

BlueScope Annual General Meeting 2020
19 November 2020
Address by Mark Vassella, Managing Director & CEO

CHECK AGAINST DELIVERY

I join with our Chairman in welcoming all shareholders to our meeting today.

As the Chairman has noted, BlueScope's financial performance in FY2020 showed once again the resilience in the Company's earnings, the quality of our cash flow and the strength of the balance sheet. Shortly I'll speak about today's \$475 million underlying EBIT guidance update.

Safety

As always at BlueScope, I'll start by looking at our safety performance.

The Chairman has spoken about the fatality at the Port Kembla Steelworks berth in May. This tragic incident reinforces our imperative in maintaining safety across our operations, which is a consistent and constant focus.

Whenever a serious incident occurs, we take the opportunity to learn from it. Teams across our global business, particularly Australian Steel Products, have taken time to pause and remember our contract partner and reflect on the tragic circumstances of his death. These sessions have encouraged teams to look for opportunities to continually improve their own work environment.

We recognise that we need to do more to improve safety performance across the Company.

Consistent with our commitment to continuous improvement and building capability, we are working to further evolve our approach to safety to drive improved performance in risk management, and in reducing incidents and injury severity. The evolution in approach is outlined in our Sustainability Report and fundamentally centres on the need to build capability to manage risk under variable conditions and build greater engagement with employees so that their knowledge and experience more directly contribute to safer work environments.

We have also introduced leading indicators focused on building capability through participating in a health, safety and environment (or HSE) transformation program, known as HSE Evolution, and implementing risk control projects.

Since the outbreak of the pandemic, through careful planning we have succeeded in effectively managing COVID-19, while also ensuring the day-to-day safety of our employees and operations. In most countries where we operate, steelmaking has been viewed as an essential service. We have worked hard to demonstrate to Governments and regulators that our Company, combining advice from medical experts with comprehensive hygiene measures, strict distancing protocols and regular health checks, can operate in a COVID-19 safe way.

Our sites have low employee density, with a high degree of automation enabling them to operate with a minimum number of employees in attendance.

By maintaining this focus on safety, we have continued operations across the portfolio keeping our team employed, meeting customer needs and fulfilling our supply chains.

Financial performance

Today BlueScope updated the market about our 1H FY21 underlying earnings outlook.

All operating segments are performing well, and momentum has continued to build as we approach the end of 1H FY21. Residential alterations and additions activity, demand for detached new housing, and growth in demand for e-commerce warehouse and logistics facilities are all robust and US automotive industry demand is recovering strongly.

Demand strength, particularly in the Australian market, has continued to outpace our expectations. We now expect that Australian construction and manufacturing activity will remain strong, driving elevated domestic steel despatches for the balance of 1H FY21.

Benchmark steel spreads in East Asia and the Midwest US have also improved and are currently above longer-term averages as the beginning of 2H FY21 approaches.

Nonetheless, there remains uncertainty around spreads and volumes given the risks of the evolving impact of COVID-19 which could disrupt demand, supply chains and operations, and broader macroeconomic activity.

Looking now at the performance across our portfolio of businesses during the current half year:

Australian Steel Products is expected to deliver a substantially better result than 2H FY20. Domestic construction and distribution segment demand is strong, particularly for coated and painted products. The contribution from export coke remains elevated and is expected to be greater than 2H FY20.

Our confidence is underpinned by recent positive Federal and State government initiatives to combat the economic impact of the pandemic and to address the longer term challenges of climate change.

Firstly, the NSW and Victorian governments permitted BlueScope to continue to operate in a COVID safe manner throughout the lockdowns, and our despatches helped secure the building and construction industry. State governments have also boosted infrastructure spending, including the Victorian Government's recent announcement that it will spend around \$5 billion building social housing.

The Federal government has recognised that the national gas and electricity markets are not operating effectively, and has announced further measures to ensure domestic manufacturers have guaranteed supply and competitive prices.

And last week the NSW government launched its Renewable Energy Zones - a wind and solar power investment plan, based on locally manufactured product, plant and equipment. BlueScope

welcomed this news with our own \$20 million BlueScope Renewables Manufacturing Zone at Port Kembla to encourage innovation and co-investment for new products and services in this emerging market.

With generally robust demand across its markets following interruptions from COVID-19 in the last half, the **Building Products Asia & North America** segment is expected to deliver a considerably better performance than 2H FY20. The outlook for ASEAN and India has improved significantly; in ASEAN, we now expect 1H FY21 underlying EBIT to be at least double that of 2H FY20. The North America business is on track to deliver a performance similar to 2H FY20, and we expect China to deliver a similar performance to 1H FY20 on favourable seasonality.

In **Buildings North America** the core engineered buildings business is on track to deliver a better result than 2H FY20. The contribution from BlueScope Properties is expected to be higher than last half, including the \$40 million additional contribution from a recent property sale. This magnitude of contribution is not expected to be repeated in 2H FY21.

New Zealand and Pacific Islands' performance is improving substantially on 2H FY20, primarily due to a return to normal operations post-COVID-19 and very strong domestic demand, particularly for coated and painted products. Steps to implement the business restructuring continue; the loss-making pipe mill has been closed and the exit of the cold rolled annealed business is in progress. From 1H FY21, depreciation and amortisation will be approximately \$15-20 million lower per half compared to 2H FY20, following the asset write-down.

In the US, other than for the major scheduled maintenance outage just completed, **North Star BlueScope Steel** in Delta, Ohio, continues to despatch at full capacity with automotive volumes normalising across the half. Since the end of 2H FY20, realised steel spreads have bottomed, and are improving driven by a significant increase in benchmark Midwest hot rolled coil prices in recent months. Given usual pricing lags in the sales mix, 1H FY21 underlying EBIT is expected to be lower than 2H FY20.

Progress on the cornerstone US\$700 million project to expand the North Star mini-mill by around 850,000 tonnes per annum is progressing well and remains on budget and schedule, with commissioning expected during the June 2022 half year. Construction is progressing well and the major electric arc furnace and supporting equipment is expected to be on site by the end of this calendar year.

The project team continues to execute efficiently and safely, notwithstanding the evolving COVID-19 situation. We continue to be encouraged by North Star's performance, by the rate of capacity rationalisation in North Star's region and the broader United States, and improving outlook for its key end use segments.

Allied to this, we may see major economic stimulus programs by the new administration in the White House following the Presidential election. The combination of these favourable trends further reinforces our belief in the investment case, with the project remaining a key capital allocation priority given the long-term value we expect it will create.

Strategic framework

The video at the start of my address featured BlueScope employees across our business speaking about our new Purpose, which was created with the help of over 450 employees, and launched a couple of months ago. Our Purpose is:

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

Our Purpose sets the course for BlueScope, and gives us the courage and confidence to deliver what matters to our communities around the world, building a valuable and sustainable business for years to come.

Our Purpose is also central to our evolved strategy and the key areas of activity we have identified to ensure our enduring success.

The strategy commits us to three areas of activity:

Firstly, to **Transform** BlueScope to deliver a step change in customer experience and business performance – including through digital technology and our approach to climate change and sustainability;

With technologies and data being more accessible and affordable, we have an exciting opportunity to find new ways to improve performance and customer experience. An example is capturing data across our operational processes, making it possible to predict quality issues which can both improve customer experience and deliver cost savings.

Transform also includes our commitment to reduce our carbon footprint, and delivering on a range of technology transformation projects which allow sites to undertake local initiatives, such as reducing the energy intensity of their operations.

Secondly, our strategy will see us **grow** our portfolio of sustainable steelmaking and world-leading coating, painting and steel products businesses, creating new opportunities, anticipating and responding to local market trends.

Steelmaking remains central to our strategy, and we have a strong strategic focus in maximising the value from these important assets, expanding North Star and optimising our Australian and New Zealand steel businesses.

We have a strong leadership position in the building and construction segment, and we intend to continue this through innovation and finding ways to strengthen our presence in the United States, India and China.

We will also explore growth opportunities in areas outside traditional steel products such as building systems and design software, and in new ventures.

And we will **deliver** a safe workplace, an adaptable organisation and strong returns, building a business capable of meeting the challenges of the future.

And in line with our financial framework, maintaining a strong balance sheet and disciplined capital allocation are key ingredients to ensuring the resilience of our business and providing a means to fund growth.

Today we also unveil another important signal of change, our new brand identity. This includes a refreshed logo and brand colours, and a coherent look and feel across our communication and platforms.

Our brand identity is an important signal to our people, our customers and our Investors about who we are. And who we are is evolving and continually adapting. The changes you will see over the next few months reflect this important evolution and the modern and purpose-led organisation we are becoming.

Sustainability

BlueScope remains steadfast in our commitment to play a proactive role in reducing the greenhouse gas emissions associated with the manufacture and use of our steel products.

In FY2020, our climate strategy has been re-positioned within our broader corporate strategy and we established a Climate Change Council to support the execution of strategic projects and provide oversight of abatement activities

We continue to diligently pursue emission reduction projects in line with our 2030 climate change target. However, FY2020 performance was affected by government mandated shutdowns and other site outages, resulting in a 1.8% increase in emissions intensity on last year. This means that while emissions performance was comparable to last year, the 3 per cent drop in raw steel production caused our emissions intensity to creep up as we kept plant and machinery running at the minimum level required during shutdown periods. We will work hard to recoup this performance over the coming year.

Looking at other areas of sustainability that are important for BlueScope, I am proud of the progress we are making in building on our resilience and embedding sustainability in all that we do.

We continue to forge strong relationships and effect real change throughout our value chain. Our commitment to inclusion and diversity in our workforce has been bolstered by a new, five year global strategy, and our framework for responsible sourcing and supplier engagement has been recognised by our industry peers.

We're strengthening our range of sustainable product solutions to meet the expectations of an increasingly discerning marketplace. We're forming partnerships for success, working with leading institutions, academia and industry groups to explore and realise a sustainable future for our operations and the products we bring to market.

Our businesses partner with community groups to support local initiatives for inclusion, wellbeing, education and future opportunities for members of the communities where we operate.

Executive Leadership Team

Turning to our Executive Team, Charlie Elias, Chief Executive NS BlueScope, left BlueScope in early July to take a career sabbatical. Charlie was a key contributor to the turnaround and

transformation of our Company in the decade following the global financial crisis and, more recently, to the transformation of our NS BlueScope and China businesses, positioning them for a new phase of growth.

Charlie was a valuable member of the Executive Leadership Team, a trusted adviser to the Board, a colleague and a friend. I would like to thank him for his contribution to BlueScope. A succession process for the role of Chief Executive NS BlueScope is underway.

Conclusion

In conclusion, I thank all BlueScope people for their outstanding response to the challenges thrown at us by the pandemic. Our people have done all they can to keep our sites operating, to keep producing our steel products and to keep serving our customers – and all along managing the balance with commitments outside work which have been magnified by the pandemic.

I hope you join me in looking forward to BlueScope continuing to create strength for the future.

Thank you