

## **COMMERCIAL METALS COMPANY CORPORATE GOVERNANCE GUIDELINES**

The following guidelines have been approved by the Board of Directors (the “*Board*”) and, along with the charters and key practices of the Board committees, provide the framework for the corporate governance of Commercial Metals Company (“*CMC*” or the “*Company*”). The Board recognizes that there is an ongoing and energetic debate about corporate governance, and it will review these guidelines and other aspects of governance as deemed necessary.

### **1. Role of Board and Management.**

The Board is the ultimate decision-making body of the Company except with respect to those matters reserved to the stockholders by statute or CMC’s restated certificate of incorporation. CMC’s business is conducted by its employees, managers and officers, under the direction of the Chief Executive Officer (the “*CEO*”) and the oversight of the Board, to enhance the long-term value of the Company for its stockholders. The Board elects the senior management team, acts as an advisor and counselor to senior management and monitors performance to assure that the long-term interests of the stockholders are being served. Both the Board and management recognize that the long-term interests of stockholders are advanced by responsibly addressing the concerns of other stakeholders and interested parties including employees, customers, suppliers, creditors, CMC communities, government officials and the public at large.

### **2. Confidential Information.**

a. Directors will use Confidential Information solely for the benefit of the Company and will use reasonable care to preserve the confidentiality of Confidential Information. Unless otherwise authorized by the Board, directors will not disclose Confidential Information to any person who is not a director, officer, employee, representative or agent of the Company.

b. As used in this section, “Confidential Information” means any and all information regarding the Company or its businesses, operations, employees, Board, customers, suppliers, properties, assets, liabilities, strategies, projections or plans. Confidential Information does not include any information that at or subsequent to the time it is communicated to the director (i) is in the public domain through no fault of the director or (ii) is rightfully in the director’s possession free of any obligation of confidence.

### **3. Functions of Board.**

The Board has a minimum of six (6) scheduled meetings a year. During these meetings the Board reviews and discusses reports by management on the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. In addition to its general oversight of management, the Board also performs a number of other functions, including:

- reviewing, approving and monitoring fundamental financial and business strategies, major corporate actions and the performance of the Company;

- assessing major risks facing the Company – and reviewing options for their mitigation;
- ensuring processes are in place for maintaining the financial, legal and ethical integrity of the Company, including the integrity of the financial statements, the integrity of compliance with law and ethics, the integrity of relationships with customers and suppliers, and the integrity of relationships with stockholders.
- selecting, evaluating and compensating the CEO and overseeing CEO succession planning; and
- providing counsel, oversight and approving the selection, evaluation, development and compensation of senior management.

#### **4. Director Qualification Standards.**

##### **4.1. General.**

Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of stockholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. Dedication of sufficient time, energy and attention to insure diligent and effective performance of their duties is expected. Directors should be committed to serve on the Board for an extended period of time.

##### **4.2. Independence.**

A majority of the Board shall be comprised of directors meeting the independence requirements under the New York Stock Exchange (“*NYSE*”) rules, as the same may be amended from time to time, as well as other factors consistent with such rules that the Board considers appropriate for effective oversight and decision-making by the Board.

The Board intends that non-employee directors be independent. CMC will seek to have a minimum of five (5) independent directors at all times, and it is the Board’s goal that at least eighty percent (80%) of the directors will be independent under the NYSE requirements. Directors who do not meet the NYSE’s independence standards also may make valuable contributions to the Board and to the Company by reason of their experience and wisdom.

To be considered independent under the NYSE rules, the Board must affirmatively determine, after consideration of all relevant facts and circumstances, that a director does not have any material relationship with CMC (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) that may interfere with the exercise of their independence from management and the Company. The Board has established the following requirements and guidelines to assist it in determining director independence in accordance with NYSE rules:

- a. A director will not be independent if:
- the director is, or has been within the last three (3) years, an employee of the Company (except as an interim Chairman or CEO or other executive officer) or an immediate family member is, or has been within the last three (3) years, an executive officer of the Company (except as an interim Chairman or CEO or other executive officer);
  - the director has received, or has an immediate family member who has received, during any twelve-month period within the last three (3) years, more than \$120,000 in direct compensation from the Company, other than (i) director and committee fees, (ii) pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), (iii) compensation received by a director for former service as an interim Chairman or CEO or other executive officer or (iv) compensation received by an immediate family member for service as an employee of the Company (other than an executive officer);
  - (A) the director is a current partner or employee of a firm that is the Company's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the Company's audit; or (D) the director or an immediate family member was within the last three (3) years a partner or employee of such a firm and personally worked on the Company's audit within that time;
  - the director or an immediate family member is, or has been with the last three (3) years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee; or
  - the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three (3) fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.
- b. Contributions to tax exempt organizations shall not be considered payments for purposes of the above standards; provided, however, that the Company shall disclose in its annual proxy statement, or Annual Report on Form 10-K, any such contributions made by the Company to any tax exempt organization in which any independent director serves as an executive officer if, within the preceding three (3) years, contributions in any single fiscal year from the Company to the organization exceeded the greater of \$1 million, or 2% of such tax exempt organization's consolidated gross revenues.

Proposed charitable contributions or pledges of charitable contributions by the Company within any fiscal year in an aggregate amount of \$100,000 or more, to an entity for which a director or an immediate family member serves as a director, trustee, officer, employee or as a member of such entity's fund-raising organization or committee, shall be submitted for prior review and approval to the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee shall be provided on an annual basis with a report of the charitable contributions or pledges made by the Company during the fiscal year in an amount of \$25,000 or more, to an entity for which a director or executive officer, or an immediate family member, serves as a director, trustee, officer, employee or as a member of such entity's fund-raising organization or committee.

c. The Board will annually review all commercial and charitable relationships between directors and the Company. Whether directors meet independence requirements will be reviewed and will be made public annually. For relationships covered in subsection (a) and (b) above, which do not expressly preclude a finding of independence, the determination of whether the relationship is material or not, and therefore whether the director would be independent or not, shall be made by the directors who satisfy the independence guidelines set forth in subsections (a) and (b) above. CMC would explain in the next proxy statement the basis for any Board determination that a relationship was immaterial despite the fact that it did not meet the categorical standards of immateriality set forth above.

The Company will not make any personal loans or extensions of credit to directors. No non-employee director may provide personal services for compensation to the Company other than fees paid to all directors for service as a director. No immediate family member of a non-employee director shall be employed as an officer of the Company. Employment of an immediate family member in a non-officer position does not preclude the Board from determining that such director is independent. The term "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone who shares such person's home. The term "officer of the Company" is defined with reference to the term "officer" in Rule 16a-1(f) under the Securities and Exchange Act of 1934, as amended.

#### **4.3. Public Board – Limits.**

The Board has determined that directors of the Company may serve on no more than five (5) other public company boards while serving as a director on the Board of Commercial Metals Company.

#### **4.4. Term Limits.**

The Board does not believe that arbitrary term limits on directors' service are appropriate and have the disadvantage of discontinuing the availability and contributions of directors who have developed experience with, and insight into, the Company and its needs over a period of time. Nor does the Board believe that directors should expect to be re-nominated to successive terms until

they reach the mandatory retirement age. The Board self-evaluation process described in these guidelines will be an important determinant for Board tenure.

#### **4.5. Retirement Age.**

The Board has determined that no person age 75 or older will be nominated as a candidate for a director position. A director who attains age 75 after the date of his or her election by our stockholders must submit his or her resignation effective as of the Annual Meeting of Stockholders following his or her 75th birthday, unless granted an exception by the Board.

#### **4.6 Majority Voting; Resignation Policy.**

CMC's bylaws provide that, except as otherwise required by CMC's restated certificate of incorporation, directors are elected by a majority of the votes cast in uncontested director elections. Any incumbent director who is not re-elected in an election in which majority voting applies shall tender such director's resignation promptly following certification of the stockholders' vote. Such resignation will be effective only upon the acceptance thereof by the Board, and such director will continue in office until such resignation is accepted or, if not accepted, such director's successor shall have been elected and qualified. The Nominating and Corporate Governance Committee shall promptly consider the tendered resignation and a range of possible responses based on the circumstances, if known, that led to the election results and recommend to the Board whether to accept or reject the resignation offer or whether other action should be taken with respect thereto. The Board shall act on any such recommendation within 120 days following certification of the stockholders' vote and shall promptly disclose (by press release, filing of a Current Report on Form 8-K or any other public means of disclosure deemed appropriate) its decision regarding whether to accept the director's resignation offer. Any director who tenders a resignation pursuant to this provision shall not participate in either the Nominating and Corporate Governance Committee's deliberations or recommendation or the Board's deliberations, in each case regarding whether to accept the resignation offer or take other action. If directors who have tendered resignations constitute a majority of the directors then in office, then, with respect to each tendered resignation, all directors, other than the director who tendered the particular resignation under consideration, may participate in the deliberations and action regarding whether to accept or reject the tendered resignation or to take other action with respect thereto.

#### **4.7. Changes in Primary Employment.**

It is the policy of the Board that every director must notify the Nominating and Corporate Governance Committee of his or her retirement, any change in employer and any other significant change in professional roles and responsibilities. The Nominating and Corporate Governance Committee shall evaluate the continued appropriateness of Board membership under the new circumstances and make a recommendation to the Board as to any action to be taken with respect to continued Board membership.

#### **4.8. Conflicts of Interest.**

If an actual or potential conflict of interest develops because of a change in the business of CMC or a subsidiary, or in a director's circumstances (for example, significant and ongoing

competition between CMC and a business with which the director is affiliated), the director shall disclose the matter immediately to the Nominating and Corporate Governance Committee for evaluation and appropriate resolution.

If a director has a personal interest in any matter before the Board, the director shall disclose the interest to the full Board, shall recuse himself or herself from participation in the discussion, and shall not vote on the matter.

## **5. Director Responsibilities.**

The Board acts as the ultimate decision-making body of CMC and advises and oversees management, who are responsible for the day-to-day operations and management of the Company. In fulfilling these roles, each director must act in what he or she reasonably believes to be in the best interest of the stockholders of CMC and must exercise his or her business judgment.

CMC expects directors to be active and engaged in discharging their duties and to keep themselves informed about the business and operations of CMC. Directors are expected, absent extraordinary circumstances, to attend all Board meetings and the meetings of the committees on which they serve and to prepare themselves for these meetings.

In order for the Board to exercise fully its oversight functions, management provides the Board with access to information regarding the Company and the markets in which CMC operates. This information comes from a variety of sources, including management reports, information regarding peer performance, interaction with senior management and the Company's financial advisors at Board meetings and visits to Company facilities. Any written materials shall be distributed to the directors in advance of the meeting, to the extent possible, and directors are expected to review such materials prior to the meeting.

## **6. Board Agenda.**

The Chairman of the Board and lead director ("*Lead Director*") (in conjunction with the CEO if the Chairman shall not be the CEO) shall determine the frequency and length of Board meetings and shall set the agenda for each Board meeting. Board members are encouraged to suggest the inclusion of additional items on an agenda. Any director may request that an item be placed on an agenda or that additional pre-meeting material be furnished the directors.

## **7. Meetings of Independent Directors; Lead Director.**

CMC's independent directors shall regularly schedule executive sessions in which those non-employee directors determined not to be independent, employee directors and management do not participate.

While all directors are elected by the stockholders and all have an equal voice, the independent directors may, when the Chairman of the Board is also an employee of the Company or otherwise not qualified as independent, consider it appropriate to designate, by majority vote for an annual term, an independent director as Lead Director. The responsibilities of the Lead Director shall include (i) convening and presiding over executive sessions attended only by

independent or independent and non-employee directors, (ii) communicating to the CEO the substance of discussions held during those sessions to the extent requested by the participants, (iii) serving as a liaison between the Chairman and the Board's independent directors on sensitive issues, (iv) consulting with the Chairman and approving Board meeting schedules and agendas in order to assure that sufficient time is available for discussion of agenda items, (v) approving materials to be sent to the Board, including the format and adequacy of information, (vi) consulting with the Chairman to assure the effectiveness of the Board meeting process; and (vii) presiding at meetings of the Board in the event of the Chairman's unavailability. The Lead Director shall be available to receive direct communications from stockholders through Board approved procedures and periodically, as the Board may decide, be asked to speak for the Company. The Lead Director shall also provide leadership to ensure the Board works in an independent, cohesive fashion ensuring that the responsibilities of the Board and management are understood and the boundaries between Board and management functions are respected. The independent directors may assign such other responsibilities to the Lead Director as they may periodically consider appropriate.

The Company's annual proxy statement will identify the currently designated Lead Director, the fact that the Lead Director presides at executive sessions of independent directors, and the method for interested parties to communicate directly with the Lead Director or other independent directors.

#### **8. Board Size and Selection Process.**

Approximately one-third of the total number of directors are elected each year at the Company's Annual Meeting of Stockholders to serve a term of three years. The Second Amended and Restated Bylaws of the Company, as may be amended from time to time, currently provide that the Board shall establish the number of directors at a number not less than three. The Board may elect directors to fill vacancies which occur between meetings. The Nominating and Corporate Governance Committee shall periodically review the size of the Board and recommend any proposed changes in the number of directors. The Board may increase or decrease the size of the Board as it deems appropriate.

The Board, after considering the recommendation of the Nominating and Corporate Governance Committee, proposes a slate of nominees to the stockholders for election to the Board. Stockholders may propose nominees for consideration by the Nominating and Corporate Governance Committee by submitting the name and supporting information to: Secretary, Commercial Metals Company, P. O. Box 1046, Dallas, TX 75221.

#### **9. Board Committees.**

It is the general policy of the Company that all major decisions be considered by the Board as a whole. Therefore, the committee structure is limited to those basic committees required to assist the Board in discharging its obligations. The Board shall have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Except as provided in the charter for any of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, only independent directors meeting the independence and the experience requirements, as applicable, of the NYSE may serve on these

three committees. Committee members and chairpersons shall be appointed by the Board based upon the recommendation of the Nominating and Corporate Governance Committee.

The Board may, from time to time, establish or maintain additional committees and committees other than the Audit Committee, Compensation Committee and the Nominating and Corporate Governance, and each committee may be dissolved as it deems appropriate and in the best interests of the Company.

While the rotation of committee members may be considered periodically, rotation is not required because the Board believes there are significant benefits attributable to continuity and experience gained in service on a particular committee over time.

Each of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee shall operate pursuant to its own written charter. These charters shall be approved by the Board and, among other things, set forth the purpose, goals and responsibilities of the particular committee, the procedures for committee member appointment and removal and committee structure and operations, as well as reporting annual evaluation and obligations. The Committee chairs shall report the highlights of their meetings to the full Board following each meeting of the respective committee.

A single director will only chair one committee in any one term. The Board, on an exceptional basis, may allow a director to chair more than one committee for a limited period. The Nominating and Corporate Governance Committee shall recommend that committee chairpersons be appointed for a rotational schedule consisting of a three (3) year term with the opportunity to serve for an additional three (3) year term. In addition, on an exceptional basis the Board may extend the service of Committee chairpersons beyond these three (3) year terms for an additional year, if it is in the best interests of the Company. The Nominating and Corporate Governance Committee may recommend to the Board a revised rotation schedule for chairpersons of the committees.

#### **10. Board Member Access to Management and Independent Advisors.**

Board members shall have access to the management and employees of the Company and to its outside counsel and independent auditors. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO or the Secretary or directly by the director in appropriate circumstances.

The Board encourages senior management to make presentations and to invite to Board meetings managers and other employees who can provide additional insight into the items being discussed. The Board also encourages senior management to include in Board meetings individuals that senior management believes may become prospective leaders of CMC.

The Board and each of its committees is authorized to hire independent legal, accounting, financial or other advisors as they may consider necessary, at the expense of the Company, without conferring with or obtaining the approval of management or, in the case of committees, the full Board.

**11. Director Equity Ownership.**

The Board believes that directors should have meaningful equity ownership positions in CMC. The Board has determined that, subject to stockholder approval, director compensation may include options to acquire equity grants of CMC common stock. Vested or unvested equity compensation shall count toward this calculation.

**12. Director Compensation.**

The Nominating and Corporate Governance Committee shall review and recommend to the Board compensation for the Company's directors. In so reviewing and approving director compensation, the Nominating and Corporate Governance Committee shall consider the factors described in that committee's charter.

**13. Director Orientation and Continuing Education.**

All new members of the Board and new members of committees will be provided with orientation regarding CMC and its businesses and, as applicable, the relevant committee of the Board.

All directors will be offered the opportunity to participate in continuing education programs specifically designed for directors of public companies in order to stay current and knowledgeable about their roles as directors.

Such orientation and continuing education programs shall be overseen by the Nominating and Corporate Governance Committee. That committee shall have authority to authorize Company payment of, or reimbursement of, reasonable expenses incurred by directors for such activities.

**14. Annual Performance and Compensation Review of Senior Management.**

The Compensation Committee shall annually approve the goals and objectives for compensating the CEO. That committee shall evaluate the CEO's performance in light of these goals before setting the CEO's salary, bonus and other incentive and equity compensation. The committee shall also annually discuss and concur with the CEO the compensation structure for the Company's executive officers, and shall discuss with the CEO his evaluation of the performance of the Company's senior executive officers before approving their salary, bonus and other incentive and equity compensation.

The CEO shall discuss with the Compensation Committee his evaluation of the performance of the senior management of CMC and shall present his findings to the full Board. The Board shall review the report in order to ensure that management's performance is satisfactory and that management is providing the best leadership for the Company in the long and short-term. The Compensation Committee shall submit a report on compensation of the CEO and executive officers of the Company to stockholders each year in the Company's proxy statement.

**15. Management Succession.**

The Nominating and Corporate Governance Committee shall review and report to the Board on the Company's succession planning, including succession planning in the case of the incapacitation, retirement or removal of the CEO. The CEO shall provide periodic reports to the Nominating and Corporate Governance Committee recommending and evaluating potential successors as CEO or other senior executive officers, along with a review of any development plans recommended for such individuals. The CEO shall also provide to the Board, on an ongoing basis, his or her recommendation as to a temporary acting replacement or successor in the event of an unexpected emergency.

**16. Annual Board and Committee Performance Evaluation.**

The Board, led by the Nominating and Corporate Governance Committee, shall establish and conduct an annual self-examination to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee shall oversee the evaluation with each director responding to questions developed by the Nominating and Corporate Governance Committee with respect to various criteria. The collective evaluations shall be compiled in advance of the review session and shall be presented by the Chairman of the Nominating and Corporate Governance Committee to the full Board for discussion. This process shall also include annual self-assessments by each Board committee, relying on a review process similar to that used by the Board, with performance criteria for each committee established on the basis of its charter.

**17. Evaluation of Individual Director Performance.**

It is the policy of the Board that the Nominating and Corporate Governance Committee should also review and consider the performance of any director if a situation were to arise that interfered with the proper performance of his or her duties as a member of the Board.