

# TAX CONTRIBUTION REPORT



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Financial Year ended  
30 June 2019

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BlueScope is pleased to present this Tax Contribution Report in respect of the year ended 30 June 2019, to provide greater transparency to the public regarding our global tax affairs.



**Tania Archibald**  
Chief Financial Officer

## MESSAGE FROM THE CHIEF FINANCIAL OFFICER

BlueScope has been a signatory to the Board of Taxation's Voluntary Tax Transparency Code since 2017. This year a stand-alone Tax Contribution Report has been prepared, reflecting BlueScope's commitment to continued enhancement of its transparent tax reporting. Our FY2017 and FY2018 tax information was published within the BlueScope Sustainability Report.

As a global company, BlueScope is subject to the tax regimes in each of the countries in which we have a presence. BlueScope is committed to complying with all tax laws in all jurisdictions in which it operates. 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 Bond of operating sustainably, responsibly and with integrity.

Our Bond, strategy, financial framework and approach to sustainability 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 its Bond by promoting a culture of integrity and highest possible standards across our global operations.



For further details on Our Bond, please refer to our website which can be found at:



<https://www.bluescope.com/about-us/our-bond/>

The report provides details of the taxes paid by BlueScope globally, 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 2019 Annual Report and Sustainability Report which can be found on our website at:



<https://www.bluescope.com/investors/> and  
<https://www.bluescope.com/sustainability/>

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.

# 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, 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.

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 (**NSBSL**) is a low cost regional supplier of hot rolled coil, based in Ohio, in the United States of America. NSBSL 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.

## *Global Presence*

BlueScope is an Australian listed and headquartered company with a significant global presence. It has manufacturing, processing and distribution sites located in more than 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 2019, BlueScope's workforce had grown to approximately 14,000 employees globally.

## *FY2019 Financial Highlights*

In FY2019 BlueScope reported a net profit after tax of \$1,015.8M down 35% from FY2018 and reported EBIT for the year was \$1,340.8M, down 8% on FY2018. BlueScope finished FY2019 with net cash of \$692.7M an improvement from \$63.6M at 30 June 2018. \$586M was returned to shareholders during FY2019 through dividends (\$76M) and on-market share buy-back (\$510M).

For further details of FY2019 performance, refer to the BlueScope 2019 Annual Report referenced above.

## EFFECTIVE COMPANY TAX RATES FOR AUSTRALIAN AND GLOBAL OPERATIONS

BlueScope began utilising its available carry-forward tax losses from FY2016, with approximately A\$1.4 billion of Australian carry-forward losses (calculated on a gross basis) being utilised to 30 June 2019, reflecting the company's return to profitability. That 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 in the form of trading losses as well as research and development (R&D) tax offsets received annually.

At 30 June 2018, all of BlueScope's remaining carried forward Australian tax losses were recognised on its balance sheet as a deferred tax asset due to continued profitability and the satisfaction of the relevant accounting standard recognition criteria. At that time, those losses (gross) amounted to A\$1.84 billion.

That recognition of losses contributed to a negative accounting effective tax rate for the year ended 30 June 2018 for Australia and the Group overall. Absent that event, as can be seen from the table below, the Australian and Group accounting effective tax rate would have been positive. An estimated A\$1.43 billion of carried forward gross tax losses remain at 30 June 2019, resulting in zero income tax payable as can be seen in the Reconciliation at Section 4. The BlueScope Australian tax consolidated group will again commence paying 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.

<i>Accounting Effective Tax Rate</i>	<i>Australia (A\$M)</i>		<i>Global Group (A\$M)</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>Profit before income tax expense</b>	<b>996.7</b>	<b>1,062.1</b>	<b>1,302.8</b>	<b>1,359.1</b>
Less: Inter-company dividend income not assessable in Australia	(248.4)	(143.0)	–	–
Add: Subsidiary provisions (write-back)	(207.1)	(132.5)	–	–
<b>Adjusted profit before income tax expense</b>	<b>541.2</b>	<b>786.6</b>	<b>1,302.8</b>	<b>1,359.1</b>
Prima facie income tax expense / (benefit) (@30%)	162.4	236.0	390.9	407.7
Less: Share of equity accounted investments	–	–	(6.1)	(11.0)
Less: Temporary and non-temporary differences (excl. Australian tax losses)	(8.7)	(49.7)	(92.1)	(185.3)
Adjusted income tax expense / (benefit) pre FY2018 Australian tax loss recognition	153.7	186.3	292.7	211.4
Accounting effective tax rate pre FY2018 Australian tax loss recognition	28.4%	23.7%	22.8%	16.0%
Less: FY2018 Australian tax loss recognition	–	(480.9)	–	(480.9)
Adjusted income tax expense / (benefit)	153.7	(294.6)	292.7	(269.5)
<b>Accounting Effective tax rate</b>	<b>28.4%</b>	<b>(37.5%)</b>	<b>22.8%</b>	<b>(20.4%)</b>

The primary factors impacting BlueScope's accounting effective tax rates, in addition to Australian tax loss recognition as outlined above, relate to:

- The accounting profit before tax of the Australian operations includes repatriated profits from our overseas companies and these profits are not subject to tax under Australia's tax laws.
- Foreign tax rate differential, which predominantly relates to lower tax rates on profits earned in North America and Asia; this is reflected in the temporary and non-temporary differences shown above. As previously disclosed in FY2018, the US tax reform bill was passed which BlueScope benefited from through a 7% rate reduction on US earnings in FY2018 and a 11% rate reduction thereafter. The tax rate reductions necessitated a downwards revision to deferred tax liabilities, with a corresponding reduction in income tax expense, which was partially offset by a tolling charge and withholding tax on distributable US foreign earnings in China. The one-off reduction to income tax expense for FY2018 was \$76.3M.

## RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSE AND TO INCOME TAX PAYABLE

A reconciliation of BlueScope's accounting profit to income tax expense on a group consolidated basis is published in the BlueScope 2019 Annual Report in Note 4(b) on page 15. 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 Australian Taxation Office (**ATO**) and other Tax Authorities. Further details of taxes paid can be found at Section 6.

<i>Tax paid or payable reconciliation</i>	<i>Australia (A\$M)</i>		<i>Global Group (A\$M)</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>Adjusted profit before income tax expense per ETR table above</b>	<b>541.2</b>	<b>786.6</b>	<b>1,302.8</b>	<b>1,359.1</b>
Tax at the Australian tax rate of 30.0%	<b>162.4</b>	<b>236.0</b>	<b>390.9</b>	<b>407.7</b>
Less: Non-temporary differences	(8.7)	(530.6)	(43.8)	(592.9)
Less: Tax rate differential	–	–	(54.4)	(84.3)
<b>Total income tax (benefit)/expense</b>	<b>153.7</b>	<b>(294.6)</b>	<b>292.7</b>	<b>(269.5)</b>
Under/overprovision for income tax	–	–	2.3	(7.8)
Temporary differences (predominantly impacted by Australian tax losses)	(153.7)	294.6	(124.6)	412.1
<b>Current income tax paid/payable</b>	<b>0.0</b>	<b>0.0</b>	<b>170.4</b>	<b>134.8</b>

# TAX POLICY, STRATEGY AND GOVERNANCE

*BlueScope's tax risk appetite reflects a low risk approach to tax risk.*

## **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 to protect its reputation. BlueScope has a low risk tax 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 approach to tax risk by approving the Tax Risk Management Framework and has ultimate responsibility for ensuring there is an effective process to manage tax risk. The Vice President Tax and CFO are responsible for monitoring the effectiveness of the Tax Risk Management 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.
- 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 global revenue authorities, including but not limited to the ATO, is to be compliant with tax laws and ensure its statutory obligations are met.

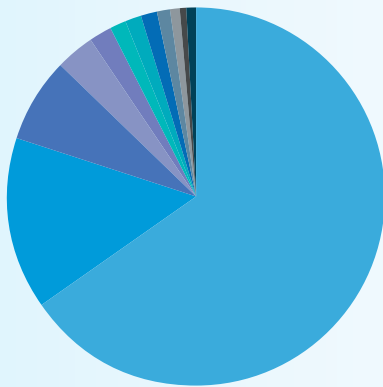
BlueScope is a Top 100 Key Taxpayer given our significance to the Australian tax community. BlueScope has its own dedicated large taxpayer case team and is subject to ongoing and regular engagement with the ATO through the Pre-lodgement Compliance Review (PCR) process in relation to income tax and GST. The PCR process allows BlueScope to engage transparently with the ATO on significant tax matters.

## TAX CONTRIBUTION SUMMARY

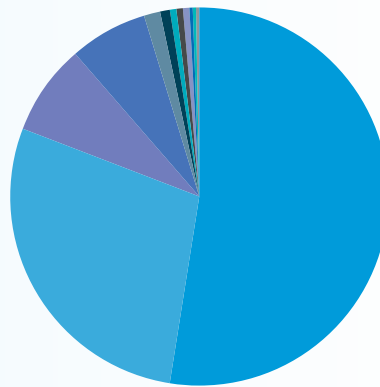
*BlueScope's tax contribution globally is significant, with total tax payments globally of over A\$770 million, comprising approximately A\$304 million in taxes borne and A\$474 million in taxes collected and remitted.*

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. More than half of all taxes collected and remitted globally by BlueScope are in Australia.

*Total tax paid by BlueScope globally*

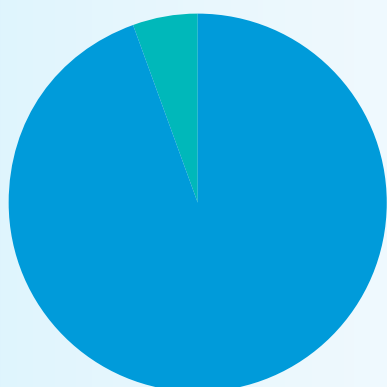


*Total tax collected and remitted by BlueScope globally*



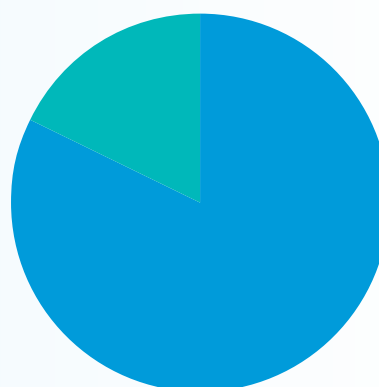
In relation to Australia specifically, corporate income tax has not been paid while BlueScope utilises the carry-forward losses that it has incurred. These losses started to be used in the FY2016 income year, with approximately A\$1.4 billion being utilised to 30 June 2019, in line with the strengthening of BlueScope's performance. 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 its employees also making significant payments of personal income tax.

*Total tax paid 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 Payroll Taxes  
■ GST (net)

In relation to our overall global taxes paid, below is a chart which includes more details of the material taxpaying jurisdictions in which BlueScope operates.

*Total Tax Paid By BlueScope (A\$M)*

<i>Country of Operation</i>	<i>Corporate Income &amp; Withholding Taxes<sup>1</sup></i>	<i>Other Local Taxes and Levies</i>	<i>Employer Payroll Taxes<sup>3</sup></i>	<i>Total Taxes Paid</i>
<b>Australia</b>	0.3	0.3	44.3	44.9
<b>China</b>	15.3	5.5	0.6	21.5
<b>India<sup>2</sup></b>	10.1	0.0	0.0	10.1
<b>Indonesia</b>	3.8	0.3	0.0	4.1
<b>Malaysia</b>	1.9	1.5	0.3	3.7
<b>New Caledonia</b>	2.4	1.1	1.5	5.0
<b>New Zealand</b>	(0.6)	0.0	6.4	5.8
<b>Singapore</b>	0.2	0.1	1.5	1.9
<b>Thailand</b>	1.9	0.5	1	3.4
<b>USA</b>	161.7	13.4	24.5	199.5
<b>Vietnam</b>	1.8	0.5	0.0	2.3
<b>Other</b>	0.8	0.6	0.9	2.3
<b>Total</b>	<b>199.5</b>	<b>23.9</b>	<b>81.0</b>	<b>304.4</b>



## Other Taxes Collected &amp; Remitted by BlueScope (A\$M)

Country of Operation	GST/VAT Paid but Reclaimed	GST/VAT Collected	Employee WHT	Total taxes Collected
<b>Australia</b>	(387.1)	431.0	207.1	251.1
<b>China</b>	(125.1)	151.8	5.1	31.8
<b>India<sup>2</sup></b>	(95.9)	96.1	1.7	1.9
<b>Indonesia</b>	(30.6)	31.5	1.8	2.7
<b>Malaysia</b>	0.0	0.2	1.3	1.5
<b>New Caledonia</b>	(0.2)	0.9	0.4	1.2
<b>New Zealand</b>	(109.9)	104.9	42.3	37.4
<b>Singapore</b>	0.0	0.1	4.6	4.7
<b>Thailand</b>	(36.5)	40.1	2.5	6.0
<b>US</b>	0.0	50.0	85.5	135.5
<b>Vietnam</b>	(20.6)	21.4	1.7	2.5
<b>Other</b>	(7.8)	4.4	1.5	(1.9)
<b>Total</b>	<b>(813.6)</b>	<b>932.4</b>	<b>355.5</b>	<b>474.3</b>

## Note:

- 1 Corporate income taxes and withholding taxes is sourced from the BlueScope cashflow statement included in the audited financials within the 2019 Annual Report. In Australia this tax in FY2019 represents withholding taxes paid.
- 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.

## INTERNATIONAL RELATED PARTY DEALINGS

BlueScope is an international supplier of steel products and solutions, principally focused on the global building and construction industry, as well as a flat steel producer for the domestic Australian, New Zealand, North America and Asia Pacific markets. BlueScope does have some international related party dealings.

During FY2019, the most significant cross border transactions between BlueScope Australia and overseas related entities were:

- Sales of products to overseas controlled entities - most of BlueScope Australia's related party sales are to its subsidiaries in North America and ASEAN region.
- Intra-group loans - the financing activities of the BlueScope Group mainly relate to interest (and guarantee fees) received and paid for intra-group loans, predominantly funds lent from Australia to North America.

- Global support services - certain administrative and support services are provided by BlueScope's Corporate Office and regional head offices in North America and ASEAN to offshore subsidiary businesses.
- Intangible licence fees - BlueScope 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). The BlueScope entities that own the IP are responsible for bearing and controlling the risk associated with the development, maintenance and protection of the relevant IP in each of these two jurisdictions respectively.

All related party transactions are made on arm's length terms in accordance with 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 Voluntary Tax Transparency Code.

**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 2018 – 30 June 2019. 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 payment to non-residents.

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