



Champions of  
sustainable industry

# Sustainability Report 2018





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## Introduction to our Sustainability Story

Welcome to GFG Alliance's 2018 Sustainability Report for its Australian businesses.



We're at the early stages in Australia, and we know we have a long way to go. But our commitment to sustainability is steadfast and we know our solutions must work for our businesses and people, our society and communities, and our environment.

Our steel, made from local raw and recycled materials, is underpinning the construction of a new world, in a new way. We operate on a planet of limited resources, with an expanding population and cycles of prosperity and recession. So our businesses must be resilient, and our sustainability mission is at the heart of everything we do.

We focus on integrating and innovating through all of our processes, whether it be our renewable energy, metals recycling or steel manufacturing. Our innovations create more flexible solutions for our customers, reduce our carbon footprint, shorten the supply chain, upgrade skills and stimulate new technologies. Our businesses continue to think long-term, improving efficiencies and reducing costs to achieve sustainable returns.

Our people, our most valuable asset, are the foundation for delivering our vision. We recruit the best talent, make their safety our priority, and we invest in them so that they continue to grow as we do. We make sure we have the right people for the right job, we ensure that everyone understands the role they play in our success, and we empower them to make a difference.

We also aim to make a positive difference in the communities in which we operate. Beyond being an employer of choice, we support community organisations with funds, materials and our people's time, and source materials and services from Indigenous businesses.

Sustainability is at the heart of the GFG Alliance vision. Although we are just starting our journey in Australia, we will continue to push the boundaries and deliver for many decades to come.

I invite you to read this report with an inquisitive eye and to engage with us on our sustainability journey.

**Sanjeev Gupta**  
Executive Chairman and CEO

# Executive Summary

GFG Alliance is an international group of businesses, founded and owned by the British Gupta family.

In Australia, we operate in approximately 200 locations in all states and territories, as LIBERTY Steel, LIBERTY Primary Steel, SIMEC Mining and, as majority shareholder, SIMEC Energy Australia.

We are Australia's only manufacturer of steel long products and the largest supplier of structural and reinforcing steel, and the second-largest recycling business in the country. We own and operate mining, port and railway assets in Whyalla, South Australia, and are developing renewable energy for both our own businesses and Australian industry and consumers.

The GFG Alliance wheel is a nod to Victor Bikes, one of the Gupta family's early manufacturing businesses, part of the GFG heritage. The wheel continues to be a fitting symbol, representing the circular economy central to our mission as well as our appetite for change and our journey forward.

The central idea of GFG's vision and strategy is to work towards a sustainable future for industry and society. We are contributing to that vision in unique ways through a sound Sustainability Framework that promotes innovation for environmental, economic and social ends.

## Environment

### Transforming our operations and our industry through innovation

Our efforts through the 2018 reporting period include:

**Lifecycle thinking.** All major LIBERTY Steel operations and SIMEC's iron ore mining have adopted ISO14001 with external certification to emphasise lifecycle thinking and supply chain risk.

**LIBERTY** produces ~1.2 Mtpa of steel using recycled steel and scrap metal that reduces cost, uses natural resources efficiently and reduces landfill. We minimise waste to landfill and, in 2018, re-purposed 215,000 tonnes of waste products.

**Innovation.** Our innovations include energy-reducing polymer injection technology, helping Victoria's Caulfield to Dandenong Level Crossing Removal Project earn an 'Excellent' IS sustainability rating.

**Emissions and energy.** The greenhouse gas intensity of our EAF steel operations has fallen steadily over

the last five years. In the reporting period it was 0.6 tCO<sub>2</sub>e/t steel at Sydney Steel Mill and 0.8 tCO<sub>2</sub>e/t steel at Laverton Steel Mill.

**Clean energy.** GFG acquired SIMEC ZEN Energy, now operating as SIMEC Energy Australia, and is pursuing pumped hydro for our Middleback Ranges mining, the world's largest lithium-ion battery, and has announced agreements with the SA government to provide 100% of its energy requirements, and plans for solar farms in SA, Victoria and Queensland to generate over 400 MW.

**Industry leadership.** LIBERTY Steel promotes environmental sustainability through worldsteel and its Climate Action Membership and Sustainable Development Charter. LIBERTY Steel is also a GBCA Carbon Positive Partner to help guide the built environment in meeting Australia's goals under the Paris Agreement.

**Stewardship.** Waratah Fencing has provided specialised high-quality fencing to establish a 400 ha Aussie Ark wildlife refuge in NSW's rugged Barrington Tops – keeping feral animals out and protecting bandicoots, potoroos, parma wallabies, bettongs, eastern quolls and Tasmanian devils.

## Economic

### Working smarter to support long-term economic growth

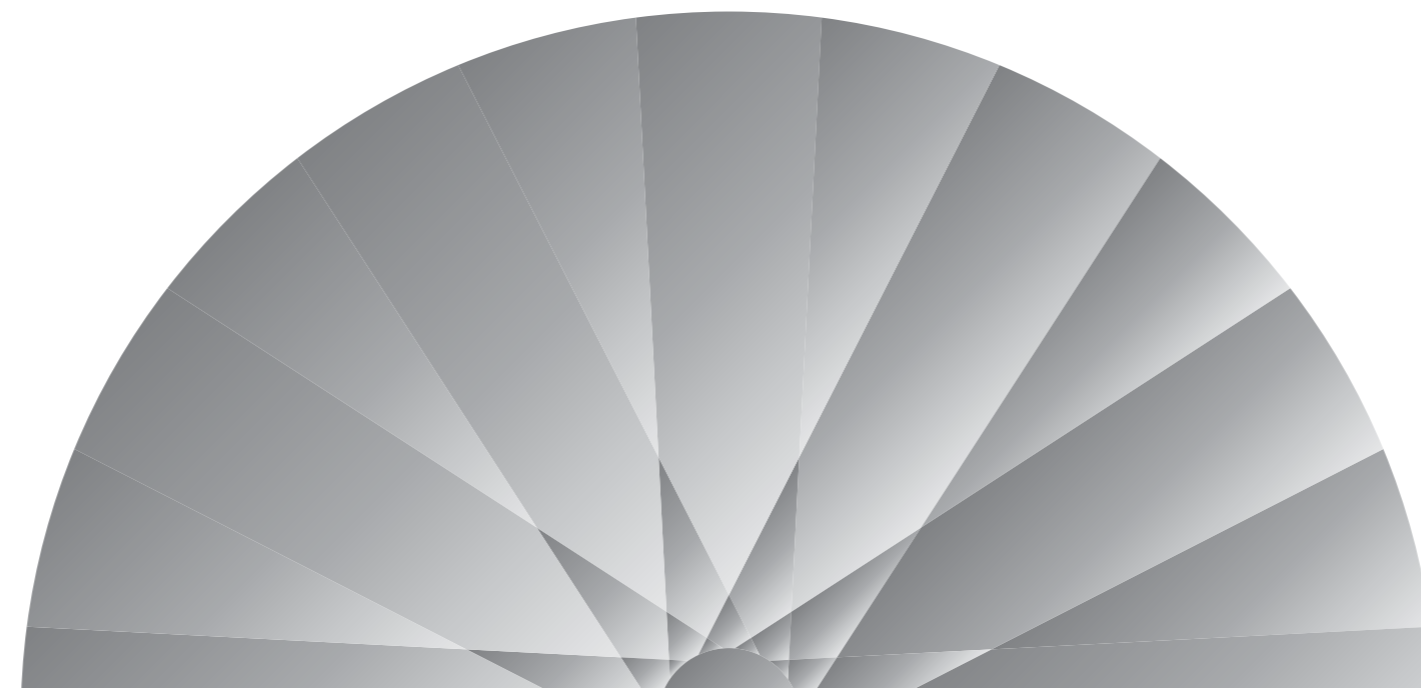
Economic sustainability underpins our vision to build a sustainable future for industry and society.

**Efficiency.** Our initial 100-day review of our Australian businesses identified 34 Rapid Payback Opportunities securing an immediate \$28 million in annual benefits in addition to already planned capital investment. We are continuing to modernise systems and pursue efficiencies in processing, supply chain and labour to achieve cost reductions and reset the business for the long-term.

**Investment.** The demands of key infrastructure projects in Victoria on our Laverton Steelworks have necessitated an upgrade and redesign of our recycling operation. This has included the construction of one of Australia's largest hydraulic static shears, cutting with a force of over 1400t to produce up to 35t of heavy melting scrap per hour.

**Governance.** GFG Alliance in Australia insists on thorough risk processes and governance for all its operations. Actioned policies are in place for Environment, Work Health and Safety, the Code of Conduct, and Family and Domestic Violence.

**Performance.** In FY18, GFG Alliance in Australia achieved pro forma revenues of US\$4.0bn and EBITDA of US\$298.2m.



The GFG Alliance wheel symbol



## Social

### Investing in our people and communities to build a better future

GFG Alliance, despite its size and global reach, is a family business, and we take care of our family and the communities in which we live.

**Real, safe, inspiring employment.** We have 6800 employees, with 37% aged over 50 years, 12% female and 60 apprenticeships. Our employee turnover in FY18 was 11.4%. GFG Alliance encourages a healthy work-life balance for employees and offers part-time employment, job sharing, remote working, non-standard hours, paid maternity benefits, career breaks, return-to-work programs, transition-to-retirement arrangements and the opportunity to purchase additional annual leave.

Our documented safety aim is Goal Zero – a workplace of zero incidents, injuries and occupational illnesses. The GFG Alliance Australia Lost Time Injury Frequency Rate (LTIFR) for FY18 was 1.6, well below the national industry average of 8.41.

Following our acquisition of the Arrium businesses, our 100-day review included work on cultural transformation, with formal culture surveys and cross-business workshops held. The outcomes laid the foundation for new and meaningful values and principles for our employees.

Our salaries remain market competitive. Fifty-seven per cent of our Australian-based employees are engaged under one of around 34 registered Enterprise Agreements. Most negotiations over the past 12 months have been settled without protracted industrial action.

**The next generation.** The global GFG Foundation aims to help people develop the skills they need to start and continue working in industries such as engineering, metals and renewable energy. In Australia, the Foundation launched the GFG Cadets program so that local students can get accredited work experience.

#### Stronger communities and more liveable cities.

Our assisted community organisations include Foodbank and Headspace Whyalla, the NSW National Parks & Wildlife Service, Wollondilly Shire Council, WaterNSW, Dilly Drought Drive, Thirlmere Rail Museum, His House Church and Silton Lane Properties.

Local Indigenous businesses are integral to GFG operations. Walga Mining is contracted to reclaim material from Iron Knob and operate the Integrated Processing Facility (IPF) at Whyalla. The Barngarla people are the traditional people of the areas occupied by the Whyalla Steelworks and SIMEC Mining, and with whom we have strong relations and clear Indigenous land use agreements that have supported their long-fought native title claim.

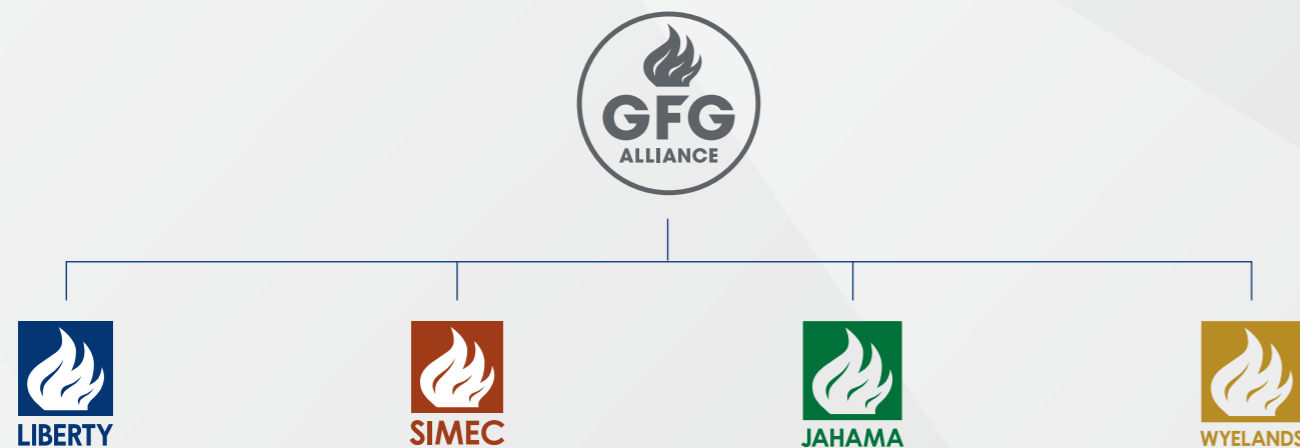
*Investing in  
our people and  
communities  
to build a  
better future*





# Our strategy

To transform our businesses through our 'decoupled integration' business model, creating a sustainable future for industry and society, underpinned by our Values of Family, Change and Sustainability.



## Vision

Our vision is to deliver a smarter, more sustainable and viable future for industry and society, pushing boundaries and inspiring change.

## Mission

We are on a mission to invigorate industry in Australia by using local resources, sustainable solutions, new technology and big thinking.

## Business model

GFG Alliance in Australia operates a decoupled integration business model that includes ownership of raw materials (iron ore and coal), energy generation, steel manufacturing, rolling, processing, distribution and service delivery to our customers, while also delivering for external customers.

## Competitive advantage

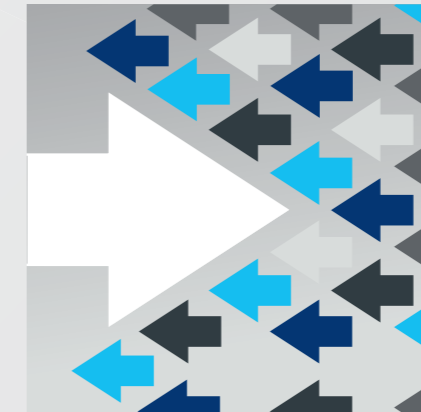
Our competitive advantage stems from the decoupled integration of our businesses and collaboration across the value chain, supported by quality products, reliable infrastructure and longstanding customer relationships.

# Our Values



## Family

We will embrace all stakeholders as members of our extended family



## Change

We will be courageous, maintain an open mindset and continually challenge the status quo



## Sustainability

We will operate our business for the long term and build a legacy for the future

# Our Sustainability Framework

We will deliver on our key value of Sustainability through:

## Environment

Transforming our operations and our industry through innovation and efficiencies, clean energy solutions and initiatives to reduce water consumption, minimise waste and increase recycling.

## Economic

Working smarter, more efficiently and innovating to support long-term sustainable economic growth.

## Social

Investing in our people and the communities in which we operate to build a better future – creating employment opportunities, educating and training our workforce and the next generation and contributing to more liveable cities.

# Timeline of GFG milestones



## Change is a GFG Value

*We will be courageous, maintain an open mind and continually challenge the status quo*

# GFG Alliance in Australia

GFG Alliance is an international group of businesses, founded and owned by the British Gupta family.

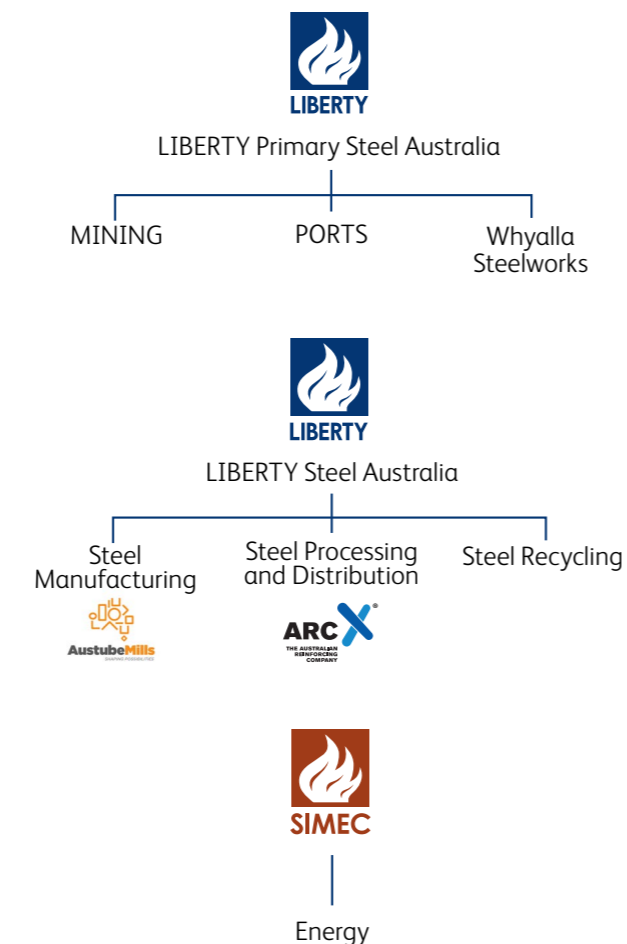
It combines some of the world's leading businesses in the industrial, natural and financial sectors, working together towards the delivery of a common vision: a sustainable future for industry and society. In Australia, GFG Alliance operates:

- LIBERTY Steel Australia
- LIBERTY Primary Steel and SIMEC Mining
- SIMEC Energy Australia (majority shareholder)

LIBERTY includes LIBERTY Steel, LIBERTY Distribution and LIBERTY Recycling. LIBERTY Steel is Australia's largest manufacturer of steel long products and the largest supplier of structural and reinforcing steel, including hot rolled structurals, pipe and tube, rod, reinforcing bar, wire products and rail. The LIBERTY Recycling business is the second-largest ferrous and non-ferrous recycling business in the country.

**LIBERTY Primary Steel** Australia is the largest manufacturer of billet, hot rolled structural and rail in Australia. It operates the Whyalla Steelworks in Whyalla, South Australia. The business is an internal supplier of semi-finished steel billet into other LIBERTY businesses, as well as a wholesale seller of steel long products in the domestic market.

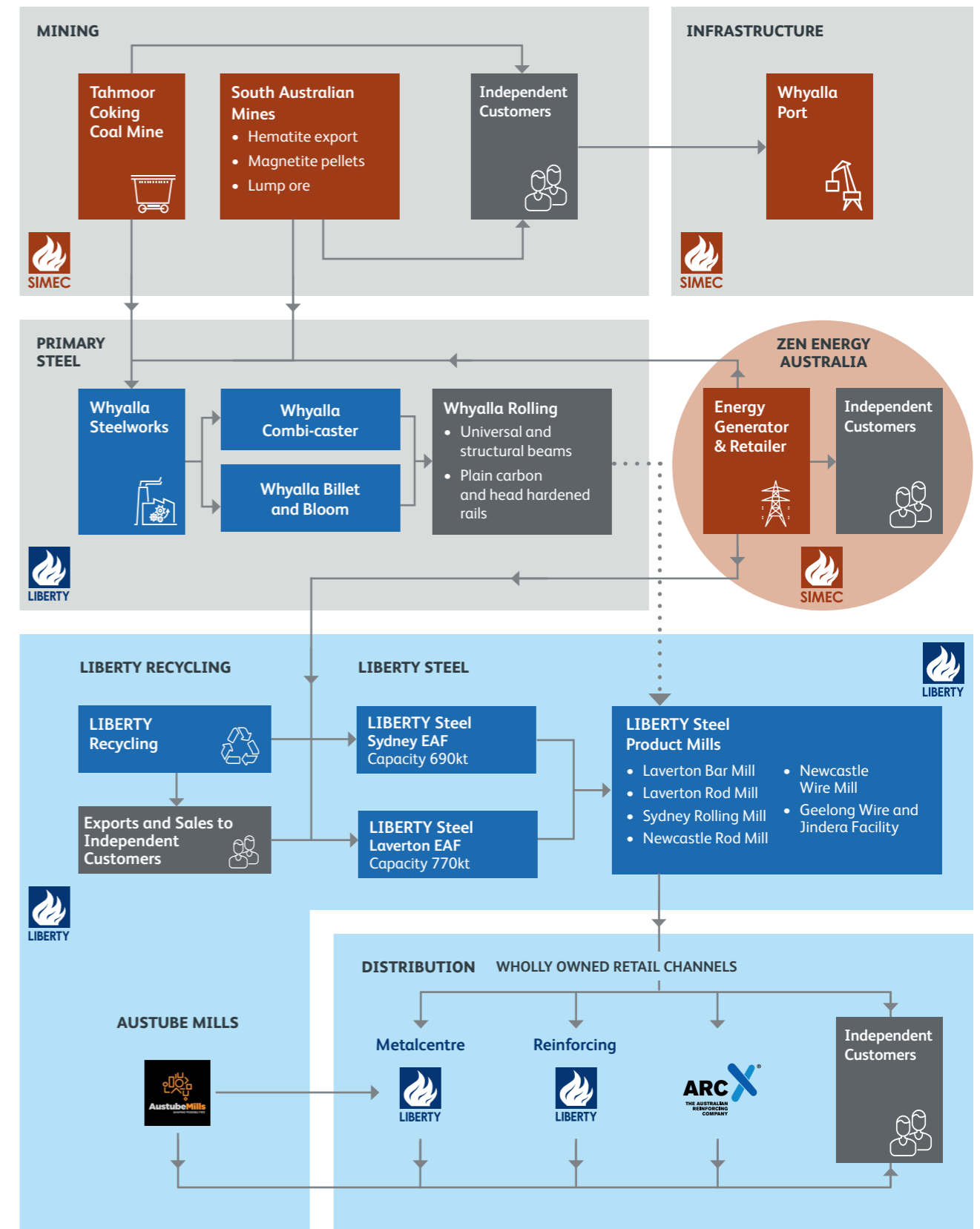
**SIMEC Mining** is a producer and supplier of ferrous pellet and lump to the LIBERTY Primary Steel Whyalla Steelworks, with export iron ore customer relationships and contracted volumes. It also owns and operates the Tahmoor Coal mine, producing ~2 Mtpa hard coking coal, providing high-quality product and security of supply for the business, as well as for sale to third parties.



**SIMEC Mining** owns the Whyalla Port and Railway, key infrastructure assets providing a valuable transport linkage between Mining and Whyalla Steelworks, as well as enabling exports from the region.

**SIMEC Energy Australia** is an Australian electricity retailer committed to delivering affordable, sustainable energy solutions to its customers.

# End-to-end integrated business model



# GFG Alliance in numbers

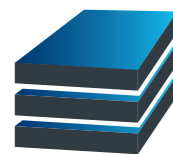
## Global



global presence in  
**30+**  
countries



**\$13.1bn** turnover  
**\$334m** EBITDA  
**\$3.1bn** net assets



**10 million tonnes**  
of steel traded every year  
by the GFG Alliance



Trading with  
**35 countries**  
worldwide

## Australia



**c. 6800**  
employees  
in Australia



**only**  
manufacturer  
of **steel long**  
products in  
Australia



development pipeline of  
**1GW**  
of mostly **renewable**  
power in Australia



**#1 steel supplier**  
to engineering, construction,  
residential and non-residential  
construction in Australia



**only**  
Australian iron ore miner  
to produce lump, fines,  
concentrate and pellet



**2 Mtpa**  
of coking coal for  
internal and external  
customers



**1.2 million tonnes**  
of steel produced from  
**recycled steel** in FY18 –  
the largest in Australia

## Where we do business

The GFG Alliance operates in approximately 170 locations in Australia, including major cities and regional towns.



**9** corporate offices

**22** recycling sites

**14** manufacturing sites

**3** mining sites

**111** distribution branches

**7** energy generation and storage sites



# Social sustainability

GFG Alliance, despite its size and global reach, is a family business, and we take care of our family. We are deeply rooted in the communities in which we operate and are constantly planning for future generations.

## Investing in people

At GFG, we believe that our ability to deliver on our vision is defined by our most valuable asset, our people. We recruit the best, safeguard people and skills, and then invest to ensure our people continue to grow as we do.

As part of our sustainability story, we continue to strengthen our leading positions by ensuring we have the right people for the job.

## Our approach to our people

We strive to attract and develop capable people and afford them a high-performing and motivating workplace. We value leaders who bring out the best in their teams.

Our leaders are responsible for appointing, developing, motivating and retaining high-performing employees who actively demonstrate our Values of Family, Sustainability and Change. We invest in our managers to help them become more effective leaders. Our Human Resources (HR) function supports our leaders to attract, retain and develop talent and support cultural growth. Our mix of functional specialists, HR business partners and HR shared services allows us to deliver talent programs while supporting specific talent and change support needs.

## Employee engagement

Our leaders regularly engage their people in the broader context of our business, including through updates on financial and safety performance, video interviews with senior leaders, conferences and regular business and global newsletters. We have processes in place

to proactively manage change in the workplace, with significant focus on employee impact and welfare. We are proud of our efforts in supporting affected employees, including identifying alternative opportunities across the organisation.

## Managing performance

GFG Alliance understands that the performance of our people is vital, so we work hard to make sure everyone knows the role they play in our success. The GFG Alliance performance approach is simple to understand and is tightly aligned with our business plans. The performance approach empowers individuals to understand what matters and how they play a part in delivering business performance.

## Remuneration and reward

GFG Alliance's remuneration and reward policies are designed to ensure we are competitive in the various labour markets in which we operate. Reward structures are designed to both support delivery of business objectives and reflect contemporary remuneration practice. Staff salaries are set and regularly reviewed against similar roles in the labour market. Our salaries remain market competitive. Fifty-seven per cent of our Australian-based employees are engaged under one of around 34 registered Enterprise Agreements (EAs). In recognition of competitive pressures and a slowing Australian labour market, EAs negotiated over the past year provide for similar wages growth than those in recent years. The majority of negotiations over the past 12 months have been settled without protracted industrial action.

### employee numbers



### locations

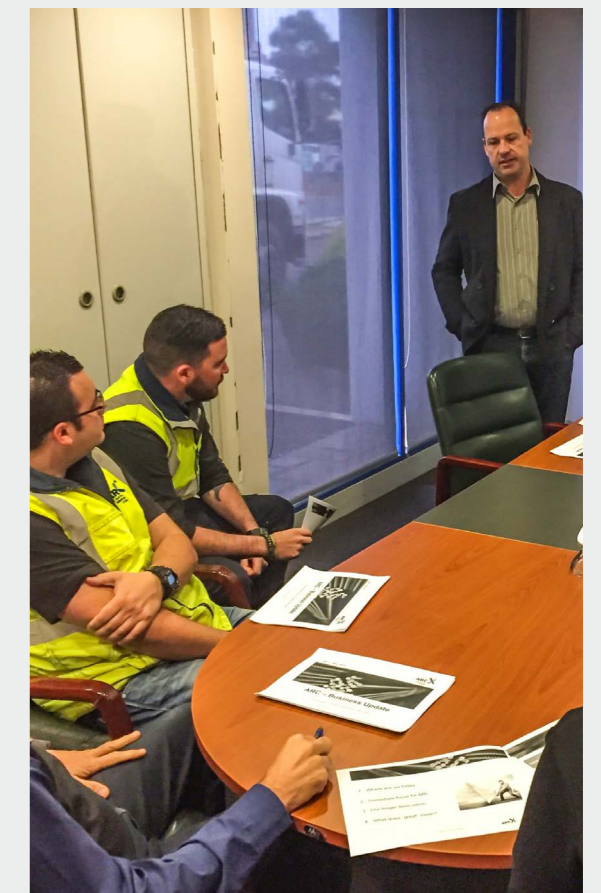


### CASE STUDY

## Our Values

Following the acquisition of the Arrium businesses by GFG Alliance, a 100-day review was undertaken that included work associated with cultural transformation. The review took the form of engagement surveys, formal culture surveys and cross-business workshops.

The outcomes of this work laid the foundation to develop new and meaningful Values for our employees. The new Values were announced in December 2017 and forums were held across Australia to start conversations about what the new Values mean to our employees and what individuals and businesses can do to bring them to life.





## Working together

GFG Alliance encourages a healthy work-life balance for employees and offers a range of flexible work options. These include part-time employment, job sharing, remote working, non-standard hours, paid maternity benefits, career breaks, return-to-work programs, transition-to-retirement arrangements and the opportunity to purchase additional annual leave. Currently, 1.5% of our permanent workforce is engaged on a part-time basis.

## Employee relations

GFG Alliance takes an open and positive approach to employee relations. We maintain a wide range of policies dealing with various employee rights and obligations such as workplace behaviour, discrimination, whistleblowing and bullying.

Employees are encouraged to have matters raised and dealt with by their managers and to seek independent help from HR to resolve concerns.

While the majority of the GFG Alliance's workforce is not unionised, the majority of employees within our Australian-based manufacturing operations elect to be members of a union. Unions are respected as bargaining agents in accordance with Australian industrial law and also represent employees' interests in questions over the application of enterprise agreements.

Over the last financial year, no time has been lost in our Australian business due to unlawful industrial dispute.

GFG Alliance in Australia is implementing system and policy changes to address the risk of modern slavery (see case study on page 40).

## Some of the other projects SIMEC Mining has been involved in:



### WaterNSW

Litter collection from water catchment access roads.



### Thirlmere Rail Museum

General clean up and property maintenance duties.



### Wollondilly Shire Council

Repainting posts and rail fencing at Bargo Sports Field, maintenance of playground equipment at Thirlmere Playground and clean up at Remembrance Drive.



### NSW National Parks & Wildlife Service

#### Thirlmere Lakes National Park

Road repairs, fencing, picnic furniture painting, step construction, drain construction.

## CASE STUDY

# Community Volunteering

When an incident forced SIMEC Mining Tahmoor to suspend its operations temporarily, employees put their downtime to good use by assisting struggling farmers and providing support to a number of community groups.

Working to benefit communities is at the heart of what we do. So when SIMEC Mining Tahmoor employees and contractors offered to volunteer their services in their local area, it became a shining example of the GFG Value of Family in action.

The incident at Tahmoor involved two employees being stuck in a lift. The employees were safely brought to the surface by other SIMEC Mining staff and emergency services, but operations were suspended while investigations into the cause of the breakdown were carried out.

While continuing to work closely with relevant authorities to determine that it was safe to resume operations, staff were given the option to volunteer in the local community or stand down. The majority chose to put their time and skills to good use on a number of projects supporting local initiatives, organisations and individuals. Nearly 100 employees and contractors took part in the program.

SIMEC Mining got involved with Dilly Drought Drive, providing Wollondilly local farmers with much-needed assistance. Among the tasks undertaken were fencing, property maintenance and farming duties. Menangle cattle farmer John Redmond said the assistance helped keep his morale up during difficult times.

"Not only have they helped me repair my fence so I can use the paddock, they have also lifted my spirits," he said. Local farmer Lynette Keneally said having some extra hands on the farm "has made a huge difference to me".

"It's been a very uplifting experience and I'd like to extend my thanks not only to the workers but also to the company – it's just been a wonderful bonus," she said.

SIMEC employee Adam Turner said that everyone involved had a positive attitude.

"SIMEC are a family and community-orientated company and they look after their employees," he said.



Local farmer Lynette Keneally with SIMEC Mining employees at the **Dilly Drought Drive** (Wollondilly Lions Club and Shire Council).



Workers install children's playground equipment and perform gardening and maintenance at **His House Church**.



# Safety and wellbeing

GFG Alliance believes our people are our most valuable asset. Our concern for their safety and wellbeing is paramount. Our underlying belief is that all injuries, occupational illnesses and incidents are preventable. This is the basis for Goal Zero, which aims to achieve a workplace of zero incidents, injuries and occupational illnesses. Our commitment is documented in the GFG Alliance Australia Work Health and Safety Policy.

## Safety Performance

Our safety performance during the reporting period is presented here through two key lag indicators: the rates for lost time injury frequency (LTIFR) and reportable injury frequency (RIFR). These metrics measure the number of injuries that result in either one or more work days of lost time, or that require reporting to the relevant authority. They are calculated per million hours worked.

The GFG Alliance in Australia LTIFR for FY18 was 1.6. This is well below the national industry average for LTIFR, which was 8.41<sup>1</sup>. The RIFR for GFG Alliance in Australia for FY18 was 10.8.

<sup>1</sup> Latest published LTIFR from Safe Work Australia – Australian Workers Compensation Statistics Report 2015–16.



## GFG Alliance Annual Safety Awards

In December 2017 GFG Alliance in Australia held the annual Safety Excellence Awards. These awards consist of categories for Employee, Work Team, Front Line Leader, Contractor/Supplier, Workplace Initiative and Safety Leader.

In 2017 there were 134 nominations across the categories and four finalists for each category attended the awards ceremony in Sydney. Each finalist nominated a charity to receive the money that is awarded to them for reaching the finals.

The safety projects and initiatives showcased in these awards are vast; ranging from establishing new sites, improving existing sites, automating hazardous manual tasks and providing more protection for workers. In addition to information-sharing, these awards are an important demonstration of GFG Alliance's unwavering commitment to Goal Zero.

## External Awards

In addition to the annual GFG Safety Excellence Awards a number of GFG businesses received external recognition during the reporting period. Of note, LIBERTY Steel achieved international recognition through the Safety and Health Excellence Recognition Award from worldsteel in October 2018. This is the fourth consecutive year it has received this accolade. This year the award related to a project to improve the safety of overhead crane magnets (see case study on page 21).



## CASE STUDY

### Improving the safety of overhead crane magnets

Overhead crane magnets are used across the steel industry to provide logistical support by moving large steel products. The LIBERTY Metalcentre Headlight Team conducted an extensive review of incidents relating to overhead crane magnets and found that there was a significant safety risk with an average of three steel drops per month and a total of 68 incidents over a two-and-a-half-year span.

The team created and implemented an action plan that included development of standardised operating procedures, retraining and recertification of operators, upgrades to some cranes, and changes to the layout of facilities. This action plan led to a change of behaviour across the business. Commitment to the action plan has led to a significant downward trend of magnet drops, with zero magnet drops recorded over a four-month period.



## CASE STUDY

### Handle with care

Hand injuries are one of the most common incidents that we have in our workplace. We are committed to reducing the number and severity of hand injuries to make our workplaces Safer, Healthier and Happier.

LIBERTY Metalcentre created a Hand Safety Headlight Team to help combat the rising hand injuries they were experiencing. This included taking teams on a journey of increased awareness and personal commitment so they could look out for themselves and their workmates. The program was rolled out via toolbox talks and through individual engagement sessions. Making the journey personal led to a dramatic reduction in the number and severity of hand injuries across the LIBERTY Metalcentre business.

Other businesses are also developing creative ways to help reduce hand injuries. LIBERTY Reinforcing in Noble Park used Kaizen, an approach to creating continuous improvement, to help reduce hand lacerations from scrap bins by introducing colour standards.





# Investing in Australia's youth

GFG Alliance sees a future in educating and training students and cadets to meet the demands of the workplace of the future.

Not only is GFG invested in giving back to the communities in which it operates, but also seeks to help people reach their personal and professional potential. There were 60 apprentices in GFG Alliance's apprenticeship programs in FY18 and 13 graduate trainees.

## Supporting Youth Skills Development

### Manufacturing the skills of tomorrow, today.

GFG Alliance has always directly and indirectly supported the community of Whyalla. One way it has done this is by employing apprentices. During the reporting period 12 new apprentices were recruited from Whyalla and its surrounds to take up positions in SIMEC Mining and LIBERTY Primary Steel's Whyalla Steelworks business. As many as 90% of apprentices secure permanent trade positions within the organisation once their apprenticeships ends, which means it represents a genuine opportunity to forge a career in the industry.

In 2018 we also initiated a new program called Operators-in-Training. Approximately 15 potential operators will be recruited every six months and given training and experience before they are placed in vacant permanent operator positions. Development opportunities for students (secondary and tertiary) are provided through work experience and vacation placements. In 2018 there were 13 of these placements.

## GFG Foundation

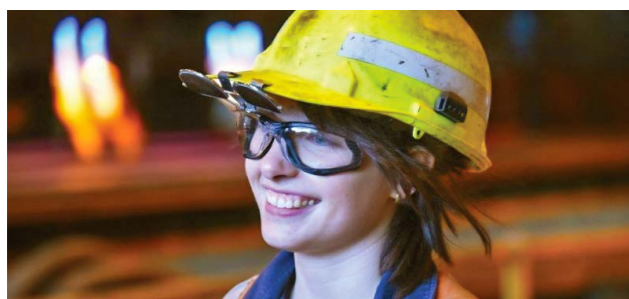
### Enhancing opportunities, building communities and ensuring the next generation has the skills to manufacture the future.

GFG Alliance values the importance of industry skills and we are fostering them to enable our industries to flourish. We continually look for ways to innovate to ensure that our actions today build a more sustainable future for industry and society. The GFG Foundation was established by Sanjeev and Nicola Gupta in the United Kingdom as an initiative to develop the skills needed to help people start and continue working in specific industries, notably engineering, metals and renewable energy. The Foundation focuses on programs to help people reach their potential and strengthen industries and communities by boosting skills and employment prospects.

Combatting skills shortages starts with cultivating interests and informing choices at school. In order to foster and develop skills required by industry, the GFG Foundation announced during the year that it would develop the GFG Cadets program in Australia. As a starting point, the Whyalla Steelworks will partner with local schools to provide students with accredited work experience in a bid to encourage more students to consider careers in industry.

## Family is a GFG Value

*We will embrace all stakeholders as members of our extended family*





# Community focus

GFG Alliance strives to make a positive impact in the communities in which it operates, supporting communities through sponsorship, providing funds and materials and promoting Indigenous businesses, especially in South Australia.

## GFG in the community

GFG Alliance continues to provide much-needed support to communities in the form of financial support, mentoring and in-kind donations. It has continued its support of Foodbank in Whyalla, which provides food and other supplies to those in need. Employees also support various charities through the workplace giving program.

Also in South Australia, the company has supported a number of local cultural events such as the annual Christmas Pageant in Whyalla and recently the *uneARTH* Festival, an extension of the Adelaide Fringe Festival.

GFG's support of local communities is often financial but the business also contributes to the social wellbeing of these communities in other ways. A great example of how the business has positively contributed to a local project through an in-kind donation has been the provision of large timber crates to the local youth support service Headspace Whyalla. This service provides young people with health and mental health support and advice.

The crates are being used for art projects as part of the work of Headspace and creating 'chill' spaces for users of the service.

As part of its aim to make Whyalla a more liveable city, GFG Alliance has announced that LIBERTY Primary Steel would be donating the steel required for the development of Whyalla's new 165m jetty, in addition to financial contributions.

At the launch of the project, GFG Alliance Executive Chairman Sanjeev Gupta said: "Since our purchase of the Whyalla operations almost a year ago, we have stated that we want to play a key role in the growth and development of this community."

"It's incredibly exciting knowing that local steel from our plant is going to help create this unique jetty. This is only the beginning of the journey on the exciting developments we expect to motivate and play a role in across the city."

## Developing local business capability

Social sustainability extends beyond the provision of short-term support and assistance. For some time GFG Alliance has sought to provide opportunities, commensurate with commercial requirements, that support the long-term development of local business capability.

An example of this has been GFG's support of the Indigenous local mining company known as Walga Mining. Walga Mining currently holds the contract to reclaim material from low-grade dumps at Iron Knob so that it can be fed into the Integrated Processing Facility (IPF). Walga also holds the contract to operate the IPF.

A second Indigenous company (Indigenous Metal Recycling) currently holds the contract to remove certain excess materials from sites in SA, including various plastic items and old conveyor belts, and sells them to cover costs and generate profit. This is a cost-neutral way for these excess materials to be removed from sites and reused in a beneficial way.

The Barngarla people are the traditional people of the areas occupied by the Whyalla Steelworks and SIMEC Mining in SA (the Middleback Ranges). For many years the company has negotiated with the Barngarla people to develop Indigenous land use agreements to allow access for our operations and were pleased when the long-fought native title claim by the Barngarla people was finally successful.



Hannah Whetham, Youth Engagement Officer at Headspace, sanding a donated crate.



## CASE STUDY

**LIBERTY Steel vital to endangered wildlife conservation**

Waratah Fencing, part of LIBERTY Steel, is a proud Australian brand that has been providing premium Australian-made fencing solutions for over 130 years.

Waratah's range of products has met the needs of Australian farmers since 1884 and it now plays a vital role in the conservation of endangered native wildlife.

Waratah has provided specialised high-quality fencing to assist Aussie Ark in establishing a native wildlife refuge in the rugged Barrington Tops area of NSW. This refuge, which will eventually cover over 400 ha, has been cleared of feral animals such as cats and foxes and repopulated with the types of native mammals that roamed the area before European settlement, such as bandicoots, potoroos, parma wallabies, bettongs, eastern quolls and Tasmanian devils. These animals are now extinct or threatened in the wild on mainland Australia.

The fence at Aussie Ark is over 2 metres high and extends underground to resist burrowing animals such as wombats. It features special elements pioneered by Waratah such as an 'umbrella' top to resist climbing animals.

The fencing is capable of withstanding large herbivores (cattle and kangaroos) on the outside and defeating climbing animals like cats that could decimate the native animals within if they were to get into the sanctuary. The fence is designed to contain the native animals on the inside too, including very capable climbers such as the quoll.

Waratah products have been critical to the success of the Aussie Ark project and other similar wildlife conservation projects across Australia. The enormous variety of environments and conditions found in some of Australia's remote locations, as well as the need to control a diverse range of animals – native, feral and agricultural – has required Waratah to apply a number of innovative and bespoke solutions.

Waratah is proud to play a pivotal role in the conservation of important Australian wildlife.



*LIBERTY Steel plays a vital role in the conservation of endangered native wildlife*



Waratah's range of fencing products (left) have assisted in the protection of endangered native animals such as the Tasmanian Devil.



# Our commitment to the environment

## Sustainability is a GFG Value

We will operate our business for the long term and build a legacy for the future



### Reinventing manufacturing, innovating for the future

GFG Alliance is committed to creating a sustainable future for industry and society. Environmental innovation is part of this commitment and is articulated in our [Environment Policy](#).

### Cleaner, safer industry and manufacturing

Through our LIBERTY GREENSTEEL Strategy, GFG Alliance produces ~1.2 Mtpa of steel from recycled steel. Metal recycling, which has environmental and economic benefits, has become increasingly important to society, industry and government to meet the goals of cost reduction, efficient management of limited resources, and the reduction and improved utilisation of landfill.

Recycling metal reduces pollution, saves resources, reduces waste going to landfills and is an integral part of LIBERTY's GREENSTEEL Strategy through its LIBERTY Recycling business, by having a sustainable supply of feedstock for its electric arc furnaces to produce steel.

At a fraction of the cost to mine and refine metals from virgin ores, LIBERTY Recycling saves scrap metal from becoming waste. It is a continuous resource, made from old vehicles, appliances, buildings, bridges and more. Because it can be melted and reshaped into new products countless times, scrap metal may, in fact, be one of the most precious resources we have – it is a resource that will never be depleted.

An important way in which GFG Alliance meets its environmental commitments is by having environmental management systems that comply with the international Standard ISO14001:2015. All of LIBERTY Steel's major manufacturing operations and SIMEC's iron ore mining operations have adopted this Standard and achieved external certification. During the reporting period all certified GFG sites transitioned to the new version of the Standard which places an emphasis on lifecycle thinking and supply chain risk.

LIBERTY Steel is a member of worldsteel, which promotes environmental sustainability through a number of initiatives. LIBERTY has been a [Climate Action Member](#) through its reporting of CO<sub>2</sub> data for over 10 years and it is also a signatory to worldsteel's [2018 Sustainable Development Charter](#).

LIBERTY Steel has always been a key supporter of [schemes that promote sustainable design and construction](#). Among them are the Green Star program operated by the Green Building Council of Australia (GBCA), and the Infrastructure Sustainability (IS) rating tool program, operated by the Infrastructure Sustainability Council of Australia (ISCA).

These tools provide ratings that promote and reflect the sustainability of buildings and infrastructure projects. In particular, LIBERTY Steel has supported the recent development and release of version 2.0 of the IS rating tool, which is noteworthy for its recognition of, and reward for, initiatives related to social and economic sustainability in infrastructure projects (see level crossing removal project case study on page 31).

Projects can earn points in both schemes by using LIBERTY Steel products manufactured using the energy-reducing [Polymer Injection Technology \(PIT\)](#) and supplied with an [Environmental Product Declaration \(EPD\)](#). These EPDs provide transparent information about the environmental impact of a product throughout its lifecycle.

LIBERTY Steel recognises that [dematerialisation](#) (the use of less steel to achieve the same outcome) is a key part of making buildings and infrastructure more

sustainable and promotes this by producing high-strength steel products. Steel is also an ideal building material to reuse at the end of a building's lifecycle or during a major transition in that building's lifecycle. LIBERTY Steel actively promotes this thinking through [design for deconstruction](#).

In 2018 LIBERTY Steel teamed up with the GBCA to become a Carbon Positive Partner in support of a groundbreaking discussion paper entitled '[A Carbon Positive Roadmap](#)'. This paper will assist in driving industry forward to reduce carbon in the built environment and facilitate Australia in meeting its commitments under the Paris Climate Change Agreement.

#### Sustainability Links

[www.libertygfg.com/gfg-allianceaustralia-environment-policy.pdf](http://www.libertygfg.com/gfg-allianceaustralia-environment-policy.pdf)  
[www.libertygfg.com/steel/about-us/accreditation](http://www.libertygfg.com/steel/about-us/accreditation)  
<http://bit.ly/sustainable-charter-2018>  
[www.libertygfg.com/sustainability-rating-tools](http://www.libertygfg.com/sustainability-rating-tools)  
[www.libertygfg.com/steel/polymer-injection-technology](http://www.libertygfg.com/steel/polymer-injection-technology)  
[www.libertygfg.com/environmental-product-declarations](http://www.libertygfg.com/environmental-product-declarations)  
[www.libertygfg.com/sustainable-design-with-steel](http://www.libertygfg.com/sustainable-design-with-steel)  
[www.libertygfg.com/design-for-deconstruction](http://www.libertygfg.com/design-for-deconstruction)  
[gbc-a-web.s3.amazonaws.com/media/documents/carbon-positive-roadmap-discussion-paper-fa.pdf](http://gbc-a-web.s3.amazonaws.com/media/documents/carbon-positive-roadmap-discussion-paper-fa.pdf)



# Reducing our waste footprint

## Maximising recycling, minimising waste

Where possible, we repurpose various by-products and waste products – these are sold to third parties for other beneficial uses. Sometimes this type of downstream processing is done at a minor cost to the company.

LIBERTY Recycling processed almost 1.2 Mt of scrap steel in FY18, making it Australia's second largest metal recycler. Recycled raw materials are provided to domestic and international mills through a collaborative partnership model between suppliers and consumers. GFG Alliance's recycling arm isn't just a significant contributor to the raw materials required by the steel industry, it provides a sustainable alternative to landfill.

Locally sourced ferrous scrap metal is used to supply LIBERTY Steel's electric arc furnaces and steel mills with feedstock to manufacture and distribute new steel products through the company's downstream businesses and supply-chain expertise. The sustainability of this fully integrated LIBERTY GREENSTEEL Strategy will be further enhanced in the future by the use of, and investments in, renewable energy.

The data provided below shows by-products and waste produced at key facilities, as well as how it is used or disposed of. GFG's efforts to maximise its recycling and minimise waste not only provide an economic benefit but reveal the company's commitment to reducing its waste footprint.

By-product / Waste	FY18 Tonnage	Final Use or Disposal Method
<b>Steelmaking</b>		
Blast furnace slag	272,702	Onsite storage and other onsite uses
Blast furnace slag	4,000	Cement manufacture and road building
BOS slag	193,083	Onsite storage and other uses
EAF and LF slag	132,159	Manufacture of various products including road base, hardstand and asphalt chip
Mill scale	30,436	Sold for iron content
EAF dust	22,919	Sold for zinc content
BOS precipitator and secondary fume dust	16,790	Onsite storage
Blast furnace scrubber underflow	2,227	Tailings Dam
Blast furnace flume dust	3,600	Onsite storage
White sulphate of ammonia (from coke making)	5,967	Sold
Tar (from coke making)	20,393	Sold
<b>Tahmoor Coal Mine</b>		
Mix of course rejects and tailings	586,858	Onsite emplacement facility

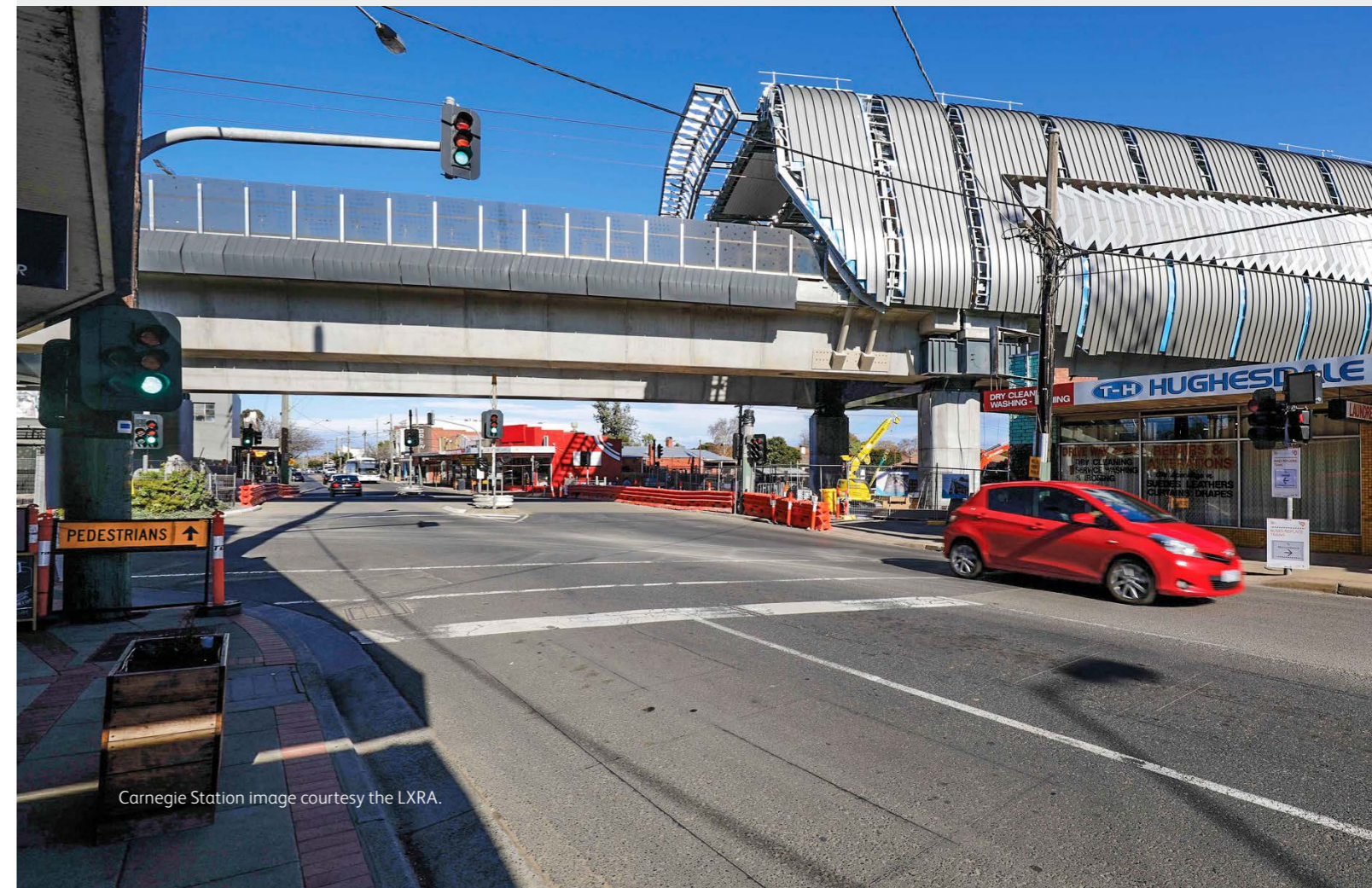
## CASE STUDY

### LIBERTY Steel supporting the removal of dangerous level crossings

LIBERTY Steel is proud to partner with the Infrastructure Sustainability Council of Australia (ISCA) to facilitate infrastructure that can deliver optimum social and environmental outcomes.

One of the projects currently achieving this, partly through maximising the benefits of LIBERTY Steel's EPDs, is Victoria's \$1.6 billion Caulfield to Dandenong (CTD) Level Crossing Removal Project. LIBERTY Steel has supplied 4000 tonnes of prefabricated reinforcing steel to the project, which is elevating sections of rail line and removing nine dangerous and congested level crossings. The use of LIBERTY Steel's Australian-made reinforcing steel assisted the CTD project in accruing points in the materials category of the IS rating tool, with the project achieving an 'Excellent' sustainability rating.

The important role played by LIBERTY Steel in delivering better outcomes for communities and the natural environment is recognised by ISCA, with CEO Ainsley Simpson stating: "LIBERTY Steel actively find ways to play their part as integral partners in infrastructure through the provision of sustainable steel products. This is enabling the delivery of better outcomes for Australian communities."



Carnegie Station image courtesy the LXRA.



# Sustainable energy for industry

Clean, reliable and low-cost power supply that is both economically and environmentally sustainable is essential to GFG Alliance's GREENSTEEL Strategy.

GFG Alliance is committed to growing its capacity to generate green energy for industry.

As part of GFG's strategy to realise its vision to create a sustainable future for industry and society and the necessity to reduce high electricity prices, GFG acquired a majority shareholding in ZEN Energy, now SIMEC Energy Australia, in September 2017.

Through SIMEC Energy Australia, GFG Alliance is investing in renewable energy projects to drive greater penetration of renewable energy into the broader energy market. SIMEC Energy Australia's current energy projects include pumped hydro at SIMEC's Middleback Ranges mining operations in SA, plans to build the world's largest lithium-ion battery and a number of solar energy projects around Australia. LIBERTY Primary Steel also has plans underway to increase the efficiency of co-generation of power at the Whyalla Steelworks by using heat and processed gases from steelmaking to generate electricity, reducing its reliance on the grid.

GFG Alliance's manufacturing businesses are major energy users. Through SIMEC Energy Australia, GFG aims to deliver a step-change in the electricity industry to reduce the cost of dispatchable power in Australia through the use of renewable energy.

During the year, GFG Alliance launched plans for the 280 MW Cultana Solar Farm project (see case study page 33).

SIMEC Energy Australia also entered into agreements with the South Australian government and the South Australian Chamber of Mines and Energy to provide 100% of their energy requirements.



## CASE STUDY

### Cultana Solar Farm

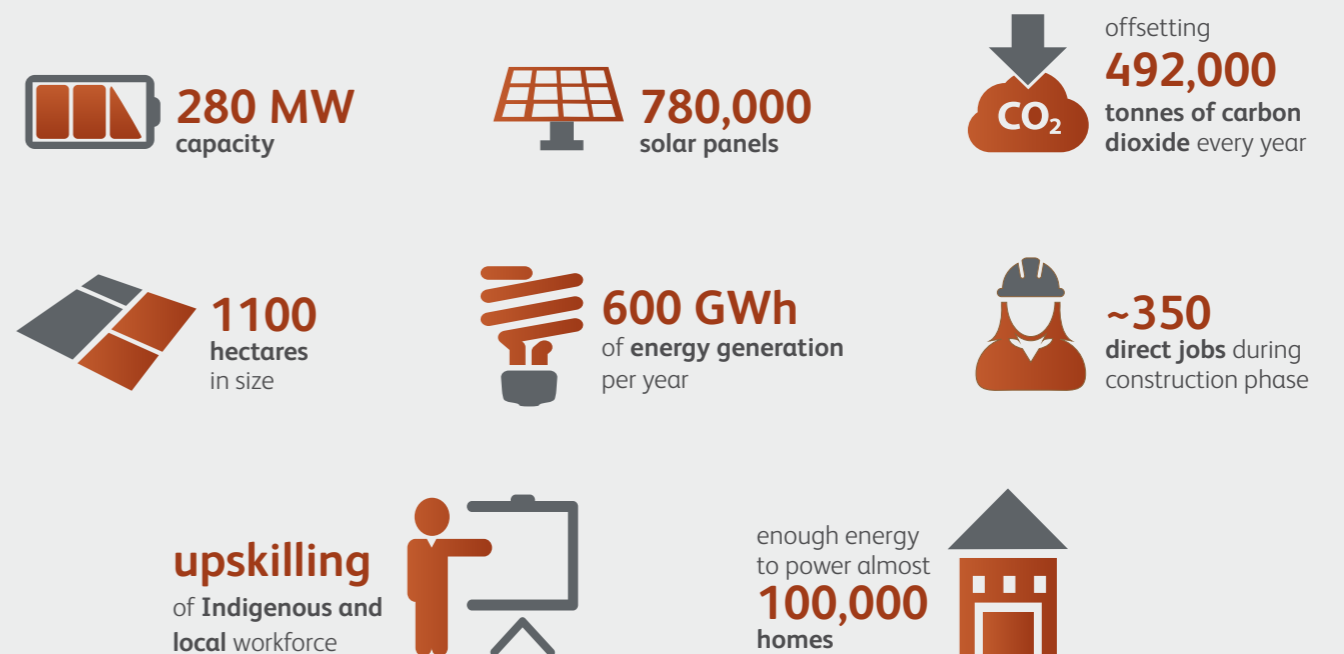
In line with SIMEC's priority to grow its capacity to generate green energy for industry, SIMEC Energy Australia announced plans in August 2018 for its first project – the Cultana Solar Farm. The solar farm is expected to offset ~492,000 tonnes of carbon dioxide each year and is expected to begin construction in 2019. It is the first of many renewable energy projects planned for the region by SIMEC Energy Australia.

The landmark project is expected to generate 1 GW of dispatchable renewable energy with an estimated investment of US\$1 billion. This investment in renewable power is another example of GFG's commitment to its vision to build a sustainable future for industry and society, and just one of the ways we are taking action to bring down energy prices to help businesses remain competitive.

The project boasts an impressive 600 GWh of energy generation per year – enough to power almost 100,000 homes – drawn from 780,000 solar panels across an area 550 times larger than Adelaide Oval.



### Cultana Solar Project Fast Facts





# Energy and greenhouse performance FY18

GFG Alliance in Australia is a significant energy user. The table below shows the total energy use and greenhouse gas emissions as a total for the company and for its major operating sites.

## Energy Use and Greenhouse Gas Emissions FY18

	Total Energy Use (PJ)	Scope 1 Emissions*	Scope 2 Emissions*	Total Emissions
		(million tonnes CO <sub>2</sub> e)		
Whyalla Steelworks	28.96	2.458	0.101	2.56
Sydney Steel Mill	2.22	0.074	0.275	0.349
Laverton Steel Mill	3.07	0.111	0.435	0.546
Iron Ore Mining and Processing	1.87	0.092	0.073	0.165
Coal Mining and Processing	1.13	1.396	0.082	1.478
Newcastle Rod Mill	1.23	0.049	0.063	0.113
Remainder of GFG Alliance in Australia	0.13	0.041	0.129	0.171
<b>Total</b>	<b>38.61</b>	<b>4.221</b>	<b>1.159</b>	<b>5.381</b>

More than 40% of the electricity used at the Whyalla Steelworks is self-generated on site (see table below).

## Whyalla Steelworks Electricity FY18

	MWh
Purchased electricity from the grid	232,530
Self-generated electricity	157,802
On-sold electricity	25,424
Exported back to grid	330
Net site electricity consumption	364,578

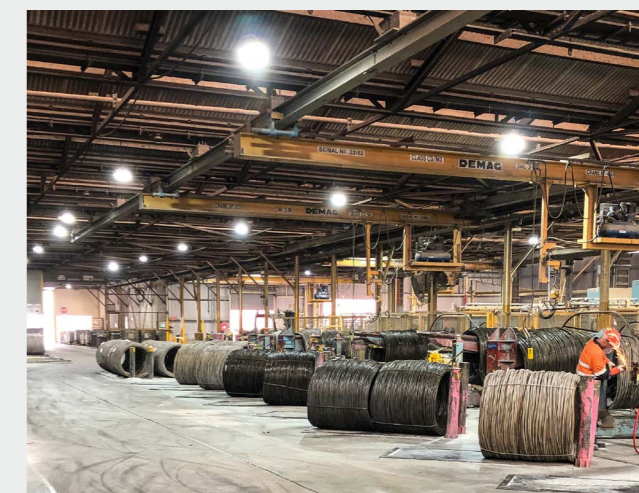
The different steelmaking technologies employed by GFG Alliance in Australia have different energy requirements (see table over). While primary steelmaking, as undertaken at Whyalla, is more energy intensive, it must be remembered that the alternative (EAF or secondary steelmaking) can only occur using scrap steel that was originally created through the primary steelmaking route.

\* Scope 1 Emissions are greenhouse gas emissions directly generated and released at the site through the use of fossil fuels, steelmaking processes or the release of fugitive emissions (in the case of the Tahmoor Colliery). Scope 2 Emissions are emissions created offsite due to activity to generate electricity and other services (e.g. heating, cooling, steam) that is transported to and used by the site.

## CASE STUDY

### High bay LED lights save energy and money

Several thousand LED high bay lights have recently been used to replace sodium and metal halide globes in the manufacturing and warehousing areas of LIBERTY Steel's Newcastle Wire Mill. This was just part of a group-wide lighting upgrade project. This type of lighting is inherently more efficient and, in the case of the Wire Mill, the annual savings in electricity use will be equivalent to what it previously cost to operate lighting in these areas for a month. LED lights are also brighter, improving safety. This initiative was part of the winning submission from LIBERTY Steel's Wire business in the recent Hunter Manufacturing Awards in the Environmental Excellence category.



## Production, Energy and Greenhouse Gas Intensities FY18

	Production	Energy Intensity	Greenhouse Gas Intensity
	(tonnes crude steel)	(GJ/t crude steel)	(t CO <sub>2</sub> e /t crude steel)
Whyalla Steelworks	1,063,622	27.23	2.407
Sydney Steel Mill	575,787	3.86	0.606
Laverton Steel Mill	665,345	4.61	0.821

The various sources of greenhouse gas emissions generated by GFG Alliance's Australian operations are shown in the table below.

## Greenhouse Gas Emissions by Type FY18

Offsite electricity generation	21.50%
Use of carbonates	2.80%
Use of natural gas	7.20%
Fugitive underground coal mine emissions	25.90%
Steelmaking industrial process	39.80%
Other	2.80%

GFG Alliance in Australia is undertaking significant investment to source more energy from renewable generation methods (see 'Sustainable energy for industry' on pages 32–33). In the meantime, we are always looking for local energy efficiency opportunities as shown in the case study above.

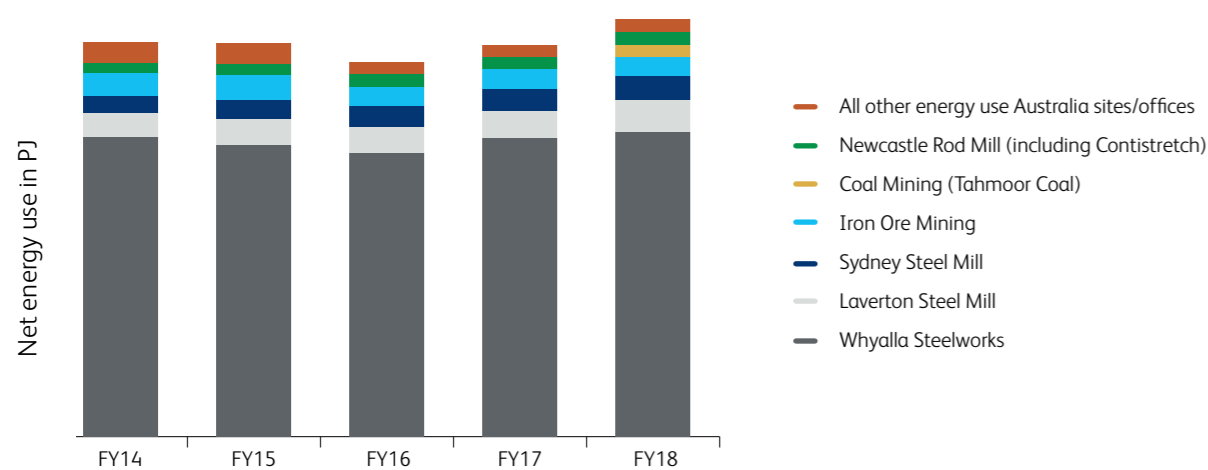


# Energy and greenhouse performance trends

Energy use and greenhouse gas emissions are closely monitored at GFG Alliance's mining and production sites, warehouses and office facilities around Australia.

Energy use at GFG Alliance's Australian facilities for the last five years is shown in Figure 1 below. In the case of steel manufacturing, energy use is closely linked to production and figures for total crude steel production are also provided in Table 1 below. Energy use includes all activities within production sites, warehouses and offices. Data for the Tahmoor Coal Mine is included for FY18, the year it was acquired.

**Figure 1: Energy Use**

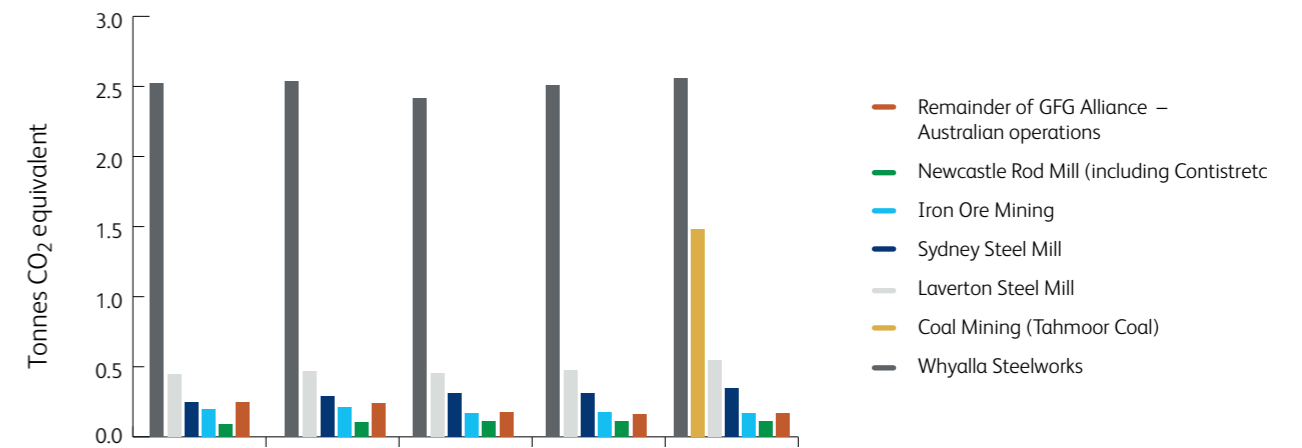


**Table 1: Crude Steel Production (Tonnes)**

	FY14	FY15	FY16	FY17	FY18
Whyalla Steelworks	1,080,949	1,065,567	1,018,125	1,015,275	1,063,622
Laverton Steel Mill	482,425	496,340	516,508	550,031	665,345
Sydney Steel Mill	341,562	432,838	474,426	480,112	575,787

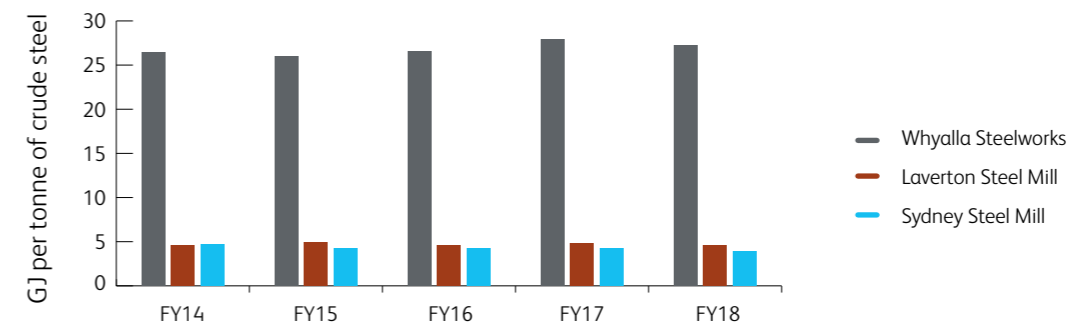
Greenhouse gas emissions at key GFG Alliance facilities in Australia for the last five years are shown in Figure 2. These figures are the sum of Scope 1 and Scope 2 emissions for all activities within production sites, warehouses and offices. Data for the Tahmoor Coal Mine is included for FY18, the year it was acquired. The Tahmoor result is unique compared to the other facilities because it is mostly driven by the release of mine gas (methane and CO<sub>2</sub>) rather than energy consumption. A proportion of mine gas from Tahmoor is captured and converted into electricity but the balance is recorded as greenhouse gas emissions.

**Figure 2: Greenhouse Gas Emissions**



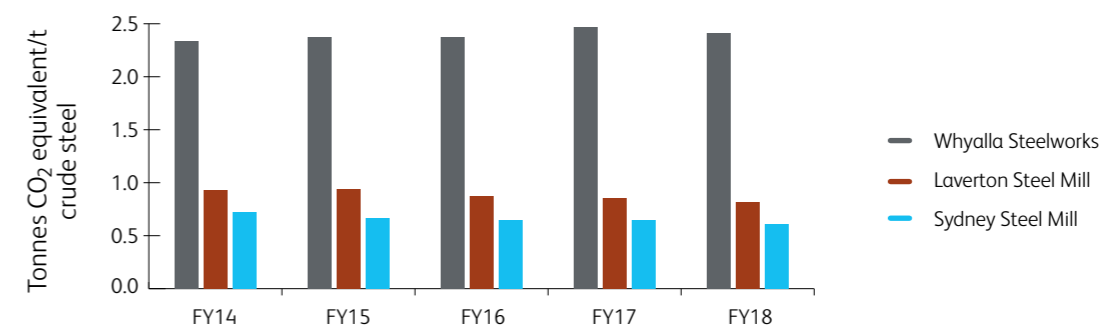
Energy intensity is a high-level measure calculated from total crude steel production and total energy use for a given facility. It is an indicative measure because it is influenced by other factors, such as the rolling of steel billet by a facility that did not make that billet. Figure 3 shows energy intensity for the three GFG Alliance steel-making facilities in Australia. The significant difference in the results for the LIBERTY Steel Laverton and Sydney Steel Mills, versus the LIBERTY Primary Steel Whyalla Steelworks, reflects the fundamental differences in producing virgin steel from raw materials (iron ore, coal, etc.) compared to producing recycled steel from scrap.

**Figure 3: Energy Intensity**



Greenhouse gas intensity is calculated in a similar way to energy intensity and is subject to the same types of influences mentioned above.

**Figure 4: Greenhouse Gas Intensity**





# Promoting economic sustainability

Working smarter, more efficiently and innovating to support long-term sustainable economic growth.

GFG Alliance's approach to sustainability includes focusing on economic sustainability, which we believe forms the foundation of our vision to build a sustainable future for industry and society.

Following the acquisition of our Australian businesses, GFG Alliance undertook a 100-day review of those new businesses. Part of this review involved identifying Rapid Payback Opportunities and led to investment in 34 projects during the year, all focusing on accelerating investment, with an estimated \$28 million of annual benefit to our businesses. These projects were in addition to already-planned capital investment. The Rapid Payback projects came from every corner of our business

and included cost savings, process improvements and initiatives that improve the products and services that we offer to our customers. Further transformational projects with the potential to deliver significant longer-term growth are under consideration.

The business also focused on supply chain efficiencies and labour cost reductions, which enabled the business to achieve meaningful reductions in delivered costs to reset the business and set it up for the long-term. As part of ongoing plans to improve efficiencies and deliver long-term economic sustainability, the business is further investing in modernised systems, new and existing sites and operating plants.

## Pro Forma Income Statement (for the twelve months ended 30 June)

	2018 US\$m
Sales revenue	4,003.4
Operating expenses	(3,705.2)
<b>Earnings Before Interest, Tax, Depreciation &amp; Amortisation (EBITDA)</b>	<b>298.2</b>
Depreciation & Amortisation	(150.8)
<b>Earnings Before Interest and Tax (EBIT)</b>	<b>147.4</b>
Interest expense	(3.4)
<b>Profit before income tax</b>	<b>144.0</b>
Tax expense	(41.0)
<b>Net profit after income tax</b>	<b>103.0</b>

Amounts have been presented in USD. The draft pro forma P&L for the LIBERTY Steel Australia combined group ("the Group") comprises LIBERTY OneSteel Pte Limited and its wholly owned subsidiaries, Tahmoor Coal Pty Ltd and Whyalla Ports Pty Ltd, members of the GFG Alliance Group in Australia as at 30 June 2018. The results have been presented as if the Group had existed from 1 July 2017.

The pro forma P&L excludes GFG Alliance Head Office costs which are incurred by OneSteel Trading Pty Ltd and LIBERTY OneSteel Corporate Services Pty Ltd, and certain transactions which management have determined to be non-underlying to the Group's operating result including non-trading, acquisition related costs, gain on acquisition of the Group and other restructuring costs. The pro forma P&L includes depreciation and amortisation for the twelve months ended 30 June 2018 based on the fair values of the assets of the companies at their respective dates of acquisition by the GFG Alliance Group in Australia. The Income Statement impact of the fair value of the Tahmoor Coal Pty Ltd net assets acquired on 20 April 2018 is provisional, as GFG Alliance Group in Australia has 12 months from the date of acquisition to determine the fair value of the net assets acquired.

### NON-IFRS FINANCIAL MEASURES

We refer to the terms EBITDA and EBIT which are financial measures not prepared in accordance with IFRS as issued by the International Financial Reporting Standards Board. In evaluating our business, we consider and use EBITDA and EBIT as supplemental measures to review and assess our operating performance. The presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. We use EBITDA and EBIT as measures of operating performance to assist in comparing performance from period to period on a consistent basis.

## CASE STUDY

### Recycling, reinvestment and transformation

With the ongoing support of scrap customers and service providers throughout a period of relatively stable ferrous and non-ferrous prices, the LIBERTY Recycling business continues to be a positive profit contributor to GFG Alliance in Australia. The 100-day review revealed a number of significant opportunities to reinvest in the business to further improve the working environment for our employees, the experiences and outcomes our customers receive and, importantly, to transform and futureproof our LIBERTY Recycling business.

#### Regeneration of our collection and delivery fleet

After a period of minimal investment in our collection and delivery vehicles, orders have now been placed for 10 new bin trucks and 11 new semi-tipper trailers. While this represents a small proportion of the overall transport fleet, we expect these investments to continue as we work towards a regeneration of these important assets. This process will improve working conditions for our people, and will greatly improve our collection and delivery capability, in turn providing further value to our customers.



#### Transformation of the LIBERTY Recycling facility at Laverton, Victoria

As LIBERTY Steel's Laverton Steelworks lifts production to meet the demands of key infrastructure projects in Victoria, LIBERTY Recycling is working hard to ensure the efficient supply of recyclable steel to the Laverton Steelworks Electric Arc Furnace. The increased demands of the market are so great that a significant upgrade and redesign of the LIBERTY Recycling operation at Laverton is required.

Incorporated in this project is the construction of one of Australia's largest hydraulic static shears. This piece of equipment, with a cutting force capability of over 1400t, will produce up to 35t of heavy melting scrap per hour and add significant processing efficiency and capability to the Victorian LIBERTY Recycling business. The business will also invest in a 'Telesacker' that will dramatically speed up truck unloading at the gantry, improve customer turnaround time and improve Steel Mill accessibility to scrap metal feedstock.

Further significant investments at the site include a complete reworking of the yard layout to improve traffic flows, introduction of an additional entranceway off Fitzgerald Road and increasing to four the number of weighbridges for entry to and exit from the site.





# Governance and risk

A key part of Sustainability is ensuring that key risks are addressed appropriately and the right governance framework is in place to ensure accountability.

GFG Alliance in Australia has key policies in place to ensure proper governance. These policies are available [on our website](#) and include Environment, Work Health and Safety, the Code of Conduct, and Family and Domestic Violence.

To provide a focus on the key governance areas of safety and environment GFG Alliance in Australia also has a Health, Safety and Environment (HSE) Council, consisting of chief operating officers and functional specialists. The role of the HSE Council is to provide direction and drive improvement within the business to assist in working towards the goal of zero injuries and occupational illnesses, and improve the overall health and wellbeing of our people.

The Council demonstrates leadership, monitors HSE performance and associated improvement plans,

and promotes active participation in the WHS and Environment programs across GFG Alliance's businesses.

The Council enables the sharing of best practice and sponsors recognition of outstanding safety behaviour and leadership through the Safety Excellence Awards program (see pages 20–21 for more information).

The business also engages KPMG to audit our financial accounts.

In recent years, modern slavery has emerged as a compliance issue for industry. GFG Alliance in Australia has responded by preparing for changes in Australian legislation. This has included revising our Procurement Policy and Principles to specifically accommodate modern slavery (see the case study below).

## CASE STUDY

### Preparation for the introduction of modern slavery legislation

Modern slavery includes debt bondage, deceptive recruiting for labour or services, slavery, servitude and forced labour. GFG Alliance is involved in industries in Australia known to be at high risk of modern slavery, including construction and the shipping supply chain.

In 2018 the Commonwealth Modern Slavery Act was passed. This Act requires large organisations, such as GFG Alliance, to report publicly on the actions they have

taken to address modern slavery risks in their operations and supply chains. This reporting would include the structure, operations and supply chain of the organisation; the risks of modern slavery practices in the operations and supply chains; and actions taken to assess and address those risks. GFG Alliance is currently developing the systems and policies that will enable the public reporting described above. We expect to release our first modern slavery statement in 2020.

# Risk management

GFG Alliance's Australian businesses have established risk profiling systems for identifying, assessing, monitoring and managing material risk.

These systems are based on ISO31000/COSO and provide ongoing risk management that is capable of promptly responding to emerging and evolving risks.

The company's risk management system includes comprehensive practices to help ensure that:

- key risks are identified and mitigating strategies are put in place
- management systems are monitored and reviewed to achieve high standards of performance and compliance in areas such as safety and environment
- capital expenditure above a certain threshold obtains Executive approval
- internal control weaknesses are identified and reported monthly through the outstanding audit issues scorecard until they are remediated and closed
- financial exposures are controlled, including the use of derivatives
- business transactions are properly authorised and executed.

## Commitment to excellence in safety

The business has a long-running commitment to excellence in safety that has been recognised and shared through the World Safety Excellence recognition program and National and State Safety Excellence awards. Business leaders have established a safety framework that embraces learning from a long-term relationship with DuPont and a depth of internal safety experiences.

## Internal and external audit

The company's Internal Audit, Control and Risk (IACR) function is headed by a General Manager reporting to the Chief Financial Officer, with the execution of the internal audit function managed internally. The annual internal assurance program is aimed at providing assurance to Management over the effectiveness of the company's enterprise risk management system, comprising business risk management, compliance and control assurance, and the effectiveness of its implementation. The IACR function works with the company's external auditor, KPMG, to minimise duplication of effort and to maximise knowledge sharing between the assurance providers.

## Group-wide material business risks

The following key business risks have been identified as having the potential to impact on the company's earnings stream. The company undertakes the necessary steps to ensure that these risks are appropriately managed.

## Cyclical nature of our industries

The company's revenues and earnings are sensitive to the level of activity in the Australian construction, manufacturing, mining and agricultural industries and also the level of activity in the global mining industries.



## Competition

The company faces import and domestic competition across our product range. A significant increase in competition, including through imports, could materially affect the future financial position and performance of the company by putting downward pressure on steel prices or by reducing sales volumes.

## Dependence on key customer and supplier relationships

The company relies on various key customer and supplier relationships, and the loss or impairment of any of these relationships could have a material adverse effect on the company's operations, financial condition and prospects.

## Product risk

The company maintains an internal risk management process and also follows quality assurance procedures in relation to the manufacture of its products and materials. For example, LIBERTY Steel's steel mills are accredited to internationally recognised standard ISO9001. However, due to the nature of its operations, it is possible that claims against the company could arise from defects in materials or products manufactured and/or supplied.

## Operational risk

The production of iron and steel products involves a number of inherent risks relating to the operation of the company's manufacturing facilities that involve the use of energy and infrastructure resources, including

electricity, gas and water; the production and movement of liquid metal; the hot rolling and cold forming of steel sections; and, at times, complicated logistical processes. Operational risks exist with respect to the electric arc furnaces and rolling mills.

## Domestic and global economic environment and market conditions

The company's financial performance will fluctuate due to movements in interest rates, exchange rates, inflation, economic conditions, changes in government fiscal, monetary and regulatory policies, commodity prices, construction, mining and manufacturing industry activity levels, South East Asian steel prices and margins, scrap metal availability and prices, global geopolitical events and hostilities and acts of terrorism and other factors that may affect the company's financial position and earnings.

The company has exposure to foreign exchange translation risk. Fluctuations in foreign currency exchange rates, especially volatility of the US dollar against most major currencies and significant fluctuations of the Australian dollar against the US dollar, may have an adverse impact on the financial position and performance of the company.

## Managing liquidity and debt level

Ability to address the balance sheet, particularly debt levels to reduce interest payments, ability to raise debt funding and future liquidity requirements.

### Disclaimer

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*The front cover and contents page of this GFG Alliance Sustainability Report feature two major award-winning projects that LIBERTY has played an important role in delivering: Multiplex's Optus Stadium and Stadium Park in Perth and Lendlease's Barangaroo South in Sydney.*

### Multiplex's Optus Stadium and Stadium Park announced as winner of the 2018 ACAA Award

Perth's new Optus Stadium and Stadium Park secured Multiplex's place as the winner of the 2018 Australian Construction Achievement Award. The six-level steel and concrete structure, with its lightweight fabric roof supported by steel trusses, brings a new level of experience to sports and entertainment audiences in Perth.

LIBERTY Metalcentre supplied 16,000 tonnes of structural steel to construct the superstructure, while another 13,500 tonnes of LIBERTY Reinforcing steel was used in foundations and in the stadium structure.



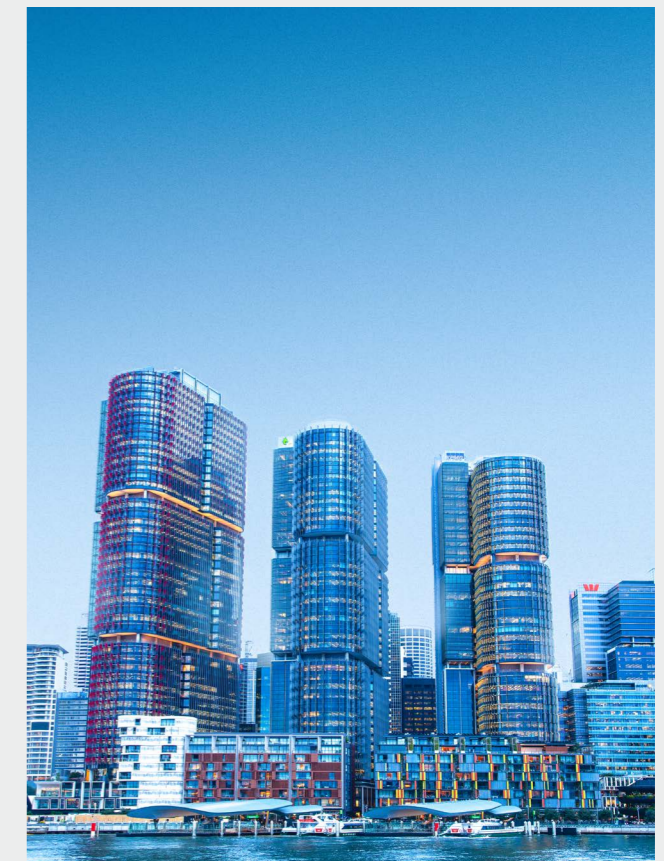
### Lendlease's Barangaroo South project named 2018 Australian Development of the Year

Lendlease's Barangaroo South project was named 2018 Australian Development of the Year at the Property Council of Australia's Innovation and Excellence Awards. In total, the project won five awards, including the LIBERTY-sponsored Best Mixed Use Development Award.

LIBERTY played a major role during the 4.5-year supply period of Lendlease's Barangaroo project and has continued to do so in subsequent phases of the development. LIBERTY Reinforcing supplied more than 45,000 tonnes of reinforcing steel in total and all product was delivered with ACRS certification.

Processes were implemented to ensure a 20 per cent reduction in embodied carbon was delivered for reinforcing steel, which contributed to the project's 6 Star Green Star rating.

*LIBERTY congratulates Multiplex and Lendlease on their awards and is proud to have contributed to the efficient delivery of these landmark projects.*







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