

Steel & Tube Holdings Ltd

Risk Management Policy

1. Purpose

The purpose of this Policy is to outline the approach to managing risk within Steel & Tube Holdings Ltd and its subsidiaries (Steel & Tube).

2. Policy Statement

Steel & Tube is committed to proactively managing risk to:-

- Enhance the Company's ability to achieve its business objectives
- Protect the Company's value and its people, assets and reputation
- Enable the Company to pursue opportunities that involve risk in an informed manner that is aligned with the Board's risk appetite.

Steel & Tube has adopted a comprehensive risk management framework designed to ensure that strategic, operational and financial risks, both existing and emerging:-

- are identified
- are assessed as regards likelihood of occurrence and impact
- have risk mitigation plans and defined management accountability
- are reviewed on an ongoing basis

A robust risk management framework enables Steel & Tube to proactively manage risk by setting out a systemic approach to integrating risk management disciplines in strategic and operational planning and budgeting processes, as well as day-to-day business operations and decision-making.

3. Key Concepts

3.1 Risk

Risk is anything that could potentially impact on Steel & Tube's ability to achieve its business goals and objectives, and is therefore interconnected with the Company's strategy and business plan.

3.2 Risk Management

Steel & Tube's risk management framework incorporates the culture, structures, systems and processes for identifying, assessing, controlling, monitoring and reporting key risks that may impact on the Company's ability to achieve its business objectives and/or protect its people, assets or reputation.

3.4 Risk Appetite

Steel & Tube's risk appetite describes the Company's tolerable level of risk and reflects the Board's appetite to accept the impact of various risk occurrences. It draws together risk metrics and risk management by rating risk categories from low through to high tolerance, thereby providing guidance on the level of risk exposure acceptable when strategic, operational and financial business decisions are made.

Risk appetite is set by the Board and reviewed annually. It sets the boundaries which form a dynamic link between strategy, target setting and risk management.

3.5 Risk Assessment

Risk assessment incorporates the process of risk identification and assessment. Risks arise from a combination of the Company's business strategy and objectives and the environment in which it operates.

Risks are assessed in terms of a combination of the likelihood of an event or circumstance occurring and the consequences in terms of the impact of such occurrence, and are categorised according to the areas potentially impacted, including:-

- Commercial / financial performance and sustainability
- Long run economic sustainability
- Social sustainability
- Environmental sustainability
- Performance of core operations and services
- People safety and resource availability
- Regulatory / contractual compliance
- Stakeholder confidence / reputation
- Preparedness and ability to respond to a crisis situation.
- Supply Chain
- Quality

Risk registers are developed by Steel & Tube's individual business groups and are consolidated into an organisational risk register. The various inputs from the operational businesses in the Group are used to aggregate similar risks resulting in a series of organisational risks.

Each organisational risk is assigned a primary responsibility holder within the senior executive team, an inherent or untreated risk rating, an assessment of Management system effectiveness, an external environment rating, a current residual risk rating, the last residual risk rating, a Board target residual risk, and an acceptance of the risk.

A standardised template is used for the purpose of comparing different organisational risks.

Depending on the risk-level, appropriate mitigation is formulated for each risk if possible so that the residual rating is acceptable to the Board. If not, further tasks are defined to get a clearer understanding of the risk issue.

The table headings below are used to report organisational risks:

Steel & Tube Key Risk Summary

| ID | Risk Area | Primary Responsibility | Inherent Risk Rating | Management System Effectiveness | External Environment | Residual Risk Rating | Previous Residual Risk Rating | Board Target Residual Risk | Accept Risk Y/N |
|----|-----------|------------------------|----------------------|---------------------------------|----------------------|----------------------|-------------------------------|----------------------------|-----------------|
|----|-----------|------------------------|----------------------|---------------------------------|----------------------|----------------------|-------------------------------|----------------------------|-----------------|

The matrix below sets out how Steel & Tube’s risks are assessed based on likelihood of occurrence and impact.

| | | Impact | | | | |
|-------------|----------------------------|--------|------------|-------------|-------------|---------|
| | | Low | Noticeable | Significant | Threatening | Massive |
| Probability | Very often (daily) | II | II | II | III | III |
| | Frequently (weekly) | II | II | II | III | III |
| | Occasionally (monthly) | I | II | II | II | III |
| | Infrequently (yearly) | I | I | II | II | III |
| | Rarely (once in ten years) | I | I | I | II | II |

3.6 Key Risks

Key risks are those risks with material implications to Steel & Tube. These risks can be operational and frequent or infrequent and strategic in nature. Key risks are identified by the Steel & Tube risk assessment process summarised in section 3.5. These risks are reviewed by the Board annually, and monitored by the Audit & Risk Committee on a quarterly basis.

Steel & Tube’s risk framework is a critical component of the Company’s overall business strategy and resource allocation framework. The process to identify risk is designed to assess the implications of changes in economic circumstances, technological disruption, societal and environmental trends and how these impact on the long run sustainability of Steel & Tube.

The Board, through the Audit & Risk Committee, regularly monitors the management of these key risks.

4. Policy Objectives

The key objectives of this Risk Management Policy are to:

- Ensure that all Steel & Tube people are aware of their responsibility to manage risk
- Mandate one framework for the management of risk within Steel & Tube that:-
 - a) Ensures the Board sets the risk appetite and regularly reviews the key risks
 - b) Integrates risk management in line with the Board’s risk appetite into the Company’s structures, policies, processes and procedures
 - c) Delivers regular key risk review and monitoring
- Ensure that the CEO and Executive team have discretion to select the approach they use to manage risk within the guidance provided in the risk management framework
- Mandate regular measurement and reporting on the efficiency and effectiveness of the risk management processes

- Encourage balancing of the level of control implemented to mitigate identified risks with Steel & Tube's commitment to comply with external regulation and governance requirements and meet the Company's value and growth aspirations
- Meet good practice standards for risk management processes and related governance.

5. Roles and Responsibilities

The roles and responsibilities in relation to this Risk Management Policy are:-

5.1 Steel & Tube Board of Directors

- Approving this Risk Management Policy and the supporting framework
- Setting Steel & Tube's risk appetite and regularly reviewing the Company's key risks
- Reviewing the effectiveness of the implementation and maintenance of the risk management and internal control system
- Providing oversight and monitoring, through the Audit & Risk Committee, including through receipt of regular reporting on key risks from management
- Reviewing and approving, through the Audit & Risk Management Committee, the internal audit plan utilising outputs from the risk management framework
- Receiving, through the Audit & Risk Committee, regular reporting from the internal auditors on findings from their reviews and testing of the effectiveness of the design and operation of key controls managing the Company's risks.

5.2 Chief Executive Officer

- Promoting a culture of proactively managing risks, aligned with the Risk Management Policy and the Board's risk appetite
- Establishing, communicating and implementing effective risk management and internal control frameworks
- Reviewing Steel & Tube's key risks regularly and reporting to the Audit & Risk Committee regarding that review and, at other times by exception, reporting on any changes to the rating of key risks
- Monitoring of action plans to mitigate risks rated as critical and high on the pre-mitigation basis.

5.3 Chief Financial Officer / Company Secretary

- Providing and maintaining a single framework for risk management in Steel & Tube consistent with the Risk Management Policy and the Board's risk appetite
- Facilitating regular reviews and updates to the CEO and to the Audit & Risk Committee.

5.4 CEO and Executive Team

- Providing leadership in Steel & Tube for risk management by:
 - a) Identifying, managing, updating and monitoring risks
 - b) Creating a focus on risk awareness and management for business unit and subsidiary company teams
 - c) Ensuring that key decisions are made taking into account risk factors impacting their day to day activities and achievement of their business objectives
 - d) Ensuring that effective mitigations are in place and operating effectively, including setting business plans and budgets to implement and maintain the risk treatments and controls relating to key risks.

5.5 All Steel & Tube People

- Appropriately identify and manage the risks in their day-to-day work activities.

6. Ownership and Review

Approver: Steel & Tube Board

Reviewer: Audit and Risk Committee

Owner: CFO and Company Secretary

Review: Two yearly or as required

Date: 21 September 2017