# Schnitzer Steel Industries, Inc.
# Corporate Governance Guidelines

To promote transparency of corporate processes and maintain the trust of, and accountability to, our shareholders, the Board of Directors (the "Board") of Schnitzer Steel Industries, Inc. (the "Company") has adopted these guidelines to assist the Board in the exercise of its responsibilities and to serve the best interests of the Company and its shareholders. These guidelines should be interpreted in the context of all applicable laws and Company's articles of incorporation, bylaws and other corporate governance documents. The Board intends for the guidelines to serve as a flexible framework within which the Board will conduct its business and not as a set of legally binding obligations. The Board may modify the guidelines from time to time as the Board deems appropriate and in the best interests of the Company and its shareholders or as required by applicable laws and regulations.

The Board is elected by the shareholders to oversee management's conduct of the Company's business. Each director has a fiduciary relationship to the Company's shareholders and must at all times exercise prudent, independent and objective judgment. Additionally, there is in today's society an increasing recognition that the practical, if not legal, obligation of a large publicly owned corporation must extend beyond the corporation and its shareholders to include consideration of the total environment in which it exists. Corporations such as ours relate in varying ways to, and must consider the varied interests of, such interest groups as the shareholders, employees, general public, customers, suppliers and the communities in which our facilities are located.

## Director Qualifications

**General Criteria for Nomination to the Board of Directors.** The Board seeks diverse candidates who possess the background, skills and expertise to make a significant contribution to the Board, the Company and its shareholders. General criteria include:

1. Directors should be of the highest ethical character.
2. Directors should have reputations, both personal and professional, that enhance the image and reputation of the Company.
3. Directors should be highly accomplished in their respective fields, with superior credentials and established recognition.
4. Directors should have relevant expertise and experience and be able to offer advice and guidance to the Company's executive officers.
5. Directors should demonstrate sound business judgment.
6. Directors should work together and with management collaboratively and constructively.

7. Directors should have the time available and willingness to devote the time necessary to effectively fulfill their duties as directors.

8. Directors should have an awareness of the social, political and economic environment in which the Company operates.

**Majority of Independent Directors**. The Board will have a majority of directors who are independent.

**Determination of Director Independence**. No director will be deemed independent unless the Board affirmatively determines that the director has no material relationship, either directly or as an officer, shareholder or partner, of an organization that has a material relationship with the Company. The Board will observe all additional criteria for independence established by NASDAQ and other governing laws and regulations. Directors are expected to promptly report any facts or circumstances which could impair their independence to the Chairman of the Board. The Board shall annually review the relationship each director has with the Company and determine independence based on standards adopted by the Board from time to time.

**Requisite Skills and Characteristics of Board Members; Composition of the Board**. The Nominating and Corporate Governance Committee ("NCGC") is responsible for reviewing with the Board on an annual basis the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. This assessment will include a determination as to independence as well as consideration of skills, experience and other criteria in the context of the needs of the Company.

**Selection of New Director Candidates**. The NCGC will recommend to the Board nominees for election as director. The invitation to join the Board should be extended on behalf of the Board by the Chairman of the Board.

**Process for Nominating and Evaluating Nominees for Director**. The NCGC identifies and evaluates nominees for director as follows:

1. The NCGC or Board members identify the need to add a new director based on specific criteria or to fill a vacancy.

2. The NCGC initiates a search, working with staff support and seeking input from current directors and others as necessary and hiring a search firm if desired.

3. The NCGC considers director candidate suggestions from many sources, including shareholders. Shareholder nominations should be submitted to: Schnitzer Steel Industries, Inc., Attn: Chairman of the Nominating & Corporate Governance Committee, c/o Corporate Secretary, 299 SW Clay, Suite 350, Portland, Oregon 97201. The NCGC does not intend to alter the manner in which it evaluates candidates based on the candidate being recommended by a shareholder.

4. Candidates who satisfy the criteria and otherwise qualify for membership on the Board will be considered by the NCGC for nomination to the Board. The NCGC will determine which candidates should be contacted and the best means for initiating the contacts. If necessary, the NCGC may initiate contacts through a search firm. Further contacts and interviews with prospective candidates shall be as determined by the NCGC.

5. The NCGC shall periodically advise the Board of its progress through committee reports and informal communications.

6. The NCGC determines in its discretion whether to recommend a candidate to the Board for consideration as a nominee.

**Size of the Board**. The Company's Bylaws provide that the Board shall consist of not less then three or more than thirteen directors. The Board determines the number of directors based on its current composition and requirements.

**Retirement Age**. The Company does not have a fixed retirement age for directors. The Board may from time to time establish a mandatory retirement policy.

**Continuing Directors**. Upon the occurrence of either of the following trigger events, a director shall submit a written resignation to the Board, to be effective at the end of the director's then current term: (1) a director begins his or her fifteenth year of service on the Board of Directors or (2) a director's job responsibilities materially change. The NCGC shall review the director's continued appropriateness for Board membership in light of the triggering event and the circumstances of the Company, and shall recommend to the Board whether it believes the director's continuing service on the Board is in the best interests of the Company. It is not the sense of the Board that a director who retires from his or her principal employment or has a change in job responsibilities from the position or responsibilities the director held when the director joined the Board should necessarily leave the Board. There should, however, be an opportunity for the Board through the NCGC to review the continued appropriateness of Board membership under these circumstances. The Board may accept or reject the tendered resignation.

**Former Chief Executive Officer's and Other Officer's Board Membership**. When the CEO or any other employee director resigns, leaves that position or leaves the Company, he or she should tender a resignation from the Board. The Board may accept or reject the tendered resignation.

**Limitation of Membership on Other Boards**. Directors should not be active members of the Board of more than five public companies, and members of the Audit Committee should not serve on more than three public company audit committees.

## <u>Director Responsibilities</u>

**General Responsibilities**. The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its shareholders. As members of the Board, directors are responsible for overseeing the purposes, objectives, policies and plans of the Company that are formulated and carried out by the officers; for electing the Board's Chairman, the President and other corporate officers and for fixing their responsibilities; for designating the Chief Executive Officer (CEO); for authorizing the CEO and other officers to act for or on behalf of the Company in performing delegated responsibilities; and for oversight of the management and control of the Company's businesses, finances, properties and risks. Directors are also responsible for determining whether to approve changes in the articles of incorporation and bylaws and submittals to shareholders for their approval or ratification, declare dividends, approve annual capital expenditure budgets, approve business combinations and subsidiary acquisitions that exceed certain size levels, and approve changes in capital structure, including the issuance of stock and incurring long-term debt.

In discharging their obligations, directors should be entitled to rely on the honesty and integrity of the Company's senior executives and outside advisors and auditors. Directors shall also be entitled to (i) have the Company purchase or provide reasonable directors' and officers' liability insurance or other protection on their behalf, (ii) the benefits of indemnification to the fullest extent permitted by law and the Company's articles, bylaws and any indemnification agreements, and (iii) exculpation as provided by state law and the Company's articles.

**Attendance at Board and Annual Shareholder Meetings; Materials**. Directors are expected to regularly attend annual shareholders meetings, Board meetings and meetings of committees on which they serve and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Written materials, information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors before the meeting, and directors should review these materials in advance of the meeting. Directors may ask for additional materials or information.

**Chairman and Chief Executive Officer**. The Board has no policy with respect to the separation of the offices of Chairman of the Board and CEO. The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Company for the Board to make a determination when it elects a new chief executive officer.

**Lead Director**. The Board may, and if the Chairman is not an independent director shall, designate one independent director to serve as lead director. The duties, responsibilities and authority of the Lead Director shall be as specified by the Board from time to time. It is the Board's policy to periodically rotate the Lead Director position.

**Agenda for Board Meetings**. The CEO, in consultation with the Chairman of the Board and, if applicable, the Lead Director, will establish the agenda for each Board meeting. Prior to the beginning of each fiscal year the Chairman, in consultation with the Lead Director, if applicable, will establish, or cause to be established, a schedule for meetings of the Board and of agenda subjects to be discussed during the year (to the degree foreseeable). Each director is free to suggest the inclusion of items on the agenda and to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans and principal issues that the Company will face in the future during at least one Board meeting each year.

**Executive Sessions**. The non-management directors will meet on a regularly scheduled basis in executive session without the CEO and other management present. The Company will disclose that the Board holds executive sessions in the annual proxy statement. The Chairman of the Board or, if the Chairman is not independent, the Lead Director will preside at these meetings.

**Board Communications**. The Board believes that the CEO and executive management speak for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies which are involved with the Company. It is expected that Board members would do this with the prior knowledge of management and, absent unusual circumstances or as contemplated by the committee charters, only following consultation with management.

**How to Contact the Board**. Shareholders may contact any director by writing to them c/o Corporate Secretary at Schnitzer Steel Industries, Inc., 299 SW Clay, Suite 350, Portland, Oregon 97201. Shareholders and others who wish to contact the Board or any member of the Audit Committee to report any complaint or concern with respect to accounting, internal accounting controls or auditing matters may do so by utilizing the link to the third-party hosted reporting hotline under "Ethics & Code of Conduct" tab on the Company's website (www.schnitzersteel.com) or submitting their complaint or concern in writing c/o the Corporate Secretary or Chief Compliance Officer at the above address.

## Board Committees

**Committees; Qualifications**. The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The Board may, from time to time, establish or maintain additional committees as the Board deems necessary or appropriate.

**Committee Member Qualifications**. All of the members of the Audit, Compensation and Nominating and Corporate Governance Committees will be independent under the criteria established by NASDAQ.

**Charters**. Each Board committee will have a charter which will (i) set forth its purposes, duties and responsibilities as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations, and committee reporting to the Board, (ii) provide for committee meetings and reports, and (iii) provide that it will annually evaluate its performance and report the result of its self-evaluation to the full Board.

**Meetings; Agenda**. The Chair of each committee, in consultation with the committee members, the Chairman of the Board and, if applicable, the Lead Director, will determine the frequency of committee meetings consistent with any requirements set forth in the committee charters. The Chair of each committee, in consultation with committee members, the Chair of the Board and appropriate members of management, will develop the agenda for committee meetings.

**Assignment of Committee Members and Terms of Committee Chairs**. Committee members will be appointed on an annual basis (normally immediately following the Company's annual meeting of shareholders) by the Chairman of the Board in consultation with the Lead Director, if applicable, and the Chair of the NCGC, with consideration given to the desires and skills of individual directors and to rotating committee members periodically (although no specific period is mandated as a policy since there may be reasons to maintain an individual director's committee membership for a period longer than a mandated period). Committee chairs will be appointed by the Chairman of the Board after consultation with the Lead Director, if applicable, and the Chair of the NCGC for a presumptive three-year term. Under exceptional circumstances the chair may be reappointed for an additional three-year term if it is determined to be in the Company's best interests.

**Advisors.** The Board and each committee have the power to hire and compensate at the Company's expense independent legal, financial or other advisors as the Board or Committee may deem necessary, without consulting or obtaining advance approval of any officer of the Company.

## <u>Director Access to Officers and Employees</u>

**Access**. Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate may be arranged directly by the director or through the Secretary or the CEO. Directors are expected to use their judgment to ensure that any contacts are not disruptive to the business operations of the Company and will, to the extent appropriate, advise the CEO of and copy the CEO on any written communications between a director and an officer or employee of the Company.

**Officer Attendance at Board Meetings**. The CEO will determine which members of senior management should regularly attend Board meetings and may, from time to time, invite other officers or employees.

## <u>Director Compensation</u>

The Compensation Committee of the Board will determine the form and amount of director compensation, including for the Chairman of the Board and the Lead Director, if applicable, and the retainers for committee chairs. It is the Board's policy that non-employee director compensation should fairly compensate directors for the work required as a director of a corporation of the Company's size and complexity, align directors' interests with the long-term interests of shareholders and be a mix of cash and equity-based compensation, with equity-based compensation comprising a substantial portion of total non-employee director compensation. In setting compensation the Compensation

Committee recognizes that directors' independence may be jeopardized if director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters into consulting contracts with or provides other indirect forms of compensation to a director or an organization with which the director is affiliated.

## Director Stock Ownership

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.

## Director Orientation and Continuing Education

All new directors will participate in an orientation program to familiarize them with the Company's strategic plans, significant facilities, significant financial, accounting and risk management issues, compliance programs, Code of Conduct, principal officers, and internal and independent auditors. Directors are expected to keep current with corporate governance issues through continuing education and memberships or subscriptions provided by the Company. Reasonable travel expenses incurred by directors will be reimbursed.

## CEO Evaluation and Management Succession

**CEO Evaluation**. The Chairman of the Board and the Chair of the Compensation Committee will conduct an annual review of the CEO's performance. The Board will review the evaluation in order to ensure that the CEO is providing the best leadership for the Company in the long and short-term.

**Management Succession**. The NCGC will periodically report to the Board on succession planning, and the entire Board will work with the committee to identify and evaluate potential successors to the CEO. The CEO should annually make available his or her recommendations and evaluations of potential successors, along with a review of any development plans for such individuals. The NCGC should annually review the Company's leadership development programs.

## Annual Performance Evaluation

In addition to the annual self-evaluations to be performed by each of the Audit, Compensation, and NCG Committees (and the discussions of these self-evaluations with the full Board), the NCGC will annually oversee a review of the Board's performance, which shall include a self-evaluation by the Board, and will discuss the results of this review with the full Board.

## Shareholder Rights Plan

The Board adopted a shareholder rights plan on March 21, 2006, expiring in 2016. The primary purpose of the plan is to obtain maximum value for shareholders in the event of an unsolicited attempt to acquire or control the Company. The Board believes that the plan will preserve for shareholders the long-term value of the Company by encouraging any potential acquirer to negotiate with the Board the manner and terms of any proposed acquisition. The plan is not designed to protect management or the Board or to prevent an acquisition of the Company, and it was not adopted in response to any specific effort to acquire control of the Company. The Board believes the plan enhances the ability of management to operate the business of the Company successfully and to achieve the Company's long-range goals. The NCGC will review the terms of the plan and report to the Board not less frequently than every three years.

## Appointment of Independent Auditors

The Company's independent auditors are appointed by the Audit Committee as provided in the Audit Committee charter.

## Code of Conduct

The Company has adopted and posted on its website a code of business conduct and ethics for directors, officers and employees which addresses conflicts of interest, confidentiality, fair dealing, protection and proper use of company assets, compliance with laws, rules and regulations, and encouraging the reporting of any illegal or unethical behavior. The Board or the Audit Committee of the Board shall approve all waivers of the code for executive officers and directors, and any waivers shall be promptly disclosed to shareholders. The Audit Committee shall periodically review the code and recommend changes to the Board.

## Review of These Guidelines

The NCGC will periodically review these guidelines and recommend to the Board amendments as it deems appropriate. These guidelines shall be made available to shareholders by posting on the Company's Web site at www.schnitzersteel.com.

Approved by the Board April 29, 2014