

SCHNITZER STEEL INDUSTRIES INC  
Form DEF 14A  
December 17, 2015  
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**SCHEDULE 14A INFORMATION**  
**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

**Schnitzer Steel Industries, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
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- (4) Proposed maximum aggregate value of transaction:
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.. Fee paid previously with preliminary materials.

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- (2) Form, Schedule or Registration Statement No.:
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December 17, 2015

**Dear Shareholder:**

On behalf of our Board of Directors, we are pleased to invite you to attend Schnitzer Steel's 2016 Annual Meeting on Wednesday, January 27, 2016 in Portland, Oregon.

Whether or not you are able to attend our meeting in person, we invite you to read this year's proxy statement which highlights our key activities and accomplishments in fiscal year 2015 and presents matters for which we are seeking your vote. As part of our commitment to corporate governance best practices, we have updated and enhanced our proxy statement this year. We hope you will find the new presentation informative and easy to navigate.

In fiscal 2015, we faced a still challenging macroeconomic environment due to slowing global growth, sharply falling commodity prices, global steel-making overproduction, lower iron ore prices, and strengthening of the U.S. dollar. In fiscal 2015, these factors contributed to the 15% decline in the US industry's ferrous export sales volumes and the 40% drop in market ferrous sales prices.

Amid these headwinds, we undertook deliberate and substantial steps to lower our operating costs and improve our productivity. In April 2015, we launched a productivity improvement and cost savings initiative with an annual savings target of \$60 million, and we achieved \$28 million of benefits in fiscal 2015 ahead of schedule. By fiscal 2015 year-end, we also successfully integrated our Auto Parts and Metals Recycling Businesses into our new Auto and Metals Recycling division in order to achieve supply chain and operational synergies.

As a result of these initiatives and our continued focus on working capital management, we increased our free cash flow by 12% year-over-year, we reduced our SG&A expenses by 9% year-over-year, and we ended the year with net debt at our lowest level since the end of fiscal 2011 while continuing to return capital to our shareholders through our quarterly dividend and share repurchases.

As we look ahead, we are not relying on the market to drive improved performance. We are directing our actions toward the things we can control: lowering our costs, operating efficiently, meeting our customers' needs, and continuing to generate synergies between our businesses.

On behalf of the entire Board of Directors and our 3,000 employees, I want to thank you for your continued support and investment in our business. We value the ongoing dialogue we have with our shareholders, and we encourage you to continue to share your suggestions by writing to our Board of Directors at the address below:

Board of Directors

Schnitzer Steel Industries, Inc.

299 SW Clay Street, Suite 350

Portland, OR 97201

We have posted our proxy materials on our website at [www.schnitzersteel.com/investors](http://www.schnitzersteel.com/investors). We believe this allows us to provide our shareholders with the information they need while lowering the costs and reducing the environmental impact of delivering printed copies of our proxy materials. If you would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the notice you received by mail, or as listed on our website.

You can ensure that your shares are represented by promptly voting and submitting your proxy. Instructions have been provided for each of the alternative voting methods on the next page of this proxy statement.

Sincerely,

Tamara L. Lundgren

President and Chief Executive Officer

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**Notice of Annual Meeting of Shareholders of  
Schnitzer Steel Industries, Inc.**

**Date:**

Wednesday

January 27, 2016

**Time:**

8:00 a.m. Pacific

**Place:**

KOIN Center, Conference Center

222 SW Columbia Street, Room  
202

Portland, Oregon 97201

**Record Date:**

December 1, 2015

**AGENDA:**

**ELECT** three directors

**APPROVE**, by non-binding vote, executive compensation

**RATIFY** our independent registered public accounting firm for fiscal 2016

**CONDUCT** any other business that properly comes before the meeting or any adjournment or postponement thereof

Only shareholders of record at the close of business on the Record Date are entitled to receive notice of and to vote at the Annual Meeting or any adjournments thereof.

**Please vote  
your shares**

**We encourage shareholders to vote promptly, as this will save the expense of additional proxy solicitation. Voting can be completed in one of four ways:**

<b>Mail</b> <b>Return the proxy card by mail</b>	<b>Internet</b> <b>Follow online instructions on the proxy card</b>	<b>Telephone</b> <b>Call toll-free number provided on the proxy card</b>	<b>In Person</b> <b>Attend the annual meeting with your ID</b>
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**Even if you plan to attend the meeting, we encourage you to vote by internet, telephone, or mail so your vote will be counted if you later decide not to or cannot attend the meeting. If you attend the Annual Meeting, you may then revoke your proxy and vote in person if you desire.**

By Order of the Board of Directors,

[Notice Regarding the Availability of Proxy Materials](#)

Peter B. Saba  
Secretary

This notice of annual meeting of shareholders and related proxy materials are being distributed or made available to shareholders beginning on or about December 17, 2015. This includes instructions on how to access these materials (including our proxy statement and 2015 annual report to shareholders) online.

**SCHNITZER STEEL INDUSTRIES, INC.**

299 SW Clay Street, Suite 350

Portland, Oregon 97201

December 17, 2015

[Important information if you plan to attend the Annual Meeting:](#)

If you plan to attend the Annual Meeting in person, you must bring the Notice Regarding the Availability of Proxy Materials. If your shares are not registered in your name, you will need a legal proxy and account statement or other documentation confirming your Schnitzer Steel Industries stock holdings from the broker, bank, or other institution that holds your shares. You will also need a valid, government-issued picture identification that matches your Notice Regarding the Availability of Proxy Materials, legal proxy or other confirming documentation.

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**Table of Contents****Proxy Summary**

*In this section, we present an overview of the information that you will find in this proxy statement. As this is only a summary, we encourage you to read the entire proxy statement for more information about these topics prior to voting. For more complete information regarding our fiscal 2015 operating performance, please also review our Annual Report on Form 10-K.*

<i>Proposal</i>	<i>Board Recommendation</i>	<i>Page Reference</i>
<i>Election of Directors</i>	<i>For Each Nominee</i>	<i>14</i>
<i>Advisory Vote on Executive Compensation</i>	<i>For</i>	<i>58</i>
<i>Ratification of Selection of Independent Public Accounting Firm</i>	<i>For</i>	<i>60</i>

**Corporate Governance Highlights**

*At Schnitzer Steel, corporate governance provides a strong foundation upon which our business operates. Our governance policies and structures are designed to promote thoughtful consideration of our business actions and appropriate risk-taking, with the goal of producing successful business results for you our owners.*

- ü Seven of Nine Directors are Independent
- ü Separate Chairman and Chief Executive Officer ( CEO )

- ü Lead Independent Director
  
- ü Board Diversity
  
- ü Board Refreshment Eight of Nine Directors Appointed Since 2005
  
- ü Director Term Limit Policy
  
- ü Active Shareholder Outreach
  
- ü Board Participation in Shareholder Engagement
  
- ü Minimum Stock Ownership Requirements for Directors and Officers
  
- ü Anti-Hedging and Pledging Policies
  
- ü Codes of Conduct for Directors, Officers, and Employees
  
- ü Shareholder Ratification of Selection of External Audit Firm
  
- ü Comprehensive Sustainability Report

During fiscal 2015, we undertook the following new governance actions:

- ü Added a new independent director who is the former CEO of a public company in the mining industry
  
- ü Refreshed our Board committees by rotating committee members and changing the Chairs of several committees

#### **Executive Compensation Program Highlights**

Our executive compensation program is aligned with our business strategy and with creating long-term shareholder value. We design our program to pay for performance and to align management's interests with our shareholders interests. Highlights include:

- ü

Emphasis on performance-based compensation: 83% of the CEO's target compensation and 66% of other named executive officers ( NEOs ) target compensation at-risk

- ü The use of metrics in the annual incentive compensation plans for the CEO and other NEOs which are expected to drive long-term shareholder value
  
- ü Five-year vesting for Restricted Stock Units ( RSUs ) which represent 50% of the Company's long-term incentive plan awards
  
- ü Minimum stock ownership requirements for the CEO and other NEOs, which reinforce our focus on shareholder alignment
- ü Double-trigger for severance payments and benefits in change-in-control agreements
  
- ü No excise tax gross-up provisions in any new or modified change-in-control agreements since 2008
  
- ü No re-pricing of stock options
  
- ü Annual review of executive compensation design, market competitiveness, and best practices
  
- ü Retention of an independent compensation consultant to provide guidance and support to the Compensation Committee

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[Proxy Summary](#)

**New for Fiscal 2016**

In response to the Say-on-Pay vote at the 2015 Annual Meeting, we initiated significant shareholder outreach in order to obtain input from our shareholders regarding the Company's executive compensation program. We reached out to investors holding approximately 70% of our outstanding shares as of March 31, 2015, and had discussions, either by phone or in person, with investors holding nearly 50% of outstanding shares. All of these discussions involved both the Chairs of the Compensation Committee and the Board of Directors, and the input received was very helpful as the Compensation Committee considered potential changes to the executive compensation plans. Follow-on calls with investors were also held as the fiscal 2016 plans were being finalized.

The compensation plans for fiscal 2015 were put in place in the fall of 2014 prior to the Say-on-Pay vote in January 2015; therefore the fiscal 2015 compensation plans did not reflect the input from our post-vote outreach. However, directly as a result of the valuable feedback received from shareholders, the Compensation Committee made several significant changes to our executive compensation program for fiscal 2016. The following changes to our compensation program are effective beginning in fiscal 2016:

- ii Inclusion of a relative Total Shareholder Return (TSR) metric in the performance share plan which represents 50% of the Company's long-term incentive plan awards
  
- ii Return to a three-year performance period for the performance share plan to align more closely with the focus on longer-term performance
  
- ii Revision to the compensation peer group to better reflect companies with similar quantitative and qualitative characteristics
  
- ii Selection of a performance peer group using a quantitative and qualitative approach similar to that used for selecting the compensation peer group, while also reflecting companies in our industry which are viewed as traditional peers but may not be appropriate (e.g., too large) for purposes of comparing compensation

In addition, in recognition of current market conditions, the Compensation Committee took the following actions for fiscal 2016:

- ii No base salary increases for NEOs (except for one in connection with additional responsibilities) with a review at mid-year based on our financial and operating performance
  
- ii Consideration of long-term incentive awards in two stages: a grant in November 2015 at generally 50% of the previous year grant levels with a review at mid-year based on our financial and operating performance



**Table of Contents**[Proxy Summary](#)**Fiscal 2015 Business Performance & Accomplishments**

In fiscal 2015, our markets continued to be adversely impacted by the slowdown of economic activity globally. The macroeconomic uncertainty, combined with global steel-making overproduction, lower iron ore prices, and strengthening of the U.S. dollar, resulted in deteriorating market conditions for global steel manufacturers and accelerated the downward trend in commodity prices and in the demand for ferrous and nonferrous recycled metal. During fiscal 2015, selling prices for recycled ferrous metal experienced several periods of sharp declines, with prices at the end of fiscal 2015 being approximately 40% lower than the levels at the end of fiscal 2014. Lower sales volumes of recycled ferrous and nonferrous metal at our Auto and Metals Recycling ( AMR ) business were only partially offset

by higher sales volumes of finished steel products at our Steel Manufacturing Business ( SMB ).

Amid these headwinds, we undertook deliberate and substantial steps to lower our operating costs and improve our productivity. As a result of these initiatives and our continued focus on working capital management, we increased our free cash flow by 12% year-over-year, we reduced our SG&A expenses by 9% year-over-year, and we ended the year with net debt at our lowest level since the end of fiscal 2011 while continuing to return capital to our shareholders through our quarterly dividend and share repurchases. Our fiscal 2015 accomplishments included:

<b>\$60 million</b>	<b>Integration</b>	<b>\$145 million</b>	<b>\$205 million</b>
productivity improvement and cost savings initiatives	of Auto Parts and Metals Recycling Businesses	operating cash flow generated	net debt, a reduction of 30% from prior year-end

*For the definition of net debt and a reconciliation to GAAP, see Non-GAAP Financial Measures on pages 44 - 46 of our Annual Report on Form 10-K for the fiscal year ended August 31, 2015.*

As a result of the challenging macro-economic conditions, our industry has been experiencing a cyclical trough, and our stock price and market capitalization have been deeply impacted. Our TSR for fiscal 2015 was a negative 35% and our three-year TSR was a negative 12% per annum. Our current directors and executive officers, as a group, own about 900,000, or approximately 3%, of our outstanding shares and have also experienced the impact of these results.

**Fiscal 2015 Compensation Summary**

Our fiscal 2015 compensation program links pay to performance and also reflects the impact of the challenging market conditions and impact of our stock price on realizable pay. As a result of this linkage of pay to performance, actual compensation in fiscal 2015 was lower than target



levels as represented by the following:

The Compensation Committee exercised negative discretion to reduce the CEO's annual incentive payout by 50% for fiscal 2015 to align the over-performance in the productivity improvement metric with the outcome of the financial performance metrics

The annual incentive component in fiscal 2015 paid out below 0.5x of target for the CEO and other NEOs

The performance shares that vested for the fiscal 2014-2015 performance period paid out at below 0.6x of target for the CEO and other NEOs in the aggregate

No performance shares were earned by the CEO or other NEOs during the first year of the fiscal 2015-2016 performance period

Realizable pay on average over the past three years as compared to total compensation reported in the summary compensation table, as described below, was 60% for the CEO and 64% for the other NEOs

No increase in base salary for the CEO since 2011

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**Proxy Summary**

**Linking Pay to Performance**

To promote a performance-based culture that aligns the interests of management and stockholders, our executive compensation program focuses extensively on performance-based and equity-based compensation. As illustrated in the charts below, the substantial majority of our NEOs' target compensation in fiscal 2015 was in the form of at-risk compensation (short-term and long-term). Fixed Pay consists of annual base salary and At-Risk Pay consists of performance-based cash bonuses, time-based equity awards, and performance-based equity awards.

STI - Short-Term Incentive (performance-based annual cash incentive)

LTIP-RSU - Long-Term Incentive Plan Restricted Stock Units (time-based equity awards)

LTIP-PS - Long-Term Incentive Plan Performance Share (performance-based equity awards)

**Reported Compensation vs. Realizable Pay**

Amounts reported in the Summary Compensation Table (SCT) are the total compensation of an NEO in a given year as calculated in accordance with SEC rules (the SCT compensation). While the amounts shown in the SCT reflect the grant date fair value of equity awards granted to an NEO in the year of the grant, those awards have not vested and the amounts shown in the SCT do not reflect the impact of performance-based metrics or stock price performance on realizable pay, which may be considerably more or less based on (i) the actual number of restricted stock units that vest during the performance period, (ii) the actual number of performance shares which are earned based on actual performance achieved, and (iii) the impact of actual stock price performance on the value of performance shares and restricted stock units that vested or were earned during the period.

The following graph illustrates the difference between the three-year average SCT compensation and realizable pay of the CEO and other NEOs as of August 31, 2015. This table should not be viewed as a replacement or substitute for the SCT or other compensation tables provided on pages 48 - 56.

**Measurement Definitions**

SCT Compensation Amount as reflected in the Total column of the SCT.

Realizable Pay Sum of (i) annual base salary; (ii) annual cash incentive earned during the period; (iii) performance-based equity awards earned during the performance period; and (iv) time-based equity awards vested during the period. All equity awards are valued based on the Company's share price at August 31, 2015 (\$17.31).

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## Proxy Statement

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors (the **Board**) of Schnitzer Steel Industries, Inc., an Oregon corporation (the **Company**), to be voted at the Annual Meeting of Shareholders to be held at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting (the **Annual Meeting**). We are mailing a printed copy of this proxy statement and a proxy card to certain of our shareholders of record entitled to vote at the Annual Meeting on or about December 17, 2015. All other shareholders will receive a Notice Regarding the Availability of Proxy Materials (the **Notice**), which is being mailed on or about December 17, 2015. If you received a Notice by mail and would like to receive a printed copy of our proxy materials, not including a proxy card, you should follow the instructions for requesting such materials included in the Notice.

## Questions and Answers About These Proxy

## Materials and Voting

### Why am I being provided with these materials?

We are providing you with this proxy statement because the Board is soliciting your proxy to vote at the Annual Meeting of Shareholders to be held on January 27, 2016 or any adjournments thereof. You are invited to attend the Annual Meeting, and we request that you vote on the proposals described in this proxy statement. You do not need to attend the meeting to vote your shares. If you have received a printed copy of these materials by mail, you may simply complete, sign, and return your proxy card or follow the instructions

below to vote your shares by proxy over the telephone or through the Internet. If you did not receive a printed copy of these materials by mail and are accessing them on the Internet, you may simply follow the instructions below to vote your shares by proxy through the Internet. For shares held through a broker, bank, or nominee, you may vote by submitting voting instructions to your broker or nominee, or by obtaining a proxy executed in your favor from the shareholder of record (broker, bank, or nominee).

### What if I received a Notice Regarding the Availability of Proxy Materials?

In accordance with rules and regulations adopted by the Securities and Exchange Commission ( **SEC** ), instead of mailing a printed copy of our proxy materials to each shareholder of record we may furnish proxy materials to our shareholders over the Internet. We believe this is a more

cost-effective and environmentally-sensitive way to provide our shareholders with this information. If you received a Notice by mail, you will not receive a printed copy of the proxy materials.

Instead, the Notice will instruct you as to how you may access and review all of the important information contained in the proxy materials. The Notice will also instruct you as to how you may submit your proxy over the Internet. If you received a Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the Notice.

## **What am I voting on?**

The only matters scheduled for a vote are the election of the three nominated directors listed herein, the advisory vote on executive compensation described in this proxy statement,

and the vote to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal 2016.

## **How does the Board recommend that I vote my shares?**

The Board recommends that you vote FOR each of the nominees to the Board, FOR the advisory vote on executive compensation, and FOR the ratification of the selection of

PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal 2016.

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**[Questions and Answers About These Proxy Materials and Voting](#)**

## **Who can vote at the Annual Meeting?**

Shareholders at the close of business on December 1, 2015 (the Record Date ) will be entitled to vote at the Annual Meeting. Holders of Class A common stock and Class B common stock will vote together as a single class on all matters at the Annual Meeting. Each share of common stock (whether Class A or Class B) is entitled to one vote with respect to each matter to be voted on at the Annual Meeting. You have one vote for each share of common stock held by you as of the Record Date, including shares:

Registered directly in your name with our transfer agent (also referred to as a shareholder of record );

Held for you in an account with a broker, bank, or other nominee (shares held in street name ) street name holders generally cannot vote their shares directly and instead must instruct the broker, bank, or nominee how to vote their shares or, if they want to vote in person, they must obtain a proxy, executed in their favor, from the shareholder of record (broker, bank, or other nominee).

## **What if my shares are not registered directly in my name but are held in street name?**

If, at the close of business on December 1, 2015, your shares were held in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in street name, and the Notice or other proxy materials, as applicable, are being forwarded to you by that organization. The organization holding your account is considered the shareholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares in your account. If your shares are held by a broker and you do not indicate how you wish to vote, your broker is permitted to exercise its discretion to vote your shares only on certain routine matters ( broker discretionary voting ). Proposal No. 3 with respect to the

ratification of the selection of the Company's independent registered public accounting firm is a routine matter, and your broker is permitted to exercise discretionary voting authority to vote your shares on this proposal. Unless you provide your broker with voting instructions, your broker may not exercise discretionary voting authority and may not vote your shares with respect to the election of directors (Proposal No. 1) or the advisory vote related to executive compensation (Proposal No. 2). See the discussion of broker non-votes below. We strongly encourage you to submit your voting instructions and exercise your right to vote as a beneficial owner of shares. If you want to vote your shares in person, you will need to obtain a proxy executed in your favor from the shareholder of record.

## **If I am a shareholder of record, how do I cast my vote?**

If you are a shareholder of record, you may vote using any of the following methods:

*By Internet* If you have Internet access, you may submit your proxy by going to [www.proxypush.com/schn](http://www.proxypush.com/schn) and by following the instructions on how to complete an electronic proxy card. You will need the 12-digit number included on your Notice or your proxy card in order to vote by Internet.

*By Telephone* If you have access to a touch-tone telephone, you may submit your proxy by dialing (866) 883-3382 and by following the recorded instructions. You will need the 12-digit number included on your Notice or your proxy card in order to vote by telephone.

*By Mail* You may vote by mail by requesting a proxy card from us, indicating your vote by completing, signing, and dating the card where indicated and by mailing or otherwise returning the card in the envelope that will be provided to you. You should sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example, as guardian, executor, trustee, custodian, attorney, or officer of a corporation), indicate your name and title or capacity.

*In Person* You may cast your vote in person by attending the Annual Meeting. We will give you a ballot when you arrive. Even if you plan to attend the meeting, we encourage you to vote by Internet, telephone, or mail so your vote will be counted if you later decide not to or cannot attend the meeting. If you attend the Annual Meeting, you may then revoke your proxy and vote in person if you desire. We provide Internet proxy voting to allow you to vote your shares on-line, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. While there is no specific charge or cost to you for voting by Internet, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

Internet and telephone voting facilities will close at 11:59 pm (Central time) on January 26, 2016 for the voting of shares.

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**[Questions and Answers About These Proxy Materials and Voting](#)**

**What if I return a proxy card but do not make specific choices?**

If you are a shareholder of record and return a signed and dated proxy card without marking any voting selections, your shares will be voted FOR the election of each of the nominees for director set forth in this proxy statement, FOR the advisory resolution on executive compensation, and FOR the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal 2016. If any other matter is properly presented at the meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

If you are a beneficial owner of shares held in street name and return signed and dated voting instructions without marking

any voting selections, your shares may be voted at the discretion of your broker with respect to the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal 2016 (Proposal No. 3) but may not be voted with respect to the election of the nominees for director (Proposal No. 1) or the advisory vote related to executive compensation (Proposal No. 2). If any matter which is considered routine is properly presented at the meeting, your proxy (one of the individuals named on the proxy card) will vote your shares using his or her best judgment. Please return your voting instructions with your voting selections marked so that your vote can be counted.

**What constitutes a quorum?**

Holders of Class A common stock and Class B common stock will vote together as a single class on all matters voted on at the Annual Meeting, and each share is entitled to one vote. A majority of the total outstanding shares of Class A and Class B common stock must be present or represented by proxy to

constitute a quorum at the Annual Meeting. Shares voted by proxy on any matter (including shares voted pursuant to a broker's discretionary voting authority) are counted as present at the meeting for purposes of determining a quorum.

**How many votes are required to approve each proposal?**



The election of directors (Proposal No. 1) will be determined by a plurality of the votes cast by the shares entitled to vote in the election at the meeting, assuming a quorum is present. A plurality vote requirement means that the three director nominees with the greatest number of votes cast, even if less than a majority, will be elected. There is no cumulative voting.

The advisory vote on executive compensation (Proposal No. 2) will be approved if the votes cast favoring the proposal exceed the votes cast opposing the proposal. While the vote

on executive compensation (Proposal No. 2) is advisory in nature and non-binding, the Board will review the voting results and expects to take them into consideration when making future decisions regarding executive compensation.

The ratification of the selection of the independent registered public accounting firm (Proposal No. 3) will be approved if the votes cast favoring the proposal exceed the votes cast opposing the proposal.

## **How are votes counted?**

With respect to the election of directors, you may vote **FOR** or **WITHHOLD** with respect to each nominee. Votes that are withheld will be excluded entirely from the vote with respect to the nominee from which they are withheld. Votes that are withheld will not have any effect on the outcome of the election of directors.

You may vote **FOR**, **AGAINST**, or **ABSTAIN** with respect to the advisory vote on executive compensation (Proposal No. 2) and the vote on the ratification of the selection of the independent registered public accounting firm (Proposal No. 3). For Proposal No. 2 and Proposal No. 3, abstentions will not have any effect on the outcome of the vote.

## **What is a broker non-vote and how does it affect voting on each item?**

A broker who holds shares for a beneficial owner has the discretion to vote on routine proposals when the broker has not received voting instructions from the beneficial owner. A broker non-vote occurs when shares held by a broker are

not voted with respect to a proposal because (1) the broker

has not received voting instructions from the shareholder who beneficially owns the shares and (2) the broker lacks discretionary authority to vote the shares for that particular matter. Each of Proposal No. 1 (election of directors) and Proposal No. 2 (advisory vote on executive compensation) are



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**Questions and Answers About These Proxy Materials and Voting**

considered to be non-routine matters, and brokers therefore lack discretionary authority to vote shares on such matters at this meeting. Broker non-votes, like other shares that are not

voted at the meeting, have no effect on the outcome of the vote on such matters.

## **Can I change my vote after submitting my proxy?**

Yes. You can revoke your proxy at any time before the final vote at the meeting. You may revoke your proxy in any one of the following five ways:

You may submit another properly completed proxy card with a later date that is received prior to the taking of the vote at the Annual Meeting.

You may vote again on the Internet or by telephone before the closing of those voting facilities at 11:59 pm (Central time) on January 26, 2016 (only your latest Internet or telephone proxy submitted prior to the Annual Meeting will be counted).

You may send a written notice that you are revoking your proxy to the Company's Secretary at Schnitzer Steel Industries, Inc., P.O. Box 10047, Portland, Oregon 97296-0047, Attention: Corporate Secretary, or hand-deliver it to the Secretary at or before the taking of the vote at the Annual Meeting.

You may attend the Annual Meeting, revoke your proxy, and vote in person. Simply attending the Annual Meeting will not, by itself, revoke your proxy.

Remember that if you are a beneficial owner of Company shares holding shares in a street name, you may submit new voting instructions by contacting your bank, broker, or other nominee. You may also change your vote or revoke your proxy in person at the Annual Meeting if you obtain a valid proxy from the organization that is the record owner of your shares (such as your broker).



**Table of Contents****Voting Securities and Principal Shareholders**

The record date for determining shareholders entitled to receive notice of and to vote at the Annual Meeting was December 1, 2015. At the close of business on December 1, 2015, a total of 26,745,463 shares of our common stock, par value \$1.00 per share, were outstanding and entitled to vote at the Annual Meeting. The outstanding common stock consisted of 26,439,563 shares of Class A common stock (Class A) and 305,900 shares of Class B common stock (Class B). Each share of common stock (whether Class A or Class B) is entitled to one vote with respect to each matter to be voted on at the Annual Meeting.

The following table sets forth certain information regarding the beneficial ownership of our common stock as of November 30, 2015 (unless otherwise noted in the footnotes to the table) by (i) persons known to us to be the beneficial owner of more than 5% of our common stock, (ii) each of our current directors, (iii) each nominee for director, (iv) each of

our executive officers listed in the Summary Compensation Table (each, a named executive officer and collectively the named executive officers), and (v) all of our current directors and executive officers as a group. Unless otherwise noted in the footnotes to the table, the persons named in the table have sole voting and investment power with respect to all outstanding shares of common stock shown as beneficially owned by them. Except as noted below, the address of each shareholder in the table is c/o Schnitzer Steel Industries, Inc., P.O. Box 10047, Portland, Oregon 97296-0047. Each Class B share is convertible into one Class A share, and there are no meaningful distinctions between the rights of holders of Class A shares and Class B shares. Accordingly, the following table reports beneficial ownership of common stock in the aggregate and does not distinguish between Class A shares and Class B shares.

Name of Beneficial Owner or Number of Persons in Group	Common Stock Beneficially Owned	
	Number	Percent
The Vanguard Group, Inc.	1,717,895 <sup>(1)</sup>	6.4%
Rutabaga Capital Management LLC	1,587,031 <sup>(2)</sup>	5.9%

Dimensional Fund Advisors, L.P.	1,582,334 <sup>(3)</sup>	5.9%
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David J. Anderson	(4)	*
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John D. Carter	166,367	*
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William A. Furman	89,679 <sup>(5)</sup>	*
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Wayland R. Hicks	7,100 <sup>(6)</sup>	*
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David L. Jahnke	(7)	*
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Judith A. Johansen	(8)	*
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William D. Larsson	1,000 <sup>(9)</sup>	*
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Michael W. Sutherlin	(10)	*
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Tamara L. Lundgren	424,104 <sup>(11)</sup>	1.6%
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Richard D. Peach	101,287 <sup>(12)</sup>	*
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Jeffrey Dyck	63,031 <sup>(13)</sup>	*
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Steven G. Heiskell	15,492 <sup>(14)</sup>	*
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Michael R. Henderson	13,461	*
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Belinda Gaye Hyde		*
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All current directors and executive officers as a group (15 persons)	884,409 <sup>(15)</sup>	3.3%
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\* Less than 1%

(1) Beneficial ownership as of September 30, 2015 as reported by Vanguard Group, Inc., PO Box 2600, Valley Forge, PA 19482 in a Form 13F filed by the shareholder.

(2) Beneficial ownership as of September 30, 2015 as reported by Rutabaga Capital Management LLC, 64 Broad Street, 3rd Floor, Boston, MA 02109 in a Form 13F filed by the shareholder.

(3) Beneficial ownership as of September 30, 2015 as reported by Dimensional Fund Advisors LP, 6300 Bee Cave Road, Building One, Austin, TX 78746 in a Form 13F filed by the shareholder.

(4) Excludes 26,826 shares covered by deferred stock units ( DSUs ) or credited to an account under the Deferred Compensation Plan for Non-Employee Directors (the Director DCP ).

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**Voting Securities and Principal Shareholders**

- (5) Excludes 34,048 shares covered by DSUs or credited to an account under the Director DCP.
- (6) Excludes 35,374 shares covered by DSUs or credited to an account under the Director DCP.
- (7) Excludes 16,334 shares covered by DSUs or credited to an account under the Director DCP.
- (8) Excludes 34,048 shares covered by DSUs or credited to an account under the Director DCP.
- (9) Excludes 34,048 shares covered by DSUs or credited to an account under the Director DCP.
- (10) Excludes 5,243 shares covered by DSUs or credited to an account under the Director DCP.
- (11) Includes 154,884 shares subject to options that became exercisable prior to January 30, 2016.
- (12) Includes 49,092 shares subject to options that became exercisable prior to January 30, 2016.
- (13) Includes 21,532 shares subject to options that became exercisable prior to January 30, 2016.
- (14) Includes 3,023 shares subject to options that became exercisable prior to January 30, 2016.
- (15) Includes 228,531 shares subject to options that became exercisable prior to January 30, 2016. Excludes 185,921 shares covered by DSUs or credited to an account under the Director DCP.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers, and persons who beneficially own more than 10% of our outstanding common stock to file with the SEC reports of beneficial ownership and changes in beneficial ownership of our common stock held by such persons. Executive officers, directors, and greater than 10% shareholders are also required to furnish us copies of all forms

they file under this regulation. To our knowledge, based solely

on a review of the copies of such reports furnished to us and representations that no other reports were required, during fiscal 2015, we believe that all required Section 16(a) reports were timely filed for such fiscal year, except that Mr. Hicks made one late filing on Form 4 related to 1,000 shares acquired in three transactions on January 20, 2015, which transactions were reported on a Form 4 filed on January 23, 2015, one day late.

## Certain Transactions

Thomas D. Klauer, Jr., who had been President of the Company's former Auto Parts Business prior to his retirement on January 5, 2015, is the sole shareholder of a corporation that is the 25% minority partner in a partnership in which we are the 75% partner and which operates five self-service stores in Northern California. Mr. Klauer's 25% share of the profits of this partnership totaled \$1,217,087 in fiscal 2015. We and a company owned by Mr. Klauer jointly own the real property at one of these stores, which is leased to the partnership. In fiscal 2015, Mr. Klauer's share of the rent paid by the partnership was \$282,836. The term of this lease expires in December 2020, and the partnership has the option to renew the lease, upon its expiration, for multiple five-year periods. Rent under the lease is adjusted annually based on the Consumer Price Index. Also in fiscal 2009, Mr. Klauer, through a company of which he is the sole shareholder, acquired ownership of a contiguous parcel of real property, a portion of which is leased to the partnership. The term of this lease expires in December 2020, and the partnership has the option to renew the lease, upon its expiration, for multiple five-year periods. Rent under the lease is adjusted annually based on the Consumer Price Index. The rent paid by the partnership to Mr. Klauer's company in fiscal 2015 for this parcel was \$266,342.

Certain members of the Schnitzer family, including Kenneth M. Novack who was a director until January 2015 and members of his immediate family, have significant interest in, or are related to owners of, MMGL Corp. (formerly Schnitzer Investment Corp.) (MMGL), which is engaged in the real estate business and was a subsidiary of the Company prior to 1989. The

Company and MMGL are both potentially responsible parties with respect to Portland Harbor, which has been designated as a Superfund site since December 2000. The Company and MMGL have worked together in response to Portland Harbor matters and, prior to 2009, the Company paid all of the legal and consultant fees for the joint defense, in part due to its environmental indemnity obligation to MMGL with respect to the Portland scrap operations property which is adjacent to the Portland Harbor. In 2009, we agreed with MMGL to an equitable cost sharing arrangement with respect to defense costs under which MMGL pays 50% of the legal and consultant costs, net of insurance recoveries. The amounts receivable from (payable to) MMGL vary from period to period because of the timing of incurring legal and consulting fees, payment for cost reimbursements and insurance recoveries. As of January 2015, Mr. Novack was no longer a member of the Company's Board of Directors and, thus, MMGL ceased being a related party. Amounts receivable from MMGL under the cost sharing agreement were \$238,431 at August 31, 2015.

The Audit Committee charter requires the Audit Committee to review any transaction or proposed transaction with a related person, or in which a related person has a direct or indirect interest, and determine whether to ratify or approve the transaction, with ratification or approval to occur only if the Audit Committee determines that the transaction is fair to the Company or that approval or ratification of the transaction is in the interest of the Company. The Audit Committee has reviewed and approved or ratified each of the foregoing transactions.

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**Proposal No. 1 Election Of Directors**

We are asking shareholders to elect the three individuals nominated by the Board, each of whom is a current director.

The Board currently consists of nine members divided into three classes pursuant to our 2006 Restated Articles of Incorporation and Restated Bylaws. One class of directors is elected each year for a three-year term. The term of Class I directors expires at the 2016 annual meeting; the term of Class II directors expires at the 2017 annual meeting; and the term of Class III directors expires at the 2018 annual meeting. Generally, the terms of directors continue until their respective successors are duly elected and qualified.

Action will be taken at the 2016 annual meeting to elect one Class III director to serve until the 2018 annual meeting of shareholders and two Class I directors to serve until the 2019 annual meeting of shareholders. William A. Furman, a current

Class I director, has not been re-nominated for election as a director, and his term as a director will end at the 2016 annual meeting. The Board of Directors has approved a decrease in the number of directors from 9 to 8 effective immediately prior to the 2016 annual meeting.

The nominees for election at the 2016 annual meeting are Michael W. Sutherlin as a Class III director and David L. Jahnke and William D. Larsson as Class I directors. The Board has determined that each of Messrs. Sutherlin, Jahnke, and Larsson qualifies as an independent director under our Corporate Governance Guidelines, SEC rules, and NASDAQ requirements. If any nominee is unable to stand for election, the persons named in the proxy will vote the proxy for a substitute nominee in accordance with the recommendation of the Board. We are not aware of any nominee who is or will be unable to stand for election.

**Class III Director Nominee**

Michael W. Sutherlin	<b>Board Committees:</b>	<b>Other Public Company</b>
Age: 69	Compensation	<b>Directorships:</b>

**Director Since:**  
2015

Nominating and Corporate Governance

Peabody Energy  
Corporation

**Qualifications and Skills to Serve as a Director:**

Tesco Corporation,  
Chairman of the  
Board

Experience as public company CEO and public company

Board Chairman

Manufacturing and mining sector experience

Core operations, executive leadership, international business, and

executive compensation experience

**Mr. Sutherlin** served as President and Chief Executive Officer of Joy Global, Inc., a manufacturer and servicer of mining equipment for the extraction of coal and other minerals and ores, from 2006 until 2013. He was Executive Vice President, President and Chief Operating Officer of Joy Mining Machinery from 2003 to 2006. Prior to that time, Mr. Sutherlin held positions of increasing responsibility for Varco International, Inc. including President and Chief Operating Officer and Division President. He currently serves as director of Peabody Energy Corporation, where he serves on the Compensation Committee and the Health, Safety, Security and Environmental Committee, and Tesco Corporation, where he serves as Chairman of the Board. Mr. Sutherlin holds a Bachelor of Business Administration from the Texas Tech University and an MBA from the University of Texas at Austin.

Table of Contents**Proposal No. 1 Election Of Directors****Class I Director Nominees**

<b>David L. Jahnke</b>	<b>Board Committees:</b>	<b>Other Public Company</b>
<b>Age:</b> 62	Audit, Chair	<b>Directorships:</b>
<b>Director Since:</b> 2013	Compensation	First Interstate BancSystem, Inc., Lead Independent Director
	<b>Qualifications and Skills to Serve as a Director:</b>	
	Public accounting, financial reporting, and internal controls experience	
	Experience in complex financial transactions, international business and executive compensation	
	Public company board and committee leadership experience	

**Mr. Jahnke** held various positions at KPMG, the international accounting firm, from 1975 until 2010. From 2005 to 2010, he was the Global Lead Partner for a major KPMG client and was located in KPMG's Zurich, Switzerland office. Prior to that time, he held positions of increasing responsibility in KPMG, including Office Managing Partner and Audit Partner in Charge of the Minneapolis office from 1999 to 2004. Mr. Jahnke is a Certified Public Accountant in Minnesota. As a director of First Interstate BancSystem, Inc., he serves on its Compensation Committee, is Chair of its Governance and Nominating Committee, and is the Lead Independent Director. He is also a director of Swiss Re

America Holding Corporation where he serves as Chair of its Audit Committee and is a member of its Executive Committee. Mr. Jahnke holds a B.S. in Accounting from the University of Minnesota-Twin Cities.

**William D. Larsson Board Committees:**

**Age:** 70

**Director Since:** 2006  
Nominating and Corporate Governance, Chair

Audit

**Other public company**

**Directorships:**

Clearwater Paper Corporation

**Qualifications and skills to serve as a director:**

Former public company Chief Financial Officer

Experience in general manufacturing, international business, mergers and acquisitions, executive compensation, strategic analysis, and growth management and organizational integration

Public company board and committee leadership experience

From 2000 until 2009, Mr. Larsson was Senior Vice President and Chief Financial Officer of Precision Castparts Corp., a leading manufacturer of complex metal components and products principally for the aerospace and power generation industries. Mr. Larsson is a director of Clearwater Paper Corporation where he serves as Chair of its Nominating and Governance Committee and a member of its Audit Committee. He earned a B.S. in Economics and a B.S. in Mathematics from the University of Oregon and an MBA from California State University at Long Beach.

**Vote Required to Elect Directors**

Holders of Class A Common Stock and Class B Common Stock will vote together as a single class on this matter, and each share is entitled to one vote for each director nominee. Directors are elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and

entitled to vote on the election of directors. Proxies received from shareholders of record, unless directed otherwise, will be voted FOR the election of each of the nominees. Abstentions and broker non-votes will have no effect on the results of the vote.

**The Board of Directors recommends that shareholders vote                      the election of each  
of the nominees named above.**

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**Proposal No. 1 Election Of Directors**

**Continuing Directors**

**Class II Directors**

<p><b>Wayland R. Hicks</b></p> <p><b>Age:</b> 73</p> <p><b>Director Since:</b> 2009</p>	<p><b>Board Committees:</b></p> <p>Lead Director</p> <p>Compensation</p> <p>Nominating and Corporate Governance</p> <p><b>Qualifications and Skills to Serve as a Director:</b></p> <p>Former Chief Executive Officer of public companies</p> <p>Expertise in operations, general manufacturing, international business, mergers and acquisitions, logistics, executive compensation, and</p>	<p><b>Other Public Company</b></p> <p><b>Directorships:</b></p> <p>United Rentals, Inc. (1998 - 2009)</p>
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strategic planning and analysis.

**Mr. Hicks** served as Director and Vice Chairman of United Rentals, Inc., a construction equipment rental company, from 1998 until March 2009. At United Rentals, Inc., he also served as Chief Executive Officer from December 2003 until June 2007 and Chief Operating Officer from 1997 until December 2003. Mr. Hicks served as Chief Executive Officer and President of Indigo N.V., a manufacturer of commercial and industrial printers, from 1996 to 1997, and as Vice Chairman and Chief Executive Officer of Nextel Communications Corp. from 1994 to 1995. From 1967 to 1994, he held various executive positions with Xerox Corporation. Mr. Hicks also served as a Director of Perdue Farms Inc. from 1991 to 2014.

**Judith A. Johansen**

**Board Committees:**

**Other Public Company**

**Age:** 57

**Directorships:**

**Director Since:** 2006

Compensation, Chair

IDACORP and Idaho  
Power

Nominating and Corporate Governance

Company

**Qualifications and Skills to Serve as a Director:**

Pacific Continental  
Corp. and

Pacific Continental Bank

Former Chief Executive Officer

Expertise in the commodities markets, human resources,

executive compensation, government and  
community relations, change

management, and environmental issues

Public company board and committee experience

**Ms. Johansen** served as President of Marylhurst University in Lake Oswego, Oregon, a position she held from July 2008 to September 1, 2013. From December 2001 through March 2006, Ms. Johansen was President and Chief Executive Officer of PacifiCorp, an electric utility, and was their Executive Vice President of Regulation and External Affairs from December 2000 to December 2001. She was Administrator and Chief Executive Officer of the Bonneville Power Administrator, a regional Federal power marketing agency, from 1998 to 2000. Ms. Johansen earned her B.A. in Political Science from Colorado State University and her J.D. from Northwestern School of Law at Lewis & Clark College.

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**Proposal No. 1 Election Of Directors**

<p><b>Tamara L. Lundgren</b></p> <p><b>Age:</b> 58</p> <p><b>Director Since:</b> 2008</p>	<p><b>Board Committees:</b></p> <p>None (Ms. Lundgren is the Company's CEO)</p>	<p><b>Other Public Company</b></p> <p><b>Directorships:</b></p> <p>Ryder System, Inc.</p>
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**Qualifications and Skills to Serve as a Director:**

Chief Executive Officer of Schnitzer Steel Industries, Inc.

Expertise in commodities, strategic planning and analysis, finance, operations, change management, international business, government and community relations, mergers and acquisitions, and investment banking

Public company board and committee experience

President, Chief Executive Officer and a Director of the Company since December 2008. Ms. Lundgren joined the Company in September 2005 as Vice President and Chief Strategy Officer, and held positions of increasing

responsibility including President of Shared Services and Executive Vice President and Chief Operating Officer. Prior to joining the Company, Ms. Lundgren was a managing director in investment banking at JPMorgan Chase, which she joined in 2001. From 1996 until 2001, Ms. Lundgren was a managing director of Deutsche Bank AG in New York and London. Prior to joining Deutsche Bank, Ms. Lundgren was a partner at the law firm of Hogan & Hartson, LLP in Washington, D.C. Ms. Lundgren is a director of the Federal Reserve Bank of San Francisco, Portland Branch. She earned her B.A. from Wellesley College and her J.D. from the Northwestern University School of Law.

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**Proposal No. 1 Election Of Directors**

**Class III Directors**

<p><b>David J. Anderson</b></p> <p><b>Age:</b> 68</p> <p><b>Director Since:</b> 2009</p>	<p><b>Board Committees:</b></p> <p>Audit</p> <p>Compensation</p>	<p><b>Other Public Company</b></p> <p><b>Directorships:</b></p> <p>Modine Manufacturing Company</p> <p>MTS Systems Corporation,</p> <p>Chairman of the Board</p>
<p><b>Qualifications and Skills to Serve as a Director:</b></p> <p>Public company CEO experience</p> <p>Expertise in general manufacturing, international business, strategic planning, growth management, operational integration, and operations</p> <p>Public company board leadership and committee experience</p>		

**Mr. Anderson** served as Executive Director and Co-Vice Chairman of Sauer-Danfoss Inc., a worldwide leader in the design, manufacture, and sale of engineered hydraulic, electric, and electronic systems and components, from January

2009 through July 2009. He was President and Chief Executive Officer of Sauer-Danfoss Inc. from July 2002 until January 2009 and a director of Sauer-Danfoss Inc. from July 2002 until July 2009. Mr. Anderson served as Executive Vice President Strategic Business Development of Sauer-Danfoss Inc. from May 2000 until July 2002. From 1984 to May 2000, he held various senior management positions with Sauer-Danfoss Inc. and Sauer-Danfoss (US) Company. From 1970 to 1984, Mr. Anderson held various executive positions in business development, sales, marketing, and applications engineering with manufacturing and distribution businesses in the fluid power industry. Mr. Anderson is a director of Modine Manufacturing Company and serves on its Audit, Technology, and Corporate Governance and Nominating committees and is Board Chair of MTS Systems Corporation and serves on its Audit Committee. He has also served on the boards of the National Fluid Power Association and the National Fluid Power Association's Technology and Education Foundation, chairing each in 2008 and 2009. Mr. Anderson holds a B.S. degree in Mechanical Engineering from the University of Wisconsin.

<p><b>John D. Carter</b></p> <p><b>Age:</b> 69</p> <p><b>Director Since:</b> 2005</p>	<p><b>Board Committees:</b></p> <p>Board Chairman</p> <p><b>Qualifications and Skills to Serve as a Director:</b></p> <p>Former Chief Executive Officer of Schnitzer Steel Industries, Inc.</p> <p>Extensive international business experience</p> <p>Expertise in strategic planning and analysis, mergers and acquisitions, operations, environmental affairs, and government relations</p> <p>Public company board and committee leadership experience</p>	<p><b>Other Public Company</b></p> <p><b>Directorships:</b></p> <p>Northwest Natural Gas Company</p> <p>FLIR Systems, Inc.</p>
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**Mr. Carter** has been Chairman of the Board since December 2008 and was President and Chief Executive Officer of the Company from May 2005 to December 2008. From 2002 to May 2005, Mr. Carter was engaged in a consulting practice focused primarily on strategic planning in transportation and energy for national and international businesses, while also owning other small business ventures. From 1982 to 2002, Mr. Carter served in a variety of senior management capacities at Bechtel Group, Inc., an engineering and construction company, including as Executive Vice President and Director, as well as President of Bechtel Enterprises, Inc., a wholly-owned subsidiary, and other operating groups. He retired from Bechtel at the end of 2002. Prior to his Bechtel tenure, Mr. Carter was a partner in a San Francisco law firm. He is a graduate of Stanford University and Harvard Law School.

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**Proposal No. 1 Election Of Directors**

**Corporate Governance**

The Company is committed to strong corporate governance. The Company is governed by a Board of Directors and Committees of the Board that meet throughout the year. Directors discharge their responsibilities at Board and Committee meetings and also through other communications with management.

Our Board of Directors has an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee (the N&CG Committee), each of which has a written charter adopted by the Board of Directors, copies of which are posted on our website at [www.schnitzersteel.com](http://www.schnitzersteel.com). The Board of Directors has also adopted Corporate Governance Guidelines which are posted on our website. Under our Corporate Governance Guidelines,

committee members are appointed annually and the chairs of and director membership on committees are periodically rotated based on the skills, desires, and experiences of the members of the Board.

*Director Independence*

The Board of Directors has determined that David J. Anderson, William A. Furman, Wayland R. Hicks, David L. Jahnke, Judith A. Johansen, William D. Larsson, and Michael W. Sutherlin are independent directors as defined by our Corporate Governance Guidelines and NASDAQ listing requirements. Accordingly, a majority of the directors have been determined to be independent directors. The independent directors regularly meet in executive sessions at which only independent directors are present.

The independent directors serve on the following committees:

Director	Audit	Board Committees Compensation	Nominating
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David J. Anderson	1	1	
William A. Furman	1		1
Wayland R. Hicks		1	1
David L. Jahnke	C	1	
Judith A. Johansen		C	1
William D. Larsson	1		C
Michael W. Sutherlin		1	1

1 = Member      C = Chair

During fiscal 2015, the Board of Directors held four meetings, the Audit Committee held nine meetings, the Compensation Committee held five meetings, and the N&CG Committee held four meetings. Each director attended at least 75% of the aggregate number of meetings of the Board and committees of the Board on which he or she served that were held during the period for which he or she served. We encourage all directors to attend each annual meeting of shareholders, and all directors then serving attended the 2015 Annual Meeting.

*Board Leadership*

The current Board leadership structure separates the role of Chairman and CEO. These roles have been separate since May 2005 and the Board and the N&CG Committee have determined that the current structure continues to be appropriate as it enables the CEO to focus on the complexities and challenges of the role as our chief executive officer while enabling the Board Chairman to provide leadership at the Board level. This leadership structure also enables the Board to better fulfill its risk oversight responsibilities, as described

under [The Board's Role in Risk Oversight](#). The Board periodically assesses its leadership structure in light of the Company's needs and circumstances.

The Board also has a lead director, who is an independent director. Under our Corporate Governance Guidelines, the lead director role is periodically rotated among the independent directors. As of September 1, 2014, Mr. Hicks replaced Mr. Larsson as lead director. Mr. Larsson had been the lead director since the position was created in November 2008. The lead director's responsibilities include: facilitating effective communication between the Board and management; consulting with the Chairman and the CEO; discussing annually with the Chairman of the Board and the Chair of the Compensation Committee the CEO's performance, development, and compensation; and presiding at meetings of the Board when the Chairman is not present, including executive sessions of the independent directors. The lead director generally attends all meetings of the Board's committees.

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**Proposal No. 1 Election Of Directors**

**Board Committees and Responsibilities**

**Audit Committee**

**Chair:** David L. Jahnke

**Additional Members:** David J. Anderson, William A. Furman, and William D. Larsson

**Meetings Held in 2015:** Nine

**Independence:** Our Board has determined that each member of the Audit Committee meets all additional independence requirements for Audit Committee members under applicable SEC regulations and NASDAQ rules.

**Audit Committee Financial Literacy and Expertise:** Our Board also has determined that each member of the Audit Committee is financially literate under applicable SEC and NASDAQ rules and is an audit committee financial expert as defined in regulations adopted by the SEC.

The Audit Committee represents and assists the Board in oversight of our accounting and financial reporting processes and the audits of our financial statements; appointing, approving the compensation of, and overseeing the independent auditors; reviewing and approving all audit and non-audit services performed by the independent auditors; reviewing the scope and discussing the results of the audit

with the independent auditors; reviewing management's assessment of the Company's internal controls over financial reporting; overseeing the Company's compliance program; overseeing the Company's internal audit function; and reviewing and approving, as appropriate, all transactions of the Company with related persons (see "Certain Transactions").

**Compensation Committee**

**Chair:** Judith A. Johansen

**Additional Members:** David J. Anderson, Wayland R. Hicks, David L. Jahnke, and Michael W. Sutherlin

**Meetings Held in 2015:** Five

**Independence:** Our Board has determined that each member of the Compensation Committee meets the additional independence standards for Compensation Committee members under the NASDAQ rules and qualifies as a non-employee and outside director under Rule 16b-3 under the Securities Exchange Act of 1934 and under section 162(m) of the Internal Revenue Code, respectively.

**Compensation Committee Interlock and Insider Participation:** No members of the Compensation Committee who served during 2015 were officers or employees of the Company or any of its subsidiaries during the year, were formerly Company officers, or had any relationship otherwise requiring disclosure as a compensation committee interlock.

The Compensation Committee has overall responsibility for the administration of the Company's executive and director compensation plans and equity-based plans; overseeing and evaluating the performance of the CEO and determining the CEO's compensation; administering and interpreting executive compensation plans, the Company's stock plans, and all other equity-based plans from time to time adopted by the Company, including our 1993 Amended and Restated Stock Incentive Plan ( "SIP" ); determining the compensation of the

other executive officers; in consultation with the N&CG

Committee, reviewing and recommending to the Board for approval compensation for members of the Board, including compensation paid to the Chairman, Lead Director and committee chairs; and overseeing the preparation of executive compensation disclosures included in the Company's proxy statement in accordance with the SEC rules and regulations. For a description of the Committee's activities regarding executive compensation, refer to the Compensation Discussion and Analysis.

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**Proposal No. 1 Election Of Directors**

**Nominating and Corporate Governance ( N&CG ) Committee**

**Chair:** William D. Larsson

**Additional Members:** William A. Furman, Wayland R. Hicks, Judith A. Johansen, and Michael W. Sutherlin

**Meetings Held in 2015:** Four

**Independence:** Our Board has determined that each member of the N&CG Committee is independent under applicable SEC regulations and NASDAQ rules.

The N&CG Committee has responsibility for identifying, selecting, and recommending to the Board individuals proposed to be (i) nominated for election as directors by the shareholders or (ii) elected as directors by the Board to fill vacancies; working with the Chairman of the Board and the Lead Director, seeking to ensure that the Board's committee structure, committee assignments, and committee chair assignments are appropriate and effective; developing and

recommending to the Board for approval, and reviewing from time to time, a set of corporate governance guidelines for the Company, which includes a process for the evaluation of the Board, its committees, and management; developing and maintaining director education opportunities; and monitoring compliance with the corporate governance guidelines adopted by the Board.

*Assessment of Director Qualifications*

The N&CG Committee uses a Board composition matrix to inventory the expertise, skills, and experience of each director to ensure that the overall Board maintains a balance of knowledge and relevant experience. The N&CG Committee carefully reviews all director candidates, including current directors, based on the current and anticipated composition of the Board, our current and anticipated strategy and operating requirements, and the long-term interests of shareholders. In assessing current directors and potential candidates, the N&CG Committee considers the character, background, and professional experience of each current director and potential candidate. In its evaluation of potential candidates, the N&CG Committee applies the criteria set forth in our Corporate Governance Guidelines and considers the following factors:

Qualification as an independent director

Character, integrity, and mature judgment

Accomplishments

Reputation in the business community

Knowledge of our industry or other relevant industries

Financial expertise or other specific skills

Inquisitive and objective perspective

Commitment and availability to conduct Board responsibilities

Diversity of viewpoints and experience

In considering the re-nomination of incumbent directors, the N&CG Committee also takes into account the performance of such persons as directors, including the number of meetings attended and the level and quality of participation, as well as the value of continuity and knowledge of the Company gained

through Board service. The N&CG Committee strives to achieve diversity on the Board by considering skills, experience, education, length of service on the Board, and such other factors as it deems appropriate. The N&CG Committee and the Board define diversity broadly to include the background, professional experience, skills, and viewpoints necessary to achieve a balance and mix of perspectives. In addition, the N&CG Committee annually conducts a self-assessment of the Board, each Board committee, and each committee member to evaluate, among other things, the Board's diversity.

#### *Director Nominations*

The N&CG Committee identifies potential director candidates through a variety of means, including recommendations from members of the Board, suggestions from Company management, and shareholder recommendations. The N&CG Committee also may, in its discretion, engage director search firms to identify candidates. Shareholders may recommend director candidates for consideration by the N&CG Committee by submitting a written recommendation to the N&CG Committee, c/o Corporate Secretary, Schnitzer Steel Industries, Inc., P.O. Box 10047, Portland, Oregon 97296-0047. The recommendation should include the candidate's name, age, qualifications (including principal occupation and employment history), and written consent to be named as a nominee in our proxy statement and to serve as a director, if elected. All recommendations for nomination received by the Secretary that satisfy our bylaw requirements relating to such director nominations will be presented to the N&CG Committee for its consideration.

The N&CG Committee meets to discuss and consider the qualifications of each potential new director candidate, whether recommended by shareholders or identified by other means, and determines by majority vote whether to

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**Proposal No. 1 Election Of Directors**

recommend such candidate to the Board of Directors. The final decision to either elect a candidate to fill a vacancy between annual meetings or include a candidate on the slate of nominees proposed at an annual meeting is made by the Board of Directors. In considering the current directors, including the director nominees proposed for election at the Annual Meeting, the N&CG Committee and the Board specifically considered the background, experiences, and qualifications described in their biographies appearing under Election of Directors in this proxy statement.

*Director Tenure*

We do not have a fixed retirement age for directors. Under our Corporate Governance Guidelines, a director is required to submit a written resignation to the Board, to be effective at the end of the director's then current term, when the director begins his or her 15<sup>th</sup> year of service on the Board. The Board may accept or reject the tendered resignation after considering the recommendation of the N&CG Committee as to the appropriateness of the director's continued membership on the Board.

*The Board's Role in Risk Oversight*

We have a comprehensive enterprise risk management process in which management is responsible for managing the Company's risks and the Board and its committees provide oversight of these efforts. Our Chief Risk Officer reports to our CEO, is responsible for the risk management program, and provides periodic reports to the Board. Risks are identified, assessed, and managed on an ongoing basis and communicated to management during management meetings or otherwise as appropriate. Existing and potential material risks are reviewed during periodic executive management and/or Board meetings, resulting in Board and/or Board committee discussion and public disclosure, as appropriate.

The Board is responsible for overseeing management in the execution of its risk management responsibilities and for assessing the Company's approach to risk management. The Board administers this risk oversight function either through the full Board or through its standing committees.

Full Board: enterprise-wide strategic risks related to our long-term strategies, including capital expenditures and material acquisitions

Audit Committee: financial risks (including risks associated with accounting, financial reporting, disclosure, and internal controls over financial reporting), our compliance programs, and legal risks

Compensation Committee: risks related to the design of the Company's compensation programs and arrangements

N&CG Committee: risks related to corporate governance practices and leadership succession

*Assessment of Compensation Risk*

Management and the Compensation Committee conducted an assessment of the risks associated with our compensation programs and determined that they do not create risks which are reasonably likely to have a material adverse impact on us. In conducting the evaluation, the Compensation Committee, with the assistance of Pearl Meyer & Partners, its compensation consultant, reviewed our compensation structure and noted numerous ways in which risk is effectively managed or mitigated, including:

Balance of corporate and business unit weighting in incentive plans

Mix between short-term and long-term incentives

Caps on incentives

Use of multiple performance measures

A portfolio of varied long-term incentives

Committee discretion in payment of incentives

Use of stock ownership guidelines

An anti-hedging policy for Company stock

In addition, the Compensation Committee analyzed the overall enterprise risks and how compensation programs could impact individual behavior that could exacerbate these enterprise risks.

Additionally, we obtained advice from Towers Watson, the Company's compensation consultant, in designing our incentive plans (executive and broad-based) to determine if any practices might encourage excessive risk-taking on the part of senior executives. Several of the features of, and practices related to, our incentive plans (executive and broad-based) mitigate risk, including the use of multiple measures in our annual and long-term incentive plans, Compensation Committee discretion in payment of incentives in the executive plans, use of multiple types of long-term incentives, payment caps, significant stock ownership guidelines, and our anti-hedging policy for Company stock. In light of these analyses, the Committee believes that the architecture of our compensation programs (executive and broad-based) provide multiple, effective safeguards to protect against undue risk.



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**Proposal No. 1 Election Of Directors**

*Anti-Hedging Policy for Company Stock*

Our stock trading policy, applicable to our directors and employees, prohibits engaging in any short sale of our stock, establishing or using a margin account with a broker-dealer for the purpose of buying or selling our stock or using it as collateral therefor, or buying or selling puts, calls, prepaid variable forward contracts, equity swaps, collars, exchange funds, or other instruments or derivatives designed to hedge the value of our stock.

*Communication with Directors*

Shareholders and other interested parties may communicate with any of the directors, including our lead independent director, by using the following address:

Board of Directors

Schnitzer Steel Industries, Inc.

299 SW Clay Street, Suite 350

Portland, OR 97201

**Table of Contents****Proposal No. 1 Election Of Directors****Director Compensation**

The following table sets forth certain information concerning compensation paid to directors other than Ms. Lundgren, our CEO, during the fiscal year ended August 31, 2015 (unless otherwise noted in the footnotes to the table).

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)<sup>(1)</sup></b>	<b>Stock Awards (\$)<sup>(2)</sup></b>	<b>Option Awards (\$)<sup>(3)</sup></b>	<b>Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)<sup>(4)</sup></b>	<b>All Other Compensation (\$)<sup>(5)</sup></b>	<b>Total (\$)</b>
David J. Anderson	72,069	120,000				192,069
John D. Carter	367,222			3,606	32,938	403,766
William A. Furman	70,000	120,000				190,000
Wayland R. Hicks	105,000	120,000				225,000

David L. Jahnke	75,861	120,000	195,861
Judith A. Johansen	80,000	120,000	200,000
William D. Larsson	77,069	120,000	197,069
Kenneth M. Novack <sup>(6)</sup>	28,972		28,972
Michael W. Sutherlin	23,967	90,232	114,199

(1) Includes amounts deferred at the election of a director under the Deferred Compensation Plan for Non-Employee Directors, which is described below.

(2) Represents the aggregate grant date fair value of awards computed in accordance with Financial Accounting Standards Board ( FASB ) Accounting Standards Classification ( ASC ) Topic 718, excluding the effect of estimated forfeitures. These amounts reflect the grant date fair value and may not correspond to the actual value that will be realized by the directors. Stock awards consist of DSUs valued using the closing market price of the Company's Class A common stock on the NASDAQ Global Select Market on the grant date. On January 28, 2015, the date of the Company's 2015 Annual Meeting, each director then in office other than Mr. Carter and Ms. Lundgren was granted DSUs for 7,224.564 shares. The grant date fair value of this DSU grant to each director was \$120,000 (or \$16.61 per share) which was equal to the closing market price of the Company's Class A common stock on the grant date. These DSUs vest on January 26, 2016 (the day before the 2016 annual meeting), subject to continued Board service. The DSUs become fully vested on the earlier death or disability of a director or a change in control of the Company (as defined in the DSU award agreement). After the DSUs have become vested, directors will be credited with additional whole or fractional shares to reflect dividends that would have been paid on the stock underlying the DSUs. The Company will issue Class A common stock to a director pursuant to vested DSUs in a lump sum in January of the year following the year the director ceases to be a director of the Company, subject to the right of the director to elect an installment payment program under the Company's Deferred Compensation Plan for Non-Employee Directors.

At August 31, 2015, non-employee directors held unvested DSUs as follows: 7,224.564 shares for Messrs. Anderson, Furman, Hicks, Jahnke and Larsson and Ms. Johansen; and 5,243.000 shares for Mr. Sutherlin.

(3) At August 31, 2015, Mr. Carter held outstanding vested stock options to purchase 22,020 shares at \$34.46 per share which expired on November 29, 2015.

(4) Represents changes in the actuarial present value of accumulated benefits under the Company's Pension Retirement Plan and the Company's Supplemental Executive Retirement Bonus Plan. At August 31, 2015, the actuarial present value of Mr. Carter's accumulated benefits under these plans was \$403,387. During fiscal 2015, Mr. Carter received distributions of \$26,141 under the Supplemental Executive Retirement Bonus Plan.

(5) Includes \$32,938 as a lump sum payment to cover COBRA payments for medical insurance for calendar 2015.

(6) Mr. Novack ceased to be a director of the Company on January 27, 2015.

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**Proposal No. 1 Election Of Directors**

The annual fee for non-employee directors is \$70,000 (\$105,000 for the Lead Director). We do not pay fees for attendance at Board and committee meetings. The annual cash retainer for the Chairs of the Audit and Compensation Committees is \$10,000 and for the Chair of the N&CG Committee is \$5,000.

In 2004, directors began participating in the Company's SIP, and in 2004 and 2005 non-employee directors received stock option grants. Since August 2006, non-employee directors have been awarded DSUs instead of stock options. One DSU gives the director the right to receive one share of Class A common stock at a future date (as described in footnote 2 above). At each annual meeting of shareholders, each non-employee director receives DSUs for a number of shares equal to \$120,000 divided by the closing market price of the Class A common stock on the grant date.

Pursuant to the Corporate Governance Guidelines, directors are expected to make significant progress annually toward accumulating, within five years of becoming a director, common shares of the Company with a value equal to five times the director's annual cash retainer.

Non-employee directors may elect to defer all or part of their compensation under the Deferred Compensation Plan for Non-Employee Directors, which was adopted by the Board in 2006. Directors' cash fees are credited to a cash account or a stock account, as selected by the director. Payments from the cash account are paid in cash, and payments from the stock account are paid in Class A common stock. The cash account is credited with quarterly interest equal to the average interest rate paid by us under our senior revolving credit agreement (or if there are no borrowings in a quarter, at the prime rate) plus two percent. The stock account is credited with additional whole or partial shares reflecting dividends that would have been paid on the shares. Deferred amounts are

paid in a single payment or in equal annual installment payments for up to 15 years commencing in January following the date the director ceases to be a director. DSUs are credited to the directors' stock accounts under the plan when the DSUs become vested, and the awards are administered under the plan. A director may elect to receive stock under a DSU in equal annual installment payments for up to 15 years commencing in January following the date the director ceases to be a director.

Mr. Carter served as the Company's CEO until December 2008, when he was succeeded in that position by our current CEO, Ms. Lundgren. At that time, Mr. Carter entered into an amended and restated employment agreement with the Company to serve as our Chairman of the Board, which agreement has been further amended. Pursuant to an amendment in November 2012, (a) commencing December 29, 2012, Mr. Carter received an annual fee of \$500,000, payable quarterly in arrears, for service as non-employee Chairman and became ineligible for other compensation paid to non-employee directors, (b) receives continuation of health insurance benefits for 60 months following his retirement, and (c) his outstanding stock options were amended to postpone termination by treating continued board service through December 31, 2014 as if it were continued employment. On October 29, 2014, Mr. Carter and the Committee agreed to further amend Mr. Carter's employment agreement to (1) continue the term of his service as

Chairman through December 31, 2017 and (2) reduce his annual fee to \$300,000 effective January 1, 2015.

We have entered into indemnity agreements with each director pursuant to which we agree to indemnify such director in connection with any claims or proceedings involving the director by reason of serving as a director of the Company, as provided in the agreement.

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**Table of Contents****Compensation Discussion and Analysis****Overview**

This Compensation Discussion and Analysis provides a detailed description of our executive compensation philosophy and programs, the decisions that the Compensation Committee (the Committee) of the Board of Directors (the Board) have made under those programs, and the factors

considered in those decisions. This Compensation Discussion and Analysis focuses on the compensation of our NEOs for fiscal 2015 disclosed in the tables below. The NEOs are listed below.

Name	Title
Tamara L. Lundgren	President and Chief Executive Officer ( CEO )
Richard D. Peach	Senior Vice President and Chief Financial Officer ( CFO )
Michael R. Henderson	Senior Vice President and Co-President, Auto and Metals Recycling
Jeffrey Dyck	Senior Vice President and President, Steel Manufacturing Business

Belinda Gaye Hyde<sup>(1)</sup>

Former Senior Vice President and Chief Human Resources Officer

Steven G. Heiskell

Senior Vice President and Co-President, Auto and Metals Recycling

(1) Resigned effective July 10, 2015.

### **Shareholder Outreach and Response to the 2015 Say-on-Pay Vote**

At our 2015 annual meeting of shareholders, our advisory vote on NEO compensation, referred to as our Say-on-Pay vote, did not pass. The 2015 vote outcome represented a reversal compared to prior year votes.

The 2015 Say-on-Pay vote was taken very seriously by the Company, our Board of Directors, and our Compensation Committee. As a result of the vote, the Company reached out to investors holding approximately 70% of our outstanding shares as of March 31, 2015, and had discussions, either by phone or in person, with investors holding nearly 50% of outstanding shares. All of these discussions involved both the Chairs of the Compensation Committee and the Board of Directors, and the input received was very helpful as the Compensation Committee considered potential changes to the

executive compensation plans. Follow-on calls with investors were also held as the fiscal 2016 plans were being finalized.

The purpose of the outreach was to listen to shareholder views on executive compensation and understand the concerns expressed by the 2015 Say-on-Pay vote. Although investors expressed differing views, we valued the insights gained from these discussions and found them to be helpful as we considered compensation policies affecting our NEOs. At the time of the 2015 vote, we had already put in place the short-term and long-term compensation plans for fiscal 2015; however, the Company has made a number of substantial changes to its executive compensation program that are effective for fiscal 2016 to address the concerns raised by shareholders during this outreach.



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**Compensation Discussion and Analysis**

*Shareholder Outreach*

**Concern:** Need for greater clarity regarding the Company's compensation plans, specifically:

How the compensation plans fit into the Company's long-term strategy;

How and why the performance metrics and targets were established; and

How the compensation peer group was selected.

**Action Taken:** ü We have revamped this year's proxy statement to provide greater clarity regarding our compensation philosophy, the link between short-term and long-term pay and value creation, and how the compensation plans fit within the Company's long-term strategy. We also revised our compensation peer group to better reflect companies with similar quantitative and qualitative characteristics.

**Concern:** Connection among compensation, financial performance and shareholder returns was not clear and did not appear to be aligned with the experience of shareholders.

**Action Taken:** ü The Committee restructured the Company's long-term performance share plan to use metrics which we believe will provide better alignment with the experience of shareholders;

ü Relative Total Shareholder Return ( TSR ) against a peer group of companies with similar financial and operational characteristics; and

ü Cash Flow Return on Investment ( CFROI ) against specific targets over the performance period.

**Concern:** Two-year performance period for the recent performance share awards was viewed as short for a long-term incentive program.

**Action Taken:** ü

The performance period for the fiscal 2016 performance share awards was increased to three years.

**Concern:** The link between payouts in the short-term incentive plan resulting from achievement of specific management objectives and overall compensation was not explained sufficiently to enable an understanding of the connection with longer-term shareholder returns.

**Action Taken:** ü The Compensation Committee believes the management objectives related to productivity and cost reduction initiatives are expected to provide significant long-term benefits when markets stabilize and has revised the proxy descriptions to provide a better understanding of the link between these objectives and long-term value creation.

ü The cost reduction and productivity management objectives that were set in October 2014 did not contemplate the additional cost reduction and productivity initiatives announced in April 2015. As a result, there was significant over-performance in respect of these objectives in 2015. The Committee elected to exercise negative discretion regarding the payout associated with these objectives under the CEO's fiscal 2015 annual incentive plan.

#### **How Executive Pay is Linked to Company Performance**

Our executive compensation program is aligned with our business strategy and with creating long-term shareholder value by paying for performance consistent with an acceptable risk profile. The foundation of our compensation philosophy is to:

Promote creation of long-term shareholder value;

Recruit and retain qualified high performing executive officers;

Motivate high levels of performance; and

Be competitive in the market for talent.

Our executive compensation program emphasizes delivering compensation at a competitive market level which will allow

executive officers who demonstrate consistent on-target performance over a multi-year period to earn compensation that is competitive and consistent with targeted performance levels of total compensation. For executives where performance is above target over the long term, we believe the program will reward above the competitive median. Conversely, the program will provide less than the annual target compensation when performance does not meet expectations. Individual executive compensation may be above or below the annual target level, based on the Company's performance; economic and market conditions; the individual's performance, contribution to the organization, experience, expertise, and skills; and other relevant factors.

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**Compensation Discussion and Analysis**

## **Summary of our Executive Compensation Program**

*Our Executive Compensation Practices.* Set forth below is a summary of our executive compensation practices.

We seek and carefully consider shareholder feedback regarding our compensation practices

We link our executive compensation to our performance

83% of the target compensation for the CEO and 66% of the target compensation for the NEOs other than the CEO are at-risk .

We select metrics in our short-term incentive plans that are expected to drive long-term shareholder value, and metrics in our long-term incentive plan that are intended to reflect creation of shareholder value.

For the CEO, the fiscal 2015 Annual Performance Bonus Program ( APBP ) payout was linked to earnings per share ( EPS ), return on capital employed ( ROCE ), safety performance, productivity improvements, and volume improvements.

For NEOs other than the CEO, the fiscal 2015 Annual Incentive Compensation Plan ( AICP ) metrics were linked to EPS, operating income, and ROCE, with a modifier for safety performance. For fiscal 2015, NEOs other than the CEO also participated in a Performance Incentive Bonus Pool ( PIBP ) that was based on achievement of productivity improvements announced during the fiscal year.

50% of the annual equity awards are time-vested restricted stock unit awards which generally vest over a five-year time period, are intended to incentivize executives to create shareholder value through stock price appreciation, and provide a retention incentive.

50% of the annual equity awards are performance share awards that vest following the end of the performance period based on Company performance during the period. For performance share awards granted in fiscal 2016, the performance period has been increased from two years to three years, and the metrics have been revised to be based 50% on relative TSR and 50% on CFROI.

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Metrics and targets for incentive plans are based on the Company's strategic and business plans and annual budgets that are reviewed by the full Board and are analyzed and tested for reasonableness before Committee approval at the beginning of the performance period. The Committee actively evaluates the appropriateness of the financial measures used in incentive plans and the degree of difficulty in achieving specific performance targets.

### Peer group appropriateness

For fiscal 2016, the process for selecting the Company's compensation peer group was changed to provide a mix of companies which the Compensation Committee believes provides a better aggregate benchmark.

Quantitative and qualitative criteria were applied to reflect current market capitalization and revenue parameters and to expand the qualitative assessment of potential compensation peers to focus on position in the value chain and exposure to international markets.

Our benchmarking compensation peer group includes 16 companies that the Committee believes reflect appropriate industry, size, geographic scope, and market dynamics.

We are positioned at approximately the 50<sup>th</sup> percentile of revenue within the compensation peer group.

### No re-pricing of stock options

### Stock ownership and retention requirements

We have adopted stock ownership guidelines to promote long-term alignment of the interests of our shareholders and our officers, as discussed on page 46.

Once officers achieve compliance, they must also retain at least 50% of shares that vest thereafter for at least three years.

### Double-trigger for severance payments and benefits in change-in-control agreements

Our change-in-control agreements are double trigger, i.e., a change in control plus termination of the executive's employment by the successor company without cause or by the executive for good reason is required to trigger severance payments and benefits.

Since 2008, the Committee has not included excise tax gross-ups in any new or modified change-in-control agreements.

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**Compensation Discussion and Analysis**

Risk mitigation measures

We use a mix of annual and long-term incentive awards and overlapping performance periods to drive current performance in light of long-term objectives.

The complementary and diverse performance metrics across our plans are designed to drive balanced decision-making.

Minimal perquisites

Perquisites totaled less than \$20,000 in fiscal 2015 for the CEO and each other NEO

Independent compensation consultant

The Committee directly retains Pearl Meyer & Partners as its compensation consultant. Pearl Meyer & Partners does not provide any other services to the Company.

**Fiscal 2015 Business Performance**

In fiscal 2015, our markets continued to be adversely impacted by the slowdown of economic activity globally. The macroeconomic uncertainty, combined with global steel-making overproduction, lower iron ore prices, and strengthening of the U.S. dollar, resulted in deteriorating market conditions and accelerated the downward trend in commodity prices and in the demand for ferrous and nonferrous recycled metal. During fiscal 2015, selling prices for recycled ferrous metal experienced several periods of sharp declines, with prices at the end of fiscal 2015 being approximately 40% lower than the levels at the end of fiscal 2014. Lower sales volumes of recycled ferrous and nonferrous metal at our Auto and Metals Recycling business ( AMR ) business were only partially offset by higher sales volumes of finished steel products at our Steel Manufacturing Business ( SMB ).

Amid these headwinds, we undertook deliberate and substantial steps to lower our operating costs and improve our productivity. As a result of these initiatives and our continued focus on working capital management, we increased our free cash flow by 12%<sup>(1)</sup> year-over-year, we reduced our SG&A expenses by 9% year-over-year, and we ended the year with net debt at our lowest level since the end of fiscal 2011 while continuing to return capital to our shareholders through our quarterly dividend and share repurchases. Following is a summary of our fiscal 2015 accomplishments, more detail can be found in our Annual Report on Form 10-K.

(1) Free cash flow is defined as operating cash flow less capital expenditures, less dividends paid, and plus proceeds from sale of assets.

### *Fiscal 2015 Accomplishments*

#### **Delivered targeted savings & productivity improvements**

Generated \$28 million of benefits, primarily in the second half of fiscal 2015  
Full annual target of \$60 million expected in fiscal 2016

#### **Successfully navigated challenging market conditions**

Accomplished integration of our Auto Parts Business ( APB ) and our Metals Recycling Business ( MRB ) into AMR and achieved initial synergies from the combined platform  
Operating leverage created in SMB led to best annual result since 2008

#### **Generated \$145 million operating cash flow**

Reduced debt to lowest level since 2011  
8<sup>th</sup> consecutive quarterly dividend paid

#### **Platform flexibility**

Improved logistics capability to increase access to domestic markets

Our executive compensation program is designed to pay for performance, therefore actual compensation in fiscal 2015 was lower than target levels, which reflected alignment with the Company's financial performance during the period as represented by the following:

The Committee exercised negative discretion to reduce the CEO's annual incentive payout by 50% for fiscal 2015 to align the over-performance in the productivity improvement metric with the outcome of the financial performance metrics

The annual incentive component in fiscal 2015 paid out below 0.5x for the CEO and other NEOs

The performance shares that vested for the fiscal 2014-2015 performance period paid out at below 0.6x for the CEO and other NEOs in the aggregate

No performance shares were earned by the CEO or other NEOs during the first year of the fiscal 2015-2016 performance period



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**Compensation Discussion and Analysis**

## **The Executive Compensation Process**

*Role of the Compensation Committee.* The Committee is responsible for:

Developing and making recommendations to the Board with respect to our compensation policies and programs;

Determining the levels of all compensation to be paid to the CEO and other NEOs (including annual base salary and incentive compensation, equity incentives, and benefit plans); and

Administering and granting stock options, performance shares, restricted stock units ( RSUs ), and other awards under our 1993 Amended and Restated Stock Incentive Plan ( SIP ).

The Committee cannot delegate this authority. The Committee regularly reports its activities to the Board.

The Committee is comprised of five directors, each of whom has been determined by the Board to be independent under our Corporate Governance Guidelines, applicable SEC and NASDAQ rules, and IRS regulations. Currently, the members of the Committee are Judith A. Johansen, Chair, David J. Anderson, Wayland R. Hicks, David L. Jahnke, and Michael W. Sutherlin.

The Committee operates pursuant to a written charter (available on the Company's website at <http://www.schnitzersteel.com/documents/compensation-committee-charter-jan-2014.pdf>) which is reviewed by the Committee on an annual basis and approved by the Board. The Committee meets at least quarterly and more frequently as circumstances require, including in executive session with the Committee's independent compensation consultant. In fiscal 2015, in response to the results of the shareholder Say-on-Pay vote, in addition to its regularly scheduled five formal meetings, the Chair of the Committee participated in shareholder outreach and the Committee engaged in additional meetings to consider changes to the Company's executive compensation program to address shareholder concerns. In the first quarter of fiscal 2016, the Committee had six meetings, in person or by teleconference call, to discuss and act on the fiscal 2015 compensation results and the re-design of the fiscal 2016 compensation program, frequently requesting additional information and follow-up from both management and the Committee's independent compensation consultant.

*Use of Compensation Consultants.* The Committee has authority to retain compensation consultants to assist it in the evaluation of executive officer and employee compensation and benefit programs. The Committee directly retained Pearl Meyer & Partners ( PM&P ) as its compensation consultant

for fiscal 2015. In fiscal 2015, PM&P performed, among others, the following services for the Committee:

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Attended Committee meetings by telephone as requested by the Committee and participated in executive sessions without management present;

Provided input and participated in discussions related to CEO annual and long-term incentive plan goal design and metrics and other NEO annual and long-term incentive plan design and metrics for fiscal 2015; and

Provided input and participated in discussions with respect to changes to annual and long-term incentive plan designs and metrics, including the new TSR metric, and to our peer group for fiscal 2016 in response to shareholder concerns raised during the shareholder outreach. The Committee's independent compensation consultant provides information and data to the Committee from its surveys, proprietary databases and other sources, which the Committee utilizes along with information provided by management and obtained from other sources. In making its decisions, the Committee reviews such information and data provided to it by its independent compensation consultant and management and also draws on the knowledge and experience of its members as well as the expertise and information from within the Company, including from the human resources, legal, and finance groups. The Committee considers executive and director compensation matters at its quarterly meetings and at special meetings as needed based on our annual compensation schedule.

PM&P and its affiliates did not perform any additional services for the Company or any of its affiliates in fiscal 2015.

Separately, the Company retains Towers Watson to provide management with compensation data for the Company's broader executive group and for services in administering the compensation plans. During fiscal 2015, Towers Watson assisted management with data with respect to both the Company's peer group and executive compensation.

*CEO's Role in the Compensation-Setting Process.* The CEO, with the assistance of Towers Watson, makes recommendations to the Committee regarding compensation for the other NEOs. The CEO participates in Committee meetings at the Committee's request to provide background information regarding our strategic objectives and to evaluate the performance of and make compensation recommendations for the other NEOs. The Committee utilizes

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**Compensation Discussion and Analysis**

the information provided by the CEO along with other information from within the Company, input from its independent compensation consultant, and the knowledge and experience of the Committee members in making compensation decisions. The Chair of the Committee recommends the CEO's compensation to the Committee in executive session, not attended by the CEO.

*Annual Evaluation.* The Committee annually evaluates the performance of the NEOs with the input from the CEO and, in executive session, evaluates the performance of the CEO and determines the annual incentive bonuses for all of the NEOs for the prior fiscal year. The Committee also approves the NEOs' performance objectives for the current fiscal year, reviews and, if appropriate, adjusts their base salaries and annual incentive plan targets, and considers and approves Long-Term Incentive Plan ( LTIP ) grants.

*Performance Objectives.* The Committee approved performance objectives for fiscal 2015 based, in part, on an active dialogue with the CEO regarding strategic objectives and performance targets. Metrics are tied to our strategic and business plans and to annual budgets reviewed by the full Board. Short-term management objectives, such as productivity improvements, are designed to achieve specific goals that are expected to drive long-term shareholder value. Metrics are analyzed and tested for reasonableness prior to Committee approval at the beginning of the performance period. The Committee actively evaluates the appropriateness of the financial measures used in incentive plans and the degree of difficulty in achieving specific performance targets.

*Competitive Market Overview.* While the Committee does not believe that it is appropriate to establish compensation levels based solely on benchmarking, it believes that information regarding pay practices at peer companies is useful in two respects. First, the Committee recognizes that our compensation practices must be competitive in the marketplace, and reviewing market pay practices provides a framework for assessing competitiveness. Second, marketplace information is one of the many factors that the Committee considers in assessing the reasonableness of compensation. Although the Committee considers compensation levels for executive officers of other companies, it does not mechanically apply the data but rather engages in a rigorous quantitative and qualitative review and weighing of the competitive information with other Company and

individual performance factors, such as our specific business strategy, financial situation, and performance, in making its compensation determinations.

There are few, if any, direct public market peers of an equivalent size. Accordingly, determining market comparisons requires a review of companies in auto and metals recycling and in steel manufacturing, as well as companies in the closely-related mining and raw materials businesses, and in broader industrial and financial markets from which we attract executive talent. In addition, as we interface with customers around the world, we seek specialized and top caliber executive officers from the broad national and international business executive pools. Proxy data from relevant companies, as well as input from both the Company's and the Committee's compensation consultants, are utilized. Total compensation is periodically compared to the competitive market in setting compensation for executive officers.

The Committee selected a peer group based on data provided by Towers Watson from its general industry compensation database for companies with revenues between \$1 billion and \$6 billion and comparable to our organization based on industry, size (revenue and market capitalization), and geography. The peer group includes companies from similar industries, including steel manufacturing, metals recycling, coal and consumable fuels, diversified metals and mining, and aluminum. Each year the peer group is reviewed based on current market metrics and, in fiscal 2015, there were no changes to the peer group.

Based on the feedback we received from our shareholder outreach, the Committee elected to adjust its peer group for fiscal 2016 to reflect current market capitalization and revenue parameters and to expand the qualitative assessment of potential compensation peers to focus on position in the value chain and exposure to international markets. For example, a company that manufactures or whose products are used to make high-value end-products would be less comparable to our business which buys, processes, and sells raw materials and produces intermediate-level products. As a result of our analysis, the Committee has made significant changes to our compensation peer group to include

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a broader array of companies in our industry while still maintaining similar size market cap and revenue demographics. We believe the revised peer group will provide a better comparison for compensation purposes.

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As is the case for a number of companies in our peer group, the Committee has established a separate Performance Peer Group for purposes of the TSR metric in our fiscal 2016 three-year performance share awards. In developing the Performance Peer Group, we used a quantitative and qualitative approach similar to that used for selecting the compensation peer group while adding companies viewed as

traditional peers, who for reasons of size may not be appropriate for purposes of comparing compensation. The following table shows the companies in the compensation peer group used in fiscal 2015 as well as the separate revised compensation and performance peer groups to be used in fiscal 2016:

	Market Capitalization (in \$ millions)	Annual Revenue (in \$ millions)	Fiscal 2015 Compensation Peer Group	Fiscal 2016 Compensation Peer Group	Fiscal 2016 Performance Peer Group
A.M. Castle & Co.	\$ 66	\$ 838	X		
A.K. Steel Holding Corp.	550	7,148	X	X	X
Allegheny Technologies Inc.	2,109	4,028	X	X	X

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Alpha Natural Resources, Inc.	13	3,728	X		
Arch Coal Inc.	198	2,755	X	X	
Carpenter Technology Corp.	1,932	2,133	X		
Century Aluminum Co.	487	2,117	X	X	X
Cliffs Natural Resources Inc.	715	2,822	X	X	X
Cloud Peak Energy Inc.	292	1,205	X	X	
Coeur Mining, Inc.		622		X	X
	461				
Commercial Metals Co.	1,815	5,986	X	X	X
Compass Minerals International Inc.	2,729	1,243	X		
					X
Gerda S.A.	6,017	43,976			

Globe Specialty Metals, Inc.	1,013	769		X	X
Harsco Corporation	926	1,828		X	X
Hecla Mining Co.	788	450		X	X
Kaiser Aluminum Corp.	1,440	1,413	X		
Minerals Technologies Inc.	1,869	1,884		X	X
Materion Corp.	623	1,100	X		
Noranda Aluminum Holding Corp.	40	1,324	X		
Nucor Corporation	13,835	17,986			X
Olympic Steel Inc.	142	1,265	X		
	751	5,981		X	

Peabody Energy  
CorporationReliance Steel &  
Aluminum Co.

4,270

9,901

X

Sims Metal Management  
Ltd.

2,358

9,724

X

X

X

Steel Dynamics Inc.

4,715

8,520

X

X

SunCoke Energy Inc.

749

1,394

X

X

X

United States Steel  
Corporation

2,396

13,074

X

Walter Energy, Inc.

9

958

X

Westmoreland Coal Co.

273

1,380

X

Worthington Industries,  
Inc.

1,672

3,280

X



Market capitalization data is as of August 31, 2015 and annual revenue data is latest available last twelve months as of August 31, 2015.

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Our executive compensation program consists of the items described below.

			Relevant Performance Metrics - Fiscal 2015	Relevant Performance Metrics - Fiscal 2016
<b>Annual</b>	Base Salary	To provide a competitive foundation and fixed rate of pay for the position and associated level of responsibility	Not Applicable	Not Applicable
	Annual Performance Bonus Program (APBP) for CEO	To incentivize CEO achievement of operating, financial, and management goals	EPS (25%) ROCE (25%) Safety Performance <sup>(1)</sup> (10%) Productivity Improvements (30%) Purchase Volume Improvements (10%)	EPS (50%) Safety Performance (LTIR, TCIR, DART) (10%) Cost Savings (10%) Operating Cash Flow (10%) Strategic Objectives (20%)

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Annual Incentive Compensation Plan (AICP) for other NEOs	To incentivize achievement of annual operating, financial, and management goals	Operating Income (35%) EPS (55%) ROCE (35%) EPS (30%) Safety Performance (LTIR, TCIR, DART) <sup>(2)</sup> Productivity Improvements <sup>(3)</sup>	Operating Cash Flow (15%) Safety Performance (LTIR, TCIR, DART) (15%) Cost Savings (15%)
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<b>Long Term</b> Restricted Stock Units	To focus NEOs on long-term shareholder value creation and promote retention	Absolute share price appreciation	Absolute share price appreciation
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Performance Share Awards	To focus NEOs on achievement of financial goals and long-term shareholder value creation	Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) (50%) Return on Shareholders Equity (ROE) (50%)	Total Shareholder Return (TSR) (50%) Cash Flow Return on Investment (CFROI) (50%)
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(1) Lost Time Incident Rate ( LTIR ); Total Case Incident Rate ( TCIR ); and Days Away, Restricted or Transferred Rate ( DART )

(2) For fiscal 2015 AICP, the safety performance bonus was structured as a multiplier between 85% and 115% applied to the AICP results.

(3) Separate productivity improvement bonus pool ( PIBP ).

In response to the input received through the Company's shareholder outreach efforts, the Committee restructured the performance share portion of its long-term incentive plan. For performance shares awarded in fiscal 2016, the performance period will be increased from two years to three years and the following metrics will be utilized:

Relative TSR against a peer group of companies with similar financial and operational characteristics (50% weighting); and

CFROI against specific targets over the three-year performance period (50% weighting).

Working with its independent compensation consultant, the Committee determined that TSR should provide better alignment with the experience of shareholders and that CFROI is well-aligned with shareholder value creation since it

measures the generation and efficient use of capital.

The Committee believes that our compensation programs provide an appropriate balance between:

Fixed and at-risk pay; and

Short-term and long-term incentives.

While the Committee focuses on the total compensation opportunity for the NEO and not on a specific percentage of total compensation for any particular element, a substantial portion of the compensation opportunity beyond base salary is at-risk and must be earned based upon achievement of annual and long-term performance goals. The proportion of compensation designed to be delivered in base salary versus variable pay depends on the NEO's position and the opportunity for that position to influence performance outcomes; the relative levels of compensation are based on differences in the levels and scope of responsibilities of the NEOs. Generally, the more senior the level of the NEO

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**Compensation Discussion and Analysis**

and the broader his or her responsibilities, the greater the amount of pay opportunity that is variable.

The relationship between fixed and variable pay in our compensation program is illustrated by the following charts, which show (i) the relative portions of base salary, target annual incentive, and target value of equity awards that, in

aggregate, comprised the fiscal 2015 target total direct compensation of our CEO and of our other NEOs, and (ii) the relative portions of base salary, actual annual incentive, and actual grant date value of the equity awards that, in aggregate, comprised the fiscal 2015 actual total direct compensation of our CEO and our other NEOs.

**Chief Executive Officer Total Direct Compensation Fiscal 2015**

**Named Executive Officers other than CEO Total Direct Compensation Fiscal 2015**

**Realizable Compensation**

The table below supplements the Summary Compensation Table (SCT) (which follows this Compensation Discussion and Analysis) and shows the compensation actually realizable in fiscal 2015 for the CEO. The primary difference between this supplemental table and the Summary Compensation Table is the method used to value LTIP performance shares and RSU awards. The SEC rules require that the grant date fair value of all LTIP performance shares and RSU awards be reported in the SCT for the year in which they were granted. As a result, a significant portion of the total compensation reported in the SCT is in the form of grant date fair value of LTIP performance shares and RSU awards, which are designed to align our management incentives with long-term shareholder value. While the amounts shown

in the SCT reflect the grant date fair value of equity awards granted to an NEO in the year of the grant, those awards have not vested

and the amounts shown in the SCT do not reflect the impact of performance-based metrics or stock price performance on realizable pay, which may be considerably more or less based on (i) the actual number of RSUs that vest during the performance period, (ii) the actual number of performance shares which are earned based on actual performance achieved, and (iii) the impact of actual stock price performance on the value of performance shares and RSUs that vested or were earned during the period. In contrast, the supplemental table below includes only LTIP performance shares that were earned based on actual performance achieved for performance periods completed in fiscal 2015 and RSUs that vested during fiscal 2015. In addition, equity-based compensation included in the table below is valued based on the Company's share price on August 31, 2015 (\$17.31).

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**Table of Contents****Compensation Discussion and Analysis****CEO Realizable Pay**

Compensation Component	Period Earned	Realizable Amount	Performance Results
Base Salary	FY15	\$ 1,000,000	The CEO's base salary was unchanged in fiscal 2015 and has not been increased since fiscal 2011.
Annual Incentive	FY15	727,500	Represents a payout equal to 48.5% of target, reflecting both the Company's fiscal 2015 financial performance and the level of achievement of the management objectives component of the CEO's bonus program, and the exercise of negative discretion by the Committee to reduce the payout by 50% as described above.
Performance-Based Stock Earned	FY14-FY15	1,083,121	Represents value of shares earned based on actual performance achieved for LTIP performance share awards granted in fiscal 2013 and fiscal 2014, with performance periods ending August 31, 2015, valued based on the share price at August 31, 2015 of \$17.31.
Time-Based Restricted Stock Units Vested	FY15	662,142	Represents the vesting in fiscal 2015 of 20% of each of the time-based RSU awards granted in fiscal 2010, 2011, 2012, 2013 and 2014. The Company uses restricted stock units to retain top talent and further align the interests of management

with those of shareholders. The grants generally vest 20% per year over five years. Shares valued based on share price at August 31, 2015 of \$17.31.

Total \$ 3,472,763

The following charts further illustrate the difference between the SCT compensation and realizable pay of our CEO and our other NEOs, as of August 31, 2015, based on an average of the past three years.

### Measurement Definitions

SCT Compensation Amount as reflected in the Total column of the SCT.

Realizable Pay Sum of (i) annual base salary; (ii) annual cash incentive earned during the period; (iii) performance-based equity awards earned during the performance period; and (iv) time-based equity awards vested during the period. All equity awards are valued based on the Company's share price at August 31, 2015 (\$17.31).



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**Compensation Discussion and Analysis**

**Components of Compensation**

*Base Salary.* Base salaries paid to NEOs are intended to attract and retain highly talented individuals. The Committee reviews the base salaries of our NEOs on an annual basis. Base salaries for NEOs are set on the basis of their individual performance and relevant business skills, scope of duties, and sustained contributions to our success, as well as competitive information as to similar positions in other relevant companies, taking into consideration relative company size and geographic location.

The CEO's base salary has not been increased since May 1, 2011. Following no cost-of-living or merit increases in fiscal 2014, the Committee approved salary adjustments for the other NEOs effective November 2014 of 5% or less and an increase in Mr. Heiskell's salary from \$307,500 to \$400,000 effective January 2015 in connection with his promotion to Senior Vice President and Managing Director of APB.

*Annual Incentive Programs.* The Committee approves annual performance-based compensation under the CEO's employment agreement and, for the other NEOs, under the AICP, as described below. A target bonus, expressed as a percentage of either base salary as of the end of the fiscal year or base salary paid during the fiscal year, is established for each NEO. The CEO's fiscal 2015 target bonus percentage was established in the June 2011 amendment to her

employment agreement (see Employment Agreements). For other NEOs, the Committee annually reviews the target bonus percentages and approves any adjustments, which generally take effect immediately and apply on a pro-rated basis to bonuses payable for the current fiscal year.

*Annual Performance Bonus Program for the CEO.* The employment agreement between the Company and the CEO provides for an annual bonus program consisting of two parts: a bonus based on achievement of Company financial performance targets and a bonus based on achievement of management objectives. The total target bonus opportunity under both components for each fiscal year is stated in her employment agreement to be 150% of her base salary as of the fiscal year-end, with half of the total target bonus allocated to each part.

Overall, the APBP payout for the CEO for fiscal 2015 was 0.48x.

For the Company financial performance part of the CEO's bonus program in fiscal 2015, the Committee utilized two objective performance targets relating to the Company:

Half of this part of the bonus was based on the Company's Adjusted EPS for fiscal 2015; and

Half of this part of the bonus was driven by our growth strategy and based on the Company's ROCE.

The following table shows the CEO's fiscal 2015 financial performance goals and the results of each goal:

**Fiscal 2015 APBP Financial Performance Goals**

Metric	Weight	Financial Performance Goals						Results	Payout Multiple
		0.0x	0.25x	1.00x	1.25x	2.00x	3.00x		
Adjusted EPS <sup>(1)</sup>	50%	\$	\$ 0.47	\$ 0.68	\$ 0.97	\$ 1.17	\$ 1.28	\$ (0.05)	
ROCE <sup>(2)</sup>	50%	%	2.1%	2.7%	3.5%	4.1%	4.5%	0.2%	0.02

Weighted average adjusted payout multiple 0.01

<sup>(1)</sup>Adjusted EPS for fiscal 2015 was defined as the Company's reported diluted earnings per share for fiscal 2015 before extraordinary items and the cumulative effects of changes in accounting principles, adjusted to eliminate the impact of the following items: charges in fiscal 2015 for the impairment of goodwill or other intangible assets ( Impairments ); any profits or losses of discontinued operations and any gains, losses or other impacts from the disposition of a business or a material amount of assets ( Discontinued Ops ); changes in environmental liabilities recorded in fiscal 2015 in connection with the Portland Harbor Superfund Site or certain other sites (the Sites ) for investigation and remediation costs and natural resource damage claims ( Environmental Accruals ); the fees, costs and expenses incurred in fiscal 2015 in connection with the Sites (net of any insurance or other reimbursements) ( Environmental Expenses ); restructuring charges taken by the Company in fiscal 2015 ( Restructuring Charges ); charges in fiscal 2015 resulting from the idling of facilities or equipment ( Idling Charges ); impacts on operating income, including transaction costs, and any assets or liabilities directly associated with any businesses acquired by the Company in fiscal 2015 or any business acquisitions pursued but not completed in fiscal 2015 ( Acquisition Items ); the fees and expenses of outside consultants for certain strategic consulting projects ( Strategic Consulting Costs ); any charges to reduce the recorded value of any inventory to net realizable value ( NRV Charges ); charges in fiscal 2015 for share-based payments to persons who are not employees or directors ( Share-based Charges ); and the discrete income tax impact of the foregoing adjustments as certified by the Audit Committee based on recommendation of the Company's CFO ( Tax Impacts ).

<sup>(2)</sup>ROCE for fiscal 2015 was defined as the Company's adjusted operating income ( AOI ) for fiscal 2015 divided by the Company's Average Capital Employed ( ACE ) for fiscal 2015. AOI for fiscal 2015 was defined as (i) the Company's operating income for fiscal 2015 adjusted to eliminate the impact of Impairments, Discontinued Ops, Environmental Accruals, Environmental Expenses, Restructuring Charges, Idling Charges, Acquisition Items, Strategic Consulting Costs, NRV Charges and Share-based Charges, as (ii) reduced by the Company's forecasted tax rate for fiscal 2015. ACE for fiscal 2015 was generally defined as the average during the year of the Company's assets less its liabilities other than debt and capital leases adjusted to eliminate the impacts of Impairments, Environmental Accruals and Acquisition Items.

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The second part of the CEO’s annual bonus program is based on the achievement of management objectives established by the Committee each year. The Committee established three management objectives for fiscal 2015:

Improvement in our workplace safety as measured by OSHA safety metrics, reflecting our ongoing, multi-year focus in this area.

Productivity improvements in connection with our strategy to increase productivity, reduce costs, and drive synergies among the Company’s divisions as measured by the reported benefits achieved in fiscal 2015 of our publicly announced restructuring initiatives with targets established in October 2014 based on the then-existing initiatives.

Volume improvements based on number of cars purchased for the benefit of either APB or MRB in connection with our strategy to improve synergies between APB and MRB.

The Committee chose these management objectives since they considered achievement of such goals as critical to both the immediate and long-term profitability of the Company. In particular, they assigned a weighting of 60% of the management objectives component of the CEO’s annual bonus performance program (overall weighting of 30%) to productivity improvements because they viewed achievement of these initiatives as not only benefiting fiscal 2015 earnings and cash flow but also as being critical to future performance and shareholder value.

The following table shows the CEO’s fiscal 2015 management objectives goals and the results of each goal:

**Fiscal 2015 APBP Management Objectives**

Metric	Management Objectives					Results	Payout Multiplier	Weighting	Total
	0.0x	0.50x	1.00x	2.00x	3.00x				

Safety:

TCIR <sup>(1)</sup>	%	(5.0)%	(10.0)%	(15.0)%	(20.0)%	(13.6)%	1.72
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LTIR <sup>(1)</sup>	%	(5.0)%	(10.0)%	(15.0)%	(20.0)%	(5.4)%	0.54
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	%	(5.0)%	(10.0)%	(15.0)%	(20.0)%	6.2%	
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DART<sup>(1)</sup>

Average Safety multiple							0.75	20%
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Volume improvement (Cars Purchased in thousands)	361	371	380	389	406	337		20%
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Productivity Improvement Plan (in millions)	\$	\$ 5.0	\$ 15.0	\$ 30.0	\$ 40.0	\$ 39.7	2.97	60%
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Weighted average payout multiple								1.94
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(1)The performance goal for the Safety management objective reflects relative improvements in the Total Case Incident Rate ( TCIR ), Lost Time Incident Rate ( LTIR ) and Days Away, Restricted or Transferred Rate ( DART safety metrics from their respective fiscal 2014 levels.

*Fiscal 2015 APBP Results*

Strong performance on the management objectives driven in large part by the significant over-performance in the productivity improvement plan metric.

Reflected the deliberate and significant strategy which the CEO led to lower the Company's operating costs and increase productivity. Specifically, an additional productivity improvement and cost reduction initiative was developed with an annual savings target of \$60 million and our Auto Parts and Metals Recycling Businesses were integrated into our new AMR division in order to achieve supply chain and operational synergies. Both of these strategies are critical to future performance and long-term shareholder value.

The overall multiple for performance under the APBP was 0.97x, which would have resulted in a calculated payout to the CEO, absent the exercise of negative discretion, of \$1,455,000.

However, the Committee utilized its negative discretion to reduce the CEO's annual cash bonus by 50% prior to payment for the following reasons:

Took into consideration that the objectives and metrics for the fiscal 2015 plans were set in the fall of 2014 before the additional productivity improvement and cost reduction initiative was put in place in April 2015; and

Sought to reduce the disparity between the significant over-performance in the productivity improvement metric and outcome of the financial performance metrics within the APBP.

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**Compensation Discussion and Analysis**

Total cash bonus payment to CEO of \$727,500 for fiscal 2015, which reflects the 50% reduction in payout. This amount is listed in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. *AICP for Other NEOs*. Overall, the AICP payout for each of the other NEOs for fiscal 2015 was 0.0x under the AICP financial performance metrics and 0.4x under the productivity improvement bonus pool, for a combined payout multiple of 0.4x.

Program established for our NEOs other than the CEO.

Recognizes overall Company performance, divisional safety performance relevant to the applicable NEO, and for fiscal 2015, similar to fiscal 2014, contribution to the achievement of productivity improvement initiatives.

Target bonuses based on a percentage of actual base salary paid during the fiscal year are established for the applicable NEO under the AICP.

Target bonus percentages remained unchanged for fiscal 2015 for Messrs. Peach, Henderson, and Dyck and for Ms. Hyde at 80%, 75%, 50%, and 50%, respectively, and increased for Mr. Heiskell from 40% to 50% effective January 2015 in connection with his promotion to Senior Vice President and Managing Director of APB.

Differences in target bonus percentages among the NEOs reflect their varying levels of responsibility, expertise, experiences, development within roles, and positions within the industry.

For fiscal 2015, the Committee established a series of performance targets based on the Company's operating income, ROCE, and Adjusted EPS, which utilized the same adjustments as in the CEO's fiscal 2015 APBP program.

The following table shows the fiscal 2015 AICP performance goals and the results of each goal:

**Fiscal 2015 AICP Performance Goals**

Metric	Performance goals				Results	Goal Weighting	Payout Multiple
	0.25x	1.00x	1.25x	2.00x			
Adjusted Operating income (in millions)	\$ 30.8	\$ 39.5	\$ 50.5	\$ 58.5	\$ 2.2	35%	
ROCE	2.1%	2.7%	3.5%	4.1%	0.2%	35%	
Adjusted EPS	\$ 0.47	\$ 0.68	\$ 0.97	\$ 1.17	\$ (0.05)	30%	
Weighted average payout multiple							



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The actual payout multiple for each participant was calculated by applying to the base payout multiple determined as provided above a safety metrics modifier. The safety metrics modifier was a percentage between 85% and 115% based on the performance in fiscal 2015 with respect to three safety

metrics (TCIR, LTIR, DART) by the division in which the participant was employed. The fiscal 2015 performance levels for each safety metric for each division, the corresponding safety metric modifiers, and the actual safety results are set forth in the table below.

Safety Metric	85% Safety Modifier	100% Safety Modifier	115% Safety Modifier	Actual Safety Metric	Actual Safety Modifier <sup>(1)</sup>
TCIR	4.11	3.57	3.03	3.18	1.11
LTIR	1.40	1.22	1.04	0.79	1.15
DART	2.47	2.15	1.83	1.65	1.15

**MRB:**

**Average MRB safety modifier** 1.14

**APB:**

TCIR			3.73		
	5.05	4.39		4.13	
					1.06

LTIR	1.31	1.14	0.97	1.07	
					1.06

DART	2.84	2.47	2.1	2.99	0.85
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**Average APB safety modifier** 0.99

**SMB:**

TCIR	7.84	6.82	5.80	8.09	
					0.85

LTIR	1.61	1.40	1.19	3.72	
					0.85

DART	3.69	3.21	2.73	6.78	0.85
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**Average SMB safety modifier** 0.85

**Corporate (SSI Total):**

1.04

TCIR	4.80	4.17	3.54	4.01	
LTIR	1.35	1.17	0.99	1.23	0.95
DART					
	2.67	2.32	1.97	2.73	0.85
<b>Average Corporate safety modifier</b>					<b>0.95</b>

(1) For participants in each division the overall safety metrics modifier was the average of the modifiers determined for the three safety metrics for the division in the table above. The modifier for any safety metric achieved at a level lower than the 85% level was 85% and the modifier for any safety metric achieved at a level higher than the 115% was 115%. The modifier for any safety metric achieved at a level between two performance levels in the table was determined by interpolation between the two applicable levels.

The following table summarizes the overall AICP results and payouts:

Named Executive Officer	Weighted Financial Goals Payout Multiple	Safety Metrics Modifier	Overall Multiple	Payout
Richard D. Peach		0.95		\$
Michael R. Henderson		1.14		\$
Jeffrey Dyck		0.85		\$
Belinda Gaye Hyde <sup>(1)</sup>		0.95		\$

Steven G. Heiskell	0.99	\$
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(1) Since Ms. Hyde voluntarily terminated her employment as Senior Vice President and Chief Human Resources Officer in July 2015, she was not eligible for an AICP payment for fiscal 2015.

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**Compensation Discussion and Analysis**

*Productivity Improvement Bonus Pool.* For fiscal 2015, similar to fiscal 2014, the AICP also included a Performance Improvement Bonus Pool ( PIBP ) for the NEOs other than the CEO. The PIBP was focused on rewarding contributions to the productivity improvement and cost savings initiatives implemented in fiscal 2015 that have led to improvements in the Company's sustainable operating performance and the successful completion of the AMR integration by the fiscal 2015 year end.

Specifically, we launched an additional productivity improvement and cost reduction initiative in April 2015 with an annual savings target of \$60 million.

This initiative included an extensive range of actions to further reduce SG&A, increase productivity, adjust metals recycling capacity by idling major processing equipment, close loss-making retail stores and create Company-wide shared services in several critical functions.

During primarily the second half of fiscal 2015, approximately \$28 million of benefits were achieved ahead of schedule.

In addition, by the end of the fourth quarter management had completed the integration of the MRB and APB divisions into the new AMR division.

This integration required the development and implementation of a new regional management structure, a new operational performance framework, the transfer of finance, information technology, procurement, and human resource teams from APB's headquarters in California to corporate headquarters in Portland, and revisions to processes and systems to enable reporting on an AMR basis beginning with the fiscal 2015 fourth quarter results.

Furthermore, during fiscal 2015, we materially strengthened our balance sheet through focused working capital discipline, increasing inventory turns, managing credit exposure, and further efficiencies in other processes. Operating cash flow for fiscal 2015 was \$145 million and net debt at year-end was \$205 million, a reduction of 30% from fiscal 2014 year-end and the lowest level achieved since 2011.

The objectives and metrics for fiscal 2015 compensation incentive plans were set in the fall of 2014 and did not reflect the material deterioration in market conditions and management's strong response through these additional initiatives.

In establishing the final cash incentive payments under the AICP for fiscal 2015, the Committee determined to take these circumstances into account and therefore took the following actions:

Eliminated the discretionary AICP bonus pool of \$500,000 for fiscal 2015;

Replaced the discretionary AICP bonus pool with the Productivity Improvement Bonus Pool ( PIBP ) for certain AICP participants, including the NEOs other than the CEO; and

Focused PIBP payouts on rewarding contributions to the achievement of the initiatives detailed above that have led to improvements in our sustainable operating performance and the successful completion of the AMR integration by the fiscal 2015 year-end.

Actual productivity improvements of \$28 million and completion of the AMR integration by fiscal 2015 year-end resulted in the following payouts:

Named Executive Officer	PIBP % of AICP eligible earnings	PIPB Payout
Richard D. Peach	40%	\$ 196,542
Michael R. Henderson	40%	\$ 155,914
Jeffrey Dyck	40%	\$ 85,712
Belinda Gaye Hyde <sup>(1)</sup>	%	\$
Steven G. Heiskell	40%	\$ 69,154

(1)Ms. Hyde voluntarily terminated her employment as Senior Vice President and Chief Human Resources Officer in July 2015 and was not eligible for a PIBP payout for fiscal 2015.

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**Table of Contents****Compensation Discussion and Analysis****Initiatives: Delivering Operational and Economic Benefits to Increase Long-Term Shareholder Value**

<b>Initiative</b>	<b>Fiscal 2015 Results</b>	<b>Fiscal 2016 Goals</b>
Cost savings and productivity initiatives	Contributed \$28 million to operating income	Deliver full year target of \$60 million
AMR Integration	Completed integration of Auto Parts and Metals Recycling Businesses	Generate further synergies from operational integration and shared services
Inventory turns	Increased inventory turns by 24% during past twelve months	Continue to maintain strong working capital management
Logistics capabilities	Enhanced platform flexibility to increase access to domestic markets	Further develop transportation and logistics efficiencies across domestic and international market
Process improvements	Investments in procedures to enhance productivity and yields	Implement process improvements to impact financial performance



Commercial technology	Implemented analytic systems for both auto and metals buy programs	Continue to evaluate opportunities to upgrade operating systems
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*October 2015 Service-Dependent RSU Award.* As noted above, the CEO was not included in the fiscal 2015 PIBP that focused on rewarding contributions achieved in the second half of fiscal 2015 as a result of the implementation in fiscal 2015 of the productivity and cost savings initiatives announced mid-year and the successful implementation of the AMR integration by year-end. Rather, the Committee determined in October 2015 to incentivize the CEO with a service-dependent RSU grant. In making its determination, the Committee considered a number of factors including:

The Committee's determination not to include the CEO in the fiscal 2015 PIBP which focused on the successful implementation of the productivity and cost savings initiatives during fiscal 2015, but rather to focus and reward the CEO going forward on leading the effort to ensuring sustainable savings from execution of these initiatives and on achieving additional synergies from the combined AMR platform over the next two years.

The Committee's deliberations to consider long-term incentive awards in two stages in fiscal 2016, which resulted in an initial grant to the CEO of equity awards in fiscal 2016 at 50% of the prior year grant (a reduction of \$1,750,000).

The desire for continued leadership by the CEO of the development and execution of our strategic priorities, including additional benefits, synergies, and growth opportunities following the AMR integration.

The CEO's eligibility for early retirement in September 2015.

This service-dependent RSU grant was for a number of shares determined by dividing \$800,000 by the closing price of the Company's stock on the date of the grant. These shares vest over two years with 50% vesting on the first anniversary

of the grant and 50% vesting on the second anniversary, provided that the CEO does not voluntarily leave the Company (including through retirement) nor is terminated for cause. The in-service RSUs would vest in the event of death, disability, termination without cause or for good reason, or a change in control. Given (i) the continued weakness both in the macroeconomic environment and in the markets for ferrous and non-ferrous recycled metals, and (ii) the importance of the CEO's leadership in carrying through on the productivity improvement and cost reduction initiatives and in driving additional synergies from the newly combined AMR platform, the Committee believed that the CEO's leadership over the next two years would be particularly critical and that the two-year service requirement in combination with no vesting in the event of retirement was appropriate.

*Long-Term Incentive Program.* All of our NEOs participate in the LTIP, which consists of two components: RSUs (time-vested awards) and performance shares (performance-based awards). Annual LTIP award values are split equally between the two components, with the number of RSUs and the target number of performance shares calculated based on the closing market price of our common stock on the determination date. LTIP awards are made by the Committee pursuant to our Policy on Employee Equity Awards, which was adopted by the Board in April 2007 and sets forth the process for granting equity awards. LTIP awards to NEOs are generally made based on grant

guidelines expressed as a percentage of salary. Grant guidelines for NEOs other than the CEO are developed each year based on a review of (a) market-based LTIP grant levels, as assessed by both the Committee s and management s consultants, (b) prior year grant guidelines, and (c) CEO recommendations, taking into account performance and internal pay equity considerations, including the relative scope of the business responsibilities of each NEO, the markets in which his or her business segment

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**Compensation Discussion and Analysis**

operates, and his or her individual performance. Grant guidelines for the CEO are developed each year by the Committee based on a review of market-based LTIP grant levels and prior year grant guidelines and an exercise of its discretion, taking into account CEO performance.

Our practice generally has been to determine annual LTIP award levels and make both RSU and performance share awards in November of the fiscal year. RSU awards generally vest over five years, and awards under the performance share component have historically had a three-year performance cycle. We modified this historical practice in fiscal 2012 through fiscal 2015 and used a two-year performance cycle because the Committee determined that continuing market uncertainties made establishing three-year performance targets extremely difficult.

The LTIP award level approved in fiscal 2015 for the CEO was 350% of her base salary, which was the same percentage of salary as in fiscal 2014. The grant levels for the other NEOs as a percentage of base salary were 155% for Mr. Peach, 143% for Mr. Henderson and Ms. Hyde, 120% for Mr. Dyck, and 63% for Mr. Heiskell. These grants placed the officers at the levels deemed by the Committee to be appropriate and reasonable in light of his or her respective performance, expertise, experience, and development within roles and responsibilities. In designing the LTIP, the Committee sought to make awards within a broad range on either side of the market median to individualize the award to the level of responsibility and performance of the recipient. The grant date fair values of LTIP awards made to each of our NEOs are disclosed in the **Stock Awards** column of the **Summary Compensation Table**.

In response to the input received through the Company's shareholder outreach efforts, the Committee restructured the performance share portion of the LTIP. For performance shares awarded in fiscal 2016, the performance period will be increased from two to three years and the following metrics will be utilized:

Relative TSR against a peer group of companies with similar financial and operational characteristics (50% weighting); and

CFROI against specific targets over the three-year performance period (50% weighting).

Working with its independent compensation consultant, the Committee determined that TSR should provide better alignment with the experience of shareholders and that CFROI is well-aligned with shareholder value creation since it measures the generation and efficient use of capital.

In addition, in recognition of current market conditions, the Committee determined that for fiscal 2016 it would consider the long-term incentive awards in two stages: a grant in November 2015 at generally 50% of the previous year grant levels and a review at mid-year based on the Company's financial and operating performance.

*RSUs.* The objective of RSUs is to align executive and shareholder long-term interests by creating a strong and direct link between executive compensation and shareholder return and to create incentives for NEOs to remain with the Company for the long term. Awarded RSUs generally vest over five years. Since fiscal 2007, we have granted RSUs instead of stock options to NEOs and other key employees to increase the equity ownership of senior management and provide a time-based retention incentive that the Committee believes better meets its compensation and retention objectives. RSU awards under the LTIP are generally made pursuant to our standard form of restricted stock unit award agreement. See [All Other Stock Awards: Number of Shares of Stock or Units](#) in the [Grants of Plan-Based Awards in Fiscal 2015](#) table.

*Performance Shares.* Performance-based long-term incentive awards payable in our common stock are designed to focus our NEOs on the achievement of long-term objective performance goals established by the Committee and vest only to the extent those performance goals are met.

*Fiscal 2015-2016 Grants.* In November 2014, the Committee granted performance share awards for the two-year performance period covering fiscal 2015 and 2016 and used as metrics:

EBITDA for fiscal 2015 (weighted at 25%);

Year-over-year improvement in EBITDA for fiscal 2016 (weighted at 25%);

ROE (net income attributable to the Company divided by average shareholders' equity) for fiscal 2015 (weighted at 25%); and

Year-over-year improvement in ROE for fiscal 2016 (weighted at 25%).

EBITDA and ROE for each fiscal year will be adjusted to eliminate the impacts of Restructuring Charges, Idling Charges, Impairments, Discontinued Ops, Environmental Accruals, Environmental Expenses, Share-based Charges, and changes in accounting principles; in addition, EBITDA will also be adjusted to eliminate any NRV Charges.

EBITDA and ROE performance for fiscal 2015 resulted in payout multiples of 0.00x for each performance goal, based

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**Compensation Discussion and Analysis**

on EBITDA as adjusted of \$76,092,000 and negative ROE as adjusted. Accordingly, no shares were earned by the NEOs based on performance for the first year of the performance period.

We consider the EBITDA and ROE improvement targets for uncompleted years of the performance period to be confidential financial information, the disclosure of which would result in competitive harm to us because they would reveal information about our earnings and growth profile and the effects of anticipated capital expenditures and corporate acquisitions, none of which is otherwise made public. Disclosure of this information would also impair our ability to make acquisitions because it would place us at a competitive disadvantage by providing competitors with sensitive information about our transaction pricing and acquisition strategy.

*Fiscal 2014-2015 Results and Payouts.* The two-year performance period for the performance share awards made in both August 2013 and November 2013 covered fiscal 2014 and fiscal 2015 and, accordingly, ended on August 31, 2015. As noted above, in response to the input received from

its shareholder outreach efforts, the Committee returned to using a three-year performance period for fiscal 2016. The combined performance multiples for the August 2013 and November 2013 awards for the two-year period were as follows:

For the August 2013 awards, 0.54x for all NEOs; and

For the November 2013 awards, 0.32x for Messrs. Henderson and Heiskell, 1.91x for Mr. Dyck based on the strong performance of SMB over the period, and 0.57x for Ms. Lundgren and Mr. Peach.

Resulting in a performance award payout at below 0.6x for the CEO and other NEOs in the aggregate. The award granted in August 2013 used as metrics year-over-year improvement in EBITDA for each of fiscal 2014 and 2015 (weighted at 50%) and year-over-year improvement in ROE for the same two fiscal years (weighted at 50%). EBITDA and ROE were defined essentially the same as those terms were defined in the fiscal 2015-2016 awards described above, except that they did not include adjustments for Idling Charges and Share-based Charges.

The performance goals, results, and associated payout factors for EBITDA improvement were:

EBITDA Improvement Goals								Payout Multiple
Metric	0.0x	0.50x	0.75x	1.00x	1.25x	2.00x	Results	
Fiscal 2014 (Improvement from fiscal 2013)	< 0.0%	%	14.4%	24.4%	34.4%	> 46.0%	24.4%	1.00x
Fiscal 2015 (Improvement from fiscal 2014)	< 0.0%	%	2.7%	5.3%	8.0%	> 10.6%	(75.6)%	0.00x
Weighted average adjusted payout multiple								0.50x

The performance goals, results and associated payout factors for ROE improvement were:

ROE Improvement Goals								Payout Multiple
Metric	0.0x	0.50x	0.75x	1.00x	1.25x	2.00x	Results	
Fiscal 2014 (Improvement from fiscal 2013)	< 0.0%	%	0.7%	1.4%	2.0%	> 2.7%	1.8%	1.15x
Fiscal 2015 (Improvement from fiscal 2014)	< 0.0%	%	0.2%	0.5%	0.8%	> 1.0%	(6.1)%	0.00x
Weighted average adjusted payout multiple								0.58x

Based on these results, the combined performance share payout multiple for these awards was 0.54x. The number of shares issued to each NEO under these awards following vesting on October 31, 2015 is shown in the Outstanding Equity Awards at Fiscal 2015 Year-End table.

To create further diversity in the performance metrics for long-term awards covering the same period, the Committee used different performance metrics for the performance share awards granted in November 2013. These awards used the following performance metrics: ferrous sales volumes,

nonferrous sales volumes, APB car purchase volumes, MRB operating income per ton ( MRB OI ), APB operating margin ( APB OM ), SMB finished steel products sales volumes, and SMB operating income per ton ( SMB OI ). MRB OI, APB OM and SMB OI for each fiscal year were adjusted to eliminate the impacts of Restructuring Charges, Impairments, Environmental Accruals, Environmental Expenses, Discontinued Ops, Acquisition Items, and changes in accounting principles. For participants in AMR (including Messrs. Henderson and Heiskell), applicable performance metrics were ferrous sales volumes, nonferrous sales volumes,

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and APB car purchase volumes (each weighted 16  $\frac{2}{3}$ %), MRB OI (weighted 25%), and APB OM (weighted 25%). For participants in SMB (including Mr. Dyck), the applicable performance metrics were SMB sales volumes and SMB OI, weighted equally. For participants in Corporate Shared Services (including Ms. Lundgren and Mr. Peach), payouts

were based on the weighted average payouts of the AMR and SMB performance metrics, with the weighted average based on relative revenues of the two divisions before intercompany eliminations. The payout factors determined for each of the two years of the performance period were then averaged to determine the final payout factor.

The performance goals, results and associated payout factors for these awards (volumes in thousands) were:

Fiscal 2014 Target Payout Metrics								
Ferrous Sales Volumes (Tons)	Nonferrous Sales Volumes (lbs)	APB Car Purchase Volumes	MRB Operating Income per Ton	APB Operating Margin	SMB Sales Volumes (Finished Steel, in Tons)	SMB Operating Income per Ton	Multiples	
4,306	520	365	\$ 6.33	8.2%	488	\$ 15.78	0.50x	
4,371	528	369	\$ 8.05	9.0%	495	\$ 17.42	0.75x	
4,435	536	374	\$ 11.86	10.6%	503	\$ 19.26	1.00x	
4,500	543	379	\$ 13.03	12.3%	510	\$ 21.72	1.25x	
4,694	567	390	\$ 14.21	13.1%	517	\$ 25.61	2.00x	

**More than**



<b>Results</b>	4,122	555	380	\$ 7.30	6.8%	533	\$ 34.75
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<b>Actual Payout Factor</b>	0.00x	1.62x	1.30x	0.64x	0.00x		2.00x
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2.00x

## Fiscal 2015 Target Payout Metrics

Ferrous Sales Volumes (Tons)	Nonferrous Sales Volumes (lbs)	APB Car Purchase Volumes	MRB Operating Income per Ton	APB Operating Margin	SMB Sales Volumes (Finished Steel in Tons)	SMB Operating Income per Ton	Multiples
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4,521	546	383	\$ 6.64	8.6%	503	\$ 16.57	0.50x
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4,629	559	391	\$ 8.65	10.2%	510	\$ 18.72	0.75x
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4,737	572	399	\$ 13.05	13.4%	517	\$ 21.19	1.00x
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4,833	584	409	\$ 14.66	16.8%	532	\$ 24.44	1.25x
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**More than**

619 425

5,124			\$ 16.34	18.4%	547	\$ 29.46	2.00x
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**Results**

3,592	531	337	\$ (8.25)	2.25%	540	\$ 37.74
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**Actual Payout Factor**

0.00x	0.00x	0.00x	0.00x	0.00x	1.64x	2.00x
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Based on these results, the combined performance share payout multiples for these awards were:

APB/MRB	SMB	Shared Services
0.65x	2.00x	0.83x

Fiscal 2014

Fiscal 2015	0.00x	1.82x	0.31x
Average	0.32x	1.91x	0.57x

The number of shares issued to each NEO under these awards following vesting on October 31, 2015 is shown in the Outstanding Equity Awards at Fiscal 2015 Year-End table.

A participant generally must be employed by us on the October 31 following the end of the performance period to receive an award payout, although adjusted awards, pro-rated based on the period of employment during the performance period, will be paid subject to the terms of the applicable award agreement if employment terminates earlier on account of death, disability, retirement, termination without cause after

the first year of the performance period, or a sale of the Company. Awards will be paid in Class A common stock as soon as practicable after the October 31 following the end of the performance period. Violation of certain non-competition covenants during the first year following termination of employment will trigger an obligation to repay any award paid out in the preceding year. See the Stock Awards column in the Summary Compensation Table and Estimated Future Payouts Under Equity Incentive Plan Awards column in the Grants of Plan-Based Awards in Fiscal 2015 table.

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**Compensation Discussion and Analysis**

*Executive Benefits.* Our executive benefits are intended, along with base salary, to provide a competitive fixed pay foundation for the work being performed by the executive. NEOs are eligible to participate in benefit plans available to non-executive employees and to receive additional benefits as described below as part of the compensation package we believe is necessary to attract and retain the desired level of executive talent.

*Retirement Plans.* We maintain 401(k) plans and a Pension Retirement Plan (the Pension Plan) for our employees, including the NEOs. The Pension Plan was frozen as of June 30, 2006, and no additional benefits have been accrued for participants since that date.

We also maintain a Supplemental Executive Retirement Bonus Plan (SERBP) in which the CEO participates. We have not added any participants to the SERBP since 2005. See Pension Benefits at Fiscal 2015 Year End for descriptions of the Pension Plan and the SERBP and information regarding benefits payable to the NEOs under the Pension Plan and the SERBP.

*Change-in-Control Agreements.* To ensure that we offer competitive compensation to our NEOs, and to attract and retain top executive talent, we offer severance benefits under change-in-control agreements as part of our executive compensation packages. The purpose of these agreements is to ensure that we will have the continued attention and dedication of our senior executives during a potential change of control. The Committee believes these agreements are in the best interest of shareholders by providing certainty as to what executives would receive in a change of control, enabling them to remain focused on the business during a period of

uncertainty. In April 2008, the Committee approved change-in-control severance agreements for Messrs. Peach and Dyck. In October 2008, the Committee approved an amended change-in-control agreement with Ms. Lundgren, which amended and restated her change-in-control agreement entered into in March 2006. In 2011, the Committee approved a revised form of change-in-control agreement, which does not include any tax gross-up provisions, and this form has been used for agreements with Mr. Henderson, Mr. Heiskell, and Ms. Hyde. The specific terms of the change-in-control agreements and the potential benefits payable under the agreements are discussed under Compensation of Executive Officers Potential Payments Upon Termination or Change in Control below. At the times the agreements currently in effect were approved, the Committee received advice from PM&P, and the Company received advice from Towers Watson, that the terms were competitive and consistent with market practices.

*Indemnity Agreements.* We have entered into indemnity agreements with each NEO pursuant to which we agree to indemnify such officer in connection with claims or proceedings involving the officer (by reason of serving as a director or officer of the Company or its subsidiaries), as provided in the agreement.

*Other Benefits.* Certain executive officers receive a monthly automobile allowance and use of a Company-provided credit card for fuel purchases. Both amounts are taxable to the executive as compensation income. Certain executive

officers also participate in a supplemental executive medical benefits plan which provides full coverage of certain medical and dental expenses (including deductibles and co-payments) not covered by our basic medical and dental plans.

## **Employment Agreements**

We entered into an employment agreement with our CEO in connection with her initial employment. In October 2008, we entered into an amended and restated employment agreement with our CEO, which became effective on December 1, 2008 in connection with her becoming President and CEO, and which superseded the prior agreement. That agreement was further amended in June 2011.

Our CEO's employment agreement governs the terms and conditions of her employment as CEO through December 1, 2018, provided that on December 1, 2016, and on each December 1 thereafter, the employment agreement automatically extends for an additional one-year period unless we or our CEO elects not to extend the term. On December 1, 2015 her employment agreement was automatically extended

for an additional one-year period (i.e., through December 1, 2018). Our CEO's current base salary of \$1,000,000, a target bonus of 150% of year-end base salary and a maximum bonus payment of 3x target have remained unchanged since May 2011.

In the event that our CEO's employment is terminated by us without cause, including our decision not to extend the term of the employment agreement, or by our CEO for good reason and not under circumstances that would give rise to severance payments to our CEO under her change-in-control agreement, our CEO would be entitled to receive severance and other benefits as described under Potential Payments Upon Termination or Change in Control. These benefits were negotiated as part of her original employment agreement in 2005.

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**Compensation Discussion and Analysis**

**Officer Stock Ownership Policy**

To promote the long-term alignment of the interests of our officers and shareholders, we adopted the Officer Stock Ownership Policy. The policy requires each of our officers to accumulate ownership of Class A common stock with a value equal to the following multiples of base salary: CEO: 5x; Senior Vice Presidents: 2x; and Vice Presidents: 1x. To reduce the impact of stock price fluctuations on an officer's ongoing obligation to achieve and maintain compliance with this policy, shares purchased in the open market are valued at cost, shares acquired under RSUs or LTIP performance share awards are valued at the market price on vesting, and shares acquired under stock options are valued at the market price at the time of exercise of the option, and these values remain

constant. Until the requisite level of ownership is achieved, officers are required to retain at least 50% of the shares (net of shares withheld to cover taxes or sold to cover the option exercise price and taxes) received under RSUs, stock options, and performance share awards. The policy also requires officers who have achieved compliance to thereafter maintain at least the minimum ownership level and to retain 50% of the net shares received thereafter under RSUs, stock options, and performance share awards for at least three years. While only Ms. Lundgren and Mr. Dyck have achieved the minimum ownership required, each of the other NEOs was otherwise in compliance with the policy as of August 31, 2015.

**Tax Deductibility of Executive Compensation**

Section 162(m) of the Internal Revenue Code generally limits to \$1,000,000 per person the amount that the Company may deduct for compensation paid in any year to any of the NEOs (other than the CFO, whose pay is excluded pursuant to Internal Revenue Service Notice 2007-49). The policy of the Committee is to structure executive compensation to maximize the deductibility of compensation where feasible consistent with our overall compensation objectives. The Committee has structured some of the Company's compensation programs to qualify as performance-based compensation not subject to the \$1,000,000 cap on deductibility. Other compensation programs

may not qualify as performance-based compensation under Section 162(m) because they involve individual or non-objective performance measures or the Committee retains discretion in applying the performance criteria. The Company's LTIP performance share awards are intended to qualify as performance-based compensation not subject to the \$1,000,000 cap on deductibility. Under IRS regulations, the \$1,000,000 cap on

deductibility will not apply to compensation received through the exercise of a nonqualified stock option that meets certain requirements, and it was our policy when granting options to meet the requirements of Section 162(m) so that the option exercise compensation is deductible by the Company. To address deductibility of bonus compensation under Section 162(m), the Board adopted, and in 2015 the shareholders re-approved and amended, the Amended Executive Annual Bonus Plan pursuant to which bonus compensation may qualify as performance-based compensation not subject to the \$1,000,000 cap on deductibility. Even though the bonus paid to the CEO under the Amended Executive Annual Performance Bonus Program and the LTIP performance shares which vested in fiscal 2015 qualify as performance-based compensation not subject to the Section 162(m) cap on deductibility, a portion of the compensation paid to the CEO for fiscal 2015 was not deductible.

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**Compensation Committee Report**

The Compensation Committee has:

Reviewed and discussed the above section titled "Compensation Discussion and Analysis" with management; and

Based on the review and discussion above, recommended to the Board that the "Compensation Discussion and Analysis" section be included in this proxy statement.

COMPENSATION COMMITTEE

Judith A. Johansen, Chair

David J. Anderson

Wayland R. Hicks

David L. Jahnke

Michael W. Sutherlin

Table of Contents**Compensation of Executive Officers****Summary Compensation Table**

The following table sets forth certain information concerning compensation of the NEOs during the fiscal years ended August 31, 2013, 2014, and 2015.

Name and Principal Position	Year	Salary (\$)	Bonus \$( <sup>1</sup> )	Stock Awards \$( <sup>2</sup> )	Option Awards (\$)	Non-Equity Incentive Plan Compensation \$( <sup>3</sup> )	Change in Pension Value and Nonqualified Deferred Compensation Earnings \$( <sup>4</sup> )	All Other Compensation \$( <sup>5</sup> )	Total (\$)
<b>Tamara L. Lundgren</b>  President and Chief  Executive Officer	2015	1,000,000		3,578,401		727,500	172,803	30,345	5,509,049
	2014	1,000,000		3,499,992		1,740,000	158,218	30,192	6,428,402
	2013	1,000,000		2,999,966		615,000	73,057	29,415	4,717,438
	2015	614,192	196,542	981,475				23,125	1,815,334
	2014	600,000		959,942		457,920		24,733	2,042,595



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<b>Richard D. Peach</b>	2013	571,154	41,123	1,014,338	77,677	23,352	1,727,644
Senior Vice President and Chief Financial Officer							

	2015	519,712	155,913	766,780		23,062	1,465,467
	2014	500,865	100,000	624,992	260,581	27,459	1,513,897
<b>Michael R. Henderson</b>							
Senior Vice President and Co-President, Auto and Metals Recycling							

	2015	428,558	85,712	526,512		21,290	1,062,072
	2014	412,000		411,998	449,904	23,799	1,297,701
<b>Jeffrey Dyck</b>							
Senior Vice President and President, Steel Manufacturing Business							

	2015	348,305		552,086		11,829	912,220
	2014	360,000		539,940	171,720	13,110	1,084,770
<b>Belinda Gaye Hyde<sup>(6)</sup></b>	2013	340,769	188,235	582,469	37,485	14,114	1,163,072
Former Senior Vice President and							

Chief Human  
Resources  
Officer

2015	366,827	69,154	255,594	12,433	704,008
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**Steven G.  
Heiskell<sup>(7)</sup>**  
Senior Vice  
President and  
Co-President,  
Auto and  
Metals  
Recycling

- (1) Amounts for fiscal 2015 reflect bonuses paid under the Company's PIBP resulting from discretion exercised by the Compensation Committee following completion of the fiscal year to reward contributions to the productivity improvement and cost savings initiatives implemented in fiscal 2015 that have led to improvements in the Company's sustainable operating performance and the successful completion of the AMR integration by the fiscal 2015 year-end. Amount for Mr. Henderson in fiscal 2014 is a discretionary bonus in recognition of his leadership in improvements in MRB that contributed substantially to improvements in MRB's financial and safety performance. Amounts for fiscal 2013 reflect the portion of bonuses paid under the Company's AICP in fiscal 2013 resulting from discretion exercised by the Compensation Committee following completion of the fiscal year to authorize payouts based on performance below the threshold and to modify the weighting of the individual goals for Messrs. Peach and Dyck and Ms. Hyde to reflect changes in relative importance of operational goals during the year. For Ms. Hyde, amounts for fiscal 2013 also includes \$176,308 for a sign-on bonus she received when she was hired in fiscal 2012 and which vested in fiscal 2013. See Compensation Discussion and Analysis Annual Incentive Programs.
- (2) Represents the aggregate grant date fair value of stock awards granted during each of the years computed in accordance with FASB ASC Topic 718 excluding the effect of estimated forfeitures. These amounts reflect the grant date fair value and may not correspond to the actual value that will be realized by the NEOs. Stock awards consist of RSUs and LTIP performance shares, in each case valued using the closing market price of the Company's Class A common stock on the NASDAQ Global Select Market on the grant date. For LTIP performance shares, the grant date fair value is calculated based on the target number of shares which, as of the grant date, was the estimated number of shares to be issued. If the maximum number of shares issuable under LTIP performance share awards had been used in this calculation in lieu of the target number of shares, the amounts in the table for fiscal 2015 would have been: Ms. Lundgren, \$5,406,804; Mr. Peach, \$1,482,964; Mr. Henderson, \$1,158,570; Mr. Dyck, \$795,536; Ms. Hyde, \$834,176; and Mr. Heiskell, \$386,190. Stock awards granted to Ms. Hyde were forfeited due to her resignation from the Company.
- (3)

Non-Equity Incentive Plan Compensation in fiscal 2015 consists of amounts paid under the AICP or the annual performance bonus program under the CEO's employment agreement based on the achievement of performance goals. See Compensation Discussion and Analysis Annual Incentive Programs.

- (4) Represents changes in the actuarial present value of accumulated benefits under the Pension Retirement Plan and the SERBP for each of the years presented using the same pension plan measurement date used for financial statement reporting purposes.
  
- (5) Includes for fiscal 2015 Company matching contributions to the account of each NEO under the 401(k) Plan in the following amounts: Ms. Lundgren, Mr. Peach, and Mr. Dyck, \$10,600; Mr. Henderson, \$10,419; Ms. Hyde, \$9,835; and Mr. Heiskell, \$10,657. Includes for fiscal 2015 amounts paid for out-of-pocket medical expenses under the supplemental executive medical benefits plan in the following amounts: Ms. Lundgren, \$5,296. Includes for fiscal 2015

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**Compensation of Executive Officers**

premiums paid for life, disability and other insurance in the following amounts: Ms. Lundgren, \$4,849; Mr. Peach, \$2,986; Mr. Henderson, \$2,526; Mr. Dyck, \$2,085; Ms. Hyde, \$1,994; and Mr. Heiskell, \$1,776. Includes for fiscal 2015 automobile allowance and fuel purchase fringe benefits in the following amounts: Ms. Lundgren, \$9,600; Mr. Peach, \$9,539; Mr. Henderson, \$10,117; and Mr. Dyck, \$8,605.

(6) Ms. Hyde voluntarily terminated her employment as Senior Vice President and Chief Human Resources Officer in July 2015.

(7) Mr. Heiskell was promoted to Senior Vice President and Managing Director of the Auto Parts Business in January 2015, and to Senior Vice President and Co-President of the Auto and Metals Recycling in June 2015.

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## Compensation of Executive Officers

## Grants of Plan-Based Awards in Fiscal 2015

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(2)</sup>			All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(3)</sup>	Grant Date Fair Value of Stock Awards <sup>(4)</sup>
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
	11/25/2014				38,060	76,120	152,240		1,828,400
Barbara L. Hodgren	10/29/2014		1,500,000	4,500,000				76,120	1,749,980
	11/25/2014				10,439	20,878	41,756		501,490
Richard D. Schuch	10/29/2014							20,878	479,980
		104,413	491,354	1,130,114					
	11/25/2014				8,156	16,311	32,622		391,790

Michael R. Henderson	10/29/2014					16,311	374,99
		82,829	389,784	896,502			
	11/25/2014				5,600	11,200	22,400
Michael R. Dyck	10/29/2014					11,200	257,48
		45,534	214,279	492,841			
	11/25/2014				5,872	11,744	23,488
Linda M. Hyde	10/29/2014					11,744	269,99
		37,007	174,152	400,550			
	11/25/2014				2,719	5,437	10,874
Steven G. Heiskell	10/29/2014					5,437	124,99
		36,738	172,885	397,635			

(1) All amounts reported in these columns represent the potential bonuses payable for performance in fiscal 2015 under the Company's AICP or the annual performance bonus program under the CEO's employment agreement. The Committee annually approves target bonus levels as a percentage of either base salary as of the end of the fiscal year (for the CEO) or base salary actually paid during the fiscal year (for the other NEOs). The total target bonus percentages for the NEOs were: Ms. Lundgren, 150%; Mr. Peach, 80%; Mr. Henderson, 75%; Mr. Dyck, 50%; Ms. Hyde, 50%; and Mr. Heiskell, 50%. For Messrs. Peach, Henderson, Dyck and Heiskell and Ms. Hyde, the Committee retained discretion to pay bonuses below the stated threshold and above the stated maximum amounts. See Compensation Discussion and Analysis Annual Incentive Programs. Bonus amounts earned based on fiscal 2015 performance are included under the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table.

(2) Amounts reported in these columns for NEOs represent LTIP performance share awards granted in fiscal 2015 and are based on performance during fiscal years 2015 and 2016. See Compensation Discussion and Analysis Long

Term Incentive Program.

- (3) Represents RSUs granted under the Company's SIP. RSUs generally vest ratably over five years, subject to continued employment. Vesting may be accelerated in certain circumstances, as described under Potential Payments Upon Termination or Change in Control.
- (4) Represents the aggregate grant date fair value of RSUs and LTIP performance share awards computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. The grant date fair value of the RSUs is equal to the value of the underlying restricted shares based on the closing market price of the Company's Class A common stock on the grant date. The grant date fair value of the LTIP performance share awards is calculated by multiplying the target number of shares issuable under the award by the closing market price of the Company's Class A common stock on the grant date.
- (5) Stock awards granted to Ms. Hyde were forfeited due to her resignation from the Company.

**Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards in Fiscal 2015**

We entered into an employment agreement with our CEO in connection with her initial employment. See Compensation Discussion and Analysis Employment Agreements above for a description of the material terms of her employment agreement.

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**Compensation of Executive Officers**

**Outstanding Equity Awards at Fiscal 2015 Year End**

The following table sets forth certain information concerning outstanding equity awards for each NEO as of August 31, 2015.

Name	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market
	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup>	Number of Securities Underlying Exercisable Options (#) <sup>(1)</sup>	Exercise Price (\$)	Option Expiration Date	Number of Units or Shares That Have Not Vested (#) <sup>(2)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(3)</sup>	Equity Incentive Plan Awards: Number of Units or Shares, or Other Rights That Have Not Vested (#)	Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(3)</sup>
<b>Tamara L. Lundgren</b>	10,000							
			30.19	10/19/2015				
	10,276							
			34.46	11/29/2015				
	4,884							
		30.71	1/11/2016					
	150,000		34.75	8/28/2017				



5,636<sup>(4)</sup> 97,559

5,636<sup>(4)</sup> 97,559

2,763<sup>(5)</sup> 47,828

19,672<sup>(6)</sup> 340,522

45,827<sup>(7)</sup> 793,265

76,120<sup>(8)</sup> 1,317,637

29,921<sup>(9)</sup> 517,933

32,651<sup>(10)</sup> 565,189

<sup>(11)</sup> 19,030<sup>(12)</sup> 329,409

**Richard D. Peach** 49,092

34.75 8/28/2017

1,071<sup>(4)</sup> 18,539

1,071<sup>(4)</sup> 18,539

7,008<sup>(6)</sup> 121,308

12,569<sup>(7)</sup> 217,569

20,878<sup>(8)</sup> 361,398

9,574<sup>(9)</sup> 165,726

8,955 <sup>(10)</sup>	155,011		
(11)		5,220 <sup>(12)</sup>	90,350

**Michael R. Henderson**

2,132 <sup>(6)</sup>	36,905		
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8,184 <sup>(7)</sup>	141,665		
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16,311 <sup>(8)</sup>	282,343		
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4,986 <sup>(9)</sup>	86,308		
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3,273 <sup>(10)</sup>	65,656		
(11)		4,078 <sup>(12)</sup>	70,586

**Jeffrey Dyck**                      587

34.46	11/29/2015		
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21,532			
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34.75	8/28/2017		
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611 <sup>(4)</sup>	10,576		
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611 <sup>(4)</sup>	10,576		
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2,296 <sup>(6)</sup>	39,744		
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5,395 <sup>(7)</sup>	93,387		
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11,200 <sup>(8)</sup>	193,872		
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3,490 <sup>(9)</sup>	60,412		
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				12,879 <sup>(10)</sup>	222,935		
				(11)		2,800 <sup>(12)</sup>	48,468
<b>Belinda Gaye Hyde</b>	18,302	34.75	10/8/2015				
<b>Steven G. Heiskell</b>							
	734	34.46	11/29/2015				
	3,023	34.73	7/25/2016				
				188 <sup>(4)</sup>	3,254		
				188 <sup>(4)</sup>	3,254		
				820 <sup>(6)</sup>	14,194		
				3,273 <sup>(7)</sup>	56,656		
				5,437 <sup>(8)</sup>	94,114		
				2,493 <sup>(9)</sup>	43,154		
				1,309 <sup>(10)</sup>	22,659		
				(11)		1,359 <sup>(12)</sup>	23,529

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**Compensation of Executive Officers**

- (1) Options to purchase Class A common stock granted prior to fiscal 2012 generally became exercisable for 20% of the shares on June 1 following the grant date and on June 1 of each of the next four years thereafter, becoming fully exercisable on the fifth June 1 following the grant date, subject to continued employment, and accelerated vesting under certain circumstances. Options granted during fiscal 2012 became exercisable for 100% of the shares on the second anniversary of the grant date. All options are fully vested.
  
- (2) RSUs granted before fiscal 2014 generally vest for 20% of the shares on June 1 following the grant date and on June 1 of each of the next four years thereafter, becoming fully vested on the fifth June 1 following the grant date, subject to continued employment and accelerated vesting under certain circumstances. RSUs granted during fiscal 2014 and after generally vest for 20% of the shares on October 31 of the year following the grant date and on October 31 of each of the next four years thereafter, becoming fully vested on the fifth October 31 of the year following the grant date, subject to continued employment and accelerated vesting under certain circumstances.
  
- (3) Market values of all shares are based on the closing price of the Class A common stock on the last trading day of fiscal 2015.
  
- (4) This RSU will be fully vested on June 1, 2016.
  
- (5) This RSU will vest fully on August 28, 2017.
  
- (6) This RSU vests as to 50% of the shares on June 1 each year in 2016 and 2017.
  
- (7) This RSU vests as to 25% of the shares on October 31 each year in 2015, 2016, 2017 and 2018.
  
- (8) This RSU vests as to 20% of the shares on October 31 each year in 2015, 2016, 2017, 2018 and 2019.
  
- (9)

Reflects LTIP performance shares under awards granted in fiscal 2013 that were subject to performance over the performance period of fiscal 2014-2015. The number of shares issuable was based on performance during this period, and vesting of these shares was also subject to continued employment until October 31, 2015.

(10) Reflects LTIP performance shares under awards granted in fiscal 2014 that were subject to performance over the performance period of fiscal 2014-2015. The number of shares issuable was based on performance during this period, and vesting of these shares was also subject to continued employment until October 31, 2015.

(11) One-half of the target shares subject to LTIP performance share awards granted in fiscal 2015 were subject to performance during fiscal 2015, with the other one-half of the target shares subject to performance in fiscal 2016. The amount in the table for each NEO is the number of shares that are issuable under these awards based on performance during fiscal 2015, with vesting of these shares subject to continued employment until October 31, 2016.

(12) Reflects the portion of the LTIP performance share awards that were granted in fiscal 2015 that will vest subject to and based on performance during fiscal 2016 and continued employment until October 31, 2016. Share amounts are based on the number of shares that would be issued at the threshold level of performance of 0.5x.

**Option Exercises and Stock Vested in Fiscal 2015**

The following table sets forth certain information concerning stock option exercises and vesting of stock for each NEO during the fiscal year ended August 31, 2015.

Name	Option Awards		Stock Awards	
	Number of Shares	Value Realized	Number of Shares	Value Realized
	Acquired on Exercise	on Exercise	Acquired on Vesting	Value Realized on Vesting
	(#)	(\$)	(#)	(\$) <sup>(1)</sup>
Tamara L. Lundgren			66,230	1,408,587
Richard D. Peach			17,899	383,260
			6,140	138,590

Michael R. Henderson

Jeffrey Dyck	7,665	163,286
Belinda Gaye Hyde	8,478	188,101
Steven G. Heiskell	2,980	64,556

(1) The value realized on vesting is based on the closing price of the Class A Common stock on the vesting date.

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Table of Contents**Compensation of Executive Officers****Pension Benefits at Fiscal 2015 Year End**

The following table sets forth certain information concerning accrued pension benefits for each NEO as of August 31, 2015.

Name	Age	Plan Name	Credited Service	Present Value of	Payments Dur-
				Number of Years of	Benefit Fiscal Ye
				(\$) <sup>(1)</sup>	(\$)
Tamara L. Lundgren	58	Pension Retirement Plan	10	45,973	
		Suppl. Exec. Retirement Bonus Plan	9.92	867,822	
Richard D. Peach	52	Pension Retirement Plan			
	56	Pension Retirement Plan			
Michael R. Henderson					
Jeffrey Dyck	52	Pension Retirement Plan			
	44	Pension Retirement Plan			

Belinda Gaye  
Hyde

Steven G.  
Heiskell                      46        Pension Retirement Plan

(1) The Pension Retirement Plan Present Value of Accumulated Benefit in the above table represents the actuarial present value as of August 31, 2015 of each NEO's frozen pension benefit, assuming commencement of benefit payments at age 65. Benefit accruals under that plan ceased when the plan was frozen on June 30, 2006, but years of service are still relevant for purposes of satisfying the five-year vesting requirement. The SERBP Present Value of Accumulated Benefit in the table above represents the actuarial present value as of August 31, 2015 of the CEO's pension benefit calculated based on years of credited service and the maximum SERBP benefit level as of that date and assuming commencement of benefit payments at age 60. Actuarial present values were calculated using a discount rate of 4.10% with respect to the Pension Retirement Plan and 4.03% with respect to the SERBP, and the mortality table set forth in IRS Revenue Ruling 2007-67 for both plans, the same assumptions used in the pension benefit calculations reflected in the Company's audited consolidated balance sheet for the year ended August 31, 2015. See Compensation Discussion and Analysis Elements of Compensation Executive Benefits Retirement Plans.

#### **Defined Benefit Retirement Plans**

*Pension Retirement Plan.* The Company's Pension Plan is a defined benefit plan qualified under Section 401(a) of the Code. Persons who were non-union employees of the Company prior to May 15, 2006 are eligible to participate in the Pension Plan. Benefit accruals ceased on June 30, 2006. Generally, pension benefits become fully vested after five years of service and are paid in monthly installments beginning upon the later of retirement or age 65. Benefits accrued each year after August 31, 1986 and prior to June 30, 2006 in an amount equal to 2% of qualifying compensation earned in the applicable year. Qualifying compensation for NEOs included base salary, subject to a legal limit for the year. Retirement benefits are payable at any time after termination of employment, subject to actuarial reduction for early start of payment before age 65. A participant may choose payment from various actuarial equivalent life annuity options or a lump sum. Death benefits are payable to a beneficiary in a lump sum; a surviving spouse may elect payment as a life annuity.

*Supplemental Executive Retirement Bonus Plan.* The SERBP was adopted to provide a competitive level of retirement income for key executive officers selected by the Board. SERBP benefits become fully vested after five years of continuous service. The SERBP establishes an annual target benefit for each participant based on continuous years of service. The target benefit is an annual amount paid for the

life of the employee, which is the lesser of (i) the product of 2.6% and the average of the participant's five consecutive calendar years of highest compensation ( Final Average Compensation ) multiplied by years of continuous service, but in no event more than 65% of Final Average Compensation, or (ii) the product of \$281,243 (subject to annual adjustment) multiplied by a fraction, the numerator of which is the employee's continuous years of service and the denominator of which is the greater of the number of continuous years of service or 25. Compensation includes all



cash compensation from an employer that participates in the SERBP, including salary and adjusted bonus, without taking into account voluntary reductions. Adjusted bonus means the lesser of (i) the bonus amount paid or (ii) 25% of salary during the period for which the bonus was earned. The target benefit is reduced by 100% of primary social security benefits and the Company-paid portion of all benefits payable under the Company's qualified retirement plans to determine the actual benefit payable under the SERBP. The actual benefit will be paid as a straight life annuity or in other actuarially equivalent forms chosen by the participant commencing on the later of retirement or age 60. A participant who retires before age 60 with at least 10 years of continuous service will receive an early retirement benefit commencing on the later of retirement or age 55 equal to the normal retirement benefit reduced by

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**Compensation of Executive Officers**

4% for each year by which commencement of benefits precedes age 60. The CEO is the only NEO who participates in the SERBP. The CEO was not eligible for early retirement

benefits at August 31, 2015. On September 12, 2015, the CEO became eligible for early retirement benefits.

**Potential Payments Upon Termination or Change in Control**

**Potential Payments Upon a Change in Control**

The Company has entered into a change-in-control agreement with the CEO which provides certain benefits if her employment is terminated by the Company without cause or by her for good reason during a six-month period preceding a change in control of the Company or within 24 months after a change in control of the Company. In this agreement, change in control is generally defined to include:

the acquisition by any person of 20 percent or more of the Company's outstanding Class A common stock;

the nomination (and subsequent election) of a majority of the Company's directors by persons other than the incumbent directors; or

the consummation of a sale of all or substantially all of the Company's assets or an acquisition of the Company through a merger or share exchange.

Cause generally includes willful and continued failure to substantially perform assigned duties or willfully engaging in illegal conduct injurious to the Company, and good reason generally includes a change in position or responsibilities that does not represent a promotion, a decrease in compensation, or a base office relocation.

The Company has also entered into change-in-control agreements with the other NEOs which provide certain benefits if the officer's employment is terminated by the Company without cause or by the officer for good reason within 18 months after a change in control of the Company. These agreements contain definitions of change in control,

cause, and good reason which are substantially identical to those contained in the change-in-control agreement for the CEO.

The Company granted LTIP performance shares to the NEOs in fiscal 2013, 2014, and 2015 pursuant to which shares of Class A common stock will be issued based on the Company's performance during the applicable two-year performance periods relating to the awards. The award agreements relating to the LTIP performance shares provide for an accelerated payout of the performance shares upon a Company sale, which generally means a sale of the Company by means of a merger, share exchange, or sale of substantially all of the assets of the Company. In addition, award agreements relating to all outstanding RSUs provide for accelerated vesting on a change in control of the Company (which has the same meaning as under the change-in-control agreements). An accelerated payout of LTIP performance shares and accelerated vesting of RSUs would occur even if the NEO's employment was not terminated in connection with the Company sale or change in control.

The following table sets forth the estimated change-in-control benefits that would have been payable to each NEO if a change in control (including a Company sale) had occurred on August 31, 2015 and, except as noted, each officer's employment had been terminated on that date either by the Company without cause or by the officer with good reason. Due to Ms. Hyde's resignation from the Company, no amounts would have been payable to her if a change in control had occurred on August 31, 2015, and therefore Ms. Hyde is not included in the table below.

Name	LTIP						Total
	Cash Severance Benefit	Insurance Continuation	Stock Option Extension	Restricted Stock Unit Acceleration	Performance Share Acceleration	Tax Gross-up Payment	
	(\$) <sup>(1)</sup>	(\$) <sup>(2)</sup>	(\$) <sup>(3)</sup>	(\$) <sup>(4)</sup>	(\$) <sup>(5)</sup>	(\$) <sup>(6)</sup>	(\$)
Tamara L. Lundgren	7,500,000	56,427		2,694,370	3,268,370		13,519,167
Richard D. Peach	1,668,600	36,843		737,353	940,279		3,383,075
Michael R. Henderson	1,378,125	29,198		460,913	619,265		2,487,501

Jeffrey Dyck	1,101,520	31,585	348,155	528,699	2,009,959
Steven G. Heiskell	900,000	21	171,472	244,849	1,316,342

(1) **Cash Severance Benefit.** The change-in-control agreements provide for cash severance equal to a multiple (three for Ms. Lundgren, and one and one-half for Messrs. Peach, Henderson, Dyck, and Heiskell) times the sum of (a) the officer's base salary plus (b) the greater of (1) the average of the officer's last three annual bonuses, except that for Ms. Lundgren the amount taken into account for any such bonus shall not exceed three times the target bonus for such year, or (2) the most recently established target bonus. The change-in-control agreements also provide for a payment of all or a portion of the annual bonus for the year in which termination occurs. The table above does not include a bonus payment for fiscal 2015 because bonuses earned for fiscal 2015 are included in the Summary Compensation Table and no additional amount would have been earned in fiscal 2015 if the officer had terminated employment as of August 31, 2015.

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**Compensation of Executive Officers**

- (2) **Insurance Continuation.** If cash severance benefits are triggered, the change-in-control agreements also provide for continuation of Company paid life, accident and medical insurance benefits for up to 36 months following termination of employment for Ms. Lundgren, and up to 18 months for Messrs. Peach, Henderson, Dyck, and Heiskell, except to the extent similar benefits are provided by a subsequent employer. The amounts in the table above represent 36 or 18 months, as applicable, of life, accident and medical insurance benefit payments at the rates paid by the Company for each of these officers as of August 31, 2015.
- (3) **Stock Option Extension.** If cash severance benefits are triggered, all options held by Messrs. Peach, Dyck, and Heiskell will remain outstanding for their full term. Information regarding outstanding options held by the NEOs is set forth in the **Outstanding Equity Awards** table. All of the outstanding options are substantially out-of-the-money, therefore as of August 31, 2015, there is no additional value relating to the extension of the expiration period.
- (4) **RSU Acceleration.** All RSUs for all NEOs will immediately vest on a change in control of the Company, whether or not the officer's employment is terminated in connection with the change in control. Information regarding unvested RSUs held by the NEOs is set forth in the **Outstanding Equity Awards** table. The amounts in the table above represent the number of shares subject to unvested RSUs multiplied by a stock price of \$17.31 per share, which was the closing price of the Company's Class A common stock on August 31, 2015, the last trading day of fiscal 2015.
- (5) **LTIP Performance Share Acceleration.** Under the terms of the standard LTIP performance share award agreements, upon a Company sale, each NEO would receive a payout in an amount equal to the greater of (a) 100% of the target share amount or (b) the payout calculated as if the performance period had ended on the last day of the Company's most recently completed fiscal quarter prior to the date of the Company sale, taking into account provisions in the award agreements for calculating performance for a shorter performance period and a partial year. The accelerated payouts would occur whether or not the officer's employment was terminated in connection with the Company sale. The amounts in the table above represent the value of outstanding LTIP performance share awards that would vest and be paid out pursuant to the terms of the award agreements on a Company sale based on a stock price of \$17.31 per share, which was the closing price of the Company's Class A common stock on August 31, 2015, the last trading day of fiscal 2015.

(6)

**Tax Gross-up Payment.** If any payments to an NEO other than Messrs. Henderson and Heiskell in connection with a change in control are subject to the 20% excise tax on excess parachute payments as defined in Section 280G of the Code, the Company is required under the change-in-control agreements to make a tax gross-up payment to the officer sufficient so that officer will receive benefits as if no excise tax were payable. However, for Messrs. Peach and Dyck there is a cut back provision that provides that if the parachute value is less than 110% of the Safe Harbor amount (as such terms are defined in the change-of-control agreement), no additional payment is required and the amounts payable to the NEO will be reduced to 2.99 times such officer's base amount. The change-in-control agreement for each of Mr. Henderson and Mr. Heiskell does not provide for any tax gross-up payment, but does provide that if any payments to him would be excess parachute payments his benefits will be cut back to 2.99 times his base amount if it would result in a greater net after-tax benefit for him.

**Potential Payments Upon Involuntary Termination of Employment without Cause or Voluntary Termination of Employment for Good Reason in Circumstances Not Involving a Change in Control**

The following table sets forth the estimated benefits that would have been payable to the NEOs under currently effective agreements if each officer's employment had been terminated on August 31, 2015, either by the Company without cause or, with respect to certain benefits, by the officer for good reason in circumstances not involving a change in control. Due to Ms. Hyde's resignation from the Company, no amounts would have been payable and therefore Ms. Hyde is not included in the table below.

Name	LTIP				Total
	Cash Severance Benefit	Insurance Continuation	Restricted Stock Unit Acceleration	Performances Share Acceleration	
	(\$) <sup>(1)</sup>	(\$) <sup>(2)</sup>	(\$) <sup>(3)</sup>	(\$) <sup>(4)</sup>	(\$)
Tamara L. Lundgren	7,500,000	37,618	2,694,370	1,302,629	11,534,617
Richard D. Peach				379,089	379,089
Michael R. Henderson				196,867	196,867
Jeffrey Dyck				306,041	306,041
				82,344	82,344

Steven G. Heiskell

- (1) **Cash Severance Benefit.** The CEO has entered into an employment agreement providing for, among other things, cash severance benefits if her employment is terminated by the Company without cause or by her for good reason in circumstances not involving a change in control. Cause and good reason generally have the same meaning as under the change-in-control agreements described above. The cash severance payment for the CEO is equal to three times the sum of base salary plus target bonus as in effect at the time plus a pro rata portion of the incentive bonus that she would have received if she had remained employed for the fiscal year in which the termination occurs (based on the portion of the year worked). The table above does not include a pro rata portion of the incentive bonus for fiscal 2015 because bonuses earned for fiscal 2015 are included in the Summary Compensation Table and no additional amounts would have been earned if the CEO had terminated employment as of August 31, 2015. These amounts are payable within 30 days after termination. Under the AICP, if an NEO (other than the CEO) were involuntarily terminated by the Company without cause (as determined by the Committee), the NEO would receive, at the time that bonuses under the program were determined and paid for other participants, a bonus based on the officer's earnings for the portion of the year the participant was employed. For this purpose, the officer would be deemed to have satisfied the officer's individual goals. The table above does not include bonus payments for fiscal 2015 because bonuses earned for fiscal 2015 are included in the Summary Compensation Table and no additional amounts would have been earned if the officers had terminated employment as of August 31, 2015.
- (2) **Insurance Continuation.** If cash severance benefits are triggered under the CEO's employment agreement, her employment agreement provides for continuation for up to 24 months of Company paid life, accident, and health insurance benefits for the CEO and her spouse and dependents, and the amount in the table represents 24 months of such insurance benefit payments at the rates paid by us for the CEO as of August 31, 2015.
- (3) **RSU Acceleration.** If cash severance benefits are triggered under the CEO's employment agreement, her employment agreement also provides that all RSUs will immediately vest. Information regarding unvested restricted stock units held by the CEO is set forth in the Outstanding Equity Awards table. The amount in the table above represents the number of shares subject to unvested RSUs multiplied by a stock price of \$17.31 per share, which was the closing price of the Company's Class A common stock on August 31, 2015, the last trading day of fiscal 2015.

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(4) **LTIP Performance Shares Acceleration.** Under the terms of the standard LTIP performance share award agreements, if an NEO's employment is terminated by the Company without cause in circumstances not involving a Company sale after the end of the twelfth month of the applicable performance period and prior to the completion of the performance period and vesting date, the NEO would be entitled to receive a pro-rated award to be paid following completion of the performance period, taking into account the number of performance shares that would otherwise have been issued based on the actual performance during the entire performance period and the portion of the performance period the officer had worked. The officer is required to provide a release of claims in connection with such payout. For this purpose, cause generally means (a) the conviction of the officer of a felony involving theft or moral turpitude or relating to the business of the Company, (b) the officer's continued failure to perform assigned duties, (c) fraud or dishonesty by the officer in connection with employment with the Company, (d) any incident materially compromising the officer's reputation or ability to represent the Company with the public, (e) any willful misconduct that substantially impairs the Company's business or reputation, or (f) any other willful misconduct by the officer that is clearly inconsistent with the officer's position or responsibilities. The amounts in the table above are calculated based on actual performance for completed portions of the applicable performance periods and assume performance at the 100% payout level (actual performance may be more or less) for the remaining portions of the performance periods, with the resulting number of performance shares then multiplied by a stock price of \$17.31 per share, which was the closing price of the Company's Class A common stock on August 31, 2015, the last trading day of fiscal 2015.

**Potential Payments Upon Retirement**

The terms of outstanding options, RSUs, and LTIP performance share awards define retirement as normal retirement after reaching age 65, early retirement after reaching age 55 and completing 10 years of service, or early retirement after completing 30 years of service. As of August 31, 2015, no NEOs were eligible for retirement. On September 12, 2015, the CEO became retirement eligible.

If an NEO was eligible for retirement, such person would be entitled to the following:

(1) **Stock Option Extension.** The terms of outstanding options provide that on retirement, the standard 90-day period for exercising options following termination of employment will be extended to 12 months, but not beyond each option's original 10-year term.

(2)



**RSU Acceleration.** The terms of the RSU awards (other than the CEO's RSU for 2,763 shares granted in August 2012 and her RSU for 48,163 shares granted in October 2015) provide for accelerated vesting on retirement.

(3)**LTIP Performance Shares Acceleration.** Under the terms of the standard LTIP performance share awards, if an NEO retires prior to the vesting date, the NEO would be entitled to receive a pro-rated award to be paid following completion of the performance period, taking into account the number of performance shares that would otherwise have been issued based on the actual performance through the entire performance period and the portion of the performance period the officer had worked. The officer is required to provide a release of claims in connection with such payout.

#### Potential Payments Upon Disability or Death

The following table sets forth the estimated benefits that would have been payable to the NEOs if each officer's employment had been terminated on August 31, 2015 by reason of disability or death, excluding amounts payable under the Company's 401(k) Plan, Pension Plan, and SERBP. Due to Ms. Hyde's resignation from the Company, no amounts would have been payable and therefore Ms. Hyde is not included in the table below.

Name	Stock Option	Restricted Stock Unit	LTIP Performance Shares	Total
	Extension	Acceleration	Acceleration	
	(\$) <sup>(1)</sup>	(\$) <sup>(2)</sup>	(\$) <sup>(3)</sup>	(\$)
Tamara L. Lundgren		2,694,370	999,462	3,693,832
Richard D. Peach		737,353	295,949	1,033,302
Michael R. Henderson		460,913	131,920	592,833
Jeffrey Dyck		348,155	261,450	609,605
		171,472	60,706	232,178
Steven G. Heiskell				

- (1) **Stock Option Extension.** The terms of outstanding options provide that upon termination of employment as a result of disability or death, the standard 90-day period for exercising options following termination of employment will be extended to 12 months, but not beyond each option's original 10-year term. Information regarding outstanding options held by the NEOs is set forth in the Outstanding Equity Awards table. All of the outstanding options are substantially out-of-the-money, therefore as of August 31, 2015, there is no additional value relating to the extension of the expiration period.
- (2) **RSU Acceleration.** The terms of the RSU awards provide for accelerated vesting upon termination of employment as a result of disability or death. Information regarding unvested RSUs held by the NEOs is set forth in the Outstanding Equity Awards table above. The amounts in the table above represent the number of shares subject to unvested RSUs multiplied by a stock price of \$17.31 per share, which was the closing price of the Company's Class A common stock on August 31, 2015, the last trading day of fiscal 2015.
- (3) **LTIP Performance Shares Acceleration.** Under the terms of the standard LTIP performance share awards, if an NEO's employment is terminated due to death or disability prior to the vesting date, the officer (or his or her estate) would receive a payout in an amount equal to the payout calculated as if the performance period had ended on the last day of the Company's most recently completed fiscal quarter prior to the date of employment termination, taking into account provisions in the award agreement for calculating performance for a shorter performance period and a partial year, and pro-rated for the portion of the performance period the officer had worked. The amounts in the table above represent the value of outstanding LTIP performance share awards that would vest and be paid out pursuant to the terms of the award agreements on death or disability based on a stock price of \$17.31 per share, which was the closing price of the Company's Class A common stock on August 31, 2015, the last trading day of fiscal 2015.

**Table of Contents****Compensation Plan Information**

The following table provides information as of August 31, 2015 regarding equity compensation plans approved and not approved by the Company's shareholders.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights <sup>(2)</sup>	(b) Weighted average exercise price of outstanding options, warrants and rights <sup>(3)</sup>	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders <sup>(1)</sup>	1,555,069	\$ 34.46	5,579,012
Equity compensation plans not approved by shareholders			
<b>Total</b>	<b>1,555,069</b>	<b>\$ 34.46</b>	<b>5,579,012</b>

(1) Consists entirely of shares of Class A common stock authorized for issuance under the Company's SIP.

(2) Consists of 402,782 shares subject to outstanding options, 484,621 shares subject to outstanding RSUs, 221,750 shares subject to outstanding DSUs or credited to stock accounts under the Deferred Compensation Plan for Non-Employee Directors, and 445,916 shares representing the maximum number of shares that could be issued under outstanding LTIP performance share awards.

(3) Represents the weighted average exercise price for options included in column (a).

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**Proposal No. 2 Advisory Resolution on Executive Compensation**

In accordance with the requirements of Section 14A of the Securities and Exchange Act of 1934 (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act )) and the related rules of the SEC, we are including in these proxy materials a separate resolution to approve, in a non-binding, advisory vote ( Say-on-Pay Vote ), the compensation paid to our named executive officers as disclosed on pages 26 through 56. In accordance with the results of the advisory vote on the frequency of shareholder advisory votes on executive compensation conducted at our 2012 annual meeting, we currently intend to hold such votes annually. While the results of the vote are non-binding and advisory in nature, the Board of Directors intends to carefully consider the results of this vote.

The text of the resolution in respect of Proposal No. 2 is as follows:

RESOLVED, that the Company s shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and any related narrative discussion.

The Board of Directors recommends a vote FOR this resolution because it believes that our executive compensation policies and practices described in the Compensation Discussion and Analysis are effective in achieving the Company s goals of rewarding sustained financial and operating performance and leadership excellence, aligning the executives long-term interests with those of the shareholders, and motivating the executives to remain with the Company for long and productive careers. We

believe our performance targets are meaningful and rigorous and are designed to encourage our executives to perform at the highest levels. The executive pay outcomes in fiscal 2015 are reflective of Company performance as described below.

In fiscal 2015, our markets continued to be adversely impacted by the slowdown of economic activity globally. The macroeconomic uncertainty, combined with global steel-making overproduction, lower iron ore prices, and strengthening of the U.S. dollar, resulted in deteriorating market conditions and accelerated the downward trend in commodity prices and in the demand for ferrous and nonferrous recycled metals. During fiscal 2015, selling prices for ferrous metal experienced several periods of sharp declines, with prices at the end of fiscal 2015 being approximately 40% lower than the levels at the end of fiscal 2014. Lower sales volumes of recycled ferrous and nonferrous metal at our AMR business were only partially offset by higher sales volumes of finished steel products at our SMB.

Amid these headwinds, we undertook deliberate and substantial steps to lower our operating costs and improve our productivity. As a result of these initiatives and our continued focus on working capital management, we increased our free cash flow by 12% year-over-year, we reduced our SG&A expenses by 9% year-over-year, and we ended the year

with net debt at our lowest level since the end of fiscal 2011 while continuing to return capital to our shareholders through our quarterly dividend and share repurchases. Following is a summary of our fiscal 2015 accomplishments; more detail can be found in our Annual Report on Form 10-K.

*Fiscal 2015 Accomplishments*

**Delivered targeted savings & productivity improvements**

Generated \$28 million of benefits, primarily in the second half of fiscal 2015  
Full annual target of \$60 million expected in fiscal 2016

**Successfully navigated challenging market conditions**

Accomplished integration of our Auto Parts and Metal Recycling businesses into AMR and achieved initial synergies from the combined platform  
Operating leverage in SMB led to best annual result since 2008

**Generated \$145 million operating cash flow**

Reduced debt to lowest level since 2011  
8<sup>th</sup> consecutive quarterly dividend paid

**Platform flexibility and sustainable results**

Improved logistics capability to increase access to domestic markets

**Table of Contents**

**Proposal No. 2 Advisory Resolution on Executive Compensation**

Our executive compensation program is designed to pay for performance, therefore actual compensation in fiscal 2015 was lower than target levels, which reflected alignment with the Company's financial performance during the period.

The Say-on-Pay Vote did not pass at the 2015 Annual Meeting. The 2015 vote was taken very seriously by the Company, our Board of Directors, and our Compensation Committee. As a result of the vote, the Company reached out to investors holding approximately 70% of our outstanding shares as of March 31, 2015, and had discussions, either by phone or in person, with investors holding nearly 50% of outstanding shares. All of these discussions involved both the Chairs of the Compensation Committee and the Board of Directors, and the input received was very helpful as the Committee considered potential changes to the executive compensation plans. Follow-on calls with investors were also held as the fiscal 2016 plans were being finalized.

The purpose of the outreach was to listen to shareholder views on executive compensation and understand the concerns expressed in the 2015 Say-on-Pay Vote. Although investors

expressed differing views, we valued the insights gained from these discussions and found them to be helpful as we considered compensation policies affecting our executive officers. At the time of the vote we had already put in place the short-term and long-term compensation plans for fiscal 2015; however, the Company has made a number of substantial changes to its executive compensation program which are effective for fiscal 2016 to address the concerns raised by shareholders during this outreach.

We urge shareholders to read the Compensation Discussion and Analysis beginning on page 26 of this proxy statement, as well as the Summary Compensation Table and related compensation tables and narrative discussion, appearing on pages 48 through 56, which provide detailed information on the Company's executive compensation policies and practices and the compensation of our named executive officers. We also urge shareholders to consider the actions taken by the Compensation Committee and the Board of Directors in response to the 2015 Say-on-Pay Vote.

**Vote Required to Approve, on an Advisory Basis, the Executive Compensation**

Holders of Class A Common Stock and Class B Common Stock will vote together as a single class on this proposal, and each share is entitled to one vote. The advisory vote on executive compensation will be approved if the votes cast favoring the proposal exceed the votes cast opposing the

proposal. The proxies will be voted for or against the proposal or as an abstention in accordance with the instructions specified on the proxy form. If no instructions are given by owners of record, proxies will be voted for approval of the executive compensation.

**The Board of Directors recommends that shareholders vote                      the approval, on an advisory basis, of our executive compensation as disclosed in this proxy statement.**



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**Proposal No. 3 Ratification Of Selection Of Independent Registered Public Accounting Firm**

The Audit Committee of the Board of Directors has selected the firm of PricewaterhouseCoopers LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending August 31, 2016, subject to ratification of this selection by the shareholders of the Company.

While the Audit Committee is directly responsible for the appointment, compensation, retention, and oversight of the Company's independent registered public accounting firm, the Audit Committee and the Board are submitting the selection of PricewaterhouseCoopers LLP to our shareholders for ratification as a matter of good corporate governance. The Audit Committee is not required to take any action as a result of the outcome of the vote on this proposal. However, if our shareholders do not ratify the selection, the Audit Committee will consider whether to retain PricewaterhouseCoopers LLP or to select another independent registered public accounting

firm. Furthermore, even if the selection is ratified, the Audit Committee in its discretion may appoint a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of our Company and our shareholders.

For additional information regarding our relationship with PricewaterhouseCoopers LLP, please refer to "Fees Paid to Independent Registered Public Accounting Firm" and "Report of the Audit Committee" below.

One or more representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting. Such representatives will have an opportunity to make a statement, if he or she desires to do so, and will also be available to respond to appropriate questions.

**Vote Required to Approve the Ratification of the Selection of Independent Registered Public Accounting Firm**

Holders of Class A Common Stock and Class B Common Stock will vote together as a single class on this proposal, and each share is entitled to one vote. The ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm will be approved if the votes cast favoring the proposal exceed the

votes cast opposing the proposal. The proxies will be voted for or against the proposal or as an abstention in accordance with the instructions specified on the proxy form. If no instructions are given by owners of record, proxies will be voted for approval of the ratification of the selection.

**The Board of Directors recommends that shareholders vote to approve the ratification of selection of independent registered public accounting firm.**

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**Table of Contents****Fees Paid To Independent Registered Public****Accounting Firm**

The Audit Committee selected PricewaterhouseCoopers LLP ( PwC ) as our independent auditors to audit our financial statements and our internal control over financial reporting for the fiscal years ended August 31, 2014 and 2015, as well

as for the fiscal year ending August 31, 2016. Aggregate fees of PwC for audit services related to the most recent two fiscal years, and other professional services for which they billed us during the most recent two fiscal years, were:

	2015	2014
Audit Fees <sup>(1)</sup>	\$ 2,402,002	\$ 1,917,122
Audit Related Fees		
Tax Fees		
All Other Fees	3,600	3,600
	\$ 2,405,602	\$ 1,920,722
Total		

(1) Professional services rendered for the integrated audit of our annual consolidated financial statements and internal control over financial reporting, reviews of the consolidated financial statements included in Form 10-Qs, consents related to other filings with the SEC, and statutory audit requirements.

In fiscal 2015 and 2014, all of the fees paid to our independent auditors were approved by the Audit Committee.

Under the Sarbanes-Oxley Act of 2002, all audit and non-audit services performed by our independent accountants must be approved in advance by the Audit Committee to assure that such services do not impair the accountants independence from the Company. Accordingly, the Audit Committee has adopted an Audit and Non-Audit Services Pre-Approval Policy (the Policy ) which sets forth the procedures and the conditions pursuant to which services to be performed by the independent accountants are to be pre-approved. Pursuant to the Policy, certain services described in detail in the Policy may be pre-approved on an annual basis. The Audit Committee will review and approve the types

of services and review the projected fees for such services. The fee amounts will be updated to the extent necessary at each of the regularly scheduled meetings of the Audit Committee. The services eligible for annual pre-approval consist of services that would be included under the categories of Audit Fees, Audit-Related Fees, and Tax Fees in the above table as well as other services. If not pre-approved on an annual basis, proposed services must otherwise be separately approved prior to being performed by the independent accountants. The Audit Committee may delegate authority to pre-approve audit and non-audit services to any member of the Audit Committee but may not delegate such authority to management. All compensation for services performed by our independent accountants must be approved by the Audit Committee.

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### **Audit Committee Report**

The principal functions of the Audit Committee are set forth in its charter and are described above at page 20. The Board has determined that each member of the Audit Committee meets all additional independence and financial literacy requirements for Audit Committee membership under the SEC and NASDAQ rules and is an audit committee financial expert as defined in the regulations adopted by the SEC.

The Audit Committee reports as follows with respect to fiscal 2015:

#### *Financial Reporting and Other Activities*

Management is responsible for the Company's systems of internal control and the financial reporting process. The Audit Committee reviewed the Company's quarterly earnings press releases, annual audited consolidated financial statements, management's report on internal control over financial reporting, and related periodic reports filed with the SEC and discussed them with management. Management represented to the Audit Committee that the Company's audited consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. The Audit Committee also reviewed and discussed the annual audited consolidated financial statements with PricewaterhouseCoopers LLP (PwC), the Company's independent registered public accounting firm for fiscal 2015, including a discussion of the quality, and not just the acceptability, of the accounting principles used and the reasonableness of significant judgments.

The Audit Committee discussed with management on a quarterly basis the details of the Company's material legal and environmental matters, certain judgmental accounting matters and other significant financial transactions occurring within each quarter, reviewing and approving, as appropriate, all transactions with related persons, the Company's compliance program, reports received through the Company's whistleblower hotline, and other selected risk-related topics.

#### *Internal Audit and External Audit Firm Functions*

The Audit Committee discussed with the Company's internal auditor and independent registered public accounting firm the overall scope and plans for their respective audits. The Audit Committee met quarterly with the internal auditor and independent registered public accounting firm to discuss the results of their examinations and the overall quality of the Company's financial reporting.

The Audit Committee's quarterly meetings with internal audit included reviews of the risk assessment process used to establish the annual audit plan and the progress on completion of that plan including testing of controls in connection with the Company's compliance with Sarbanes Oxley.

The Audit Committee discussed with the independent registered public accounting firm the matters required to be discussed under Public Company Accounting Oversight Board standards.

*Audit Firm Independence*

The Audit Committee is directly responsible for the appointment, compensation, retention, and oversight of the independent registered public accounting firm retained to audit the Company's financial statements.

PwC has been retained as the Company's independent registered public accounting firm continuously since the Company became public in fiscal 1993.

In conjunction with the mandated rotation of the independent registered public accounting firm's lead engagement partner for fiscal 2016, the Audit Committee was directly involved in the selection of the new lead engagement partner.

The Audit Committee received from the independent registered public accounting firm the written disclosures required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's independence. The Audit Committee discussed with the independent registered public accounting firm the firm's independence from the Company and its management.

*Conclusion*

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended August 31, 2015 filed with the SEC.

The Audit Committee also has selected PwC to be the Company's independent registered public accounting firm for fiscal 2016, subject to shareholder ratification.

AUDIT COMMITTEE

David L. Jahnke, Chair

David J. Anderson

William A. Furman

William D. Larsson



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### **Shareholder Proposals for 2017 Annual Meeting**

The Company's Bylaws require shareholders to give the Company advance notice of any proposal or director nomination to be submitted at any meeting of shareholders and prescribe the information to be contained in any such notice. For any shareholder proposal or nomination to be considered at the 2017 Annual Meeting of Shareholders, the shareholder's notice must be received at the Company's principal executive office no earlier than the close of business on September 29, 2016 and no later than the close of business on October 29, 2016 and otherwise comply with the requirements of the Company's Bylaws. In addition, any proposal by a shareholder of the Company to be considered for inclusion in proxy materials for the Company's 2017 Annual Meeting of Shareholders must be received in proper form by the Company at its principal executive office no later than August 19, 2016.

### **Discretionary Authority**

Although the Notice of Annual Meeting of Shareholders provides for the transaction of any other business that properly comes before the meeting, the Board has no knowledge of any matters to be presented at the meeting other than the matters described in this Proxy Statement. The enclosed proxy, however, gives discretionary authority to the proxy holders to vote in accordance with their judgment if any other matters are presented.

### **General**

The cost of preparing, printing, and mailing this Proxy Statement and of the solicitation of proxies by us will be borne by us. Solicitation will be made by mail and, in addition, may be made by our directors, officers, and employees personally or by telephone, email, or facsimile. We will request brokers, custodians, nominees, and other like parties to forward copies of proxy materials to beneficial owners of stock and will reimburse such parties for their reasonable and customary charges or expenses in this connection.

**We will provide to any person whose proxy is solicited by this proxy statement, without charge, upon written request to our Corporate Secretary, at 299 SW Clay St., Portland, OR 97201, a copy of our Annual Report on Form 10-K for the fiscal year ended August 31, 2015 or of our proxy statement. We also make available, free of charge on our website, all of our filings that are made electronically with the SEC, including Forms 10-K, 10-Q, and 8-K.**

**IT IS IMPORTANT THAT PROXIES BE PROVIDED PROMPTLY. THEREFORE, SHAREHOLDERS WHO DO NOT EXPECT TO ATTEND THE MEETING IN PERSON ARE URGED TO SUBMIT A PROXY THROUGH THE INTERNET OR BY TELEPHONE OR TO EXECUTE AND RETURN THE ENCLOSED PROXY IN THE REPLY ENVELOPE PROVIDED IF THIS PROXY WAS RECEIVED BY MAIL.**

By Order of the Board of Directors



Peter B. Saba

Secretary

December 17, 2015

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Shareowner Services  
P.O. Box 64945  
St. Paul, MN 55164-0945

**Vote by Internet, Telephone or Mail**

**24 Hours a Day, 7 Days a Week**

Your phone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

**INTERNET** [www.proxypush.com/schn](http://www.proxypush.com/schn)

Use the Internet to vote your proxy until 11:59 p.m. (CT) on January 26, 2016.

**TELEPHONE** **1-866-883-3382**

Use a touch-tone telephone to vote your proxy until 11:59 p.m. (CT) on January 26, 2016.

**MAIL** Mark, sign and date your proxy card and return it in the postage-paid envelope provided.

If you vote your proxy by Internet or by Telephone, you do NOT need to mail back your Proxy Card.

**TO VOTE BY MAIL AS THE BOARD OF DIRECTORS RECOMMENDS ON ALL ITEMS**

**BELOW, SIMPLY SIGN, DATE, AND RETURN THIS PROXY CARD.**

*ð Please detach here ð*

**The Board of Directors Recommends a Vote FOR Proposals 1, 2 and 3.**

1. Election of directors:	01 Michael W. Sutherlin	<input type="checkbox"/> Vote FOR all nominees	<input type="checkbox"/> Vote WITHHOLD from all nominees
	02 David L. Jahnke	<input type="checkbox"/>	<input type="checkbox"/>
	03 William D. Larsson	(except as marked)	

**(Instructions: To withhold authority to vote for any indicated nominee, write the number(s) of the nominee(s) in the box provided to the right.)**

2. To vote on an advisory resolution on executive compensation.  For  Against  Abstain

3. To ratify the selection of independent registered public accounting firm.  For  Against  Abstain

The proxies may vote in their discretion as to other matters which may come before the meeting.

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR ALL NOMINEES IN PROPOSAL 1 AND FOR PROPOSAL 2 AND PROPOSAL 3.**

Date

Address Change? Mark Box  Indicate changes below:

Signature(s) in Box

Please sign exactly as your name(s) appears on Proxy. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the Proxy.

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**SCHNITZER STEEL INDUSTRIES, INC.**  
**ANNUAL MEETING OF SHAREHOLDERS**

**Wednesday, January 27, 2016**

**8:00 a.m.**

**KOIN Center**

**Conference Center Room 202**

**222 SW Columbia Street**

**Portland, Oregon 97201**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on January 27, 2016: The Notice and Proxy Statement and Form 10-K are available at [www.proxydocs.com/schn](http://www.proxydocs.com/schn). For driving directions to the Annual Meeting, please see <http://www.koincenter.com/location>.**

Schnitzer Steel Industries, Inc.  
299 SW Clay Street  
Portland, Oregon 97201

**proxy**

**This proxy is solicited by the Board of Directors for use at the Company's Annual Meeting of Shareholders on January 27, 2016.**

The shares of common stock of Schnitzer Steel Industries, Inc. (the Company) that you hold will be voted as you specify on the reverse side of this proxy.

**If no choice is specified, the proxy will be voted FOR all nominees in Proposal 1 and FOR Proposal 2 and Proposal 3.**

By signing the proxy, you revoke all prior proxies and appoint Tamara L. Lundgren and Richard D. Peach, and each of them with full power of substitution, to vote your shares on the matters shown on the reverse side and any other matters which may come before the Annual Meeting and all adjournments or postponements thereof.

*See reverse for voting instructions.*