

**COMMUNITY, SAFETY
AND ENVIRONMENT
REPORT 2006**

BLUESCOPE STEEL LIMITED

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CHALLICUM HILLS, VIC., AUSTRALIA
Wind towers of XLERPLATE® steel
power Challicum Hills Wind Farm.

Front and back covers: CRANBOURNE, VIC., AUSTRALIA
BlueScope Water partnered with Royal Botanic Gardens
Cranbourne, Victoria to create the Australian Garden.
Stage One opened in May 2006. When Stage Two is
completed in 2010, the Garden will cover 21 hectares
and feature nearly 100,000 plants including 2,000 mature
trees in 15 different wet and dry landscape displays and
exhibition gardens.

2005/06 HIGHLIGHTS

99% OF EMPLOYEES ARE SHAREHOLDERS

93% OF EMPLOYEES INVOLVED IN MONTHLY SAFETY AUDITS

BEST EVER LOST TIME INJURY FREQUENCY RATE OF 0.8 (DOWN 20%)

90% OF GENERAL WASTE AT INDONESIA'S OPERATIONS RECYCLED OR REUSED

FRESHWATER USAGE AT PORT KEMBLA STEELWORKS HALVED

ENVIRONMENTAL COMPLIANCE SYSTEM IMPLEMENTED IN 70% OF OPERATIONS

OVER \$2 MILLION SPENT ON COMMUNITY PROGRAMS

FROM THE BOARD

In recognition of the importance of health, safety and the environment, the BlueScope Steel Board of Directors, at the time of public listing in 2002, established a Health, Safety and Environment Committee, of which all Directors are members. The Committee sets policy to guide management and monitors the performance of the Company.



OUR BOND

WE AND OUR CUSTOMERS PROUDLY BRING INSPIRATION, STRENGTH AND COLOUR TO COMMUNITIES WITH BLUESCOPE STEEL.

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.

Steven Van Der Peet of Western Port plant.

MESSAGE FROM BLUESCOPE STEEL LEADERS



Executive Leadership Team (left to right): Kathryn Fagg, Ian Cummin, Kirby Adams, Paul O'Malley, Noel Cornish, Brian Kruger, Lance Hockridge.

Dear neighbours and colleagues,

Our world is facing a number of environmental challenges from climate change and greenhouse gas emissions, to air pollution and drought.

BlueScope Steel is well aware of these issues and is taking action to progressively reduce our effect on the environment. During the year, we have undertaken a number of significant environment initiatives.

Water shortages and water quality are a major concern for many of the communities in which we operate. We have taken a leadership role in water conservation and recycling. This year, we partnered with Sydney Water to reduce our fresh water usage by more than 50 per cent.

This initiative is complemented by water reduction programs at our Port Kembla Basic Oxygen Steelmaking (BOS) and CRM Service Centre operations. At our Western Port facility, we are investigating ways to further reduce our water consumption in Victoria.

In addition to these programs, through our fast-growing BlueScope Water business, we manufacture and sell rainwater harvesting products, tanks for urban, rural and commercial use, and storm water, culvert and irrigation infrastructure systems.

In November, we announced the signing of a landmark agreement with the New South Wales government. This agreement allows the Company to begin plans to cut greenhouse gas emissions in the Illawarra by recycling the waste gases from steelmaking for possible use in electricity production.

BlueScope Steel is undertaking a feasibility study on building a co-generation plant at our Port Kembla site that would make this possible. It is estimated the co-generation plant would save about

800,000 tonnes of greenhouse gas emissions from entering the atmosphere every year – equivalent to taking 185,000 cars off the road.

In 2005/06, we further improved our safety record and set new benchmarks. For the first four months of this year (2006/07), the Company's Lost Time Injury Frequency Rate (LTIFR) is 0.4 lost time injuries per million hours worked. We are very proud of this accomplishment, particularly when compared to the International Iron and Steel Institute average LTIFR of around 10.0.

In the community, we have a long-term commitment to the environment and education, and have community partnerships supporting the arts, culture and youth. In Asia, we have a history of supporting emergency relief projects including providing emergency houses, schools and medical clinics.

OUR WORLD IS FACING A NUMBER OF ENVIRONMENTAL CHALLENGES FROM CLIMATE CHANGE AND GREENHOUSE GAS EMISSIONS, TO AIR POLLUTION AND DROUGHT. BLUESCOPE STEEL IS WELL AWARE OF THESE ISSUES AND IS TAKING ACTION TO PROGRESSIVELY REDUCE OUR EFFECT ON THE ENVIRONMENT. DURING THE YEAR, WE HAVE UNDERTAKEN A NUMBER OF SIGNIFICANT ENVIRONMENT INITIATIVES.

Our communities are our homes. All of us who work at BlueScope Steel embrace this responsibility. Our community, safety and environment responsibilities are integral to the way we do business.

We thank you for your support over this past year and look forward to developing new opportunities together in the coming year.

ENVIRONMENT IMPROVING OUR PERFORMANCE



Our Western Port site has programs in place to reduce its water use and the volume of industrial waste going to landfill.

Steel is integral to our world today and it is important steel producers are environmentally responsible.

At BlueScope Steel, we are committed to responsible environmental management and strive for improvement in our environmental performance.

We place great importance on the way we manage the effect of our operations and products on our communities.

Although our operations are spread throughout Australia, New Zealand, Asia, and North America, and operate under many different regulatory environments, licence requirements and legal jurisdictions, we seek to meet community expectations wherever we operate.

We are committed to the efficient use of resources, reducing and preventing pollution, and product stewardship that focuses on all aspects of the product lifecycle.

As our business expands throughout Asia, we are implementing environmental equipment, processes and education programs at our new facilities so that they too, minimise the environmental effect on local communities.

Each year, BlueScope Steel contributes data to Australia's National Pollutant Inventory, which can be viewed at www.npi.ea.gov.au.

WATER – USING LESS AND LESS

BlueScope Steel's major production facilities have traditionally been large consumers of water which is used in both the production and processing of steel.

In many of the areas in which we operate, water shortages and water quality are significant issues for communities. We continue to pursue strategies to reduce fresh water consumption and increase the use of recycled water, where possible.

Our Port Kembla and Western Port operations have extensive water reduction and recycling programs in place, which have resulted in a significant reduction in both fresh water consumption and fresh water intensity (kilolitres per tonne of raw steel produced) in recent years.

These strategies are also being implemented at our new facilities in Asia.

BLUESCOPE WATER

Our water conservation efforts are complemented by our BlueScope Water business which serves the growing Australian and international market for efficient rainwater harvesting tanks and systems, and agricultural irrigation pipelines.

BlueScope Water has manufacturing and retail capabilities in Melbourne, Sydney, Brisbane and Perth.

REDUCING WATER USE AT PORT KEMBLA BASIC OXYGEN STEELMAKING (BOS) PLANT

Significant improvements in water management are saving 130 megalitres of fresh water each year at the Basic Oxygen Steelmaking (BOS) plant in Port Kembla. This has been achieved by increasing the amount of reused water taken from the Hot Strip Mill, thus decreasing the demand for fresh water.

In October 2005, a new air-conditioning cooling tower was commissioned, reducing the use of 'once through' fresh water for cooling and allowing the BOS to reuse more water recycled from the Hot Strip Mill.



A Great Egret wades into the lagoon near Port Kembla. The Port Kembla Steelworks has more than halved its use of fresh water through a recycling program with Sydney Water.

Water meters were also installed on several critical water supplies. These meters have allowed for more accurate accounting of water use, identifying issues and assisting in the development of future water saving activities.

Water consumption at the BOS has reduced from 0.25 kilolitres per tonne of steel in mid 2005 to 0.17 kilolitres per tonne of steel in May 2006 – a 32 per cent reduction. This reduction in water use has also translated into annual cost savings of A\$250,000.

LESS MEANS MORE FOR WATER RECYCLING INITIATIVE AT PORT KEMBLA

A recycling initiative between BlueScope Steel and the Sydney Water Corporation is playing a major role in preserving precious water supplies, while providing a significant environmental benefit for the Illawarra region of New South Wales, Australia.

Sydney Water Corporation's new Wollongong Sewage Treatment Plant provides up to 20 million litres of reverse osmosis recycled water a day to the Port Kembla Steelworks,

replacing the same amount previously drawn from the Illawarra's main water supply – Avon Dam.

This landmark recycling initiative was activated on 11 September 2006 by NSW Premier Morris Iemma. Said the Premier: "BlueScope Steel has taken magnificent strides in the last decade in reducing its call on drinking water."

The project reduces the Port Kembla Steelworks' fresh water use by more than 50 per cent. It complements an existing water reduction program that had already reduced the Steelworks' fresh water consumption from almost 50 million litres a day to 37 million litres.

The new partnership with Sydney Water will further reduce the draw on fresh water from Avon Dam from 37 million litres a day to 17 million litres a day. In addition, 20 million litres of waste water, that would otherwise have been pumped into the ocean, will be used on the Port Kembla sites.

MEETING THE GREENHOUSE AND ENERGY CHALLENGE

Steel is a vital component in almost every part of the built and manufactured environment – from cars, to office buildings, houses, bridges, industrial equipment and home appliances.

Carbon is an essential ingredient in the chemistry of steelmaking. An increased concentration of carbon dioxide and other greenhouse gases in the earth's atmosphere is said by many experts to contribute to the phenomenon of global warming.

BlueScope Steel recognises that global warming is a serious community concern that requires a global response. We are conscious of the need to do our part in helping reduce greenhouse gas emissions.

Given the role of carbon in steelmaking, new technology will be vital in helping meet the greenhouse and energy challenge. That's why BlueScope Steel supports the Asia – Pacific Partnership on Clean Development and Climate ("APG") and the International Iron & Steel Institute's CO2 Breakthrough Project. These programs are aimed at developing new technologies to reduce carbon dioxide emissions.

One project being considered by the Company in Australia is a cogeneration plant at our Port Kembla Steelworks. A cogeneration plant would use by-product gases that are currently flared, to generate electricity, and has the potential to save around 800,000 tonnes of greenhouse gas emissions per year.

BlueScope Steel will continue to seek opportunities to improve productivity and energy efficiency in order to reduce the greenhouse intensity of the steel it makes.

ENVIRONMENT CASE STUDIES



ENVIRONMENTAL MANAGEMENT SYSTEM

BlueScope Steel's Health, Safety, Environment and Community Policy provides the foundation for the way in which the environment is managed at all levels of the organisation.

We have comprehensive environmental management systems in place to enable us to evaluate, manage and continually improve our environmental performance.

BlueScope Steel has developed a compliance system to enable our environmental responsibilities to be appropriately managed. This system has been successfully implemented at approximately 70 per cent of our operations, including Port Kembla, Illawarra Coated Products and Western Port. The system is expected to be in place in the rest of the Company's Australian and Asian operations by the end of 2007.

MATERIAL EFFICIENCY – NEW USES FOR BY-PRODUCTS

BlueScope Steel has implemented a number of initiatives to reduce the generation of waste materials, reuse waste materials in the steelmaking process and recycle waste materials offsite, often finding alternate markets for steelmaking by-products.

Many by-products are recycled into the steelmaking process, including dusts, greases and oils, and refractories. Associated wastes, including concrete, bulk plastic bags and timber are also recycled.

By-products and associated waste have many uses from road base, concrete and cement to garden mulch. A number of operations are also implementing innovative ways to reduce packaging materials used to transport products.

Together, these initiatives have prevented thousands of tonnes of waste materials going to landfill each year.

STEEL – THE WORLD'S MOST RECYCLED MATERIAL

Steel is the most recycled material in the world. BlueScope Steel works alongside other international steel companies to ensure the highest possible percentage of steel is recycled and used again in the steelmaking process. Steel companies essentially recycle all the available steel used in the production of new steel.

STEEL PLAYS AN ESSENTIAL ROLE IN TODAY'S SOCIETY. STEEL PRODUCTS MANUFACTURED BY BLUESCOPE STEEL ARE VITAL COMPONENTS IN ALMOST EVERY PART OF THE BUILT AND MANUFACTURED ENVIRONMENT – FROM CARS, RAILWAYS, BRIDGES AND ROADS, TO PIPELINES, WIND TURBINES, MACHINERY, HOUSES, FENCES AND EVEN THE BACKYARD SHED.



Far left: Shane Whalley at the Port Kembla BOS plant cooling system.

Left: Port Kembla employees, participating in an environment training session, make their way to the nearby Tom Thumb Lagoon Wetland. The wetland is an important habitat for protected migratory birds.

Right: Record crowd cleans up New Zealand's Franklin beach with volunteers aged 3 to 70 years old.

AIR QUALITY

We recognise that our two integrated steelworks, located at Port Kembla in Australia and Glenbrook in New Zealand, affect air quality.

Due to the nature of the steelmaking process and the size of these operations, air pollutants such as oxides of sulphur and nitrogen, greenhouse gases, dust and odours have the potential to affect our communities.

We remain committed to reducing air emissions from our sites and improving air quality in the communities in which we operate. The extensive installation of pollution control equipment, operational changes, improved practices and procedures, the sealing of roads and the installation of stockpile sprays and facilities for washing trucks have all contributed to reducing air emissions from our sites.

RECORD NUMBERS TURN OUT FOR BEACH CLEAN-UP

A record number of people turned out to help clean up Franklin's busiest beach, Karioitahi, in September.

The fourth annual New Zealand Steel Beach Clean-Up attracted 320 people, up from 200 last year, from New Zealand Steel and throughout the region. Volunteers ranged in age from three to over 70.

Ten tonnes of rubbish was collected on the day compared to 30 tonnes last year, possible proof that the message about the responsible disposing of rubbish is getting through.

New Zealand Steel organisers were delighted with the record turnout and the wonderful support from sponsoring business and community groups.

ENVIRONMENT CASE STUDIES

Greenery surrounds the Port Kembla site.



HEAT EXCHANGER REDUCES WATER USE AT CRM SERVICE CENTRE PORT KEMBLA

The installation of new water cooling equipment at Port Kembla's CRM Service Centre has resulted in a 60 per cent reduction in fresh water use for manufacturing.

The paint coating line at the CRM Service Centre at Port Kembla produces 65,000 tonnes of painted steel each year.

Water is used to cool the steel strip as it exits the paint drying ovens. The prime coat oven used fresh water to keep the quench cooling water at the required temperature, while the finish coat oven used water recirculated from a cooling tower.

Tests showed that using the cooling tower water for the prime quench had an adverse affect on the prime coating process. An alternative solution to using cooling tower water was required.

The solution was achieved by using a heat exchanger to indirectly cool the prime quench water, and by upgrading the cooling tower system for the increased heat load.

New equipment, installed in November 2005, resulted in a daily saving of 80 kilolitres of fresh water and 65 kilolitres of effluent.

Other processes at CRM are under review to achieve the site's objective of the lowest economically practical water use and wastewater discharge, continuing BlueScope Steel's commitment to responsible use of resources and to the environment.

WESTERN PORT REDUCES WASTE TO LANDFILL

The Western Port site is committed to ensuring a sustainable future by continuously looking at ways to reduce all waste streams, large and small, leading to incremental, and where possible, a step change in performance.

The site has made a remarkable reduction in the volume of Prescribed Industrial Waste (PIW) going to landfill, more than halving the amount produced over the past seven years.

This significant achievement resulted in a PIW reduction of 2.6 kilos per tonne of steel produced from 1999 to 2006. This equates to 65 per cent less waste going to landfill.

Several key factors and new practices contributed to the waste reduction. Significant benefits were gained by changing the management of filter cake (a residue produced in the treatment of water used in the steel manufacturing process) through the installation of a filter cake drying plant and developing a stronger partnership with the waste service provider. Implementing glove and rag recycling programs, establishing a site environmental committee and applying the ISO 14001 environmental management system were also fundamental in reducing the volume.

BlueScope Steel Western Port President Greg Waters said our long term environmental achievements at Western Port were something of which to be proud, with the site holding an accredited EPA licence since 1996.

"We are pleased to be entering our third five-year Environment Improvement Plan (EIP) with the EPA," he said.

"Our reduction in PIW to landfill is just one example of where our rigorous pursuit of improvements has delivered savings to our business, the environment and the broader community."



BlueScope Steel's Indonesian sites are leaders in waste management. Effective waste management practices ensure high material efficiency and minimal waste disposal to landfill.

RECYCLE OR REUSE FOR BLUESCOPE STEEL INDONESIA

BlueScope Steel's Indonesian sites are leaders in waste management in Asia, with more than 90 per cent of general waste produced at our Indonesian operations being recycled or reused. In line with legal compliance obligations and BlueScope Steel best practice, our Indonesian operations have implemented effective waste management practices to ensure high material efficiency and minimal waste disposal to landfill during 2005/06.

RECYCLING AND REUSING

Waste segregation techniques are employed at BlueScope Lysaght sites in Indonesia. The current reuse program for steel strapping ensures disposal to landfill is minimised. BlueScope Steel Indonesia also has a program operating to ensure dross, a waste product caused by smelting, is reused offsite.

METAL COATING LINE – REDUCING OF ALKALINE WASTE IN THE DEGREASING PROCESS

To address the amount of Total Dissolved Solid (TDS) produced, a system controlling and monitoring the amount of alkaline waste at the metal coating line was implemented in March 2006.

The new system reduced the amount of premix alkaline by 35 per cent per month, and decreased water use by 20 per cent per month. The TDS results for September 2006 showed amounts significantly below legal compliance requirements.

COIL PAINTING LINE – REDUCING PAINT WASTE

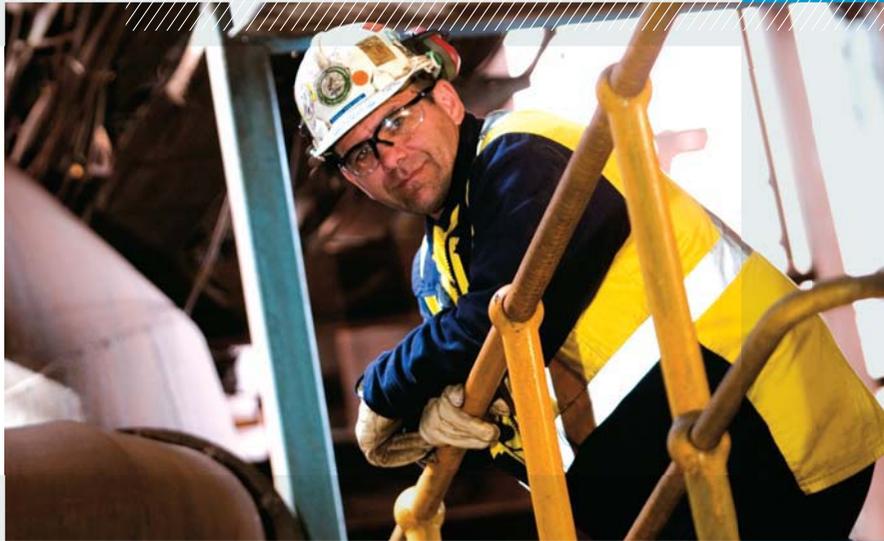
Improved use of paint and better relationships with the paint vendor has reduced the amount of paint waste requiring treatment.

REDUCING SLUDGE FROM THE WASTE WATER TREATMENT PLANT

Since March 2006, hazardous off-spec sludge waste has been reduced to zero as a result of a new technique to compress it. The method adds hydrated lime to the sludge to make it more solid allowing for compression and reduction of the waste.

HEALTH AND SAFETY PEOPLE FIRST

THE COMPANY'S SAFETY PERFORMANCE REMAINS AT WORLD BEST STANDARDS WITH A LOST TIME INJURY FREQUENCY RATE (LTIFR) OF LESS THAN ONE LOST TIME INJURY PER MILLION HOURS WORKED FOR THE SECOND YEAR RUNNING.



Safety is our number one priority at BlueScope Steel, and we believe nothing less than Zero Harm is acceptable. During the past year, our employees continued to work hard to improve the safety of all our people.

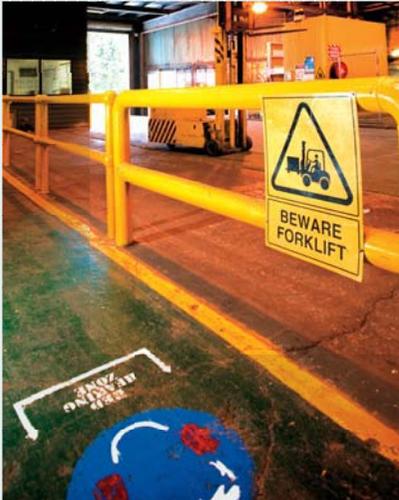
The Company's safety performance remains at world best standards with a Lost Time Injury Frequency Rate (LTIFR) of less than one lost time injury per million hours worked for the second year running. This compares to the International Iron and Steel Institute average LTIFR of around 10.0. The Medically Treated Injury Frequency Rate (MTIFR) also continues to improve, with 30 per cent fewer medically treated injuries reported for the year.

In North America, all businesses continued to show a major improvement in safety. Butler Buildings achieved over five million hours lost time injury free and Vistawall's Terrell site achieved over two million hours lost time injury free, both surpassing previous injury free records. We are very proud of the safety improvements shown by the Butler business as it has worked to adapt BlueScope Steel's safety culture, principles and practices.

Our facilities in Asia continue to set new safety benchmarks. During the year, the Map Ta Phut site in Thailand reached over 17 million hours lost time injury free, and our operations in Indonesia finished the year with a zero LTIFR.

New Zealand Steel set a new lost time injury free record and Port Kembla slabmaking achieved three million hours lost time injury free. Also in Australia, our Logistics business was awarded a National Excellence Award from the Australian Steel Institute for its work on safety at heights. Self Insurance status was maintained in all eligible Australian states.

During the year, 93 per cent of employees in all our global sites participated in 183,700 monthly safety audits. In addition, 24,500 near misses were reported. These measures are a strong indication that our people are focused on staying safe, and on watching out for each other every day.

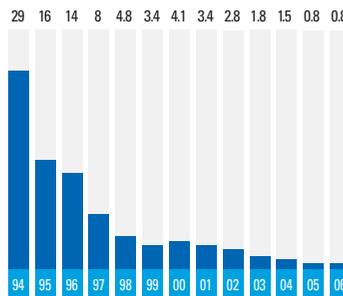


Frank Pacitto from No. 5 Blast Furnace operations (far left) and Michelle Dreessen (above), Mechanical Engineer from Illawarra Coated Products.

Reducing the interaction of people and vehicles was initiated by the Company's 'Stop for Safety' program.

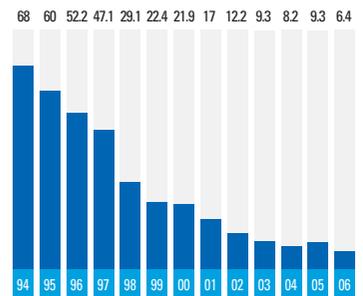
Despite this progress, regrettably there were two fatalities during the year – in our New Zealand operation and at our Suzhou construction site in China. Our goal is zero, and anything else is simply unacceptable. The Company and all its sites have a clear strategy to work towards Zero Harm and, in particular, to manage critical risks.

We continue our efforts in earnest to learn from all safety incidents and to prevent any recurrence. Our strategy of engaging all our people in these endeavours is imperative. We will never let up. Employees, contractors and their families deserve our commitment and vigilance in providing a safe and healthy workplace.



LOST TIME INJURY FREQUENCY RATE
Per million hours worked

Includes contractor performance from 1996
Includes Butler performance from May 2004



MEDICALLY TREATED INJURY FREQUENCY RATE
Per million hours worked

Includes contractor performance from 2004
Includes Butler performance from May 2004

HEALTH AND SAFETY BEST PRACTICE

AT BLUESCOPE STEEL, HEALTH AND SAFETY ARE VALUED AS AN INTEGRAL PART OF THE WAY WE DO BUSINESS.
WE CONTINUE TO WORK TOWARDS OUR GOAL OF ZERO HARM, WHERE EVERY PERSON WHO ENTERS ANY ONE OF
OUR SITES AROUND THE WORLD WILL LEAVE IN THE SAME OR BETTER CONDITION THAN WHEN THEY ARRIVED.



BLUESCOPE STEEL'S NORTH AMERICAN BUSINESSES HAVE EMBRACED OUR SAFETY JOURNEY AND HAVE SUBSTANTIALLY SURPASSED PREVIOUS INJURY FREE RECORDS.

Renee Findling of North Star BlueScope Steel.

BlueScope Steel's safety improvement initiatives have contributed to a substantial reduction in injuries. We have continued to make good overall progress, with many businesses reporting noteworthy results.

THAILAND ACHIEVES A REMARKABLE SAFETY MILESTONE

Our Thailand operations at Map Ta Phut achieved 18 million hours without a Lost Time Injury (LTI) in July 2006.

Safety and Environment Manager Thailand, Teerapong Raksasang thanked all employees and contractors for their contribution to this achievement.

"This is a great achievement for us, particularly while growing our businesses," he said. "We look forward to achieving the next milestone."

BEST EVER PERFORMANCE FOR WESTERN PORT UNCOATED

Western Port's Uncoated Department has four operating areas, each with a work team. All have achieved significant milestones in LTI-free periods.

Uncoated Products	3 years LTI-free	140 employees
Cold Strip Plant Warehouse	6 years LTI-free	25 employees
Material Handling	5 years LTI-free	40 employees
Hot Coil Processing	7 years LTI-free	22 employees

Manufacturing Manager Mike Hamilton said: "This is a great result. Individual teams have achieved good safety results. But this is the best ever from the department as a whole.

The sustained safety performance has been made possible by a strong commitment from area Superintendents, Supervisors, OH&S representatives and everyone working together in the department.

Incident reporting has increased to 35 incidents per 10,000 hours, reflecting the attention paid to safety on each and every shift and there is a 100 per cent participation rate in safety audits.

One great example of OH&S leadership is Chad Holmes who works on D crew in Uncoated Products. Chad redesigned the floor plan for the Uncoated Products department to reduce pedestrian and vehicle interactions. This initiative was as a direct result of the Company's 'Stop for Safety' activity. Chad's colleagues have nominated him for a WorkSafe award for this project.

Safety improvement initiatives have significantly reduced injuries. For the first four months of 2006/07, the Company's LTIFR is 0.4 lost time injuries per million hours worked.



OUR NEWEST BUSINESSES EXCEL

BlueScope Steel's North American businesses have embraced our safety journey and have substantially surpassed previous injury free records.

BUTLER BUILDINGS ACHIEVES 5 MILLION HOURS LTI FREE

In May 2006, Butler Buildings in North America reached a best ever milestone along the Zero Harm journey by exceeding five million hours of work without a lost time injury.

The Medically Treated Injury Frequency Rate (MTIFR) improved with 50 per cent fewer medically treated injuries reported during the year.

President North American Buildings Group, Pat Finan said: "Everyone has demonstrated that with a strong effort and commitment we can reach goals that seemed unattainable just a short time ago.

"Our improvement in safety is evident in many ways and has been recognised across BlueScope Steel. But no accomplishment is more

gratifying than our employees returning home from work in the same condition as they arrived. This is what we expect. We should be satisfied with nothing less."

VISTAWALL TERRELL REACHES 2 MILLION HOURS LTI FREE

For the first time ever, the Vistawall Terrell facility in Texas achieved two million hours without an LTI in April.

Acknowledging this significant achievement, Vistawall Division President, Tom Harris said: "Achieving two million hours of safe work activity requires the total involvement and commitment from everyone. Managers, supervisors and all employees are to be congratulated and thanked.

"As we develop our new safety culture, we now fully understand that all medically treated and lost time injuries can and should be prevented. The achievement of this milestone indicates our potential to continue to even greater levels of performance in the future. I look forward to celebrating the next million hours of safe work with you," he said.

HEALTH AND SAFETY AWARD WINNING PERFORMANCE



Safety is our number one priority. Nothing less than Zero Harm is acceptable.
Left: Metal coating line in Vietnam.

IT WAS A YEAR OF RECOGNITION IN SAFETY
EXCELLENCE GLOBALLY FOR BLUESCOPE
STEEL. AWARDS WERE PRESENTED TO THE
COMPANY'S OPERATIONS IN INDONESIA,
THE UNITED STATES AND AUSTRALIA.

EXCELLENCE IN PERFORMANCE AND PROGRAMS

Mike Robertson, Engineering Manager, Logistics & International Trade Services, won the Individual Award at the Australian Steel Institute's 2006 Safety Excellence Awards for his work in the field of load restraint and transport safety.

The Company's Queensland Logistics Terminal received a high commendation in the Site Award category for excellent safety performance, site transformation and improved safety culture.

Our Logistics Technical Services team also received a high commendation in the Improvement Initiative Award for its "Carlson Corners" rail load restraint, improving the restraint of our painted coils when shipped by rail.

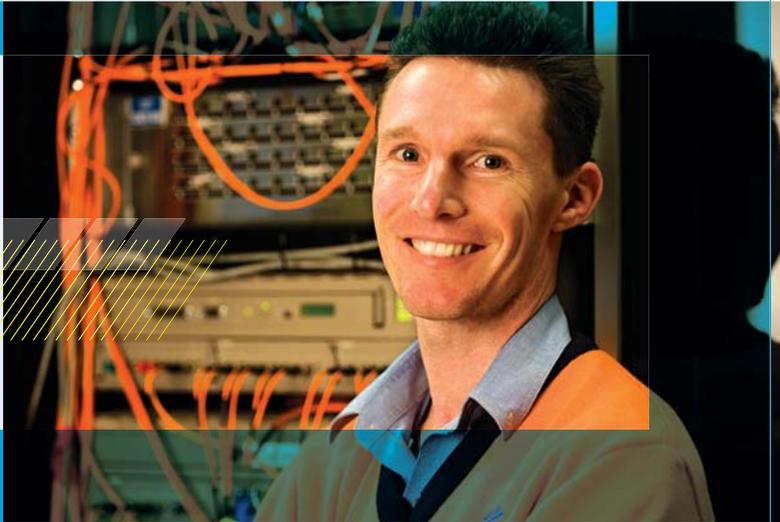
The Australian Steel Institute National Health and Safety Excellence Awards are designed to recognise and encourage excellence in safety performance and programs.

OUTSTANDING SAFETY IN INDONESIA

BlueScope Steel Indonesia has been presented with a Zero Accident National Award by the Vice President of the Republic of Indonesia, Jusuf Kalla in acknowledgment of our business' safe workplace and outstanding safety performance.

AT BLUESCOPE STEEL,
OUR PEOPLE ARE FOCUSED
ON STAYING SAFE AND
ON WATCHING OUT FOR
EACH OTHER EVERY DAY.

Carl Gruber, automation engineer
at Western Port's Hot Strip Mill.



The national award recognises BlueScope Steel Indonesia's achievement of 1,365 days or 3.1 million hours without a lost time injury (LTI) for employees and contractors during the period 4 February 2002 to 30 November 2005.

Rob Crawford, President Director Asia-Indonesia Cluster, said the excellent safety performance is the result of a disciplined approach to ensuring a safe workplace for employees, contractors and visitors.

"The high level of employee participation in our ongoing workplace safety awareness programs and a culture of concern for the well being of co-workers and the work environment have made our operations at Cilegon, Banten a safer workplace," he said.

Employees' vigilance around potential hazards by reporting near misses or potentially dangerous incidents, participation in safety improvement activities and a commitment to continuous improvement in operational procedures have been critical to their success.

BUTLER RECOGNISED FOR SAFETY

The Metal Building Manufacturing Association (MBMA) has recognised the network of metal building plants operated by the Butler Manufacturing Company for its exemplary safety record.

MBMA member companies operate 38 plants across North America.

The awards program is based on criteria modelled after safety standards set by the US Occupational Safety & Health Administration (OSHA). The MBMA recognition program also requires work-related accident and illness rates to be significantly below OSHA-reported averages for their segment of the North American industry, Classification System (NAICS), Code 332311.

Butler's plants in Annville, Pennsylvania; Jackson, Tennessee; Laurinburg, North Carolina; Visalia, California; and San Marcos, Texas collectively worked 2,854,137 hours in 2005/06 without a lost time injury (LTI).

COMMUNITY CONTRIBUTING TO OUR COMMUNITIES



Left: Captain Harrison
Wergaia c. 1844–1908
Coroboree at Coranderrk 1890
gouache, watercolour and pencil on paper
55.0 x 75.0cm (image and sheet)
National Gallery of Victoria, Melbourne
Purchased 2004

AT BLUESCOPE STEEL, OUR COMMUNITIES
ARE OUR HOMES. WE STRIVE TO BE VALUED
CORPORATE CITIZENS IN OUR COMMUNITIES.

BlueScope Steel contributes to local communities around the world through collaborative partnerships which are focused on nurturing youth, assisting the disadvantaged, enhancing community facilities and supporting arts and cultural activities. We also support emergency services and provide assistance in times of crisis.

Our activities and partnerships are guided by Community Relations management plans which help us ensure we deliver on our promises and identify opportunities for improvement.

We engage regularly with all stakeholders and endeavour to build relationships that are sustainable over the long term.

We strive to be a valued member of the communities in which we live and work and seek to demonstrate the respect we have for the wide range of cultures represented in our workforce and our communities.

NATIONAL GALLERY OF VICTORIA (NGV) LAND MARKS INDIGENOUS ART EXHIBITION

An exhibition celebrating important moments in the history of Indigenous Australian art opened in March 2006 in the BlueScope Steel Indigenous Galleries at The Ian Potter Centre: NGV Australia.

BlueScope Steel has been a major partner with the NGV since 2004 with the launch of the *Colour Power: Aboriginal art post 1984* exhibition.

Land Marks exhibition examined the history of Indigenous art in Australia and acknowledged some of its great masters of tradition and innovation. It traced the dramatic evolution of new forms of painting and sculpture in different parts of Indigenous Australia.

BlueScope Steel's association with the NGV and sponsorship of the BlueScope Steel Indigenous Galleries helps us to live the commitments of Our Bond bringing strength, inspiration and colour to our communities.

ROYAL BOTANIC GARDENS CRANBOURNE, VICTORIA

The Royal Botanic Gardens (RBG) Cranbourne in Victoria reached a milestone in May 2006 with the opening of the 11 hectare first stage of the Australian Garden. BlueScope Water entered into a partnership with the RBG and the Australian Garden in 2005.

The Australian Garden displays the striking features of Australian indigenous plants and gardens and has a focus on water

conservation, reflecting BlueScope Water's own commitment to the environment and sustainable practices. The site at Cranbourne extends over 363 hectares and within this, the Australian Garden will cover 21 hectares when Stage Two is completed in 2010.

The Australian Garden will contain around 100,000 plants including 2,000 mature trees in 15 different wet and dry landscape displays and exhibition gardens. The native plants in the garden include numerous rare and unusual species including Cycads, one of the most ancient species in the world, and 500 year old Grass Trees.

BlueScope Water's support assists in the research, development and design of water education and conservation programs including a schools' program and teachers' kit, a home gardeners' program and an early childhood program.

The completion of the first stage of the Australian Garden is an extraordinary achievement for all involved in its planning, design, and construction. Creating a new botanic garden is an exciting project for the present and a wonderful gift for future generations.



Since 2002, some 8,000 students from across the Mornington Peninsula have participated in Fit to Drive.

VICTORIA COMMUNITY OVERVIEW

BlueScope Steel's Western Port plant supports its local community through sponsorships and community involvement.

In 2005/06, the Company continued to support the Fit to Drive young driver education initiative. The program educates young people about road safety issues and has now expanded to include 96 schools across Victoria.

Western Port employees also supported the local community, participating in projects such as Western Port Secondary College's Bright Futures – No Dole project.

FIT TO DRIVE A MODEL OF BEST PRACTICE

From humble origins on the Mornington Peninsula, the Fit to Drive young driver education program has grown significantly to be recognised throughout the state of Victoria as the preferred senior secondary traffic safety education model for many secondary colleges.

BlueScope Steel has supported Fit to Drive since its inception. In 2006, the program covered 89 percent of schools in the Mornington Peninsula area. Our continuing support allows the ongoing development of the local program which aims to reduce the high number of young drivers and their passengers in road crashes.

Schools across Victoria have embraced the program, with 96 secondary colleges participating in 2006. It is anticipated that 120 colleges will be involved in 2007 and more than 200 by 2009. Since 2002, some 8,000 students from across the Mornington Peninsula have participated in Fit To Drive.

Supporting the Victorian Government's 'Arrive Alive' strategy, Fit to Drive includes the VicRoads 'Keys Please' program as a

component for year 10 students, with 132 schools running a 'Keys Please' session in the south east metropolitan area this year.

This year, young people from the region took part in a Youth Forum to develop their own ideas to reduce the number of road crashes involving younger drivers. As well, 100 new Fit to Drive facilitators were accredited.

Significant connections have also been made with the tertiary institutions of RMIT, Deakin, La Trobe, Victoria Universities and Chisholm Institute in the faculties of youth work, education, psychology and social work to expand the program.

The Fit to Drive model successfully brings together a variety of stakeholders and agencies with an interest in road safety. Representatives from local Government, RoadSafe community groups, Victoria Police, Fire Authorities, VicRoads, the Department of Education and Training and private corporations participate in the statewide committee to ensure the integrity and quality of the Fit to Drive program.

COMMUNITY CASE STUDIES

ILLAWARRA COMMUNITY OVERVIEW

The Illawarra region of NSW is home to a significant part of BlueScope Steel's business, including the Port Kembla Steelworks and the Springhill Works.

The Company provides substantial support to the local community through a range of community partnerships, which are targeted mainly towards young people, education, arts and culture.

Major community partnerships in 2005/2006 included BlueScope Steel's Sports Ready Program, the Illawarra Academy of Sport's Cricket and Individual Athletes Programs and the Lake Illawarra Police Citizens and Youth Clubs (PCYC) Homework Program.

The Company also continues to support a number of major community initiatives including the BlueScope Steel Youth Orchestra, Southern Stars and the region's Surf Life Saving branches.

In addition to its community partnerships program in the Illawarra, BlueScope Steel provides one-off donations to a range of local community groups, events and causes.

BLUESCOPE STEEL'S SPORTS READY PROGRAM

BlueScope Steel's Sports Ready program is an innovative sporting program targeting children with a disability in primary and special schools.

The program is organised by the Disability Trust's Recreation Illawarra unit and is designed to give all children with a disability the opportunity to experience one of the most valued Australian past times – sport.

Participation in sport provides children with a disability with the necessary skills for positive inclusion in community and school life. The program has been in operation for more than two years and due to its outstanding success now has a waiting list of schools wanting to access it. The sponsorship from BlueScope Steel allows the program to be offered to more children in the region, ensures that



each child can afford to participate and that specialised equipment can be purchased.

"We are already seeing children from the program attend out of school activities and some children are participating in mainstream sport at school where before, they were not," said Wendy Dowler, Service Manager Recreation Illawarra.

"This is due to an increase in confidence and the ability to understand the concepts involved in sport and is a great success for the project," she said.

ILLAWARRA ACADEMY OF SPORT

BlueScope Steel has been a keen supporter of the Illawarra Academy of Sport since 1989.

Since its inception in 1986, the Academy has continued to grow and provide quality sporting opportunities for talented athletes in the Illawarra.

The Academy's Cricket Squad receives tuition in several facets of the game through a variety of coaching techniques. In addition, athletes participate in sport specific education sessions including sports psychology, nutrition, drugs in sport, public speaking and umpiring. The aim

of the cricket program is to assist athletes to reach the next level of competition in their sport and to assist with their progression to statewide squads.

In addition to the support provided by corporate partners like BlueScope Steel, the Academy relies heavily on the volunteer support provided by more than 60 sports coaches, support staff and Board members to offer opportunities to talented young sports people.

LAKE ILLAWARRA PCYC HOMEWORK PROGRAM

The Lake Illawarra Police Citizens and Youth Clubs (PCYC) Homework Program provides academic help to local school students.

The program targets students in Years 7 to 10 and provides students with personal attention, with one teacher for every three students. The support of BlueScope Steel's Community Partnerships Program allows the program to be offered free of charge.

BlueScope Steel's partnership with the Lake Illawarra PCYC also supports the Police Scouts, a team of talented young gymnasts who compete at national events.



BLUESCOPE STEEL SUPPORTS STATE EMERGENCY SERVICE WITH NEW HEADQUARTERS

A long-standing relationship with the State Emergency Service (SES) in the Illawarra has led to BlueScope Steel's assistance with the construction of a new Regional Headquarters for the Illawarra and Southern NSW. The environmentally friendly building, constructed from COLORBOND® steel, was officially opened in March 2006.

The new headquarters is the operational and administrative centre for the SES, covering 11 SES Units.

The NSW State Emergency Service is the state's response agency for flood and storm emergencies. It has 9,000 volunteers across NSW, including more than 500 in the Illawarra.

Illawarra and South Coast Division Controller, Neil Pfister said SES volunteers could be more effective when supported by the people and businesses they help.

The relationship between the SES and BlueScope Steel has a strong foundation at a local level. In 2001, a very successful "Art on Steel" promotion to celebrate the sale of the five millionth tonne of COLORBOND® steel in Australia, raised over \$650,000 for the SES. BlueScope Steel has also supported the SES in the design and production of training materials, providing access to sites for disaster exercises and training, and encouraging our employees who volunteer with the SES.



ASSISTANCE FOR CYCLONE LARRY RECOVERY

In May 2006, BlueScope Lysaght Townsville, in Queensland, Australia donated A\$50,000 worth of steel building materials to Innisfail's farming community to assist in its recovery from Tropical Cyclone Larry.

Apart from donating building materials, BlueScope Lysaght earlier delivered an emergency supply of steel drainage gutters and other accessories for rebuilding schools. Its network of builders rallied to help by donating their time and services.

BlueScope Steel and its employees also made a cash contribution through its company-wide workplace giving program to the Australian Red Cross Disaster and Emergency Services Fund to further benefit the Innisfail community.

NORTH AMERICA

THE BUTLER MANUFACTURING COMPANY FOUNDATION

In North America, BlueScope Steel supports our communities through the Butler Manufacturing Company Foundation.

Employees join forces with the Foundation to provide support to their home towns in three major areas: Caring for our Communities; Supporting the Educational Needs and Dreams of our Youth; and Inspiring Creativity and Appreciation for the Arts.

AMERICAN RED CROSS

In 2006, BlueScope Steel, the Butler Foundation and North American employees jointly contributed over A\$250,000 to the Red Cross appeal in aid of the survivors of Hurricane Katrina.



A DAY OF CARING

The United Way's 12th Annual Day of Caring in Kansas City, Missouri gave employees a chance to contribute locally by assisting with the annual clean up of the estate and grounds at the historic Bingham-Waggoner Home. Volunteers toured the home following the clean up and gained a better understanding of the history of the Queen City of the Trails, as well as what it takes to maintain a valuable tourism asset.

BUTLER AND VISTAWALL SCHOLARSHIP PROGRAM

Children of continuous full time employees of the Company are eligible to apply for educational support through the Butler and Vistawall Scholarship Program. Since 1954, the Foundation has helped over 300 children of employees to achieve their educational dream of graduating with a four-year degree. In 2005/06 the Foundation awarded eight new scholarships.

SUPPORT FOR THE ARTS

The Foundation also supports a range of arts organisations that have a positive cultural effect on our local communities. In Kansas City, Missouri the Foundation has a long history supporting the Kansas City Symphony, the Nelson-Atkins Museum of Art and the Kansas City Repertory Theatre.

The Foundation also offers employees a dollar for dollar matching gift program for qualifying educational and cultural organisations.

COMMUNITY EMERGENCY RELIEF IN ASIA



Children in front of relief housing in Phuket.

In addition to community programs and projects, we undertake community work in direct response to emergencies and disasters. This work is often based on our understanding of steel building materials and design. The provision of relief housing is a typical example.

BANDA ACEH – POWER TO THE PEOPLE

Soon after the Boxing Day tsunami in 2004, BlueScope Steel mobilised its local teams to provide on-the-ground assistance to rebuild the communities. Working with the various relief agencies, the Company developed housing solutions to ensure the rebuilding was culturally appropriate and considered the lifestyle of the communities. This work continued throughout the 2005/06 year.

Light weight steel framing made its way into remote areas – staked on bicycles, dropped in canoes, hand carried to sites – to provide emergency relief shelter and housing for the displaced.

To speed up the rebuilding effort, BlueScope Steel also delegated a project team to Aceh to help train up to 100 local Aceh people in steel building erection. The initiative to train local people to be self sufficient in the construction and maintenance of their new homes and buildings has gone a long way to help the community regain their sense of pride and self-esteem as they rebuild their lives.

Already, over 4,500 steel homes from BlueScope Steel have been erected in Aceh.

Taking care of the communities' immediate need was important, but far more critical is the sustainability of the construction over time.

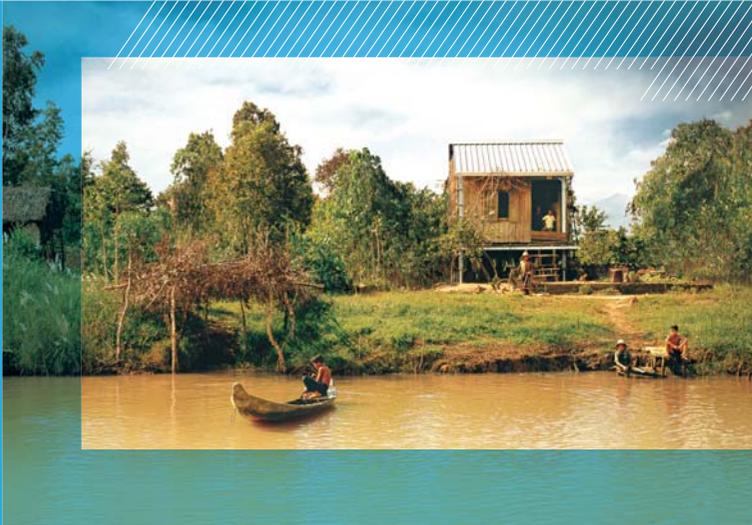
Pre-engineered structures that can be constructed and maintained by the local people, an understanding of cultural behaviour and home use needs, and materials that will be available for the long-term are all key considerations in the provision of emergency housing solutions.

Steel is the material of choice for rebuilding disaster-torn communities. Unlike traditional building materials and methods of construction, steel framing has guaranteed strength properties that can meet the load requirements for nearly any type of building site.

Its light weight not only contributes to ease of transportation, but also contributes to savings in construction and foundation costs. It is durable, can't be destroyed by termites or rot, and it is corrosion resistant. Buildings can be designed for fire, earthquake and wind resistance, and pre-engineering makes on-site assembly quick and easy, even under the worst of conditions.

BlueScope Steel has combined the versatility of steel building solutions, planning and sensible design to bring long-term improvement to devastated communities.

BLUESCOPE STEEL HAS COMBINED THE VERSATILITY OF STEEL BUILDING SOLUTIONS, PLANNING AND SENSIBLE DESIGN TO BRING LONG-TERM IMPROVEMENT TO DEVASTATED COMMUNITIES.



TAKING CARE OF THE COMMUNITIES' IMMEDIATE NEED WAS IMPORTANT, BUT FAR MORE CRITICAL IS THE SUSTAINABILITY OF THE CONSTRUCTION OVER TIME.

A floating home in Mekong Delta, Vietnam.

REBUILDING IN THAILAND – STEEL HOMES ON THE ANDAMAN COAST

Among the villages destroyed during the 2004 tsunami on Thailand's Andaman Coast was a small fishing community in Phuket called Baan Andaman.

The tiny coastal community was rebuilt in steel homes provided by BlueScope Steel, that were specifically designed for the hot, wet, tropical weather. The design included sloping roofs for good rain runoff and plenty of awning-covered windows to keep the worst of the tropical heat out, while providing good cross-ventilation.

Once again, pre-engineering played a big part in providing a solution that was quickly and easily assembled, bolting it together on-site. Assembly was easy enough and with simple training, the local technical engineering students completed the job in short order, putting people back on the banks where their families have fished and lived for generations.

HOPE FLOATS – A FLOOD RESISTANT DESIGN

This uniquely designed house incorporates a floating floor: an adjustable steel frame that allows it to be raised above water level in the event of a flood.

The house has an average area of 20 square metres and is designed to withstand monsoon-strength winds of up to 160 km/hr. An important feature of the "floating" home is that it can be assembled in two days with just a screwdriver and a wrench – particularly important in disaster-struck areas with limited resources and urgent housing needs. As well, the design gives the owner flexibility to choose a cladding material that is indigenous to the community, like palm fronds or thatching, and is therefore easily available. Over 15,000 floating homes, supplied by BlueScope Steel, have been built in Vietnam's Mekong Delta area.

This unique design has also been adopted for use in buildings such as medical centres, schools and community halls.

FLOOD RESISTANT SCHOOLS AND KINDERGARTENS IN VIETNAM

Every year, the Vietnam Mekong Delta's muddy waters overflow its bank, wiping out entire communities.

To rebuild quickly, BlueScope Lysaght Vietnam developed pre-engineered structures that could be bolted together easily on-site, in a short timeframe.

After one of the floods, the structures were used to put students back in the classroom at over 400 schools that had been swept away.

Installation videos and other training materials were prepared and used to train local teams in construction and installation know-how. These eager trainees went on to build many of the pre-engineered schools on their own, long after the trainers headed home. The structures were built in high-tensile strength galvanised steel to resist the onslaught of the annual floods.



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