



BRITISH
STEEL

Permanent Way Institution – SPOLK Talk 3 (2nd June 2020)

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BUILDING STRONGER FUTURES

British steel and Jingye Group

- British Steel was placed into **compulsory liquidation on 22nd May 2019**
- **Jingye acquired British Steel on 9th March 2020**, which includes the core operational assets of BSL including Scunthorpe steelworks, Teesside and Skinningrove mills, FN Steel and TSP Engineering
- British Steel manufactures **differentiated products such as Rail**, Special Profiles, Wire Rod and Structural Sections
- Jingye has developed a **5 year turnaround plan to transform British Steel** by reducing the cost of steel make to ensure long-term profitability through the cycle
- Investment commitment of at least **£1.2bn over 5 years, with £30m in Year 1** to ensure operational efficiencies and modernisation of kit to maximise asset utilisation
- Jingye bring **a wealth of operational experience and expertise** to British Steel to help drive the planned capital investment schemes



An introduction to Jingye Group

Jingye is a world class steel manufacturer that places the highest priority on growth, employees and customers

- Founded and run by Li Ganpo, Jingye is a family run business, employing 23,500 people and generating revenue of £10bn per year
- Jingye is a Chinese multi-industrial company with specialism in world class iron and steel manufacturing
- Having built his first blast furnace in 1994, it now has 18 blast furnaces and produces 15mt per year
- Product lines include rebar, round bar, medium plates and HRCs
- Jingye Group invests heavily in environmental protection, energy saving technologies, emission reduction and the recycled economy – a reflection of the values of its founder



British Steel's product portfolio

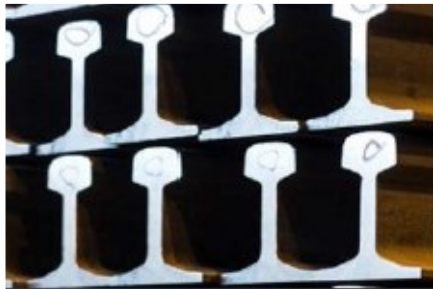
British Steel converts its own produced primary steel products into products tailored to its customers' needs

Primary products

Conversion of raw materials into billets, blooms and slabs



Secondary products and services



RAIL

British Steel provides a wide range of high performance rail products and technical consultancy services to meet the needs of international high speed, heavy duty, mixed traffic, metro and tramway networks.

Scunthorpe Rail & Section Mill

Scunthorpe Rail Service Centre



STRUCTURAL SECTIONS

British Steel supplies an unrivalled sections product range and service from their mills in Scunthorpe and Teesside, offering international standards. Teesside and Lisburn offer multiproduct and further processing options.

Scunthorpe Rail & Section Mill

Teesside Beam Mill

Teesside & Lisburn Service Centres



SPECIAL PROFILES

Our range of special profiles are used in a number of applications around the world such as forklifts, shipbuilding and yellow goods. The roll design team produce custom designed profiles and work with customers to optimise performance.

Skinningrove



WIRE ROD

British Steel's wire rods deliver against the strict requirements of the automotive, construction, engineering and consumer goods markets. BSL have a dedicated technical support team to help customers adapt swiftly to changing conditions.

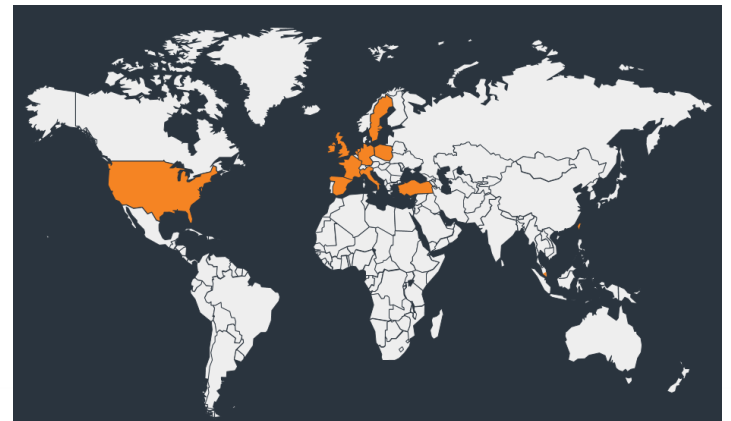
Scunthorpe Rod Mill

FN Steel

British Steel's locations

British Steel has facilities across the UK and Europe, supplying high-quality steel products around the world including manufacturing sites, research and development centres, service centres and sales offices in Germany, Italy, Poland, Spain, Sweden, Taiwan, Turkey and the USA.

- Manufacturing sites include:
 - **Scunthorpe** (for the **production of rail**, construction steel, wire rod and semi-finished productions)
 - Skinningrove (for the production of special profiles)
 - Teesside (for the production of construction steel)
- British Steel's Scunthorpe site is a **Tier 1 COMAH site**, meaning it must take all necessary measures to **prevent major accidents with hazardous substances**
 - It is critical that the business is able to keep the heavy end of its Scunthorpe site operational, which **relies on critical people and staffing numbers**
 - The **impact of COVID-19** has been a **real challenge** for British Steel



COVID-19

Responding to the pandemic

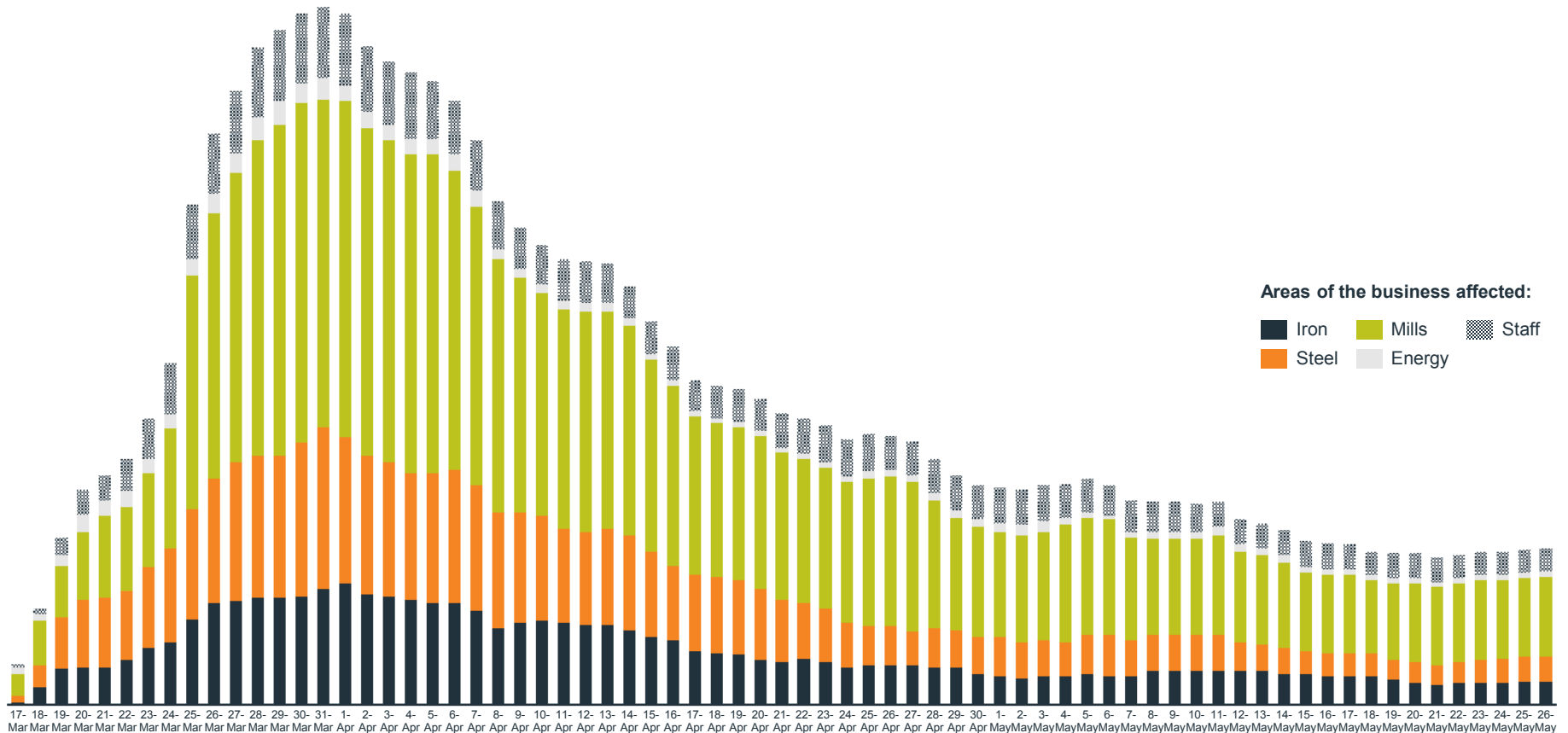
British Steel – Critical Manning plan

- As Scunthorpe is a **Tier 1 COMAH site**, British Steel has had to **closely monitor manning levels** since the outbreak of **COVID-19**
 - **Critical hotspots** were located
 - **Minimum manning levels** across each area of plant were identified and continue to be closely monitored
 - If manning falls below **critical levels**, area/s of plant have to be shut down for safety reasons
- Staffing levels have been **tracked across a range of areas** and reviewed by the Critical Manning team on a daily basis

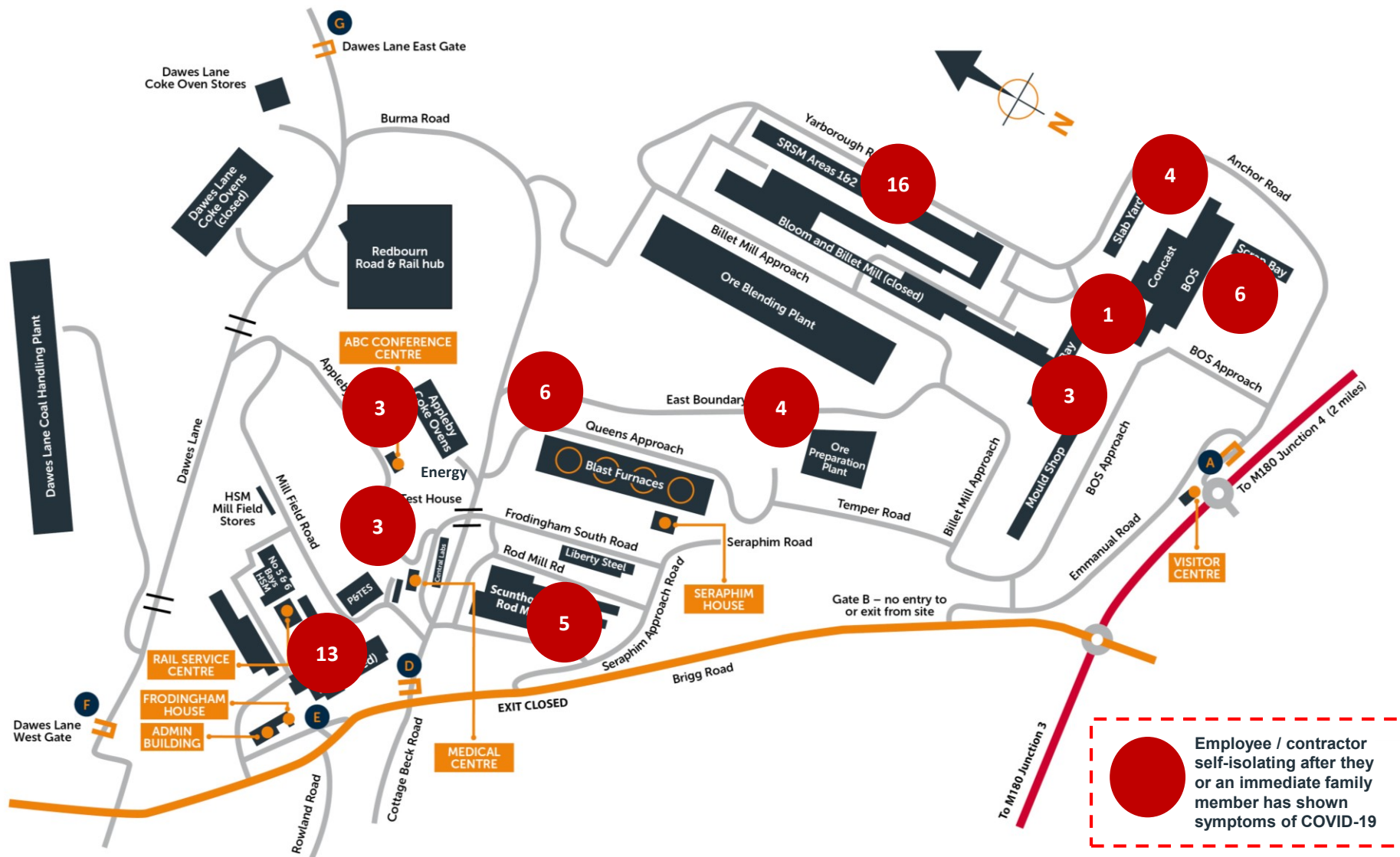


British Steel – monitoring staffing numbers

Cases of employees / contractors self-isolating due to COVID-19



British Steel – monitoring staffing numbers COVID-19 manning gap by location (Scunthorpe site)



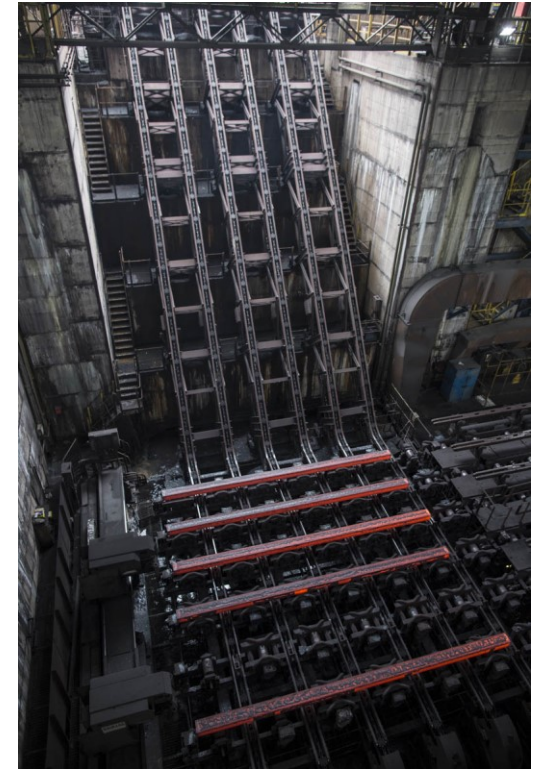
British Steel's Occupation Health team

- British Steel has its own Occupation Health team, which is made up of 6 employees and 6 contractors
 - The Scunthorpe site has its own Medical Centre, which also supports employees and contractors at our other sites
- During the COVID-19 pandemic, our Occupational Health team has:
 - Followed UK Government guidelines
 - Monitored employees / contractors who have self-isolated after they or an immediate family member has shown COVID-19 symptoms
 - Followed up on those returning to work after self-isolation
 - Provided ongoing support (including mental health support) to the workforce
- Our Occupational Health team have often been swamped during the COVID-19 pandemic, but have managed to maintain high standards towards health, safety and wellbeing in the workplace during this time



Customers and the supply chain

- Customer demand is essential to keeping British Steel's heavy end producing
- We operate in a number of sectors and supply to the UK, European and Rest of World markets, which have all been affected by the pandemic in different ways and at different rates
- How has British Steel responded?
 - We've held **daily communications with key customers** to balance demand with keeping operations running safely
 - Our "**Demand Plan**" has been under constant review
 - We've held "**Daily Governance**" meetings to monitor our markets, customers, impacts on deliveries and seek out any opportunities
 - We've been **monitoring and tracking the market** to observe how our competitors have been affected



Customers and the supply chain

How has British Steel responded?

- COVID-19 Sales & Marketing Update (outputs from “Daily Governance” meetings)

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COVID-19

Sales & Marketing Update

22nd April 2020

Impact to Order Books based on Updates			
	21.04.20	22.04.20	
SRSM Rail			
SRSM Sections			
SRM			
ALB			
TBM			
SKG			
			Status vs yesterday
1. Industry News Reported	Steel related / economy / key stats		
a. EU	EU steel makers could be flooded by cheap products from overseas amid a glut in world stockpiles due to the pandemic, which saw orders fall by up to 75 percent, the EU's trade commissioner, Phil Hogan, has warned. "Third country exporters may well decide to sell their product at below cost or at all cost... with a view to gaining larger stakes in a smaller EU market."		
b. UK	- Latest contractor to start reopening sites but with limited capacity - Construction Leadership Council looking at how to get furloughed workers back into industry		
c. Americas	- Plans to idle its Hibbing Taconite joint venture in Minnesota due to the "...unprecedented and challenging times" caused by the Covid-19 pandemic. The facility will be idled from 3 May to 5 July. About 650 employees will be impacted by the idling. - Has resumed production at its Peoria, Illinois mill following a one-week outage - Colombian steel association is asking the national government to temporarily suspend the payment of steel imports taxes and tariffs		
d. China / Rest of World	The supply-demand imbalance and cash flow issues caused by the Covid-19 pandemic will accelerate the retrenchments or closure of South African steel companies with insufficient capital to survive the crisis.		

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e. Raw Mats	Chinese steel futures and seaborne iron ore prices all fell on Tuesday as the collapse in oil prices continued to undermine sentiment	●
2. Market Updates		
a. Rail	- Innovans exhibition confirm postponing of event - starting to furlough next week for 3 weeks – running at 10% capacity and revenues dropped significantly - board meeting – reported pleased with maintenance over Easter weekend - reflect positive plans for May including 2 bank holidays - Tasked by Govt to consider how to ramp up passenger numbers but keep social distancing measures – estimated they will be able to operate 10-20% when taking measure into consideration - Estimated £900m per month cost to Rail industry to operate train timetable and concern that future year's budgets may be affected - OPPORTUNITIES - SKT storage for on BG site to replace stocks at Immingham, accelerate project to propose plans – PRIORITY - Assess plans for heat treatment at SRSM, initial view £5m, timescales unlikely before end of calendar year but seeking other options	●
b. Profiles	- signs they will commit to 85kt vs 70kt last year, this excludes any volumes in China as prices to be considered - are restarting next week on 25% of crew, don't expect much activity as outlook is in North America which is impacted severely - EU business booked 175t bulb flats @ £176t GM - OPPORTUNITIES - Increased share with who buy from closed - Bulb Flat and Angle opportunities - Option to increase on SKG if SRSM capacity required - China resuming as normal – seeking trackshoe and grouser enquiries - introductory meetings	●
c. Sections	- EU orders now entered on to the system, order still being finalized - SKT order from Spain expedited - Now looking at Asia / Turkish opportunities - Forward orders of 70kt which could be consumed quickly depending on the make plan figures realized - UK despatches coming back on stream - OPPORTUNITIES - Consider pushing price increase - On Hold - Utilise MTA scheme where customers require short lead times to help their cash flow - Given movements, seek North America opps, consider EU sales from SRSM if capacity allows. - Action Anders / JY to recruit 25kt Asian sales and discuss future EU strategy	●
d. Rods	- Formal PO received from - SKT interorg opportunity - SKT mesh for Italy being considered	●

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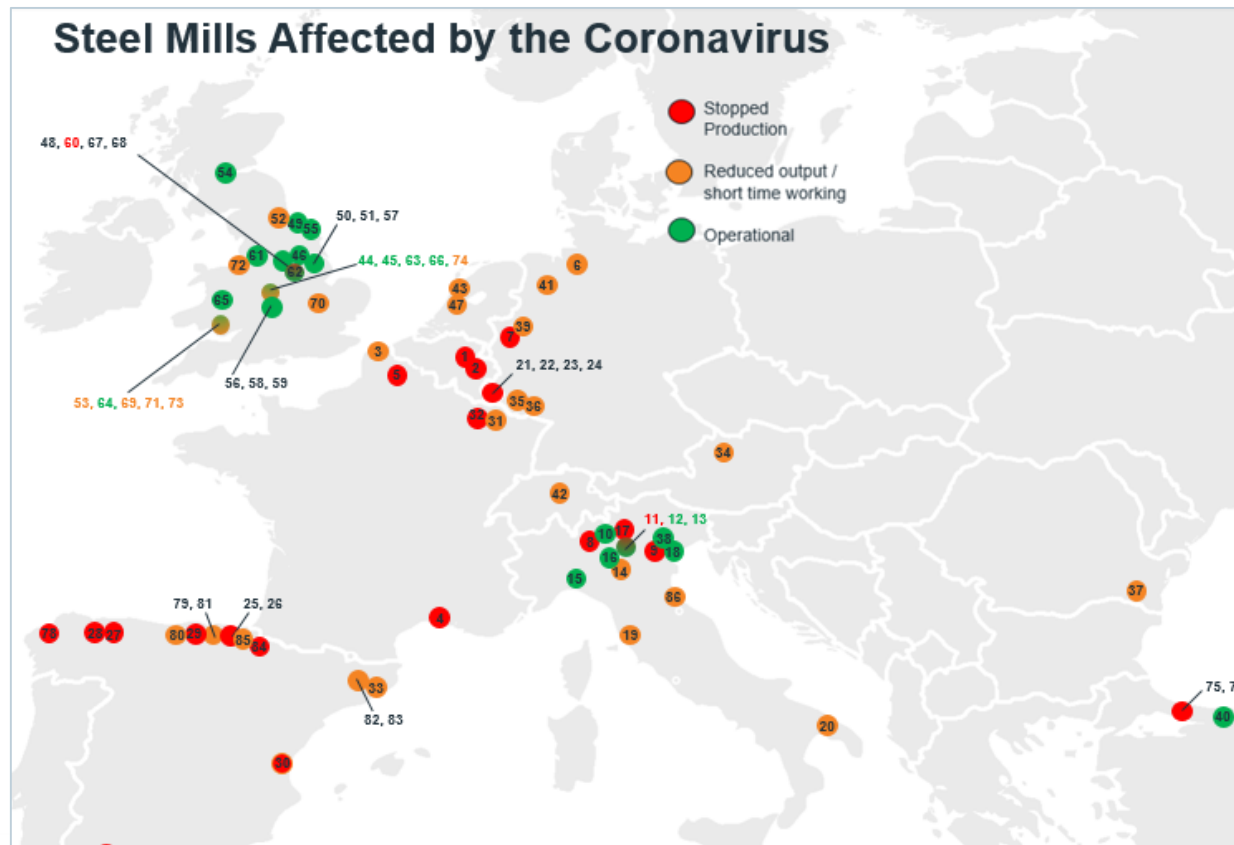
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	- New trial for 1080 welding wire – 2 loads utilizing new chemistry BS trial hope to progress following initial issues 1080 restarted – producing 50 per day vs pre covid 180 per day 1080 restarting after 6 weeks off - Block on 1080 account, spending £30k/yr for transit of 1080 samples – Campbell to escalate if required - OPPORTUNITIES - Welding wire progression - Mesh opportunities - Project / Construction follow ups - Tactical sales to Asia recognising low GMs 1080 tyre cord exclusion approved – 40kt/yr	
e. Semi	- Agreed 7kt billet to 1080 - Depending on Rotherham period of furlough – additional volume for BS possible? - Reports in Turkey of slab being booked at \$340-345t - BS best prospect with 1080 or plate mill supply – hopeful of +10-15t for 30kt vessel, at \$15t sea freight generates 330t GM – ACTION for Bill to confirm with M/Li how to proceed – decision needed by end of the week 1080 report no immediate opportunities for 1080 supply from Italy but consider BS for future opportunities - Awaiting feedback on bloom offer for 1080 section mill - OPPORTUNITIES - Max 1080 opportunities, push price on 1080 supply 1080 10kt per month 1080 1080 tyre cord supply, May June c 10kt per month, in future 30-45kt per quarter	
3. Logistics News / Disruptions	- Difficulties in authorisation for long length loads in UK – situation easing but to be considered 1080 contract agreed 1080 signed for EU haulage – contract with 1080 for signature 1080 struggling to agree on clawback mechanism proposed – seeking legal advice	
4. Trade Body Updates	- BES call chaired by Minister Nadhim Zahawi, company updates as follows, 21st April 1080 - Demand remains very low as reported as reported last week, 3rd week seeing domestic demand reduced by 80% - Production has been adjusted accordingly through furlough scheme - Customers requesting extension to payment terms - Need for urgent liquidity solution - After COVID important that we max GVA in UK 1080 2000 out of 8000 employees on furlough - Demand reductions seen across all sectors - Automotive down 75%	

Customers and the supply chain

How has British Steel responded?

- Monitoring the market to see how our competitors in Europe have been affected:



Customers and the supply chain

- British Steel has been writing to customers on a regular basis to inform them of our continued operations and the measures we have put in place
- Some European customers who have had to close during the pandemic have surveyed their suppliers:
 1. To ensure that they had the necessary measures in place
 2. To minimise any disruption to their supply chains as they restart their operations
- Customers have also been sharing “best practice” measures with suppliers to ensure compliance when attending their sites
- **SCHAEFFLER** example...



1

Make sure you wash your hands when ...

- ... you arrive at work
- ... before you touch food
- ... you visit other places/ return home



2

Always cough and sneeze into a tissue ...

- ... then throw the tissue away and wash your hands
- ... if you don't have a tissue, cough or sneeze into the crook of your elbow



3

Open the window regularly, for fresh air



4

Clean your cellphone or smartphone regularly



Disposable Face Mask Instructions

- Follow the instructions supplied with the mask
- Wash your hands before and after fitting, adjusting, or disposing of the mask
- Check the condition of your mask before use
- Do not use a mask which is damaged or dirty
- Dispose of masks in the designated location – this may be separate from other waste

British Steel – new site processes / safety guidelines

As part of our “best practice” approach to working during the pandemic, British Steel and other UK steel suppliers have engaged with UK Steel and BEIS to input into the steel sector guidelines

- The guidance we are following includes topics such as:
 - What to do if someone has COVID-19 symptoms at work
 - Hygiene and enhanced site cleaning
 - Social distancing at work
 - Offices, canteens, lunch areas and common areas
 - Travelling to work and during work
 - Site access
 - External visitors, contractors and drivers
 - Returning to work
 - Mental health



British Steel – new site processes / safety guidelines

Examples of some of the measures we've already taken:

1. Employees are social distancing whilst wearing protective masks and cleaning their work stations on a regular basis using anti-bacterial wipes



2. Screens are up at reception areas, exclusion zones have been put in place and hand sanitiser is to be used by employees and visitors entering buildings



3. Exclusion zones have been implemented at our Induction Centre to ensure a 2 metre distance is maintained by visitors when completing inductions



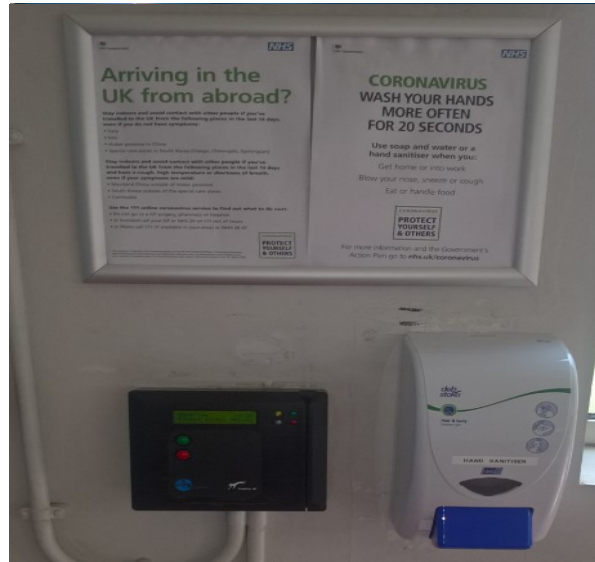
British Steel – new site processes / safety guidelines

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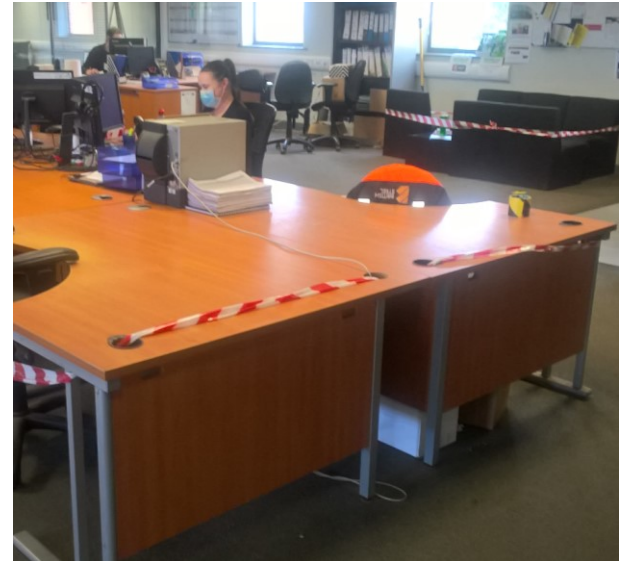
4. Office segregation has been implemented for those employees who have not been able to work from home



5. Hand sanitiser and Covid-19 posters have been put up at clocking-in stations and frequently used areas



6. Communal office segregation has been implemented in areas where multiple staff members have to work



Jingye's ongoing commitment to British Steel and its communities

Since its acquisition of British Steel, Jingye have demonstrated clear drive and commitment

- Throughout the **COVID-19 pandemic**, manufacturing has continued and plans are progressing to ensure British Steel come out of this period in a stronger position
 - Furlough at Skinningrove and Lisburn lasted just 3 weeks
 - Jingye have been issuing **individual care packs** containing face masks, wipes and food to employees in the UK and the Netherlands
 - Jingye have **donated critical PPE** to health and care workers in North Lincolnshire and across the Tees Valley
 - Approximately 8,000 masks, 1,000 protective suits, 4,600 gloves and 1,000 goggles
- Jingye's pledge is to **continue to follow "best practice" guidelines** to protect the health, safety and wellbeing of its workforce, customers, supply chain and communities



British Steel confirmation of COVID-19 security

• FIVE STEPS TO SAFER WORKING TOGETHER •

- ✓ We have carried out a **COVID-19 risk assessment** and shared the results with the people who work here
- ✓ We have **cleaning, handwashing and hygiene procedures** in line with guidance
- ✓ We have taken all reasonable steps to **help people work from home**
- ✓ We have taken all reasonable steps to **maintain a 2m distance** in the workplace
- ✓ Where people cannot be 2m apart, we have done everything practical to **manage transmission risk**



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