

# **AUDIT COMMITTEE CHARTER**

## **GENERAL**

### 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) such other matters as may otherwise be assigned to the Committee 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 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.

### 3.7 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 Chair to be Appointed Annually

The designation of the Committee's Chair shall take place annually at the first meeting of the Board after a meeting of shareholders at which Directors are elected, provided that if the designation of Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

#### 4.3 Term

The position of Chair shall be rotated not less frequently than every **four** years; provided however, the Board may specifically determine to make an exception from such limitation.

### 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 its 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 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:
    - (A) any accounting adjustments that were proposed by the External Auditor, but were not made by management;
    - (B) any communications between the audit team and audit firm's national office respecting auditing or accounting issues presented by the engagement;

- (C) any management or internal control letter issued, or proposed to be issued by the External Auditor to Russel; and
  - (D) the performance of Russel's internal audit function and internal auditors.
- (d) Non-Audit Services.
  - (i) The Committee shall either:
    - (A) 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
    - (B) 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:
  - (A) the External Auditor's internal quality-control procedures;
  - (B) 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
  - (C) 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:
    - (A) Russel's principal financial risks;
    - (B) the systems implemented to monitor those risks; and
    - (C) 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 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;
- (f) 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;
- (g) review the periodic reports of activities of the internal auditor; and
- (h) 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. PENSION PLAN OVERSIGHT****12.1 Investment Policy Review**

On an annual basis, the Committee shall review and, if deemed advisable, recommend amendments to the Investment Policy for all Russel pension and retirement plans.

**12.2 Pension Plan Funding**

The Committee shall have general oversight of the funding of Russel's pension plans and 401k plans. Any funding that is outside of the normal funding requirements prescribed by such plans or actuarial valuations shall be approved by the Committee.

**13. COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS****13.1 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.

**13.2 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.

**13.3 Whistle Blowing**

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.

**14. 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.

15. **CHARTER REVIEW**

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