand and Pacific Islands
North Star BlueScope Steel
Building Products Asia and North America
Buildings North America

* Buildings North America includes one engineering office in India.

Our sustainability outcomes

Sustainable and enduring business

Our scale and impact

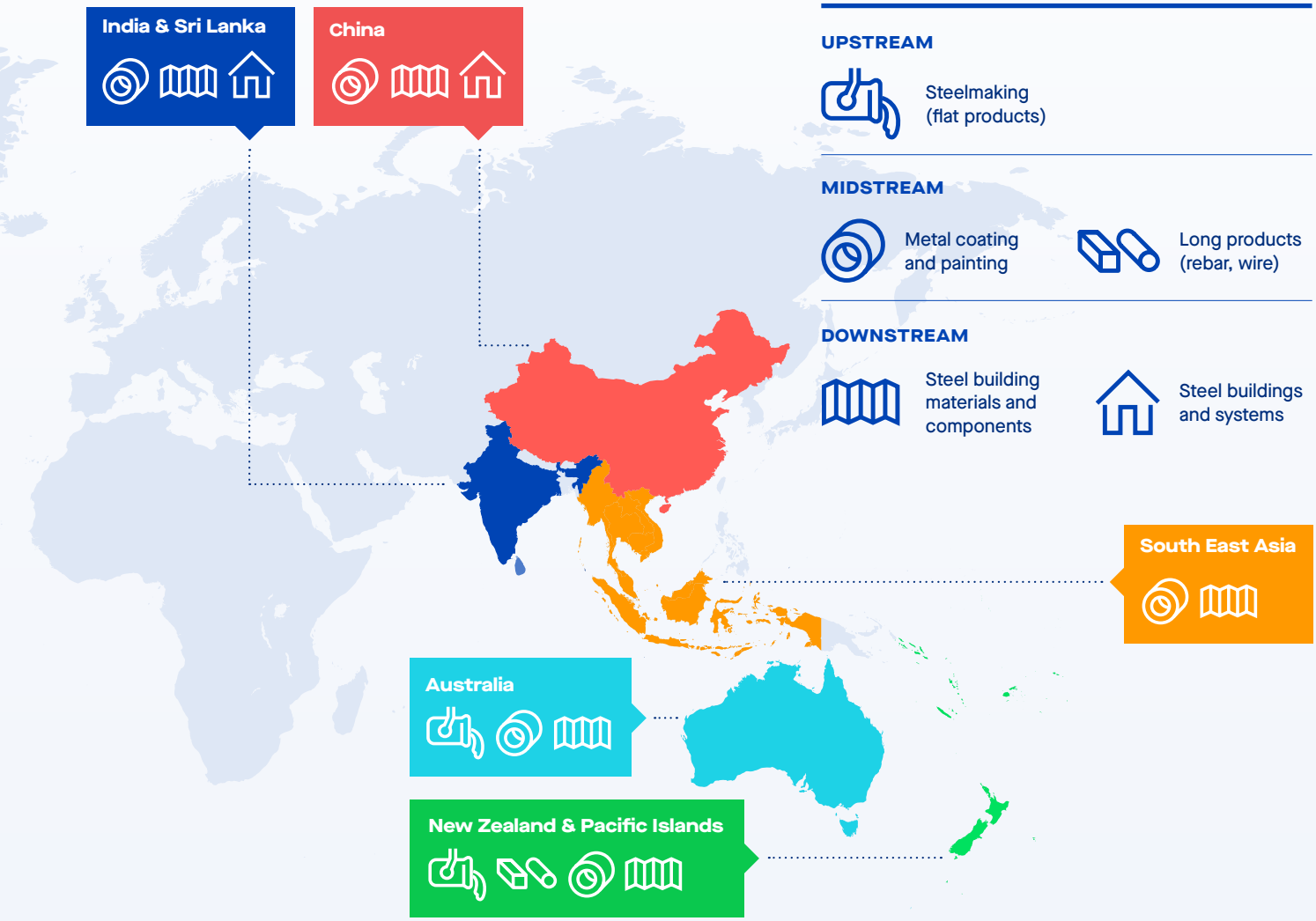
(as at 30 June 2021)

TOTAL NUMBER OF EMPLOYEES

14,300

TOTAL NUMBER OF OPERATIONS

>160



KEY

UPSTREAM

Steelmaking (flat products)

MIDSTREAM

Metal coating and painting

Long products (rebar, wire)

DOWNSTREAM

Steel building materials and components

Steel buildings and systems

Safe and inclusive workplaces

>1,000
LEADERS PARTICIPATED IN HSE WORKSHOPS

GENDER BALANCE AT BOARD & EXECUTIVE LEADERSHIP TEAM
≥40%

>400
HSE RISK CONTROL IMPROVEMENT PROJECTS COMPLETED

36%
OF NEW APPOINTMENTS WERE FEMALE

Climate action

SCOPE 1 AND 2 GHG EMISSIONS ($ktCO_2$-e)
10,540

SCOPE 3 GHG EMISSIONS ($ktCO_2$-e)
12,700

Responsible products and supply chains

230
PRIORITY SUPPLIER ASSESSMENTS COMPLETED, EXCEEDING TARGET

39%
TOTAL WATER CONSUMPTION COMES FROM RECYCLED SOURCES

Strong communities

DIRECT ECONOMIC VALUE GENERATED[2]
$12.9 BN

SUPPORTED
local communities
THROUGH COVID-19

Creating strength along the steel value chain

RELIABLE, RESPONSIBLE AND LOCAL SOURCING

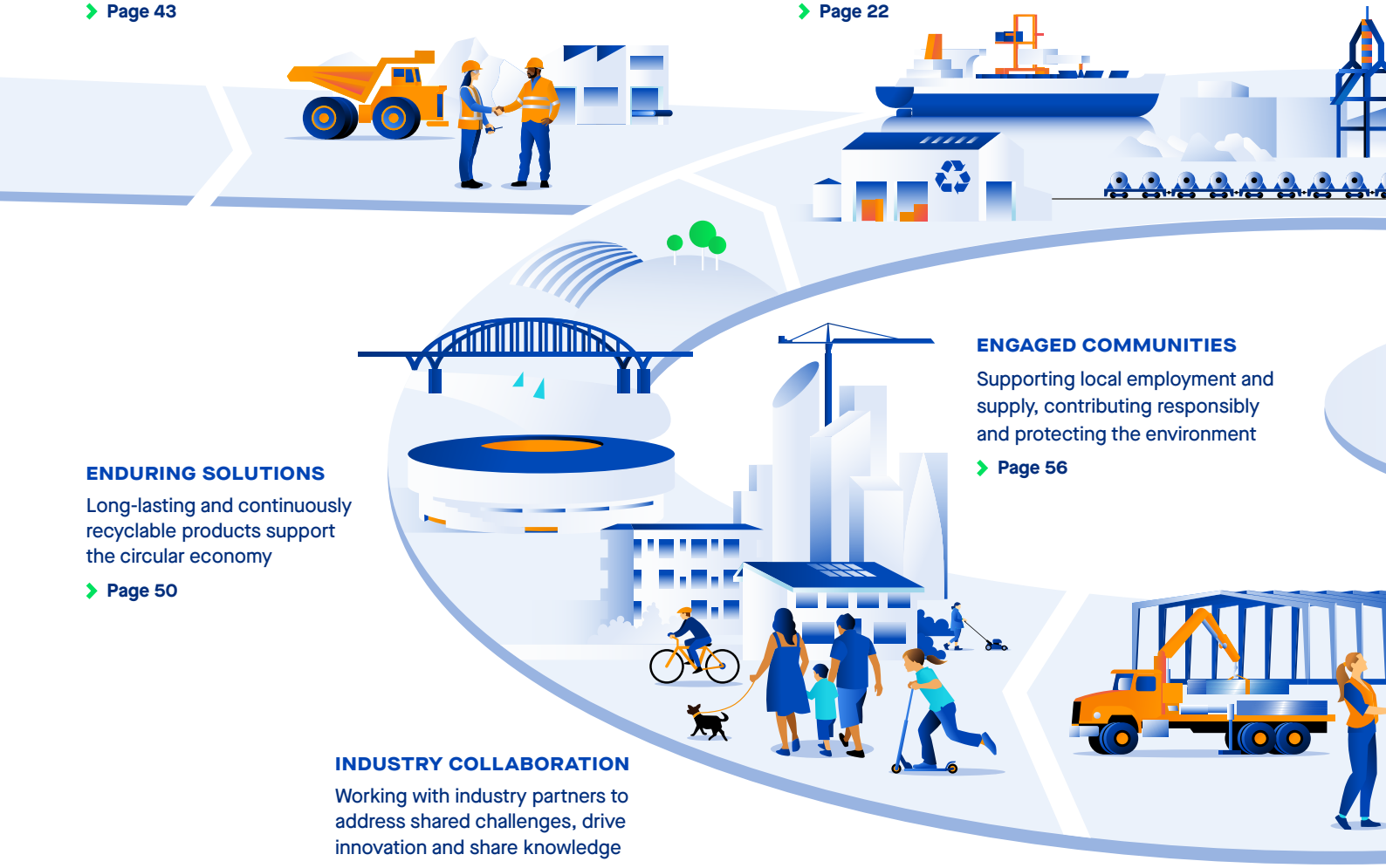
Quality inputs from predominantly local suppliers. Engagement and collaboration supports responsible practices

Page 43

SAFE AND INCLUSIVE WORKPLACES

Building capability and supporting the health and safety of our people

Page 22



ENGAGED COMMUNITIES

Supporting local employment and supply, contributing responsibly and protecting the environment

Page 56

ENDURING SOLUTIONS

Long-lasting and continuously recyclable products support the circular economy

Page 50

INDUSTRY COLLABORATION

Working with industry partners to address shared challenges, drive innovation and share knowledge

Page 52

STRONG GOVERNANCE

Robust governance mechanisms and stakeholder transparency

Page 62

Our Bond

Our Customers are our partners

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

Our People are our strength

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

Guided by the values of Our Bond and the intent of Our Purpose, our contribution to sustainability extends beyond our own operations and includes the way we source materials, engage with all those we do business with and support our local communities.

RESOURCE EFFICIENCY AND STEWARDSHIP

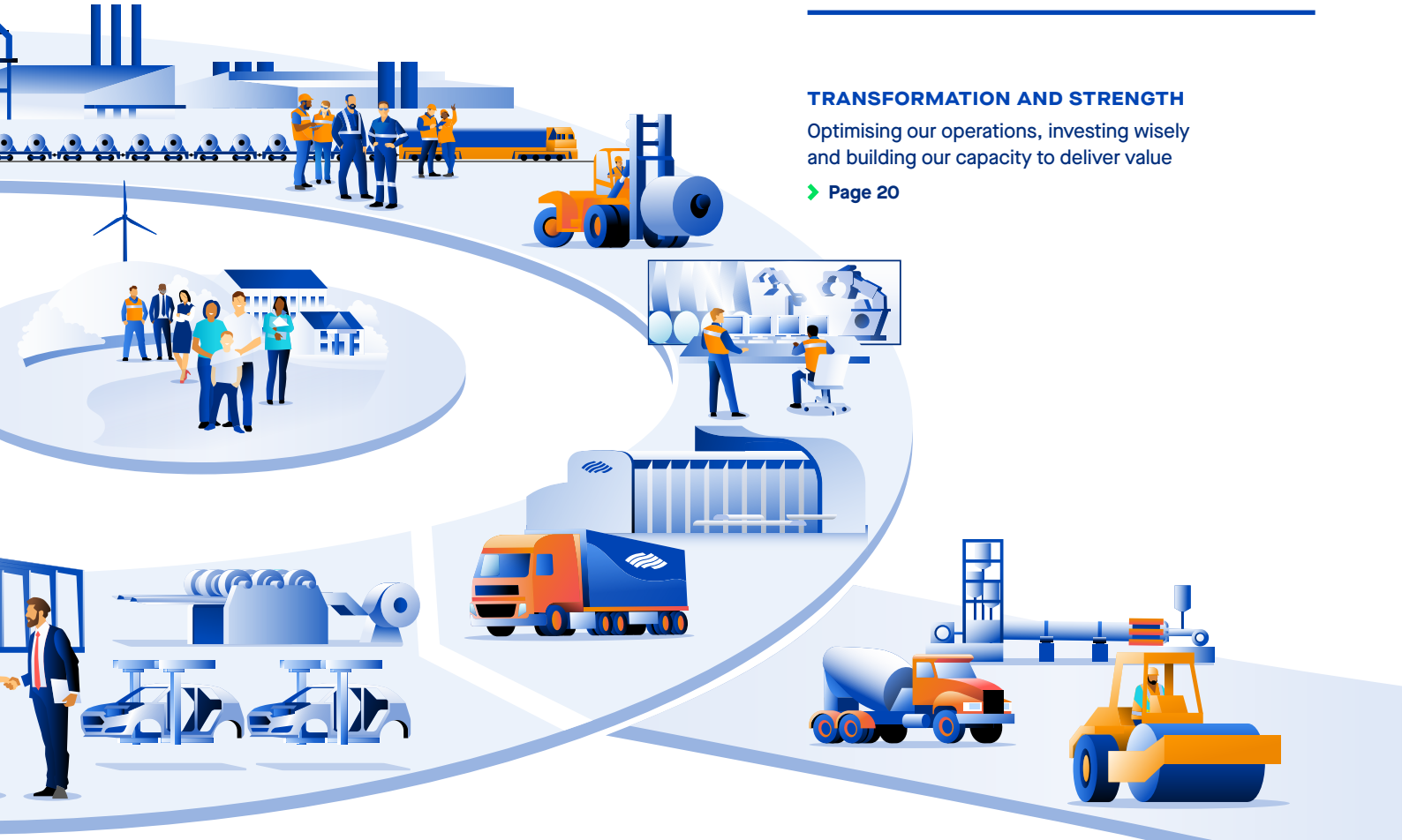
Manufacturing excellence and responsible operations support climate action and the protection of shared resources

Pages 20, 34 & 49

TRANSFORMATION AND STRENGTH

Optimising our operations, investing wisely and building our capacity to deliver value

Page 20



CUSTOMER-LED

Working with customers to create and inspire innovative and enduring solutions that support sustainable development

Page 50

VALUED CO-PRODUCTS

Converting production waste into value-added inputs for other sectors, displacing raw material consumption

Page 49

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 Local 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.

The future of steel

Steel's strength, durability and adaptability make it vital to modern economies. It's in the buildings we call home, the cars we drive, the electronics we use every day and the equipment we all rely on. At BlueScope, we see a strong future for steel, providing a critical foundation for sustainable economic development and the transition to a low carbon society.

Photography by Brett Boardman

Steel demand and contribution

Steel plays an integral role in rapid construction of enduring assets, repurposing historic buildings to retain heritage, and supporting the transport and utilities that are vital to productive cities and the people who live in them.

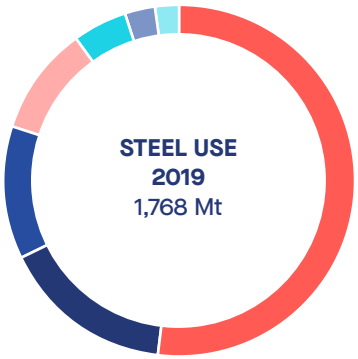
Demand for steel is expected to keep growing worldwide, particularly as developing countries industrialise and populations urbanise. Growth in renewable energy infrastructure and sustainable transport technology is also expected to increase demand.

Local steelmaking and supply arrangements, such as the approach taken by BlueScope across the regions where we operate, make an important contribution to local, regional and national economies, providing a range of benefits for customers, employees and the community.

The steel industry employs around 6 million people worldwide and is the source of around 40 million additional jobs in other sectors.[3]

Product innovation, manufacturing efficiency and improved design and construction practices play an important role in shaping steel demand and meeting market expectations for sustainable materials. Read more in *Smarter solutions for a low carbon, circular economy* on page 10.

STEEL USE BY INDUSTRY[4]



- 52% Building and infrastructure
- 16% Mechanical equipment
- 12% Automotive
- 10% Metal products
- 5% Other transport
- 3% Electrical equipment
- 2% Domestic appliances

Supply chain transparency and certification

There is a growing expectation for transparent and responsible supply chains across all material sectors. Steelmakers are increasingly applying their own standards of conduct to their supply chains, and actively seeking to partner with suppliers who hold similar values. Adopting certification schemes that build trust in the industry's raw material supply chains, reduce GHG emissions, improve dialogue with stakeholders and uphold human rights, is vital for future confidence in the steel industry.

The ResponsibleSteel™ Site Certification standard sets the new benchmark for industry stewardship, performance and accountability.

BlueScope is a founding member of ResponsibleSteel™ and, along with many peers, is seeking certification in CY2021. We look forward to the sector-wide momentum that early participation brings, and see an important role for governments in encouraging industry stewardship through such certification schemes that support a responsible steel supply chain.

Read about BlueScope's foundational leadership role in this global, multi-stakeholder initiative to create a lasting influence along the full steel supply chain in *Supply Chain Sustainability* (page 43) and *Sustainable Products* (page 50).

3 IEA. Iron and Steel Technology Roadmap – Towards more sustainable steelmaking.
4 Sustainable Steel: Indicators 2020 and steel applications, World Steel Association. 2020.

The climate challenge

The scale of the challenge confronting the global steel industry to deliver GHG emissions reductions in line with the Paris Agreement is significant. The iron and steel industry contributes between seven and nine per cent of global GHG emissions, and industry must find ways to reduce these emissions to ensure a sustainable future.[5]

Greater acknowledgement of the impacts of climate change and a corresponding rise in net zero emissions commitments by countries, financiers, customers and industry peers has direct implications for steelmakers. Customers and suppliers are beginning to set targets relating to emissions within their value chains and are committing to collaborate to drive emissions reductions.

Governments and regulators play an important role in incentivising the transition to reliable, affordable and low emissions energy supply, regulating for responsible raw material supply and co-financing research and development of emerging and breakthrough technologies in hard-to-abate sectors. Host communities continue to pay greater attention to responsible site management and broader climate ambitions for their regions.

Breakthrough technologies

BlueScope recognises that the decarbonisation of 'hard-to-abate' industries like iron and steelmaking relies upon breakthrough technologies, once proven and scalable. Several hydrogen-based ironmaking technologies are currently being explored across the industry. These range from the injection of hydrogen into existing blast furnace operations to the replacement of current ironmaking technologies with Direct Reduced Iron (DRI) manufactured using green hydrogen. Concept studies, prototypes and demonstration plants are being developed but further significant advances will be needed before these technologies are commercialised.

Based on current research and technology and commercial readiness levels, we expect emerging and breakthrough technologies will continue to develop over this decade and the next, with significant take-up across the steel industry predicted to occur into the 2040s.

Read more about emerging and breakthrough technologies and BlueScope's decarbonisation pathway in our Climate Action Report, available on our website.

"What is absolutely clear is that governments and other stakeholders will need to work with the steel industry to overcome the technological and economic challenges and create the market conditions necessary for the steel industry to transition to low-carbon steelmaking effectively."

Edwin Basson
worldsteel Director General (Press release – Public policy paper release, Climate change and the production of iron and steel. 17 May 2021. Brussels, Belgium)

5 Steel's contribution to a low carbon future and climate resilient societies – worldsteel position paper, World Steel Association, 2020.

IRON AND STEELMAKING TECHNOLOGIES AND THE ROLE OF SCRAP STEEL

There are two main sources of steel used today – those from integrated steelworks, and those from predominantly scrap fed Electric Arc Furnace (EAF) steelworks.

Integrated steel production predominately relies on separating iron from its natural iron oxide state (iron ore or iron sand), which is then converted to steel in either a Basic Oxygen Furnace (BOF) or an EAF. Scrap-based EAFs utilise recovered and recycled iron and steel scrap that is then re-melted into new steel. EAFs are able to use up to 100 per cent scrap feed, and BOFs are able to use up to 25 per cent scrap feed.[6]

Steel is one of the most highly recycled materials in use today (around 80-90 per cent globally)[6], however scrap alone cannot fulfil the sector's input material requirements. Around thirty-two per cent of global demand for steel products can be satisfied by scrap steel sources. The IEA predicts that scrap steel sources will only satisfy 45 per cent of future demand due to limited scrap availability and quality issues.[6]

The International Energy Agency (IEA) predicts that scrap-based EAF steel production will only satisfy 45 per cent of future demand due to limited scrap availability and quality issues.[6]

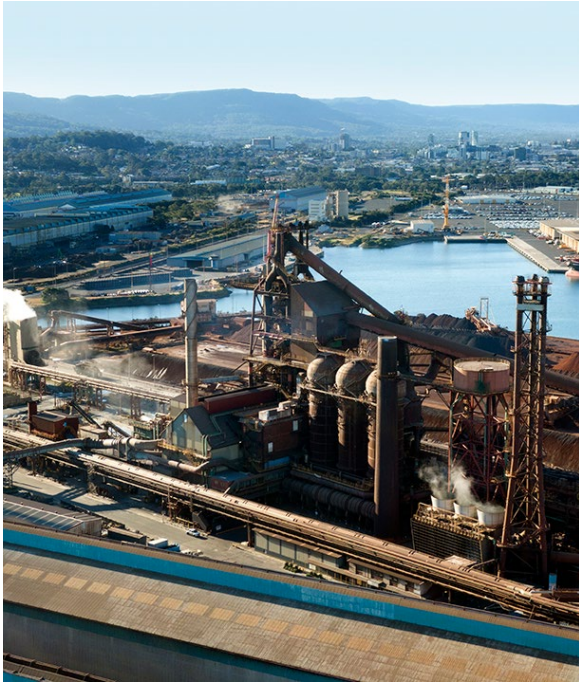
Steel production today is higher than when the products that are currently being recycled were produced. Scrap availability is therefore limited by the rate at which steel products reach the end of their life (lead times up to 100 years for buildings and infrastructure) and the efficiency of scrap collection and sorting systems.

In addition to scrap availability, scrap quality can impact the steel grades that can be produced via the scrap-based EAF route. Copper is a persistent contaminant in scrap steel feed, which is often difficult to separate as it is often wrapped tightly around steel in several end-use applications (e.g. alternators, generators, motors). Improved scrap sorting and better separation techniques to reduce contamination by trace metals like copper will be important to ensure the majority of steel grades can be produced via the scrap-based EAF route.

In contrast to the finite nature of scrap steel, primary sources of iron are abundant and will remain critical to meeting future global steel demand. The challenge then is to reduce the emissions intensity of integrated steel production in order to meet global emission reduction targets.

Read about *BlueScope's diversified steelmaking portfolio* on page 19.

The first heat of steel from the new Electric Arc Furnace at North Star.



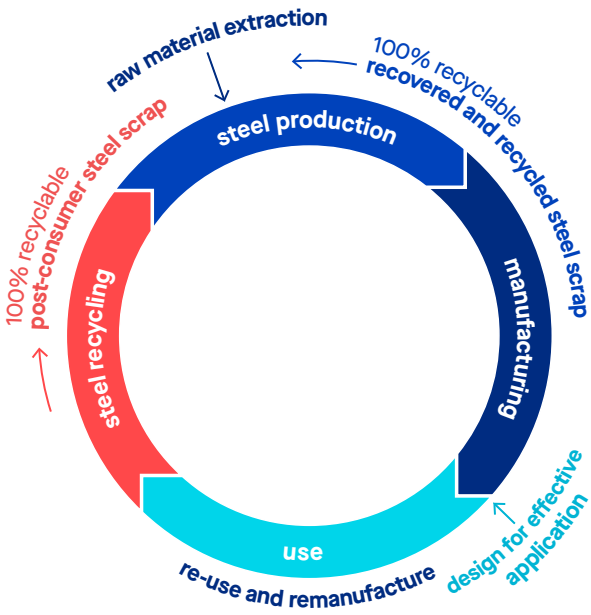
6 IEA Iron and Steel Technology Roadmap – Towards more sustainable steelmaking.

Smarter solutions for a low carbon, circular economy

Industries that embrace circular thinking aim to generate more value and economic opportunity with less material and energy consumption, designing their products for longer use and end-of-life flexibility. Product innovation, manufacturing efficiency and improved design and construction practices play an important role in mitigating resource scarcity and meeting market expectations for sustainable materials. Research, development and collaboration are key to identifying underlying market shifts and overcoming technical hurdles for transformational change.

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

THE FOUR PRINCIPLES OF STEEL BEING CENTRAL TO A CIRCULAR ECONOMY[7]



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

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

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

Remanufacture Restore durable used steel products to as-new condition.

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

7 Diagram modified from Steel's contribution to a low carbon future and climate resilient societies, worldsteel position paper, World Steel Association, 2017.

Creative and enduring solutions

Steel products provide enduring solutions for rapid construction and long-term use, flexible design, thermal comfort and weather resilience. The steel we supply today will support economies for decades to come and is critical to underpinning the transition required in many sectors including the renewable energy industry.

Steel's recyclability is unmatched by other material groups and its contribution to a circular economy is increasingly recognised. Steel products are becoming more lightweight, designed for diverse application and extended useful life, and the value of raw materials maximised through reuse, remanufacturing and recycling.

Growing market preference for steel products with lower embodied carbon, and the emergence of breakthrough decarbonisation technologies for iron and steelmaking, signal the sector's next step towards a circular economy. Other shifts include the market's move to greater flexibility in building structures, whether it be modular design, greater use of heritage structures or improved build efficiency, which are addressed through lightweight, high-strength steel applications.

Design for effective application and long-term use plays a particularly important role in reducing the impact of steel on climate. The IEA states that extending the lifetime of buildings is "the single largest contributor to demand reduction".[8] With many buildings demolished well before the end of their technical lifetime, taking the opportunity to refurbish or repurpose buildings thereby keeping steel in use for longer can help reduce overall demand and whole of life cycle emissions.

Scrap and co-products

Market preference for high levels of recycled content will continue to drive a circular steel economy, but global limitations to steel scrap supply will require a balanced approach.

While scrap is an important part of the steel industry's decarbonised future, and our own evolving production footprint, we see the future of steel being a combined shift towards increased scrap-based steel production and enhanced integrated production (see our Iron and steelmaking technologies and the role of scrap steel on page 19).

Opportunities for broad scale market mechanisms to repurpose or recycle end of life steel, or more targeted closed loop systems, vary by end use. These include expanded markets for remanufactured steel components, seeking ways to overcome the logistical challenges of retrieving materials for remanufacture and increased engagement and collaboration with recyclers to help avoid downcycling (where materials cannot be used for the same purpose due to impurities introduced during the recycling process).

The widespread uptake of co-products[9] continues to play a key role in maximising the efficiency of resources used in iron and steelmaking, ensuring that most manufactured outputs have a beneficial use. Around 20 per cent[10] of the outputs of steel manufacture are co-products which have many uses including as a substitute for virgin raw materials in road base and in the manufacture of cement and fertiliser. As we seek greater opportunities for materials efficiency, reuse and recycling, we will continue to seek flexible co-product options.

Read more about how we develop and produce a wide range of energy efficient and climate resilient products in *Sustainable Products* (page 50).

8 IEA. Iron and Steel Technology Roadmap – Towards more sustainable steelmaking.
9 Co-products are valuable products that are generated during the manufacturing process that can be sold or reused.
10 worldsteel. Steel industry co-products – Public policy paper.

How we approach Sustainability

Our approach to sustainability underpins the strength of our organisation, taking a balanced view of business objectives, broader trends and stakeholder interests.

Our approach begins with Our Purpose, Our Bond and Strategy.

Sustainability at BlueScope

At BlueScope, sustainability means working for our success in a way that benefits our people, communities, supply chains and the environment.

To do this, we live by **Our Purpose**:

We create and inspire smart solutions in steel

» We are a proud and trusted steel manufacturer, providing essential and enduring products for the benefit of modern society.

» Our innovative and quality steel products help our customers realise their vision.

...to strengthen our communities for the future

» We aim to provide a great place to work, we operate with integrity to influence our supply chains and support our local communities through economic participation, partnership and caring for the environment.

» We provide enduring solutions for modern society, influencing the way we live and work, now and in the future.

Our Purpose

Our Purpose speaks to why we operate and where we want to be – to see our people work together to inspire our customers, meet our sustainability commitments, deliver value to our shareholders and strengthen communities for the long term.

Our Bond

Our Bond recognises the importance of our key stakeholders and expresses the values that have served to guide our decisions and actions since BlueScope was established in 2002. See Our Bond on pages 4-5, and on the inside front cover of this Report.

Our Strategy

Our Strategy is our plan for delivering strong returns and sustainable outcomes over the next five years and beyond. Core elements of our strategy include investment in carbon reduction technologies, product and service innovation and delivering safe, inclusive and diverse workplaces.

Our Strategy is outlined in our FY2021 Directors' Report, on our website.

Our approach is underpinned by operating principles and standards including our Code of Conduct, *How We Work* and our Group Risk Appetite.

Together, these elements define the way BlueScope develops, manufactures and sells steel products and solutions, while building our own resilience and capacity to drive a sustainable future. Read more on pages 29 and 64.

Introducing our Sustainability Data Supplement

BlueScope's FY2021 Sustainability Data Supplement includes detailed data, metrics, glossary of terms and guidance on how our Sustainability Report content aligns with generally accepted disclosure frameworks. The Supplement is available on our website.

Our sustainability outcomes

Our sustainability outcomes reflect the sustainability challenges and opportunities that matter most to our stakeholders and our success.

Sustainable & enduring business

Operate and transform our business for long-term success with good governance, capital discipline, customer focus and innovation

Safe & inclusive workplaces

Create safe, healthy and inclusive workplaces that value diversity, inspire creativity, support capability and reflect the communities where we operate

Climate action

Collaborate and act to reduce our impact on shared resources, mitigate climate risks and leverage opportunities

Responsible products & supply chains

Foster responsibility and collaboration in our operations and supply chains to provide smarter steel solutions

Strong communities

A responsible community employer and partner, respecting local values and sharing success

Understanding what matters most

At BlueScope we value trusted relationships with the key stakeholders identified in Our Bond: our customers and suppliers, shareholders, people and communities. We engage regularly with these and other stakeholders to understand what matters most to them through regular engagement. Their views are considered in our assessment of material sustainability topics, a regular review we undertake to inform our strategic activities and our approach to disclosure.

This year we confirm that our reported topics continue to reflect key drivers and stakeholder views, and that our approach is aligned to Our Purpose. Our most material and important sustainability topics are outlined below.

Supporting the Sustainable Development Goals

BlueScope supports the United Nations (UN) Sustainable Development Goals (SDGs), and we align our efforts to global imperatives to protect and care for people, act responsibly, innovate for shared benefit and use resources wisely.

Our Sustainability Outcomes are aligned to relevant SDGs as shown below. Our performance against these goals is further underpinned by SDG17, recognising the importance of partnership and collaboration along the steel value chain, and SDG16 which aims to reduce corruption and bribery in all its forms. This Report shows many examples of how our business and our people support the SDGs.

Read more about our approach to materiality and stakeholder engagement in our FY2021 Sustainability Data Supplement, available on our website.

Sustainability outcomes	Sustainability topics	Sustainable Development Goals
01 Sustainable and enduring business	Governance; Business strength & resilience; Transformation	8 Decent work and economic growth; 9 Industry, innovation and infrastructure
02 Safe and inclusive workplaces	Safety, health & wellbeing; Culture & capability	3 Good health and well-being; 5 Gender equality; 8 Decent work and economic growth
03 Climate action	Climate change & energy; Water stewardship	6 Clean water and sanitation; 7 Affordable and clean energy; 13 Climate action
04 Responsible products and supply chains	Supply chain sustainability; Environmental management; Sustainable products	8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 12 Responsible consumption and production
05 Strong communities	Community engagement & support; Economic contribution	8 Decent work and economic growth

Topic Categories

Material
Identified as most material by internal and external stakeholders, significantly impacts the environment, society or economy, reflects our business priorities and critical aspects of our sustainability performance. We have reported against the GRI Standards for these topics.

Important and emerging
Identified frequently by either internal or external stakeholders or have a localised impact on the environment, society or economy. We have disclosed our management approach and selected performance data for these topics.

Other
Identified infrequently by either internal or external stakeholders or have a potential/declining impact on the environment, society or economy. We have not specifically addressed these topics in this Report.

Outcome

01

Sustainable and enduring business

TOPIC

Business strength and resilience

OUR VIEW

We operate our large and sophisticated asset base in a cyclical industry. To ensure our long-term success, we look through the cycle, adopting a balanced view of current and emerging operating mandates for strength and prosperity.

Success looks like

Delivering adequate and growing returns, using sound financial and risk management principles to operate sustainably over the long term.

Highlights

- Increased annual dividend level, targeting 50 cents per share per annum[11]
- Announced buy-back of up to $500M
- Capital Allocation Framework updated to better integrate climate-related considerations
- North Star expansion progressing well under COVID safe conditions.

Future focus

- Targeting commissioning the North Star expansion in early 2022
- Progressing pre-feasibility assessment of the Port Kembla blast furnace reline, evaluating measures to reduce GHG emissions intensity
- Initial allocation of up to $150M over five years to help deliver on our decarbonisation journey
- Balance sheet well positioned to invest for growth and climate change initiatives, and returns to shareholders.

Approach

We have a resilient business model with demonstrated leverage from our diverse asset portfolio. We are well positioned for key industry and end use demand trends including growth in detached residential construction, e-commerce and logistics, and national infrastructure programs; our approach is also influenced by broader trends such as urbanisation, materials choice and decarbonisation.

Our financial strength is vital to our ability to deliver meaningful value to our investors, customers, suppliers, employees and communities. We aim to operate a resilient, cost competitive and efficient business, investing in businesses with good returns, maintaining a strong balance sheet and delivering returns that attract shareholder support. While we take a long-term view, making decisions in timeframes aligned to the life cycles of our assets, we also work to ensure that we can withstand cyclical lows and economic shocks, take advantage of opportunities and deliver returns throughout the cycle.

Climate-related capital allocation

The right capital allocation process will be a key factor in achieving our decarbonisation pathway and emissions reduction targets in the most capital efficient manner. This year we revised our approach to better integrate climate-related considerations, with climate-related capital allocations now prioritised alongside operational reliability and safety spend, and ahead of growth capital expenditure and shareholder returns as appropriate. We have made an initial allocation of up to $150M over the next five years on projects and processes that support our decarbonisation journey. We will focus on optimising current operating assets and preparing for emerging and breakthrough technologies through funding concept studies and entering into industry partnerships and collaborations to explore technology developments. Indicatively the ten-year capital requirement is estimated at $300-400M.

Read more in *Climate Action* page 34 and in our Climate Action Report, available on our website.

11 This will be subject to the Company's financial performance, business conditions, growth opportunities, capex and working capital requirements and the Board's determination at the relevant time.

Our global spread supports domestic supply

Our diversified product range and geographic spread underpins our business strength and resilience. The transformation of BlueScope in recent years has resulted in a greater contribution from value-added products – we are a leader in metal coating and painting for building and construction markets.

Since the emergence of the COVID-19 pandemic, policymakers in many countries are now more attuned to the benefits of maintaining local supply chains and manufacturing capacity. BlueScope's domestic steelmaking capacity has assisted the construction-led economic recovery in our key geographies, as it provides several benefits for customers, employees and the community. For customers, these benefits include shorter lead-times for orders, products tailored to local conditions, and local technical and after-sales support.

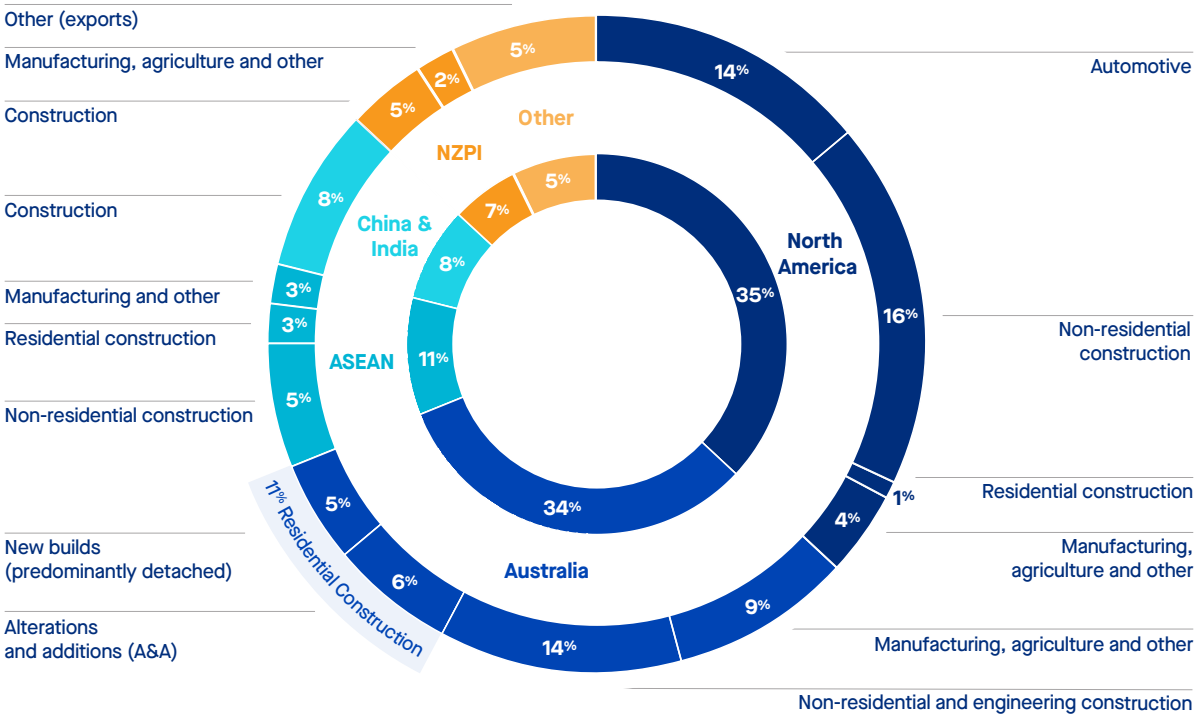
With our established footprint of high-quality assets across North America, Asia and Oceania, BlueScope exists to supply the markets in which we operate.

This multi-domestic strategy has allowed for the development of value added steel products that are tailored for the region's specific requirements, and supports resilient domestic supply chains that positioned the business to withstand the impacts felt during the COVID-19 pandemic.

Governance

Maintaining a strong and resilient business is a collective effort. First line leaders have the primary responsibility to manage financial and non-financial risks in their business. Business units monitor a range of metrics aligned to our risk management principles and report performance to the Executive Leadership Team (ELT) each quarter. At a Group level these metrics are aggregated and reported to the Risk and Sustainability Committee (RSC). Read more about our *Governance approach* on page 62.

COUNTRIES AND INDUSTRIES TO WHICH OUR STEEL IS SUPPLIED FY2021 DESPATCH VOLUME SPLIT BY REGION AND END-USE SEGMENT %



North American construction
Mixed across commercial, industrial, government and residential sectors, through sales of hot rolled products, metal coated and painted products and engineered buildings

Australian residential
Predominantly exposed to A&A and new detached dwelling construction, with limited exposure to multi-residential

Asia
A diversified portfolio of end-use segments and countries

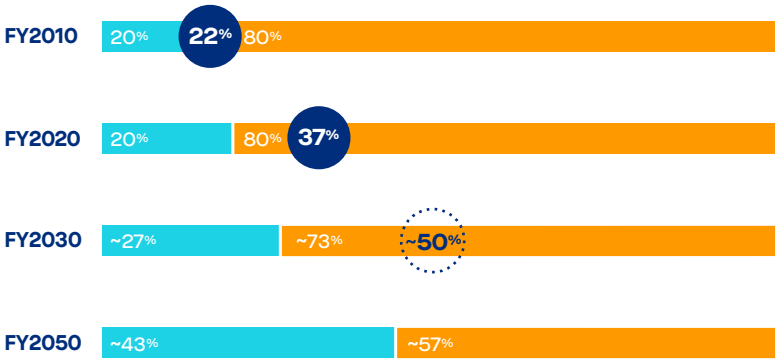
North Star
Exposed mainly to the automotive, construction and manufacturing end-use segments; consistently sells all of the product it manufactures

Our diversified iron and steelmaking portfolio

In line with our focus on sustainable, local steel that can support economic development, we work hard to optimise our assets' performance and seek to ensure that capacity will meet steel demand across the markets where we operate.

PRIMARY AND SECONDARY PRODUCTION THROUGH TIME FOR BLUESCOPE VS GLOBAL AVERAGE (%)[1,2]

Diagram illustrates BlueScope's proportion of predominantly scrap-based EAF steelmaking (in circles) compared to global proportions of scrap based EAF production (in blue bars).



- Prior to 100% ownership of North Star (acquired in 2015) and closure of second blast furnace at Port Kembla.
- BlueScope % of EAF steelmaking nearly double that of the global average.
- Estimated 50% secondary production following North Star expansion (subject to additional progressive plant debottlenecking).
- BlueScope's production footprint will continue to evolve in line with our corporate strategy.

BlueScope % of EAF steelmaking (North Star)

- Actual
- Projection

Global

- Secondary production
- Primary production

1 BlueScope analysis leveraging IEA Iron and Steel Technology Roadmap.
2 Primary steel production refers to that which uses iron ore as its main source of metallic input. This includes for example, BF-BOF and DRI-EAF routes. Secondary steel production refers to that which uses scrap as its main source of metallic input (e.g. EAF).

North Star expansion – further enhancing a high-performing business

In 2019, the BlueScope Board approved the US$700 million investment to expand steelmaking capacity at the North Star facility in Ohio. Scheduled for completion in 2022, the facility's steelmaking capacity will increase from 2.1mt to 3mt, realising a significant step in reducing the emissions intensity of BlueScope's steelmaking fleet. The EAF process together with a decarbonising grid ensures low embodied emission steel products for our customers.

Port Kembla – the future of Australian steelmaking

We have commenced work on options for the future configuration of the Port Kembla Steelworks, once the blast furnace comes to the end of its current operating campaign around 2026 to 2030. A reline of an existing decommissioned blast furnace is likely to be the most technically feasible and economically viable option for Australian steelmaking given that longer-term breakthrough low-emission technologies are still under development. However, the evaluation of a range of technologies to reduce GHG emissions intensity in iron and steelmaking is integral to the project.

The strong cash flows and earnings capability of our Australian Steel Products business provide significant capacity to transition to emerging and breakthrough technologies as and when they are technically and commercially viable in Australia. Read more in our case study on page 61.

Glenbrook – local supplier to New Zealand and the Pacific region

We are New Zealand's only steel producer, supplying locally and across the Pacific region, contributing NZ$596 million to New Zealand's economy in FY2020.[12] Unlike traditional primary ironmaking processes which rely on iron ore, our New Zealand Steel Glenbrook Steelworks utilises locally sourced iron sand.

We have identified and are implementing a range of low capital energy and process efficiencies and using higher proportions of recycled steel scrap. Glenbrook's grid supplied electricity is already heavily weighted to renewables and this is projected to reach 100 per cent by 2030. Local emissions intensive and trade exposed (EITE) allocations limit Glenbrook's exposure to higher carbon prices and allow time to transition to a lower emissions footprint for the business.

12 Berl New Zealand Steel Wellbeing assessment, Hongongoi 2021.

TOPIC

Transformation

OUR VIEW

Changing consumer preferences and expectations drive opportunities across our portfolio. We are embracing opportunities to optimise our operations, improve productivity and build the organisational capability required for the future of steel.

Success looks like

Delivering the next wave of customer, growth and productivity improvements through innovation, and strengthening our technology and people capabilities across our global footprint. Transforming our business in line with technological and socio-economic shifts.

Highlights

- Delivered digital and manufacturing excellence projects to create productivity improvements and reduce product loss
- Enabled growth through strengthening our marketing organisation
- Developed new methods to identify, track and share projects that deliver productivity improvements
- Expanded our digital capabilities, including new roles and skills to deliver on our strategic ambitions.

Future focus

- Drive deeper market understanding to better meet customer expectations
- Transform our approach to product and service innovation
- Implement our enhanced Manufacturing Excellence framework globally
- Build the critical leadership and technical skills to successfully deliver these focus areas.

Approach

Our aim is to deliver a step-change in business performance and strengthen our enterprise capabilities so that we are a more innovative, adaptable and future-focused business. Our dedicated transformation program team provides a coordinated effort to achieve our goals in the areas of manufacturing excellence, strategic marketing, leadership, digital technologies, and product and service innovation.

The key dimensions of our transformation program are:

People – Ensuring we have the critical roles, structures, networks and competencies to deliver our strategy.

Processes – Improving and streamlining common processes to drive organisation efficiency and effectiveness.

Technology – Implementing new technologies and tools to improve how we make decisions and serve our customers.

We involve leaders and subject matter experts to encourage shared ownership of transformation efforts. We also maintain a focus on strong returns to shareholders with disciplined capital allocation when investing in new technologies.

The following sections highlight progress across two of our five transformation areas: manufacturing excellence and digital technologies. Other sections of this Sustainability Report covers leadership development (see *Organisational capability*, page 32) and innovation (see *Sustainable products*, page 50).

Manufacturing Excellence

We constantly look at ways to increase efficiency, build capability and use our resources wisely.

Across our global footprint we develop, use and share leading manufacturing principles, processes, tools and practices in all aspects of operations, shared through our Global Resource Hub.

Our Manufacturing Excellence Champions Forum, Breakthrough Forums and Manufacturing Excellence Steering Committee support the sharing of ideas and cost saving projects across our regions. Our global self-assessment tool is applied across our sites to identify gaps and process improvements.

This year we refreshed our Manufacturing Excellence framework and core requirements to further align with our Strategy and focus on digital transformation. We also launched our new Business Improvement Register to capture ideas from all employees and track opportunities through their development and implementation.

We engaged all business unit managers on productivity-enhancing methods to increase uptime and overall equipment effectiveness, and engaged with our downstream businesses to deliver value through the implementation of the manufacturing excellence framework.

BlueScope's digital evolution

Technology and data are becoming more affordable and pervasive, creating new opportunities for us to transform how we manage our business and serve our customers. We're committed to accelerating productivity, growth and customer experience improvements with emerging technologies.

Our Digital Accelerator and dedicated centre of excellence supports cross-business priorities and drives our global digital strategy. Our project delivery approach is agile and focused on creating value quickly with pilots, and then transferring the solution to another part of our business so that we continue to deliver value.

The introduction of advanced analytics enables our leaders to make faster and more accurate decisions, moving away from traditional data tables, to algorithms and dashboards that can recommend actions.

We have also had successes with Robotics Process Automation (RPA), which involves using software to automate repetitive and routine work like data entry, freeing up our people to spend more time on higher-value work.

While we are delivering projects, we are concurrently building our foundations in people and technology capabilities given these are key to our success. There is a strong emphasis on developing digital skills through on-the-job learning, transferring knowledge, and training. We are also putting in place a fit-for-purpose, modern technology platform and data standards to enable secure and seamless access to data.

Governance

The ELT oversees BlueScope's transformation agenda. Progress is regularly reported to the ELT with key strategic focus areas reported to the Board as required.

CASE STUDY

A NEW TOOL TO OPTIMISE THE PAINT SCHEDULE

Our New Zealand business has improved its productivity and customer experience, seeking ways to optimise production schedules and delivery performance while factoring in the down-time required for paint changeovers.

The team built a scheduling tool that uses advanced analytics techniques, utilising data from multiple sources to automatically optimise the production sequence. The transition from a manual schedule tool has removed the human variability component and allows multiple scenarios to be run if desired, improving scheduling and operational efficiency. The learnings have since been applied to our Steelscape business in North America.

CASE STUDY

ADOPTING ADVANCED ANALYTICS TO IMPROVE SUPPLY CHAIN PLANNING

In one of our Australian businesses, we conducted a pilot program to improve our end-to-end decision making processes, introducing sophisticated machine learning techniques to assess data patterns. This included the introduction of machine learning models to improve the level of accuracy in forecasting demand for certain products, developing inventory optimisation models and developing a range of data visualisation tools to support decision making. These enhancements are still in early phases of development, but are considered one of the critical enablers to drive a step change in our operational efficiencies and customer outcomes.

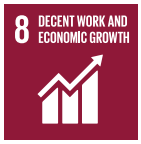
Outcome

02

Safe and inclusive workplaces

TOPIC

Safety, health and wellbeing



OUR VIEW

Safe and inclusive workplaces are integral to the way we do business, our productivity and success – for our people, those who work throughout our supply chains and the communities in which we operate. The safety and health of people is paramount, as is our commitment to trust, respect and teamwork in our workplaces.

Success looks like

Delivering effective outcomes for our safety, health, and wellbeing where we connect with and learn from our people, actively collaborate and share what we learn. In our integrated health, safety and environmental (HSE) approach, we build on our risk-based management foundations to continuously strengthen the effectiveness of our controls and make a positive difference in our workplaces and communities.

Highlights

- Continued focus on maintaining COVID-safe workplaces and supporting our teams
- Over 1000 BlueScope leaders globally, including our Board and ELT, participated in expert-led HSE leadership workshops
- Began integrating our new HSE human-centred approach across all business units
- Over 400 HSE risk control improvement projects completed globally
- Transitioned to balanced health and safety reporting indicators for severity, capability and implementation of risk management solutions.

Future focus

- Complete the roll out of expert-led HSE leadership workshops to BlueScope leaders
- Continue to build and sustain internal capability
- Continue to complete HSE critical risk projects
- Continue to support the health and wellbeing of our people
- Explore global systems solutions to support risk management and to share learnings.

Approach

At BlueScope, we have built strong foundations in how we manage HSE risks and have had many years of success implementing a behavioural based safety approach. Our foundations remain in place, however we always look for new ways to continue to learn and improve.

Partnering with industry experts, in FY2020 we began an evolution in our mindset and approach to HSE, completing a pilot of the latest thinking in safety science across our North American and New Zealand businesses. As a result of those successful pilots, in FY2021 we started to embed our 5-year HSE Strategy, by implementing our HSE leadership, risk management and culture program, we call HSE Evolution, across our global footprint. Our HSE strategy aligns to Our Purpose and integrates contemporary safety and leadership philosophies into our established processes. At its core, it focusses on a human-centred approach that encourages learning and involving our people, especially those who make and handle our products, to leverage their knowledge and experience. In doing so, we continue to build our capacity and resilience to manage our HSE risks by creating smart solutions, stronger HSE controls and better systems to support our people.

"To truly live Our Purpose we need to have a mindset where we constantly look at better ways to do things. While reducing harm is the right outcome, we need to look at new ways of getting there."

Mark Vassella

Evolving our HSE strategy

Our human-centred approach

Adopting a human-centred approach to risk management that encourages learning means that we:

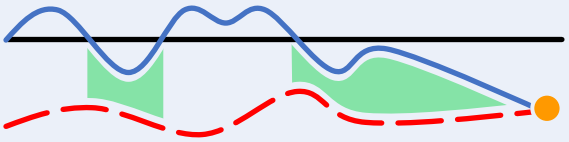
- learn from the people who do the work to understand what is working and where we can improve
- focus on the presence of capacity in systems and processes rather than an absence of incidents
- empower our people to be problem solvers to help identify and drive better ways to work
- recognise that human error is inevitable and the importance of strengthening HSE controls to be tolerant to human error and resilient enough to recover when things go wrong (i.e. building capacity).

Learning from our people to strengthen our controls

We continue to partner with global industry leaders to facilitate HSE leadership workshops, where we have introduced concepts such as the *blue line / black line model* (led by Dr. Todd Conklin) to more than 1000 BlueScope leaders and industry partners.

The model helps us learn from our people to better understand how we can more effectively control risks that arise during work. It demonstrates how our people manage the reality of a complex work environment (blue line) compared to the ideal of planned work (black line) and how our people may develop innovative ways to work that can be better than the plan. The red line represents a hazard, which may lead to an incident when systems and processes drift over time (where the blue and red lines meet). The green area is where opportunities exist to identify more effective controls. Our Learning Teams and Better Questions, Stronger Solutions initiative are just two ways we are finding these opportunities.

BLUE LINE / BLACK LINE MODEL



- Work as planned
- Normal work variability
- Hazard
- Opportunity for more effective controls
- Incident

"I was really impressed with how everyone's point of view was really listened to in the Learning Team process...this process was very different with everyone involved."

Production Operator, Kalama

CASE STUDY

LEARNING TEAMS ADDRESS CRITICAL RISKS ACROSS OUR REGIONS

We have adopted Learning Teams globally to engage with our people, learn from incidents and to solve complex issues. In FY2021 more than 130 BlueScope people were trained as Learning Teams facilitators and more than 100 Learning Teams have been conducted. Learning Teams have identified sustainable improvements to work processes, addressed HSE opportunities and extended to broader business improvements such as production, quality, and customer service.

NS BlueScope Coated Products has implemented Learning Teams across all its manufacturing sites and downstream businesses in ASEAN and North America, working together to address issues such as mobile equipment interactions, work on live equipment and mobile roll forming work.

BlueScope Buildings North America has introduced Learning Teams across its seven manufacturing locations, identifying and introducing controls to reduce hazards in paint lines, mobile equipment interaction, and small parts packaging for improved load restraint.

Building capacity to manage risk

We are involving and learning from our people to improve how we manage HSE risk. Our goal is to reduce the frequency and severity of harm, and we have a strong emphasis on improvement projects to strengthen the effectiveness of, and implement higher level controls for critical risks across our sites. This year we completed over 400 risk control projects that support our focus on building capacity. We continue to focus on managing the intrinsic process safety risks involved in steel manufacturing, partnering with worldsteel and industry peers. We are undertaking external assurance of our Process Safety Management System to support learning, thoroughly test our controls for effectiveness and to improve our systems and processes.

In the past two years, process safety audits were conducted at our Port Kembla and Glenbrook steelmaking operations. Work will continue in FY2022 with extra support to facilitate improvements, alignment, sharing and ongoing assurance across our facilities.

This year we launched "Better Questions, Stronger Solutions," a new approach to building effective questioning into our existing processes. We recognise that good HSE management is not just about following policies and procedures. It's about listening to our people, especially those who make and handle our products, and sharing what we've learned with each other so that we can improve. By asking better questions, we identify smarter controls, and this leads to stronger solutions to make a difference in our workplaces and communities.

BETTER QUESTIONS, STRONGER SOLUTIONS

STKYE Stuff That Kills You or harms the Environment

What is STKYE?

Better Questions:
In the work we do, what is the stuff that can kill you or seriously harm you or the environment? What stops that from happening? So how do we actually do the work now?

Smart Controls:
Is that enough or could we do better? If it isn't enough, how could we do that a smarter way, what ideas for solutions do you have?

Stronger Solutions:
What do you think the impact of this stronger solution would be?

4Ds Dumb, Dangerous, Difficult or Different

Ask the 4Ds

Better Questions:
In the work we do, what seems either Dumb, Dangerous, Difficult or Different?

Smart Controls:
Could we do better? How could we do that a smarter way, what ideas for solutions do you have?

Stronger Solutions:
What do you think the impact of this stronger solution would be?

CASE STUDY

SMART SOLUTIONS TO BETTER MANAGE OUR RISKS

BlueScope China's Tianjin site received BlueScope's 2020 Best Solution to a Health and Safety Risk Award for developing a forklift lifting bracket to improve the safety and efficiency of beam transport (pictured).

New Zealand Steel has introduced new permanent stairs and a grizzly grate at its primary concentrate/iron sand recycle hopper, catching oversized concentrate for reprocessing to avoid landfill disposal and eliminating falls and musculoskeletal injury risk.

CASE STUDY

PREVENTATIVE HEALTH DELIVERS RESULTS

Over the last three years, 14 sites across Australian Steel Products (ASP) from BlueScope Building Components, Manufacturing and Orrcon have participated in onsite physiotherapy and wellbeing initiatives. Partnering with a national industry leading provider, our workplace injury prevention programs take a holistic approach to injury management and return to work, physical work readiness and conditioning and employee wellness services. Programs and tools offered include task assessment, job fit programs, manual handling and sleep and fatigue programs, and online on-demand physiotherapists.

This program was established to build awareness and engagement in health and wellbeing, as well as focus on manual handling risks. Since 2018, ASP has held over 9000 injury, health and wellness interactions, with the program achieving runner up in BlueScope's 2020 Australian Workplace Health & Safety awards.

Health and wellbeing through a COVID-19 lens

As COVID-19 continues to present challenges across the globe, our health and wellbeing agenda in FY2021 has continued to prioritise effective management of the pandemic in the workplace and our communities. We recognise that many of our people and communities have been directly affected by the impacts of COVID-19 on their physical and mental health and through resulting economic uncertainty. Acknowledging the dynamic nature of COVID-19, and the uncertainty it creates, our key focus is to support the mental and physical good health of our people and create a strong foundation for future initiatives in FY2022 and beyond.

The scale and level of automation at most of our manufacturing facilities provides a safe environment for employees who continued to work on site and maintain social distancing. In addition to the implementation of controls through our COVID-safe plans we implemented extra health and hygiene measures to ensure our employees' safety and supported a variety of remote working arrangements for all our teams.

This year we continued to effectively manage health and hygiene risks and ensure the wellbeing and connectedness of our people. Our businesses have supported each other and our communities through donating critical health equipment. To assist our colleagues at Tata BlueScope Steel following the serious outbreak in India, a team of BlueScope representatives from Australia, China, the US, Singapore and India worked together to source and ship masks, oxygen concentrators and ventilators for donation to communities and hospitals in great need. Our colleagues in Indonesia and Fiji have also been assisted by our global BlueScope community with shipments of supplies and support during outbreaks that affected them during FY2021.

In Australia, we implemented a range of programs to support our emphasis on healthy teams, healthy people and our fitness for work, including mental health and suicide awareness and prevention training, wellbeing and resilience sessions, sleep and fatigue awareness and access to onsite physiotherapy (read more above in *Preventative health delivers results*). Our Employee Assistance Program has also been expanded to better reflect the different ways people may wish to access support and information.

We continue to work closely with medical professionals globally to stay abreast of the latest medical advice, including briefings with our Board, ELT, business leadership teams and across our HSE and People leaders.

Each of our business units continues to assess options for travel, testing and vaccinations as they become available, according to their local government and regulatory guidelines. It is positive to see many countries rolling out vaccination programs, and BlueScope supports those activities where appropriate, including communicating support information to our teams and undertaking vaccination programs at some sites (Pacific Steel Otahuhu, New Zealand, pictured). Read more about how we continue to support communities through COVID-19 on page 59.

Balanced health and safety indicators

This year we continued the shift of our health and safety indicators to more closely align with our strategic direction, focussing on leading indicators for risk management and continuing to strengthen the capability of our people. Our shift continues our alignment with the broader evolution of industry reporting standards.

We continue to monitor and report traditional lagging indicators, and transitioned our terminology to Total Recordable Injury Frequency Rate (TRIFR) as our primary injury indicator in FY2020. Our injury profile continues to be predominantly lower severity injuries (e.g. sprains, strains and lacerations). Our on-going commitment to injury management aims to ensure that our injured people receive the care and treatment necessary to support their full and sustained recovery. Our focus has extended to deriving meaningful insights for control effectiveness, particularly related to high potential incidents and severity of injury/illness. Our metrics are balanced with leading indicators for proactive improvement of risk control effectiveness and building on our HSE capability through participation in leadership workshops.

We also continue to introduce automation to reduce exposure to these hazards. For example, this year our North Star site introduced a robotic system to reduce exposure to manual handling hazards and increase testing capacity. The new system performs manually intensive loading and unloading steps required to test the tensile strength of manufactured products.

In FY2021 over 1000 of our leaders participated in HSE leadership workshops, reflecting their optimism in our HSE evolution and motivating others to contribute to the collective change journey. These workshops will continue to extend across BlueScope leadership and supply chain partners in FY2022.

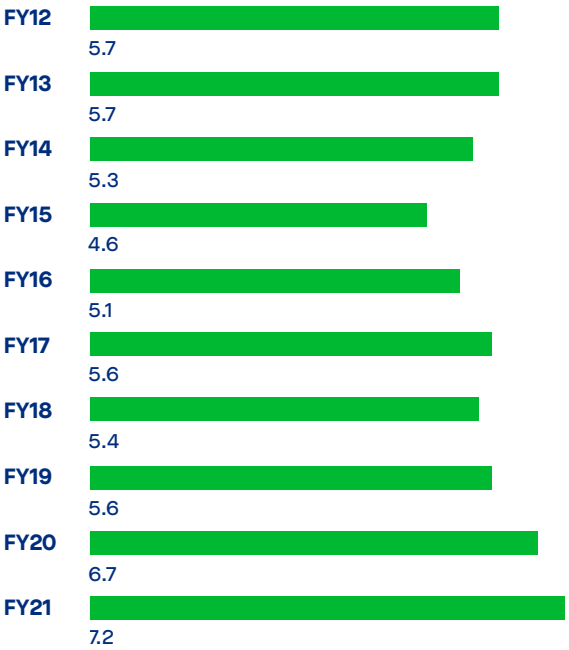
See more health and safety performance data in our FY2021 Sustainability Data Supplement, available on our website.

Governance

Each business unit reports quarterly progress against implementation of the HSE strategy, initiatives and performance to the ELT. The ELT also has significant HSE responsibilities, including reviewing HSE strategy, risks and governance processes for the Group, based on regular updates from the Corporate HSE leadership team. This team, as well as specialists from across the business, undertakes HSE audits in accordance with our assurance framework.

The HSE Committee assists the Board fulfil its responsibilities in relation to the oversight of HSE matters and community impact arising out of BlueScope's activities. This Committee comprises all members of the Board.

TOTAL RECORDABLE INJURY FREQUENCY RATE



OUR BALANCED INDICATORS FOR STRENGTHENED CAPABILITY, RISK MANAGEMENT AND SEVERITY

>1000 leaders participated in HSE Evolution workshops

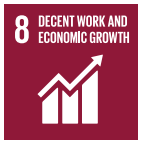
<1% injuries had the potential to be permanently life changing

>400 HSE risk control improvement projects completed

<1% injuries were a permanent incapacity

TOPIC

Culture and capability



OUR VIEW

We promote belonging and pride in BlueScope, equipping our people with the skills, knowledge and diversity of thought required to contribute meaningfully to Our Purpose both now and in the future.

Success looks like

Actively protecting and upholding the wellbeing and human rights of our people and those we do business with. Our people have the skills, knowledge and diversity of thought that the future of work at BlueScope requires. Our culture is built on resilience and inclusion, our workforce composition reflects the communities where we operate and our people contribute meaningfully to Our Purpose.

Highlights

- Globally launched Our Purpose and our updated our Code of Conduct, *How We Work*
- Maintained our gender balance ratio for our Board and ELT above our 40 per cent target
- Became a signatory to 40:40 Vision, an investor-led gender initiative
- Introduced a leadership capability framework and global learning platform.

Future focus

- Develop and drive our Inclusive Culture and global Talent Management Strategy
- Build our human rights due diligence processes
- Embed a common global platform for knowledge capture, sharing and learning.

Activating Our Purpose

Our culture is guided by Our Purpose and underpinned by Our Bond. We have put in place key structures to nurture and support this culture, and to facilitate the ability of our people and partners to contribute to Our Purpose and Strategy in ways that are fully aligned to our Code of Conduct, *How We Work*. We have established training requirements, on-boarding practices and leadership expectations to promote positive cultural behaviour and reinforce Our Bond. Governance and cultural measurement practices are in place to provide feedback and assurance on the effectiveness of our approach.

This year our businesses engaged in a variety of initiatives to bring to life Our Purpose in tangible ways. For example, in China around 200 employees participated in Our Purpose translation campaign, with more than 270 interpretations received. Videos of our China President and Leadership Team were created to promote Our Purpose in local language. More than 80 extended leaders told their stories to reflect Our Purpose in a booklet which was well received by China employees and our suppliers and partners, and new signage was commissioned for the entrances and reception areas for all of our China businesses.

Near the end of FY2021 we sought feedback from our leaders on our first year of activating Our Purpose. We were proud to receive survey responses that leaders indicate that our global senior management teams are demonstrating strong awareness and alignment to Our Purpose.

CASE STUDY

OUR LEADERS PROMOTE OUR CODE OF CONDUCT, *HOW WE WORK*

BlueScope leaders across our global business have had an important role in discussing our Code of Conduct, *How We Work* with their teams and in leading training programs.

In December 2020, *How We Work* was launched by Managing Director & CEO Mark Vassella at a global townhall meeting of around 200 BlueScope Leaders. This initial launch was followed by manager-led engagement across each business unit, with an expectation that every employee would participate in at least a 10-15 minute team discussion introducing them to *How We Work* and BlueScope's expectations. These conversations have helped ensure that our people understand the purpose of the document and its key themes, and where to find it for future reference.

Our Code of Conduct, *How We Work*, our Speak Up Policy and details about our Speak Up Hotline are on our website.

CASE STUDY

JAWUN PARTNERSHIP AND ALUMNI

Our association with the Jawun Indigenous Partnership gives BlueScope employees in Australia the opportunity to participate in a six-week secondment in Central Australia working with Indigenous communities.

Since 2017, 30 BlueScope employees have worked with Indigenous organisations in central Australia, 21 completed an in-place secondment, and a further nine employees participated virtually due to COVID-19 restrictions.

The Jawun Alumni of BlueScope work to champion the ongoing success of the program, build a support network for new secondees and contribute directly to BlueScope's other Indigenous initiatives.

BlueScope employee Karleena Clarkson was seconded to central Australia this year.

CASE STUDY

FOSTERING LOCAL TALENT

Ensuring our leadership teams and all our workforce reflect the communities in which we operate is a fundamental diversity goal for all BlueScope businesses, and this is particularly important in NS BlueScope where we have often supported leadership teams with capability from outside the ASEAN region. Developing a local talent pipeline has been a key focus for the last 24 months, resulting in very successful results with 28 local leadership appointments over this period. Of these roles, 57 per cent have been female appointments, and 36 per cent were internal promotions. This is part of a broader capability strategy which is future proofing key leadership positions, making the region less reliant on international assignees and more sustainable for delivering on strategy.

NS BlueScope Malaysia employee Pauline Lee graduates from the Malaysia Australia Business Council's 2020 Female Leadership Mentoring program. Our 2021 graduates participated online.

Social Impact

The launch of Our Purpose has laid the foundation for even greater focus on how our actions affect our communities in all the countries where we operate.

We are working to ensure our business activities and practices are aligned with the *UN Guiding Principles on business and Human Rights* and believe all people should be treated with dignity and respect.

A newly created Corporate role – Head of Social Impact & Inclusion – aims to increase our social contribution and prevent or mitigate adverse human rights impacts that are directly linked to our business operations, products, services or by business relationships.

A broad program of work is underway with four strategic focus areas being identified to drive this agenda.

Our focus areas are:

» **Our people** – protect the rights of our employees

» **Our workplace** – identify human rights impacts through our operations

» **Our communities** – understand our community contribution through all business relationships and site presence

» **Our social licence to operate** – human rights policies, governance and due diligence processes.

Our Social Compliance Steering Committee was established this year to facilitate our Human Rights Due Diligence process. We intend to further build these processes both for our direct business activities and through the full extent of our supply chains.

These processes include country-specific human rights and sustainability risk information for country leadership teams and business unit lead teams, along with a consistent view on what social compliance obligations mean for BlueScope.

Increased awareness of human rights amongst our people will assist our cultural maturity and align to Our Purpose to ensure we create a safe environment for all to speak up, be heard and feel welcome.

CASE STUDY

SUPPORTING PEOPLE WITH DISABILITY IN BLUESCOPE CHINA

BlueScope China is creating strength with multi-dimensional diversity. For many years, the business has supported placing people with a disability in design, manufacturing, marketing, human resources and administration positions. A further two people with a disability were recruited in project management and purchasing engineering roles this year.

The business engages with this cohort of employees and their line managers to understand how it can improve its approach to recruitment and employee experience, taking into consideration how positions can be adjusted where feasible for the candidate's strengths, how to improve its reach to potential applicants through human resources networks and government resources, allow more time for on-boarding and familiarisation and engaging current employees to help build a respectful workplace.

CASE STUDY

TATA BLUESCOPE STEEL'S DIVERSITY JOURNEY

Our joint venture partner in India, Tata BlueScope Steel (TBSPL), is working to promote an inclusive culture and improve its gender diversity.

With a broad mix of cultures, languages and generations represented in the business, TBSPL is encouraging an inclusive culture with the delivery of unconscious bias training for hiring managers and building awareness for all employees.

We proudly supported its evolving approach this year, with representatives from our Australian business facilitating a workshop with the Tata Leadership Team and participating in the launch event of TBSPL's Women's Employee Resource group.

The refreshed recruitment approach requires women to be considered for all available roles. This year, more than 53 per cent of TBSPL's new hires were women (including 75 per cent of university recruits for management and engineering trainee positions). The business has also implemented a female apprenticeship program to encourage more women in shop floor roles.

Inclusive culture

Our inclusion and diversity goal is for an organisation where all people who work for or with us – regardless of how they identify – feel valued and included at work.

At BlueScope, inclusion and diversity is integrated into everything we do; community partnerships and networks, human rights, comfort to speak up, feeling safe at work and building leadership capability. When combined in this way with policies and practices to support a diverse workplace, it shapes a positive work environment that attracts diverse talent.

In FY2021 we have continued to build an inclusive workforce which reflects the diversity of the communities in which we operate. While there have been many challenges and opportunities to the way we work presented by COVID-19, the launch of Our Purpose has helped us emphasise a shared sense of meaning and belonging across our people. This sense of belonging is central to an experience of inclusion and appreciation of diversity across our business.

This year BlueScope became a signatory to the HESTA 40:40 Vision, an investor-led initiative to achieve gender balance in executive leadership across all ASX200 companies by 2030.

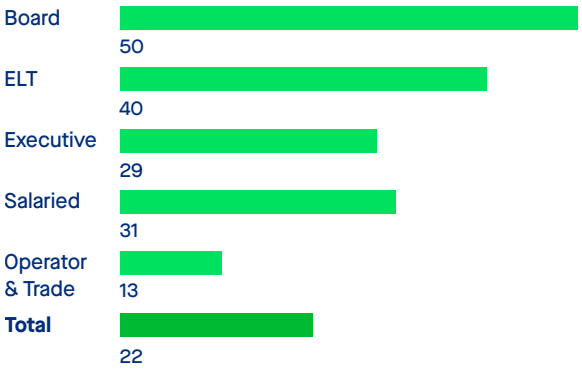
The chart to the right illustrates our ongoing progress towards gender balance across our workforce, including in the leadership pipeline and our operations workforce. For example, in Australia, the number of women in operator and trade roles has more than doubled over the last four years (from 5.4 per cent to 13.2 per cent). Due to the impact of COVID-19 and the change in candidate availability and role demand, recruitment figures moderated this year to below the 40 per cent overall female target and around 30 per cent for operator and trade roles. Recruitment is a key vehicle for improving gender balance across our workforce.

We continue to review pay equity as part of the annual remuneration review process. This year, we once again confirmed a minimal gap in pay differentials between men and women in similar roles, and introduced action plans where required.

In Australia, we continue to support indigenous communities through our Jawun Indigenous Partnership (see case study on page 29), the CareerTrackers Indigenous internship program and a range of regional community-based programs. We are developing an Indigenous Engagement Strategy for Australia – a First Nations Framework – to support our work in growing and supporting the representation and empowerment of First Nations people within our domestic business, supply chains and communities.

Our Australian business became a member of Supply Nation this year, an important step in supporting Aboriginal and Torres Strait Islander businesses. Read more in our case study on page 45.

FEMALE EMPLOYEE BY CATEGORY %



Read more about our inclusion and diversity performance in our FY2021 Corporate Governance Statement, which will be available on or about 21 September 2021.

CASE STUDY

PROMOTING AN INCLUSIVE WORKFORCE IN MALAYSIA

BlueScope Malaysia is working to improve inclusion for its female employees. Around 27 per cent of the employees in our Malaysia business are women, compared to around 22 per cent for all of BlueScope. Women in the region are traditionally less likely to apply for factory-based roles, particularly those roles involving shift work. The business runs focus groups with women in the workplace to break down cultural barriers and understand how it can improve the workplace environment. The focus groups started two years ago with both men and women now joining the conversation on ways to improve.

Organisational capability

We aim to make it easy for our people to build the capacity they need to succeed, to prepare for the future and to help our business to evolve. We are introducing initiatives and practices to help people learn continually, connect easily and share openly. We aim to create Purpose-led leadership and a culture of learning.

Leading at BlueScope

Developing talented BlueScope leaders is vital to our aspiration of 'creating strength.' We aim to continually regenerate our leadership capability to support our future growth, using data driven talent insights, leadership profiling and a commitment to continuous learning.

This year we introduced a new global talent management strategy and leadership capability framework, "Leading at BlueScope" (LaB). LaB defines the needs and expectations of BlueScope leaders on cultural leadership, critical competencies for strategy delivery, a growth mindset and technical skills and experience.

We boosted our approach to talent acquisition this year, updating our leadership appointment processes and tools, introducing a Global Leadership Appointment Governance Framework and operating model, and outlining global procurement standards for our recruitment partners. We have set objectives to strengthen local leadership capability in our ASEAN region and to improve the overall cultural diversity of our leadership population (see our case study on page 29).

We have aligned our leadership talent development and succession plans to the LaB framework and identified strategic talent cohorts who are now moving through a leadership acceleration program. We have also delivered global leadership development programs that use technology and new ways of working to bring together leaders across the globe for shared learning experiences.

LAUNCHING OUR GLOBAL LEADERSHIP CHALLENGE

This year, around 400 of our leaders participated in a Global Leadership Challenge to **#LearnConnectShare**. Leaders were challenged to learn something new, connect with someone new, and share a new idea every week for 12 weeks. Over this period, global leaders came together to create the leadership habits we need to drive three key mindsets that support our business strategy: a growth mindset, a customer mindset, and an inclusive mindset.

Inspiration was provided via external thought leaders, internal engagement panels, discussion groups, mentoring, and on-demand content. The focus was on activating a global community of leaders and upskilling them with new tools to assist their enterprise leadership of our new Purpose and Strategy (see page 28). Participation throughout the Challenge was strong, with leader feedback recognising the positive impact of the mindset focused learning on business culture and performance.

CASE STUDY

BLUESCOPE CHINA'S SALES INITIATIVE ACHIEVES RESULTS

In China, our future top sales program operates across our three local business units to build a high-performance team of talent. Targeted recruits learn how to drive business strategy and organisational capability, participating in a nine-month program of intensive classroom training, cross-functional learning rotations and on-the-job experience to boost their sales capability, networks and confidence.

Entering its third round of the initiative, Butler China have learnt that leadership support, qualified and passionate coaching and supportive human resources are critical to success.

The program is already demonstrating great results; the majority of participants in the first round became qualified salespeople, with three recognised in Butler's top sales category for FY2021. Women comprise more than half the current round of participants.

Learning at BlueScope

We are continually creating learning opportunities and experiences that help our people develop new skills while contributing to the development of our teams and others within and outside BlueScope.

We are implementing a global learning experience platform to capture and integrate the knowledge and expertise of our people. The platform aims to drive continuous learning, connection and reinforcement of a culture high in collaboration, innovation and inclusion.

This year we began to use the platform to deliver critical training on regulatory requirements and compliance assurance and to deliver development programs in key capability areas such as leadership. The platform will be further rolled out in FY2022 for all BlueScope businesses, with a focus on using it to communicate specialist knowledge so that our new and early-career employees can develop quickly.

Read more about how we build connections through learning in *Transformation* (page 20), *Safety, Health & Wellbeing* (page 23), and *Strong Communities* (page 56).

Employee experience

It is important for our people to be able to give their opinions and ideas on how we can continue to make BlueScope a great place to work. This helps us build and shape our workforce culture to ensure we are offering people inclusive and meaningful work experiences.

This year, we conducted our Pulse survey – our biennial full census employee engagement survey. All BlueScope employees are invited to participate, with insights from the survey used to inform both global and local activity planning on employee experience, engagement and growth.

Governance

Accountability for organisational capability, social compliance and inclusion sit with our Chief People Officer, with performance reported quarterly to the ELT.

Our Social Compliance Steering Committee is chaired by the Head of Social Impact and Inclusion, with updates on our due diligence process reported to the Remuneration and Organisation Committee (ROC), and other Committees as required.

The ROC has delegated responsibility from the Board to review issues pertaining to organisational capability and inclusion. Certain topics are presented annually to the Board.

CASE STUDY

OUR NEW LEARNING PLATFORM SUPPORTS PROCESS ROLLOUT

In Australia, we are introducing a new approach to improve customer experience and streamline our ordering and inventory management processes. In our first stage of rollout, approximately 450 BlueScope people in customer-facing and commercial roles are participating in our pilot learning community, as they build their capability to use the new approach.

This is our first opportunity to implement our new learning platform to share knowledge, access learning and connect as a community of users. The platform will be used in CY2022 as the training tool to support the launch of the new approach, and then as a key component for onboarding new employees. The ability to access training and documentation via mobile devices, means everyone will be able to access information required to do their jobs, whenever and wherever they need to. This technology will also give our employees the ability to connect quickly and efficiently with subject matter experts, and resolves knowledge management challenges.

Outcome

03

Climate action

TOPIC

Climate change and energy

OUR VIEW

We are well placed to respond to the challenges presented by climate change, as we develop commitments and establish key partnerships to drive fundamental shifts in our sector. Our integrated approach to climate change risk, greenhouse gas emissions reduction and emerging opportunities strengthens our outlook for the future.

Success looks like

Fostering partnerships, setting ambitious targets and reducing our GHG emissions through direct action and longer-term mitigation opportunities. Managing energy costs, reliability challenges and supporting the transition to renewable energy sources and low carbon buildings and infrastructure. Actively reducing climate-related physical risks to our operations and supply chain, mitigating transition risks and leveraging opportunities.

Highlights

- Established a 2050 net zero GHG emissions goal across our operations[13] and developed our indicative iron and steelmaking decarbonisation pathway
- Climate scenarios refreshed, including 1.5°C
- Initial allocation of up to $150M for climate projects and initiatives over the next 5 years
- Appointed a Chief Executive Climate Change
- Further evolved our linkage of climate performance to senior executive remuneration
- First Climate Action Report published.

Future focus

Continue to:

- optimise our existing assets and processes and explore medium and longer-term options
- investigate opportunities to work with value chain partners
- assess and evolve our response to potential climate impacts on our business.

Approach

Effectively addressing climate change is core to *How We Work*, our culture and Our Purpose.

This year we proudly announced our 2050 net zero GHG emissions goal, our 2030 Non-Steelmaking Target[14] and our pathway to decarbonise our operations through further efficiency and low emissions technologies. The appointment of our Chief Executive Climate Change, establishment of our corporate climate team and improved integration of climate-related considerations in our Capital Allocation Framework underpin our approach to sound climate governance and future activity. Read more about our *Capital Allocation Framework* on page 17.

Our 2050 net zero goal builds on previous climate action: last year we incorporated our climate strategy as a key element of our refreshed corporate strategy, we continue to collaborate on key climate initiatives and to work towards our interim 2030 emissions reduction targets across our operations.

Our Climate Action Report provides detailed insights into our approach and strategy, in line with stakeholder expectations for greater disclosure. Our Climate Action Report is available on our website.

13 We acknowledge that achieving the 2050 net zero goal is highly dependent on several enablers, including the commerciality of emerging and breakthrough technologies, the availability of affordable and reliable renewable energy and hydrogen, the availability of quality raw materials, and appropriate policy settings. Refer to our Climate Action Report for further details on our 2050 net zero goal.

14 The Non-Steelmaking Target applies to our midstream activities that include our cold rolled, metal coating and painting lines and long and hollow products. It excludes our downstream activities.

SET A GOAL FOR:

NET ZERO

Scope 1 & 2 GHG emissions across our operations by 2050

SET TARGETS FOR:

12% **GHG emission intensity reduction by 2030 for our steelmaking**
(based on 2018 levels)

30% **GHG emission intensity reduction by 2030 for our non-steelmaking activities**
(based on 2018 levels)

Climate scenarios

Scenario analysis offers a constructive way to explore possible futures for specific industries and the broader economy resulting from climate-related issues.

In FY2021, we refreshed our climate scenario analysis (last undertaken in FY2018) to support the development of our long-term climate strategy. Through this process, we considered transition and physical risks posed by climate change and the possible range of market, technology and policy outcomes for steel under five climate scenarios.

BlueScope's five scenarios were developed to align with a range of global temperature outcomes. These scenarios incorporate varying underlying assumptions from international research reports conducted by the Intergovernmental Panel on Climate Change (IPCC) and International Energy Agency (IEA). Those scenarios where carbon pricing is more widespread and comes into play earlier in the period are associated with lower global average temperature outcomes.

Our scenario analysis indicates that our business can play an essential role in the transition to a low carbon economy as the steel sector and the global community take action to decarbonise. Specifically, BlueScope's business performance remains strong if low emissions iron and steel technologies are commercially available no later than 2040-2050. We note the adoption of these technologies will be highly dependent on their commercialisation, affordability and reliability of renewable energy, sufficient volumes of low cost renewable hydrogen, availability of appropriate raw materials, and policies that support ongoing competitiveness and do not create carbon leakage.

We have integrated our climate scenarios into our Capital Allocation Framework to support an ongoing risk-managed approach to investment. Going forward this will include assessment of all major investment decisions against the quantified BlueScope scenarios.

Read more in our Climate Action Report, available on our website.

SCENARIO OVERVIEW – KEY DRIVERS, ASSUMPTIONS AND SCENARIO NARRATIVES

Early green technology	Customer-led transformation	Two-speed world converges	Investor and public persuasion	Global inaction
~1.5°C	~2.0°C	~2.0°C	~3.0°C	~4.0°C
Significant shifts in US policy triggers comprehensive, **global cooperation** and **breakthroughs** in hydrogen and other 'green' **technologies**	Customers in advanced economies prefer **green steel** while the rise of substitutes erodes total demand for steel	**Global action splits** into highly ambitious jurisdictions vs large number of lower ambition/limited action jurisdictions before rapidly converging	Investors and financiers **increase cost of capital** for high-emission businesses in response to the public's expectations	Nationalist interests trump global policy action as most major governments **focus on adapting** to climate change

Our decarbonisation pathway

Our decarbonisation pathway supports our interim 2030 targets and our 2050 net zero goal.

In the medium term, we have identified a range of projects to reduce emissions in line with our steelmaking and non-steelmaking emissions intensity reduction targets. These abatement opportunities are assessed and prioritised against several criteria to determine the high-level viability, investment efficiency and emissions reduction potential prior to progression through the capital planning process.

In the longer term, we have identified a suite of technology options that could enable our pathway to net zero by 2050. The opportunities include hydrogen-based direct reduced iron (DRI) – electric arc furnace (EAF) technology, further transition to EAF technology using 100 per cent renewable energy, high efficiency blast furnace technology with carbon capture, utilisation and storage (CCUS) and direct electrolysis of iron ore using 100 per cent renewable energy. We are also exploring their application through research and discussion with industry collaborators and partnerships with R&D organisations.

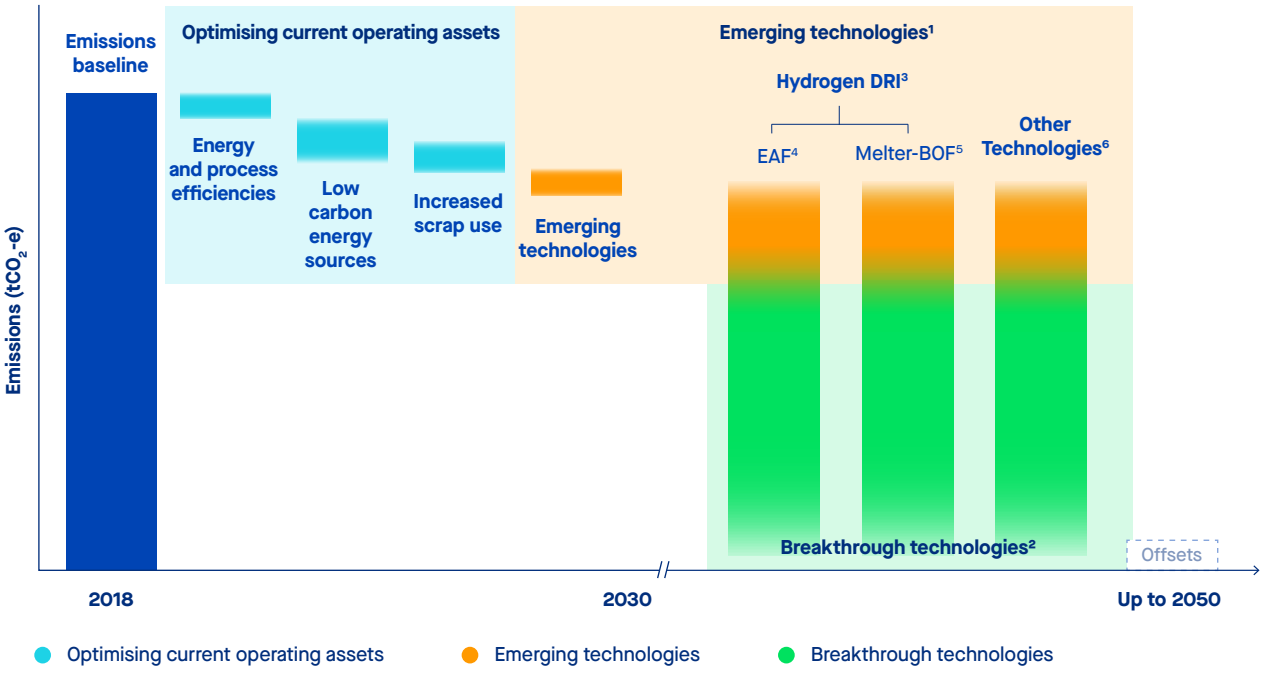
We will prioritise long term abatement opportunities and associated collaborations based on their potential to reduce emissions, fit with strategy, synergies with other abatement options, degree of challenge to execute and expected value to the business. It is expected that our portfolio of abatement opportunities under assessment at any given time will span a range of horizons of technical and commercial readiness.

Where location- or technology-specific factors make it difficult to reduce our direct and electricity-related emissions, we may seek out high quality verifiable offsets to contribute to our net zero goal or mid term targets.

Read more in our Climate Action Report, available on our website.

INDICATIVE IRON AND STEELMAKING DECARBONISATION PATHWAY

Details of each technology option that corresponds to the figure below is outlined in our Climate Action Report, available on our website.



1 Emerging technologies refers to demonstrated technology that is commercially available but requires further application to integrated steelworks, e.g. biochar, hydrogen tuyere injection, etc.
2 Breakthrough technologies refers to technology not yet commercialised, currently at concept or pilot stage, or not yet applied to integrated steelworks (e.g low Technology Readiness Level (TRL)).
3 Contingent upon feasible supply of hydrogen from renewable sources.
4 Requires suitable high-grade ores, estimated at less than 15% of available ores and access to cost-effective energy sources.
5 For Melter-BOF, DRI-melter replaces the blast furnace. Maintains existing BOF and caster infrastructure, and allows a wider range of ores to be used.
6 Other technologies include CCUS, electrolytic reduction, etc.

28%

reduction in absolute emissions since 2005

Performance

Over 90 per cent of our Scope 1 and 2 emissions arise from our iron and steelmaking activities at our three steel facilities. Our steelmaking GHG emissions intensity continues to improve, despite the challenges presented by COVID-19 in recent times, with an aggregate 1.8 per cent reduction in intensity against our FY2018 base year. Due to updates to electricity emission factors for our North Star facility and the introduction of our non-steelmaking target and associated updates to our steelmaking facility reporting boundaries, the FY2018 steelmaking GHG emission intensity baseline has been updated. Over the same period, our GHG emissions intensity across our midstream non-steelmaking sites has reduced by 6.3 per cent.[15]

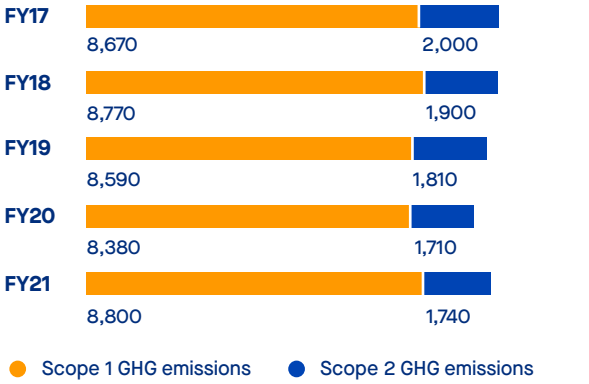
Of the 72 Environmental Improvement Award submissions across BlueScope this year, 34 related to energy and greenhouse gas reductions. From these projects we have realised more than 25,000 tCO_2-e per year in GHG emissions reductions through energy and climate-related projects, avoiding more than 14,000 MWh per year in purchased electricity, around 58,000 GJ per year of natural gas and around 41,000 litres of diesel. For example, in North America, new high efficiency fans installed on North Star's East Baghouse have halved fan power consumption, reducing electricity use by almost 7,000 MWh per year and saving around $720,000 per year. In Australia, Port Kembla Steelworks has removed the need to operate two Fume Suppression Plant fans, reducing electricity use by 4600 MWh/year and saving almost $450,000/year. In China, Suzhou has optimised waste air heat recovery on its finishing ovens, reducing gas use by around 19,000 GJ per year and saving around $310,000 per year.

Largest contributor to Scope 3 GHG emissions from purchased iron and steel

In FY2021, in line with our commitment to improve our climate disclosures, we have aligned the timing of the reporting of our Scope 3 emissions profile with our broader climate and sustainability disclosures. In FY2021, our purchases of steel (in regions where we do not manufacture steel within our own operations) and iron (such as Pig Iron or Hot Briquetted Iron largely at our North Star facility) contributed 35 per cent of our total Scope 3 emissions.

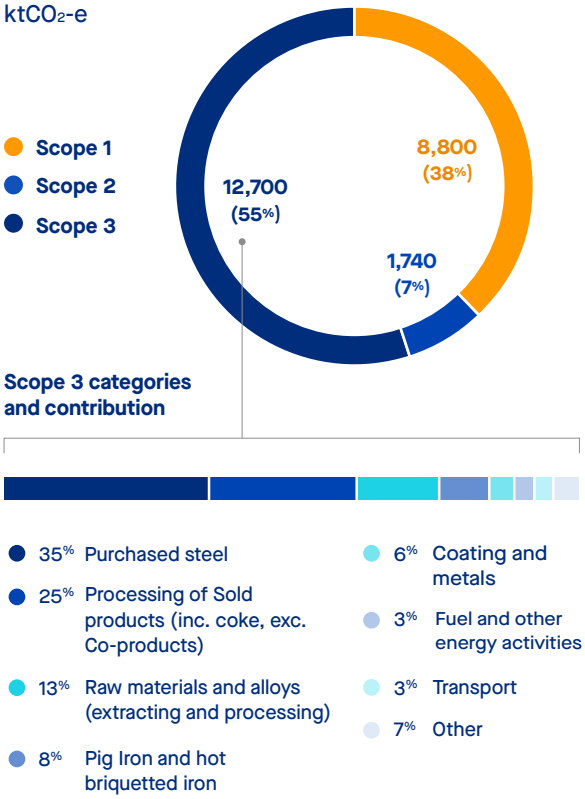
BLUESCOPE'S GLOBAL TOTAL SCOPE 1 AND 2 GHG EMISSIONS[16]

$ktCO_2$-e



BLUESCOPE'S FY2021 SCOPE 1, 2 AND 3 GHG EMISSIONS

$ktCO_2$-e



Governance

Our Board, with the assistance of its committees, including the RSC, oversees all climate-related matters, while day-to-day accountability rests with BlueScope's ELT, the Chief Executive Climate Change and management.

BlueScope's Climate Change Council oversees the development and implementation of our climate strategy and associated work programs and provides input and recommendations to the ELT and the Board. Read more in our Climate Action Report, available on our website.

15 Tata BlueScope Steel's Jamshedpur site has not been included in the reported data for this metric.

16 BlueScope's FY2018 and FY2020 Scope 2 GHG emissions have been restated to align with more accurate electricity emission factors for our North Star operations for these reporting periods. The FY2018 Scope 2 GHG emissions figure noted in our Climate Action Report published on 1 September 2021 was incorrectly transcribed. The Sustainability Report and Sustainability Data Supplement include the corrected data.

TOPIC

Water stewardship

OUR VIEW

Water is integral to our operations, and water stewardship is a key part of our licence to operate. We recognise the need to manage our water requirements with the needs of local communities and other stakeholders in water catchments, and to protect the environment. We consider the impact that climate change may have on water availability and quality.

Success looks like

Responsibly managing shared water resources and working with others to manage resources sustainably.

Highlights

Since 2018:

- Doubling of recycled water consumption from 3,290 to 7,100 ML, resulting in 4,000 ML reduction in total fresh water consumption
- Percentage recycled water consumption increased from 17% to 39%
- Fresh water intensity of steelmaking activities decreased from 2.03 to 1.32 kL per tonne of raw steel.

Future focus

- Developing our future water strategy in line with the ResponsibleSteel™ Standard's principles for water stewardship, leveraging the preparatory work for Port Kembla ResponsibleSteel™ certification.

Approach

BlueScope recognises that water is a scarce resource and that future supplies will be affected by population growth and climate change. We contribute to effective water stewardship across communities and regions where we operate.

For a decade, our commitment to manage water use has been reflected in our aspirational environmental targets. Our businesses set short and medium-term targets to achieve this, and our usage is monitored regularly at all levels of the organisation to ensure we are continuously working towards our targets. We work to optimise water monitoring, reduce use and improve discharge quality. BlueScope has demonstrable evidence of progressive water management activities right across its global footprint; see case studies on pages 40-41 for recent examples.

Most of the water we use is at our three steel manufacturing plants. Where possible, we use internally and externally recycled water to minimise our use of fresh water. At our major sites water is cleaned, cooled and recirculated, and where practical rainwater is captured on site and used.

We also prioritise the use of recycled, tertiary treated water at our steelmaking facilities to minimise our reliance on fresh water. Our Port Kembla Steelworks uses around 20 megalitres per day of recycled water, supplemented by sea water. Around 98 per cent of process water at the Glenbrook Steelworks is recirculated, recycled and supplemented with storm water.

Planning for effective stewardship

We recognise that the increasing risk of water scarcity or variability in supply has the potential to impact our operations.

We are developing our stewardship approach in line with the ResponsibleSteel™ Standard's principles. Building on our knowledge of past water use, we seek to better understand the broader context for the catchments where we operate and for water availability and quality.

This year we undertook detailed climate scenario analysis and assessment of potential physical risk as part of the development of our carbon aspiration and decarbonisation pathway.

Water related impacts were considered as part of these assessments and will inform our approach to stewardship. The assessment of physical risk found that riverine flooding and coastal inundation were notable potential impacts, though generally not as significant as the risk of soil movement due to drought and subsidence. Read more in our Climate Action Report, available on our website.

CASE STUDY

PORT KEMBLA FORMALISES ITS WATER STEWARDSHIP PLAN

Our Port Kembla steelmaking facility is committed to sustainable water management and contributes to stewardship efforts within its catchment and region. Building on previous efforts to significantly increase its use of recycled water to nearly 85 per cent, this year the site formalised its Water Stewardship Plan as part of the ResponsibleSteel™ certification process. Along with our Western Port facility in Victoria, Port Kembla is our second site to develop a formal stewardship plan, The Plan has been developed in line with the Alliance for Water Stewardship's International Water Stewardship Standard and in collaboration with various stakeholder groups. The site has introduced a 'water focus group' to identify strategic projects to improve water quality and reduce water use onsite. Performance targets in relation to water management have been developed and will be reviewed regularly internally and with key external stakeholders.

Port Kembla is seeking to increase its engagement with stakeholders in its water catchment and to support public sector agencies in their efforts to encourage water-related planning and implement water-related policies.

CASE STUDY

REDUCING WATER USE AND IMPROVING DISCHARGE QUALITY IN NEW ZEALAND

BlueScope Pacific Steel received BlueScope's FY2021 Environment Improvement Award for high levels of engagement in environmental activities across the business. Amongst the suite of yield and resource efficiency improvements recognised by this award this year, its Rolling Mill and Wire Mill operations in drought-affected greater Auckland have reduced fresh water use by over 90 per cent, converting pit pump bearings from water to grease lubrication and improving cooling water automation.

Our Glenbrook integrated steelmaking business reduced ground water extraction by around 7 per cent this year. Ground water is a constrained resource locally and is typically used by the community and businesses as potable water. The reduction at the site in the last 12 months occurred when potable supply in the steel plant, plumbed for the industrial processes over 20 years ago, was switched to the more abundant river water supply. Potable water is now only used at the Glenbrook facility for safety showers, eye baths, ablutions and drinking water supply. Another recent achievement for the site is the significant reduction in zinc discharge to the Waiuku Estuary. While the site has a strong track record of compliance with zinc discharge permit limits, the improvements to existing equipment further reduce zinc load from waste water and stormwater discharges.

The Waikato North Head iron sand mine uses a series of large ponds to settle fine suspended solids, allowing a large volume of clean process water to be recycled back through the iron sand concentration plant. This also ensures water excess to plant requirements continues to meet discharge permit limits. Recently a long-reach excavator was introduced to enable further reach into these settling ponds. This reduces the carry-over of suspended solids to the final settling pond, reducing water treatment chemical use for settling solids and further improves our discharge quality to the lower Waikato River.

39%

total water consumption comes from recycled sources

Monitoring and performance

Water consumption is a key metric monitored at all sites and with quarterly oversight at senior leadership and Board level (see *Governance*).

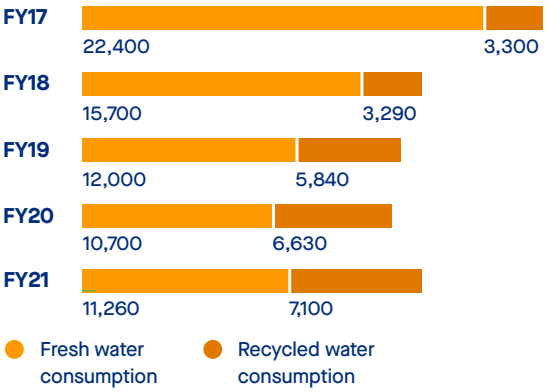
We reduced fresh water intensity at our steelmaking facilities this year, down from 1.33 kL/tonne raw steel in FY2020 to 1.32 in FY2021. In addition, our global businesses' absolute fresh water consumption has also decreased from 15,700 ML in FY2018 to 11,260 in FY2021. This decrease has been driven by our people, with a number of key projects being implemented in FY2021 aimed specifically at reducing water use and protecting shared waterways (see case studies on page 40 and 41).

While BlueScope's total water consumption increased by 6 per cent in FY2021, this was relative to a 9 per cent increase in total external production despatches. All of our net increase in total water consumption since FY2019 has come from recycled water sources.

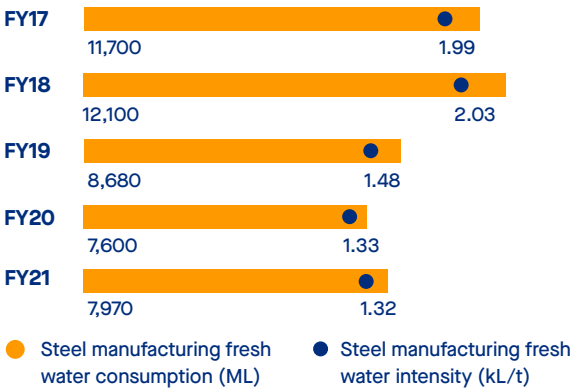
Governance

Our businesses track water use (fresh and other sources) and report quarterly to their business management team, the ELT and the HSE Committee. Read more about our environmental risk management framework, including water risk, in the *Environmental Management* section on page 49.

RECYCLED AND FRESH WATER CONSUMPTION (ML)



STEEL MANUFACTURING FRESH WATER CONSUMPTION AND INTENSITY[17]



17 Historical data restated to ensure consistent application of steelmaking intensity boundaries following the creation of our 2030 non-steelmaking emissions intensity reduction targets.

CASE STUDY

PROCESS WATER SAVINGS AT MAP TA PHUT

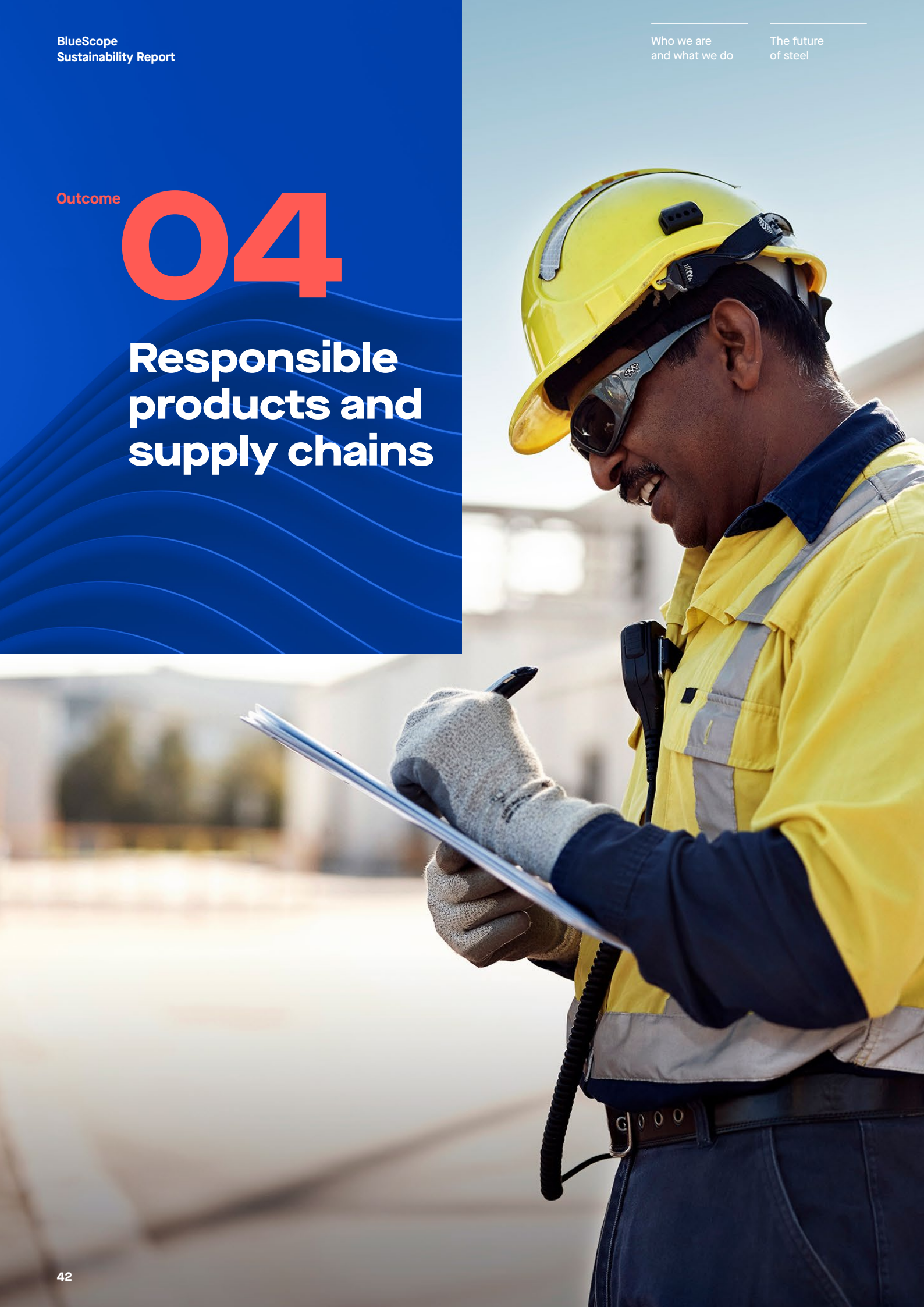
Our Map Ta Phut site in Thailand is working to meet local government mandates to secure water supplies for drought-affected communities, reducing its total water use by around a third this year. Most of the reductions came from projects to enhance pickle line water efficiency, including the installation of an automatic flow controller to regulate process water usage in the exhaust gas treatment system.

The team at Map Ta Phut has delivered an average water saving of approximately 30ML per year, reducing the site's absolute water consumption by approximately 36 per cent (based on FY2020 levels). This work builds on previous water efficiency improvements; last year Map Ta Phut reduced water consumption at its metal coating lines by over 50ML (reported in our FY2020 Sustainability Report). Map Ta Phut is a great example of site commitment to continuous improvement.

Outcome

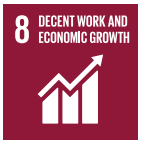
04

Responsible products and supply chains



TOPIC

Supply chain sustainability



OUR VIEW

BlueScope's approach is to foster responsible business practices and uphold human rights through engagement, risk assessment and improvement activities. We actively seek to partner with suppliers who share the core values expressed in Our Bond and the behaviours and principles in our Supplier Code of Conduct.

Success looks like

Ensuring that our suppliers and our own operations are engaged in responsible business practices and upholding human rights. Sourcing goods and services from suppliers who share our core values and meet our expectations for conduct. Learning from and sharing best practices with our supply partners to strengthen our supply chain communities for the future.

Highlights

- Exceeded our FY2021 target to complete 220 Priority supplier assessments
- Increasing use of third-party onsite assessments, with seven completed in FY2021
- More than 1000 suppliers included in our refreshed segmentation and assessment model
- Transitioned to the independent EcoVadis supplier assessment model for our first stage questionnaire-based processes
- Achieved 85th percentile rating in an EcoVadis sustainability assessment
- Published our second Modern Slavery Statement.

Future focus

- Complete 280 assessments over FY2022 and FY2023, including all new Priority suppliers and re-assessments as they become due
- Conduct third-party onsite assessments for 15 per cent of our Priority suppliers (around 40 suppliers) over FY2022 and FY2023
- Continue to improve our capability to recognise risk, engage meaningfully with suppliers and drive improvement
- Explore best practice in supply chain grievance mechanisms and remediation.

Approach

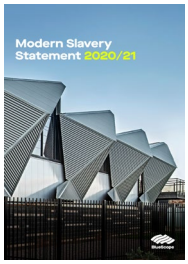
Our suppliers are our partners. They are predominantly within the region or country where we operate, work with us to meet our customers' needs and are critical to maintaining our continuous operations and product quality. They are also partners in managing the social, environmental and ethical risks inherent in our global supply chains. We actively seek to partner with suppliers who share the core values expressed in Our Bond and who take a similar approach to looking after their employees' wellbeing.

We understand and are responding to increasing stakeholder expectations for responsible supply chains. Our approach to responsible sourcing and supplier expectations is outlined in our Responsible Sourcing Framework, including our Responsible Sourcing Standard, our Supplier Code of Conduct and our Supplier Assessment Framework. Our foundational role in the ResponsibleSteel™ Standard and certification process aims to drive improved performance along our supply chains.

Our supplier segmentation and assessment program continues to give us an independent perspective on country and supplier risk, and helps to identify improvement opportunities in our supply chains.

We established a Social Compliance Steering Committee this year to facilitate BlueScope's due diligence process on social and human rights risks. We completed a human rights impact assessment for our own sites, which will inform our future prioritisation and management approach.

Read more about our approach to sustainable and transparent sourcing in our FY2021 Modern Slavery Statement, available on our website.



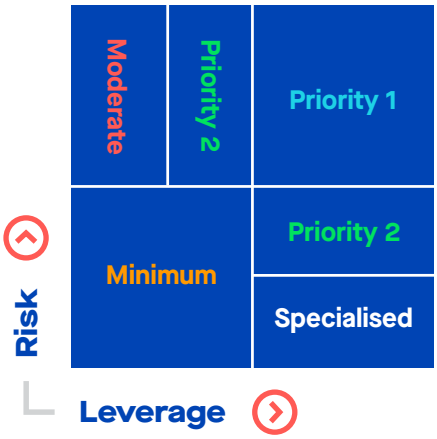
Assessing the sustainability of our supply chain

We have an established supplier segmentation process to prioritise, engage, assess and seek to improve the performance of our suppliers.

We prioritise our engagement with suppliers based on the risks that they face (given their operating context and business activities) and the leverage that exists in our relationship with them. Our engagement involves communicating both our expectations and why we believe these are an important aspect of our relationship. Our assessment processes seek to identify our suppliers' understanding of risks and processes to manage these, and to identify improvement opportunities to close any gaps.

This year we refreshed our supplier segmentation model with updated spend and country risk data and included a broader range of suppliers (increasing coverage from 80 per cent to over 90 per cent of our spend by Business Unit). With more than 1000 suppliers in the segmentation model, we prioritise our engagement and due diligence efforts are focussed on our Priority 1, Priority 2 and some specialised suppliers, as well as new suppliers that are expected to fit into one of these categories.

OUR SUPPLIER SEGMENTATION MODEL



We assess our suppliers' risk awareness and the processes that they have in place to manage environmental, social and governance (ESG) risks.

Priority 1 and 2 suppliers are required to complete an independent questionnaire-based risk assessment process (usually an EcoVadis assessment) which includes providing evidence to support their answers. Based on risks identified in the initial assessment or verification audit, some suppliers are then required to participate in a third party onsite assessment.

Since this assessment framework was launched in late FY2019, 230 suppliers have been assessed against a target of 220 assessments, including all suppliers that were initially identified as Priority 1 and Priority 2 at the beginning if the program.

We work with suppliers on any issues identified in the assessment. Through these processes, we are seeing the highest risk in small-medium sized non-multi-national businesses, in high risk operating regions. Key issues coming from supplier assessments in these areas are predominantly related to Social and Labour (for example hiring practices, hours of work, wages and benefits) and Health and Safety (mostly related to emergency preparedness). We are addressing these with suppliers through education and agreed corrective action plans.

Corrective action plans are in place for 20 per cent of our assessed suppliers (up from 11 per cent in FY2020), demonstrating our focus on improvement.

Supplier assessments may also result in revised supplier conditions or escalation of significant issues within BlueScope and the supplier business. We recognise there are potential human and broader community impacts that may result from termination of these business relationships and as such, our first aim is to ensure that any such issues are addressed and remedied by the supplier and practices put in place to avoid recurrence.

We are increasing our focus on third party onsite supplier assessments. Selecting suppliers based on risks identified in their initial assessment or as a verification audit. While COVID-19-related movement restrictions in many countries have impeded this work, we completed seven assessments in FY2021. We aim to complete onsite assessments for 15 per cent of our Priority 1 and Priority 2 suppliers over the next two years.

CASE STUDY

WORKING TOGETHER FOR IMPROVED ROAD SAFETY IN THAILAND

NS BlueScope Thailand's Logistics Team works collaboratively with our third-party logistics service provider, to build a culture of trust and accountability and drive year-on-year improvements in road safety.

Initiatives include load restraint training and auditing, site hazard identification and the 'No Mistake, No Incident' campaign, GPS control room and driver work time monitoring, fit for work, ASEAN fatigue management guidelines, defensive driving courses, engagement in toolbox events and COVID safe plans.

Since the introduction of our collaborative approach in FY2018, we have reduced the number of serious road incidents from three per year to zero in FY2021, while our despatch volumes have continued to increase during the same period. NS BlueScope Thailand received BlueScope's Health and Safety Supply Chain Partnership Excellence Award this year.

CASE STUDY

SUPPORTING SUPPLY CHAIN DIVERSITY

Australian Steel Products (ASP) has joined Supply Nation, a leader in supplier diversity, bringing together the biggest national database of Aboriginal and Torres Strait Islander businesses with the procurement teams of Australia's leading organisations. Supply Nation's database provides an additional resource to introduce verified Aboriginal and Torres Strait Islander suppliers into our procurement processes and grow the diversity of our supply chain.

Our membership with Supply Nation reinforces our commitment to diversity both within our workplaces and supply chains. The Supply Nation membership is a key activity under ASP's First Nation's Framework. Read more in *Inclusive Culture* on page 31.

Supply Nation MEMBER

CASE STUDY

MEASURING IMPROVEMENT IN ESG RISK ASSESSMENTS

Through FY2021 we have migrated most of our supplier ESG assessments to the EcoVadis process. This provides a standardised and independent assessment process, with quantitative evaluation across a range of sustainability dimensions. Many of the suppliers (57 per cent) that we have connected with on the EcoVadis platform have been assessed more than once, so it is possible to observe the progress of their assessment score over time.

This year we participated in an EcoVadis assessment on the BlueScope Group, and achieved a rating of 60/100, which is in the 85th percentile for entities rated by EcoVadis globally.

The average overall score for all our EcoVadis assessed suppliers is 48.8 (the EcoVadis platform average is 43.5).

57% OF THESE SUPPLIERS HAVE BEEN REEVALUATED

+3.0 points THE AVERAGE CHANGE IN SCORE, ON REEVALUATION

4% OF RE-EVALUATED SUPPLIERS, WITH A MEDIUM OR HIGH-RISK SCORE, REPORTED A LOWER SCORE

Trust and transparency in our supply chain

The growing movement in responsible and verified supply chain practices is a driving force for positive change in the steel industry. Confidence in raw material supply, underpinned by certification schemes, is important for our stakeholders. Working to attain ResponsibleSteel™ Site Certification for our Port Kembla Steelworks in Australia (due for completion in 2021) has given us a deeper understanding of the steps we can take to continue to improve our operational performance, supply chain influence and our contribution to society.

The ResponsibleSteel™ standard and certification programme aims to set a transparency benchmark, defining the performance expectations that support the responsible sourcing and production of steel.

The Standard contains specific requirements for responsible sourcing, with a focus on tier 1 raw material suppliers of key steelmaking raw materials. To support this, our Port Kembla raw materials procurement team has increased its focus on engagement and assessment of raw material suppliers to now include all key raw material suppliers regardless of their rank in our supplier segmentation process. We have also added new data fields to our assessment tracking process to identify these suppliers and capture specific information for them, as required by the Standard.

BlueScope's foundational and ongoing leadership role in this global, multi-stakeholder initiative aims to create a lasting influence along the full steel supply chain. We also continue to participate in the development of further ResponsibleSteel™ standards to improve supply chain transparency and performance. The new requirements being considered define additional requirements for responsible sourcing, focussed on the steel raw material supply chain, including mining sites and commercial scrap collection.

Governance

Our Supply Chain Sustainability program of work is led by our Head of Group Procurement and delivered through business unit procurement teams. The Chief Financial Officer (CFO) has executive oversight of the program and regularly reviews its progress, as well as supplier assessments and corrective actions.

Major new supply arrangements are overseen by a steering committee comprising the CFO and Chief Legal Officer together with representatives from relevant businesses.

Progress against the Supply Chain Sustainability work program is monitored by the ELT, with regular updates provided to the RSC.

CASE STUDY

SUPPLIER PAYMENT TERMS

BlueScope is aware of the importance of small local suppliers to our business and the impact our payment terms can have on their cashflows.

In 2018 our Australian business introduced a Supplier Payment Code (the Code) which outlined the availability of short payment terms for small businesses. At this time there was no mechanism to identify which of our suppliers were small businesses so the Code was made available to suppliers via public websites and our procurement teams. In 2020 we emailed the Code to over 4,000 potential small business suppliers and invited them to take up the offer of shorter payment terms, and around 300 suppliers responded. This year we updated the Code to align with Australian government definitions and terms, and made use of the new Small Business Identification Tool to better identify which of our suppliers are Australian small businesses. We have subsequently identified and improved the payment terms for around 6,000 suppliers, ensuring that their payment terms do not exceed 30 days from date of invoice. The Supplier Payment Code approach is now being implemented across the BlueScope Group.

TOPIC

Environmental management

OUR VIEW

We are committed to protecting the environment and being a responsible neighbour. Resource efficiency enables us to provide smarter steel solutions with the least impact on natural resources and the local environment.

Success looks like

Optimising our use of resources to minimise the impact of our operations on the local environment.

Highlights

- 98% material efficiency across our steelmaking assets
- 2.75 million tonnes of scrap steel feed used and more than 180,000 tonnes of waste material diverted from landfill or treatment
- Streamlined corporate-level environmental data collection and reporting into BlueScope's primary system for financial data management, providing a single reference point for all corporate level environmental data.

Future focus

- Achieve certification of Port Kembla Steelworks to the ResponsibleSteel™ Site Certification Standard by end of CY2021
- Greater environmental emphasis in the broader HSE evolution strategy, rethinking the way we look at risks, controls and opportunities.

Approach

BlueScope is committed to protecting the environment. We operate our facilities with due respect for environmental laws, for protecting the amenity of our community neighbours and the longer-term viability of shared, natural resources.

Many of our operating facilities, including our three steelmaking sites, also maintain ISO 14001 certification[18] for their environmental management systems, providing additional assurance that our approach is suitable, adequate and effective.

We operate in consultation with our local communities and are accountable for managing any potential impact on local resources and amenity. All our operations have community engagement processes in place, with our larger sites operating formal Community Consultation Committees. Read more about *Community Engagement* on page 57.

We focus our attention on six key environmental aspects that are common to industry; land, air, water, waste, noise and energy/GHG emissions. BlueScope's commitment to ResponsibleSteel™ certification is being used to drive further improvements in all aspects of sustainability, including our increased focus on local water stewardship.

All our businesses are encouraged to participate in our environmental recognition program, implementing environmental initiatives, documenting benefits and sharing lessons learnt across BlueScope. Seventy-two environmental projects were submitted from across the business in FY2021, engaging hundreds of employees, driving environmental improvement and contributing $6 million per year in ongoing business savings.

We are leveraging our internal and external digital communication channels to effectively recognise these efforts of BlueScope people around the globe.

Our facilities worldwide are regulated on environmental matters by local authorities and report environmental performance data as required by site licencing arrangements.

18 ISO 14001 is the international standard that specifies requirements for an effective environmental management system (EMS).

Compliance

In FY2021 we notified the relevant authorities of 16 incidents resulting in environmental non-compliance. BlueScope's Australian operations were fined $15,000 for releasing process water into a drain which feeds into Port Kembla Harbour. We take these matters seriously and work to resolve all instances of non-compliance in a timely matter. The business has committed approximately $1 million in improvement works to be completed over the next three years to avoid future instances of these discharges across the site, through a Pollution Reduction Program. The commitment is an example of our strong emphasis on improvement projects to strengthen the effectiveness of, and implement higher level controls for, critical risks across our sites.

Air

We maintain a strong focus on reducing our impact on local air quality. Steel manufacturing, welding and coating and painting activities are complex processes, and stable operations are required to minimise air emissions and disturbances in air quality. Emissions of oxides of nitrogen (NOx), sulphur dioxide (SO2) and fine particles less than 10 microns (PM10) are recognised as key steelmaking air emission metrics. These emissions directly impact air quality and have the potential to affect the communities where we operate. BlueScope has strict monitoring processes in place to capture and report air quality performance, monitor compliance with licence limits and identify opportunities for process improvements.

CASE STUDY

REDUCING VISIBLE FUMES FROM THE IRON PLATING PROCESS

Our Glenbrook iron and steelmaking facility in New Zealand has significantly reduced visible fume from the iron plating process. At high temperatures, when molten iron is tipped to produce plate iron, it reacts with water and oxygen, historically forming a visible brown emission. We have introduced a new launder/hopper system, incorporating slow pouring of the molten iron by the iron ladle-carriers and the addition of nitrogen to displace oxygen during molten iron pouring (pictured). The new 'nitro-hopper' arrangement provides a permanent solution, suppressing the iron oxide plume generated during tipping of molten iron as well as reducing unsightly visible fumes.

CASE STUDY

SLUDGE WASTE RECOVERY IN INDONESIA

Sludge waste generated at NS BlueScope's Cilegon site in Indonesia is now used as an alternative raw material for cement making. Liquid waste generated on site is treated for discharge in accordance with regulatory limits, creating a sludge co-product that has historically been disposed to landfill. Working with the local cement industry to identify suitable co-product uses, more than 100 tonnes of sludge with 20-30 per cent moisture content is now reused for local cement making each year, avoiding landfill disposal and saving around $55,000 per year. Sludge press modifications have been made to support co-product handling (pictured).

MATERIALS EFFICIENCY

98%

MATERIALS EFFICIENCY BREAKDOWN

77%
Steel

21%
Co-products

Valuable co-products

Our manufacturing processes are optimised to minimise our use of resources, reduce waste and reuse or convert waste materials into other valuable products. As well as the commercial benefits realised, this approach promotes a circular economy, preventing waste materials from going to landfill and supporting raw materials to be used in sectors beyond the iron and steel industry. In FY2021, 46 per cent of BlueScope's raw steel production originated from recovered and recycled scrap steel, with 98 per cent materials efficiency achieved across our three steelmaking facilities. Where practical we use co-products and waste products, from both our own operations and other sources, as substitutes for virgin raw materials. Besides the commercial benefits, this contributes to the circular economy, reducing greenhouse gas emissions, preventing waste materials from going to landfill and supporting their use in sectors beyond the iron and steel industry.

The co-products from steel manufacturing have many uses including road base, cement manufacture, pigments and fertiliser. Our key co-products by weight are iron and steelmaking slags (more than 1.5 million tonnes per year), which are composed of various metal oxides extracted as impurities from the ironmaking and steelmaking stages of crude steel production.

Blast furnace slag from our Port Kembla Steelworks is used in cement production as a substitute for the emissions intensive active ingredient, clinker. Ground granulated blast furnace slag is used as a general replacement for Portland Cement in concrete construction[19] to lower GHG emissions. Vanadium slag recovered from our Glenbrook Steelworks is used in the manufacture of high strength steel products. Pickle liquor (non-processed ferrous chloride solution) from coating and painting activities is reused by other industries for waste water treatment. Melter chip and aggregate is used in road base, pavements, drainage and water treatment applications.

Waste management

We continue to reduce our consumption of raw materials and minimise waste through awareness and collaboration across BlueScope. Our people around the globe deliver waste-related improvement activities that drive both business and environmental benefits. This year we diverted more than 180,000 tonnes of material away from landfill or treatment, via internal and external reuse and recycling.

For example, BlueScope China's Songjiang site has improved transport pack efficiency and reduced waste by streamlining the materials used to pack finished product for transport. NS BlueScope Lysaght Indonesia's packaging initiative reduced its consumable industrial plastic consumption by more than 13 tonnes per year, or more than 60 per cent. The business has shifted to using non-plastic materials or returnable options to protect finished goods where appropriate.

BlueScope Pacific Steel (Fiji) won our annual Community Engagement Award, working with local government, shipping agents, and local community representatives to collect and reuse waste oil products from communities across the Pacific. Read more in our case study on page 58.

Environmental performance data is detailed in our FY2021 Sustainability Data Supplement, available on our website.

Governance

Many of BlueScope's operational facilities, including all three iron and steelmaking sites, are certified to ISO 14001. Governance is undertaken in line with our HSE Management Systems. Read more on page 27.

19 Reference: Australasian (Iron & Steel) Slag Association (2020). Products – Granulated Blast Furnace Slag.

TOPIC

Sustainable products

OUR VIEW

Working with our customers, our broader supply network and research institutions, our products form part of a critical circular economy.

Success looks like

Driving value through circular economy principles, developing products that are made efficiently, are kept in use for as long as possible, and then recovered for reuse, remanufacture or recycling at end of life.

Highlights

- We are responding to demand for high quality, lightweight sustainable products and modular construction applications
- Certification to global product standards for key products in some of our geographies
- In Australia, BlueScope is a Founding Partner of the Materials and Embodied Carbon Leaders' Alliance (MECLA).

Future focus

- Further expansion of Environmental Product Declarations (EPDs) and ecolabels across our suite of products
- Continue to play a collaborative role in the development of the ResponsibleSteel™ product requirements
- Continue to explore diverse pipeline of research and development initiatives via new technology and external collaborations.

Approach

BlueScope has a proud heritage of product innovation, working to enhance the beneficial use of our products, reduce material use and extend product life. We focus on product stewardship to improve the contribution of our products throughout their life cycle to human health and safety and reduce impact on the environment. Collaboration throughout our value chain is key to understanding market shifts and opportunities to engage on product sustainability.

We continue to review the relevance of our product development pipeline while considering future and emerging external factors and consumer shifts in the regions we operate. For example, our products are used in modular construction applications with the intent to support faster design, competitive cost and resource efficiency. Each region focuses on building deep market and customer understanding along the entire value chain so that we can develop and scale up new solutions through our global centres of technical excellence.

BlueScope places a heavy emphasis on field testing of new products. Decades of continued product testing supports our ability to address variations in climate, macro-environments and anticipated product applications as well as changes to regulations, so that our products continue to adapt in line with evolving industry standards and product application trends.

Our customers increasingly expect clear information about the sustainability performance of our products. We conduct life cycle assessments for a range of products and provide information in accordance with a range of national and international product ecolabelling schemes to inform their decision making.

The Cinema Complex at District Docklands (Australia) uses welded beams and columns made from XLERPLATE® steel and roofing and cladding made from COLORBOND® steel. Both products have Environmental Product Declarations and a GreenRate™ 'Level A' rating.

CASE STUDY

CLEVER DESIGN AND CONSTRUCTION WITH SMART STEEL SOLUTIONS

New lodges built along the Three Capes Track in Tasmania, Australia, illustrate the benefits of clever design and construction with the right materials and processes.

The lodges have been designed to be largely self-sufficient and produce their own power and water. Galvanised steel was used for the subfloor framing components to achieve stability, and to accommodate 23 underfloor custom-made AQUAPLATE® steel rainwater tanks for drinking water.

The remote location and limited access presented a major design challenge, as all building materials, construction equipment and workers had to be flown in by helicopter.

The entire project was prefabricated, with modules transported by road then carefully positioned into place from the air.


Photography by Brett Boardman

Sustainable product solutions

Our range of durable steel products is designed to meet the varying the needs of our customers, such as rapid construction and long-term use, flexible design, thermal comfort and weather resilience. The steel we supply today will support economies for decades to come and is critical to underpinning the transition required in many sectors including the renewable energy industry. We continue to research improvements in design applications, and believe the fundamental attributes of our products are of benefit to society and contribute to the circular economy.

Across our businesses we develop and produce a wide range of products with sustainable attributes including:

» **Cool roof solutions** developed to help reduce the intensity of urban heat islands[20], maintain thermal comfort in hot weather and minimise cooling energy demand in buildings. BlueScope technologists from our Australian based centre of excellence work with our product teams around the world to ensure the different technologies developed and tested suit the local climate and associated building types. Cool roofing solutions incorporating solar reflectance technologies are available across the ASEAN region, Australia and New Zealand.

» **Advanced coating technologies** and extensive testing regimes for improved corrosion resistance to extend product life. BlueScope invests extensively in developing and testing our coatings to confirm performance in durability and resilience. Activate® technology is BlueScope's industry leading, patented, metallic coating technology that to date has been launched in Australia, China and Vietnam, developed to meet emerging building advances in areas such as material efficiency, durability and sustainability.

» **High strength steel grades** for enhanced strength to weight performance in structural steel applications when the design is governed by strength, reducing the volume of steel required in these applications, e.g. columns and primary members. This in turn can result in embodied carbon savings relative to a reference building design that utilises standard steel grades.

» **Resilient bar and coil products** for New Zealand seismic conditions. Pacific Steel's SEISMIC® branded bar and coil are ACRS (Australasia Certification for Reinforcing and Structural Steels) certified, IANZ (International Accreditation New Zealand) accredited and fully traceable.

» **Roofing and wall cladding** for better ventilation and healthier environments. COLORSTEEL DRIDEX® is recognised as a Sensitive Choice® product in New Zealand, acknowledging its ability to deliver healthier, environments for residential and commercial buildings. The product uses a unique anti-condensation fleece layer and combines several building elements into one for superior condensation absorption, improved ventilation and faster, safer and more cost-effective installation.

20 An urban heat island is an urban or metropolitan area that is significantly warmer than its surrounding rural areas due to human activities, modification of land surfaces and waste heat generated by energy use.

- **Efficient flooring** for mid-rise and high-rise developments. This includes Fielders SlimDek 210™ profile with Asymmetric Steel Beam Sections (ASB), which provides a floor system that combines steel's strength, lightness and durability for more sustainable construction. Advantages can include speed and ease of construction, minimal temporary propping allowing for fit out of lower floors while upper floors are being constructed, minimal onsite wastage, reduced logistics, lightweight structure that reduces the sizes of substructure and footings, reduced number of trades people required on site (reducing safety risks) and inherent fire resistance without the need for additional fire protection.
- **Light gauge steel framing** for innovative design, long roof spans and adaptive reuse of existing structures. Products including TRUECORE® steel and AXXIS® steel help designers make the most of available space and create effective, modular and enduring solutions. TRUECORE® steel frames incorporate Activate® technology for improved corrosion resistance, and won't ignite or contribute to the spread of fire which may help achieve the building standards required for extreme-rated Australian bushfire flame zones.[21] Light gauge steel products can be delivered pre-fabricated to building sites, helping to reduce waste onsite.
- **Components to underpin the renewable energy transition.** Renewable energy projects and supporting electricity transmission infrastructure are highly steel intensive. A typical individual wind tower can include up to 300 tonnes of steel plate, averaging approximately 60 tonnes of raw steel for every megawatt (MW) of wind electricity generation.[22] Steel is equally critical for the components required for solar farms such as piles, tubes and backing frames as well as expansion in electricity transmission infrastructure to underpin the creation of new renewable generation zones. Read more about how BlueScope steel supports wind energy generation in our Climate Action Report, available on our website.
- **Weathering steel products for various applications including bridges.** REDCOR® steel is designed for long life. In suitable environments, REDCOR® steel can be used in an unpainted condition which can contribute to low maintenance costs and an economic bridge solution. This also contributes to improving the sustainability of a structure by avoiding the need to paint it over its design life.
- **Co-products displacing emissions in other sectors.** The co-products from steel manufacturing have many uses including road base, cement manufacture, pigments and fertiliser. Read more in *Valuable Co-products* on page 49.

Working together for smarter building solutions

Collaboration is an integral part of BlueScope's approach to delivering sustainable product solutions. These partnerships are crucial to driving sustainability outcomes within BlueScope's operations and to assist customers to achieve their sustainability goals.

We work with our customers to develop products and services that support sustainable development and a circular economy. Our greatest impact is seen through collaboration with our value chain partners such as architects, engineers and direct customers who use our products to help them create more sustainable projects. Our innovation process involves rigorous test and evaluation programs to ensure that potential new products meet customer needs and have proven environmental and reliability credentials.

We also partner more broadly to achieve sustainable outcomes for our value chains and regions where we operate.

BlueScope partners with several universities and research organisations globally. We are a consortium partner of the Australian Building 4.0 CRC (Cooperative Research Centre), a collaborative effort across the construction sector supply chain to improve building performance and sustainability, market efficiency and workforce capability. Launched last year, the initiative is aligned to our transformation objectives, with a focus on using digital solutions, new products and processes for customer benefit and driving more efficient and safer construction methods. We are participating in a Building 4.0 scoping study to improve the automation of supply chain tracking. BlueScope is funding the study and some of our Australian sites will be used to pilot new approaches to improve supply chain efficiency, materials tracking and performance. This demonstrates our commitment to improved customer experience; we aim to make ordering more efficient through improved demand planning and forecasting, inventory optimisation and improved delivery performance.

In Australia, BlueScope is a Founding Partner of the Materials and Embodied Carbon Leaders' Alliance (MECLA), a collaboration of organisations whose aim is to drive reductions in embodied carbon in the local building and construction industry.

21 AS 3939 – Bushfire Attack Level (BAL).
22 BlueScope analysis.

MECLA aims to demonstrate demand for low-emissions materials and support the acceleration of their supply. BlueScope is involved in a number of working groups including a dedicated group for steel. These working groups will address barriers and identify opportunities to define best practice embodied carbon evaluation frameworks, apply consistent procurement guidelines and assist the acceleration of materials supply, among others.

BlueScope's Renewable Manufacturing Zone (BRMZ) at Port Kembla is a $20M investment in a new, sustainable manufacturing base for New South Wales, Australia

BRMZ is aligned with the NSW Government's innovative Renewable Energy Zones state-wide rollout. Approximately half of the $20M investment will be offered to companies who want to build new manufacturing capability in the Illawarra region, focused on the State's fast-growing renewable energy sector. BlueScope will invest the other half in the Port Kembla Steelworks, to tool-up our facilities ready for this exciting growth opportunity. We will invest directly in our own plant, but also partner with innovators and entrepreneurs to develop new technology in key industries like wind tower, solar farm componentry fabrication and other renewables, infrastructure, defence, manufacturing and sustainable buildings.

Our New Zealand business is building the capability of its people to respond to an increasing number of enquiries from customers, designers, architects and developers about how our range of products can help them build more sustainable buildings and achieve Homestar and Green Star rating. New Zealand Steel is a member of the New Zealand Green Building Council (NZGBC), New Zealand Sustainable Steel Council and the Life Cycle Association of New Zealand (LCANZ).

CASE STUDY

TRUECORE® STEEL GIVES NEW LIFE TO AN EXISTING BUILDING

Refurbishment and renovation of commercial buildings is increasingly recognised as a more sustainable alternative to new builds. Steel can contribute given its high strength-to-weight ratio which can support adding extra floors to an existing structure.

TRUECORE® steel has been used to add eight storeys to a 50-year-old, 12-storey building in Melbourne, Australia. In comparison to other alternatives considered by the project team, the benefits of using steel included reduced cost and time due to the uniformity of manufactured frames and ease of handling, and a safer working environment due to the reduced need for working at height.

TRUECORE® steel was incorporated into the highly modularised floor system which was craned into position. Wall façades comprised of interlocking panels made from COLORBOND® steel, insulation and plasterboard were built off-site, craned into position and fixed from the inside into TRUECORE® steel wall frames.

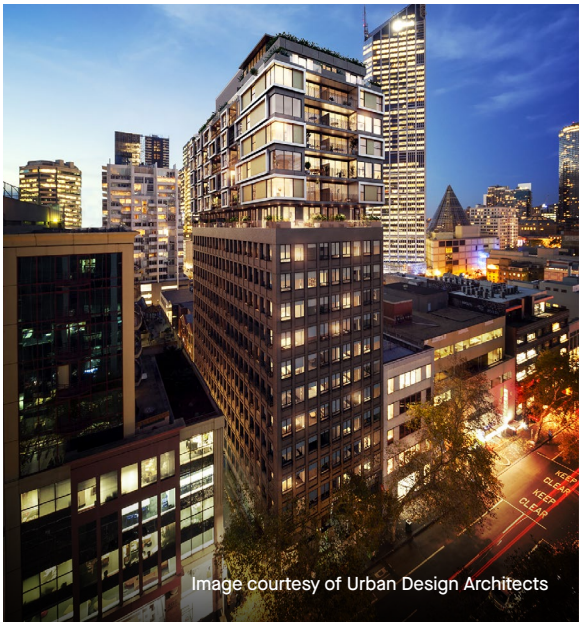


Image courtesy of Urban Design Architects

CASE STUDY

PARTNERING TO DELIVER A COVID-19 SURGE CENTRE

TRUECORE® steel was used in the rapid, five-week construction of a 51-bed emergency COVID-19 Surge Centre in Canberra, Australia. Steel was selected for its design flexibility, high strength-to-weight ratio, build speed and efficiency, consistent quality and reliable supply chain. The Centre was designed for mobility and reuse; the structure can be packed into 40-foot containers for transport as required.


Image courtesy of Manteena Commercial

Customer confidence through transparency and certification

Our customers expect credible information about the environmental credentials of our products to inform their decision making and support their own sustainability objectives. We understand and support the need for transparency through disclosures and certifications that validate our products and our raw material supply chains.

The certification of steel products to recognised site certifications, ecolabelling and product declaration frameworks is vital to support informed decision making for sustainable outcomes.

BlueScope's foundational and ongoing leadership role in the ResponsibleSteel™ standard and certification programme is at the heart of our commitment to improve operational performance, supply chain influence and our contribution to society. We participate in the development of ResponsibleSteel™ frameworks to improve supply chain transparency and performance. The ResponsibleSteel™ certification programme is being expanded to cover the entire steel supply chain from mine site and commercial scrap collection down to the steel end user, such as a car, construction or whitegoods manufacturing).

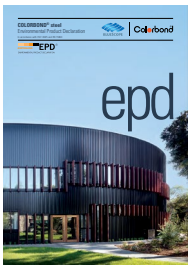
Environmental Product Declarations (EPDs) provide transparent environmental information, and verified disclosure about a product's life cycle and can allow downstream users to earn points for certification schemes in their sector. BlueScope's EPDs are compliant with International Standard ISO 14025 and European Standard EN 15804, and are available on our websites and in a range of industry sources to support informed decision making across the life cycle of a building or project. We have registered EPDs for selected COLORBOND® steel products, XLERPLATE® steel, Hot Rolled Coil, Welded Beams and Columns, COLORSTEEL®, SEISMIC® and our complete AEP Span and ASC Steel Deck product lines.[23] This year we republished the EPDs for XLERPLATE® steel, Hot Rolled Coil and Welded Beams and Columns, an extensive process that maintains the currency and reliability of product disclosures.

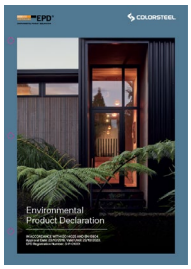
Our New Zealand Steel Flat and Long Steel Products and Pre-Painted and Resin Coated Steel Products are licensed to use the Environmental Choice New Zealand (ECNZ) ecolabel. With this ecolabel, all products made by New Zealand Steel are eligible to contribute points under both the New Zealand Green Building Council (NZGBC) Green Star and Homestar rating tools – recognising its contribution in creating healthy, efficient and sustainable buildings.

In North America, NS BlueScope's ASC Steel Deck business unit has third-party verified Product-Specific Type III Environmental Product Declarations (EPD), a third-party verified Health Product Declaration, and issued Living Building Challenge's Declare label, with the label being Third-Party Verified Red List Free. AEP Span has third-party verified Product-Specific Type III EPDs, a third-party verified Health Product Declaration for its products in a ZINCALUME® Plus coating, and issued Living Building Challenge's Declare labels for AEP Span's products in a ZINCALUME® Plus coating, with the label being Third-Party Verified Red List Free.

A number of our Australian products have achieved the internationally recognised ecolabel Global GreenTag CertTM GreenRate™ (see our case study on page 55). Our products are featured in sustainable materials databases around the globe which provide detailed information for customers about the sustainability and resilience credentials of building materials.

The responsible sourcing of raw materials, underpinned by certification schemes, is also critical for confidence in steel products. Read more about how we support verified supply chain practices in *Supply Chain Sustainability* on page 43.



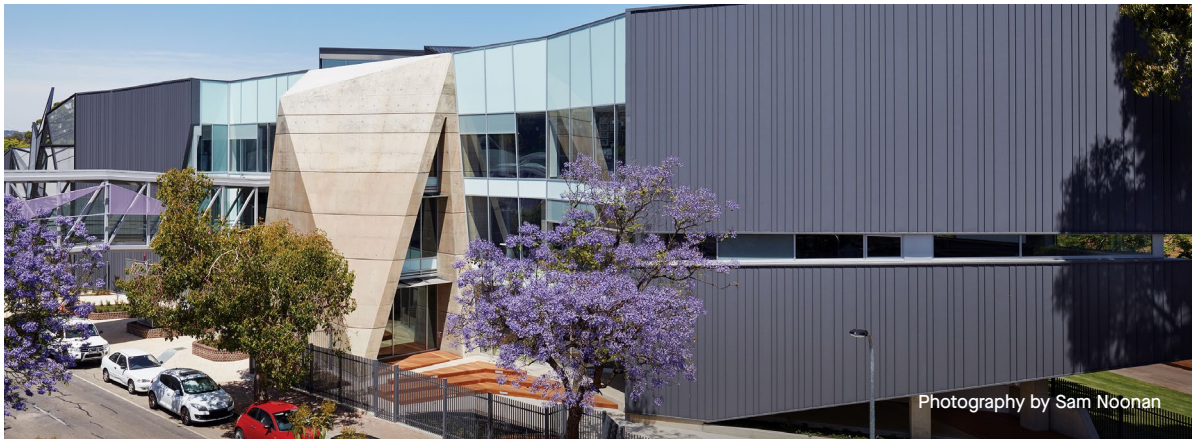


23 The EPDs cover the JV supply chain (BlueScope and Nippon Steel Corporation) and our North Star supply chain for the AEP Span business unit and the ASC Steel Deck business unit.

CASE STUDY

CERTIFICATION TO GLOBAL PRODUCT STANDARD

Our XLERPLATE® steel and Welded beams and columns have achieved Global GreenTag CertTM GreenRate™ highest 'Level A' rating. COLORBOND® steel for exterior roofing and walling, which comes in 0.42mm and 0.48mm and is available in our 22 standard colours in Australia, is also 'Level A' certified. GreenRate™ is a third-party verified ecolabelling program that evaluates products against a range of sustainability attributes, including health and ecotoxicity of materials and environmental and social performance in manufacturing operations. GreenRate™ certification is recognised by the Green Building Council of Australia (GBCA) and the Infrastructure Sustainability Council, and is a simple and effective way of communicating the sustainable performance of our products. It demonstrates BlueScope's continued leadership in product sustainability and will allow our customers to achieve further points under rating schemes such as Green Star and Infrastructure Sustainability (IS) Rating.


Photography by Sam Noonan

CASE STUDY

CREATING THE STANDARD FOR SUSTAINABLE AND RESILIENT HOMES

BlueScope has sponsored the development of a new standard, Green Star Homes, by the Green Building Council of Australia (GBCA). The standard assesses homes against three key criteria: positive, healthy, resilient.

In addition to being net zero energy[24], Green Star Certified homes will need to be built with proactive measures to be better than the National Construction Code at withstanding natural disasters and extreme weather such as bushfires, flooding, and heat stress.

BlueScope has also sponsored a new star rating system for bushfire resilience developed by the Bushfire Building Council of Australia in conjunction with the CSIRO (Commonwealth Scientific and Industrial Research Organisation). The Bushfire Resilience Star Rating System recognises improved disaster resilience results in longer building life cycles and more sustainable outcomes. It is aligned to the Green Star Homes and Passive House rating systems and designed to be a simple tool for householders to determine the resilience of their existing or new build.

Governance

BlueScope's strategy processes seek to identify, monitor and respond to emerging trends such as sustainable products, climate appropriate products and the circular economy. Macro trends are used to inform our business strategy. Those that are relevant to our industry and sectors are further distilled as key input to our regional and local strategic marketing planning.

Commercialisation of new products includes extensive customer trials and product monitoring in market to verify benefits and impacts through the value chain. Manufacturing processes are accredited to ISO 9001 Quality Management Standards.

Product developments are managed through a gated process in which health, safety and environmental elements are assessed by specialists, addressed and reported quarterly through tiered innovation governance processes, culminating at ELT.

24 A net zero energy home is one built to generate sufficient renewable energy to power all estimated regulated loads as well as estimated appliances and plug loads. It does not use gas.

Outcome

05

Strong communities

TOPIC

Community engagement, support and economic contribution

OUR VIEW

We understand the responsibility of being a major community employer and partner. Across the globe, we employ local people, use a mix of national and local suppliers, and support economies more broadly through taxes and other government payments. We seek to create sustainable partnerships and opportunities for our people to be involved in their community.

Success looks like

Continuing to be a valued member of the communities that support our business and products, respecting local values and sharing success. Directly and indirectly supporting the economic development of our communities through the use and payment of local suppliers, local employees and through social investment. Complying with tax laws in all jurisdictions where we have a presence, paying the right amount of tax at the right time and transparently reporting our contribution.

Highlights

- Continued support for communities affected by the COVID-19 pandemic
- $730 million tax payments contributed globally, $238 million of which is directly borne
- $12.9 billion of direct economic value generated, with almost 90 per cent contributed back to our communities through payments to suppliers, employees, governments and other stakeholders

Future focus

- Create opportunities for employees to strengthen relationships with BlueScope's communities
- Introduce formal measurement of BlueScope's reputation in our steelmaking communities
- Continue to publicly provide information on our tax strategy and tax position.

Approach

Across BlueScope's global operations, our businesses and people are part of the communities where we have a presence. In turn, the support of our communities underpins our local licence to operate and grow. It gives us the confidence to continue investing, to sustain and build on our operations, and deliver employment and other social and economic benefits to all.

Community engagement

We are an integral part of our local communities, and we seek to make an active contribution, work collaboratively with them to understand their expectations, communicate information and resolve any issues as they arise.

Our sites have plans in place to guide the responsible management of operations, and we work to avoid or mitigate any negative effects our operations may have on our communities or the environment at all times. Many of our major sites have established community consultation committees, providing a regular forum for open discussion between BlueScope, community representatives and other stakeholders about the environmental management and performance of our operations. Read more on page 47.

Community investment

Wherever we operate we actively promote local collaboration to offer support where it is needed to people working and living in our communities.

Our 'Strengthening our Communities' investment framework creates sustainable partnerships and opportunities for our people to be involved in their community. Examples of some of our community initiatives this year are outlined on page 58-59.

CASE STUDY

WORKING TOGETHER FOR RESPONSIBLE WASTE OIL MANAGEMENT IN THE PACIFIC REGION

BlueScope Pacific Steel Fiji, New Zealand & Pacific Islands received BlueScope's FY2021 Community Engagement Award, recognising the team's work to co-ordinate, collect and reuse waste oil products from communities across the Pacific. Working with Pacific Bulk Fuels (New Zealand), Fish Kiribati Limited, respective Government departments, shipping agents and local communities, the team has collected approximately 21,000L of waste oil, removing a significant environmental risk from small Pacific Island nations who have limited other means to destroy or safely dispose of waste oil. The team is exploring opportunities to extend the program to other areas of the Pacific.

Strengthening our Communities

Health, Safety & Environment

BlueScope has been a long-standing supporter of Lifeline South Coast in the Illawarra region. In addition to financial support given through the BlueScopeWIN Community Partners program, BlueScope employees may train to be volunteer crisis supporters. This year, employees were also offered the opportunity to participate in suicide awareness training and learn how to become aware of the warning signs of suicide and play a role in suicide prevention.

NS BlueScope Indonesia has supported two inspiring local community organisations who help those less fortunate struggling in difficult times exacerbated by the coronavirus. Donations from employees provided over 150 food parcels to an organisation that supports families in the local Cilegon community, and care parcels for children with disabilities, for an orphanage and a home for the elderly close to its Lysaght operation.

NS BlueScope Thailand teams donated funds and a large selection of baby goods to an orphanage in the local community that is home to up to 300 babies and young children. The team's contribution has helped give the children a better and more secure future.

STEAM[25]

BlueScope Butler China has been building partnerships with local schools, aiming to help students build skills, choose a career and enter the workforce. In a new venture of cooperation with local schools, one of the Company's structural engineers spoke to students at the Shanghai City School of Science and Technology about working with steel structures. In return, students have visited BlueScope Butler's operations to learn more first-hand. The Company also hosted competitions in CAD to help sharpen the students' professional skills as they built models of miniature steel buildings. The project will be offered to more students in the future.

Australian Steel Products has partnered with government to establish a STEM Academy in the Illawarra region. Read the case study on page 60.

Shelter

Through the BlueScope Foundation and its partnership with United Way, BlueScope North America supports a number of organisations in line with our community framework, including Sunflower House, an agency that provides support and healing for families and children who have been physically or sexually abused. Even though working remotely, BlueScope employees continued to participate in fundraising activities to support Sunflower House. In ASEAN, NS BlueScope Vietnam has continued its partnership with local builders and suppliers to provide homes for disadvantaged families.

25 Science, Technology, Engineering, Arts, Maths.

CASE STUDY

SUPPORTING COMMUNITIES THROUGH COVID-19

We continued to support communities affected by the COVID-19 pandemic this year.

To assist our colleagues in Tata BlueScope Steel, BlueScope people in Australia, China, the US, Singapore and India worked together to source and ship N95 masks, oxygen concentrators and ventilators to India for donation to communities and hospitals in great need.

In Australia we donated funds to services supporting women and families, following increased mental health and domestic violence issues during the pandemic.

In Indonesia Lysaght Cilegon donated goods, funds and masks to organisations working to protect the community from the pandemic.

New Zealand Steel worked with local iwi group, Ngāti Tamaoho, and a registered health provider to host COVID-19 vaccination centres at its Glenbrook and Ōtāhuhu facilities for employees and contractors (pictured).

In North America, North Star donated USD$10,000 to the "V Project", joining industry, government and community leaders to raise awareness and encourage vaccinations. They also hosted an onsite vaccination clinic for employees, contractors and family members.

Education

In Australia, our Western Port site has a long history of supporting local primary schools. This year it provided shade sails for playgrounds, and educational books and games in Starting School Packs given to each child commencing in one of the three local primary schools. This donation is part of its partnership with the Linking Schools and Early Years organisation, helping young people and their families meet their school needs.

Since 1954 the BlueScope Foundation has issued over 500 scholarship awards totalling more than US$4 million in scholarship funds that have changed the lives of children of BlueScope employees. In FY2021 seven Baccalaureate Awards and two Centennial Awards were granted.

BlueScope Buildings North America has engaged in a new community mentoring program that matches employee mentors with students who have similar interests or career aspirations. Mentors serve as motivators, listeners and advocates for the students, 90 per cent of whom are ethnically diverse or people of colour. Mentoring helps youth form supportive relationships and connects them with resources which help them thrive, while the mentors gain insights into the lives of area students and connect with real issues and needs in their local community, building strength by investing in the future generation.

Community buildings

New Zealand Steel has a long-standing relationship with local iwi groups Ngāti Te Ata and Ngāti Tamaoho and recently worked with them to re-roof a Whare Oranga (place of wellbeing), with local students also joining in an interactive training session with roofing experts.

NS BlueScope Vietnam employees joined forces with builders, authorised dealers and other partners to install 300 new roofs on the homes of those in need across 13 regions of Vietnam. This is yet another example of our people living Our Purpose to strengthen our communities for the future.

Inclusion & Diversity

BlueScopeWIN Community Partners program has supported the launch of Frame Running Wollongong, an innovative and inclusive initiative for children of the Illawarra with a physical disability or impaired balance. The Frame Runner – a 3-wheeled trike – gives children living with mobility issues the freedom of movement and enables them to participate in recreational and social activities.

During the Christmas and holiday period our North American businesses provided meals, raised money and donated goods to local foodbank and other community organisations.

CASE STUDY

STEM Industry School Partnership

Australian Steel Products has partnered with the NSW Department of Education to establish a STEM Academy in the Illawarra region, as part of the STEM Industry School Partnership (SISP) Program.

Designed to give students practical and real-world insights into their classroom learning, the partnership is an opportunity for BlueScope employees to inspire and support the next generation of technical experts, industry leaders and product innovators.

As an Industry Partner, BlueScope will assist the SISP program to develop real world teaching and learning tasks, raise awareness of STEM careers that are supported in the local community, build STEM-based skills appropriate to the local workforce needs and enable professional learning opportunities for SISP teachers, such as this tour of our Port Kembla Steelworks this year.

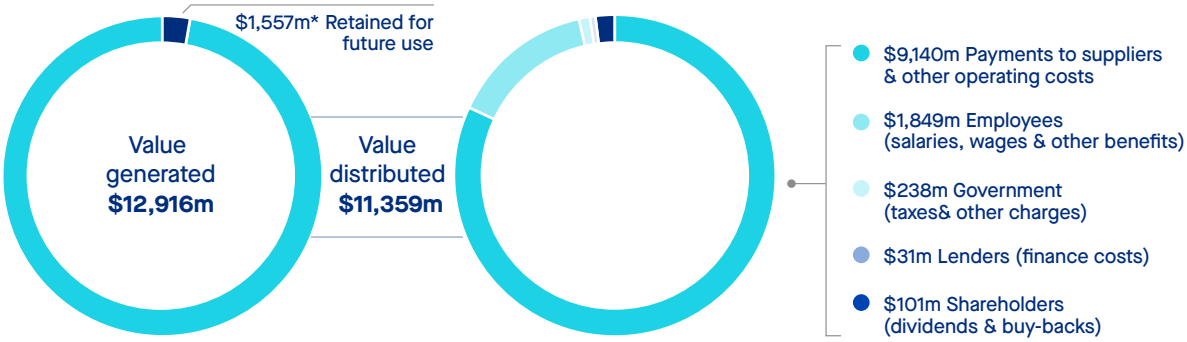
BlueScope volunteers can offer their time and experience to bring to life STEM learning experiences through employee video interviews and other materials for classroom learning content, and reviewing and making suggestions on school-based STEM curriculum.

Economic contribution

As we continue to invest and prosper through long term asset development, we share our success through our economic contribution to the communities in which we operate.

We reinvest most of the direct economic value we generate into the countries where we operate with a significant amount directly into local communities close to our operating sites, generally as payments to our suppliers and our employees. We pay a significant amount of the balance back to governments (in the form of taxes and other charges), and to our shareholders. We invest the amount we retain for future use back into the Company to assure its future sustainability.

OUR DIRECT ECONOMIC VALUE GENERATED[26] AND DISTRIBUTED IN FY2021



* Of this, approx. $222 million will be used to pay final and special dividends determined in relation to FY2021.

26 Based on direct revenue representing receipts from customers and other income. Read more in our FY2021 Annual Report, available on our website.

BlueScope is a

TOP 100

Key taxpayer in Australia

Tax contribution

BlueScope makes a significant tax contribution and we are subject to the tax regimes in each country where we have a presence. Our Tax Governance Framework underpins our approach, and we strive to pay the right amount of tax at the right time and transparently report our payments. BlueScope is committed to complying with the law and the intent of the law and manages its tax affairs to protect its reputation.

Wherever we operate we conduct business responsibly and ethically, and work to prevent instances of bribery and corruption which take resources away from communities and governments. BlueScope will only undertake transactions that are aligned with Our Bond, Our Purpose and corporate strategy, have clear commercial objectives, and do not rely on returns driven by tax for their commercial effect. We will not operate artificial or contrived tax structures.

BlueScope seeks to foster a transparent and cooperative relationship with tax authorities and governments more broadly. In Australia, we engage transparently with the Australian Taxation Office (ATO) through the Pre-lodgement Compliance Review process in relation to income tax and goods and services tax. Our provisional high assurance rating gives confidence to the Australian community that the ATO considers BlueScope to be paying the right amount of tax.

BlueScope is committed to transparent tax reporting. Our FY2021 Tax Contribution Report is available on our website.

Governance

Activity in line with BlueScope's Strengthening our Communities framework is reported annually to the Board. The HSE Committee of the Board oversees the Company's community engagement and risk management activities and receives quarterly performance reports.

The Audit Committee of the Board sets the Group's tax risk appetite and has ultimate responsibility for ensuring there is an effective process to manage tax risk. The Audit Committee approves the Tax Governance Framework by which the Group operates. The Vice President Tax and CFO are responsible for monitoring the effectiveness of the Tax Governance Framework and must report any material tax issues to the Audit Committee and, in certain circumstances, to the Board.

CASE STUDY

SHARED OPPORTUNITY FROM THE PORT KEMBLA STEELMAKING REVIEW

BlueScope's Port Kembla Steelworks makes an important contribution to local, regional and national economies. BlueScope employs around 3,000 people directly, in the Illawarra, supporting around 9,000 jobs in total - including contractors, suppliers and other service providers who are dependent on the Steelworks.

Responsible for around 24 per cent of annual regional output, the Port Kembla Steelworks' impact on the local Illawarra economy is significant.[27]

The proposed reline of the No.6 Blast Furnace at Port Kembla Steelworks, currently subject to a pre-feasibility study, would create approximately 250 full-time equivalent jobs for the duration of the project. It would have an estimated capital investment of $700 – $800 million and be executed over approximately three years, generating demand for a wide range of local suppliers. Our work on options for the future configuration of the Steelworks will consider a range of technologies to reduce GHG emissions intensity in iron and steelmaking.

Read more about the future of steelmaking at Port Kembla and our decarbonisation pathways in our Climate Action Report, available on our website.

27 Source: IRIS Economic Impact Study 2017.

Governance

Strong governance is an important aspect of BlueScope's culture. Our commitment to sustainable governance is led from the top, with clear accountabilities for oversight and implementation of our sustainability commitments.

Our Board, with the assistance of its Committees, oversees all sustainability matters, while day-to-day accountability rests with BlueScope's ELT and other management.

The Board has established the following Committees and leadership structure:

BlueScope Board

Oversees the management of BlueScope Steel Limited and its controlled entities and, whenever required, challenges management and holds them to account.

Responsible for demonstrating leadership, including in:

- Setting and instilling values and standards of conduct to underpin the desired Group culture
- Defining purpose, setting direction and strategies and assessing and monitoring performance
- Governance and risk management, including approving Group risk appetite
- Overseeing executive talent and Group people and remuneration policy.

Risk & Sustainability Committee

- Risk management
- Overseeing sustainability strategy
- Business conduct, ethics and compliance
- Corporate governance

Health, Safety & Environment Committee

- Monitoring compliance with HSEC policy and legislation
- Reviewing HSEC risks and controls
- Overseeing BlueScope's management of HSEC hazards and incidents

Remuneration & Organisation Committee

- Overseeing people strategy
- Overseeing remuneration practices and ensuring they provide value for shareholders
- Fair reward and succession planning

Audit Committee

- Internal controls
- Internal and external audit
- Financial reporting

Nomination Committee

- Board evaluation
- Board renewal and succession planning
- Managing Director & CEO and Board Chair succession planning

Executive Leadership Team (ELT)

Functional-specific Leadership Teams

(including Sustainability Council, Central Safety Committee, Climate Change Council, People Leadership Team and the Social Compliance Steering Committee)

The Board is provided with regular Climate Strategy updates on a bi-annual basis, at a minimum, including progress made towards our targets, decarbonisation pathway, and external collaborations and partnerships. The Board is also provided with regular updates on climate developments and associated impacts for the industry and BlueScope.

The Sustainability Council and other leadership groups, including the Central Safety Committee and the Climate Change Council, support the implementation of governance programs and provide recommendations to the ELT, Board and relevant Committees.

Further information about our governance structures, including Directors' skills, Committee memberships and meeting attendance is included in our FY2021 Directors' Report now available on our website and FY2021 Corporate Governance Statement which will be available on or about 21 September 2021.

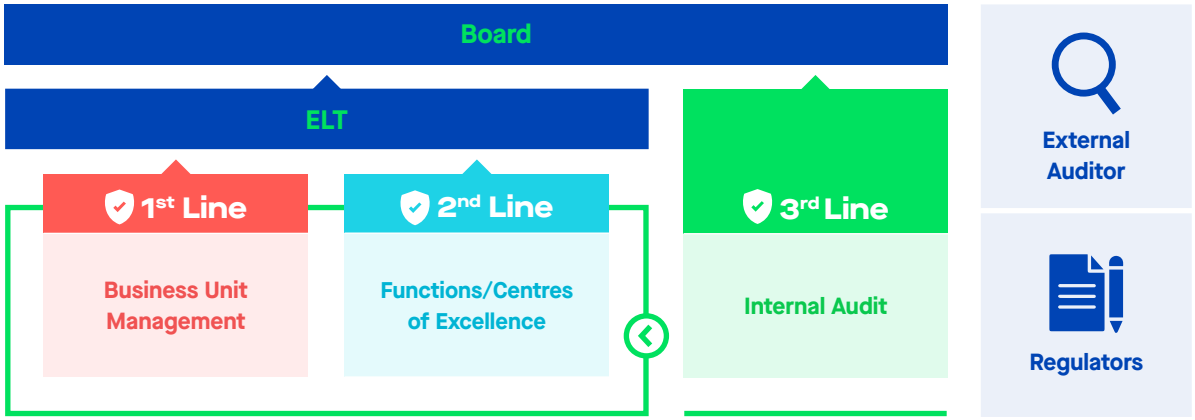
Risk management

BlueScope is committed to an integrated approach to managing risk. We aim to have a proactive risk culture, ensuring a balanced approach to managing uncertainty in the delivery of strategic and commercial outcomes.

Our Group Risk Appetite statements set the fundamental principles that govern the way we will execute our strategy and the acceptable level of risk. Understanding risk, and our appetite for particular types of risk, is a key consideration in our decision making. Seven broad categories set the framework by which business risks are to be identified and managed (see below).

Our integrated framework of risk management, policies, procedures and controls means that decisions are made as close as possible to the source of risk. Our three lines of accountability model (pictured) aims to ensure clear accountabilities through the Group. This includes our Business Unit management at the first line of accountability, followed by the Functions/Centres of excellence in the second line and Internal Audit representing the third and final line of accountability. Our leaders are empowered to own and manage risks directly, with the support of second line centres of excellence and third line independent assurance for the oversight of senior management and the Board. Each business unit's performance against the Group Risk Appetite is monitored quarterly and the consolidated metrics reported to the RSC.

Further information about our risk management approach is on our website.



RISK CATEGORIES

Compliance and Ethical Conduct | Financial | Health, Safety, Environment & Communities | Markets and Products | Operations | People and Remuneration | Technology

Executive Remuneration

BlueScope's remuneration framework drives alignment and accountability to deliver sustainable profitability across the cycle and is aligned with the creation of shareholder value. The Board therefore takes great care to ensure that as business priorities evolve, so too do BlueScope's remuneration arrangements.

All members of the ELT have a component of their short-term incentive (STI) linked to specific sustainability measures aligned to BlueScope's material sustainability topics. These measures give the ELT a clear line of sight to the topic and ensure they can directly contribute to performance through their actions. Safety performance is a core element of each executive's remuneration in the STI scorecard. Since FY2019 the Managing Director and CEO and the leaders of steelmaking sites have had specific annual performance objectives linked to BlueScope's Climate Strategy and steelmaking emissions intensity reduction target.

From FY2022, safety and ESG measures including climate change will form 25 per cent of the STI scorecard for the Managing Director & CEO and all members of the ELT, reinforcing the criticality of these elements for our business.

From FY2022 all ELT have a portion of their remuneration linked to achievement of our Climate Strategy.

Further information on executive remuneration policies and FY2021 performance is in our FY2021 Directors' Report on our website.

Compliance and ethical conduct

At BlueScope we are committed to ethical conduct and fostering a culture of speaking up when something isn't right.

Our refreshed Code of Conduct, *How We Work*, was launched this year and sets out our expectations for employees and those we do business with, including those on human rights. *How we Work* is published in 12 languages to ensure it is accessible to all employees. It is available on BlueScope's intranet and internet, as well as in hard copy across BlueScope sites. *How We Work* was communicated across our global business this year, accompanied by manager toolkits, a team conversation guide and posters (see our case study on page 29).

Our Supplier Code of Conduct sets out BlueScope's minimum expectations for suppliers and confirms our commitment to partnering with those who share our values. Read more about the roll out of the Code in *Supply Chain Sustainability* (page 43).

Our Ethics and Compliance function supports business units to manage and control compliance risk. With specialist Ethics and Compliance professionals working in our businesses, we are strengthening our compliance culture by reinforcing our policy framework, building awareness through training and regular engagement with employees and fostering a culture of proactive reporting.

BlueScope is currently defending civil proceedings commenced against it, and a former employee, by the Australian Competition and Consumer Commission alleging contraventions of the Australian competition law cartel provisions. The proceedings remain ongoing.

Our Code of Conduct, *How We Work*, our Speak Up Policy and details about our Speak Up Hotline are on our website.

Industry associations

BlueScope is a member of various industry associations in many of the countries in which it operates. Most of these memberships are of professional or technical associations, such as those that support employee career development, climate change and energy matters or the development of industry standards.

Several memberships allow BlueScope to take positions on and participate in consultation on developing public policy. The Company participates in these associations to be better informed and contribute its views and experience about public policy that has the potential to affect the Company.

In FY2020 we published an Industry Associations Governance Standard. The Standard details the five principles which guide our membership of industry associations, and the processes by which we assess alignment between the public policy positions of the industry association and BlueScope's position as stated in public documents. An annual summary of these assessments is reported to the Board's RSC.

Based on our most recent assessment, we do not believe there are any material differences between BlueScope policy and the policy positions of the six key industry associations in Australia that we belong to.[28]

BlueScope's first Climate Action Report presents our position on climate change, and provides further details on our approach to public policy and advocacy. This Report, and BlueScope's Industry Association Governance Standard, is available on our website.

CORPORATE CONFIDENCE INDEX SURVEY

BlueScope regularly monitors investor perceptions of its performance through the Corporate Confidence Index (CCI). BlueScope was rated in the top five against other Australian listed companies in the May 2021 CCI survey for each of the measures listed below:

- Effective CEO
- Capable senior executives
- High standard of corporate governance
- Appropriate Board composition
- Judgement in acquisitions/divestments/investments
- Strong free cash flow next 12 months
- Communicates well with investment community
- High level of integrity
- Good market disclosure
- Informative management briefings
- Good access to senior management.

28 Australian Industry Group (AiGroup), Australian Industry Greenhouse Network (AIGN), Australian Steel Institute (ASI), Business Council of Australia (BCA), Energy Users Association of Australia (EUAA), Manufacturing Australia (MA).

About our Report

This Report outlines the sustainability performance of the consolidated entity ('BlueScope' or 'the Group'), consisting of BlueScope Steel Limited ('the Company') and its controlled entities for the year ended 30 June 2021. Our last report was released in September 2020 and is on our website.

Unless otherwise stated, environment data reported utilising an equity share approach, production and safety metrics reported on a financial control basis and people data is reported on a head count basis. All financial information is reported in Australian Dollars unless otherwise stated.

BlueScope endeavours to ensure the data in this report is as accurate and up to date as possible to enable readers to understand our performance and compare it to prior periods. Where appropriate, historical data has been restated to present data on a consistent and comparable basis and an explanation is provided. We have not sought external assurance over disclosures in this Report.

Our FY2021 Report presents material sustainability information in line with generally accepted disclosure frameworks and BlueScope's corporate approach for reasonable and responsible disclosure. The Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards at a Core level. We provide climate-related disclosures in alignment with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We have also identified our reporting metrics that are consistent with the Sustainability Accounting Standards Board (SASB) Industry Standard for Iron and Steel Producers and the UN Sustainable Development Goals.

Forward looking statements

This report contains certain forward-looking statements, which can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "intend", "anticipate", "estimate", "continue", "assume", "project" or "forecast" or the negative thereof or comparable terminology. This report has also utilised publicly available third-party information and forward-looking statements, for example forecasts from the International Energy Agency (IEA) were utilised in the development of the scenario analysis. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, performances or achievements, or industry results expressed or implied by such forward-looking statements.

Forward looking statements should be read in the context of such risks, uncertainties and other factors. Accordingly, this report should not be relied upon as a recommendation or forecast by BlueScope, its related or controlled entities or officers, directors, employees or agents (**BlueScope entities**), and the BlueScope entities disclaim any liability whatsoever (including for negligence) for any loss howsoever arising from any use of this report or reliance on anything contained in or omitted from it or otherwise arising in connection with this.

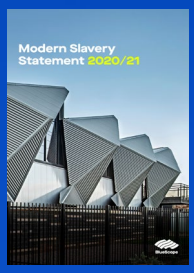
The BlueScope entities further disclaim any duty or undertaking, except to the extent required by law or the Listing Rules of the Australian Securities Exchange, to release publicly any updates to any forward-looking statement contained herein to reflect changes to relevant risks, uncertainties or other factors, and/or the BlueScope entities' understanding of them.

Sustainability Data Supplement

This year we introduced BlueScope's FY2021 Sustainability Data Supplement, which includes detailed data, metrics, glossary of terms and guidance on how Sustainability Report content aligns with generally accepted disclosure frameworks. The Supplement is available on our website.

BlueScope

Click to read our other reports



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Authorised for release by Debra Counsell
Chief Legal Officer and Company Secretary
September 2021

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