

STEEL & TUBE HOLDINGS LIMITED

BOARD CHARTER

Effective corporate governance encourages the use of Board expertise and judgment in ways that maximise each director's contribution. An environment in which both Board and management set the strategic direction, and that allows the Board to monitor performance constructively without impeding day to day management of operations, will aid performance, limit the possibility of failure and satisfy stakeholders.

This charter is designed to provide directors and officers with greater clarity regarding the role of the Board, the requirements of directors in carrying out their role and discharging their duties to the Company, and the Board's operating practices.

1 Company Statement of Purpose

The purpose of the Company is to obtain superior returns for stakeholders within core business activities over an economic cycle.

2 Standards of Business Conduct

It is the policy of Steel & Tube Holdings Limited ("*Company*") that its affairs and all its subsidiaries shall be conducted on every occasion in accordance with the law and to high ethical standards. It is the responsibility of all directors and employees to ensure that, for their part, this policy is achieved.

3 Role of Board

The Board is responsible for the overall direction of the Company's business and affairs on behalf of shareholders. The Board delegates authority for the actual conduct of the business to the chief executive officer/managing director who, with the management team, is accountable to the Board.

The Board sees its role in terms of keeping the Company on the right path and moving it forward. It contributes to strategy, reviews performance, encourages and supports management, plans for CEO succession and oversees general executive development. It seeks to assure itself, and shareholders, about the continuing health of the Company, its management and operations.

The Board's role can be seen in terms of:

- selecting the Chief Executive Officer, reviewing the Chief Executive Officer performance against agreed performance criteria and individual targets.
- reviewing and adopting strategic directions and business plans proposed by management
- approving specific financial and non-financial objectives and policies proposed by management
- assuring itself of the effectiveness of arrangements for the governance of the Company including:

- the quality of the executive team
- the appropriateness of organisational arrangements and structure
- the adequacy of internal controls and processes
- oversight of performance against targets and objectives
- oversight of reporting to shareholders on the direction, governance and performance of the Company
- oversight of compliance by the Company with applicable laws, regulations and rules.

While recognising the difference between its role and that of management, the Board concerns itself with key elements of the governance processes underpinning the operation of the Company. Areas to which the Board gives particular attention include:

- processes for the identification and management of business risk
- delegation of authority for capital expenditure, and the review of investment, capital and funding proposals that require Board approval
- processes for compliance in HS&E and other key regulatory and legal areas
- endorsement of senior executive appointments, organisational changes and remuneration issues
- succession planning processes for the management team (direct reports of Chief Executive Officer)
- processes for meeting reporting and other disclosure requirements
- processes for the review of the above and other areas on a regular basis.

4 Board performance

The Board keeps its own performance under review. This includes a formal review step - such as a focussed discussion at least annually - as well as comprehensive reviews from time to time.

External reviews have been commissioned to assist in reviewing the performance of individual directors and the Board's own effectiveness. Reviews were conducted with the assistance of external consultants in March/April 2003 and will be conducted from time to time in the future.

It is expected that these reviews will assess overall Board effectiveness with particular emphasis on:

- individual performance of directors
- the Board's own role
- the effectiveness of processes to support that role, and

- the capabilities desirable to carry out that role.

Directors should act honestly and in the best interests of the Company when performing their duties as directors.

5 Board composition/directors

5.1 Composition of Board

The Board fosters independence of view and its composition should reflect the nature of the Company's business with a balance of cultural fit, business and international experience and diverse perspectives.

The Company's constitution allows for a minimum of 3 and a maximum of 10 directors. The minimum number of independent directors on the Board will be two (or, if the size of the Board is increased to eight or more directors, the minimum number of independent directors will be the greater of three or one-third of the total number of directors).

The independence of directors is to be assessed by the Board in accordance with the requirements of the NZX Listing Rules.

There are currently 6 directors, including 1 executive director.

The roles of the non-executive chairman and the chief executive officer have been kept separate.

5.2 Chairman's role

The Chairman carries out a leadership role in the conduct of the Board and its relations with shareholders and other stakeholders. He maintains a close professional relationship with the CEO and his management team and acts as mentor as required. He chairs Board meetings, as well as general meetings of shareholders, and concerns himself with the good order and effectiveness of the Board and its processes. The Chairman must ensure that all directors are encouraged to participate in the affairs of the Board and have an adequate opportunity to express their views.

5.3 Directors' shareholdings

Each director is expected to hold at least 1000 shares.

Directors' shareholdings are disclosed in the annual report. Any STH director who acquires or disposes of a relevant interest in STH shares must notify the Board and the NZX within five business days of the acquisition or disposal. This requirement applies to directors for the six-month period after they cease to be a director of STH.

Directors are limited in their ability to deal in the Company's shares by reason of their position as insiders. Directors may only deal in shares in the Company after having obtained all required approvals from the Board. Directors who possess inside information relating to the Company may not deal in the Company's shares.

5.4 Directors' remuneration

Non-executive directors are paid fees as agreed with the Governance and Remuneration Committee. This amount will be determined by the number of directors at any one time and the aggregate dollar amount approved by shareholders at the annual meeting.

They are not entitled to incentive rewards, and do not receive additional remuneration for committee or other commitments. Directors do not participate in share programs for employees of the Company.

5.5 Directors' outside commitments

Non-executive directors agree to consult the Chairman in regard to additional external appointments.

Executive directors require Board approval to take on external appointments.

5.6 Provision of Business or Professional Services by Directors

Because a conflict of interest (actual or perceived) may be created, directors should not, generally, provide business or professional services of an ongoing nature to the Company.

Notwithstanding the general rule, the Company is at liberty to:

- for the purpose of a special assignment, engage the services of any director having special expertise in the particular field; or
- engage the services of another member of a director's organisation, so long as the terms of engagement are competitive, are clearly recorded and all legal requirements for disclosure of the engagement are properly observed.

5.7 Tenure of directors

There is no retirement age under the STH Constitution.

Directors (other than the chief executive officer) require re-election approximately every 3 years.

The tenure of executive directors is tied to their executive office.

Non-executive directors have been appointed on the basis that they will not seek to serve for more than 15 years.

5.8 Succession

The Board addresses issues of succession for the chairman and other members. It identifies suitable candidates and initiates the appointment of new members as opportunity or need arises.

6 Company Secretary

The appointment of the company secretary is agreed by the Board. The secretary supports the Board in carrying out its role, including assistance in communications between Board and management and attending meetings and recording minutes of the proceedings, as well as undertaking compliance and administrative functions in the governance of the Company.

7 Board processes

7.1 Frequency and duration of meetings

The current practice is to schedule a maximum of 9 meetings per year. The Audit Committee is scheduled to meet four times a year. Other committees of the Board meet as required. Additional formal business is dealt with as required, whether by physical or telephonic meetings or round robin resolutions.

A strategic meeting, comprising a 1 day seminar, is convened annually.

Current practice is for regular meetings to be held in Wellington, plus one per year in Auckland and Christchurch with site visits for directors organised separately as required.

7.2 Agenda

The Board's agenda is settled by the chairman in conjunction with the chief executive officer.

The agenda includes regular business and financial reports, periodical review of strategic issues and consideration of current issues and proposals put forward for approval.

Directors review the annual cycle of reports and strategic issues.

7.3 Meeting papers

Papers on agenda items are circulated to directors not less than three days in advance of meetings.

Papers are marked for the consideration of the Board by the chairman, CEO or managing director, or by the company secretary at their direction. The chief financial officer marks papers for consideration of the Audit Committee. The company secretary marks papers for consideration by the other standing committees of the Board.

Announcements by the Company as part of its continuous disclosure obligations and other pertinent information are circulated to directors for information between meetings and before publication.

7.4 Attendance at meetings by officers

Senior officers are asked to attend for particular items within their responsibility.

7.5 Committees of the Board

The Board's approach is that major policy decisions are matters for the Board as a whole.

The standing committees of the Board are the Audit Committee, the Nominations Committee, the Governance and Remuneration Committee and the Occupational Health, Safety and Environment Committee. Other committees may be convened as deemed appropriate to address matters calling for special attention or to exercise specified powers on behalf of the Board.

The Audit Committee, the Nominations Committee and the Governance and Remuneration Committee each currently consist of three non-executive directors. A majority of the members of the Audit Committee must be independent directors and one member must have an accounting or financial background. The Occupational Health, Safety and Environment Committee currently consists of two non-executive directors.

Each standing committee has a written charter outlining its authority, duties, responsibilities and relationship with the Board. The performance of each committee is regularly reviewed by the Board.

The minutes of each committee of the Board are circulated to all directors and the chairman of each standing committee reports to the Board on meetings of each committee that have occurred since the last meeting of the Board.

7.6 Management of conflicts of interest and use of corporate information

Directors are required to inform the Board of conflicts or potential conflicts of interest they may have in relation to particular items of business. Directors absent themselves from discussion or decisions on those matters unless resolved otherwise by the remaining members of the Board.

Directors may only use or disclose information relating to the Company to the extent such use or disclosure is consistent with their duties as directors.

7.7 Minutes

Minutes are prepared in the week following Board and Board committee meetings and are circulated in draft form; they are re-circulated with the Board papers in readiness for signing at the following meeting. The practice is for minutes to record processes and outcomes rather than the course of discussion.

7.8 Retention of Board papers

A record of Board submissions and papers, and of material presented to the Board, is maintained and held by the secretary together with minutes of meetings, and is accessible to directors.

7.9 Familiarisation with business and on-going training

New members of the Board are provided with background material and are offered management briefings on strategic and other issues. Directors are expected to acquire and maintain a sufficiently detailed knowledge of the Company's business and on-going performance to enable them to make informed decisions on the issues before the Board.

Site visits by directors to assist in understanding of the business are co-ordinated by management. Directors with an interest in visiting particular facilities should make prior arrangements with the chief executive officer.

In consultation with the chief executive officer, directors are able to access information direct from management.

Directors are encouraged to undertake on-going training as appropriate regarding the performance of their duties so as to ensure that they are able to perform their duties as directors of the Company to the best possible standards.

7.10 Access to professional advice

The Board may have access to independent advisers where it sees a need. If it became appropriate for a Director to obtain external professional advice, separate from advice obtained on behalf of the Company, this would be arranged in consultation with the chairman and the advice so obtained would ordinarily be provided to all directors.

7.11 Deeds of indemnity, insurance and access

Deeds confirming arrangements on indemnification and insurance and for access to papers are executed by directors pursuant to the company constitution.

8 Representation of the Company

The Board looks to management to speak for the Company and to manage the communication of information to investors, other stakeholders and the public in an orderly and effective way while meeting all mandatory disclosure requirements

Non-executive directors other than the chairman avoid commenting on the Company to external audiences and the chairman keeps in touch with the chief executive officer on the need or opportunity for comment on his own part

Non-executive directors may, from time to time, undertake investor relations or other representational activities

Non-executive directors are expected to keep management informed of relevant contacts they may have from time to time, in their individual capacities, with stakeholders of the Company.

9 The Company's constitution

The Board operates pursuant to powers and subject to rules in the STH Constitution as adopted by shareholders (last revised in 2000)

Management reports to the Board each year, in the lead up to the annual meeting, on the need for any changes to the constitution to be proposed to shareholders.

10 Communication with shareholders

The Board seeks to ensure that shareholders are informed of all major developments and transactions affecting STH. Information is provided to shareholders by way of disclosures to the NZX and press releases, and through STH's website and annual report.