

# Tax Contribution Report

## 2019/20



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

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# Message from the Chief Financial Officer

BlueScope is pleased to present this Tax Contribution Report in respect of the year ended 30 June 2020, to provide transparency to the public regarding our tax affairs.

Tania Archibald  
Chief Financial  
Officer



BlueScope's disclosures through this report demonstrate our strong commitment to transparency and compliance from a regulatory and financial perspective, and the importance BlueScope places on the principles of being transparent with respect to our tax strategy and compliance here in Australia and internationally.

BlueScope is subject to the tax regimes in each of the countries in which we have a presence and is committed to complying with all tax laws in all jurisdictions in which we operate. BlueScope strives to pay the right amount of tax, at the right time, in the jurisdictions where we create value. This is consistent with our Purpose and Our Bond of operating sustainably, responsibly and with integrity.

Our Purpose, Our Bond, our strategy and financial framework guide what we aim to achieve and how we do it. Our Bond is our commitment to operating in an ethical, fair and transparent manner and in accordance with strict standards of governance. BlueScope seeks to live these values in Our Bond by promoting a culture of integrity and highest possible standards across the Group's operations.



For further details on Our Purpose and Our Bond, please refer to our website which can be found at: <https://www.bluescope.com/about-us/our-bond/>

This report provides details of the taxes paid by the BlueScope Group, information about our effective tax rates, our approach to tax governance and tax strategy and a summary of our international related party dealings.



The information provided in this report should be read in conjunction with the BlueScope 2020 Annual Report and Sustainability Report which can be found on our website at: <https://www.bluescope.com/investors/> and <https://www.bluescope.com/sustainable-steel/>

*In this report references to BlueScope, 'the Group', 'we' or 'our' refers to BlueScope Steel Limited and each of its controlled entities incorporated in any jurisdiction globally.*

Section  
**01**

# Overview of business operations

**OUR  
BUSINESS**

## BlueScope is a technology leader in, and the largest global producer of, metal coated and painted steel building products, principally focused on the Asia Pacific region.

BlueScope manufactures and markets a wide range of branded products that include pre-painted COLORBOND® steel, zinc/aluminium alloy-coated ZINCALUME® steel and the LYSAGHT® range of building products.

BlueScope is Australia's largest steel manufacturer, and New Zealand's only steel manufacturer. BlueScope's vertically integrated operations for flat steel products in Australia and New Zealand produce value-added metallic coated and painted products, together with hot rolled coil, cold rolled coil, steel plate and pipe and tube.

BlueScope manufactures and sells long steel products in New Zealand through its Pacific Steel business. In Australia and New Zealand, BlueScope serves customers in the building and construction, manufacturing, automotive and transport, agricultural and mining industries. In Australia, BlueScope's steel products are sold directly to customers from our steel mills and through a national network of service centres and steel distribution businesses.

The Group has an extensive footprint of metallic coating, painting and steel building product operations in China, India, Indonesia, Thailand, Vietnam, Malaysia and North America, primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential construction industry in North America. BlueScope operates this business across ASEAN and the west coast of North America in partnership with Nippon Steel Corporation (**NSC**) and in India with Tata Steel. Both are 50/50 joint ventures with BlueScope controlling and therefore consolidating the joint venture with NSC, and jointly controlling and therefore equity accounting the joint venture with Tata Steel.

North Star BlueScope Steel (**North Star**) is a low-cost regional supplier of hot rolled coil, based in Ohio, in the United States of America. North Star is highly efficient, operates at industry leading utilisation rates, and is strategically located near its customers and in one of the largest scrap markets of North America.

BlueScope is a leading supplier of engineered building solutions (**EBS**) to industrial and commercial markets. Its EBS value proposition is based on speed of construction, low total cost of ownership and global delivery capability. Leading brands, including BUTLER®, VARCO PRUDEN® and PROBUILD®, are supplied from BlueScope's manufacturing and engineering centres in North America and China.

### International Presence

BlueScope is an Australian listed and headquartered company with a significant international presence. It has manufacturing, processing and distribution sites located in 18 countries. BlueScope is subject to the various tax regimes in each of these countries, with additional tax compliance in a small number of other countries where branch offices exist. As at 30 June 2020, BlueScope's workforce was approximately 14,000 employees.

### FY2020 Financial Performance

The 2020 financial year allowed BlueScope to demonstrate the resilience of its business model in the face of cyclically weaker steel spreads and the onset of the COVID-19 pandemic. BlueScope maintained high levels of business activity throughout the June half of FY2020. The Australian Steel Products segment saw domestic sales increase 3 per cent over FY2019 from stronger underlying demand. In the US, despite closures of major automaker customers from mid-March to mid-May, North Star maintained capacity utilization of over 90 per cent during 2H FY2020 demonstrating the quality of the North Star business.

Overall, in FY2020, BlueScope delivered underlying earnings before interest and tax of \$564 million and a return on capital of 7.6 per cent. Reported net profit after tax was \$96.5 million, down \$919 million from FY2019, driven mainly by weaker steel spreads and the \$197 million write-down of the New Zealand and Pacific Islands segment.

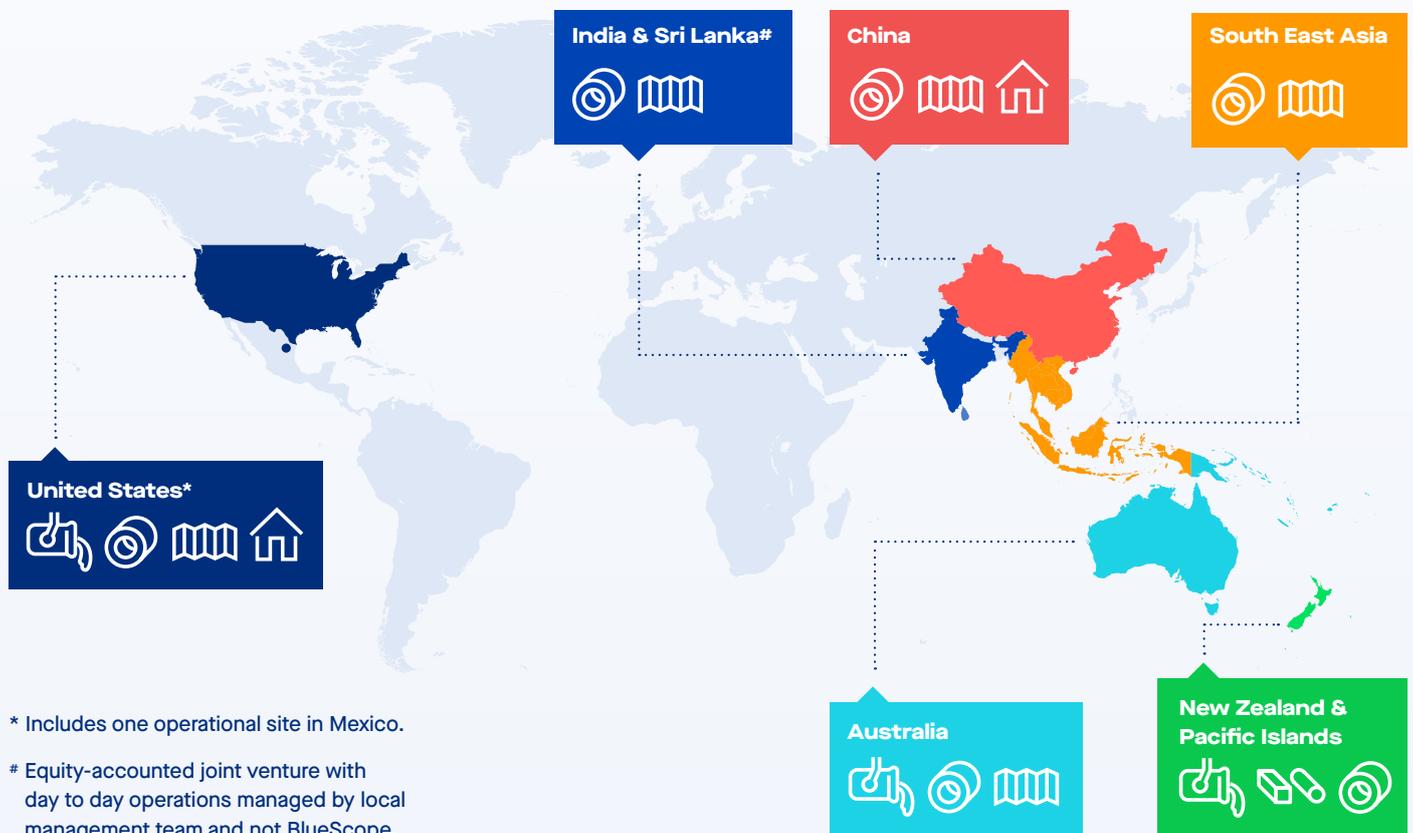
BlueScope is capable of withstanding some of the toughest conditions the economy has thrown at us. This strength and resilience have allowed BlueScope to continue to deliver financial returns to shareholders, with shareholder returns of \$299 million delivered in the form of on-market buy-backs and dividends in FY2020, contributing to a total of \$1.47 billion returns to shareholders since 2017.

BlueScope is proud of the way our people have responded to the impact of the pandemic, maintaining their personal health, safety and wellbeing – and that of the business, our customers and our communities.

For further details of FY2020 performance, refer to the BlueScope 2020 Annual Report referred to above.

## Our global operation

Scale of our organisation (as of 30 June 2020)



\* Includes one operational site in Mexico.

# Equity-accounted joint venture with day to day operations managed by local management team and not BlueScope.

### KEY

-  Steelmaking (flat products)
-  Metal coating and painting
-  Long products (rebar, wire)
-  Steel buildings and systems
-  Steel building materials and components

Section  
**02**

# Effective company tax rates for Australian and Group operations

BlueScope began utilising available carry-forward tax losses from FY2016, reflecting our return to profitability. BlueScope will again utilise carry-forward losses in FY2020 against Australian taxable income (refer analysis in Section 3). As has been disclosed to the market, BlueScope's return to profitability followed a period between FY2009 and FY2015 when the company faced significant trading and financial challenges, generating Australian tax losses at that time as well as research and development (R&D) tax offsets received annually.

As outlined in our previous reports, at 30 June 2018, BlueScope recognised its remaining carried forward Australian tax losses on its Balance Sheet as a deferred tax asset. An estimated A\$1.27 billion of Australian carried forward tax losses (gross) remain at 30 June 2020, resulting in zero income tax payable in Australia (refer to the Reconciliation to income tax payable in Section 3). The BlueScope Australian tax consolidated group will again commence paying corporate income tax once these losses are fully utilised.

BlueScope calculates its accounting effective tax rate as income tax expense divided by accounting profit before tax, adjusted for post-tax share of results of equity accounted investments. In the case of FY2020, for the purposes of this report, the accounting profit before tax is also adjusted to exclude the impact of a significant one-off asset write-down in relation to New Zealand and Pacific Steel. Including this asset write-down, which increases BlueScope's effective tax rate to 51.5 per cent, would distort the effective tax rate calculation and year on year comparison. A calculation of BlueScope's effective tax rate on a group consolidated basis is published in the BlueScope 2020 Annual Report in Note 4(b).

The primary factors impacting BlueScope's accounting effective tax rates in the current year relate to:

- » For Australia, prior year tax adjustments increasing current year tax expense; and
- » For the BlueScope Group, the foreign tax rate differential, which predominantly relates to lower tax rates on profits earned in North America and Asia.

## Accounting effective tax rate

	Australia (A\$M)		Group (A\$M)	
	2020	2019	2020	2019
<b>Profit before income tax expense</b>	<b>(40.2)</b>	<b>996.7</b>	<b>251.6</b>	<b>1,302.8</b>
<b>Adjusted for:</b>				
Inter-company dividend income not assessable in Australia	(2.3)	(248.4)	-	-
Subsidiary provisions	256.4	(207.1)	-	-
Share of equity accounted investments	-	-	(2.8)	(16.4)
One off asset write-down	-	-	197.0	-
<b>Adjusted profit before income tax expense</b>	<b>213.9</b>	<b>541.2</b>	<b>445.8</b>	<b>1,286.4</b>
Prima facie income tax expense/(benefit)	64.2	162.4	133.7	385.9
Non-temporary differences	6.2	(8.7)	(5.6)	(93.2)
Adjusted income tax expense/(benefit)	70.4	153.7	128.1	292.7
<b>Accounting effective tax rate</b>	<b>32.9%</b>	<b>28.4%</b>	<b>28.7%</b>	<b>22.8%</b>

## A reconciliation of BlueScope's accounting profit to current income tax paid/payable

A reconciliation of BlueScope's accounting profit to income tax expense on a group consolidated basis is published in the BlueScope 2020 Annual Report in Note 4(c). This note was prepared for the 30 June 2020 Annual Financial Report in accordance with the requirements of the Australian Accounting Standards and other relevant pronouncements.

Income tax expense, reported on a company's income statement, is calculated by multiplying accounting profit for the year, adjusted for non-temporary differences, by the relevant corporate tax rate (30 per cent in Australia).

Included below is a reconciliation of BlueScope's accounting profit to current income tax paid or payable on both a group consolidated basis and for Australia separately.

Income tax paid or payable is calculated by multiplying accounting profit for the year, adjusted for both temporary and non-temporary differences, by the relevant corporate tax rate. Current income tax paid or payable represents the estimated income tax paid or payable to the Australian Taxation Office (ATO) and other tax authorities. Further details of taxes paid can be found at Section 5.

### Current income tax paid or payable reconciliation

	Australia (A\$M)		Group (A\$M)	
	2020	2019	2020	2019
<b>Adjusted profit before income tax expense per ETR table above</b>	<b>213.9</b>	<b>541.2</b>	<b>251.6</b>	<b>1,302.8</b>
Share of equity accounted investments	-	-	(2.8)	(16.4)
Tax at the Australian tax rate of 30.0%	64.2	162.4	74.6	385.9
Non-temporary differences	6.2	(8.7)	68.6	(38.8)
Tax rate differential	-	-	(15.1)	(54.4)
<b>Total income tax (benefit)/expense</b>	<b>70.4</b>	<b>153.7</b>	<b>128.1</b>	<b>292.7</b>
(Under)/over provision for income tax	(4.9)	0.6	(0.2)	(2.3)
Temporary differences (predominantly impacted by Australian tax losses)	(65.5)	(154.3)	(45.4)	(120.0)
<b>Current income tax paid/payable</b>	<b>-</b>	<b>-</b>	<b>82.5</b>	<b>170.4</b>

Section  
**04**

# Tax policy, strategy and governance

## BlueScope has a low tax risk appetite.

### Approach to risk management and governance arrangements

BlueScope is committed to complying with the law and the intent of the law and manages its tax affairs in accordance with its values and to uphold its reputation. BlueScope has a low tax risk appetite. We aim for certainty on our tax positions. When tax laws are unclear, we seek external guidance and/or regulator guidance to ensure that our positions are more likely than not correct. Tax havens are not used for tax planning purposes. Our operations in low tax jurisdictions either have genuine substance, are in the process of being unwound, or are legacy entities for which treaty benefits are not claimed.

The Board sets the Group's tax risk appetite and has ultimate responsibility for ensuring there is an effective process to manage tax risk. The Audit Committee approves and monitors the Tax Governance Framework by which the Group operates. The Vice President Tax and CFO are responsible for monitoring the effectiveness of the Tax Governance Framework and must report any material tax issues to the Audit Committee (and in certain circumstances the Board).

BlueScope will only implement transactions that are aligned with our business, have clear commercial objectives, and do not rely on returns driven by tax for their commercial effect. We will not operate artificial or contrived tax structures. These principles reflect BlueScope's long-standing practice in relation to the management of tax risks and are intended to guide BlueScope's tax strategy and policies to:

- » Meet regulatory and statutory obligations and maintain high ethical standards.
- » Protect reputation.

- » Be transparent with Revenue Authorities/ Governments to improve their understanding of BlueScope's business and key tax matters.
- » Ensure related party transactions are on arm's length terms and are supported by appropriate transfer pricing documentation.
- » Ensure commercial considerations are paramount in any corporate structure transaction and are documented prior to execution.

### Engagement with revenue authorities

BlueScope seeks to foster a transparent and cooperative relationship with the ATO and other relevant tax authorities. BlueScope's approach to engagement with revenue authorities, including but not limited to the ATO, is to be compliant with tax laws and ensure its statutory obligations are met.

BlueScope is a Top 100 Key Taxpayer given our significance to the Australian tax community. BlueScope has its own dedicated large taxpayer case team and is subject to ongoing and regular engagement with the ATO through the Pre-lodgement Compliance Review (**PCR**) process in relation to income tax and GST. The PCR process allows BlueScope to engage transparently with the ATO on significant tax matters. BlueScope is in the process of completing its first Top 100 Tax Assurance Review with the ATO and therefore has not yet received an overall assurance rating that it is able to share at the time of publication of this report.

Section  
**05**

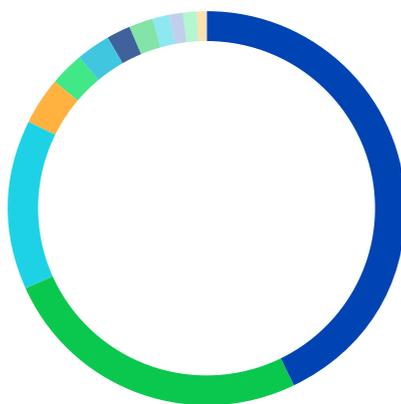
# Tax contribution summary

**BlueScope’s tax contribution is significant, with total Group tax payments of over A\$657.1 million, comprising approximately A\$192.4 million in taxes borne and A\$464.7 million in taxes collected and remitted.**

The distribution of taxes paid and collected by BlueScope reflects the geographical spread of our businesses (noting available corporate tax losses in some countries which offset taxable profits). Most of the corporate income tax was paid in North America given that the Australian corporate income tax payable is sheltered by carry-forward losses (refer Section 3 above).

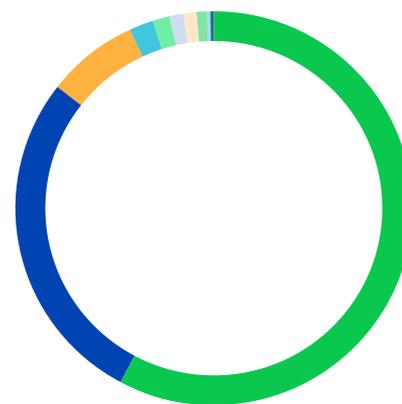
More than half of all taxes collected and remitted by the BlueScope Group are still paid in Australia despite the existence of carry-forward losses.

**TOTAL TAX BORNE BY BLUESCOPE**



- USA
- Australia
- China
- New Zealand
- Indonesia
- India
- New Caledonia
- Other
- Malaysia
- Thailand
- Singapore
- Vietnam

**TOTAL TAX COLLECTED AND REMITTED BY BLUESCOPE**

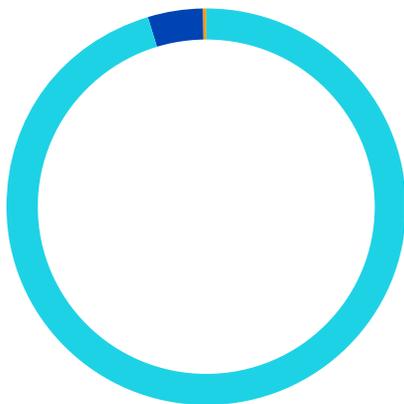


- Australia
- USA
- New Zealand
- India
- Indonesia
- Thailand
- Vietnam
- Other
- Malaysia
- New Caledonia
- Singapore
- China

In relation to Australia specifically, corporate income tax has not been paid while BlueScope utilises the carry-forward losses that it has incurred. These losses were generated between FY2009 and FY2015 when the company faced significant trading and financial challenges. BlueScope has been using these losses since the FY2016 income year, with approximately A\$1.27 billion remaining at 30 June 2020. While corporate income tax is not currently paid, BlueScope’s contribution to the Australian tax system is significant. With a large Australian workforce, BlueScope’s largest tax cost is state payroll tax, with our employees also making significant payments of personal income tax.

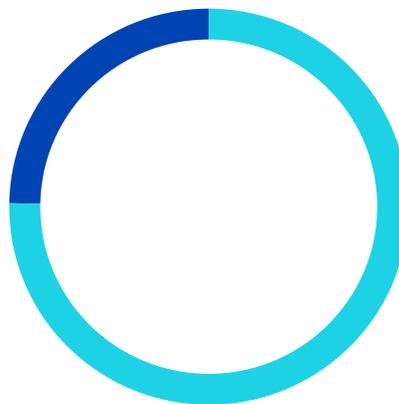
In relation to overall global taxes paid, the table below includes more details of the material taxpaying jurisdictions in which BlueScope operates. During FY2020, total tax payments were lower overall, largely due to the impacts to trading and profitability caused by the COVID-19 pandemic. Government incentives were secured in a number of countries and the material incentives obtained are outlined in BlueScope’s 2020 Annual Report at Note 3(a).

**TOTAL TAX BORNE BY BLUESCOPE IN AUSTRALIA**



- Employer payroll tax
- Fringe benefits tax
- Corporate income tax and WHT

**TOTAL TAX COLLECTED AND REMITTED BY BLUESCOPE IN AUSTRALIA**



- Employee taxes
- GST (net)

**Note:**

1. Corporate income taxes and withholding taxes is sourced from the BlueScope cashflow statement included in the audited financials within the 2020 Annual Report.
2. India has been included as an additional amount of corporate tax paid which is not currently shown in the consolidated cashflow statement in the financials as this is an equity accounted investment.
3. Employer payroll taxes comprise payroll and employer taxes payable in the capacity as an employer, whereas Employee taxes are taxes withheld from employee remuneration and paid to governments.

### Total tax paid by BlueScope (A\$M)

Country of operation	Corporate income & withholding taxes <sup>1</sup>	Other local taxes and levies	Employer payroll taxes <sup>3</sup>	Total taxes paid
USA	43.3	17.1	22.3	82.7
Australia	0.1	–	48.6	48.8
China	18.2	8.1	0.5	26.8
New Zealand	0.9	–	6.7	7.6
Indonesia	4.4	0.8	0.1	5.3
India <sup>2</sup>	–	5.2	–	5.2
New Caledonia	1.5	1.0	1.5	4.0
Malaysia	1.3	1.3	0.4	3.0
Thailand	0.5	0.3	1.4	2.2
Singapore	0.5	0.2	1.1	1.8
Vietnam	1.5	0.1	–	1.5
Other	1.7	0.5	1.3	3.5
<b>Total</b>	<b>74.0</b>	<b>34.5</b>	<b>83.8</b>	<b>192.4</b>

### Other taxes collected & remitted by BlueScope (A\$M)

Country of operation	GST/VAT paid but reclaimed	GST/VAT Collected	Employee taxes <sup>3</sup>	Total taxes collected
Australia	(371.8)	440.5	209.3	278.1
USA	–	49.8	84.0	133.8
New Zealand	(97.1)	89.7	43.6	36.3
India	(37.6)	45.5	1.0	9.0
Indonesia	(22.7)	27.7	1.4	6.5
Thailand	(32.7)	37.1	1.7	6.1
Vietnam	(16.4)	19.2	1.5	4.3
Malaysia	(0.3)	0.3	1.9	1.8
New Caledonia	–	–	0.4	0.4
Singapore	(1.1)	0.8	0.2	(0.1)
China	(121.5)	101.0	4.9	(15.6)
Other	(3.0)	6.6	0.5	4.1
<b>Total</b>	<b>(704.1)</b>	<b>818.2</b>	<b>350.5</b>	<b>464.7</b>

Section  
**06**

## International related party dealings

BlueScope Steel Limited is the ultimate parent entity of the BlueScope Group. BlueScope has its head office in Melbourne, Australia, with regional headquarters in Asia Pacific and North America. Consistent with our multi-jurisdictional strategy, BlueScope undertakes manufacturing activities in each of these markets. As a developer of steel products and solutions, BlueScope undertakes the majority of our R&D activities in Australia, with some R&D activities also undertaken in North America. All new knowledge and Intellectual Property (IP) generated from the R&D activities undertaken in Australia is owned by BlueScope Steel Limited.

A summary of the most significant international related party dealings between BlueScope Australia and overseas related entities during FY2020 is provided below:

- » **Sales of products to overseas controlled entities** – most of BlueScope Australia's related party sales are to its subsidiaries in the North America and ASEAN regions.
- » **Intra-group loans** – the financing activities of the BlueScope Group mainly relate to interest (and guarantee fees) received and paid in respect of intra-group loans, predominantly advanced by BlueScope Australia, used to fund operations and capital expenditure.
- » **Group support services** – certain administrative and support services are provided by BlueScope's Australian Corporate Office and regional head offices in North America and ASEAN to offshore subsidiary businesses.
- » **Intangible licence and technology service fees** – BlueScope Australia performs a large part of all functions related to the development, enhancement and protection of IP in Australia (except in relation to some IP owned in North America). BlueScope Australia correspondingly bears the responsibility and control of the risk associated with the development, maintenance and protection of the relevant IP in Australia. Accordingly, BlueScope Australia licences and receives royalties for the use of its IP by other Group entities. BlueScope Australia also provides technology support services to Group entities for which it receives fees.
- » **Insurance** – BlueScope has a captive insurance company in Singapore. It provides captive insurance services to all subsidiaries in the BlueScope Group, including Australia. The captive insurance company is managed by an independent third-party insurance broker.

All related party transactions are made on arm's length terms in accordance with global transfer pricing laws and OECD Guidelines, reflecting both normal market prices and normal commercial terms.

## Basis of report preparation

The purpose of this report is to provide an overview of the tax contribution made by BlueScope and provide further information in relation to BlueScope's tax governance process and tax profile. The report has been prepared in line with the Australian Voluntary Tax Transparency Code.

**Audited financial statements** – Where possible, the amounts included in this report are sourced from audited financial information. While Group financial statements have been audited, the Australian subsidiary accounts external audit was not complete at the time of publication.

**Currency** – All of the amounts included in this report are disclosed in Australian dollars. The foreign tax payments have been translated at the average exchange rate for the year.

**Income Tax Paid** – Income tax paid is calculated as the cash tax paid in the year 1 July 2019 – 30 June 2020. It is the amount of tax paid by the BlueScope companies in that country. It includes both corporate tax payments made to the local revenue authority, and also any withholding taxes paid on payments to non-residents.

**Other Taxes** – This includes items such as property taxes, customs and excise tax, stamp duty and state taxes, etc.



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