

# Steel & Tube Holdings Audit & Risk Committee Charter

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**Purpose** The Board of Directors of Steel & Tube Holdings Limited has established a Committee of Directors known as the Audit and Risk Committee (Committee). The objectives, composition, terms of office, duties and responsibilities, and powers and authority are set out in this Charter.

**Company Purpose Statement** Steel and Tube is New Zealand's leading Distributor and Processor of metal and related products. Our commitment to delivering exceptional service, quality and value to our customers and shareholders is maintained through our people who always act safe and are reliable, accountable and committed.

**Governance Objectives** The main objectives of the Committee are to:-

- a) Assist the Board of Directors in fulfilling its responsibilities to exercise due care, diligence and skill in relation to:
  - External financial reporting
  - Financial management
  - Internal control systems
  - Accounting policy and practice
  - Risk management functions, including compliance with risk management framework
  - Compliance with applicable laws, regulations and standards
  - Avoidance of fraud
- b) Oversee and monitor the performance of the external and internal auditors
- c) Assess the external auditor's independence and qualifications.
- d) Provide a structured reporting line for internal audit and ensure the objectivity of internal audit
- e) Act as a formal forum for free and open communication between the Board, internal audit and external auditors and management

**Committee Composition** Only Independent Directors can be members of the Committee.

The Committee will be appointed by the Board and will comprise at least three Directors.

At least one member of the Committee must have an accounting or financial background as required by and as defined in the NZX Listing Rules.

The Board shall appoint the Chair of the Committee who shall not be the Chair of the Board. The appointment and removal of Committee members is the responsibility of the Board.

Independence of Directors is as defined in the NZX Listing Rules.

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| <b>Role of the Chair</b>                 | <p>The Chair carries out a leadership role in the conduct of the Committee.</p> <p>The Chair must ensure that all members of the Committee are encouraged to participate in the affairs of the Committee and have an adequate opportunity to express their views.</p>   |
| <b>Committee Authority</b>               | <p>The Committee is authorised to investigate any activity covered by its areas of responsibility under the Charter.</p> <p>The Board has authorised the Committee to have the authority to:</p> <ul style="list-style-type: none"> <li>• Engage, retain, terminate and consult with independent external advisors as required at the Company's expense</li> <li>• Request the attendance at meetings of external advisors with relevant experience</li> <li>• Have unrestricted access to and direct communication with executive management, all employees, external and internal auditors, any other advisors used and all company records</li> </ul> <p>The Committee has the powers to delegate to the Chair to act in the capacity as the Committee where deemed appropriate.</p> <p>The Committee is able to rely on Steel &amp; Tube executives for matters within their responsibility and external advisors on matters for which they have deemed expertise after reasonable due diligence and review.</p> <p>The Committee shall make recommendations to the Board as it does not have the authority to make decisions on behalf of the Board except as specifically noted in the Charter.</p> |
| <b>Access to auditors and executive</b>  | <p>The Committee may communicate directly with, and is to have unrestricted access to the external and internal auditors and to executive management of the Company.</p> <p>The external and internal auditors, Chief Executive Officer and Chief Financial Officer will report directly to the Committee any matter relevant to the Committee's responsibilities under the Charter.</p>  |
| <b>Frequency and duration of meeting</b> | <p>The Committee shall meet at least four times each financial year plus additional meetings as the Committee shall decide, to meet its responsibilities.</p> <p>The Chair will call a meeting of the Committee if requested to do so by any Committee member, by the Board Chair, Chief Executive</p>  |

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Officer, Chief Financial Officer, the Company's external auditors or the Company's outsourced internal auditors.

A quorum shall be formed when the Chair and one member of the Committee is in attendance, with one of these to have a financial background.

All Directors have a standing invitation to attend any meetings of the Committee, will be notified of all meetings and will receive the papers for each Committee meeting.

The Chief Executive Officer and the Chief Financial Officer should attend each meeting.

The Committee may invite other senior managers, the external auditors and internal auditors to attend the Committee meetings.

The Chief Financial Officer as Company Secretary is responsible in conjunction with the Chair to set the agenda of the meeting and to circulate appropriate papers to all Committee members and other Directors prior to each meeting.

The Chief Financial Officer as Company Secretary is responsible for recording the minutes of the meeting and after confirmation by the Committee present to the Board in the next circulation of Board papers.

The Committee shall meet with the external auditors and the internal auditors at least once each financial year without executives in attendance, and at other meetings if requested by either party.

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**Agenda**

The agenda is determined by the Chair.

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**Duties and responsibilities**

The duties and responsibilities of the Committee include but are not limited to the matters outlined below:

**External Audit:**

- Recommend to the Board the appointment or termination of the external auditor (subject to shareholder approval), including the rotation of the lead audit partner every five years
- Review and approve the terms of engagement and audit plans of the external auditor
- Review and approve the fees for the external audit
- Review audit coverage for all major financial risks of the business and report to the Board on any issues arising from this coverage
- Review the external auditor's annual independence statement, including the statement of non-audit fees and assess and confirm to the Board the independence of the external auditor
- Monitor the working relationship between, and the effectiveness and independence of, the external and internal audit functions

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- Pre-approve any non-audit or non-assurance services provided by the external auditor

#### **Financial Statements and Accounting Policies:**

- Review all significant accounting policy changes and where appropriate recommend them to the Board
- Review with the external auditor the half-yearly and annual financial statements prior to their external release and recommend the financial statements to the Board, including whether the financial statements comply with applicable laws and regulations

When reviewing the financial statements, the Committee considers the following matters:

- The underlying quality of the proposed financial reporting as shown in the financial statements and notes
- Changes in accounting policies and practice
- Significant accounting estimates and judgements made
- Management practices and major disputes between the external auditors and management
- The accounting implications of any significant transactions
- Compliance with applicable New Zealand and International Reporting Standards , New Zealand Stock Exchange requirements and legislative requirements including the Companies Act 1993, Financial Markets Conduct Act 2013 and any other relevant reporting requirements
- Managements written representations to the Board and the external auditor , particularly around whether the financial reports represent a true and fair view in all material respects of the Company's financial position and operational results

#### **Internal Controls and Internal Audit:**

- Recommend to the Board the appointment or termination of any outsourced internal auditor firm
- Review and approve the internal audit firm terms of engagement, fees and annual internal audit work plan
- Monitor and review the framework, adequacy and security of internal control procedures, accounting and management information systems and corporate financial matters generally
- Review reports from the internal audit firm on internal audit review findings and management responses, and monitor the implementation of recommendations arising from internal audit findings
- Oversee the independence and objectivity of the internal audit function, and review the performance of internal audit firm
- Evaluate the Company's potential exposure to fraud and review fraud risk monitoring reports

#### **Risk Management and Insurance:**

- Review significant business risks and oversee management's processes to mitigate the identified risks

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- Ensure management has established a risk management framework which is in line with the Board's risk tolerance and which includes policies and procedures to effectively identify, deal with and monitor principal business risks with regular reporting to the Board
  - Review the Company's insurance coverage and recommend to the Board the renewal of policies
  - Review major non-financial regulatory matters through the use of a compliance monitoring reporting regime covering the Company's statutory legal compliance requirement

**Role of the Quality Health Safety and Environment Committee**

The Board and the Committee are assisted by the Quality Health Safety and Environment Committee in reviewing significant business risks in the area of quality, health and safety and the environment and in overseeing management's processes for mitigating identified risks in these areas.

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**Ownership & review**

Approver: Steel & Tube Board  
Reviewer: Audit & Risk Committee Chair  
Owner: Company Secretary  
Review: Two Yearly or as required  
Date: 15 November 2019

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