

BlueScope Annual General Meeting 2021
18 November 2021
Address by Mark Vassella, Managing Director & CEO

CHECK AGAINST DELIVERY

Good morning.

I join with our Chairman in welcoming all shareholders to our meeting today. I'm speaking to you today from the Eastern Kulin Nation, and I would like to acknowledge the traditional custodians of this beautiful land; the Bunurong Boon Wurrung and Wurundjeri Woi Wurrung peoples. I join with my colleagues in acknowledging and paying my respects to Elders; past, present and emerging and to all First Nations people with us today on the call.

As the Chairman has noted, BlueScope's financial performance in FY2021 was exceptional across all our regions and markets.

Shortly I'll give an overview of trading conditions in each of our businesses.

Safety

But first, as always at BlueScope, I'll start by looking at our safety performance.

As I highlighted at our full year results in August and again at our Investor Day in September, our performance on our lag indicators is not where we want it to be, having deteriorated in recent periods after a longer-term plateau.

Encouragingly, we're seeing an improvement in our injury profile, with a lower proportion of injuries in recent years having had the potential to be life changing. Lag indicators are an important tool for us to report on our past performance, but they don't in themselves give insight into how hazards are being managed, or the mitigation of risk exposures for our people.

Consistent with the evolution of safety thought leadership, and like many of our peers, we're changing our focus to ensure the presence of capacity in our systems and processes rather than being driven by an absence of incidents measured by injury frequency rates. Core to this approach is our strong history of managing risks, but also acknowledgment that people can and do make mistakes and so we need systems and processes to tolerate this error and build resilience to recover when things go wrong without harming our people or the environment. Importantly, leveraging our inclusive culture – using the knowledge of our people who make and handle our products, to understand the risks they deal with every day and design more effective controls, sits at the heart of this shift to a human centred approach to managing risks.

As a key part of this evolution we've had over 1,000 leaders from across the Group, including all of the Board and ELT, attend our refreshed HSE risk management program. We've also focused on delivering team-based risk control projects, completing over 400

in FY2021. These projects have focused our efforts where they are most needed - identifying risks and building capacity in systems and processes to reduce the potential of events to cause harm.

Aligned to our new approach, we're continuing to evolve our leading indicators to focus on developing the risk management capability of our people and strengthening the controls for how we manage risks.

I'm convinced that the new strategies that we have in place will improve performance over time. We're pursuing a lasting change in our performance which requires a large-scale cultural shift, to entrench our new approach.

We remain steadfast in our focus on managing COVID-19 related risks. We have been supporting our employees to get vaccinated - playing our part to protect our businesses, our people and our communities.

Financial performance

Today BlueScope reaffirmed the 1H FY22 earnings guidance provided on the 21st of October and gave an update on trading conditions across the business.

Global steel prices, spreads and demand across key geographies have been strong, with favourable conditions in building and construction end use segments.

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

Australian Steel Products is expected to deliver a significantly better result than 2H FY21, with strength in domestic volumes, particularly in higher value products for the building and construction sector, and strong realised steel spreads. Margins and volumes in our downstream businesses are also benefitting from the robust demand environment. A stronger export coke contribution is expected with margins remaining robust.

North Star is also expected to deliver a significantly stronger result than 2H FY21 driven by record steel pricing and spreads, modestly impacted by higher alloy and conversion costs, including labour. More recently, benchmark Midwest hot rolled coil prices have begun to ease back from record high levels. The business continues to perform well and has been operating at full capacity as sales volumes to construction, manufacturing and automotive end use applications remain solid. Importantly, the major expansion of North Star is on track for commissioning in 2H FY22.

Building Products Asia and North America is expected to deliver a stronger result compared to 2H FY21, with elevated margins in the North America coated products business and seasonally stronger earnings in China. These stronger performances are being modestly offset by the impacts of COVID related disruptions across South East Asia – particularly in Malaysia, Vietnam and Indonesia.

Relative to 2H FY21, **Buildings North America** is expected to deliver a similar result overall. A softer performance from the core Engineered Buildings Systems business on margin compression due to higher steel feed prices is expected to be offset by a stronger contribution from the Properties Group.

And **New Zealand and Pacific Islands** is also expected to deliver a stronger result, on the robust demand and pricing environment across construction and infrastructure

sectors in New Zealand – notwithstanding supply-chain COVID-19 related disruptions during the half.

As flagged in its release of 21 October, BlueScope is seeing a further increase in net working capital employed in the business during the current half driven by a combination of higher prices and volumes.

Purpose and Bond

Since we launched Our Purpose last year, I've been incredibly pleased to see how our people have embedded it into the way we work. Conversations around Our Purpose are now commonplace at BlueScope and are helping us all to rally around common goals of delivering great solutions for customers and doing so in a way that strengthens our communities for the long term.

Our Bond remains a guide for our behaviours and keeps us focussed on the stakeholders that matter the most – our customers, our people, our shareholders and our local communities.

Strategic framework

Turning to our strategic framework, in September, we held two comprehensive investor briefing sessions via webcasts, providing an update on the Company's strategy. The webcasts are available on the BlueScope Investors website and I commend them to you for your viewing. These sessions were based on the three pillars of our strategy:

Transform, Grow and Deliver.

We're seeking to **Transform** in order to deliver a step change in customer experience and business performance – including through digital technology and our approach to climate change and sustainability.

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.

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

Sustainability

We continue to make great progress in addressing the topics most material to ensuring a sustainable future for BlueScope. Over the last few months, we've outlined our approach to addressing climate change in our first Climate Action Report, along with updates on progress across material topics in our comprehensive Sustainability reporting suite, also available on the BlueScope website.

The Climate Action Report outlines our approach to addressing climate change, including our decarbonisation roadmap and the allocation of up to \$150M over the next five years towards action on climate change. This investment will fund our technology plan to optimise current operating assets and to research and prepare for emerging and breakthrough technologies.

The initial phase involves exploring production efficiencies such as increased use of scrap, indigenous gases and renewable energy, as well as government and industry partnerships, collaborative opportunities with suppliers, and breakthrough R&D projects. As the Chairman has noted, our collaboration with Rio Tinto to research and design low-emissions processes and technologies for the steel value chain at Port Kembla Steelworks is part of this investment program.

In parallel with the exploration of breakthrough technologies, which may not be ready at technical and commercial scale for some time, BlueScope is progressing its assessment of a reline of the currently mothballed No. 6 Blast Furnace at Port Kembla – with the goal that it will be ready to provide, when required, BlueScope’s Australian ironmaking needs from 2026, until such time as breakthrough technologies are commercially available.

Work continues on refining the scope of included technologies that support GHG emissions intensity reductions and other environmental measures such as water and particulate emissions management controls.

The renewal of No.6 Blast Furnace does not lock us into this technology for a full 20-year campaign life. Rather, it will underpin strong earnings and cash flow generation to provide the flexibility to adopt new technologies and iron making configurations as and when they are technically and commercially viable, and to ensure we continue to make a strong economic contribution to our local community in the Illawarra region, and more broadly the Australian economy. We’ll provide an update on the reline project at the release of our 1H FY22 results in February.

Our FY21 Sustainability Reporting suite was released in September, and comprehensively sets out our approach to, and progress against, our five sustainability outcomes. This includes the creation of a new function – Social Impact and Inclusion – which recognises the Company’s increased social responsibility to our people, our workplaces, and our communities.

We continue to build an inclusive workforce which reflects the diversity of the communities in which we operate. This is guided by the Company’s Inclusion and Diversity Strategic Framework which enables each business to tailor specific activities to suit their local community and business needs.

We’re also fostering responsibility and collaboration in our operations and supply chains as we aim to ensure that our suppliers and our own operations are engaged in responsible business practices and uphold human rights.

Growth Opportunities

It’s an exciting time for growth at BlueScope, and the US market is core to our future growth opportunities.

As the Chairman mentioned, I’ve recently visited our operations in North America, from Steelscape on the west coast, our Buildings North America head office in Kansas City, and our North Star BlueScope Steel mini mill in Delta, Ohio.

Early this month, we announced our intention to purchase the ferrous scrap recycling assets of MetalX LLC, the leading supplier of scrap feed to North Star.

This acquisition adds to our extensive US asset footprint of over A\$3.0 billion which spans steelmaking, steel coating and painting, engineered building systems and industrial property development. And expansion projects – both underway and planned - total up to an additional \$1.5 billion.

This upstream investment in a scrap supply business helps underpin North Star's supply chain and its great competitiveness. North Star will soon move from a two million tonne per annum mill to almost three million tonnes, and as the business expands, securing scrap supply is the right move to make.

MetalX is the largest of North Star's diverse scrap steel suppliers, currently supplying around 20 per cent of the scrap used. The acquisition brings us a crucial presence and expertise in scrap processing to further secure our prime and obsolete scrap needs. Further, the MetalX ferrous acquisition will enable NorthStar to quickly improve the quality and quantity of obsolete scrap it uses and reduce the mix of prime scrap.

As North Star is a steel-recycling electric arc furnace producer of hot rolled coil that uses low emissions electricity, it is highly carbon efficient. This acquisition further improves BlueScope's sustainability profile by bringing in-house part of North Star's scrap collection.

Other growth opportunities include the investigation of additional metal coating capacity in Australia to support the continued strength in demand for our value-added, branded products, such as COLORBOND® and TRUECORE® steel, along with the upscaling of the BlueScope Properties Group, and the investigation of the establishment of painted capacity in the eastern United States.

Deliver

Whilst there is lots of activity across the organisation, we remain committed to delivering the essentials, such as a safe workplace, an adaptable organisation and strong returns. Whilst there is no doubt that BlueScope has seen favourable macroeconomic and industry trends over the last year, the result is also thanks to the difficult decisions made over the last decade, and the robust frameworks with which we manage the business – particularly the financial framework.

With a focus on returns, ensuring a robust capital structure and a disciplined approach to capital allocation, BlueScope has the capacity to both invest in future sustainable earnings and growth, whilst providing meaningful returns to our shareholders.

Conclusion

In conclusion, FY21 was an incredible year for BlueScope, as we demonstrated the value that our high-quality portfolio of assets is capable of generating. I'd like to thank our entire 14,000-strong team, who have worked with energy, agility, resilience and empathy for each other and their communities through very challenging circumstances. And finally, I'd like to thank you – our shareholders – for your ongoing support.

Thank you