

## BlueScope Annual General Meeting 2018

23 November 2018, Sydney

Address by John Bevan, Chairman

### CHECK AGAINST DELIVERY

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BlueScope's performance for the 2018 financial year shows that the Company's straightforward strategy is working very well across our portfolio of businesses.

Mark Vassella and his Executive Leadership Team are committed to pursuing growth opportunities in line with our clear strategy to deliver returns to shareholders. They have delivered outstanding performance in the 2018 financial year.

We are now looking at a different kind of steel building products company. The transformation in recent years has produced a more diversified business with a greater contribution from value-added products, principally in building and construction markets.

Our greater geographic diversity provides growth opportunities, and with a broader spread of profits, we have reduced the cyclical nature of our earnings.

In short, we have created a steel building products company that is differentiated from its peers by six factors:

Firstly, our **technology, branding and channels**. Our investment in research and development helps maintain our leadership position in steel coating and painting technologies. We have a portfolio of well-known and respected brands in building products and home appliance markets, with a clear focus on knowing our end-customers and maintaining strong channels to market.

Secondly, BlueScope's **business diversification** sets the Company apart. We operate across a mix of developed and developing economies. Today, more than half of our profits are made outside of Australia.

Thirdly, we are relentless in our focus on **cost competitiveness**. Our strategy calls for us to be cash breakeven at the bottom of the cycle. Our Australian steelmaking operations are now breakeven at minimum recent spreads, but must always maintain a sharp eye on costs. In the US, North Star BlueScope Steel represents a best-in-class asset with the leading EBIT margin amongst its peer steelmakers.

Fourthly, we take a **disciplined** approach to **growth**, and rigorously evaluate all growth opportunities before making any decision.

The fifth key factor is **capital management** where we always seek to maintain safe and reliable operations; then maintain balance sheet strength, and only then invest to grow and optimize

shareholder returns.

And lastly, our **approach to sustainability**: BlueScope is committed to operating a sustainable business. We place particular focus on the five most material topics identified by stakeholders, these being:

- safety, health and wellness;
- climate change and energy;
- supply chain sustainability;
- governance and business conduct; and
- diversity and inclusion.

In sum these six factors make BlueScope a different type of steel building products company.

As I've already mentioned - and am very pleased to report - our strategy and our focus on shareholder returns are continuing to deliver results. Since completing our transformational cost saving initiatives in Australasia and the acquisition of the 50 per cent of North Star we did not own, we have now delivered underlying EBIT of over \$1.1 billion in each of the last two years.

CEO Mark Vassella will shortly speak to financial performance, but the improvement in underlying return on invested capital (ROIC) to 20 per cent from 18.5 per cent in the 2017 year further confirms that strategic initiatives across the Company are working well.

The balance sheet is robust, with great flexibility, and we have a clear capital management framework in place. Our capital expenditure principles focus on investing to maximise value from 'best in class' assets, investing for growth in premium branded products, and investing in customer, technology and innovation.

Today there are many organic growth opportunities across our portfolio of businesses in markets as diverse as India, ASEAN, China, the US and Australia and New Zealand.

For example, as announced in August, we have initiated a comprehensive study to expand our North Star business in Ohio, to add up to 900,000 tonnes per annum of steelmaking capacity. The project under evaluation includes adding a third electric arc furnace and second slab caster, and may cost in the range of US\$500 million to US\$700 million over two to three years. We believe the project may deliver compelling results through the cycle, which the study will seek to confirm.

Your Company's dramatic transformation of recent years has led to significant cash generation, allowing us to return increasing amounts of money to shareholders through a combination of dividends and buy-backs. In fact, since 2017 up to the current day, we have returned a total of nearly \$850 million. We are optimistic that as we continue to generate stable earnings and cash flow, and deliver returns to shareholders, the market will increasingly recognise the value of BlueScope as an investment.

It is our intention to continue to pay consistent dividends in conjunction with on-market share buy-backs, subject to Board review and consideration of market conditions. Directors believe this achieves the appropriate balance between retaining strong credit metrics, continuing to fund our growth opportunities and returning cash to shareholders.

Most recently, in the last year, improved financial performance has enabled the Board to approve payment of a full year dividend of 8.0 cents per share, bringing the total dividend for the year to 14.0 cents per share.

The \$150 million on-market share buy-back announced in February was completed in June, and on 31 October we completed the \$250 million buy-back announced in August.

In April, two credit ratings agencies, S&P and Moody's, upgraded the Company to an investment grade credit rating. We have subsequently refinanced our capital markets and syndicated bank debt to deliver improved cost, scale and tenor.

This is just another example of how your Company has become the "new BlueScope".

Turning now to address the Company's sustainability.

Late last month we were pleased to publish the 2018 Sustainability Report, and I hope you have had a chance to read it.

Highlights for the financial year outlined in the report include:

- improved safety performance;
- climate change reporting in accordance with the recommendations of the Task Force for Climate-related Financial Disclosures, or TCFD;
- continuous improvement targets for reducing greenhouse gas intensity for our three steel manufacturing sites;
- a significant project to review our supply chain and ensure suppliers operate to a similar set of values as those expressed in Our Bond; and
- significant progress on building a diverse and inclusive workforce.

This all leads to BlueScope developing, manufacturing and selling steel products and solutions in a manner that provides for a sustainable future.

In 2018 we are celebrating the 90th anniversary of the establishment of the Port Kembla Steelworks – a great example of true sustainability, that is, playing the long game. To survive 90 years means sustained effort, recognising that you must constantly change, and that the goodwill of all stakeholders must be earned, embraced and nurtured.

Steel is one of the most used, recycled and therefore vital materials in our modern world. Whether it is for infrastructure, housing, transport systems, manufacturing or energy, steel will continue to play a vital role in meeting the challenge of transitioning to a more sustainable future.

BlueScope is taking advantage of opportunities to contribute to sustainable development. Advances in technology have led to product innovations such as lighter and stronger products, improved thermal efficiency and greater resistance to extreme weather and corrosion.

Mark Vassella will speak in more detail about some aspects of our sustainability reporting, and our 2018 achievements.

And now to your Board of Directors. I am pleased that, in line with our focus on gender diversity, women made up 33% of the Board at the end of FY2018.

We recently announced the appointment of Mr Mark Hutchinson as a new Director and, as advised to shareholders at last year's Annual General Meeting, our two longest serving Directors, Daniel Grollo and Ken Dean, are retiring from the Board at this meeting.

Together with the rest of the Board, I would like to thank Daniel and Ken for their invaluable service to your company over a number of years. They have both been outstanding Board members, and Chairs of the Health, Safety and Environment Committee and the Audit Committee respectively. They have also been instrumental in helping guide us through challenging times, and have helped shape the "new BlueScope". On behalf of the Board I wish them well for the future.

To conclude, I thank you, our shareholders, who have continued to support the Company in the past year when we have really seen our strategy delivering results.

The performance in the 2018 year reflects the continued hard work of management and employees, and I thank them all for their commitment to the Company's success.

I thank my fellow Directors for their continued support, and join with all shareholders in looking forward to BlueScope continuing to prosper in FY2019 and beyond.

Thank you