

ADAPTable: BlueScope's Approach to Sustainability

A Message from Mark Vassella (Managing Director and CEO, BlueScope)

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

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

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

In our 2017 Sustainability Report we made a commitment to focus our attention on climate change and report in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Since then we have analysed how three different climate change scenarios may affect our business, and this is discussed in detail in the body of the report. This work has reinforced our belief in BlueScope's resilience and confirmed the essential role steel must play in a low carbon economy.

We support the international climate agreement developed at the 2015 Paris Conference of Parties as well as the Nationally Determined Contributions of the countries where we operate. We recognise that the changes required to achieve these targets will require organisations around the world to reduce greenhouse gas (GHG) emissions to transition to a more sustainable economic model. It is important to acknowledge that through the removal of surplus export steelmaking capacity, BlueScope has reduced its Australian GHG emissions by over 40 per cent since 2011, making a significant contribution to Australia's commitment to a 26% to 28% reduction on 2005 levels under the Paris agreement.

This year we developed continuous improvement targets, based on our 2018 performance, for reducing GHG emission intensity for all three of our steel manufacturing sites. These will ensure we follow the path described by the International Energy Agency 2 Degree Scenario (IEA 2DS) model at least until 2027. We are also encouraging all our businesses to consider a move to renewable energy wherever it is commercially viable – in support of the energy sector's transition to a low carbon future.

Recently we announced a very important renewable energy Power Purchase Agreement, equivalent to 20% of Port Kembla Steelworks' electricity grid demand. We acknowledge we have more work to do to ensure we follow the IEA 2DS route out to 2050 and we are actively seeking opportunities to do so.



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

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

In 2018, our total global fresh water consumption reduced mainly due to the sale of our Taharoa ironsand business and from improvements at Port Kembla Steelworks, but again we see challenges here. We are determined to revitalise our efforts to ensure fresh water consumption is managed efficiently and our fresh water use is minimised.

We are committed to pursuing an ever-decreasing environmental footprint by directing our efforts to reducing consumption, reusing materials and recycling. Our manufacturing teams pursue cost reduction initiatives across every aspect of our business with a specific focus on energy and adopting renewable sources wherever it make sense; our technical and sales people have found many innovative ways of creating valuable products by reusing material originally considered waste; and we have increased our focus on all waste streams to ensure our operations are as efficient as possible.

Scrap steel (the most recycled material in the world) remains a very important raw material for all our steelmaking operations – and especially at our North Star facility in North America.



Image courtesy of BlueScope.

In our 2017 Sustainability Report, we made a statement of commitment to the UN Guiding Principles on Business and Human Rights. To ensure we live up to our obligations we have initiated a significant project to review our supply chain, segment it based on risk, and develop plans for ensuring all our suppliers are committed to operating to a similar set of values to those expressed in *Our Bond*.

In recent years, we have increased the emphasis on diversity and we have focused initially on improving our gender balance. During 2018, we have made significant gains across all levels of our Company: one in three new recruits in operating roles is female, we have doubled the rate of hiring women to all roles across the Company, and women now comprise 33% of our Board and Executive Leadership Team. Every business, in every region, has made a determined effort and contributed to this change which is actively reshaping our organisation and building the Company we want to be in the future.

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

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BLUESCOPE'S BOND

OUR CUSTOMERS ARE OUR PARTNERS

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

OUR PEOPLE ARE OUR STRENGTH

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

OUR SHAREHOLDERS ARE OUR FOUNDATIONS

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

OUR COMMUNITIES ARE OUR HOMES

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