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28 Business
Parade North

SHAREHOLDER NEWSLETTER

JUNE 2021

COMPANY UPDATE



Susan Paterson Chair

DEAR SHAREHOLDER

Steel & Tube has maintained a solid performance in the second half of FY21 as we benefit from the investment we are making into technology, operational initiatives and an uplift in economic activity following the Covid restrictions of the past year.

Our Distribution business continues to go from strength to strength, after delivering a doubling of earnings in the first half of the year (compared to the same period last year). Residential building remains strong, commercial building is starting to pick up and Government and public sector spending is also expected to increase, with investment into maintenance of schools and hospitals, work on Ports and the 3 Waters project.

Our Infrastructure business has a solid pipeline of work secured through to the end of the calendar year. We are now seeing increasing commercial activity as large projects recommence and move through the planning process, which bodes well for the future. The Government has also announced new infrastructure spend in the latest budget, with investment into school property and healthcare assets being of most interest for our business.



Mark Malpass Chief Executive Officer

The steel industry as a whole has seen a significant uplift in the global steel price and raw materials in the last six months. Globally, there remains pent-up demand driven by large infrastructure programmes and recovery from the pandemic. In addition, transport and logistics chains have also been under pressure leading to higher container, shipping and other freight charges. We do not expect these to ease in the short to medium term.


Our focus has been on working closely with all suppliers to minimise these impacts for our customers. As New Zealand's largest steel distributor and importer of steel we are uniquely placed to mitigate these cost impacts by leveraging our scale. We are utilising technology to ensure our products are priced appropriately, whilst retaining our competitiveness. We have also prioritised continuity of supply, increasing our inventory holdings of our more popular items to ensure we meet our customers' needs.

Recently we have seen timber industry organisations advocating strongly for the Government to implement a Wood-First Policy. We have serious concerns around the erroneous claims being made and continue to advocate that New Zealand needs a range of construction materials and should not rush into single material

choices that are not grounded in good science - material choices should be made by the experts - engineers, architects and designers. Therefore, along with industry associations and other businesses, we have responded to a number of procurement and policy submissions, highlighting the value of steel as an important, essential - and sustainable - building material. You can read more about the value of steel on the following page.

We continue to monitor our own sustainability performance and take actions to improve. The events of this past year reinforced the importance of taking a long-term view and establishing policies and business strategies that look beyond next quarter or year. Our Environmental, Social & Governance (ESG) policies and risk management framework are focussed on protecting our long term sustainability and future as a dynamic and successful New Zealand company. We are seeing some great outcomes from programmes which support our staff and have shared some of these stories in this newsletter.

We hope you enjoy the read.



STEEL THE OBVIOUS CHOICE FOR THE CONSTRUCTION SECTOR

The discussion around appropriate construction material choice continues to heat up with timber organisations and business owners pushing for a timber first strategy for Government buildings.

However, the steel industry, including Steel & Tube, is strongly against a preferential approach to construction products, saying that material choices should be driven by designers and engineers working to robust Construction Codes and Standards, not politicians.

It is not the use of a single material, be it timber, steel or concrete, that will lead to reduced carbon emissions. It is the overall lifetime carbon emissions of the building. Sometimes timber will be the right choice. Other times, steel and concrete will be. More frequently, it

will be a combination of all materials that will deliver the right outcome.

The construction sector has been asking for a collaborative approach to ensuring the best outcome for New Zealand – creating strong and safe buildings while minimising emissions and construction waste. We need to consider not just embodied carbon, but also operating and maintenance carbon and costs, building lifetimes, and end of life use. We can't continue to trash our buildings to landfill. We must reuse, repurpose and recycle our valuable materials and move to a circular economy. That is what counts and what makes a real difference. It is also where materials like steel, which has a 72% recycling rate, stand out.

Timber raises issues of durability and fire hazard. Some building materials are more combustible than others and there is a Building Code requirement in residential structures over 10 metres high to have no flammable materials in external wall. In addition, timber strength and dimensional stability issues continue to be reported with the very young crop timber now being harvested.

While pine plantations are important to addressing climate change, pine is a softwood and needs to be treated before construction use. The timber treatment standard has been under review for several years because the parties can't agree on a path forward that provides the required durability and is not toxic for builders and home owners.

Recently, the NZ Herald identified the environmental impacts and consequences of timber waste from construction – it's not a pretty picture.

Not least, there is currently a nationwide shortage of timber – a global issue that shows no sign of dissipating soon. In the last 18 months, at least six New Zealand timber processors have gone out of business as they could not process timber at competitive prices, due to China setting the price of logs. Timber prices have risen between 30 and 50% in the last 12 months. Under a Wood First strategy, government buildings will be considerably more expensive and delivery likely to be significantly delayed till timber is available.



STEEL FRAMED HOUSING

Steel framed housing is an obvious solution to assist in rapidly scaling housing supply and supporting all New Zealanders transition to a more sustainable economy. Steel framed housing is a viable alternative and a positive step towards developing a resilient supply chain that is not dependent on one material.

Many markets around the world including Australia, UK and the US already have a significant proportion of new homes being built with steel framing¹. In New Zealand, light steel frame construction has been available for over 30 years as a viable alternative to light timber frame construction in one to two story housing.

Whilst some builders in New Zealand have already adapted and are building steel framed houses, there remains significant opportunity for this to become more widely used.

Steel framing and cladding solutions enable a faster build time and are just as suitable for creating safe, stylish and desirable residential homes as they are for commercial buildings. In addition, internal steel-framed wall solutions have been a key feature of the New Zealand market for many years.

STEEL IS A SUSTAINABLE CHOICE

Steel is the material of choice for most of the world's major construction markets – in the UK, steel commands a market share of 70%, in the US 60% and in NZ it is 50% and gaining. Not only do the design and quality aspects of steel make it an obvious choice, it is an environmentally

sustainable solution when considering the product's full lifecycle.

Steel & Tube supports New Zealand's commitment to reduce emissions to achieve net zero carbon by 2050 and says consideration of the full life-cycle impacts of products ("circular economy principles") can play an important role in reducing emissions.

CEO of Steel & Tube, Mark Malpass, says:

"An important element in considering carbon emissions is the end of life approach, including the demolition, recycling and waste stages of building materials. The creation of a circular economy is not simply focused on the design and construction process but also considers the post-construction life cycle stages and the benefits from materials that can be reused or recycled, such as steel.

"Steel is infinitely recyclable without product degradation and is easily reused and repurposed; it generates minimal construction waste; and renewable energy sources available in New Zealand for making steel.

"As an example, construction and demolition waste makes up 40–50% of New Zealand's total waste going to landfill, according to government and council documents, with an average of 4 tonnes of waste for each home constructed². Steel frame housing reduces the impacts on our environment as fabrication and manufacturing is carried out from precisely detailed drawings programmed to machines, reducing waste to less than 2%."



FULL SERVICE PROVIDER

PROVIDING A ONE-STOP-SHOP FOR THE MOST ESSENTIAL STEEL PRODUCTS – FROM FLOOR TO ROOF & EVERYWHERE IN BETWEEN

TE WHARE TOROA RNZAL BASE OHAKEA

Base Ohakea is one of three Royal New Zealand Air Force air bases in New Zealand, with the third largest runway in New Zealand and around 1000 staff. As part of the New Zealand Defence Force's Strategy 2025, an Infrastructure Masterplan has been developed to regenerate Base Ohakea and its surrounding environs. One of the larger projects is the construction of a large new plane hangar, which will span across a space as large as three football fields.

This is one of the largest and most complex construction projects recently undertaken by the Ministry of Defence and New Zealand Defence Force and, upon completion, will house the No.5 squadron and four new P-8A Poseidon aircraft which will arrive during 2023.

Steel & Tube is supplying and placing a range of products, including 1,800 tonnes of reinforcing steel, mesh and 11,000m² of ComFlor Metal Decking. The project is expected to be completed in the first half of the 2022 calendar year.

THE PĀ – UNIVERSITY OF WAIKATO

The Pā at the University of Waikato's Hamilton campus will provide a new main entrance, a student hub and a new University marae.

Steel & Tube was contracted to supply and place 540 tonnes of reinforcing steel, 7.5 tonnes of mesh and more than 2,400m² of ComFlor metal decking.

Work commenced onsite in September 2020 and Steel & Tube's role in the project is expected to be completed by August 2021, with the development planned to open in the third quarter of 2022.

The Pā is a unique design and incorporates input from the students, staff and several advisory groups who each had opportunities to work with the Architects. Upon completion, it will contain food outlets and social spaces as well as a new University Marae.



MAKING IT EASY

DOING EVERYTHING WE CAN TO MAKE IT EASY FOR OUR CUSTOMERS TO DO BUSINESS WITH US

MAKING IT EASY WITH DIGITAL

Online Customers

Thousands of ecommerce customers every month, driving revenue and margin growth.

Webstore

Latest release includes real time stock availability. Introduced Webstore to our Roofing client base, building upon the success with Kainga Ora and our Distribution business.

Chatbot Stanley

Will be supporting customer requests for Test Certificates, providing another innovative way for customers to access these important services.

OPEN ALL HOURS

Steel & Tube is transforming how it delivers customer excellence with an overall goal of making it easier for customers to do business with us. The popularity of our webshops continue to grow and we are continually looking at new ways for our customers to contact us and order the products they need, at a time that suits them.

Last year we introduced Stanley the Chatbot, to assist visitors to our website when they are searching for products, locations, opening hours and other useful Steel & Tube information.

Now we are piloting a Live Chat function outside of operating hours, to allow our customers to talk to one of Steel & Tube's Customer Excellence team members. The pilot will help us to better understand our customer's needs and how we can best respond to them.

SOUTH ISLAND AGRICULTURAL FIELD DAYS

The South Island Agricultural Field Days (SIAFD) is one of the oldest and largest agricultural events in the South Island, with record attendance numbers in 2021.

The Steel & Tube team took the opportunity to promote Hurricane fencing and wire products to the rural community, with on-site specialists providing technical expertise...as well as great coffees! The Hurricane Boundary Fence and

Rapid Posts were the stars of the show, with much interest shown in these two new products and vigorous testing by prospective buyers.

The promotion of the Hurricane brand alongside Steel & Tube helped to emphasise our Stronger Together company strategy and we had great feedback from visitors to the show.

CELEBRATING WITH OUR CUSTOMERS

Steel & Tube has more than 13,000 customers across New Zealand, ranging from large infrastructure companies through to small one-man trade businesses. Building and maintaining relationships with our customers is an essential part of what we do every day...and often that means celebrating with our customers and thanking them for their custom.

A new Steel & Tube mobile BBQ was commissioned this year and has already been taken to a number of customer outings. One recent event was a breakfast for the George Grant Engineering (GGE) team in

South Auckland. GGE are specialists in the fabrication and installation of structural steel for commercial, industrial, civil construction and infrastructure projects. Founded in 1990, GGE is a true family business and a respected player in the steel fabrication and construction industry.

Steel & Tube supplies GGE with structural steel, chain & rigging services and profile plate processing for major New Zealand projects, with both companies contributing to building New Zealand together!



INNOVATION & TECHNOLOGY



USING TECHNOLOGY AND GREAT THINKING TO PULL IT ALL TOGETHER AND ENABLE A BETTER BUSINESS

TELEMETRY DRIVING SAFETY AND PERFORMANCE IN OUR FLEET

Steel & Tube's vehicle fleet is an important part of our business, with more than 200 vehicles used by our sales staff, account managers and operational staff across the country. With a number of older cars in the fleet, we are now transitioning to newer vehicles that will deliver multiple safety, sustainability and efficiency benefits.

In particular, new telemetry technology will be installed in all our new vehicles, enabling us to monitor vehicle location, speed and movement and providing an opportunity to improve safety for both our drivers and other people on the road. New vehicles are also more fuel efficient, and in conjunction with our optimisation of delivery route planning, we will emit less carbon from our fleet in the future.

We have also taken this opportunity to update the branding on our vehicles with the Fortress team the first to 'turn red' as part of Steel & Tube's 'stronger together'.



A NEW 'BEST IN CLASS' HEALTH AND SAFETY SYSTEM IS BEING DEPLOYED ACROSS THE BUSINESS

The Intelex QHSE Software cover all aspects of Quality, Health, Safety, and Environmental management in one database. Of particular value to Steel & Tube, the system is accessible on mobile devices, which allows key actions to be completed on the go, without the need of paper based forms.



The mobile app will not only eliminate a significant number of paper-based audits, forms and manual based processes but will also provide access to live tracking and action reports. This is an important tool in quickly reviewing and responding to incidents and will help site managers, operations teams and business leaders prioritise the people and resources needed to focus on the most important safety risks.

The project is being developed in two phases with initial rollout anticipated to commence in August 2021.

BETTER WAYS OF WORKING

ALWAYS LOOKING FOR WAYS
TO WORK SMARTER



WE'RE RED AND WHITE ALL OVER

Stronger Together embodies Steel & Tube's strategy to effectively bring our staff and business units together in pursuit of a common purpose – and aligns our services, expertise and products to provide the best possible support to our customers and partners.

As a part of this philosophy, we are now moving to more closely link our key heritage brands – Hurricane, ComFlor and Fortress – with the Steel & Tube brand. This will help to

create a stronger presence and group position for Steel & Tube in the market, whilst retaining the strength of our legacy sub-brands which our customers know and love.

We are using colour and a consistent style to link our brands across the group. The first demonstration of this new brand approach is in our updated vehicle fleet which is now hitting the roads, with Hurricane and Fortress vans and trucks first off the rank.



st steel&tube
STRONGER TOGETHER

st *Hurricane*
steel&tube

st **FORTRESS**
steel&tube FASTENERS

st **ComFlor**
steel&tube

A STRONGER SAFER WORKFORCE

Steel & Tube subcontracts the placement of its reinforcing placing and ComFlor laying site services to selected strategic partners. To ensure we meet our health and safety commitments, we expect all our sub-contract partners to provide their employees with a safe and healthy work environment, with every person returning home safely every day.

After the very successful 'Stand in the Gap' safety programme run across Steel & Tube in 2020, Tuakiri – the providers of Stand in the Gap – were engaged by Steel & Tube to present to employees of Ngawaka Group,

which provides pre-fabrication services. Marsella and Wiremu, the founders of Tuakiri, delivered a powerful presentation on leadership and safe workplace practices. Their programme challenges the audience to 'stand in the gap' – to stand up when they see safety cuts being taken; and promotes the message that health and safety is everyone's responsibility from leaders down to the newest staff members. This is one way that Steel & Tube is working with our partners and going the extra step to add value to our relationship with our valued subcontractors.

ONE TEAM

BUILDING ONE GREAT TEAM
RIGHT ACROSS THE STEEL &
TUBE BUSINESS

CONTINUAL LEARNING AN IMPORTANT PART OF OUR CULTURE

Staying informed and continual learning is essential to ensuring our staff are able to provide the best technical and product expertise to our customers. We also encourage continual learning for our specifier community, through industry sponsorships.

Steel & Tube ComFlor was a gold sponsor of the 2021 New Zealand Society for Earthquake Engineering (NZSEE) Annual Technical Conference, which was attended by Product Manager, Steve Stickland.

The NZSEE brought together practitioners and researchers to reflect on the lessons learnt over the last 10 years since the Christchurch Earthquake, and how these learnings are being implemented to leave a positive legacy for future generations and a more resilient Aotearoa.

Throughout the conference, ComFlor (Steel & Tube's innovative composite steel floor decking system) was discussed as a flooring solution. ComFlor was the dominant flooring system used in the Christchurch rebuild. The significant evidence from the 2011 earthquakes and research undertaken has shown that ComFlor facilitates the design of resilient buildings.

ComFlor is used on prestigious construction projects including offices, hotels, retail centres, hospitals, car parks, residences and warehouses.

THE IMPORTANCE OF DIVERSITY

Equality and diversity are cornerstones of Steel & Tube's organisational culture and we believe that diversity provides us with a broad range of perspectives and experience that enhance our business.

A group of Steel & Tube staff and guests recently attended the M2woman Journey to Excellence event, which featured keynote speakers and an inspiring panel discussing the challenges and solutions in the everchanging New Zealand workplace. A particular focus was on diversity and the value it can bring, to not only business culture but also a business's bottom line.

In particular, speakers pointed out that the most value to a business is from diverse thinking (neuro diversity) and that's more likely if you employ a range of people from different backgrounds and life pathways. Logically, they will have been exposed to different opportunities and challenges and will bring alternative views and thinking to the business.

Steel & Tube is committed to a diverse and inclusive workforce and ensuring we have an environment where everyone can succeed. We believe that our differences provide greater value and stronger outcomes than just single dimension thinking.



CONGRATULATIONS TO GRACE CAMPBELL,

People & Culture Business Partner

Grace Campbell graduated this month with an Executive Master of Business Administration (MBA) from Te Herenga Waka – Victoria University of Wellington. Grace did an incredible job of completing all the papers over two years while still working full time. Steel & Tube was pleased to provide financial support as well as time off to study and sees this as an important way to add value for both Grace and to our company.

OUR COMMUNITIES

KURA TAKOHA - BACK TO SCHOOL



Steel & Tube has recently launched its new Kura Takoha programme to help employees and their families with all the added costs

of education, particularly at Back to School time. The programme helps by contributing towards things like stationery, uniforms, fees and technology for learning.



We've been delighted to be able to help a number of our Steel & Tube families during what can be a challenging time at the start of the school year. It's part of our culture to support not just our employees, but also their families, with education programmes like Kura Takoha, the First Foundation and our career development partnerships.



Anna Morris, People & Culture



STRONGER TOGETHER

THANK YOU

CONTACT US:

Steel & Tube Holdings Ltd

7 Bruce Roderick Drive, East Tamaki, Auckland 2013, New Zealand

PO Box 58880, Botany, Auckland 2163, New Zealand

Tel: +64 4 570 5000 **Email:** investor.relations@steelandtube.co.nz

www.steelandtube.co.nz

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