



**ANNUAL
INFORMATION
FORM**

FEBRUARY 18, 2015

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RUSSEL METALS INC.

Russel Metals Inc. ("Russel Metals" or "the Company") is one of the largest metals distribution and processing companies in North America. The Company primarily distributes steel products and conducts its distribution business in three principal business segments: metals service centers; energy products and steel distributors. For the year ended December 31, 2014, Russel Metals had consolidated revenues of approximately \$3.9 billion. Our business includes operations in both Canada and the U.S. with approximately 70% of our consolidated revenue generated by our Canadian operations.

The address of Russel Metals' head and registered office is 6600 Financial Drive, Mississauga, Ontario L5N 7J6, tel. no. (905) 819-7777, fax no. (905) 819-7409. Unless the context otherwise requires, references to "Company", "we", "us" or "our" as used herein refers to Russel Metals Inc. and its subsidiaries. All dollar references are in Canadian dollars unless otherwise stated.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Information Form ("AIF") constitute forward-looking statements or information within the meaning of applicable securities laws, including statements as to our future capital expenditures, the availability of future financing, our ability to pay dividends and the assessment of specific risk areas. Forward-looking statements relate to future events or our future performance. All statements, other than statements of historical fact, are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Forward-looking statements are necessarily based on estimates and assumptions that, while considered reasonable by us, inherently involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements, including the factors described below.

We are subject to a number of risks and uncertainties which could have a material adverse effect on our future profitability and financial position, including the risks and uncertainties included under the Risk section of this AIF, which are important factors in our business and the metals distribution industry.

While we believe that the expectations reflected in our forward-looking statements are reasonable, no assurance can be given that these expectations will prove to be correct, and our forward-looking statements included in this AIF should not be unduly relied upon. These statements speak only as of the date of this AIF and, except as required by law, we do not assume any obligation to update our forward-looking statements. Our actual results could differ materially from those anticipated in our forward-looking statements including as a result of the risk factors described above and under the heading "Risk" in our MD&A, and in our filings with securities regulatory authorities which are available on SEDAR at www.sedar.com.

HISTORY OF THE COMPANY

Russel Metals Inc. is the successor corporation to Federal Grain Limited, which was incorporated under the laws of Canada in 1929 and subsequently amalgamated with Searle Grain Company Limited on August 1, 1967 to continue under the name Federal Grain Limited. The name was changed to Federal Industries Ltd. on April 16, 1973 and the Company was continued under the *Canada Business Corporations Act* on May 5, 1980. On June 1, 1995, the name was changed to Russel Metals Inc. On January 1, 2002, Russel Metals Inc. was formed upon the amalgamation of its predecessor of the same name with A. J. Forsyth and Company Limited, a subsidiary with Canadian service center operations, and three non-operating subsidiaries.

BUSINESS

OVERVIEW

We believe we are one of the two largest metals service centers operating in Canada. During 2014, we processed and distributed products to a broad base of approximately 38,000 customers through a network of 52 locations across Canada and 13 U.S. locations. Our network of metals service centers carries a broad line of metal products in a wide range of sizes, shapes and specifications, including carbon hot rolled and cold finished steel, pipe and tubular products, stainless steel, aluminum and other non-ferrous specialty metals. We purchase these products primarily from North American steel producers, and package and sell them to end users in accordance with their specific needs. Our metals service centers operations accounted for \$1.6 billion, or 42%, of our total revenues in 2014.

Our energy products operations carry a specialized product line focused on the needs of energy industry customers. These operations distribute oil country tubular goods ("OCTG"), line pipe, tubes, flanges, valves and fittings from 55 Canadian and 22 U.S. locations. We purchase these products either from the pipe processing divisions of North American steel mills, independent manufacturers of pipe and pipe accessories, manufacturers of flanges and fittings, international steel mills or other distributors. Our energy products operations accounted for \$1.8 billion, or 47%, of our total revenues in 2014.

Our steel distributors operations act as master distributors selling steel in large volumes to other steel service centers and large equipment manufacturers mainly on an "as is" basis. The main steel products sourced by this segment are carbon steel plate, beams, channel, flat rolled products, rails and pipe products. Our steel distributors operations accounted for \$0.4 billion, or 11%, of our total revenues in 2014.

DESCRIPTION OF THE BUSINESS

INDUSTRY OVERVIEW

Metals service centers and distributors bridge the gap between the capabilities of large metal producers and end users. Metals producers manufacture large volumes of steel, aluminum and specialty metals in standard sizes and configurations and require long lead times. Metals service centers and distributors meet the specific needs of end users by acquiring large volumes of metal from producers and package and process the metal in accordance with end user specifications. Many end users purchase metal products from service centers or distributors because their requirements are smaller than the minimum order quantities required by producers, or because such end users require specialized metal processing services, a commitment to reliable just-in-time delivery and flexibility to meet their changing product and manufacturing requirements that large producers are either unwilling or unable to provide. Service centers also allow end users to reduce their total production cost by shifting the responsibility for pre-production processing to service centers, which through economies of scale, can achieve greater operational efficiency from the processing equipment. Energy products distributors allow oil and gas producers to ensure product is where they need it when they need it. Distributors of energy products play a significant role in the efficient logistics of oil and gas production.

We estimate that in 2014, the service center industry in Canada had total sales of approximately \$9 billion. According to industry sources, comparable statistics for the U.S. industry for 2014 indicate sales in excess of US\$65 billion.

The metals distribution industry is intensely competitive. Generally, the metals distribution industry competes on price and the ability to provide customers with value-added services such as product selection, timely delivery, reliability, quality and processing capability. There has been significant consolidation in the industry in both the United States and Canada over the past two decades; however, the industry remains highly fragmented. Many of our competitors are small companies, often owner-operated, with limited product lines, inventory and geographic customer bases.

COMPETITIVE STRENGTHS

We believe that the following strengths give us a competitive advantage in the metals distribution industry:

Leading Market Position - We are one of the two largest service center operators in Canada based on revenues. Our 52 Canadian service centers serve a broad base of approximately 19,000 customers across all regions of Canada. Our geographic presence, large volume and leading market position enable us to successfully source steel at competitive prices. Our oilfield stores in Canada are strategically located geographically close to the customers that they serve. Their network allows them to source most materials within 24 hours if required.

Strong Supplier Relationships and Unique Market Insight - We are one of the largest purchasers of steel in North America and have well-established relationships with North America's steel producers, which enable us to ensure multiple sources for steel products and services. We believe that our steel distributors operation is one of the largest independent steel importers in North America. Our steel distributors purchase steel from international sources when a particular product is in short supply domestically or when North American mills do not produce the particular product allowing us to augment our product lines at our metals service centers when product is not available. We purchase steel from multiple suppliers around the world. This enables us to monitor global steel supply and assess its impact on North American steel demand and pricing trends. This timely access to market information and global outlook allows us to proactively manage inventory levels and prices in our metals service center operations.

Successful Acquisition Strategy - We have successfully integrated a number of acquisitions. In 2012, we acquired the operations of Siemens Laserworks and Alberta Industrial Metals to strengthen our Canadian service center operations in Western Canada and in 2014 we acquired B.R. Chisholm to augment our chain division in Ontario. Also in 2012, we acquired Apex Distribution Inc. and related companies to provide an additional channel of distribution to complement our existing energy products segment. In 2013 and 2014, we increased our presence in oilfield stores by acquiring the operating assets of Keystone Oilfield, Northern Valve Services, Monarch Supply and Big West Valve which are all included in our energy products segment.

Multiple Business Segments and Diversified Service Center Customer Base - We operate in three segments of the metals distribution business, each with a distinct customer base and business cycle: metals service centers; energy products; and steel distributors. Our metals service centers segment, has a diversified customer base across a wide variety of industries, including machinery and equipment manufacturing, construction, shipbuilding and natural resources, such as mining and petroleum. None of our segments are significantly dependent on a single customer. In 2014, no metals service center customer accounted for more than 1% of our total revenues.

Superior Service and Product Selection - We believe that we have a reputation for superior and timely service, and diverse product selection. Each of our metals service centers and oilfield stores has the ability to offer one stop shopping to our customers. We also provide customized processing services and offer just-in-time delivery to quickly satisfy end user specifications. We have developed strong relationships with our customers and are able to anticipate their needs so we can respond to short lead times or just-in-time delivery requirements which are common in the industry. Because local managers have significant operational autonomy, our operations can react quickly to changes in local markets and customer demands.

Prudent Inventory Management - We manage our inventory to avoid unnecessary commitments of working capital while maintaining sufficient supply to respond quickly to customer orders. We tailor our inventory and services at each location to the needs of that particular market. The negotiation of supplier purchase agreements for metals service centers is centralized to leverage our buying power and global market insights; however, the branch management team determines actual supply of inventory at each of our locations. Local monitoring allows us to more accurately assess inventory requirements at each metals service center. We believe our decentralized inventory management, combined with our global market insights have allowed us to react more quickly than many of our competitors to changing metals prices and customer needs, and to optimize our use of working capital.

As a result of our prudent inventory management, our metals service centers have consistently turned their inventory at higher rates than the industry average. Our energy products segment has reacted to changes relating to the move from conventional vertical drilling activity to horizontal drilling and developments in fracking. We monitor our inventory aging to ensure we are stocking the products our customers need and make the appropriate adjustments when product is slow moving.

Experienced Management Team - Our senior executives and other key members of our management team have an average of 30 years of experience in the metals distribution business. To facilitate an entrepreneurial culture, our compensation policies, at both senior and local management levels, are based on the profitability and asset utilization of our business units.

BUSINESS STRATEGY

Our primary goals are to continue to be a leading metals distribution company, increase our market share, expand services to customers and improve operating profits and cash flows. Our business strategies, aimed at achieving our goals, consist of the following:

Managing Capital Utilization - We aggressively manage our balance sheet to enable us to fund acquisitions, capital expenditures, trade letters of credit and working capital requirements. We continue to manage inventory based on our expected customer demands rather than speculate on market pricing, which enables us to maximize our inventory turns. Our expenditures for new equipment and facilities, along with capital expenditures for maintenance are expected to exceed depreciation in the short-term due to the purchase of additional processing equipment, the relocation and expansion of a service center location and an upgrade of our computer system.

Expansion through Select Acquisitions - Over the past decade, we have strengthened our Canadian franchise through acquisitions. In 2012 we completed two service center acquisitions in Western Canada: Siemens Laserworks and Alberta Industrial Metals and in 2014 we acquired B.R. Chisholm to strengthen our chain division in Ontario. We have a major presence in all of the Canadian regions. Maintaining and growing that strong position is one of the primary goals of our acquisition strategy.

In 2012 we expanded our energy products segment with the acquisition of Apex Distribution and its related companies. Apex Distribution provides us with a new channel of distribution and product lines into the Western Canadian oil and gas industry and the Saskatchewan potash industry, along with immediate growth opportunities in the U.S. market through its subsidiary, Apex Remington. In 2013 we added to our Apex Distribution operations with the acquisitions of Keystone Oilfield, Northern Valve Services and Monarch Supply. In 2014 we added Big West Valve to our Apex Distribution operation. In our energy products segment, we will continue to look for additions to the Apex Distribution store network, strong product niche players or strong regional operations.

Decentralizing Operating Management Combined with Economies of Scale - We manage our businesses on a decentralized basis, with local management accountable for day-to-day operations, profitability and growth of the business, which we believe fosters an entrepreneurial culture across our operations. Our localized operating management allows us to capitalize on end user relationships of our businesses and the local and regional market knowledge of the operations' staff. In addition, management oversight through centralized purchasing, management information systems and cash management enables us to benefit from economies of scale and lower purchasing costs.

PRODUCTS, SERVICES AND CUSTOMERS

Metals Service Centers

Our metals service centers sell plate, flat rolled carbon and other general line carbon steel products, as well as stainless steel, aluminum and other non-ferrous specialty metal products in a wide range of sizes, shapes and specifications. General line steel products consisting of plate, structurals, bars, sheet, pipe, tubing and hollow structural steel tubing, are used by end users in a wide variety of industries. Within Canada, our metals service centers operate from coast to coast under the names Russel Metals, Métaux Russel, A. J. Forsyth, Acier Leroux, Acier Loubier, Alberta Industrial Metals, B&T Steel, Leroux Steel, Mégantic Métal, Métaux Russel Produits Spécialisés, Russel Metals Specialty Products, McCabe Steel, Siemens Laserworks and York-Ennis. Our U.S. service center operations are conducted under the names Russel Metals Williams Bahcall, JMS Russel Metals, Norton Metals and Baldwin International. The Russel Metals Williams Bahcall operation focuses primarily on the distribution of general line carbon products through three facilities in Wisconsin. The JMS Russel Metals operations distribute full-line carbon steel and non-ferrous products from its facilities located in Alabama, Arkansas, Georgia, Kentucky

and Tennessee. Norton Metals, a division of JMS Russel Metals, focuses primarily on general line steel products in Texas. Baldwin International distributes specialty alloy products throughout the U.S. from its facility in Ohio.

Our metals service centers also provide customized processing services to satisfy specifications established by end users. By providing these services, as well as by offering inventory management and just-in-time delivery, we enable end users to reduce their overall production costs and decrease capital required for raw materials and metals processing equipment. Our value-added processes include but are not limited to:

- ◆ shearing, slitting and cutting to length: the cutting of metal into smaller pieces or into narrower coils;
- ◆ laser, oxy-fuel, and plasma cutting: the cutting of metal to produce various shapes, holes, beveling or parts according to end user supplied drawings;
- ◆ stretcher leveling and traditional leveling: the flattening of metal to uniform tolerances for proper machining;
- ◆ tee-splitting: the splitting of metal beams;
- ◆ saw cutting: the cutting of long products to precise lengths both square cut and mitre;
- ◆ edge trimming: removing a portion of the edges of coiled metal to produce uniform width and round or smooth edges; and
- ◆ cambering: the bending of structural steel to improve load-bearing capabilities.

In 2014, our metals service centers segment handled an average of approximately 3,648 (2013: 3,562) transactions per day with an average revenue of approximately \$1,788 (2013: \$1,635) per transaction. Our metals service centers sales are predominantly transactional in nature and primarily made on an individual purchase order basis.

Our metals service centers operations provide products and services to end users in a wide variety of industries, including machinery and equipment manufacturing, construction, shipbuilding and natural resources, such as mining and petroleum. During 2014, no individual service center customer accounted for more than 1% of our total revenue.

Energy Products

Our energy products operations distribute oil country tubular goods, line pipe, tubes, flanges, valves and fittings primarily to the energy industry. This segment consists of six businesses, each of which sells a distinct line of products. These businesses are:

Apex Distribution, Apex Remington and Apex Monarch - distributors of valves, fittings, flanges, pipe and related products for use in the oil and gas, industrial and resource markets. These products are distributed through 48 locations in Manitoba, Saskatchewan, Alberta and British Columbia in Canada and through 12 locations in Arkansas, Oklahoma and Texas in the United States.

Comco Pipe and Supply Company - a distributor of pipe, flanges, fittings, and valves. Comco Pipe and Supply specializes in the supply and distribution of pipe and fluid handling products to the energy, construction, manufacturing, pulp and paper and mining industries. Comco Pipe and Supply is heavily involved in the distribution of pipe products for the oil sands of Northern Alberta. These products are distributed through facilities in Calgary and Edmonton, Alberta; Stonewall, Manitoba; and Guelph and Sarnia, Ontario.

Fedmet Tubulars - a distributor of oil country tubular goods (which includes casing and tubing), line pipe and related products for use in oil and gas production and distribution. Fedmet Tubulars' sales office is located in Calgary, Alberta. Inventory is stocked in third party yards in Alberta, Saskatchewan, Manitoba and British Columbia in Canada.

Triumph Tubular & Supply - a distributor of oil country tubular goods and line pipe for use in oil and gas production and distribution. Triumph's sales office is located in Calgary, Alberta. Inventory is stocked in third party yards in Alberta, Saskatchewan and British Columbia.

Pioneer Pipe - a distributor and processor of steel pipe products for use in the construction, oil and gas and ski industries in the United States. Pioneer Pipe has facilities in Colorado, California, Texas and Utah, and utilizes multiple third party yards in the United States.

Spartan Energy Tubulars - a distributor of domestic and imported oil country tubular goods and pipe piling products. Spartan maintains stock in third party yards in Texas, Oklahoma and Colorado.

The energy products businesses sell a range of products to end users located primarily in Western Canada and the United States. Comco Pipe and Supply Company and Apex Distribution maintain their own facilities and the other operations in this segment mainly locate their inventory in third party yards. During 2014, no individual energy sector customer accounted for more than 3% of our total revenue.

Steel Distributors

Our steel distributors act as master distributors selling steel in large volumes to other steel service centers and large equipment manufacturers mainly on an "as is" basis. Our steel distributors source their steel domestically and off shore.

We source carbon steel, plate, beams, channel, flat rolled products, rail and pipe products. Sales commitments for a significant portion of these products are obtained prior to their purchase or while the product is in production and transit. Products for which sales commitments have not been obtained are held in public warehouses for resale to North American service centers and other customers.

Our steel distributors operations are conducted through Wirth Steel located in Canada and the Sunbelt Group located in the United States. Arrow Steel, a division of the Sunbelt Group, has two cut-to-length lines that process coil.

In 2014, no individual customer of the steel distributors operations accounted for more than 2% of our total revenue.

Revenue by Product

The following table sets out our revenues by product based on dollar revenues for the fiscal years ended December 31, 2014, and 2013.

<i>Years Ended December 31</i> <i>(in millions, except percentages)</i>	2014	% of Total	2013	% of Total
Carbon:				
Tubing/Pipe (Standard, Oil Country Tubular Goods)	\$ 1,257.2	32.5%	\$ 1,038.8	32.6%
Plate (Discrete & Plate in Coil)	759.5	19.6%	587.9	18.5%
Flanges, Valves, Fittings and other Energy Products	654.0	16.9%	514.2	16.1%
Structurals (WF & I Beam, Angles, Channels, Hollow Tubes)	629.9	16.3%	524.4	16.5%
Bars (Hot Rolled and Cold Finished)	181.2	4.7%	171.0	5.4%
Flat Rolled Sheet, Strip & Coil	152.5	3.9%	131.8	4.1%
Grating/Expanded/Rails	39.8	1.0%	33.8	1.0%
Total Carbon	3,674.1	94.9%	3,001.9	94.2%
Total Non-Ferrous (Sheet, Extrusion, Tubes, etc.)	83.5	2.2%	76.5	2.4%
Other	111.7	2.9%	109.4	3.4%
Total	\$ 3,869.3	100.0%	\$ 3,187.8	100.0%

Metal Suppliers

There has been considerable consolidation among steel mills during the past decade. Our largest supplier represents approximately 7% of our metal purchases. We purchase approximately 19% of our metal from our four largest suppliers.

North American steel mills are the primary source of supply for our metals service centers. Many North American steel mills are foreign-owned due to previous consolidation. In addition, we purchase steel from international sources when a particular product is in short supply domestically or when North American mills do not produce the particular product. We have developed an effective coordinated purchasing program that allows us to derive economies of scale through volume purchases, and also allows us to access metal supplies globally. We have no material long-term fixed price metal supply contracts. We believe that alternate suppliers are available with respect to all of our product lines and our metals service centers operations generally maintain multiple suppliers for all product lines. Our metals service centers operations have over 275 suppliers.

The primary sources of supply for the energy products sector are the pipe divisions of North American steel mills, independent manufacturers of pipe and accessories, manufacturers of flanges and fittings, international steel mills and other distributors. The steel distributors sector deals on a regular basis with multiple suppliers in 27 countries around the world.

Competition

Our Canadian and U.S. service centers compete with other service centers that are national, regional and local in their respective countries. The service center industry is highly competitive with competition focused on price, product availability and quality, processing capability and on-time delivery.

We believe that our service center operations are favourably positioned with respect to our competitors. The geographic scope and diversity of our Canadian operations and the breadth of our product line allow us to service national and regional end users throughout Canada. We believe that we provide our Canadian end users with a wider range of products and more value-added services than many of our regional or local competitors.

The energy products distribution industry has undergone consolidation, resulting in several large distributors both privately and publicly held. There remain many small private companies each having a unique product offering. These companies typically carry a broad product line and competition is focused on price, product availability, quality and on-time delivery. Our oilfield service stores are strategically located to service the needs of their customers. We compete against other large public companies and small private owners. Our store network allows us to service most customer needs within 24 hours.

Our steel distributors compete with other steel importers, as well as steel producers in North America. Competition focuses on price, product quality and availability. The business is highly dependent on global economic conditions and on the relationships we have with our international network of suppliers.

PROPERTIES

We have 65 warehouse facilities, 52 in Canada and 13 in the United States for our metals service centers operations. Set forth below is certain information, as of December 31, 2014, with respect to these facilities.

	Number of Facilities		Approximate Square Feet		
	Owned	Leased	Owned	Leased	Total
Metals Service Centers					
Canada					
British Columbia	9	1	306,210	22,974	329,184
Alberta	5	3	183,932	72,218	256,150
Saskatchewan	4	1	145,935	14,893	160,828
Manitoba	2	1	214,896	29,579	244,475
Ontario	5	4	541,415	108,917	650,332
Quebec	10	2	759,402	27,042	786,444
New Brunswick	3	-	74,200	-	74,200
Nova Scotia	1	-	59,740	-	59,740
Newfoundland	1	-	22,640	-	22,640
Total	40	12	2,308,370	275,623	2,583,993
United States					
Wisconsin	1	2	30,016	183,977	213,993
Ohio	1	-	41,040	-	41,040
Kentucky	1	-	78,900	-	78,900
Arkansas	3	-	755,000	-	755,000
Tennessee	2	-	97,100	-	97,100
Texas	1	-	140,890	-	140,890
Alabama	1	-	76,000	-	76,000
Georgia	1	-	55,000	-	55,000
Total	11	2	1,273,946	183,977	1,457,923

Energy Products

Our energy products operations utilize a combination of third party yards and their own facilities. Fedmet Tubulars and Triumph Tubulars operate from offices in Alberta and utilize third party yards. Spartan Energy Tubulars operates from offices in Colorado and Texas and utilizes third party yards. Pioneer Pipe operates from offices in Colorado and Texas, operates its own yards in California, Colorado, Texas and Utah and utilizes third party yards in other locations. Comco Pipe and Supply Company is predominately focused in Alberta and manages its own yards in Edmonton, Alberta, Stonewall, Manitoba and Guelph and Sarnia, Ontario. Apex Distribution is headquartered in Calgary, Alberta and operates from 62 distribution store locations. It has 32 locations throughout Alberta, four locations in British Columbia, two locations in Manitoba, 10 locations in Saskatchewan and 14 locations in the United States predominately in Oklahoma and Texas. The Apex Distribution locations are primarily leased in order to provide flexibility to re-locate close to active drilling areas.

Steel Distributors

The majority of the inventories at our steel distributor operations are held in public warehouses or third party yards. Wirth Steel has two sales offices in Canada located in Quebec and British Columbia. Sunbelt Group has its main sales office in Texas and a facility in the Port of Houston which has two cut-to-length lines and storage for coils.

Non-Metals Operations

Our non-metals operation, Thunder Bay Terminals, covers an area of approximately 290 acres of land at its location in Thunder Bay, Ontario. Most of the property is under long-term leases. A bulk handling system for coal and other bulk products, such as potash and grain, is located at the site and comprises a number of structures, including structures which trains enter to be unloaded, and ship docking facilities.

EMPLOYEES

As at December 31, 2014, we had approximately 3,410 full-time and full-time equivalent employees. Approximately 805 of these employees are located in the United States. We have 33 collective bargaining agreements covering approximately 875 employees at 38 of our locations. In 2015, there are six collective bargaining agreements expiring, which we intend to renegotiate prior to their expiration. As well there is one outstanding contract that expired in 2014 that is still under negotiation. We have generally maintained favourable relations with our employees. Since 2009, we have successfully renegotiated all our collective agreements and experienced one work stoppage for a period of five months that began in September 2012 and settled in February 2013 and a one-month work stoppage at one small location in July 2014.

LEGAL PROCEEDINGS

From time to time, we are involved in legal proceedings relating to claims arising out of our operations in the ordinary course of business. We do not believe that there are any material proceedings, pending or threatened against us or any of our properties. See matters discussed in this document under "Environmental Regulation – Present Actions" below.

ENVIRONMENTAL REGULATION

We are subject to a variety of federal, provincial, territorial, state and local environmental laws and regulations in Canada and the United States. Such laws and regulations relate to, among other things, the discharge of contaminants into water and air and into and onto land, the disposal of waste, the handling, storage and transportation of hazardous materials and the storage of materials in underground tanks. In particular, operations divested between 1991 and 1997 included chrome plating facilities and the transportation and storage of petroleum products. We could be responsible for cleanup of or damages from releases of hazardous materials on or emanating from the properties where these operations were conducted.

In Canada, while there are federal environmental statutes such as the *Canadian Environmental Protection Act, 1999*, the *Fisheries Act*, and the *Transportation of Dangerous Goods Act, 1992* which apply to us, each Canadian province and territory and most municipalities in which we operate also enact and enforce their own environmental laws. In the United States, the primary federal regulatory laws to which we are subject include the *Resource Conservation and Recovery Act*, the *Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA")*, the *Clean Water Act*, and the *Clean Air Act*. We are also subject to environmental regulation at the state and local levels in the United States.

Environmental Policy

We have adopted an environmental policy, applicable to all of our business segments, to ensure that our operations comply with applicable environmental laws in the jurisdictions in which they operate, and to minimize the impact of our operations on the environment. Our policy is supported by an environmental management system, which clearly defines and communicates lines of responsibility for environmental matters within our organization, provides assistance and support to our operating units in addressing their individual environmental needs, and reports the environmental performance of our operations to senior management. Standard operating procedures have been developed to encourage uniformity and consistency in the handling of environmental matters, where such matters are common to multiple operating locations. On a quarterly basis, management reports to our Board on applicable changes to the environmental laws and regulations and provides an update on our activities relating to environmental matters.

Since 2008, we have advanced our environmental reporting by participating in the Carbon Disclosure Project. As a distributor, we are not a significant generator of greenhouse gases, but we are monitoring our emissions and taking actions to ensure we reduce our emissions. Our manufacturing customer base could be impacted by environmental issues; however, the financial impact on us, if any, cannot be quantified at this time.

We believe that our current operating facilities are in material compliance with applicable environmental laws, regulations and our environmental policy.

Present Actions

The following paragraphs summarize significant environmental litigation, regulatory action and remediation in which we are presently involved. Our anticipated expenditures on these sites all relate to previously divested or discontinued operations and do not relate to our metals distribution business.

Denton, Maryland

Pursuant to a Consent Order issued by the Maryland Department of the Environment ("MDE") in 1987 and subsequently amended in April 1993, one of our non-operating subsidiaries had been treating groundwater contaminated with volatile organic compounds from a former manufacturing facility on its property in Denton, Maryland. The 1993 amendment to the Consent Order allowed our subsidiary to focus the remediation project on localized areas of contamination. To date, approximately US\$3.2 million has been expended in connection with the investigation and remediation of groundwater on this site. In 2013, the lead regulatory oversight for this matter was passed from MDE to the United States Environmental Protection Agency ("USEPA"), and in 2014, USEPA approved our proposal to terminate the ongoing groundwater treatment process and move into a groundwater monitoring and observation phase. This action reduces recurring expenditures to approximately US\$20,000 per annum. We may incur additional expenses during 2015 or beyond if USEPA officials require active remediation to recommence. We believe that this is unlikely and additional costs will therefore not be material.

Hamilton, Ontario

Contamination was discovered in 1991 by a subsidiary of ours on its property in Hamilton, Ontario, resulting from its historic, on-site chrome plating operations. The contamination, which consists primarily of chromium, was reported to the Ontario Ministry of Environment ("MOE") and the local municipality. Our subsidiary retained environmental consultants to determine the extent of contamination on the site and on neighboring properties and developed a plan to deal with the contamination, which was reviewed by the MOE and has been implemented. This plan involves the use of a groundwater extraction and treatment system, which has been installed and is presently remediating contamination on both the site and on neighboring properties. Starting in 2008, our subsidiary has upgraded and improved the remediation system, which resulted in accelerated removal of contaminants from the groundwater. Discussions continue with the MOE to ensure they remain informed and satisfied with our plan and our progress. During this 23-year period, approximately \$4.7 million was expended and we expect that the groundwater extraction and treatment will continue indefinitely at an annual cost, including operating and maintenance expenses, of approximately \$160,000. In addition, we may from time to time incur additional expenses in connection with non-recurring items of additional targeted investigation or remediation.

RISKS RELATED TO OUR BUSINESS AND THE METALS DISTRIBUTION INDUSTRY

Volatile metal prices can cause significant fluctuations in our operating results.

The price we pay for, and availability of, steel and various specialty metals (such as aluminum and stainless steel), and the prices we can charge for such products, fluctuate due to numerous factors beyond our control, including Canadian, American and international economic conditions, currency exchange rates, global demand for steel and other metal products, including demand in higher growth markets such as China and India, trade sanctions, tariffs, labor costs, competition, over capacity of steel producers, price surcharges and fluctuations in oil and gas prices. A large portion of our revenues are derived from the sale of steel and specialty metals. As a result, fluctuations in availability and cost of steel and specialty metals and the prices we can charge for our products may materially adversely affect our business, financial condition, results of operations and cash flows. We have no material long-term, fixed-price purchase contracts.

Our commitments for metal purchases are generally at prevailing market prices in effect at the time that we place our orders. During periods of rising raw material pricing, we may be unable to pass on such increases, which may include surcharges by our suppliers, to end users. To the extent we are not able to pass on to our customers any increases, our business, financial condition, results of operations and cash flows may be materially adversely affected. When metal prices decline, end user demands for lower prices and competitors' responses to those demands could result in lower sales prices and, consequently, lower margins as we sell existing inventory. In addition, we may incur write-downs of our inventories to net realizable value.

Our business may be affected by the cyclical nature of the metals industry and the industries that purchase our products. A change in the economic conditions may reduce demand for our products.

We operate businesses that are substantially affected by changes in economic cycles and whose revenues and earnings vary with the level of general economic activity in the markets they serve. Periods of economic slowdown or recession in Canada, the United States or other countries, or the expectation that one may occur, could decrease the demand for our products, affect the availability and cost of our products and adversely affect our revenues, operating profits and net earnings. The recent reduction in the price of oil has caused our energy product customers to reduce their capital projects which will adversely affect demand for our products.

Some of our customers operate in industries that experience significant fluctuations in demand based on economic conditions, oil and gas prices and other factors, including exchange rate fluctuations that are beyond our control. Many of our customers generate a significant portion of their revenues through exporting goods to the United States. Thus, a strengthening in the Canadian dollar relative to the U.S. dollar can adversely affect the competitiveness of these customers. The Canadian dollar appreciated relative to the U.S. dollar by approximately 2% in 2012, depreciated by approximately 6% in 2013 and depreciated by approximately 8% in 2014. If the ability of our customers to export their products to the United States is reduced, the demand for our products could decline, which could have a material adverse effect on our business, financial conditions, results of operations and cash flows.

Global financial and banking restrictions may cause a lack of credit availability which may limit the ability of our customers to obtain credit or expand their businesses.

In times of global financial and banking restrictions, the ability of our customers to maintain credit availability becomes more challenging. In particular, the financial stability of many of our customers may impact their ability to pay us amounts due, affecting our financial condition, results of operations and cash flows.

Significant competition could reduce our market share and harm our financial performance.

We face significant competition in our metals service centers and energy products operations. In Canada, our primary competitors are other service centers and energy products distributors, which are national, regional and local in geographic coverage. In the United States, we compete with other service centers and energy products distributors, which are national, regional and local in geographic coverage. We also compete with steel producers which are larger than we are and that typically sell to very large end users requiring regular shipments of large volumes of metals. Competition is based on price, product availability and quality, processing capability and on-time delivery. Some of our competitors may have lower steel costs and fewer environmental and government regulations, as well as lower public company regulatory compliance obligations and related costs, than we do. Increased competition could reduce our profitability by forcing us to lower our prices or to offer increased services at a cost to us.

Our steel distributors compete with other steel importers and exporters as well as North American steel producers in the destination market. Competition is principally based on price, product quality and availability, and terms of shipment (including freight costs, which vary and can be as much as 15% of the landed cost of a product). The imposition of trade sanctions by governments on the import of steel products into such government's jurisdiction may place us at a competitive disadvantage as compared to domestic steel producers in such jurisdiction. In addition, the imposition of trade sanctions may prohibit the import of steel products from countries where our suppliers are located.

An interruption in sources of metals supply could have a material adverse effect on our results of operations.

We purchase our principal inventory, including carbon steel, stainless steel, alloy steel, aluminum and a variety of other metals, on a frequent basis from a number of producers, primarily in North America, to keep our inventory levels to a minimum. We have no material long-term fixed price contracts to purchase metal. The number of available suppliers has been reduced by industry consolidation and further consolidation may occur in the future impacting availability of certain products. In addition, sanctions initiated by governments in response to non-trade related concerns might interrupt shipments from certain countries. If we are unable to obtain sufficient amounts of steel or other metal products at competitive prices in the future or on a timely basis from our traditional suppliers, we may not be able to obtain such products from alternative sources at competitive prices to meet our delivery schedules, which could materially adversely affect our business, financial condition, results of operations and cash flows. Lead times and the cost of our products could increase if we were to lose one of our primary suppliers. Any interruption or reduction in the supply of any of these products may make it difficult or impossible to satisfy customers' just-in-time delivery requirements, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Product claims by customers may not be successfully recovered from the manufacturer.

As a distributor, we purchase our products from a number of domestic and international producers and resell to our customers. As a result, we are exposed to potential claims for defective products that we distribute. Any obligations that we have to our customer for defective products need to be recovered from our suppliers as they are the product manufacturers. Our suppliers may not be willing, or have the financial ability, to honour these claims. We carry insurance in order to mitigate this risk, where available, but there is no assurance that this insurance will be adequate. Claims that are not honoured may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Any future acquisitions could be difficult to integrate and could adversely affect our operating results.

A substantial part of our growth in profitability has come from acquisitions, which we have successfully integrated. As part of our strategy, we expect to continue to pursue complementary acquisitions and investments. Acquisitions may involve debt incurrence, operating losses, dilutive issuances of equity securities and significant cash expenditures that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Any future acquisitions may involve a number of risks, including:

- ◆ our inability to integrate the acquired business;
- ◆ diversion of management attention;
- ◆ goodwill impairment adversely affecting our reported net income;
- ◆ our inability to retain the management or other key employees of the acquired business;
- ◆ our inability to establish uniform standards, controls, procedures and policies;
- ◆ our inability to retain customers of our acquired companies;
- ◆ exposure to legal claims for activities of the acquired business prior to the acquisition;
- ◆ damage to our reputation as a result of performance or customer satisfaction problems relating to an acquired business; and
- ◆ the performance of any acquired business being lower than we anticipated.

If we fail to renegotiate any of our collective agreements or if we or our principal customers or suppliers experience work stoppages, our financial condition may be harmed.

As at December 31, 2014, we had 33 collective bargaining agreements since merging two agreements in St. Augustin, Quebec, covering approximately 875 employees belonging to a variety of unions at 38 of our locations. In 2015, six collective bargaining agreements will expire, and one contract that expired in 2014 is also being negotiated in 2015. If we fail to renegotiate any of these contracts, we may face work stoppages. Even if we do renegotiate these contracts, any renewal of collective bargaining agreements could result in higher wages or benefits to union members. We cannot provide assurance that there will not be any labour disruptions, or higher ongoing labour costs, either of which could have a material

adverse effect on our business, financial condition, results of operations and cash flows. In addition, many of our customers and suppliers have unionized work forces. If one or more of our customers or suppliers experience a lengthy work stoppage or slow down, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Environmental liabilities could have a material adverse effect on our results of operations and financial position.

We are subject to a variety of federal, provincial, territorial, state and local environmental laws and regulations in Canada and the United States. Such laws and regulations relate to, among other things, the discharge of contaminants into water and air and into and onto land, the disposal of waste, the handling, storage and transportation of hazardous materials, and the storage of materials in underground tanks. In particular, our divested non-metal operations included chrome plating facilities. We could be responsible for cleanup of, or damages from, releases of hazardous materials on or emanating from the properties where these operations were conducted. We are required by environmental laws and regulations to conduct our operations in compliance with permits issued by governmental authorities. The failure to have such permits or to comply with their terms could result in fines or penalties.

In Canada, there are federal environmental statutes such as the *Canadian Environmental Protection Act, 1999*, the *Fisheries Act*, and the *Transportation of Dangerous Goods Act, 1992*, which apply to us. In addition, each Canadian province and territory and most municipalities in which we operate also enact and enforce their own environmental laws. In the United States, the primary federal regulatory laws to which we are subject include the *Resource Conservation and Recovery Act*, *CERCLA*, the *Clean Water Act*, and the *Clean Air Act*. We are also subject to environmental regulation at the state and local levels in the United States.

We are currently undergoing remediation and/or investigation activities at two former facilities where soil and/or groundwater contamination is present. Financial costs with respect to those activities cannot be predicted at this time. See "Business - Environmental Regulation" for more details about our environmental remediation. In addition, some of our current properties are located in industrial areas with histories of heavy industrial use, which may require us to incur expenditures and to become subject to environmental liabilities for contamination that arises from our current or former operations or from causes other than our operations. Such environmental costs could materially adversely affect our business, financial condition, results of operations and cash flows. We do not carry environmental insurance coverage to offset the effects of such potential losses. We may be required as a matter of law to satisfy, with respect to the government or third parties, the environmental liabilities related to divested businesses should the acquirers of our divested businesses fail to fulfill any environmental obligations for events prior to divestiture. Because of the potential existence of currently unknown environmental issues and frequent changes to environmental laws and regulations and the interpretation and enforcement of these laws and regulations, there can be no assurance that compliance with environmental laws, or remediation obligations under such laws, will not have a material adverse effect on us in the future.

Environmental concerns, changes in government regulations related to oil sands production, shale fracking or oil distribution or product liability claims may have a material adverse effect on our operating results.

Our customers and their markets are subject to on-going concerns and possible oversight and regulations relating to the potential environmental issues in such areas as carbon emissions, pollution of groundwater, use of toxic chemicals in fracking and earthquakes. Several provinces, states and countries have limited or banned fracking due to potential environmental concerns. Other jurisdictions have sought to limit pipeline construction or the purchase of oil from the Alberta oil sands. Because of this changing landscape, there can be no assurance that new laws or regulations will not severely limit this business growth area.

Changes in government regulations relating to workplace safety and worker health could have a material adverse effect on our business.

Our operations are subject to laws and regulations relating to workplace safety and worker health and related regulations, which, among other requirements, establish noise, dust and safety standards. While we believe that we are in material compliance with currently applicable laws and regulations, future events such as any changes in laws and regulations, may give rise to additional expenditures or liabilities.

We cannot assure you that compliance with such government regulations will not have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are exposed to currency exchange risk, which could have a material adverse effect on our operating results.

Although our financial results are reported in Canadian dollars, a portion of our sales and operating costs are denominated in U.S. dollars. In addition, we are exposed to currency exchange risk on our assets denominated in U.S. dollars. Since we present our financial statements in Canadian dollars, any change in the value of the Canadian dollar relative to the U.S. dollar during a given financial reporting period would result in a foreign currency loss or gain on the translation of our U.S. dollar denominated assets into Canadian dollars. Consequently, our reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses. While it is not our normal practice to enter into significant hedging arrangements, we may use futures and forward contracts to partially hedge against short-term fluctuations in currency; however, such activities provide only short-term protection against a limited portion of our currency exposure.

The failure of our key computer-based systems could have a material adverse effect on our business.

We depend to a significant degree on our computer-based systems in the operation of our business, particularly in our inventory management. The destruction, breach of security or the failure of any such computer-based systems for any significant period of time would materially adversely affect our business, financial condition, results of operations and cash flows. We have a disaster recovery plan established and tested for our main computer system servicing our Canadian and U.S. service centers and two of our U.S. energy products operations. There is no certainty that our plan will be successful in an actual disaster. Despite our preventative efforts, our systems are vulnerable from time to time to damage or interruption from, among other things, security breaches, computer viruses, power outages and other technical malfunctions.

The loss of key individuals could adversely affect our ability to implement our business strategy.

Our success is dependent in large part on the management and leadership skills of our senior management team, including Brian R. Hedges, our Chief Executive Officer, Marion E. Britton, our Chief Financial Officer, and John G. Reid, our Chief Operating Officer. In addition, because of our decentralized operating structure, the loss of any senior managers or key employees at regional centers could materially adversely affect our business, financial condition, results of operations and cash flows. We cannot provide assurance that we will be able to attract and retain equally qualified personnel when needed. If we lose any of these executives or senior management or fail to attract and retain equally qualified personnel, we may not be able to implement our business strategy.

GENERAL DEVELOPMENT OF THE BUSINESS

On September 3, 2014, we acquired B.R. Chisholm Industrial Limited for \$0.7 million and on November 6, 2014, we acquired the operating assets of Big West Valve Partnership for \$1.1 million.

On October 20, 2014, we sold our interest in Apex Advanced Solutions Inc. for \$6.7 million in cash.

On September 12, 2013, we acquired Keystone Oilfield and on September 14, 2013 we acquired Northern Valve Services both through share purchases for \$11 million in aggregate. On December 2, 2013, we purchased the operating assets of Monarch Supply ("Monarch") for \$32 million in cash, plus an uncapped earnout which will require us to pay additional cash consideration depending on the financial results of Monarch through 2018.

On November 8, 2012, we purchased 100% of the issued and outstanding shares of Apex Distribution Inc. and related companies for \$227 million in cash plus an uncapped earnout which will require us to pay additional cash consideration depending on the financial results of the Apex Distribution operations through 2017.

On May 1, 2012, we purchased the operating assets of Siemens Laserworks for \$27 million in cash. On May 28, 2012, we purchased the operating assets of Alberta Industrial Metals for \$28 million in cash.

On April 19, 2012, we issued \$300 million aggregate principal amount of 6.0% senior unsecured notes due April 19, 2022 for net proceeds of \$293 million and on May 25, 2012 we redeemed all of our 6.375% US\$139 million U.S. Senior Notes.

RATINGS

We have received the following credit ratings from Moody's Investors Service ("Moody's").

	Moody's
Corporate rating	Ba1
Senior unsecured notes	Ba1
Outlook	Negative

Moody's Investors Service

Moody's credit ratings are on a long-term debt rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. According to Moody's, a rating of Ba is the fifth highest of nine major categories. Moody's applies numerical modifiers 1, 2 and 3 in each generic rating classification from Aa to Caa in its corporate bond rating system. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category. The rating outlook is negative.

We understand that the ratings are based on, among other things, information furnished to the Ratings Agencies by us and information obtained by the Ratings Agencies from publicly available sources. The credit ratings given by the Ratings Agencies are not recommendations to buy, hold or sell any of our securities since such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a Rating Agency in the future.

What the ratings address:

Unsecured Debt: Credit ratings are the current opinion of the rating agency on creditworthiness of an obligor with respect to a specific financial obligation and a specific class of financial obligation for a specific financial program. Ratings take into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and take into account the currency in which the obligation is denominated.

Rating Outlook: Rating outlook assesses the potential direction of a long-term credit rating over the intermediate to longer-term. In determining a rating outlook, consideration is given to any changes in the economic and fundamental business conditions. An outlook is not necessarily a precursor of a rating change.

MARKET FOR THE SECURITIES OF RUSSEL METALS

Our common shares are listed and posted for trading on the Toronto Stock Exchange under the symbol "RUS". Information concerning the trading prices and volumes during the 2014 fiscal year is set out in the following table:

The Toronto Stock Exchange Share Price Trading Range

Month	High	Low	Close	Share Volume
December 2014	\$ 29.85	\$ 25.07	\$ 25.90	8,110,947
November 2014	34.14	29.90	29.91	6,024,542
October 2014	35.11	30.28	32.85	4,482,578
September 2014	37.11	33.50	34.57	4,062,599
August 2014	37.63	34.57	36.48	3,363,632
July 2014	35.85	34.00	35.23	2,840,440
June 2014	34.43	32.76	34.31	2,767,740
May 2014	33.48	31.76	32.75	3,493,980
April 2014	32.71	29.90	32.25	3,118,041
March 2014	30.64	29.15	30.12	2,888,836
February 2014	30.22	27.78	30.06	3,182,844
January 2014	31.50	28.02	28.69	2,936,654

Our convertible unsecured subordinated debentures are listed for trading on The Toronto Stock Exchange under the symbol "RUS.DB". Information concerning the trading prices and volumes during the 2014 fiscal year is set out in the following table:

The Toronto Stock Exchange Debenture Price Trading Range

Month	High	Low	Close	Trading Volume
December 2014	\$ 120.22	\$ 108.16	\$ 110.00	148,949
November 2014	130.00	124.70	127.00	46,810
October 2014	136.66	121.60	126.53	7,510
September 2014	144.50	135.31	137.51	84,870
August 2014	146.50	139.00	144.50	93,320
July 2014	141.75	136.00	140.00	94,460
June 2014	137.00	131.99	136.75	201,980
May 2014	137.47	129.00	131.99	121,710
April 2014	131.00	123.00	129.61	113,020
March 2014	124.94	120.51	121.86	23,200
February 2014	123.00	116.00	122.25	37,670
January 2014	127.00	118.74	118.74	12,130

The transfer agent and registrar for our common shares and convertible debentures is CST Trust Company, P.O. Box 700, Station B, Montreal, Quebec H3B 3K3.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares without nominal or par value. As at December 31, 2014, 61,674,288 shares were issued and outstanding. Holders of the Company's common shares are entitled to receive notice of any meetings of shareholders and are entitled to one vote per common share held. Holders of the Company's common shares are entitled to receive on a pro-rata basis such dividends, if any, as and when declared by the Board.

At December 31, 2014, the Company had outstanding \$174 million aggregate principal amount of 7.75% Convertible Debentures due September 30, 2016. Each Convertible Debenture is convertible into common shares of the Company at the option of the holder at any time on or prior to the business day immediately preceding (i) the maturity date; or (ii) the date specified for redemption of the Convertible Debentures, at a conversion price of \$25.75, being a conversion rate of 38.8350 common shares per \$1,000 principal amount of Convertible Debentures, subject to adjustment in certain circumstances. During 2014, Convertible Debentures having a principal amount of \$0.5 million were converted into 19,840 common shares. Based on current share prices the Convertible Debentures could be converted to equity at redemption or maturity which would result in 6,770,757 common shares being issued. Current share prices, however, are less than the conversion price which might result in holders not converting to common shares of the Company upon maturity.

MATERIAL CONTRACTS

The following are the material contracts, other than contracts entered into in the ordinary course of business, which we have entered into and are still in effect:

1. Credit facility dated August 1, 2013, entered into between Russel Metals Inc. and its subsidiary FIL (US) Inc. as Borrowers and a syndicate of Canadian and US banks, including Royal Bank of Canada, JP Morgan Chase Bank, N.A., The Bank of Nova Scotia, Comerica Bank, Laurentian Bank of Canada, Wells Fargo Bank, N.A. and ATB Financial. The agreement expires June 24, 2017 and entitles us to borrow at rates that vary based on our credit rating, on a revolving basis, up to \$275 million to be utilized for borrowings and two letter of credit lines of \$25 million each.
2. Trust Indenture between Russel Metals Inc. and BNY Trust Company of Canada (formerly CIBC Mellon Trust Company) dated October 8, 2009, as amended on December 14, 2010 providing for the \$174 million of 7.75% convertible unsecured subordinated debentures due September 30, 2016.
3. Trust Indenture between Russel Metals Inc. and BNY Trust Company of Canada dated April 19, 2012 for the \$300 million of 6.00% Senior Unsecured Notes due April 19, 2022.

DIVIDEND RECORD

The following table shows common share dividends paid on a per share basis.

<i>Years Ended December 31</i>	2014	2013	2012
Common shares	\$ 1.46	\$ 1.40	\$ 1.35

In the second quarter of 2012, the quarterly dividend was increased from \$0.30 per share to \$0.35 per share and in the third quarter of 2014 the quarterly dividend was further increased to \$0.38 per share which is its current level. The Board of Directors reviews the dividend policy quarterly.

Our ability to pay dividends on common shares is impacted by restrictions associated with the senior unsecured notes due April 19, 2022. Dividends on common shares in excess of \$0.35 per share per quarter and the repurchase of common shares are considered to be restricted payments under the Note Indenture. At December 31, 2014, we had \$245 million available for restricted payments. Our ability to make restricted payments is adjusted quarterly by 50% of the quarterly net income or loss if our cumulative net income from December 31, 2011 is positive, or 100% of the quarterly net income or loss if our cumulative net income from December 31, 2011 is negative.

Our ability to pay dividends is also impacted by covenants in our syndicated bank facility. The payment of any dividend will be subject to our having excess borrowing base availability of not less than four times the declared dividend. We do not believe this requirement will restrict our ability to pay a dividend as our borrowing base, which is based on our levels of accounts receivable and inventories, has traditionally been in excess of borrowings.

MAJOR SUBSIDIARIES

The following is a list of our major subsidiaries at December 31, 2014, all of which are wholly owned.

	Jurisdiction of incorporation
Apex Distribution Inc.	Alberta
Apex Monarch Inc.	Alberta
Apex Remington Holdings, Inc.	State of Delaware
Apex Remington, Inc.	State of Delaware
Fedmet Enterprises Corporation	State of Delaware
Fedmet International Corporation	State of Delaware
FIL (US) Inc.	State of Alaska
JMS Russel Metals Corp.	State of Delaware
Pioneer Steel & Tube Corp.	State of Delaware
Russel Metals JMS Corporation	State of Delaware
Russel Metals Williams Bahcall Inc.	State of Delaware
Sunbelt Group L.P.	State of Texas
Triumph Tubular & Supply Ltd.	Alberta
Wirth Steel, a General Partnership	Quebec

DIRECTORS AND SENIOR EXECUTIVE OFFICERS

The following table sets out the name, municipality of residence and the principal occupation of each of our directors. Each individual was a director on December 31, 2014. Information relating to our senior executive officers follows.

DIRECTORS

Name, Municipality of Residence and Position Held	Date Became Director	Principal Occupation
ALAIN BENEDETTI (3)(4) Sainte-Anne-des-Lacs, Quebec, Canada	February 23, 2006	Corporate Director
JOHN M. CLARK (1)(4) Etobicoke, Ontario, Canada	May 3, 2012	President Investment and Technical Management Corp. (finance and merchant banking)
JAMES F. DINNING (1)(2) Calgary, Alberta, Canada	February 17, 2003	Corporate Director Chair of the Board of Western Financial Group (insurance and investment)
JOHN A. HANNA (1)(4) Toronto, Ontario, Canada	May 3, 2012	Corporate Director
BRIAN R. HEDGES Toronto, Ontario, Canada	May 12, 2009	President and CEO of the Company
ALICE D. LABERGE (1)(2) Vancouver, British Columbia, Canada	July 30, 2007	Corporate Director
LISE LACHAPELLE (2)(3) Ile-des-Soeurs, Quebec, Canada	May 15, 1996	Corporate Director

WILLIAM M. O'REILLY (2)(3) Scarborough, Ontario, Canada	May 12, 2009	Corporate Director
JOHN R. TULLOCH (3)(4) Naperville, Illinois, United States	May 2, 2013	Corporate Director

- (1) Member of the Audit Committee
- (2) Member of the Nominating and Corporate Governance Committee
- (3) Member of the Management Resources and Compensation Committee
- (4) Member of the Environmental Management and Health & Safety Committee

Mr. Benedetti is a Corporate Director. He is past Chair of the Canadian Institute of Chartered Accountants. From 1998 to his retirement in June 2004 he was Vice Chair and Canadian Area Managing Partner of Ernst & Young LLP. Mr. Benedetti is currently a director of Dorel Industries Inc and Discovery Air Inc.

Since 1999, Mr. Clark has been a Director and President of Investment and Technical Management Corp., a company engaged in corporate finance and merchant banking. Mr. Clark was Chief Financial Officer and a director of Polaris Geothermal Inc. from June 2004 to October 2009. Mr. Clark was President and/or Executive Chairman of Laurasia Resources Limited, a publicly traded oil and gas exploration and development company from 1988 to 1998. Mr. Clark is currently a director of Aizan Technologies Inc., Clearpoint Resorts Limited, Colio Estate Wines Inc., Crown Point Energy Inc., Cumulus Wines Pty Ltd., Eglinton Investments B.V., Hutton Investments B.V., Vista Gold Corp. and Zephyr Minerals Ltd.

Mr. Dinning is a corporate director and was appointed Chair of the Board of the Company on May 6, 2014. Since 2005, Mr. Dinning has been Chair of the Board of Western Financial Group Inc., a company engaged in insurance and investment. From 1998 to 2004, Mr. Dinning was Executive Vice President of TransAlta Corporation and from 1997 to 1998 was Senior Vice President. Prior to 1997, Mr. Dinning held several key positions during his 11 years as a member of the Legislative Assembly in Alberta, including Provincial Treasurer from 1992 to 1997. Mr. Dinning is Chair of the Board of Liquor Stores N.A. Ltd. and serves as a director of Oncolytics Biotech Inc.

Mr. Hanna is a Corporate Director. Mr. Hanna was Chief Executive Officer of Rexel Canada Electrical Inc. (formerly Westburne Industrial Enterprises, Ltd.), from 2003 until 2005 and Executive Vice President and Chief Financial Officer from 1992 to 2003. Prior to 1992 Mr. Hanna had been Chief Financial Officer of Hydro-Quebec and Via Rail Canada Inc. Mr. Hanna is currently a director of INNERGEX Renewable Energy Inc. and Uni-Select Inc. and Chair of the audit committee of Foreign Affairs, Trade and Development Canada.

Mr. Hedges is the President and Chief Executive Officer of the Company. Mr. Hedges is a Chartered Professional Accountant and a Chartered Accountant. He has been employed with the Company since 1994. His business career encompassed the positions of Chief Financial Officer, President and Chief Executive Officer of Gandalf Technologies, as well as Chief Financial Officer of Teleglobe Inc. Both companies were involved in the Canadian international telecommunications industry. Mr. Hedges was Chief Financial Officer of the Company from 1994 until his appointment as Chief Operating Officer on February 18, 2008. On May 12, 2009, Mr. Hedges was appointed President and Chief Executive Officer.

Ms. Laberge is a Corporate Director. She was President and Chief Executive Officer of Fincentric Corporation, a global provider of software solutions to financial institutions, from December 2003 to July 2005 and was Chief Financial Officer of Fincentric from 2000 to 2003. Prior to joining Fincentric, Ms. Laberge was with MacMillan Bloedel Limited for over 18 years in a number of financial positions including Senior Vice President, Finance and Chief Financial Officer. Ms. Laberge is currently a director of Royal Bank of Canada, Potash Corporation of Saskatchewan and Chair of the Board of SilverBirch Holdings Inc.

Mrs. Lachapelle is a Corporate Director and a consultant in corporate strategy. She was the President and Chief Executive Officer of The Forest Products Association of Canada and a consultant in corporate strategy from September 1994 to 2001. Prior to September 1994, she was President of Strategico Inc., a consulting firm specializing in public policies, for one year and a consultant with Strategico for three years. Mrs. Lachapelle is a director of SNC-Lavalin Inc. and TMX Group Limited.

Mr. O'Reilly is a Corporate Director. Mr. O'Reilly was the Managing Partner and a member of the Management Committee of Davies Ward Phillips & Vineberg LLP from 1997 to May 31, 2010. He was a partner of that firm from 1976 until his retirement on December 31, 2011, except for the period from August 1993 to January 1996 when he served as an executive officer of the Company. Mr. O'Reilly was the Secretary of the Company from May 1994 to May 2009 when he was first elected as a director of the Company.

Mr. Tulloch is a Corporate Director. Mr. Tulloch was Executive Vice President of SSAB AB and President of their North American Division from 2007 until his retirement in 2008. From 2004 until the takeover of IPSCO Inc. by SSAB in 2007 he was Executive Vice President, Steel and Chief Commercial Officer of IPSCO. Prior to that Mr. Tulloch held various senior executive positions at IPSCO, including Vice President and General Manager of the Tubular Division. Mr. Tulloch is currently a director of SSAB AB.

SENIOR EXECUTIVE OFFICERS

Name and municipality of Residence	Position Held
BRIAN R. HEDGES Toronto, Ontario, Canada	President and Chief Executive Officer
MARION E. BRITTON Mississauga, Ontario, Canada	Executive Vice President, Chief Financial Officer and Secretary
JOHN G. REID Jackson, Tennessee, U.S.A.	Executive Vice President, and Chief Operating Officer

Mr. Hedges is a director and executive officer of the Company. Mr. Hedges' biography can be found under the directors table.

Ms. Britton is an executive officer of the Company. Ms. Britton is a Chartered Professional Accountant and a Chartered Accountant. In 1984, Ms. Britton joined Marshall Drummond McCall, which was acquired by Russel Metals in 1987. From 1987 to 1994, Ms. Britton was responsible for financial management for the Metals Operations. In 1994, Ms. Britton assumed the role of Vice President and Corporate Controller and in 2004 Ms. Britton was appointed to Vice President and Chief Accounting Officer responsible for our internal control systems and financial reporting. On February 18, 2008, Ms. Britton was appointed Chief Financial Officer. On May 12, 2009, Ms. Britton was also appointed Secretary. On May 2, 2013, Ms. Britton was appointed Executive Vice President.

Mr. Reid is an executive officer of the Company. Mr. Reid started with JMS Metals Services, Inc. and related companies ("JMS") in 1991, was promoted to President of JMS in 1994 and served as President of the Company's JMS Russel Metals operations since the Company's purchase of JMS in 2007. From 2009 to 2010 Mr. Reid held the position of Vice President Operations, U.S. Service Centers. In 2010, Mr. Reid was promoted to Vice President Operations, Service Centers and has taken on increased responsibility for the Canadian Service Center operations and Spartan Energy Tubulars. On February 21, 2013, Mr. Reid was appointed to Chief Operating Officer and on May 2, 2013, Mr. Reid was appointed Executive Vice President.

During the last five years, all of the directors and officers have had the principal occupations indicated opposite their respective names, with the exception of J.F. Dinning, W.M. O'Reilly, B.R. Hedges, M.E. Britton and J.G. Reid whose occupational history is described above.

All directors serve one-year terms and are elected at the annual meeting of shareholders. The term of office of each of the current directors will expire at the annual meeting of shareholders to be held on May 5, 2015.

Mr. Hedges, the Company's President and Chief Executive Officer, is the only director who is not independent ⁽¹⁾, as he is a member of management. Mr. Hedges was elected as a director on May 12, 2009. None of the other directors has any material business or professional relationship with the Company.

(1) The Toronto Stock Exchange Company Manual provides that: "An independent director is defined as a person who: (a) is not a member of management and is free from any interest and any business or other relationship which in the opinion of the Exchange could reasonably be perceived to materially interfere with the director's ability to act in the best interest of the company; and (b) is a beneficial holder, directly or indirectly, or is a nominee or associate of a beneficial holder, collectively of 10% or less of the votes attaching to all issued and outstanding securities of the applicant".

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors delegates certain of its functions to four independent committees of the Board to facilitate more detailed consideration of certain issues. These committees bring recommendations to the Board for consideration and approval as appropriate.

The Audit Committee meets quarterly to review our financial statements, management's discussion and analysis of financial conditions and results of operations and press releases. The Audit Committee monitors the integrity of internal control and management information through discussions with management, oversight of the internal audit function and regular meetings with the external auditors. In addition, the Committee reviews other public disclosure documents, including the annual report to shareholders, the annual information form, registrations and prospectuses. All directors on this Committee are independent.

The Nominating and Corporate Governance Committee develops comprehensive written mandates for each of the Board committees, monitors and evaluates the corporate governance system, recommends candidates for election to the Board and serves as a forum for concerns of directors which may not be appropriate for discussion in full Board meetings. The Committee meets quarterly and all directors on this Committee are independent.

The Management Resources and Compensation Committee reviews compensation policies for our executive officers and directors, and is responsible for succession planning for the most senior members of management. The Committee meets at least twice per year.

We have an Environmental Management and Health & Safety Committee, which meets at least twice per year, for the purpose of reviewing compliance policies and procedures in accordance with legislative and regulatory requirements with regard to environmental and health and safety issues. The committee receives quarterly reports from management.

As at the date hereof, our directors and executive officers as a group beneficially own, directly or indirectly, or exercise control or direction over 285,009 common shares representing approximately 0.46% of the outstanding common shares of the Company.

Except as stated below, no director or executive officer of the Company, or (in the case of paragraphs (ii) and (iii) only) shareholder holding a sufficient number of securities of the Company to affect materially the control of Russel Metals, is or within ten (10) years before the date of the Annual Information Form has been,

(i) a director, chief executive officer or chief financial officer of any company (including Russel Metals) that:

(a) while that person was acting in such capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than thirty (30) consecutive days (collectively, and for purposes of this and the following paragraphs, an "order"); or

(b) was subject to an order that was issued after that person ceased to be a director chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in their capacity as a director, chief executive officer or chief financial officer of such company;

(ii) a director or executive officer of any company (including Russel Metals) that, while that person was acting in such capacity, or within a year of that person ceasing to so act, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(iii) bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

To our knowledge, the only director in respect of whom any such disclosure is required is Mrs. Lachapelle. In relation to paragraph (b), Mrs. Lachapelle was a director of AbitibiBowater Inc. in 2009 at the time when AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries filed voluntary petitions in the United States Bankruptcy Court for the District of Delaware for relief under the provisions of Chapter 11 and Chapter 15 of the United States Bankruptcy Code, as amended, and certain of its Canadian subsidiaries sought creditor protection under the Companies' Creditors Arrangement Act with the Superior Court of Quebec in Canada. In December 2010, AbitibiBowater Inc. emerged from Chapter 11 Bankruptcy protection.

AUDIT COMMITTEE INFORMATION

The members of the audit committee are A.D. Laberge (Chair), J.M. Clark, J.F. Dinning and J.A. Hanna. The audit committee has direct communication with our finance department to review issues as appropriate and meets with the external auditors on a quarterly basis without management in attendance.

Each member of the Audit Committee is independent and financially literate. J.M. Clark, J.F. Dinning, J.A. Hanna and A.D. Laberge are considered to be "financial experts", as defined in the Charter of the Audit Committee following this section. Each member of the Audit Committee has the ability to perform their responsibilities as an Audit Committee member based on their education and/or experience as summarized below:

- | | |
|-------------------------|--|
| A.D. Laberge
(Chair) | <ul style="list-style-type: none">◆ Former President and CEO and CFO of Fincentic Corporation◆ Former Senior Vice President of Finance and CFO of MacMillan Bloedel Limited◆ Audit Committee member of Royal Bank of Canada, and Potash Corporation of Saskatchewan◆ Chair of the Board and ex officio Audit Committee member of SilverBirch Holdings Inc.◆ Former Chair of the Audit Committee of Potash Corporation of Saskatchewan and B.C. Hydro◆ Former Audit Committee member of Catalyst Paper Corporation◆ Master of Business Administration |
| J.M. Clark | <ul style="list-style-type: none">◆ Chartered Professional Accountant and Chartered Accountant◆ Former Chief Financial Officer and director of Polaris Geothermal Inc.◆ Former President and/or Executive Chairman of Laurasia Resources Limited◆ Audit Committee member Crown Point Energy Inc., Vista Gold Corp. and Aizan Technologies Inc.◆ Former Audit Committee member of APIC Petroleum Corporation, Alberta Clipper Inc., Impact Energy Inc., Polaris Geothermal Inc., Startech Energy Inc., Thunder Energy Inc. and Thunder Energy Trust |
| J.F. Dinning | <ul style="list-style-type: none">◆ Chair of the Board and Audit Committee member of Western Financial Group Inc.◆ Chair of the Board and Audit Committee member of Liquor Stores N.A. Ltd.◆ Director and Audit Committee member of Oncolytics Biotech Inc. and Zag bank◆ Former Provincial Treasurer of Alberta◆ Former Executive Vice President of TransAlta Corporation◆ Former Director and Audit Committee member of Parkland Fuel Corporation◆ Former Chair and ex officio Audit Committee member of Export Development Canada |
| J. Hanna | <ul style="list-style-type: none">◆ Fellow Chartered Professional Accountant and Fellow Certified General Accountant◆ Former CEO and CFO of Rexel Canada Electrical Inc. (formerly Westburne Industrial Enterprises, Ltd.)◆ Former CFO of Hydro-Quebec and Via Rail Canada Inc.◆ Chair of Audit Committee of Innergex Energy Renewal Inc.◆ Chair of Audit Committee of Uni-Select Inc.◆ Chair of Audit Committee of Foreign Affairs, Trade and Development Canada◆ Former Audit Committee member of Transport Canada and Infrastructure Canada |

Audit Fees

The aggregate fees charged by Deloitte LLP (the Company's external auditors who are independent in accordance with the rules of professional conduct) for audit services including work on acquisitions for the year ended December 31, 2014 were \$1.5 million (2013: \$1.5 million).

Audit-Related Fees

The aggregate fees charged by Deloitte LLP for the year ended December 31, 2014 for assurance and related services that are reasonably related to the performance of the audit and are not reported above were \$0.1 million (2013: \$0.1 million). Such services included audits of our employee benefit plans.

Tax Fees

The aggregate fees charged by Deloitte LLP for U.S. tax compliance, tax advice and planning work for the fiscal year ended December 31, 2014 were \$0.2 million (2013: \$0.2 million).

Other Fees

Other than noted above, no other fees were charged by Deloitte LLP during 2014 and 2013 for any projects or services.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and securities authorized for issuance under the Company's Share Option Plan, is contained in our Management Proxy Circular.

Additional financial information is provided in our consolidated financial statements and its Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2014.

A copy of the foregoing documents together with a copy of this annual information form and any interim financial statements issued by us subsequent to December 31, 2014 may be obtained on request to the Assistant Secretary, Russel Metals Inc., 6600 Financial Drive, Mississauga, Ontario L5N 7J6. These documents are also posted regularly to our web site located at www.russelmetals.com. (See Investor Relations and Financial Reports.) These documents, together with other additional information relating to our Company may be found on SEDAR at www.sedar.com.

When the securities of Russel Metals are in the course of a distribution pursuant to a short-form prospectus or when a preliminary short-form prospectus has been filed in respect of a distribution of our securities, we will provide to any person, upon request to our Assistant Secretary at the address noted above, one copy of this annual information form, our Annual Report, any interim financial statements, our Management Proxy Circular and any other document that is incorporated by reference into the preliminary prospectus or prospectus.

CHARTER OF THE AUDIT COMMITTEE

1. **PURPOSE AND RESPONSIBILITIES**

The primary purpose of the Committee is to assist Board oversight of:

- (a) the integrity of Russel's financial statements;
- (b) Russel's compliance with legal and regulatory requirements;
- (c) the External Auditor's qualifications and independence;
- (d) the performance of Russel's internal audit function and the External Auditor; and
- (e) any other matters delegated by the Board.

2. **DEFINITIONS AND INTERPRETATION**

2.1 *Definitions*

In this Charter:

- (a) "Board" means the board of directors of Russel;
- (b) "Chair" means the chair of the Committee;
- (c) "Committee" means the audit committee of the Board;
- (d) "Director" means a member of the Board;
- (e) "External Auditor" means Russel's independent auditor; and
- (f) "Russel" means Russel Metals Inc.

2.2 *Interpretation*

The provisions of this Charter are subject to the provisions of Russel's by-laws and to the applicable provisions of the *Canada Business Corporations Act* (the "Act"), and any other applicable legislation.

3. **ESTABLISHMENT AND COMPOSITION OF THE COMMITTEE**

3.1 *Establishment of the Audit Committee*

The Committee is hereby continued with the constitution, function and responsibilities herein set forth.

3.2 *Appointment and Removal of Members of the Committee*

- (a) *Board Appoints Members* - The members of the Committee shall be appointed by the Board, having considered the recommendation of the Nominating and Corporate Governance Committee of the Board.
- (b) *Annual Appointments* - The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.
- (c) *Vacancies* - The Board may appoint a member to fill a vacancy, which occurs in the Committee between annual elections of Directors.
- (d) *Removal of Member* - Any member of the Committee may be removed from the Committee by a resolution of the Board.

3.3 *Number of Members*

The Committee shall consist of three or more Directors.

3.4 *Independence of Members*

Each member of the Committee shall be independent for the purposes of all applicable regulatory and stock exchange requirements.

3.5 *Financial Literacy*

- (a) *Financial Literacy Requirement* - Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee.
- (b) *Definition of Financial Literacy* - "Financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Russel's financial statements.

3.6 *Audit Committee Financial Expert*

- (a) *Attributes of an Audit Committee Financial Expert.* To the extent possible, the Board will appoint to the Committee at least one Director who has the following attributes:
 - (i) an understanding of generally accepted accounting principles and financial statements;
 - (ii) ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
 - (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by Russel's financial statements, or experience actively supervising one or more persons engaged in such activities;
 - (iv) an understanding of internal controls and procedures for financial reporting; and
 - (v) an understanding of audit committee functions.
- (b) *Experience of the Audit Committee Financial Expert.* To the extent possible, the Board will appoint to the Committee at least one Director who acquired the attributes in (a) above through:
 - (i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions (or such other qualification as the Board interprets such qualification in its business judgment);
 - (ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
 - (iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
 - (iv) other relevant experience.

3.7 *Retirement and Term*

- (a) *Rotation of Membership* - The Nominating and Corporate Governance Committee shall recommend to the Board a process for ensuring that at least every three years, unless otherwise expressly determined by the Board, at least one member of the Committee will retire from the Committee and at least one new member will be appointed to the Committee who has not been a member of the Committee for at least three years.
- (b) *Six Year Term Limit* - No person shall serve on the Committee for a period of more than six consecutive years unless the Board shall, in any particular case, specifically determine to make an exception from such limitation.

3.8 *Board Approval Required*

No member of the Committee shall serve on more than three other public company audit committees without the approval of the Board.

4. **COMMITTEE CHAIR**

4.1 *Board to Appoint Chair*

The Board shall appoint the Chair from the members of the Committee who are unrelated directors (or, if it fails to do so, the members of the Committee shall appoint the Chair of the Committee from among its members).

4.2 *Term*

The position of Chair shall normally be rotated every three years, but the term of any Chair may be extended for a longer term, not to exceed six years.

5. **COMMITTEE MEETINGS**

5.1 *Quorum*

A quorum of the Committee shall be a majority of the Committee members.

5.2 *Secretary*

The Chair shall designate from time to time a person who may, but need not, be a member of the Committee, to be Secretary of the Committee.

5.3 *Time and Place of Meetings*

The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, the Committee shall meet at least quarterly.

5.4 *In Camera Meetings*

The Committee shall meet separately, periodically, with each of:

- (a) management;
- (b) the External Auditor;
- (c) the internal auditor; and
- (d) committee members only.

5.5 *Right to Vote*

Each member of the Committee shall have the right to vote on matters that come before the Committee.

5.6 *Invitees*

The Committee may invite Directors, officers and employees of Russel or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee. The External Auditor shall receive notice of each meeting of the Committee and shall be entitled to attend any such meeting at Russel's expense.

5.7 *Regular Reporting*

The Committee shall report to the Board at the Board's next meeting the proceedings at the meetings of the Committee and all recommendations made by the Committee at such meetings.

6. **AUTHORITY OF COMMITTEE**

6.1 *Retaining and Compensating Advisors*

The Committee shall have the authority to engage independent counsel and other advisors as the Committee may deem appropriate in its sole discretion and to set and pay the compensation for any advisors employed by the audit committee. The Committee shall not be required to obtain the approval of the Board in order to retain or compensate such consultants or advisors.

6.2 *Other Expenses*

The Committee shall determine, and Russel shall pay, the ordinary expenses of the Committee that are necessary or appropriate in carrying out their duties.

6.3 *Recommendations to the Board*

The Committee shall have the authority to make recommendations to the Board, but shall have no decision-making authority other than as specifically contemplated in this Charter.

7. **REMUNERATION OF COMMITTEE MEMBERS**

7.1 *Remuneration of Committee Members*

Members of the Committee and the Chair shall receive such remuneration for their service on the Committee as the Board may determine from time to time.

7.2 *Directors' Fees*

No member of the Committee may earn fees from Russel or any of its subsidiaries other than directors' fees (which fees may include cash and/or shares or options or other in-kind consideration ordinarily available to directors, as well as all of the regular benefits that other directors receive). For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from Russel.

SPECIFIC DUTIES AND RESPONSIBILITIES

8. INTEGRITY OF FINANCIAL STATEMENTS

8.1 *Review and Approval of Financial Information*

- (a) *Annual Financial Statements* - The Committee shall review and discuss with management and the External Auditor, Russel's audited annual financial statements and related MD&A together with the report of the External Auditor thereon and, if appropriate, recommend to the Board that it approve the audited annual financial statements.
- (b) *Interim Financial Statements* - The Committee shall review and discuss the report of the External Auditor, together with management and the External Auditor and approve Russel's interim unaudited financial statements (including, without limitation, its quarterly unaudited financial statements and any other unaudited special purpose financial statements intended for publication) and related MD&A.
- (c) *Material Public Financial Disclosure* - The Committee shall discuss with management and the External Auditor:
 - (i) the types of information to be disclosed and the type of presentation to be made in connection with earnings press releases;
 - (ii) financial information and earnings guidance (if any) provided to analysts and rating agencies; and
 - (iii) press releases containing financial information (paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information).
- (d) *Procedures for Review* - The Committee shall be satisfied that adequate procedures are in place for the review of Russel's disclosure of financial information extracted or derived from Russel's financial statements (other than financial statements, MD&A and earnings press releases, which are dealt with elsewhere in this Charter) and shall periodically assess the adequacy of those procedures.
- (e) *Accounting Treatment* - The Committee shall review and discuss with management and the External Auditor:
 - (i) major issues regarding accounting principles and financial statement presentation, including any significant changes in Russel's selection or application of accounting principles and major issues as to the adequacy of Russel's internal controls and any special audit steps adopted in light of material control deficiencies;
 - (ii) analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and
 - (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on Russel's financial statements.
- (f) The Committee should review and discuss with management and, if appropriate, with the External Auditor or legal counsel, the management certifications of the financial statements as required by National Instrument 52-109.

9. EXTERNAL AUDITOR

9.1 External Auditor

- (a) *Authority with Respect to External Auditor* - As a representative of Russel's shareholders, the Committee shall be directly responsible for the appointment, compensation and oversight of the work of the External Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for Russel. In the discharge of this responsibility, the Committee shall:
- (i) have sole responsibility for recommending to the Board the person to be proposed to Russel's shareholders for appointment as External Auditor for the above-described purposes as well as the responsibility for recommending such External Auditor's compensation and determining at any time whether the Board should recommend to Russel's shareholders whether the incumbent External Auditor should be removed from office;
 - (ii) review the terms of the External Auditor's engagement, discuss the audit fees with the External Auditor and be solely responsible for approving such audit fees; and
 - (iii) require the External Auditor to confirm in its engagement letter each year that the External Auditor is accountable to the Board and the Committee as representatives of shareholders.
- (b) *Independence* - The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process the Committee shall:
- (i) assure the regular rotation of the lead audit partner as required by law and consider whether, in order to ensure continuing independence of the External Auditor, Russel should rotate periodically, the audit firm that serves as External Auditor;
 - (ii) require the External Auditor to submit on a periodic basis to the Committee, a formal written statement delineating all relationships between the External Auditor and Russel and that the Committee is responsible for actively engaging in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditor and for recommending that the Board take appropriate action in response to the External Auditor's report to satisfy itself of the External Auditor's independence;
 - (iii) unless the Committee adopts pre-approval policies and procedures, approve any non-audit services provided by the External Auditor and may delegate such approval authority to one or more of its independent members who shall report promptly to the Committee concerning their exercise of such delegated authority; and
 - (iv) review and approve the policy setting out the restrictions on Russel hiring partners, employees and former partners and employees of Russel's current or former External Auditor.
- (c) *Issues Between External Auditor and Management* - The Committee shall:
- (i) review any problems experienced by the External Auditor in conducting the audit, including any restrictions on the scope of the External Auditor's activities or an access to requested information;
 - (ii) review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the External Auditor; and
 - (iii) review with the External Auditor:
 - ◆ any accounting adjustments that were proposed by the External Auditor, but were not made by management;
 - ◆ any communications between the audit team and audit firm's national office respecting auditing or accounting issues presented by the engagement;
 - ◆ any management or internal control letter issued, or proposed to be issued by the External Auditor to Russel; and
 - ◆ the performance of Russel's internal audit function and internal auditors.

- (d) *Non-Audit Services.*
- (i) The Committee shall either:
 - ♦ approve any non-audit services provided by the External Auditor or the external auditor of any subsidiary of Russel to Russel (including its subsidiaries); or
 - ♦ adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the particular service, the audit committee is informed of each non-audit service and the procedures do not include delegation of the audit committee's responsibilities to management.
 - (ii) The Committee may delegate to one or more independent members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services so approved to the full Committee at its first scheduled meeting following such pre-approval.
 - (iii) The Committee shall instruct management to promptly bring to its attention any services performed by the External Auditor which were not recognized by Russel at the time of the engagement as being non-audit services.
- (e) *Evaluation of External Auditor* - The Committee shall evaluate the External Auditor each year, and present its conclusions to the Board. In connection with this evaluation, the Committee shall:
- (i) review and evaluate the performance of the lead partner of the External Auditor;
 - (ii) obtain the opinions of management with respect to the performance of the External Auditor; and;
 - (iii) obtain and review a report by the External Auditor describing:
 - ♦ the External Auditor's internal quality-control procedures;
 - ♦ any material issues raised by the most recent internal quality-control review, or peer review, of the External Auditor's firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the External Auditor's firm, and any steps taken to deal with any such issues; and
 - ♦ all relationships between the External Auditor and Russel (for the purposes of assessing the External Auditor's independence).
- (f) *Review of Management's Evaluation and Response* - The Committee shall:
- (i) review management's evaluation of the External Auditor's audit performance;
 - (ii) review the External Auditor's recommendations, and review management's response to and subsequent follow-up on any identified weaknesses;
 - (iii) review management's response to significant internal control recommendations of the internal audit staff and the External Auditor;
 - (iv) receive regular reports from management and receive comments from the External Auditor, if any, on:
 - ♦ Russel's principal financial risks;
 - ♦ the systems implemented to monitor those risks; and
 - ♦ the strategies (including hedging strategies) in place to manage those risks; and
 - (v) recommend to the Board whether any new material strategies presented by management should be considered appropriate and approved.

10. INTERNAL CONTROL

10.1 *Review by Audit Committee*

The Committee shall review any internal control report prepared by management, including management's assessment of the effectiveness of Russel's internal control structure and procedures for financial reporting.

11. INTERNAL AUDIT FUNCTION

11.1 Internal Auditor

In connection with Russel's internal audit function, the Committee shall:

- (a) review and approve the Internal Audit Charter;
- (b) review and approve the Internal Audit risk based plan;
- (c) review and approve the Internal Audit budget and resource plan;
- (d) review and approve the appointment and/or removal of the most senior internal audit position;
- (e) review the remuneration of the most senior internal audit position;
- (f) review the terms of reference of the internal auditor and meet with the internal auditor as the Committee may consider appropriate to discuss any concerns or issues;
- (g) in consultation with the External Auditor and the internal audit group, review the adequacy of Russel's internal control structure and procedures designed to ensure compliance with laws and regulations and any special audit steps adopted in light of material deficiencies and controls;
- (h) review the periodic reports of activities of the internal auditor; and
- (i) periodically review with the internal auditor any significant difficulties, disagreements with management or scope restrictions encountered in the course of the work of the internal auditor.

The most senior internal audit position shall have dual reporting to the Chair of the Audit Committee and to the Chief Executive Officer of Russel.

12. COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

12.1 Risk Assessment and Risk Management

The Committee shall discuss Russel's major financial risk exposures and the steps management has taken to monitor and control such exposures.

12.2 Related Party Transactions

The Committee shall review and approve all related party transactions in which Russel is involved or which Russel proposes to enter into.

12.3 WhistleBlowing

The Committee shall put in place procedures for:

- (a) the receipt, retention and treatment of complaints received by Russel regarding accounting, internal accounting controls or auditing matters; and
- (b) the confidential, anonymous submission by employees of Russel of concerns regarding questionable accounting or auditing matters.

13. ANNUAL PERFORMANCE EVALUATION

On an annual basis, the Committee shall follow the process established by the Board and overseen by the Nominating and Corporate Governance Committee for assessing the performance of the Committee.

14. CHARTER REVIEW

The Committee shall review and assess the adequacy of this Charter annually and recommend to the Board any changes it deems appropriate.