



BlueScope

Tax Contribution Report

FY2023

Our Purpose

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

Our Bond

Our Customers are our partners

Our success depends on our customers and suppliers choosing us. Our strength lies in working closely with them to create value and trust, together with superior products, service and ideas.

Our People are our strength

Our success comes from our people. We work in a safe and satisfying environment. We choose to treat each other with trust and respect and maintain a healthy balance between work and family life. Our experience, teamwork and ability to deliver steel inspired solutions are our most valued and rewarded strengths.

Our Shareholders are our foundations

Our success is made possible by the shareholders and lenders who choose to invest in us. In return, we commit to continuing profitability and growth in value, which together make us all stronger.

Our Local Communities are our homes

Our success relies on communities supporting our business and products. In turn, we care for the environment, create wealth, respect local values, and encourage involvement. Our strength is in choosing to do what is right.

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Message from the CFO

On behalf of the Board, I am pleased to present BlueScope's Tax Contribution Report for the year ended 30 June 2023, to provide transparency to the public regarding our tax affairs in Australia and internationally.

Our disclosures through this report are designed to help the community, including our investors, better understand our tax contributions, strategy, governance and compliance with the tax laws in the countries in which we operate. BlueScope has a strong commitment to transparency and compliance from a regulatory and financial perspective and values the principles of being transparent with respect to its tax strategy and compliance in Australia and internationally.

BlueScope takes pride in the fact that wherever we operate, we strive to conduct business responsibly and ethically, and work to prevent instances of bribery and corruption, which take resources away from communities and governments. BlueScope's strong tax governance underpins its commitment to complying with the tax laws in the jurisdictions in which we operate. We strive to pay the right amount of tax, at the right time, in the jurisdictions where we create value. This is consistent with Our Purpose, Our Bond and our belief in operating sustainably, responsibly and with integrity.

This commitment to best practice for taxation matters has been reflected in BlueScope obtaining a high assurance rating under the Australian Taxation Office's (ATO) Justified Trust Program in relation to both income taxes and Goods and Services Tax (GST).

BlueScope delivered a robust performance in FY2023, following a record financial performance in FY2022. This result demonstrates the resilience of BlueScope's diversified business model, as the strength in many of our downstream businesses and operations partly offset the impact of steel spreads softening from record levels the previous year.

The result means that BlueScope can continue to simultaneously invest for a low carbon future and long term sustainable growth, and deliver shareholder returns, with over \$500 million returned via dividends and on-market share buy-backs during FY2023.

BlueScope's robust financial performance in FY2023 also means that the Group has continued to pay significant amounts of tax in the countries in which we do business, helping strengthen these communities for the future.

The BlueScope Group contributed \$634.5 million in government taxes and charges, with the majority of that tax paid in Australia and the United States, reflecting the significant operations in both countries. In the case of Australia, BlueScope paid \$238.4 million in taxes in FY2023 and had an effective tax rate for its Australian operations of 38.1%. BlueScope's strong performance in recent years has allowed it to fully recoup its significant loss balance and make a corporate income tax payment in FY2023, the first time since 2008.



Mark Scicluna
Interim CFO

This report provides details of the taxes paid by the BlueScope Group, information about our effective tax rates, our approach to tax governance, strategy and engagement and a summary of our international related party dealings. The information provided in this report should be read in conjunction with the BlueScope 2023 Financial and Sustainability Reports. In the FY2023 Sustainability Report you will also find details of the direct economic contribution generated by BlueScope internationally. Also reflected is the flow of that direct economic contribution as payments generating value to the communities in which we operate, including through the taxes paid and disclosed in this report.

Details regarding our FY2023 Annual and Sustainability Reports can be found on our [website](#).

For further details on Our Purpose & Our Bond please also refer to our [website](#).

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.

1. Overview of business operations

BlueScope is a global leader in metal coating and painting for building and construction, employing approximately 16,500 people at over 160 sites in 16 countries.

Principally focused on the Asia-Pacific region, the Group 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.

Our businesses

Australia

BlueScope is Australia's largest steel manufacturer, employing around 7,000 people at approximately 100 sites. The operations are a mix of large manufacturing plants, rollforming facilities and distribution centres, producing and selling quality branded products primarily for the Australian building and construction industry.

North America

BlueScope operates five businesses across North America, employing around 4,500 people: North Star BlueScope Steel, BlueScope Recycling and Materials, Buildings North America, BlueScope Coated Products and NS BlueScope North America.

North Star is a low-cost regional supplier of hot rolled coil, based in Ohio, serving automotive, construction and manufacturing end-use industries. 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 regions of North America. BlueScope Recycling and Materials (BRM) is a full-service, ferrous scrap metal recycler with three processing facilities in the region in which North Star operates.

The Buildings North America, BlueScope Coated Products and NS BlueScope North America businesses collectively focus on the large non-residential construction industry, supplying quality engineered buildings systems, along with high-quality metal coated and painted steel building products.

Asia

BlueScope has an extensive footprint across Asia, employing around 3,500 people across the region. The operations in Thailand, Indonesia, Vietnam, Malaysia, India and China all comprise metallic coating and painting facilities primarily serving the domestic building and construction industries in each country in which it operates.

BlueScope operates in partnership with Nippon Steel Corporation (NSC) across ASEAN and the West Coast of North America at NS BlueScope North America, and with Tata Steel in India. 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.

New Zealand & Pacific Islands

The New Zealand Steel business is the only fully integrated steel producer in New Zealand. Operations include the Waikato North Head iron sands mine, New Zealand Steel flat productions, Pacific Islands long products and the Pacific Islands business. In the region, the business employs around 1,500 people, and produces a range of flat and long steel products, primarily for domestic use.



KEY

RAW MATERIALS	UPSTREAM	MIDSTREAM		DOWNSTREAM	
					
Recycling (scrap metal)	Steelmaking (flat products)	Metal coating and painting	Long products (rebar, wire)	Steel building materials and components	Steel buildings and systems

2. Effective company tax rates for Australian and Group operations

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.

A calculation of BlueScope's effective tax rate on a group consolidated basis is published in the BlueScope FY2023 Financial Report in Note 4 of the consolidated financial statements.

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

- For Australia, a provision relating to penalties arising from a legal matter that are non-deductible and withholding tax costs associated with non-assessable non-exempt foreign dividends from subsidiaries; and
- For the BlueScope Group, the foreign tax rate differential predominantly relating to lower tax rates on profits earned in North America and to a lesser extent, Asia and an impairment of property, plant and equipment at Building Products Malaysia.

Further details about the provision for penalties arising from a legal matter as mentioned above, can be found in Note 10 in the BlueScope FY2023 Financial Report. Aside from the provision impact the effective tax rate for the current year for Australia is in line with prior year amounts.

BlueScope's recognition as at 30 June 2018 of its remaining \$1.84 billion in carried forward Australian tax losses on its balance sheet as a deferred tax asset meant that the use of those losses since that time has not impacted its Australian effective tax rate. BlueScope's Australian operation's return to profitability followed a period between FY2009 and FY2015 when the Group 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.

The strong financial performance achieved in FY2022 resulted in BlueScope fully utilising the remaining Australian carry-forward losses against Australian taxable income.

The recoupment of these losses resulted in an Australian corporate income tax liability in respect of the FY2022 income tax year, which was paid in FY2023. Details of the corporate income tax paid/payable in Australia for FY2023 can be found in the *Reconciliation to income tax payable* in Section 3.

Accounting effective tax rate

\$M	Australia		Group	
	2023	2022	2023	2022
Profit before income tax	841.0	2,230.6	1,450.5	3,789.7
<i>Adjust:</i>				
Less: Inter company dividends	(644.7)	(1,096.4)	-	-
Subsidiary provisions & impairments/(write-backs)	101.5	4.9	-	-
Share of results of equity accounted investments	-	-	(20.2)	(30.1)
Adjusted profit before tax	297.9	1,139.1	1,430.3	3,759.6
Prima facie income tax (benefit)/expense (@30%)	89.4	341.7	429.1	1,127.9
Share of results of equity accounted investments	-	-	-	-
Temporary & Non-temporary differences (excl Australian tax losses)	24.2	4.2	(77.1)	(321.2)
Adjusted income tax expense/(benefit) before losses	113.6	346.0	352.0	806.7
Accounting effective tax rate	38.1%	30.4%	24.6%	21.5%

3. Accounting profit reconciliation

Reconciliation of accounting profit to income tax expense and to 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 FY2023 Financial Report in Note 4 of the consolidated financial statements. This disclosure was prepared for the statutory accounts in accordance with International Financial Reporting Standards.

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 ATO and other tax authorities.

In relation to the Australian figures, the strong financial performance achieved in FY2022 resulted in BlueScope fully utilising its Australian carry-forward losses against its taxable income. The recoupment of the remaining deferred tax asset in relation to Australian losses resulted in income tax payable in respect of the FY2022 income tax year, which was paid in FY2023. Additional corporate income tax instalments have also been paid in FY2023 in respect of FY2023 taxable income.

Further details of taxes paid can be found at Section 5.

Current income tax paid or payable reconciliation

\$M	Australia		Group	
	2023	2022	2023	2022
Profit before income tax	841.0	2,230.6	1,450.5	3,789.7
Adjust:				
Inter company dividends	(644.7)	(1,096.4)	-	-
Subsidiary provisions & impairments	101.5	4.9	-	-
Post-tax share of results of equity accounted investments	-	-	(20.2)	(30.1)
Adjusted profit before tax per ETR table	297.9	1,139.1	1,430.3	3,759.6
Tax at the Australian tax rate of 30%	89.4	341.7	429.1	1,127.9
Adjust:				
Non-temporary differences	24.2	4.2	(13.1)	(119.0)
Tax rate differential	-	-	(64.0)	(202.2)
Total income tax (benefit)/expense	113.6	346.0	352.0	806.7
(Under)/over provision for income tax	(0.6)	1.6	(17.3)	1.4
Temporary differences	(15.3)	(208.3)	23.4	(315.7)
Current income tax paid/payable	97.7	139.3	358.1	492.4

4. Tax policy, strategy, governance and engagement

Approach to risk management and governance arrangements

BlueScope is committed to complying with the law and the intent of the law. BlueScope has a low risk tax appetite. BlueScope aims for reasonable certainty on our tax positions. When tax laws are unclear, BlueScope seeks external and/or regulator guidance to ensure that our positions are more likely than not correct.

Tax havens are not used for tax planning purposes.

The Audit Committee of 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 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 its 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.
- 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, adapted for local regulatory conditions.
- Ensure commercial considerations are paramount in any corporate structure transaction and are documented prior to execution.
- Protect reputation.

Approach to stakeholder and revenue authority engagement

As a multinational company, BlueScope interacts with a range of stakeholders.

BlueScope is committed to maintaining open and constructive relationships with our tax policy setters and administrators, both domestic and overseas and seeks to foster a transparent and cooperative relationship with the ATO and other tax authorities and governments more broadly. We also engage with a broader group of stakeholders on tax policy matters through our participation in industry and local associations.

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.

In Australia, BlueScope is a Top 100 taxpayer given our significance to the Australian tax community. BlueScope has its own dedicated large taxpayer case team and is subject to ongoing engagement with the ATO through the Tax Assurance Review (TAR) process in relation to income tax and GST. The TAR process allows BlueScope to regularly engage with the ATO as part of regular assurance and consultation on significant tax matters.

The ATO recently issued a Tax Assurance Report for FY2021 in respect of Income Tax and GST and BlueScope received 'Justified Trust' and unqualified High Assurance Ratings. Achieving high assurance allows the Australian community to have confidence that the ATO considers BlueScope is paying the right amount of tax. As of 30 June 2022, over half (51%) of top 100 taxpayers have attained overall high assurance (justified trust).

To achieve Justified Trust, the ATO requires organisations to provide objective evidence that would lead a reasonable person and the community to conclude that large businesses are paying the right amount of tax, and BlueScope is proud to have achieved this rating. BlueScope is currently working with the ATO in relation to the TAR for FY2022 and FY2023 for both Income Tax and GST. Completing both years will allow BlueScope and the ATO to achieve a real time compliance cadence.

5. Tax contribution summary

BlueScope's tax contribution is significant, with total Group tax payments of over \$1,425 million, comprising approximately \$635 million in taxes borne and \$790 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).

The majority of tax, including corporate income tax, was paid in North America and Australia, BlueScope's two largest businesses by jurisdiction. While North America again represented the largest taxpaying jurisdiction, there was an overall reduction in tax paid in North America compared to the prior year due to reduced profits, even accounting for the deferred timing of tax payments.

In relation to Australia specifically, corporate income tax has historically not been paid while BlueScope was utilising its carry-forward losses. The circumstances of how these losses were generated are outlined in Section 02. BlueScope fully utilised these losses during FY2022. In Australia, strong profits have resulted in the commencement of corporate income tax payments in FY2023. A corporate income tax payment in respect of FY2022 was paid in Australia in December 2022 and regular tax instalments have since been paid. In addition to the significant Australian corporate income tax payments, BlueScope also made a meaningful contribution in state payroll tax, as a result of having a large Australian workforce.

In relation to overall global taxes paid, the table below includes more details of the material taxpaying jurisdictions in which BlueScope operates. During FY2023, BlueScope paid slightly less taxes overall than in the prior year, reflecting the record performance in FY2022.

Australia is also the most significant contributor to the Group's total taxes collected and remitted in FY2023 (refer to the table on page 9).

Total tax borne by BlueScope

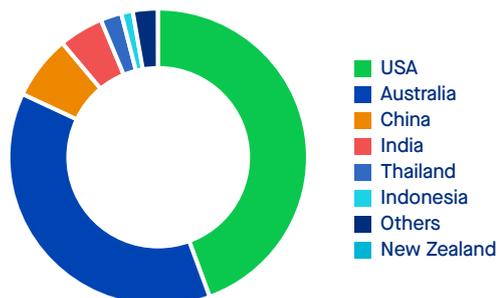
\$M	Corporate Income and WHT ¹	Other Local Taxes and Levies	Employer Payroll Taxes ²	TOTAL TAX PAYMENTS BORNE
Australia	162.8	12.7	62.8	238.4
China	35.8	8.4	0.0	44.2
India ³	20.6	9.9	0.0	30.5
Indonesia	4.7	3.0	0.2	7.9
Malaysia	0.6	1.0	0.2	1.9
New Caledonia	1.1	0.9	1.5	3.5
New Zealand	(3.7)	2.3	1.6	0.1
Singapore	0.8	0.4	0.3	1.4
Thailand	7.1	5.8	1.6	14.4
USA	217.0	24.5	40.3	281.8
Vietnam	1.2	2.4	0.0	3.6
Rest of World	1.6	4.7	0.4	6.8
Total	449.7	75.9	109.0	634.5

1. Corporate income taxes and withholding taxes are sourced from the BlueScope cashflow statement included in the audited financials within the 2023 Annual Report

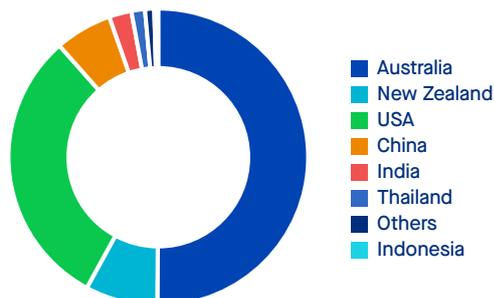
2. Employer payroll taxes comprise payroll and employer taxes payable in the capacity as an employer, whereas Employee taxes are taxes withheld from employee remuneration and paid to governments

3. India has been included in the tables above but is not currently shown in the consolidated cashflow statement in the financials as this is an equity accounted investment

Total tax borne by BlueScope



Total tax collected and remitted by BlueScope



Total tax collected and remitted by BlueScope

\$M				TOTAL TAX
	GST/VAT/Sales Tax Collected	GST/VAT/Sales Tax Paid	Employee WHT	PAYMENTS COLLECTED AND REMITTED
Australia	646.8	552.7	301.8	396.0
China	243.6	202.5	7.6	48.8
India	137.2	120.3	2.2	19.1
Indonesia	33.5	31.9	1.8	3.5
Malaysia ¹	0.0	1.0	2.6	1.6
New Caledonia	1.0	0.9	0.5	0.5
New Zealand	120.9	125.0	66.0	61.8
Singapore	1.8	2.1	0.1	(0.2)
Thailand	47.4	38.9	3.0	11.5
USA	97.2	1.9	146.4	241.7
Vietnam	19.7	19.2	1.8	2.3
Rest of World	6.9	5.1	1.7	3.4
Total	1,356.2	1,101.6	535.6	790.2

1. Malaysian Sales and Service Tax which is included as part of total tax payments collected and remitted, is not reclaimable

6. 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 Australia, ASEAN and North America.

Consistent with our multi-jurisdictional strategy, BlueScope undertakes manufacturing activities in each of these regions and elsewhere. As a developer of steel products and solutions, BlueScope mostly undertakes R&D activities in Australia, with some R&D activities also undertaken in North America and New Zealand. All new knowledge and Intellectual Property (IP) generated from the R&D activities undertaken in Australia are owned by BlueScope Steel Limited.

A summary of the most significant international related party dealings between the Australian BlueScope group (BlueScope Australia) and overseas related entities during FY2023 is provided below:

- **Sales of products to overseas controlled entities** – BlueScope Australia exported goods as related party sales to its subsidiaries and controlled entities in North America, ASEAN and New Zealand.
- **Intra-group loans** – the financing activities of the BlueScope Group relates to interest 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 and New Zealand). 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 licenses and receives royalties for use of its IP by other Group entities (noting there is IP for which no royalties are charged, such as in the case of trademarks). 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 in 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 Organisation for Economic Cooperation and Development (OECD) Guidelines, reflecting both normal market prices and normal commercial terms.

7. ATO Tax transparency disclosures

In November 2022 the ATO published tax entity information from the BlueScope Australian tax consolidated group income tax return for FY2021.

In or around November 2023, the ATO will also publicly disclose the following tax entity information, as reported in BlueScope's Australian tax consolidated group income tax return, for FY2022:

\$M	FY2021 published	FY2022 to be published
Total income	6,070.1	9,131.5
Taxable income	604.4	1,249.5
Tax payable	Nil	139.8

The corporate income tax return for BlueScope Australia is a consolidated tax return and comprises the results of its wholly owned, Australian tax resident entities.

The amount disclosed as Total Income in the tax return is the total accounting revenue of the BlueScope Australia tax consolidated group. Accounting revenue is the gross receipts before any expenses are deducted, and therefore does not represent the accounting or operating profits of an organisation. Profit before Tax, rather than Total Income, is the basis upon which Taxable Income is then determined.

Taxable Income is calculated based on accounting profit adjusted for allowable tax timing and permanent differences (including overseas dividend income) as provided for in the Australian tax law.

Tax Payable is then calculated at the corporate income tax rate (30%) of Taxable Income, reduced by available tax offsets. For BlueScope, the primary tax offset which reduces the Tax Payable amount is available carry forward R&D tax offsets (please refer to Section 5 of the Report for further explanation). Noting that all remaining carry forward R&D tax offsets were fully utilised in FY2022.

The BlueScope Australia tax consolidated group's operating profit before tax for FY2022 was \$2,230.6 million. It is from this amount that various non-temporary and temporary adjustments are made to arrive at Taxable Income. Income Tax Payable varied to the prior year Tax Contribution Report disclosure as per Section 3 due to an under provision of tax at financial year end when this report was published. A summary reconciliation is provided below:

\$M	FY2022
Total income (as will be reported by ATO)	9,131.5
Total expenses	(6,900.9)
Profit before tax	2,230.6
Non temporary & temporary adjustments	(981.1)
Taxable income (as will be reported by ATO)	1,249.5
Tax payable on taxable income	374.9
Less R&D tax incentive offset	234.1
Less foreign income tax offset	0.9
Less franking deficit tax offset	0.1
Income tax payable (as will be reported by ATO)	139.8

8. 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. BlueScope has also followed the AASB guidance in preparing its disclosures.

Currency – All of the amounts included in this report are disclosed in Australian dollars. Foreign income Tax payments have been translated at the months average exchange rate applicable to the month of payment. The balance of foreign tax payments has been translated at the June 2023 month's average exchange rate.

Income Tax Paid – Income tax paid is calculated as the cash tax paid in the year 1 July 2022 – 30 June 2023. 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 property taxes etc.



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