

Steel & Tube Holdings Ltd

Remuneration Policy

1. Purpose

The purpose of this Policy is to outline the remuneration framework for directors, the CEO and senior executives of Steel & Tube Holdings Ltd and its subsidiaries (Steel & Tube).

2. Policy Statement

Steel & Tube's remuneration policy and practices are designed to attract, retain and motivate high-calibre people at all levels of Steel & Tube. They:-

- Are transparent, easy to understand, fair and market-competitive
- Encourage high performance, focus on the customer and support individual and team development
- Seek to align employee and shareholder interests.

The Board regularly reviews the remuneration framework to ensure it meets these objectives and regulatory and best governance practice guidelines for reporting directors and senior executives' remuneration and benefits.

3. Directors

3.1 Form of Directors' Remuneration

Non-executive directors' remuneration is paid in the form of directors fees.

Non-executive directors do not receive any:-

- Performance or equity-based payments or
- Contributions to KiwiSaver or any superannuation scheme or
- Any retirement or other cessation of office payment.

3.2 Approval of Directors Fees

The overall director fee pool (the total fees available to directors) is approved by shareholders on the recommendation of the Board.

The Board determines the actual fees paid to non-executive directors within the overall fee pool, except where the overall director fee pool recommendation to shareholders also includes a recommendation in relation to actual fees to be paid to non-executive directors.

Fees paid to individual non-executive directors reflect director roles and responsibilities. Additional fees are paid to the Board Chair and the Board may determine to pay additional fees to a Deputy Chair (if there is one) and to each Committee Chair to reflect the additional responsibilities of these roles.

The Board may determine that additional fees be paid to individual non-executive directors to reflect additional services provided to Steel & Tube.

3.3 Shareholding by Non-executive Directors

Non-executive directors are encouraged to acquire and hold shares in Steel & Tube. Directors are required to comply with Steel & Tube's Insider Trading Policy when acquiring in shares.

3.4 Review of Directors Fees

The Board regularly reviews directors' fees to ensure they:-

- Appropriately reflect Steel & Tube's operating environment
- Are based on independent advice on fee structure and levels reflecting market practice and what is fair and reasonable
- Are set at a level that enables Steel & Tube to attract competent directors with requisite skills and experience.

3.5 Reporting of Directors Fees

Details of the directors' fee structure and actual fees paid to non-executive directors (Board, Committee and any other fees or remuneration) are reported in Steel & Tube's Annual Report.

3.6 Executive Directors

Executive directors are not paid director fees.

3.7 Directors of Subsidiary Companies

Steel & Tube employees who are Directors of Steel & Tube subsidiary companies do not receive directors' fees.

4. Employees

4.1 Components of Remuneration

Steel & Tube's CEO and executives have fixed remuneration, with all other employees paid either a salary or a wage.

Relative market median is the target for all remuneration.

Executives, managers and other key / critical staff have the potential to earn a Short Term Incentive (STI) each year.

The CEO, executives and a limited number of non-executive senior managers also have the potential to earn a Long Term Incentive (LTI).

The STI and LTI are both variable elements of remuneration, with selected employees invited to participate each year as approved by the Board, and only paid if individual, company and shareholder return performance targets are met.

Steel & Tube may from time to time also provide other discretionary cash and non-cash benefits to the CEO and executives including life and disability insurance, health insurance through employee-funded membership, professional association memberships, and various discounts offered to all Steel & Tube personnel by suppliers.

4.2 CEO and Executives' Fixed Remuneration

Fixed annual remuneration (FAR) and salary rates, which include Total Remuneration including STI and LTI, are reviewed each year based on data from independent remuneration specialists. The Board reviews and approves adjustments to the fixed annual remuneration of the CEO and executives.

Steel & Tube executives (including the CEO) who contribute to a KiwiSaver scheme (or other relevant superannuation scheme) receive matched Employer contributions at the legislative minimum (currently 3%) of gross earnings, paid to their KiwiSaver account in accordance with applicable legislation. The CEO and executives' fixed remuneration is inclusive of the value of the Employer KiwiSaver contribution. It is also inclusive of an allowance to compensate for the use of executive's private motor vehicles for business purposes.

The fixed remuneration of Steel & Tube's CEO and executives is based on a matrix of their own performance and their current position when compared to the market rates for the same or equivalent position. Steel & Tube positions itself at the median of the market for fixed remuneration and an individual's remuneration relative to that market position takes into account their skills, knowledge, experience and performance.

4.3 CEO and Executives' Short Term Incentive (STI)

Steel & Tube's STI is based on clear performance targets and is designed to differentiate performance and reward delivery.

STI values for the CEO and executives are set as a percentage of fixed annual remuneration (FAR) based on an STI participant's individual role scale, complexity and performance requirements and expectations.

STI values for executives range between 25% and 40%, and the CEO's STI value as a percentage of Fixed Annual Remuneration is set within a range of 50% to 60%. The STI values for the CEO and executives are approved by the Board annually.

STI performance targets may comprise company and individual performance goals together with business group goals for relevant executives. The performance targets are set annually by the Board and are designed to align with shareholder value.

Performance targets comprise:-

- Company performance targets covering such areas as financial performance, working capital components and health and safety and other targets as appropriate.
- Business group performance targets include both financial performance and working capital components.
- Individual performance targets which are tailored to each individual's role and include some targets that are shared across the CEO and executives.

STI payments are determined by the Board exercising its discretion under the STI Framework following a review of the achievement of company and each STI participant's individual performance goals, and business unit performance goals for relevant executives.

Some performance targets are subject to multipliers reflecting the scale of achievement, with a cap on the overall STI payment.

4.4 CEO and Executives' Long Term Incentive (LTI)

Steel & Tube's LTI is designed to:-

- Incentivise and retain key personnel
- Align the interests of executives and shareholders
- Encourage long-term decision-making

Under the LTI programme Steel & Tube allocates share Rights to the LTI participants who include the CEO and executives.

LTI values, which determine the number of Rights granted, are set as a percentage of fixed annual remuneration (FAR) based on role scale, complexity and performance requirements and expectations.

LTI values for executives range between 20% and 30%, and the CEO's LTI value as a percentage of Fixed Annual Remuneration is set in a range of 50% to 60%. The LTI values are approved by the Board annually.

Rights are able to be exercised providing the LTI performance conditions have been met.

The two performance conditions required to be met before the grants can be exercised consist of Steel & Tube's Total Shareholder Returns (TSR) compared to absolute and relative benchmarks.

Independent corporate finance specialists monitor and report on achievement of the LTI performance conditions.

The Board seeks independent advice on the structure and design of the LTI programme to ensure it reflects appropriate market practice and achieves the objective of aligning the interests of LTI participants to those of shareholders.

5. Ownership and Review

Approver:	Steel & Tube Board
Reviewer:	Governance & Remuneration Committee
Owner:	General Manager, Human Resources
Review:	Two yearly or earlier as required
Date:	21 September 2017