



Legal & Governance Policy

SCHNITZER STEEL INDUSTRIES, INC.

EFFECTIVE DATE: 1.31.07

Policy Number: 14.110

SUBJECT:
Stock Trading Policy

APPROVER:
Richard C. Josephson

**Schnitzer Steel Industries, Inc.
Policy Regarding Stock Trading by Employees**

(As of January 31, 2007)

The Class A Common Stock of Schnitzer Steel Industries, Inc. (the “Company”) is publicly traded and, as a result, the Company is subject to U.S. securities laws intended to protect investors in the purchase and sale of securities, including laws prohibiting so called “insider trading” in the Company’s stock. Violations of these laws can result in liability to the Company, as well as its directors, officers and employees.

Frequently, Company insiders will become aware of information that has not been disclosed to the public but which, if known, could be material to investment decisions. A purchase or sale of Company stock by an insider at such a time could expose the Company, and the individual insider, to a claim that the purchase or sale of stock was made on the basis of inside information not known to the general public.

In an effort to minimize your and the Company’s risk of being subject to such claims, while at the same time considering the need of the employees of the Company to have reasonable opportunities to purchase and sell Company stock, the Board of Directors has adopted the Schnitzer Steel Industries, Inc. Policy Regarding Stock Trading by Employees which applies to all employees and directors of the Company. All officers, directors and certain other designated employees of the Company who have regular access to inside information must also adhere to certain additional, stricter insider trading rules, contained in the Schnitzer Steel Industries, Inc. Policy Regarding Stock Trading by Directors, Officers and Other Insiders, which is attached hereto as Appendix A.

In short, under this policy:

- You may not seek to profit, or avoid losses, from material, nonpublic information of which you may become aware as a result of your employment with the Company.

- You may not “tip”, or pass on such information, to friends, family members or others and thereby try to help them make a profit or avoid a loss.
- You must provide the Company’s Stock Compliance Officer with a written notice of a purchase or sale of the Company’s stock not later than three business days following such transaction.

It is important for you to be aware of the rules concerning insider trading, and you should review this policy carefully. Any questions relating to this policy may be directed to the Company’s Stock Compliance Officer, who currently is Richard C. Josephson, the Company’s Vice President and General Counsel, at 503.323.2809. or such other individual designated by the Company.

1. Material, Nonpublic Information – Inside Information

In the normal course of business, you may become aware of significant, nonpublic information. This kind of information, often referred to as “material, nonpublic” information in U.S. securities laws, is considered the property of the Company; you have been entrusted with it. Accordingly, you may not seek to make a profit or avoid a loss from it by buying or selling securities yourself or by passing on the information to others to enable them to make a profit or avoid a loss. This rule applies not only to trading in the Company’s securities, but also to trading in the securities of other companies if you learn something in the course of your employment or relationship with the Company that might affect the value of those other securities. For instance, if you learned that the Company was about to execute a definitive acquisition agreement with another company, it would likely be an insider trading violation for you to buy or sell securities of that other company. The insider trading rules apply both to securities purchases (to make a profit based on good news) and securities sales (to avoid a loss based on bad news).

For information to be material within the meaning of U.S. securities laws, it must be information that the typical investor would likely consider important in making a decision to buy, hold or sell securities. The chances are, if you learn something that leads you to want to buy or sell stock, that information will be considered material. Examples of inside information that are likely to be deemed material include:

- quarterly or annual financial results,
- projections of future earnings or losses or other earnings guidance, or significant changes to previously announced projections or guidance,
- a significant increase or decrease in financial results,
- significant actions by regulatory bodies,
- significant management changes,
- commencement or settlement of major litigation,
- a purchase or sale of substantial assets,

- a significant merger or acquisition proposal or agreement or termination of an agreement of this type, or
- dividend increases or decreases.

It is also important to keep in mind that information need not be certain or definitive to be material. Even information concerning events, actions, results, etc. that may happen can be considered material under certain circumstances. For example, if you found out that the Company was in merger negotiations, even though the deal had not yet been agreed to, that information could very well be material.

Situations may exist where an employee or a director has a record ownership of or beneficial interest in securities, but has no responsibility for investment decisions, such as, for example, where the investment decisions have been delegated to an investment adviser. In such cases, this policy is not intended to proscribe dealings in securities so long as the employee or director has neither discussed the merits of the investment with, nor provided inside information to, the person or persons having the decision-making investment responsibility. Similarly, this policy does not proscribe the purchase, sale or holding of an interest in a publicly traded mutual fund, even if the fund holds or trades in the Company's stock.

2. Prohibition on Tipping

Besides your obligation to refrain from trading while in possession of material, nonpublic information, you are also prohibited from "tipping" others. The concept of unlawful tipping includes passing on information to friends, family members or others under circumstances that suggest that you were trying to help them make a profit or avoid a loss. When tipping occurs, both the "tipper" and the "tippee" may be held liable, and this liability may extend to all those to whom the tippee, in turn, gives the information.

3. Notice of Purchase or Sale of Company Stock

Following each purchase and sale of Company stock, you must provide the Company's Stock Compliance Officer with a written notice of such transaction not later than three business days following the sale or purchase. A form to be used for such notice is attached as Appendix B and is available on the Company's Intranet.

This notice requirement does not apply to executive officers, directors and certain other designated employees of the Company. These persons must instead request pre-clearance by the Stock Compliance Officer before purchasing or selling Company stock, and such pre-clearance is further described in the Schnitzer Steel Industries, Inc. Policy Regarding Stock Trading by Directors, Officers and Other Insiders.

4. Short Selling of Company Stock and Transactions in Puts or Calls

It is contrary to Company policy for any employee to engage in any short sale of the Company's stock or to buy or sell puts or calls on the Company's stock. This policy is designed to encourage investment in the Company's stock for the long term, on a buy and hold basis, and to discourage active trading or short term speculation. Any exceptions to this policy may only be made with the approval of the Company's Stock Compliance Officer.

5. Consequences of Insider Trading

The consequences of insider trading can be severe. Insider trading is a crime, penalized by fines of up to \$5,000,000 and 20 years in jail for individuals. In addition, the Securities and Exchange Commission (the “SEC”) may seek to impose a civil penalty of up to three times the profits made or losses avoided from the trading. Insider traders must also disgorge any profits made and are often subjected to an injunction against future violations. Finally, under some circumstances, insider traders may be subjected to civil liability in private lawsuits.

Under the Insider Trading and Securities Enforcement Act of 1988, the Company and its controlling persons (including the Board of Directors and supervisory personnel) could also be held vicariously responsible for the insider trading violations of employees if they fail to adopt adequate policies and procedures to prevent insider trading.

For all of the foregoing reasons, it is very important, both to you and the Company, that insider trading violations not occur and that the policies detailed in this statement be adhered to. You should be aware that stock market surveillance techniques are becoming more sophisticated all the time, and the chance that authorities will detect and prosecute even small-level trading is significant. Even an SEC investigation that does not result in prosecution can tarnish one’s reputation and damage a career.

6. Compliance with Policy

The Company expects strict compliance with this policy by all employees. Although this policy is expressly not intended to result in the imposition of additional legal liability that would not otherwise exist, failure to observe these procedures will be considered an extremely serious matter and may be grounds for appropriate disciplinary action, including termination of employment.

Appendix A

Schnitzer Steel Industries, Inc. Policy Regarding Stock Trading by Directors, Officers and Other Insiders

All officers,¹ directors², and other employees of the Company and its subsidiaries designated as insiders by the Chief Executive Officer because of their regular access to inside information (a “Restricted Person”) are required to comply with the following insider trading rules, in addition to the general policy regarding stock trading applicable to all employees and directors. To the extent the rules in this policy are inconsistent with the general policy, these rules shall prevail.

1. The Basic Policy

It is the policy of the Company that no Restricted Person who is aware of material, nonpublic information may, directly or through family members or other persons or entities:

(a) buy or sell Company stock (other than pursuant to a pre-approved trading plan, as further described in Section 3 below); or

(b) pass that information on to others outside the Company, including family and friends (“tipping”).

In addition, it is the policy of the Company that no Restricted Person who, in the course of working for the Company, learns of material nonpublic information about a company with which the Company does business, may trade that company’s securities until the information becomes public or is no longer material.

2. Non-Disclosure of Material Nonpublic Information

Restricted Persons shall take appropriate measures to restrict access to and disclosure of material nonpublic information. In the event a Restricted Person becomes aware of possible insider trading violations by persons under his or her supervision, he or she should contact immediately the Company’s Stock Compliance Officer, who currently is Richard C. Josephson, the Company’s Vice President and General Counsel, at 503.323.2809 or such other individual designated by the Company. Consistent with the foregoing, Restricted Persons should not discuss internal matters or developments with anyone outside of the Company (including family members), except in accordance with the Company’s Disclosure Policy.

¹ For purposes of this policy, officers of the Company shall include the CEO, the CFO, the president, executive vice presidents, vice presidents and the treasurer of the Company and the president, executive vice presidents, vice presidents and the treasurer of the subsidiaries of the Company.

² Directors are responsible for ensuring compliance with this Policy by their employees with access to the Company’s material inside information as if such employees were employees of the Company.

3. Pre-Clearance of Transactions in the Company's Securities and Rule 10b5-1 Plans

To help prevent inadvertent violations of the U.S. securities laws and avoid even the appearance of trading on material, nonpublic information, Restricted Persons may not engage in any transaction involving the Company's stock without first certifying that all such transactions will be conducted in compliance with the provisions of this Policy and obtaining the Stock Compliance Officer's pre-clearance of the transaction. A request for pre-clearance should be submitted using the form provided on the Company's Intranet. The Stock Compliance Officer is under no obligation to approve a transaction submitted for pre-clearance and may determine not to permit the transaction.

Restricted Persons who wish to implement a trading plan that complies with Rule 10b5-1 (a "Rule 10b5-1 Plan") must obtain the Stock Compliance Officer's pre-clearance of the plan. A Restricted Person may only enter into a Rule 10b5-1 Plan when not in possession of material nonpublic information or outside of a blackout period. Transactions effected pursuant to an approved Rule 10b5-1 Plan will not require further approval at the time of the transaction if the plan specifies the dates, prices and amounts of the contemplated trades or establishes a formula for determining the dates, prices and amounts.

4. Blackout Periods

(a) *Quarterly Blackout Periods*

The Company's announcement of quarterly financial results almost always has the potential to have a material effect on the market for the Company's stock. Therefore, you can anticipate that, to avoid even the appearance of trading while aware of material, nonpublic information, Restricted Persons will not be pre-cleared to trade in the Company's stock during the period beginning at the close of business on the 15th day of the last month of each fiscal quarter of the Company and ending after the third business day following the release of quarterly or annual results by the Company.

(b) *Event-Specific Blackout Periods*

From time to time, an event may occur that is material to the Company and which is known by only a few directors, officers and other employees. For so long as the event remains material and nonpublic, directors, officers and other employees designated by the Stock Compliance Officer may not trade in the Company's stock. The existence of an event-specific blackout will not be announced other than to those who are already aware of the event giving rise to the blackout. A Restricted Person who requests pre-clearance to trade in the Company's stock during an event-specific blackout period will be informed by the Stock Compliance Officer of the existence of the event-specific blackout period without an explanation for the reason behind the event-specific blackout period. Any person made aware of the existence of an event-specific blackout period should not disclose the existence of the blackout for any reason. The failure of the Stock Compliance Officer to designate a person as being subject to an event-specific blackout shall not relieve that person of the obligation not to trade while aware of material nonpublic information.

5. Hardship Trades

Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are no exception to the basic policy described above. The U.S. securities laws do not recognize such mitigating circumstances, and even the appearance of an improper transaction must be avoided to preserve the Company's reputation for adhering to stringent standards of conduct. Notwithstanding the foregoing, the Company's Stock Compliance Officer may, on a case-by-case basis, authorize trading in Company stock during a blackout period due to financial hardship or other hardships only after

- a. the person wishing to trade has notified the Company's Stock Compliance Officer in writing (which writing may be in the form of electronic mail) of the circumstances of the hardship and the amount and nature of the proposed trade(s), and
- b. the person trading has certified to the Company's Stock Compliance Officer in writing no earlier than two business days prior to the proposed trade(s) that he or she is not in possession of material nonpublic information concerning the Company.

The existence of the foregoing approval procedures does not in any way obligate the Company's Stock Compliance Officer to approve any trades requested by Restricted Persons as hardship applicants. The Company's Stock Compliance Officer may reject any trading requests at his/her sole discretion.

6. Stock Option Exercises

This Policy does not apply to the exercise of employee stock options. However, this Policy does apply to the sale of Company stock as part of a broker-assisted cashless exercise of an option or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option. A sale in the market of the Company's stock acquired upon exercise of an option is also subject to this policy and may not be made during a blackout period.

7. Short Selling of Company Stock, Use of Margin Accounts and Transactions in Puts or Calls

It is contrary to Company policy for any Restricted Persons to engage in any short sale of the Company's stock, to establish and use a margin account with a broker-dealer for the purpose of buying or selling Company stock or using it as collateral therefor, or to buy or sell puts or calls on the Company's stock. This policy is designed to encourage investment in the Company's stock for the long term, on a buy and hold basis, and to discourage active trading or short term speculation. Any exceptions to this policy may only be made with the approval of the Company's Stock Compliance Officer.

8. Transactions by Family Members

The restrictions set forth in this Policy apply to each family member who resides with a Restricted Person, anyone else who lives in the household of a Restricted Person and any other family members whose transactions in the Company's securities are directed by or subject to the influence or control of a Restricted Person, including IRAs, trusts and other entities controlled by

Restricted Persons or such family members. Each Restricted Person is expected to be responsible for the compliance by these persons with this Policy.

The Board of Directors believes that Schnitzer family members should continue to voluntarily comply with this policy. The family voting trust controls the Company, and each of the four family groups is represented on the Board of Directors. If any family member trades in Company stock while other family members are in possession of material nonpublic information, it may be difficult to prove that the trader was not privy to the information.

9. Termination of Employment or Office

The restrictions set forth in this Policy apply to Restricted Persons following the termination of their employment or term of office, as applicable, for such period as the Stock Compliance Officer shall determine such person is likely to be in possession of material nonpublic information about the Company.

10. Consultation with Stock Compliance Officer

Because there are so many “gray areas” in the law of insider trading, you should not try to make close calls about what is legal or illegal by yourself. Err on the side of caution: either refrain from trading altogether if there is any question in your mind about the propriety of a particular trade, even if it is proposed to take place outside of a blackout period, or consult with the Stock Compliance Officer with respect to a particular trade prior to execution. Remember, however, the ultimate responsibility for adhering to this Policy and avoiding improper transactions rests with you. It is imperative that you use your best judgment.

11. Transactions by the Stock Compliance Officer

In the case of a proposed transaction in the Company’s stock by the Stock Compliance Officer, the Chief Financial Officer of the Company shall take such actions as are usually required of the Stock Compliance Officer hereunder.

12. Compliance with Policy

The Company expects strict compliance with these procedures by all Restricted Persons. Although this Policy is expressly not intended to result in the imposition of additional legal liability that would not otherwise exist, failure to observe these procedures will be considered an extremely serious matter and may be grounds for appropriate disciplinary action, including termination of employment.

Appendix B

Notice of Purchase or Sale of Schnitzer Steel Industries, Inc. Stock
(Due within three business days of transaction)

To: Stock Compliance Officer

Pursuant to Section 3 of the Schnitzer Steel Industries, Inc. Policy Regarding Stock Trading by Employees, the undersigned gives notice of the following purchase or sale:

Date of transaction: _____

Purchase ____ or Sale ____ (check one)

Number of shares purchased or sold: _____

Dated: _____, 200__

(signature)

Name: _____

REVISION HISTORY

Name: Richard C. Josephson
Date: 1/31/07
Reason: Update policy to modify requirements and add reporting form
Replaces: N/A