



Australian Anti-Dumping Inquiry Plate Steel

Investigation No. 688

Exporter Briefing – POSCO (Korea)

Public File

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1. POSCO EQR ASSESSMENT

Section A-4: Financial Documents

- A-4.1 and A-4.2 were answered as follows =====>
- The question asks POSCO to provide audit management letters if its financial statements are audited. POSCO responds: *"This question is not applicable because POSCO's financial statements are audited by an independent auditor."*

Audited is what triggers the obligation to provide the management letters. The Commission should confirm they Are included in A-4.1 or request the documents.

A-4 Financial Documents

1. Please provide the two most recently completed annual reports and/or financial statements for your company and any other related companies involved in the production and sale of the goods.

POSCO provides the two most recently completed audited financial statement in Exhibit A-7 [CONFIDENTIAL ATTACHMENT].

POSCO also provide the financial statements for its related company, [CONFIDETNAIL TEXT DELETED] in Exhibit A-8. [CONFIDETNAIL TEXT DELETED] was involved in export sales of the goods under consideration to Australian market during the POI.
2. If the financial statements in A-4.1 are audited, provide a copy of the audit management letters from your auditor accompanying the audited financial statements.

This question is not applicable because POSCO's financial statements are audited by an independent auditor.

1. POSCO EQR ASSESSMENT (CONT.)

Section B: Export Sales to Australia / Section K: Australian Market

- Throughout Section B, POSCO provides a narrative of indirect, arm's-length engagement with the Australian market – selling only via Korean trading companies, including a related trader. For example, at B-1.1 the exporter states that *“POSCO is aware, through the purchase orders and instructions received from the Korean export traders concerned, that the export destination of the goods is to be Australia. Nonetheless, the circumstances of the exportations are such that POSCO is [CONFIDENTIAL TEXT DELETED – commercial arrangement with respect to Australian market].”*
- However, in Section K POSCO provides detailed intelligence on BlueScope's delivery performance, blast furnace reline schedule, pricing practices, local content policies by State, customer procurement behaviour, and competitive dynamics.
- This level of market knowledge is contrasted to Section B claimed passive, indirect, and immaterial presence. The Commission should assess whether POSCO's actual engagement with the Australian market is more direct and strategic than portrayed.

1. POSCO EQR ASSESSMENT (CONT.)

Section G-9: Production of the goods under consideration

- G-9.3 was answered as follows:

3. Briefly explain the reasons for any differences between:
- (a) the production quantities reported at worksheet "G-3 domestic CTM" and the sales volumes reported at worksheet "D-2 domestic sales" and
 - (b) the production quantities reported at worksheet "G-5 Australian CTM" and the sales volumes reported at worksheet "B-2 Australian sales".

The main reason why there is a difference between sales quantity and production quantity is that POSCO does not manage production information by sales market. In other words, production data doesn't include sales information or shipment information. As described above, the company manages manufacturing costs and production quantities at the level of the actual item code. Therefore if one MCC is sold simultaneously in both the domestic and Australian markets, it is reported in duplicate with the same quantity and value in Tables G-3 and G-5. In summary, POSCO reported all production quantities and cost of manufacturing during the investigation period at the level of each MCC regardless of the sales market.

- This is a significant methodological concern; production quantities are overstated in both worksheets, and the weighted-average costs per MCC may not accurately reflect actual costs attributable to goods sold in each market. This could affect the OCOT test and normal value calculations.

1. POSCO EQR ASSESSMENT (CONT.)

Section C-2: Models sold in the domestic market

- In Section C-2, POSCO states it sold "PC" (plate from coil) products only to Australia and only "PS" (plate from slab) products domestically, and requests constructed normal value for PC products.
- However, the cost data in G-3 (Domestic CTM) would logically only cover PS products, while G-5 (Australian CTM) covers both PC and PS.
- Given the acknowledged duplication in G-9.3 (see slide above), it is unclear whether and how the PC product costs in G-5 are properly isolated, or whether they are contaminated by the duplication methodology.
- The Commission should verify the integrity of the POSCO's PC-specific cost data.

1. POSCO EQR ASSESSMENT (CONT.)

Section K-3: Relationship between price and cost in Australia

- At K-3.2, POSCO speculates that its volume is “...likely to be immaterial...” compared to BSL, states that it has “...no influence on price formation by others”, that BSL is the price leader.
- However, K-3.3 highlights a sophisticated, deliberate market strategy — positioning as a “...premium, responsible and reliable supplier...” that maintains a “...commercially sustainable profit margin...” with “...no intention to dump, the product at a price level with the effect of inflicting “material injury” to the domestic industry, or with the aim of expanding market share with low prices.”
- This narrative suggests highly deliberate pricing strategy, not the behaviour of an immaterial, passive market participant. The "immaterial" narrative appears designed to minimise the Commission's scrutiny.

1. POSCO EQR ASSESSMENT (CONT.)

Section K-3: Relationship between price and cost in Australia (cont.)

- At K-3.3, POSCO positions itself as a premium supplier that “...*does not engage in aggressive pricing aimed at market share maintenance, market penetration, or market share growth...*”
- However, at K-3.7, POSCO states that its “*Pricing decisions balance cost recovery with market competitiveness, ensuring POSCO’s products remain attractive while covering incremental costs.*”
- Being responsive to market competitiveness means, by definition, engaging with competitive pricing dynamics. This suggests POSCO's pricing is more responsive to competitive pressure than the *premium* narrative promoted in the EQR.

1. POSCO EQR ASSESSMENT (CONT.)

Section K-3: Relationship between price and cost in Australia (cont.)

- At K-3.2, POSCO states its sales during the period were “...materially lower than POSCO's previous average annual sales to Australia...” and adds that “...POSCO's sales to Australia were higher during periods that BlueScope does not claim any dumping.”
- This may suggest that POSCO either adjusts its pricing or volume in response to anticipated anti-dumping scrutiny, or that its “normal” pricing levels (during higher-volume periods) may have been at dumped levels.
- The Commission should examine whether the investigation period volumes and pricing are representative.

2. POSCO EQR ASSESSMENT – VARIABLE FACTOR RELEVANCE

Normal values for PC (plate from coil) products

- POSCO acknowledges at C-2.1 that it has no domestic sales of "PC" (plate from coil) products and requests the Commission construct normal value based on cost to make plus *“a reasonable amount of profit derived from POSCO's domestic sales of 'PS' category products.”*
- POSCO is therefore asking the Commission to use PS profitability as a proxy for PC profitability.
- If PS products are systematically less profitable than PC products would be, this would understate the constructed normal value.
- The Commission should independently assess whether PS profit margins are a reasonable proxy, or whether industry-wide PC margins or alternative benchmarks should be used.

2. POSCO EQR ASSESSMENT – VARIABLE FACTOR RELEVANCE

Production cost duplication

- As above, POSCO admits at G-9.3 that where an MCC is sold in both markets, production quantities and costs are duplicated identically in G-3 (Domestic CTM) and G-5 (Australian CTM).
- This means the weighted-average cost per MCC is the same for both domestic and export sales, regardless of whether there are actual differences in production runs, yields, or raw material inputs timing.
- If the goods exported to Australia were produced at a different time (with different input costs) or in different production runs (with different yields or overhead absorption), this methodology would mask those differences.
- This could either inflate or deflate the cost comparison depending on the direction of cost movements during the investigation period. The Commission should request production-run-specific cost data and reconcile to actual shipments.

2. POSCO EQR ASSESSMENT – VARIABLE FACTOR RELEVANCE

Related trader sales – export price

- At B-1.3 POSCO discloses that approximately [confidential percentage] of its Australian sales were made through a related trading company, [confidential entity].
- For these sales, the export price may need to be determined under section 269TAB(1)(c) or (d) of the Customs Act rather than the standard arm's length transaction price.
- POSCO states the related trader “*negotiated its prices with unrelated customers in Australia on a transaction-specific basis, based on market conditions,*” but the confidential delivery terms differ from POSCO's own terms (the related trader's terms are [confidential] versus POSCO's [confidential] terms). The Commission should closely examine whether the related party export prices need to be constructed/deducted back from the Australian customer's price, subtracting the related trader's costs and profit.

2. POSCO EQR ASSESSMENT – VARIABLE FACTOR RELEVANCE

Level of trade adjustment

- At E-5.1, POSCO claims a level of trade adjustment to normal value, arguing that its domestic sales to [confidential] level customers are at a different (downstream) trade level compared to its Australian sales to [confidential — traders], and that prices to [confidential] customers are consistently and distinctively [confidential — higher/lower] than to [confidential] customers.
- If the adjustment operates to reduce normal value (i.e., POSCO is arguing domestic prices to downstream customers are higher and need to be adjusted downward for comparison with trader-level export sales), this directly narrows the dumping margin.
- The Commission should scrutinise whether the claimed price differences genuinely reflect trade level functions or are driven by other factors (volume, product mix, customer bargaining power). The quantification methodology at Exhibit E-7 should be tested rigorously.
- BSL also notes the heavily levels of confidentiality of this section, which has not permitted a sufficient understating of the content.

2. POSCO EQR ASSESSMENT – VARIABLE FACTOR RELEVANCE

Early payment discounts

- At D-1.5, POSCO discloses an early payment discount program for domestic sales with rates varying by [confidential sales practice].
- At B-1.6, POSCO states it offered no discounts or rebates on Australian sales.
- If early payment discounts reduce the effective domestic selling price reported in D-2, this lowers the normal value.
- The Commission should verify whether POSCO's domestic sales prices in D-2 are reported net or gross of early payment discounts, and whether there is any equivalent (even informal/off-invoice/off-balance sheet) price concession on export sales that has not been disclosed.

2. POSCO EQR ASSESSMENT – VARIABLE FACTOR RELEVANCE

Credit costs

- At E-1.1, POSCO calculates credit costs on a transaction-specific basis using actual payment dates for both markets.
- However, POSCO notes different short-term borrowing rates for local currency (KRW) and foreign currency, with separate rates disclosed at E-1.2 and E-1.4.
- The Commission should verify which interest rate is applied to which market's credit cost calculation and ensure consistency and correct normal value adjustments under s29TAC(8).

2. POSCO EQR ASSESSMENT – VARIABLE FACTOR RELEVANCE

Inland freight & movement costs

- For domestic sales (E-3.1), POSCO reports inland freight, warehousing expenses, and loading/unloading charges — these are deducted from the domestic selling price to arrive at an ex-works normal value.
- For Australian sales (E-3.3), only inland freight from the factory to Korean port is reported, with POSCO stating it incurred no port handling charges, ocean freight, or marine insurance (these were borne by customers).
- The magnitude of domestic movement expense deductions directly affects normal value. If domestic movement costs are overstated or include costs not genuinely attributable to the like goods, normal value is artificially reduced.
- The Commission should accurately verify these costs, especially given that POSCO maintains two Korean manufacturing facilities for the subject goods (Pohang and Gwangyang).

2. POSCO EQR ASSESSMENT – VARIABLE FACTOR RELEVANCE

SG&A

- At G-4, POSCO provides company-wide SG&A data.
- Since POSCO is a massive integrated steelmaker producing hot-rolled coil, cold-rolled, electrical steel, galvanised products, wire rod, stainless steel, and plate, the allocation of company-wide SG&A to the goods under consideration is a major variable.
- If the allocation methodology (in G-4.2) uses a broad denominator (e.g., total company revenue or total production volume), the per-unit SG&A attributed to plate products may be diluted by POSCO's much larger product lines.
- This would understate the SG&A component of the cost to make and sell used in the ordinary course of trade (**OCOT**) test, with the effect of making more domestic sales appear profitable.

2. POSCO EQR ASSESSMENT – VARIABLE FACTOR RELEVANCE

Related party raw material purchases

- At G-7.7, POSCO acknowledges purchasing raw materials from related suppliers (affiliates and subsidiaries), though it claims these represent only a “...*relatively minor portion*...” and are at arm's length prices.
- If related party input costs are below market, this understates CTM with consequent OCOT implications.
- The Commission should compare related and unrelated supplier pricing for the same inputs and assess whether the “trading companies” intermediary structure genuinely results in arm's length raw material prices.

2. POSCO EQR ASSESSMENT – VARIABLE FACTOR RELEVANCE

Non-conforming product costs

- At G-2.9, POSCO states it excludes non-conforming product costs from reported CTM “...to prevent any possible distortion.”
- While this may seem conservative, it may have the effect of reducing the per-unit cost of production by removing higher-cost defective output from the cost pool while retaining only the cost of saleable product.
- If non-conforming product rates are material, this would understate CTM, and make more domestic sales appear profitable in the ordinary course of trade test.

2. POSCO EQR ASSESSMENT – VARIABLE FACTOR RELEVANCE

Scrap Revenue Treatment

- At G-2.10, POSCO states scrap is reintroduced into the blast furnace and “...its value is recorded at the estimated purchase cost based on market price, which is then deducted from the raw material cost.”
- If the market-based scrap credit is higher than the actual cost recovered from recycling scrap, this overstates the offset to raw material costs and understates CTM (hence OCOT implications).
- The Commission should verify that the scrap valuation methodology does not artificially reduce production costs.

3. KOREAN IMPORT OFFERS FY2025

[commercially sensitive import parity pricing details deleted]

Questions