AVERY DENNISON CORPORATION
Form SC 13G
February 12, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13G
(Rule 13d-102)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b),(c), AND (d) AND AMENDMENTS THERETO FILED
PURSUANT TO RULE 13d-2(b)
(Amendment No. 0)1

Avery Dennison Corporation

---

(Name of Issuer)

Common Stock

---

(Title of Class of Securities)

053611109

---

(CUSIP Number)

12/31/2003

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(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[X] Rule 13d-1(b)
[_] Rule 13d-1(c)
[_] Rule 13d-1(d)

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1 The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 (the "Act") or otherwise subject to the liabilities of that section of the Act, but shall be subject to all other provisions of the Act (however, see the Notes.)

(Continued on following pages)

| | | |
|---|---|---|
| 1. | NAMES OF REPORTING PERSONS<br>I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)<br>Wellington Management Company, LLP<br>04-2683227 | |
| 2. | CHECK THE APPROPRIATE BOX IF THE MEMBER OF A GROUP* | (a) [_]<br>(b) [_] |
| 3. | SEC USE ONLY | |
| 4. | CITIZENSHIP OR PLACE OF ORGANIZATION<br>Massachusetts | |
| NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH | 5. SOLE VOTING POWER<br>0 | |
| | 6. SHARED VOTING POWER<br>3,423,798 | |
| | 7. SOLE DISPOTIVE POWER<br>0 | |
| | 8. SHARED DISPOTIVE POWER<br>6,288,823 | |
| 9. | AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON<br>6,288,823 | |
| 10. | CHECK BOX IF AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES* | [_] |
| 11. | PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9<br>5.693% | |
| 12. | TYPE OF REPORTING PERSON<br>HC,IA | |



Item 1(a). Name of Issuer:

Avery Dennison Corporation

Item 1(b). Address of Issuer's Principal Executive Offices:

150 North Orange Grove Boulevard
Pasadena, CA 91103

Item 2(a). Name of Person Filing:

Wellington Management Company, LLP(''WMC'')

Item 2(b). Address of Principal Business Office or, if None, Residence:

75 State St
Boston, MA 02109

Item 2(c). Citizenship:

Massachusetts

Item 2(d). Title of Class of Securities:

Common Stock

Item 2(e). CUSIP Number:

053611109

Item 3. If This Statement is Filed Pursuant to Rule 13d-1(b), or 13d-2(b) or (c), Check Whether the Person Filing is a:

(a) [ ] Broker or dealer registered under Section 15 of the Act.

(b) [ ] Bank as defined in Section 3(a)(6) of the Act.

(c) [ ] Insurance Company as defined in Section 3(a)(19) of the Act.



(d) [ ] Investment Company registered under Section 8 of the Investment Company Act.

(e) [X] An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);

(f) [ ] An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);

(g) [X] A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G); see item 7;

(h) [ ] A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;

(i) [ ] A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act;

(j) [ ] Group, in accordance with Rule 13d-1(b)(1)(ii)(J).

If this statement is filed pursuant to Rule 13d-1(c), check this box [ ]

Item 4. Ownership.
Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount Beneficially Owned: WMC, in its capacity as investment adviser, may be deemed to beneficially own 6,288,823 shares of the Issuer which are held of record by clients of WMC.

(b) Percent of Class: 5.693%

(c) Number of shares as to which such person has:

| | | |
|---|---|---|
| (i) | sole power to vote or to direct the vote | 0 |
| (ii) | shared power to vote or to direct the vote | 3,423,798 |
| (iii) | sole power to dispose or to direct the disposition of | 0 |
| (iv) | shared power to dispose or to direct the disposition of | 6,288,823 |



Item 5. Ownership of Five Percent or Less of Class.
If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following

[ ]

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

The securities as to which this Schedule is filed by WMC, in its capacity as investment adviser, are owned of record by clients of WMC. Those clients have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such securities. No such client is known to have such right or power with respect to more than five percent of this class of securities, except as follows:

None

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company.

See Exhibit A

Item 8. Identification and Classification of Members of the Group.

Not Applicable. This schedule is not being filed pursuant to Rule 13d-1(b)(1)(ii)(J) or Rule 13d-1(d).

Item 9. Notice of Dissolution of Group.

Not Applicable

Item 10. Certification.

(a) The following certification shall be included if the statement is filed pursuant to Rule 13d-1(b):

"By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the



effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection withor as a participant in any transaction having that purpose or effect. "

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

By: --//Brian P. Hillery//--

Name: Brian P. Hillery
Title: Vice President
Date: February 13, 2004

*Signed pursuant to a Power of Attorney dated January 17, 2002 and filed with the SEC on February 5, 2002.



Exhibit A

Pursuant to the instructions in Item 7 of this Schedule 13G, the identity and the Item 3 classification of the relevant subsidiary are: Wellington Trust Company, NA, 75 State Street, Boston MA 02109, a wholly-owned subsidiary of Wellington Management Company, LLP and a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934.

:2px;padding-bottom:2px;">

—

—

14,506

—

—

14,506

—

14,506

Excess tax deficiency from stock options exercised and restricted stock units vested

—

—

—

—

(1,354
)

—

—

(1,354
)

—

(1,354
)
Cash dividends
—

—

—

—

—

(20,232
)

—

(20,232
)

—

(20,232
)
Balance as of August 31, 2014
26,384

26,384

306

306

19,164

737,571

(12,641
)

770,784

5,193

775,977

Net income (loss)
—

—

—

—

—

(197,009
)

—

(197,009
)

1,933

(195,076
)
Other comprehensive loss, net of tax
—

—

—

—

—

—

(25,881
)

(25,881
)

—

(25,881
)
Distributions to noncontrolling interests
—

—

—

—

—

—

—

—

(3,110
)

(3,110
)
Share repurchases

(68
)

(68
)

—

—

(1,279
)

—

—

(1,347
)

—

(1,347
)
Restricted stock withheld for taxes
(92
)

(92
)

—

—

(1,905
)

—

—

(1,997
)

—

(1,997
)
Issuance of restricted stock
250

250

—

—

(250
)

—

—

—

—

—

Share-based compensation expense
—

—

—

—

10,481

—

—

10,481

—

10,481

Cash dividends

—

—

—

—

—

(20,496
)

—

(20,496
)

—

(20,496
)

Balance as of August 31, 2015

26,474

26,474

306

306

26,211

520,066

(38,522
)

534,535

4,016

538,551

Net income (loss)
—

—

—

—

—

(19,409
)

—

(19,409
)

1,821

(17,588
)
Other comprehensive loss, net of tax
—

—

—

—

—

—

(1,593
)

(1,593
)

—

(1,593
)
Distributions to noncontrolling interests
—

—

—

—

—

—

—

—

(2,126
)

(2,126
)
Share repurchases
(203
)

(203
)

—

—

(3,276
)

—

—

(3,479
)

—

(3,479
)
Restricted stock withheld for taxes
(132
)

(132
)

—

—

(2,081
)

—

—

(2,213
)

—

(2,213
)
Issuance of restricted stock
343

343

—

—

(343
)

—

—

—

—

—

Share-based compensation expense
—

—

—

—

10,437

—

—

10,437

—

10,437

Cash dividends
—

—

—

—

—

(20,557
)

—
(20,557
)
—
(20,557
)
Balance as of August 31, 2016
26,482
$
26,482
306
$
306
$
30,948
$
480,100
$
(40,115
)
$
497,721
$
3,711
$
501,432

See Notes to the Consolidated Financial Statements.

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SCHNITZER STEEL INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Year Ended August 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Cash flows from operating activities: | | | |
| Net income (loss) | $(17,588) | $(195,076) | $9,591 |
| Adjustments to reconcile net income (loss) to cash provided by operating activities: | | | |
| Goodwill impairment charges | 8,845 | 141,021 | — |
| Other asset impairment charges | 20,682 | 45,119 | 1,460 |
| Exit-related asset impairment charges, net of gains | 1,790 | 6,502 | 566 |
| Write-off of debt issuance costs | 768 | — | — |
| Depreciation and amortization | 54,630 | 67,936 | 79,209 |
| Inventory write-down | 710 | 3,031 | — |
| Deferred income taxes | 507 | (1,988) | (3,815) |
| Undistributed equity in earnings of joint ventures | (819) | (1,490) | (1,196) |
| Share-based compensation expense | 10,437 | 10,481 | 14,506 |
| Excess tax benefit from share-based payment arrangements | — | (343) | (194) |
| Gain on the disposal of assets | (465) | (2,875) | (1,126) |
| Unrealized foreign exchange (gain) loss, net | (109) | (1,909) | 240 |
| Bad debt expense (recoveries), net | 131 | (264) | 449 |
| Changes in assets and liabilities, net of acquisitions: | | | |
| Accounts receivable | (10,693) | 55,600 | (16,360) |
| Inventories | 27,504 | 69,256 | 36,264 |
| Income taxes | 5,861 | (5,846) | 4,129 |
| Prepaid expenses and other current assets | (1,864) | 2,403 | (2,453) |
| Other long-term assets | 266 | 1,064 | 996 |
| Accounts payable | (763) | (35,638) | 9,409 |
| Accrued payroll and related liabilities | 3,633 | (6,330) | 8,114 |
| Other accrued liabilities | (4,362) | (2,710) | (91) |
| Environmental liabilities | (451) | (702) | (1,581) |
| Other long-term liabilities | 30 | (3,384) | 1,825 |
| Distributed equity in earnings of joint ventures | 560 | 770 | 1,310 |
| Net cash provided by operating activities | 99,240 | 144,628 | 141,252 |
| Cash flows from investing activities: | | | |
| Capital expenditures | (34,571) | (32,297) | (39,147) |
| Acquisitions, net of cash acquired | — | (150) | (2,160) |
| Joint venture payments, net | (11) | (1) | (3,765) |
| Proceeds from sale of assets | 4,106 | 4,270 | 3,841 |
| Net cash used in investing activities | (30,476) | (28,178) | (41,231) |
| Cash flows from financing activities: | | | |
| Proceeds from line of credit | 135,500 | 266,500 | 469,500 |
| Repayment of line of credit | (135,500) | (266,500) | (478,000) |
| Borrowings from long-term debt | 152,311 | 140,536 | 313,207 |
| Repayment of long-term debt | (187,951) | (231,103) | (368,496) |
| Payment of debt issuance costs | (1,011) | (978) | — |
| Repurchase of Class A common stock | (3,479) | (1,347) | — |
| Taxes paid related to net share settlement of share-based payment arrangements | (2,213) | (1,997) | (1,578) |
| Excess tax benefit from share-based payment arrangements | — | 343 | 194 |

| | | | |
|---|---|---|---|
| Stock options exercised | — | — | 240 |
| Distributions to noncontrolling interest | (2,126 ) | (3,110 ) | (3,115 ) |
| Contingent consideration paid relating to business acquisitions | — | (759 ) | — |
| Dividends paid | (20,444 ) | (20,336 ) | (20,126 ) |
| Net cash used in financing activities | (64,913 ) | (118,751 ) | (88,174 ) |
| Effect of exchange rate changes on cash | 213 | (616 ) | 344 |
| Net increase (decrease) in cash and cash equivalents | 4,064 | (2,917 ) | 12,191 |
| Cash and cash equivalents as of beginning of year | 22,755 | 25,672 | 13,481 |
| Cash and cash equivalents as of end of year | $26,819 | $22,755 | $25,672 |

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| | Year Ended August 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| SUPPLEMENTAL DISCLOSURES: | | | |
| Cash paid (received) during the year for: | | | |
| Interest | $6,077 | $7,138 | $8,838 |
| Income taxes paid (refunds received), net | $(5,691) | $(1,866) | $69 |
| Schedule of noncash investing and financing transactions: | | | |
| Purchases of property, plant and equipment included in current liabilities | $8,268 | $6,086 | $7,249 |

See Notes to the Consolidated Financial Statements.

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SCHNITZER STEEL INDUSTRIES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of Operations
Founded in 1906, Schnitzer Steel Industries, Inc. (the “Company”), an Oregon corporation, is one of North America’s largest recyclers of ferrous and nonferrous scrap metal, including end-of-life vehicles, and a manufacturer of finished steel products.
The Company has two reportable segments as follows: the Auto and Metals Recycling ("AMR") business and the Steel Manufacturing Business ("SMB"). AMR buys, collects, processes, recycles, sells and brokers scrap metal through its operation of one of the largest metals recycling businesses in North America and operates one of the country's leading networks of self-service used auto parts stores which supplies AMR's shredding facilities with autobodies that are processed into saleable recycled metal. SMB purchases substantially all of its recycled metal from AMR and uses its mini-mill to process the recycled metal into finished steel products.
As of August 31, 2016, all of the Company’s facilities were located in the United States (“U.S.”) and its territories and Canada.
Note 2 – Summary of Significant Accounting Policies
Principles of Consolidation
The Consolidated Financial Statements include the accounts of the Company and its majority-owned and wholly-owned subsidiaries. The equity method of accounting is used for investments in joint ventures over which the Company has significant influence but does not have effective control. All significant intercompany account balances, transactions, profits and losses have been eliminated. All transactions and relationships with potential variable interest entities are evaluated to determine whether the Company is the primary beneficiary of the entities, therefore requiring consolidation. The Company does not have any variable interest entities requiring consolidation.
Accounting Changes
In April 2014, an accounting standard update was issued that amends the requirements for reporting discontinued operations, which may include a component of an entity or a group of components of an entity. The amendments limit discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have, or will have, a major effect on an entity's operations and financial results. The amendments require expanded disclosure about the assets, liabilities, revenues and expenses of discontinued operations. Further, the amendments require an entity to disclose the pretax profit or loss of an individually significant component that is being disposed of that does not qualify for discontinued operations reporting. The Company adopted the new requirement in the first quarter of fiscal 2016 with no impact to the Consolidated Financial Statements. The standard is to be applied prospectively to all disposals or classifications as held for sale of components and all businesses that, on acquisition, are classified as held for sale that occur beginning in the first quarter of fiscal 2016, and interim periods within that fiscal year.
In November 2015, an accounting standard update was issued that requires deferred tax liabilities and assets be classified as noncurrent in a statement of financial position. To simplify the presentation of the Company's deferred tax liabilities and assets, along with valuation allowances against deferred tax assets, the Company early-adopted the new requirement as of the beginning of the first quarter of fiscal 2016 and is applying the amendments prospectively. Adoption of the new requirement impacted the classification of the Company's deferred tax liabilities and assets reported in its Consolidated Balance Sheet beginning as of November 30, 2015, and had no impact on its consolidated results of operations and cash flows. The comparative period Consolidated Balance Sheet has not been retrospectively adjusted.
In April 2015, an accounting standard update was issued that clarifies the accounting for cloud computing arrangements that include software licenses. The guidance requires that a cloud computing arrangement that includes a software license be accounted for in the same manner as the acquisition of other software licenses. If the cloud computing arrangement does not include a software license, then it should be accounted for as a service contract. To reduce the complexity of evaluating the accounting for fees paid in a cloud computing arrangement, the Company early-adopted the new requirement as of the beginning of the third quarter of fiscal 2016 and is applying the amendments prospectively to all arrangements entered into or materially modified after adoption. Adoption of the new

requirement results in the recognition of software licenses acquired as part of a cloud computing arrangement within property, plant and equipment in the Company's Consolidated Balance Sheet and recognition of amortization expense within either cost of goods sold or selling, general and administrative expense, depending on the nature of the software license, in the Company's Consolidated Statement of Operations. The new requirement does not represent a substantial change from the manner in which the Company accounted for fees paid in cloud computing arrangements prior to adoption.

Discontinued Operations

The results of discontinued operations are presented separately, net of tax, from the results of ongoing operations for all periods presented. The expenses included in the results of discontinued operations are the direct operating expenses incurred by the disposed components that may be reasonably segregated from the costs of the ongoing operations of the Company. Asset impairments related to the disposed components are also included in the results of discontinued operations. See Note 8 - Discontinued Operations and the Asset Impairment Charges section of this Note for further detail.

Cash and Cash Equivalents

Cash and cash equivalents include short-term securities that are not restricted by third parties and have an original maturity date of 90 days or less. Included in accounts payable are book overdrafts representing outstanding checks in excess of funds on deposit of $3 million and $11 million as of August 31, 2016 and 2015, respectively.

Accounts Receivable, net

Accounts receivable represent amounts primarily due from customers on product and other sales. These accounts receivable, which are reduced by an allowance for doubtful accounts, are recorded at the invoiced amount and do not bear interest. The Company evaluates the collectability of its accounts receivable based on a combination of factors, including whether sales were made pursuant to letters of credit or credit insurance is in place. In cases where management is aware of circumstances that may impair a customer’s ability to meet its financial obligations, management records a specific allowance against amounts due and reduces the net recognized receivable to the amount the Company believes will be collected. For all other customers, the Company maintains an allowance that considers the total receivables outstanding, historical collection rates and economic trends. Accounts are written off when all efforts to collect have been exhausted. The allowance for doubtful accounts was $2 million as of August 31, 2016 and 2015.

Inventories

The Company’s inventories primarily consist of processed and unprocessed scrap metal (ferrous, nonferrous, and nonferrous recovered joint product arising from the manufacturing process), semi-finished steel products (billets), finished steel products (primarily rebar, wire rod and merchant bar) and used and salvaged vehicles, which are reported within finished goods. Inventories are stated at the lower of cost or market. AMR determines the cost of ferrous and nonferrous inventories using the average cost method and capitalizes substantially all direct costs and yard costs into inventory. AMR allocates material and production costs to joint products using the gross margin method. AMR determines the cost of used and salvaged vehicle inventory based on the average price the Company pays for a vehicle and capitalizes the vehicle cost and substantially all production costs into inventory. SMB determines the cost of its finished steel product inventory based on average costs and capitalizes all direct and indirect costs of manufacturing into inventory. Indirect costs of manufacturing include general plant costs, maintenance and yard costs. The Company considers estimated future selling prices when determining the estimated net realizable value of its inventory. As AMR generally sells its export recycled ferrous metal under contracts that provide for shipment within 30 to 60 days after the price is agreed, it utilizes the selling prices under committed contracts and sales orders for determining the estimated market price of quantities on hand that will be shipped under these contracts and orders. The Company performs periodic physical inventories to verify the quantity of inventory on hand. Due to variations in scrap metal product density, holding period and production processes utilized to manufacture the products, physical inventories will not necessarily detect all variances for scrap metal inventory such that estimates of quantities are required. To mitigate this risk, the Company adjusts its ferrous physical inventories when the volume of a commodity is low and a physical inventory count can more accurately estimate the remaining volume.

Property, Plant and Equipment, net

Property, plant and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized, while routine repair and maintenance costs are expensed as incurred. Interest related to the construction of qualifying assets is capitalized as part of the construction costs and was not material to any of the periods presented. When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts and resulting gains or losses are generally included in operating expense. Gains and losses from sales of assets related to an exit activity are reported within restructuring charges and other exit-related activities in the Consolidated Statements of Operations. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Upon idling an asset, depreciation continues to be recorded. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining lease term.

As of August 31, 2016, the useful lives used for depreciation and amortization were as follows:

| | Useful Life (In Years) |
|---|---|
| Machinery and equipment | 3 to 40 |
| Land improvements | 3 to 35 |
| Buildings and leasehold improvements | 5 to 40 |
| Office equipment | 2 to 20 |
| Enterprise Resource Planning ("ERP") systems | 3 to 17 |

Other Assets

The Company's other assets, exclusive of prepaid expenses, consist primarily of receivables from insurers, debt issuance costs, notes and other contractual receivables from suppliers, and assets held for sale. Other assets are reported within either prepaid expenses and other current assets or other assets in the Consolidated Balance Sheets based on their expected use either during or beyond the current operating cycle of one year from the reporting date.

Receivables from insurers represent the portion of insured losses expected to be recovered from the Company's insurance carriers. The receivable is recorded at an amount not to exceed the recorded loss and only if the terms of legally enforceable insurance contracts support that the insurance recovery will not be disputed and is deemed collectible.

Debt issuance costs consist primarily of costs incurred by the Company to enter into or modify its revolving credit facility. The Company reports deferred debt issuance costs within other assets in the Consolidated Balance Sheets and amortizes them to interest expense on a straight-line basis over the contractual term of the arrangement.

Notes and other contractual receivables from suppliers consist primarily of advances to entities in the business of extracting scrap metal through demolition and other activities. Repayment of these advances is in either cash or scrap metal. The Company performs periodic reviews of its notes and other contractual receivables from suppliers to identify credit risks and to assess the overall collectability of the receivables, which typically involves consideration of the value of collateral in the form of scrap metal extracted from demolition and construction projects. A note or other contractual receivable from a supplier is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due in accordance with the contractual terms of the agreement. Once a note or other contractual receivable from a supplier has been identified as impaired, it is measured based on the present value of payments expected to be received, discounted at the receivable's contractual interest rate, or for arrangements that are solely dependent on collateral for repayment, the estimated fair value of the collateral less estimated costs to sell. If the carrying value of the receivable exceeds its recoverable amount, an impairment is recorded for the difference.

A long-lived asset is classified as held for sale upon meeting criteria specified in the accounting standards. An asset classified as held for sale is measured at the lower of its carrying amount or fair value less cost to sell. As of August 31, 2016 and 2015, the Company reported less than $1 million and $2 million, respectively, of assets held for sale within prepaid expenses and other current assets in the Consolidated Balance Sheets. An impairment loss is recognized for any initial or subsequent write-down of the asset to its fair value less cost to sell. The Company determines fair value using Level 3 inputs under the fair value hierarchy consisting of information provided by brokers and other external sources along with management's own assumptions. See the Asset Impairment Charges section of this Note below for tabular presentation of impairment charges recorded by the Company during the fiscal years ended August 31, 2016, 2015 and 2014 on assets held for sale.

Long-Lived Assets

The Company tests long-lived tangible and intangible assets for impairment at the asset group level, which is determined based on the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. For the Company's metals recycling operations, an asset group is generally comprised of the regional shredding and export operation along with surrounding feeder yards. For regions with no shredding and export operations, each metals recycling yard is an asset group. For the Company's auto parts operations, generally each auto parts store is an asset group. The Company's steel manufacturing business is a single asset group. The Company tests its asset groups for impairment when certain triggering events or changes in circumstances indicate that the carrying value of the asset group may be impaired. If the carrying value of the asset group is not recoverable because it exceeds the Company’s estimate of future undiscounted cash flows from the use and eventual disposition of the asset group, an impairment loss is recognized by the amount the carrying value exceeds its fair value, if any. The impairment loss is allocated to the long-lived assets of the group on a pro rata basis using the relative carrying amounts of those assets, except that the loss allocated to an individual long-lived asset of the group shall not reduce the carrying amount of that asset below its fair value. Fair value is determined primarily using the cost and market approaches.

During fiscal 2016 and 2015, the Company recorded impairment charges on long-lived tangible and intangible assets associated with certain regional metals recycling operations and used auto parts store locations.

With respect to individual long-lived assets, changes in circumstances may merit a change in the estimated useful lives or salvage values of the assets, which are accounted for prospectively in the period of change. For such assets, the useful life is shortened based on the Company's current plans to dispose of or abandon the asset before the end of its original useful life and depreciation is accelerated beginning when that determination is made. During fiscal 2016 and 2015, the Company recognized accelerated depreciation due to shortened useful lives in connection with site closures and idled equipment.

See the Asset Impairment Charges section of this Note for tabular presentation of long-lived asset impairment charges and accelerated depreciation. Long-lived asset impairment charges and accelerated depreciation are reported in the Consolidated Statements of Operations within (1) other asset impairment charges; (2) restructuring charges and other exit-related activities if related to a site closure not qualifying for discontinued operations reporting; or (3) discontinued operations, if related to a component of the Company qualifying for discontinued operations reporting.

Investments in Joint Ventures

As of August 31, 2016 and 2015, the Company had five 50%-owned joint venture interests which were accounted for under the equity method of accounting and presented as part of AMR operations. The Company’s investments in equity method joint ventures have resulted in cumulative undistributed earnings of $11 million as of August 31, 2016 and 2015. The joint ventures sell recycled metal to AMR and to SMB at prices that approximate local market rates, which produces intercompany profit. This intercompany profit is eliminated while the products remain in inventory and is not recognized until the finished products are sold to third parties.

A loss in value of an investment in a joint venture that is other than a temporary decline is recognized. Management considers all available evidence to evaluate the realizable value of its investments including the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the joint venture business, and the Company’s intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. Once management determines that an other-than-temporary impairment exists, the investment is written down to its fair value, which establishes a new cost basis. The Company determines fair value using Level 3 inputs under the fair value hierarchy using an income approach based on a discounted cash flow analysis. During fiscal 2016, the Company recorded an impairment charge of $2 million related to an investment in a joint venture, which is reported within other asset impairment charges in the Consolidated Statements of Operations. See Note 17 - Related Party Transactions for further detail on transactions with joint ventures.

Asset Impairment Charges

The following asset impairment charges, excluding goodwill impairment charges discussed below in this Note, were recorded in the Consolidated Statements of Operations (in thousands):

| | Year Ended August 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Reported within other asset impairment charges[1]: | | | |
| Long-lived assets | $7,336 | $41,676 | $— |
| Accelerated depreciation | 6,208 | — | — |
| Investment in joint venture | 1,968 | — | — |
| Assets held for sale | 1,659 | 2,558 | 928 |
| Supplies inventory[1] | 2,224 | — | — |
| Other assets[1] | 1,287 | 885 | 532 |
| | 20,682 | 45,119 | 1,460 |
| Reported within restructuring charges and other exit-related activities: | | | |
| Long-lived assets | 468 | — | — |
| Accelerated depreciation | 630 | 3,836 | — |
| Supplies inventory | 1,047 | — | — |
| Other assets | 35 | — | 566 |
| | 2,180 | 3,836 | 566 |
| Reported within discontinued operations: | | | |
| Long-lived assets | 673 | 2,666 | — |
| Accelerated depreciation | 274 | — | — |
| | 947 | 2,666 | — |
| Total | $23,809 | $51,621 | $2,026 |

(1) Other asset impairment charges were incurred in the AMR reportable segment, except for $79 thousand, $745 thousand and $532 thousand of impairment charges on other assets related to Corporate recorded in fiscal 2016, 2015 and 2014, respectively, and $2,224 thousand of impairment charges on supplies inventory related to SMB recorded in fiscal 2016.

Goodwill and Other Intangible Assets, net

Goodwill represents the excess of the purchase price over the net amount of identifiable assets acquired and liabilities assumed in a business combination measured at fair value. The Company evaluates goodwill for impairment annually on July 1 and upon the occurrence of certain triggering events or substantive changes in circumstances that indicate that the fair value of goodwill may be impaired. Impairment of goodwill is tested at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment (referred to as a component). A component of an operating segment is required to be identified as a reporting unit if the component is a business for which discrete financial information is available and segment management regularly reviews its operating results.

In the fourth quarter of fiscal 2015, the Company changed its internal organizational and reporting structure to combine the auto and metals recycling businesses, which resulted in the formation of a new operating and reportable segment, AMR, replacing the former Metals Recycling Business ("MRB") and Auto Parts Business ("APB") operating segments. This change led to the identification of components within AMR based on the disaggregation of financial information regularly reviewed by segment management by geographic area. Components with similar economic characteristics were aggregated into reporting units and goodwill was reassigned to the affected reporting units using the relative fair value approach as of the date of the reassessment, July 1, 2015. Beginning on that date, the Company's goodwill was carried by two regionally-defined reporting units, one consisting of a single component with $168 million of allocated goodwill, and the other consisting of two components with similar economic characteristics aggregated into a reporting unit with $9 million of allocated goodwill.

When testing goodwill for impairment, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the estimated fair value of a reporting unit is less than its carrying amount. If the Company elects to perform a qualitative assessment and determines that an impairment is more likely than not, the Company is then required to perform the two-step quantitative impairment test, otherwise no further analysis is required. The Company also may elect not to perform the qualitative assessment and, instead, proceed directly to the two-step quantitative impairment test.

In the first step of the two-step quantitative impairment test, the fair value of a reporting unit is compared to its carrying value. If the carrying value of a reporting unit exceeds its fair value, the second step of the impairment test is performed for purposes of measuring the impairment. In the second step, the fair value of the reporting unit is allocated to all of the assets and liabilities of the reporting unit to determine an implied goodwill value. If the carrying amount of the reporting unit’s goodwill exceeds the implied fair value of goodwill, an impairment loss will be recognized in an amount equal to that excess.

The Company estimates the fair value of its reporting units using an income approach based on the present value of expected future cash flows, including terminal value, utilizing a market-based weighted average cost of capital (“WACC”) determined separately for each reporting unit. The determination of fair value involves the use of significant estimates and assumptions, including revenue growth rates driven by future commodity prices and volume expectations, operating margins, capital expenditures, working capital requirements, tax rates, terminal growth rates, discount rates, benefits associated with a taxable transaction and synergistic benefits available to market participants. In addition, to corroborate the reporting units’ valuation, the Company uses a market approach based on earnings multiple data and a reconciliation of the Company’s estimate of the aggregate fair value of the reporting units to the Company’s market capitalization, including consideration of a control premium. See Note 6 - Goodwill and Other Intangible Assets, net for further detail including the recognition of goodwill impairment charges of $9 million and $141 million during the fiscal years ended August 31, 2016 and 2015, respectively.

The Company tests indefinite-lived intangible assets for impairment by first assessing qualitative factors to determine whether it is necessary to perform a quantitative impairment test. If the Company believes, as a result of its qualitative assessment, that it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The Company did not record impairment charges on indefinite-lived intangible assets in any of the periods presented.

Acquisitions

The Company recognizes the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. Contingent purchase consideration is recorded at fair value at the date of acquisition. Any excess purchase price over the fair value of the net assets acquired is recorded as goodwill. Within one year from the date of acquisition, the Company may update the value allocated to the assets acquired and liabilities assumed and the resulting goodwill balance as a result of information received regarding the valuation of such assets and liabilities that was not available at the time of purchase. Measuring assets and liabilities at fair value requires the Company to determine the price that would be paid by a third party market participant based on the highest and best use of the assets or interests acquired. Acquisition costs are expensed as incurred.

The Company did not complete any significant acquisitions in fiscal 2016 and 2015. During fiscal 2014, the Company acquired all of the equity interests of a used auto parts business. The acquisition was not material to the Company's financial position or results of operations. Pro forma operating results for this acquisition are not presented, since the aggregate results would not be significantly different than reported results.

Restructuring Charges

Restructuring charges consist of severance, contract termination and other restructuring-related costs. A liability for severance costs is typically recognized when the plan of termination has been communicated to the affected employees and is measured at its fair value at the communication date. Contract termination costs consist primarily of costs that will continue to be incurred under operating leases for their remaining terms without economic benefit to the Company. A liability for contract termination costs is recognized at the date the Company ceases using the rights conveyed by the lease contract and is measured at its fair value, which is determined based on the remaining contractual lease rentals reduced by estimated sublease rentals. A liability for other restructuring-related costs is measured at its fair value in the period in which the liability is incurred. See Note 10 - Restructuring Charges and Other Exit-Related Activities for further detail.

Accrued Workers' Compensation Costs

The Company is self-insured for the significant majority of workers' compensation claims with exposure limited by various stop-loss insurance policies. The Company estimates the costs of workers' compensation claims based on the nature of the injury incurred and on guidelines established by the applicable state. An accrual is recorded based upon the amount of unpaid claims as of the balance sheet date. Accrued amounts recorded for individual claims are reviewed periodically as treatment progresses and adjusted to reflect additional information that becomes available. The estimated cost of claims incurred but not reported is included in the accrual. The Company accrued $10 million for the estimated cost of unpaid workers' compensation claims as of August 31, 2016 and 2015, which are included in other accrued liabilities in the Consolidated Balance Sheets.

Environmental Liabilities

The Company estimates future costs for known environmental remediation requirements and accrues for them on an undiscounted basis when it is probable that the Company has incurred a liability and the related costs can be reasonably estimated but the timing of incurring the estimated costs is unknown. The Company considers various factors when estimating its environmental liabilities. Adjustments to the liabilities are recorded to selling, general and administrative expense and made when additional information becomes available that affects the estimated costs to study or remediate any environmental issues or when expenditures are made for which liabilities were established. Legal costs incurred in connection with environmental contingencies are expensed as incurred.

When only a wide range of estimated amounts can be reasonably established and no other amount within the range is a better estimate than another, the low end of the range is recorded in the financial statements. In a number of cases, it is possible that the Company may receive reimbursement through insurance or from other potentially responsible parties for a site. In these situations, recoveries of environmental remediation costs from other parties are recognized when the claim for recovery is either realized or realizable. The amounts recorded for environmental liabilities are reviewed periodically as site assessment and remediation progresses at individual sites and adjusted to reflect additional information that becomes available. Due to evolving remediation technology, changing regulations, possible third party contributions, the subjective nature of the assumptions used and other factors, amounts accrued could vary significantly from amounts paid. See "Contingencies – Environmental" in Note 9 – Commitments and Contingencies for further detail.

Loss Contingencies

The Company is subject to certain legal proceedings and contingencies in addition to those related to environmental liabilities discussed above in this Note, the outcomes of which are subject to significant uncertainty. The Company accrues for estimated losses if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Company uses judgment and evaluates whether a loss contingency arising from litigation or an unasserted claim should be disclosed or recorded. The outcome of legal proceedings and other contingencies is inherently uncertain and often difficult to estimate. Accordingly, if the outcome of legal proceedings and other contingencies is different than the amount accrued by the Company, the Company would record the difference between any previously recorded amount and the full amount at which the matter was resolved, in earnings in the period resolved. As of August 31, 2016 and 2015, accruals for legal contingencies net of corresponding receivables from insurers were not material.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, debt and derivative contracts. The Company uses the market approach to value its financial assets and liabilities, determined using available market information. The net carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term nature of these instruments. For long-term debt, which is primarily at variable interest rates, fair value is estimated using observable inputs (Level 2) and approximates its carrying value. Derivative contracts are reported at fair value. See Note 12 - Derivative Financial Instruments for further detail.

Fair Value Measurements

Fair value is measured using inputs from the three levels of the fair value hierarchy. Classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are described as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the determination of the fair value of the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs that are significant to the determination of fair value of the asset or liability.

When developing the fair value measurements, the Company uses quoted market prices whenever available or seeks to maximize the use of observable inputs and minimize the use of unobservable inputs when quoted market prices are not available. See Note 6 - Goodwill and Other Intangible Assets, net, and Note 12 - Derivative Financial Instruments for further detail.

Derivatives

The Company records derivative instruments in prepaid expenses and other current assets or other accrued liabilities in the Consolidated Balance Sheets at fair value, and changes in the fair value are either recognized in other comprehensive income (loss) in the Consolidated Statements of Comprehensive Income (Loss) or net income (loss) in the Consolidated Statements of Operations, as applicable, depending on the nature of the underlying exposure, whether the derivative has been designated as a hedge and, if designated as a hedge, the extent to which the hedge is effective. Amounts included in accumulated other comprehensive loss are reclassified to earnings in the period in which earnings are impacted by the hedged items, in the period that the hedged transaction is deemed no longer likely to occur, or in the period that the derivative is terminated. For cash flow hedges, a formal assessment is made, both at the hedge’s inception and on an ongoing basis, to determine whether the derivatives that are designated as hedging instruments have been highly effective in offsetting changes in the cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. To the extent the hedge is determined to be ineffective, the ineffective portion is immediately recognized in earnings. When available, quoted market prices or prices obtained through external sources are used to measure a derivative instrument’s fair value. The fair value of these instruments is a function of underlying forward commodity prices or foreign currency exchange rates, related volatility, counterparty creditworthiness and duration of the contracts. Cash flows from derivatives are recognized in the Consolidated Statements of Cash Flows in a manner consistent with the underlying transactions. See Note 12 - Derivative Financial Instruments for further detail.

Derivative contracts for commodities used in normal business operations that are settled by physical delivery, among other criteria, are eligible for and may be designated as normal purchases and normal sales. Contracts that qualify as normal purchases or normal sales are not marked-to-market. The Company does not use derivative instruments for trading or speculative purposes.

Foreign Currency Translation and Transactions

Assets and liabilities of the Company’s operations in Canada are translated into U.S. dollars at the period-end exchange rate, revenues and expenses of these operations are translated into U.S. dollars at the average exchange rate for the period, and cash flows of these operations are translated into U.S. dollars using the exchange rates in effect at the time of the cash flows. Translation adjustments are not included in determining net income (loss) for the period, but are recorded in accumulated other comprehensive loss, a separate component of shareholders’ equity. Foreign currency transaction gains and losses are generated from the effects of exchange rate changes on transactions denominated in a currency other than the functional currency. Gains and losses on foreign currency transactions are generally included in determining net income (loss) for the period. The Company records these gains and losses in other income, net in the Consolidated Statements of Operations. Net realized and unrealized foreign currency transaction gains and losses were not material for the fiscal years ended August 31, 2016, 2015 and 2014.

Common Stock

Each share of Class A and Class B common stock is entitled to one vote. Additionally, each share of Class B common stock may be converted to one share of Class A common stock. As such, the Company reserves one share of Class A common stock for each share of Class B common stock outstanding. There are currently no meaningful distinctions between the rights of holders of Class A shares and Class B shares.

Share Repurchases

The Company accounts for the repurchase of stock at par value. All shares repurchased are deemed retired. Upon retirement of the shares, the Company records the difference between the weighted average cost of such shares and the par value of the stock as an adjustment to additional paid-in capital, with the excess recorded to retained earnings when additional paid-in capital is not sufficient.

Revenue Recognition

The Company recognizes revenue when it has a contract or purchase order from a customer with a fixed or determinable price, the title and risk of loss transfer to the buyer and collectibility is reasonably assured. Title for both recycled metal and finished steel products transfers based on contract terms. Nearly all of the Company's ferrous export sales of recycled metal are made with letters of credit, reducing credit risk. However, domestic recycled ferrous metal sales, nonferrous sales and sales of finished steel are generally made on open account. Nonferrous export sales typically require a deposit prior to shipment. All sales made on open account are evaluated for collectibility prior to revenue recognition. Additionally, the Company recognizes revenues on partially loaded shipments when detailed documents support revenue recognition based on transfer of title and risk of loss. The Company reports revenue net of the payments made to the supplier of scrap metal when the supplier, and not the Company, is responsible for fulfillment, including the acceptability of the products purchased by the customer. Retail revenues are recognized when customers pay for parts. Historically, there have been very few sales returns and adjustments that impact the ultimate collection of revenues; therefore, no material provisions for returns have been made when sales are recognized. The Company presents taxes assessed by governmental authorities collected from customers on a net basis. Therefore, the taxes are excluded from revenues and are shown as a liability on the Consolidated Balance Sheets until remitted.

Freight Costs

The Company classifies shipping and handling costs billed to customers as revenue and the related costs incurred as a component of cost of goods sold.

Share-Based Compensation

The Company recognizes compensation cost relating to share-based payment transactions with employees and non-employee directors over the vesting period, with the cost measured based on the grant-date fair value of the equity instruments issued, net of an estimated forfeiture rate. See Note 14 – Share-Based Compensation for further detail.

Income Taxes

Income taxes are accounted for using the asset and liability method. This requires the recognition of taxes currently payable or refundable and the recognition of deferred tax assets and liabilities for the future tax consequences of events that are recognized in one reporting period on the Consolidated Financial Statements but in a different reporting period on the tax returns. Tax credits are recognized as a reduction of income tax expense in the year the credit arises. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Tax benefits arising from uncertain tax positions are recognized when it is more likely than not that the position will be sustained upon examination by the relevant tax authorities. The amount recognized in the financial statements is the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. The Company recognizes interest and penalties, if any, related to uncertain tax positions in income tax expense. See Note 15 – Income Taxes for further detail.

Net Income (Loss) Per Share

Basic net income (loss) per share attributable to SSI is computed by dividing net income (loss) by the weighted average number of outstanding common shares during the periods presented including vested deferred stock units ("DSUs") and restricted stock units ("RSUs") meeting certain criteria. Diluted net income (loss) per share attributable to SSI is computed by dividing net income (loss) by the weighted average number of common shares outstanding, assuming dilution. Potentially dilutive common shares include the assumed exercise of stock options and assumed vesting of performance shares, DSU and RSU awards using the treasury stock method. Certain of the Company's stock options, RSUs and performance share awards were excluded from the calculation of diluted net income (loss) per share because they were antidilutive; however, these options and awards could be dilutive in the future. Net income attributable to noncontrolling interests is deducted from income (loss) from continuing operations to arrive at income (loss) from continuing operations attributable to SSI for purposes of calculating income (loss) per share from continuing operations attributable to SSI. Loss per share from discontinued operations attributable to SSI is presented separately in the Consolidated Statements of Operations. See Note 16 – Net Income (Loss) Per Share for further detail.

Use of Estimates
The preparation of the Company’s Consolidated Financial Statements in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and reported amounts of revenue and expenses during the reporting period. Examples include valuation of assets received in acquisitions; revenue recognition; the allowance for doubtful accounts; estimates of contingencies, including environmental liabilities and other legal liabilities; goodwill, long-lived asset and indefinite-lived intangible asset valuation; valuation of investments in joint ventures; valuation of certain share-based awards; other asset valuation; inventory valuation; pension plan assumptions; and the assessment of the valuation of deferred income taxes and income tax contingencies. Actual results may differ from estimated amounts.
Concentration of Credit Risk
Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents, accounts receivable, notes and other contractual receivables from suppliers and derivative financial instruments. The majority of cash and cash equivalents is maintained with one major financial institution. Balances with this and certain other institutions exceeded the Federal Deposit Insurance Corporation insured amount of $250,000 as of August 31, 2016. Concentration of credit risk with respect to accounts receivable is limited because a large number of geographically diverse customers make up the Company’s customer base. The Company controls credit risk through credit approvals, credit limits, credit insurance, letters of credit or other collateral, cash deposits and monitoring procedures. The Company is exposed to a residual credit risk with respect to open letters of credit by virtue of the possibility of the failure of a bank providing a letter of credit. The Company had $40 million and $33 million of open letters of credit as of August 31, 2016 and 2015, respectively.
Note 3 – Recent Accounting Pronouncements
In May 2014, an accounting standard update was issued that clarifies the principles for recognizing revenue from contracts with customers. The update will supersede the existing standard for recognizing revenue. Additional updates have been issued since May 2014 amending aspects of the initial update and providing implementation guidance. The guidance is applicable to all contracts with customers regardless of industry-specific or transaction-specific fact patterns. Further, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The standard is effective for the Company beginning in the first quarter of fiscal 2019, including interim periods within that fiscal year. Upon becoming effective, the Company will apply the amendments in the standard either retrospectively to each prior reporting period presented, or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application. The Company is evaluating the impact of adopting this standard on its consolidated financial position, results of operations and cash flows.
In April 2015, an accounting standard update was issued that amends the requirements for presenting debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the debt liability, consistent with the presentation of a debt discount. This is not applicable to debt issuance costs related to line-of-credit arrangements, as specified in a related accounting standard update issued in August 2015. The standard is effective for the Company beginning in the first quarter of fiscal 2017, including interim periods within that fiscal year, and is to be applied retrospectively to each prior reporting period presented. Adoption of the standard is not expected to have a material impact on the Company's consolidated financial position.
In July 2015, an accounting standard update was issued that requires an entity to measure certain types of inventory, including inventory that is measured using the first-in, first out (FIFO) or average cost method, at the lower of cost and net realizable value. The current accounting standard requires an entity to measure inventory at the lower of cost or market, whereby market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. The amendments do not apply to inventory that is measured using the last-in,

first-out (LIFO) or retail inventory method. The standard is effective for the Company beginning in the first quarter of fiscal 2018, including interim periods within that fiscal year. Adoption of the standard is not expected to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In September 2015, an accounting standard update was issued that eliminates the requirement to retrospectively adjust provisional amounts recognized in a business acquisition recorded in previous reporting periods. The amendments, instead, require that the acquirer recognize adjustments to provisional amounts that are identified during the one-year measurement period in the reporting period in which the adjustment amount is determined. The acquirer is required to also record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The standard is effective for the Company beginning in the first quarter of fiscal 2017, including interim periods within that fiscal year. Adoption of the standard is not expected to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In February 2016, an accounting standard was issued that will supersede the existing lease standard and requiring a lessee to recognize a lease liability and a lease asset on its balance sheet for all leases, including those classified as operating leases under the existing lease standard. The update also expands the required quantitative and qualitative disclosures surrounding leases. This standard is effective for the Company beginning in the first quarter of fiscal 2020, including interim periods within that fiscal year. This standard will be applied using a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Company is evaluating the impact of adopting this standard on its consolidated financial position, results of operations and cash flows.

In March 2016, an accounting standard update was issued that amends several aspects of the accounting for share-based payments, including accounting for income taxes, forfeitures and statutory tax withholding requirements, and classification within the statement of cash flows. The standard is effective for the Company beginning in the first quarter of fiscal 2018, including interim periods within that fiscal year. Early adoption is permitted in any interim or annual period; however, if the Company elects early adoption, it must adopt all of the amendments in the same period. The Company does not expect adoption to have an immediate material impact on its consolidated financial position, results of operations and cash flows.

In June 2016, an accounting standard update was issued that amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, which include trade and other receivables, loans and other financial instruments, the update eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP; however, the update requires that credit losses be presented as an allowance rather than as a write-down. This standard is effective for the Company beginning in the first quarter of fiscal 2021, including interim periods within that fiscal year. The standard will be applied using a modified retrospective transition approach through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company is evaluating the impact of adopting this standard on its consolidated financial position, results of operations and cash flows.

In August 2016, an accounting standard update was issued that addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows. Among the cash flow matters addressed in the update are payments for costs related to debt prepayments or extinguishments, payments related to settlement of certain types of debt instruments, payments of contingent consideration made after a business combination, proceeds from insurance claims and corporate-owned life insurance policies, and distributions received from equity method investees, among others. The standard is effective for the Company beginning in the first quarter of fiscal 2019, including interim periods within that fiscal year. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period, and all of the amendments must be adopted together in the same period. The amendments will be applied using a retrospective transition method to each period presented, unless impracticable for specific cash flow matters, in which case the amendments would be applied prospectively as of the earliest date practicable. The Company is evaluating the impact of adopting this standard on its consolidated statement of cash flows.

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Note 4 – Inventories

Inventories consisted of the following as of August 31 (in thousands):

| | 2016 | 2015 |
|---|---|---|
| Processed and unprocessed scrap metal | $49,061 | $56,860 |
| Semi-finished goods (billets) | 8,320 | 10,648 |
| Finished goods | 40,646 | 50,440 |
| Supplies | 34,945 | 38,584 |
| Inventories | $132,972 | $156,532 |

Note 5 – Property, Plant and Equipment, net

Property, plant and equipment, net consisted of the following as of August 31 (in thousands):

| | 2016 | 2015 |
|---|---|---|
| Machinery and equipment | $659,641 | $662,018 |
| Land and improvements | 245,266 | 250,545 |
| Buildings and leasehold improvements | 104,121 | 106,804 |
| Office equipment | 49,924 | 50,083 |
| ERP systems | 17,735 | 17,340 |
| Construction in progress | 31,098 | 19,799 |
| Property, plant and equipment, gross | 1,107,785 | 1,106,589 |
| Less: accumulated depreciation | (714,965 ) | (679,035 ) |
| Property, plant and equipment, net | $392,820 | $427,554 |

Depreciation expense for property, plant and equipment, which includes amortization expense for assets under capital leases, was $53 million, $66 million and $75 million for the years ended August 31, 2016, 2015 and 2014, respectively. Included in these amounts is depreciation expense of $1 million reported within discontinued operations for the years ended August 31, 2015 and 2014, respectively. No depreciation expense was reported within discontinued operations for the year ended August 31, 2016.

Note 6 – Goodwill and Other Intangible Assets, net

In the fourth quarter of fiscal 2014, the Company performed its annual goodwill impairment test and determined that the fair value of each reporting unit for which goodwill was allocated was in excess of its respective carrying value and, therefore, no goodwill impairment was identified. For the former MRB reporting unit with goodwill of $147 million as of July 1, 2014, the calculated fair value exceeded the carrying value by approximately 13%. The projections used in the income approach for MRB took into consideration the challenging market conditions for recycled metals, including the continued constrained supply of scrap metal and level of competition in the Company's domestic markets, the generally weak macroeconomic indicators in the markets in which the Company's customers are based, and the cyclical nature of the industry. The projections assumed a recovery of operating margins over a multi-year period, eventually returning to levels of profitability in the range of average historical levels. Assuming all other components of the fair value estimate were held constant, an increase in the WACC in excess of 100 basis points, or weaker-than-anticipated improvements in either operating margins or volumes, could have resulted in a failure of the step one quantitative impairment test for the MRB reporting unit.

In the second quarter of fiscal 2015, management identified the combination of a significant further weakening in market conditions, continued constrained supply of raw materials due to the lower price environment which negatively impacted volumes, the planned idling or closure of certain production facilities and retail stores, the Company’s recent financial performance and a decline in the Company’s market capitalization during the first half of fiscal 2015 as a triggering event requiring an interim impairment test of goodwill allocated to its reporting units. In connection with the interim impairment test performed in the second quarter of fiscal 2015, the Company used a measurement date of February 1, 2015.

For the former MRB reporting unit with goodwill of $141 million as of February 1, 2015, the first step of the impairment test showed that the fair value of the MRB reporting unit was less than its carrying amount, indicating a potential impairment. Based on the second step of the impairment test, the Company concluded that no implied fair value of goodwill remained for the MRB reporting unit, resulting in an impairment of the entire carrying amount of MRB's goodwill totaling $141 million. The impairment charge is reported within the results of AMR in this report.
For the former APB reporting unit with goodwill of $176 million as of February 1, 2015, the estimated fair value of the reporting unit exceeded its carrying value by approximately 20%. The projections used in the income approach for APB took into consideration the impact of current market conditions for ferrous and nonferrous commodities, the cost of obtaining adequate supply flows of end-of-life vehicles and recent trends of self-serve parts sales. The projections assumed a recovery of operating margins from current depressed levels over a multi-year period, including the benefits from recently initiated productivity improvements and cost-saving measures, but remaining significantly below the level of operating margins experienced in fiscal years 2010 and 2011. The market-based WACC used in the income approach for APB was 10.37%. The terminal growth rate used in the discounted cash flow model was 1%. Assuming all other components of the fair value estimate were held constant, an increase in the WACC of 150 basis points or more or weaker-than-anticipated improvements in operating margins could have resulted in a failure of the step one quantitative impairment test for the APB reporting unit.
In the fourth quarter of fiscal 2015, the Company changed its internal organizational and reporting structure to combine the auto and metals recycling businesses, which resulted in the formation of a new operating and reportable segment, AMR, replacing the former MRB and APB operating segments. This change led to the identification of components within AMR based on the disaggregation of financial information regularly reviewed by segment management by geographic area. Components with similar economic characteristics were aggregated into reporting units and goodwill was reassigned to the affected reporting units using the relative fair value approach as of the date of the reassessment, July 1, 2015. Beginning on that date, the Company's goodwill was carried by two regionally-defined reporting units, one consisting of a single component with $168 million of allocated goodwill, and the other consisting of two components with similar economic characteristics aggregated into a reporting unit with $9 million of allocated goodwill.
During the second quarter of fiscal 2016, management identified the combination of sustained weak market conditions, including the adverse effects of lower commodity selling prices and the constraining impact of the lower price environment on the supply of raw materials which negatively impacted volumes, the Company's recent financial performance and a decline in the Company's market capitalization as a triggering event requiring an interim impairment test of goodwill allocated to its reporting units. In connection with the interim impairment test performed in the second quarter of fiscal 2016, the Company used a measurement date of February 1, 2016.
For the reporting unit with $9 million of goodwill as of February 1, 2016, the first step of the impairment test showed that the fair value of the reporting unit was less than its carrying amount, indicating a potential impairment. Based on the second step of the impairment test, the Company concluded that no implied fair value of goodwill remained for the reporting unit, resulting in an impairment of the entire carrying amount of the reporting unit's goodwill totaling $9 million.
For the reporting unit with $166 million of goodwill as of February 1, 2016, the estimated fair value of the reporting unit exceeded its carrying value by approximately 27%. The projections used in the income approach for the reporting unit took into consideration the impact of current market conditions for ferrous and nonferrous recycled metals, the cost of obtaining adequate supply flows of scrap metal including end-of-life vehicles, and recent trends of self-serve parts sales. The projections assumed a limited recovery of operating margins from current depressed levels over a multi-year period, including the benefits of recently initiated cost-saving and productivity improvement measures. The market-based WACC used in the income approach for the reporting unit was 11.2%. The terminal growth rate used in the discounted cash flow model was 2%. Assuming all other components of the fair value estimate were held constant, an increase in the WACC of 200 basis points or more or weaker than anticipated improvements in operating margins could have resulted in a failure of the step one quantitative impairment test for the reporting unit.
The Company also used a market approach based on earnings multiple data and the Company's market capitalization to corroborate the reporting units' valuations. The Company reconciled its market capitalization to the aggregated estimated fair value of its reporting units, including consideration of a control premium representing the estimated

amount a market participant would pay to obtain a controlling interest. The implied control premium resulting from the difference between the Company's market capitalization (based on the average trading price of the Company's Class A common stock for the two-week period ended February 1, 2016) and the higher aggregated estimated fair value of all of its reporting units was within the historical range of average and mean premiums observed on historical transactions within the steel-making, scrap processing and metals industries. The Company identified specific reconciling items, including market participant synergies, which supported the implied control premium as of February 1, 2016.

In the fourth quarter of fiscal 2016, the Company performed the annual goodwill impairment test as of July 1, 2016. As of the testing date, the balance of the Company's goodwill of $167 million was carried by a single reporting unit within the AMR operating segment. The Company elected to first assess qualitative factors to determine whether the existence of events or circumstances led to a determination that it is more likely than not that the estimated fair value of the reporting unit is less than its carrying amount. As a result of the qualitative assessment, the Company concluded that it was not more likely than not that the fair value of the reporting unit was less than its carrying value as of the testing date and, therefore, no further impairment testing was required.

The determination of fair value of the reporting units used to perform the first step of the impairment test requires judgment and involves significant estimates and assumptions about the expected future cash flows and the impact of market conditions on those assumptions. Due to the inherent uncertainty associated with forming these estimates, actual results could differ from those estimates. Future events and changing market conditions may impact the Company’s assumptions as to future revenue and operating margin growth rates, market-based WACC, and other factors that may result in changes in the estimates of the Company’s reporting units’ fair value. Although management believes the assumptions used in testing the Company’s reporting units’ goodwill for impairment are reasonable, declines in market conditions from current levels, a trend of weaker than anticipated financial performance for the reporting unit with allocated goodwill, a decline in the Company’s share price from current levels for a sustained period of time, or an increase in the market-based WACC, among other factors, could significantly impact the impairment analysis and may result in future goodwill impairment charges that, if incurred, could have a material adverse effect on the Company’s financial condition and results of operations.

The gross changes in the carrying amount of goodwill by reportable segment for the years ended August 31, 2016 and 2015 were as follows (in thousands):

| | AMR |
|---|---|
| Balance as of August 31, 2014 | $325,903 |
| Acquisitions | 201 |
| Foreign currency translation adjustment | (9,407) |
| Goodwill impairment charge | (141,021) |
| Balance as of August 31, 2015 | 175,676 |
| Foreign currency translation adjustment | 16 |
| Goodwill impairment charge | (8,845) |
| Balance as of August 31, 2016 | $166,847 |

Accumulated goodwill impairment charges were $471 million and $462 million, respectively, as of August 31, 2016 and 2015.

The following table presents the Company’s intangible assets as of August 31 (in thousands):

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Covenants not to compete | $6,145 | $ (2,791) | $10,382 | $ (5,991) |
| Other intangible assets subject to amortization[1] | 1,162 | (666) | 1,716 | (927) |
| Indefinite-lived intangibles[2] | 1,081 | — | 1,173 | — |
| Total | $8,388 | $ (3,457) | $13,271 | $ (6,918) |

(1) Other intangible assets subject to amortization include leasehold interests, permits and licenses.

(2) Indefinite-lived intangibles include trade names, permits and licenses and real property options.

Total intangible asset amortization expense was $1 million, $2 million and $4 million, respectively, for the years ended August 31, 2016, 2015 and 2014. Included in these amounts is amortization expense of less than $1 million reported within discontinued operations for the years ended August 31, 2015 and 2014. No amortization expense was reported within discontinued operations for the year ended August 31, 2016. Impairments of intangible assets were immaterial for all periods presented.

The estimated amortization expense, based on current intangible asset balances, during the next five fiscal years and thereafter is as follows (in thousands):

| Years Ending August 31, | Estimated Amortization Expense |
|---|---|
| 2017 | $ 553 |
| 2018 | 410 |
| 2019 | 303 |
| 2020 | 274 |
| 2021 | 274 |
| Thereafter | 2,036 |
| Total | $ 3,850 |

Note 7 – Debt

Debt consisted of the following as of August 31 (in thousands):

| | 2016 | 2015 |
|---|---|---|
| Bank revolving credit facility, interest at LIBOR plus a spread | $180,000 | $215,000 |
| Tax-exempt economic development revenue bonds due January 2021, interest payable monthly at a variable rate (0.7% as of August 31, 2016), secured by a letter of credit | 7,700 | 7,700 |
| Capital lease obligations due through February 2028 | 4,053 | 4,608 |
| Other debt obligations | 765 | 848 |
| Total debt | 192,518 | 228,156 |
| Less current maturities | (8,374 ) | (584 ) |
| Debt, net of current maturities | $184,144 | $227,572 |

On April 6, 2016, the Company and certain of its subsidiaries entered into the Third Amended and Restated Credit Agreement (the "Amended Credit Agreement") with Bank of America, N.A. as administrative agent, and the other lenders party thereto, which amends and restates the Company’s existing unsecured credit agreement. The Amended Credit Agreement provides for $335 million and C$15 million in senior secured revolving credit facilities maturing in April 2021. Subject to the terms and conditions of the Amended Credit Agreement, the Company may request that the commitments under the U.S. credit facility be increased by an aggregate amount not exceeding $100 million if certain conditions are met including pre-approval by the lenders and achievement of certain pro forma financial results. Prior to its amendment and renewal, the credit agreement provided for revolving loans of $670 million and C$30 million maturing in April 2017. The Company had $198 million in borrowings outstanding under the credit agreement as of April 5, 2016 prior to its amendment and renewal. As of August 31, 2016 and 2015, borrowings outstanding under the credit facility were $180 million and $215 million, respectively. The weighted average interest rate on amounts outstanding under this facility was 3.01% and 1.95% as of August 31, 2016 and 2015, respectively.

Interest rates on outstanding indebtedness under the Amended Credit Agreement are based, at the Company’s option, on either the London Interbank Offered Rate ("LIBOR"), or the Canadian equivalent, plus a spread of between 1.75% and 2.75%, with the amount of the spread based on a pricing grid tied to the Company’s leverage ratio but no less than 2.50% for the fiscal quarters ended or ending May 31, 2016, August 31, 2016 and November 30, 2016, or the greater of the prime rate, the federal funds rate plus 0.50% or the daily rate equal to one-month LIBOR plus 1.75%, in each case plus a spread of between zero and 1.00% based on a pricing grid tied to the Company's leverage ratio. In addition, commitment fees are payable on the unused portion of the credit facilities at rates between 0.20% and 0.40% based on a pricing grid tied to the Company’s leverage ratio.

The Amended Credit Agreement contains certain customary covenants, including covenants that limit the ability of the Company and its subsidiaries to enter into certain types of transactions. Financial covenants include covenants requiring maintenance of a minimum fixed charge coverage ratio, a maximum leverage ratio and a minimum asset coverage ratio. The Company’s obligations under the Amended Credit Agreement are guaranteed by substantially all of its subsidiaries. The credit facilities and the related guarantees are secured by senior first priority liens on certain of the Company's and its subsidiaries’ assets, including equipment, inventory and accounts receivable.

As of August 31, 2016 and 2015, the Company had $8 million of tax-exempt economic development revenue bonds outstanding with the State of Oregon and scheduled to mature in January 2021. In August 2016, the Company exercised its option to redeem the bonds prior to maturity. The Company repaid the bonds in full in September 2016. The obligation is reported as a current liability within short-term borrowings as of August 31, 2016 on the Consolidated Balance Sheet.

Principal payments on long-term debt and capital lease obligations during the next five fiscal years and thereafter are as follows (in thousands):

| Years Ending August 31, | Long-Term Debt | Capital Lease Obligations | Total |
|---|---|---|---|
| 2017 | $ 7,737 | $ 1,164 | $ 8,901 |
| 2018 | 142 | 951 | 1,093 |
| 2019 | 98 | 845 | 943 |
| 2020 | 89 | 845 | 934 |
| 2021 | 180,047 | 708 | 180,755 |
| Thereafter | 352 | 2,081 | 2,433 |
| Total | 188,465 | 6,594 | 195,059 |
| Amounts representing interest and executory costs | — | (2,541) | (2,541) |
| Total less interest | $ 188,465 | $ 4,053 | $ 192,518 |

The Company maintains stand-by letters of credit to provide for certain obligations including workers' compensation and performance bonds. The Company had $16 million outstanding under these arrangements as of August 31, 2016 and 2015.

The Company also had an unsecured, uncommitted $25 million credit line with Wells Fargo Bank, N.A. that expired on April 1, 2016. Interest rates were set by the bank at the time of borrowing. The Company had no borrowings outstanding under this credit line as of August 31, 2015.

Note 8 - Discontinued Operations

In fiscal 2015, the Company ceased operations at seven auto parts stores, six of which qualified for discontinued operations reporting in accordance with the accounting standards in effect at the time prior to adopting the accounting standard update on discontinued operations reporting in the first quarter of fiscal 2016. The operations of the six qualifying stores had previously been reported within the APB reportable segment, which was subsequently replaced by the AMR reportable segment in the fourth quarter of fiscal 2015. In fiscal 2016 and 2015, the Company recorded impairment charges and accelerated depreciation of $1 million and $3 million, respectively, on the long-lived assets of discontinued auto parts stores. Impaired assets in fiscal 2016 consisted primarily of capital lease assets associated with the buildings on two leased properties.

In fiscal 2014, the Company released an environmental liability of $1 million associated with a component disposed of through sale in a prior period. The release was the result of a periodic review of the Company's estimate of future environmental remediation costs associated with the disposed sites, for which it bears responsibility based on contractual agreements.

Operating results of discontinued operations were comprised of the following for the years ended August 31 (in thousands):

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Revenues | $— | $ 8,263 | $ 15,682 |
| | | | |
| Loss from discontinued operations before income taxes | $ (1,348) | $ (7,227) | $ (2,888) |
| Income tax benefit | — | — | 79 |

| | | | |
|---|---|---|---|
| Loss from discontinued operations, net of tax | $(1,348) | $(7,227) | $(2,809 ) |

Note 9 – Commitments and Contingencies

Commitments

The Company leases a portion of its capital equipment and certain of its facilities under leases that expire at various dates through fiscal 2047. Rent expense was $24 million, $26 million and $27 million for fiscal 2016, 2015 and 2014, respectively.

The table below sets forth the Company's future minimum obligations under non-cancelable operating leases as of August 31, 2016 (in thousands):

| Years ending August 31, | Operating Leases |
|---|---|
| 2017 | $ 21,190 |
| 2018 | 17,946 |
| 2019 | 14,649 |
| 2020 | 10,667 |
| 2021 | 6,065 |
| Thereafter | 22,212 |
| Total | $ 92,729 |

Contingencies – Environmental

Changes in the Company's environmental liabilities for the years ended August 31, 2016 and 2015 were as follows (in thousands):

| | Balance 8/31/2014 | Liabilities Established (Released), Net | Payments and Other | Ending Balance 8/31/2015 | Liabilities Established (Released), Net | Payments and Other | Ending Balance 8/31/2016 | Short-Term | Long-Term |
|---|---|---|---|---|---|---|---|---|---|
| AMR | $ 47,961 | $ 505 | $ (1,972 ) | $ 46,494 | $ 480 | $ (852 ) | $ 46,122 | $ 1,859 | $ 44,263 |
| Corporate | 388 | — | (89 ) | 299 | — | (71 ) | 228 | 108 | 120 |
| Total | $ 48,349 | $ 505 | $ (2,061 ) | $ 46,793 | $ 480 | $ (923 ) | $ 46,350 | $ 1,967 | $ 44,383 |

Auto and Metals Recycling

As of August 31, 2016, AMR had environmental liabilities of $46 million for the potential remediation of locations where it has conducted business or has environmental liabilities from historical or recent activities.

Portland Harbor

In December 2000, the Company was notified by the United States Environmental Protection Agency ("EPA") under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") that it is one of the potentially responsible parties ("PRPs") that own or operate or formerly owned or operated sites which are part of or adjacent to the Portland Harbor Superfund site (the "Site"). The precise nature and extent of any cleanup of the Site, the parties to be involved, the process to be followed for any cleanup and the allocation of the costs for any cleanup among responsible parties have not yet been determined, but the process of identifying additional PRPs and beginning allocation of costs is underway. It is unclear to what extent the Company will be liable for environmental costs or natural resource damage claims or third party contribution or damage claims with respect to the Site. While the Company participated in certain preliminary Site study efforts, it is not party to the consent order entered into by the EPA with certain other PRPs, referred to as the "Lower Willamette Group" ("LWG"), for a remedial investigation/feasibility study ("RI/FS"). During fiscal 2007, the Company and certain other parties agreed to an interim settlement with the LWG under which the Company made a cash contribution to the LWG RI/FS. The Company has also joined with more than 80 other PRPs, including the LWG, in a voluntary process to establish an allocation of costs at the Site. These parties have selected an allocation team and have entered into an allocation process design agreement. The LWG has also commenced federal court litigation, which has been stayed, seeking to bring additional parties into the allocation process.

In January 2008, the Natural Resource Damages Trustee Council ("Trustees") for Portland Harbor invited the Company and other PRPs to participate in funding and implementing the Natural Resource Injury Assessment for the Site. Following meetings among the Trustees and the PRPs, a funding and participation agreement was negotiated under which the participating PRPs agreed to fund the first phase of the natural resource damage assessment. The Company joined in that Phase I agreement and paid a portion of those costs. The Company did not participate in funding the second phase of the natural resource damage assessment.

On March 30, 2012, the LWG submitted to the EPA and made available on its website a draft feasibility study ("FS") for the Site based on approximately ten years of work and $100 million in costs classified by the LWG as investigation-related. The draft FS submitted by the LWG identified ten possible remedial alternatives which ranged in estimated cost from approximately $170 million to $250 million (net present value) for the least costly alternative to approximately $1.08 billion to $1.76 billion (net present value) for the most costly alternative and estimated a range of two to 28 years to implement the remedial work, depending on the selected alternative. However, the EPA largely rejected this draft FS, and took over the drafting process. The EPA provided their revised draft FS to the LWG and other key stakeholders in sections, with the final section being made available in August 2015. The revised draft FS identified five possible remedial alternatives which ranged in estimated cost from approximately $550 million to $1.19 billion (net present value) for the least costly alternative to approximately $1.71 billion to $3.67 billion (net present value) for the most costly alternative and estimated a range of four to 18 years to implement the remedial work, depending on the selected alternative.

In November 2015, EPA Region 10 presented its preferred alternative remedy to the National Remedy Review Board ("NRRB"), a peer review group that has been established to review proposed Superfund cleanup decisions for consistency with the Superfund statute, regulations, and guidance. EPA Region 10's preferred alternative presented to the NRRB was a modified version of one of the alternatives (Alternative E) in the revised draft FS, and EPA Region 10 estimated that its preferred alternative would take seven years to implement, with an estimated cost of $1.4 billion (net present value).

In June 2016, the EPA issued its Proposed Plan for the cleanup of the in-river portion of the Site. In the Proposed Plan, the EPA identified its preferred alternative, which includes a combination of dredging, capping, and enhanced natural recovery and which the EPA estimates will take approximately seven years to construct with additional time for monitored natural recovery to occur and cost an estimated $746 million (net present value). This is approximately half of the estimated $1.4 billion (net present value) cost of the very similar preferred alternative that EPA Region 10 presented in November 2015. The Proposed Plan also describes other alternatives that were considered and the criteria the EPA used to compare the alternatives, including estimated costs and construction timelines. In conjunction with the Proposed Plan, the EPA issued its final FS in June 2016. The final FS identifies eight possible remedial alternatives (some of which contain two disposal alternatives, for a total of 13 possible alternative remedial scenarios) which ranged in estimated cost from approximately $316 million to $677 million (net present value) for the least costly alternative to approximately $1.21 billion to $2.67 billion (net present value) for the most costly alternative that the EPA did not screen out and estimates a range of four to 19 years to implement the remedial work, depending on the selected alternative. The final FS includes one alternative (Alternative H) which would involve capping/dredging the entire Site with an estimated cost range from approximately $6.61 billion to $14.29 billion and 62 years to implement. The EPA screened out this Alternative H due to implementability and cost considerations. Each of the draft and final FS also contains a No Action alternative considered as a baseline for comparison with the other alternatives. The FS and the Proposed Plan do not determine or allocate the responsibility for remediation costs.

Issuance of the Proposed Plan is part of the continuing process for evaluation and remediation of the Site. There was a 90-day public comment period on the Proposed Plan that closed on September 6, 2016. Approximately 5,300 commenters submitted comments. Following its review and consideration of these comments, the EPA will prepare a summary responding to the submitted comments and select a remedy for the Site in a Record of Decision ("ROD"). The EPA has indicated that it plans to issue the ROD by the end of 2016 or in early January 2017. In the ROD, the EPA may modify the preferred alternative or select a different alternative than that presented in the Proposed Plan based on new information or public comments. It is uncertain whether the preferred alternative identified by EPA in the Proposed Plan will be the selected remedy in the ROD or whether the EPA will be able to maintain its proposed schedule for issuing the ROD. Even when the ROD is issued, it is likely that there will continue to be significant uncertainty regarding the costs of the selected remedy.

The Company and other stakeholders have identified a number of serious concerns regarding the EPA's risk and remedial alternatives assessments and the EPA's cost estimates, scheduling assumptions and conclusions regarding the feasibility, effectiveness, community impact and assignment of remediation technologies. The EPA's FS and Proposed Plan are based on data that are more than a decade old and may not accurately represent site or background conditions. In its Proposed Plan, the EPA acknowledged that the assumptions used to estimate costs for the remedial alternatives were developed based on the existing data and will be finalized during the remedial design, after design level data to refine the baseline conditions are obtained. In addition, the FS and Proposed Plan provide only site-wide cost estimates and do not provide sufficient detail regarding costs for specific sediment management areas. Accordingly, it is anticipated that additional pre-remedial design investigative work will need to occur after the ROD is issued in order to provide a re-baseline for costs and determine particular remedial actions for specific areas within the Site.
The next phase in the process following the ROD is the remedial design. The remedial design phase is an engineering phase during which additional technical information and data will be collected, identified and incorporated into technical drawings and specifications developed for the subsequent remedial action. The EPA will be seeking a new coalition of PRPs to perform the remedial design activities. Remediation activities are not expected to commence for a number of years and responsibility for implementing and funding the EPA's selected remedy will be determined in a separate allocation process. While an allocation process is currently underway, the EPA's FS and its approach to the proposed alternative remedies have raised questions and uncertainty as to how that allocation process will proceed.
Because there has not been a determination of the total cost of the investigations, the remediation that will be required, the amount of natural resource damages or how the costs of the ongoing investigations and any remedy and natural resource damages will be allocated among the PRPs, the Company believes it is not possible to reasonably estimate the amount or range of costs which it is likely to or which it is reasonably possible that it will incur in connection with the Site, although such costs could be material to the Company's financial position, results of operations, cash flows and liquidity. Among the facts currently being developed are detailed information on the history of ownership of and the nature of the uses of and activities and operations performed on each property within the Site, which are factors that will play a substantial role in determining the allocation of investigation and remedy costs among the PRPs. The Company has insurance policies that it believes will provide reimbursement for costs it incurs for defense, remediation and mitigation for natural resource damages claims in connection with the Site, although there is no assurance that those policies will cover all of the costs which the Company may incur. The Company previously recorded a liability for its estimated share of the costs of the investigation of $1 million.
The Oregon Department of Environmental Quality is separately providing oversight of voluntary investigations by the Company involving the Company's sites adjacent to the Portland Harbor which are focused on controlling any current "uplands" releases of contaminants into the Willamette River. No liabilities have been established in connection with these investigations because the extent of contamination (if any) and the Company's responsibility for the contamination (if any) has not yet been determined.

Other AMR Sites

As of August 31, 2016, the Company had environmental liabilities related to various AMR sites other than Portland Harbor of $45 million. The liabilities relate to the potential future remediation of soil contamination, groundwater contamination and storm water runoff issues and were not individually material at any site.

Steel Manufacturing Business

SMB's electric arc furnace generates dust ("EAF dust") that is classified as hazardous waste by the EPA because of its zinc and lead content. As a result, the Company captures the EAF dust and ships it in specialized rail cars to a firm that applies a treatment that allows the EAF dust to be delisted as hazardous waste.
SMB has an operating permit issued under Title V of the Clean Air Act Amendments of 1990, which governs certain air quality standards. The permit is based upon an annual production capacity of 950 thousand tons. The permit was first issued in 1998 and has since been renewed through February 1, 2018.
SMB had no environmental liabilities as of August 31, 2016.

Other than the Portland Harbor Superfund site, which is discussed above, management currently believes that adequate provision has been made for the potential impact of these issues and that the ultimate outcomes will not have a material adverse effect on the Consolidated Financial Statements of the Company as a whole. Historically, the amounts the Company has ultimately paid for such remediation activities have not been material in any given period.

In addition, the Company is party to various legal proceedings arising in the normal course of business. Management believes that adequate provisions have been made for these contingencies. The Company does not anticipate that the resolution of legal proceedings arising in the normal course of business, after taking into consideration expected insurance recoveries, will have a material adverse effect on its results of operations, financial condition, or cash flows.

Note 10 - Restructuring Charges and Other Exit-Related Activities

The Company has implemented a number of restructuring initiatives designed to reduce operating expenses and improve profitability and to achieve further integration and synergistic cost efficiencies in its operating platform. The restructuring charges incurred by the Company during the periods presented pertain primarily to three separate plans: the plans announced in the first quarter of fiscal 2014 (the “Q1’14 Plan”), the Q1’15 Plan and the Q2'15 Plan.

The Q1'14 Plan was designed to reduce the Company's annual operating expenses through headcount reductions, productivity improvements, procurement savings and other operational efficiencies.

The Q1'15 Plan included additional productivity initiatives to improve profitability through a combination of revenue drivers and cost reduction initiatives.

At the end of the second quarter of fiscal 2015, the Company commenced additional restructuring and exit-related initiatives by undertaking strategic actions consisting of idling underutilized assets at AMR and initiating the closure of seven auto parts stores to align the Company's business to market conditions. The Company expanded these initiatives in April 2015 and also announced the integration of the MRB and APB businesses into the combined AMR platform in order to achieve operational synergies and reduce the Company's annual operating expenses, primarily selling, general and administrative expenses, through headcount reductions, reducing organizational layers, consolidating shared service functions and other non-headcount measures. Additional cost savings and productivity improvement initiatives, including additional reductions in personnel, savings from procurement activities, streamlining of administrative and supporting services functions, and adjustments to its operating capacity through facility closures, were identified and initiated in fiscal 2016. Collectively, these initiatives are referred to as the Q2'15 Plan.

The Company incurred restructuring charges of $6 million, $11 million and $6 million in fiscal 2016, 2015 and 2014, respectively. The remaining charges relating to these initiatives are expected to be substantially incurred by the end of fiscal 2017. The significant majority of the restructuring charges require the Company to make cash payments.

In addition to the restructuring charges related to these initiatives, the Company incurred other exit-related activities of $2 million, $7 million and $1 million in fiscal 2016, 2015 and 2014, respectively, consisting primarily of long-lived asset impairments and accelerated depreciation due to shortened useful lives of long-lived assets, including from abandonment, in connection with site closures and idled equipment. Other exit-related activities in fiscal 2016 also included $1 million in gains recorded in connection with the disposition of business assets leading to the elimination of certain auto and metals recycling operations.

Restructuring charges and other exit-related activities were comprised of the following (in thousands):

| | 2016 All Other Plans | Q2'15 Plan | Total Charges | 2015 All Other Plans | Q2'15 Plan | Total Charges | 2014 All Other Plans | Total Charges |
|---|---|---|---|---|---|---|---|---|
| Restructuring charges: | | | | | | | | |
| Severance costs | $— | $4,915 | $4,915 | $391 | $5,330 | $5,721 | $4,607 | $ 4,607 |
| Contract termination costs | 311 | 796 | 1,107 | 377 | 1,245 | 1,622 | 1,384 | 1,384 |
| Other restructuring costs | — | — | — | 1,223 | 2,048 | 3,271 | 410 | 410 |
| Total restructuring charges | 311 | 5,711 | 6,022 | 1,991 | 8,623 | 10,614 | 6,401 | 6,401 |
| Other exit-related activities: | | | | | | | | |
| Asset impairments and accelerated depreciation | — | 3,127 | 3,127 | — | 6,502 | 6,502 | 566 | 566 |
| Gains on exit-related disposals | — | (1,337 ) | (1,337 ) | — | — | — | — | — |
| Total other exit-related activities | — | 1,790 | 1,790 | — | 6,502 | 6,502 | 566 | 566 |
| Total restructuring charges and other exit-related activities | $311 | $7,501 | $7,812 | $1,991 | $15,125 | $17,116 | $6,967 | $ 6,967 |
| | | | | | | | | |
| Restructuring charges and other exit-related activities included in continuing operations | | | $6,781 | | | $13,008 | | $ 6,830 |
| Restructuring charges and other exit-related activities included in discontinued operations | | | $1,031 | | | $4,108 | | $ 137 |

| | All Other Plans | Q2'15 Plan | Total |
|---|---|---|---|
| Total restructuring charges to date | $8,072 | $14,334 | $22,406 |
| Total expected restructuring charges | $8,072 | $14,500 | $22,572 |

Total restructuring charges to date and total expected restructuring charges presented throughout this Note include costs associated with the Q1'14, Q1'15 and Q2'15 Plans. Fiscal 2014 restructuring charges also include an immaterial amount of costs incurred in connection with restructuring measures initiated prior to fiscal 2014.

The following illustrates the reconciliation of the restructuring liability by major type of activities for the years ended August 31, 2016 and 2015 (in thousands):

| | Q2'15 Plan | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance 8/31/2014 | Charges | Payments and Other | Balance 8/31/2015 | Charges | Payments and Other | Balance 8/31/2016 |
| Severance costs | $— | $5,330 | $(4,104 ) | $ 1,226 | $4,915 | $(5,223 ) | $ 918 |
| Contract termination costs | — | 1,245 | 75 | 1,320 | 796 | (957 ) | 1,159 |
| Other restructuring costs | — | 2,048 | (2,048 ) | — | — | — | — |
| Total | $— | $8,623 | $(6,077 ) | $ 2,546 | $5,711 | $(6,180 ) | $ 2,077 |

| | All Other Plans | | | | | | |
|---|---|---|---|---|---|---|---|
| | Balance 8/31/2014 | Charges | Payments and Other | Balance 8/31/2015 | Charges | Payments and Other | Balance 8/31/2016 |
| Severance costs | $669 | $391 | $(1,060 ) | $ — | $ — | $ — | $ — |
| Contract termination costs | 1,489 | 377 | (1,504 ) | 362 | 311 | (644 ) | 29 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Other restructuring costs | — | 1,223 | (1,223 ) | — | — | — | — |
| Total | $2,158 | $1,991 | $(3,787 ) | $ 362 | $ 311 | $ (644 ) | $ 29 |

Due to the individual immateriality of the activity and liability balances for each of the Q1'14 Plan and Q1'15 Plan, the disclosure of restructuring activity and the reconciliation of the restructuring liability for these two plans is provided in the aggregate ("All Other Plans").

| | Total Charges to Date | Total Expected Charges |
|---|---|---|
| Severance costs | $ 15,151 | $ 15,151 |
| Contract termination costs | 3,573 | 3,739 |
| Other restructuring costs | 3,682 | 3,682 |
| Total | $ 22,406 | $ 22,572 |

Restructuring charges and other exit-related activities by reportable segment were as follows (in thousands):

| | Fiscal 2016 Charges | Fiscal 2015 Charges | Fiscal 2014 Charges | Total Charges to Date | Total Expected Charges |
|---|---|---|---|---|---|
| Restructuring charges: | | | | | |
| Auto and Metals Recycling | $ 4,995 | $ 6,944 | $ 5,191 | $ 15,793 | $ 15,895 |
| Unallocated (Corporate) | 943 | 2,228 | 1,073 | 4,950 | 4,950 |
| Discontinued operations | 84 | 1,442 | 137 | 1,663 | 1,727 |
| Total restructuring charges | 6,022 | 10,614 | 6,401 | 22,406 | $ 22,572 |
| Other exit-related activities: | | | | | |
| Asset impairments and accelerated depreciation | | | | | |
| Auto and Metals Recycling | 2,180 | 3,836 | 566 | 6,582 | |
| Discontinued operations | 947 | 2,666 | — | 3,613 | |
| Total asset impairments and accelerated depreciation | 3,127 | 6,502 | 566 | 10,195 | |
| Gain on exit-related disposals | | | | | |
| Auto and Metals Recycling | (1,337 ) | — | — | (1,337 ) | |
| Total gain on exit-related disposals | (1,337 ) | — | — | (1,337 ) | |
| Total exit-related activities | 1,790 | 6,502 | 566 | 8,858 | |
| Total restructuring charges and other exit-related activities | $ 7,812 | $ 17,116 | $ 6,967 | $ 31,264 | |

The Company does not allocate restructuring charges and other exit-related activities to the segments' operating results because management does not include this information in its measurement of the performance of the operating segments.

Note 11 – Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, net of tax, are as follows as of August 31, 2016, 2015 and 2014 (in thousands):

| | Foreign Currency Translation Adjustments | Pension Obligations, net | Net Unrealized Gain (Loss) on Cash Flow Hedges | Total |
|---|---|---|---|---|
| Balance as of August 31, 2013 | $ (6,423) | $ (2,817) | $ (121) | $ (9,361) |
| Other comprehensive income (loss) before reclassifications | (4,240) | (234) | 325 | (4,149) |
| Income tax benefit (expense) | — | 74 | (81) | (7) |
| Other comprehensive income (loss) before reclassifications, net of tax | (4,240) | (160) | 244 | (4,156) |
| Amounts reclassified from accumulated other comprehensive loss | — | 1,483 | (151) | 1,332 |
| Income tax (benefit) expense | — | (542) | 86 | (456) |
| Amounts reclassified from accumulated other comprehensive loss, net of tax | — | 941 | (65) | 876 |
| Net periodic other comprehensive income (loss) | (4,240) | 781 | 179 | (3,280) |
| Balance as of August 31, 2014 | (10,663) | (2,036) | 58 | (12,641) |
| Other comprehensive loss before reclassifications | (23,346) | (2,874) | (5,310) | (31,530) |
| Income tax benefit | — | 260 | 428 | 688 |
| Other comprehensive loss before reclassifications, net of tax | (23,346) | (2,614) | (4,882) | (30,842) |
| Amounts reclassified from accumulated other comprehensive loss | — | 575 | 4,923 | 5,498 |
| Income tax benefit | — | (198) | (339) | (537) |
| Amounts reclassified from accumulated other comprehensive loss, net of tax | — | 377 | 4,584 | 4,961 |
| Net periodic other comprehensive loss | (23,346) | (2,237) | (298) | (25,881) |
| Balance as of August 31, 2015 | (34,009) | (4,273) | (240) | (38,522) |
| Other comprehensive loss before reclassifications | (530) | (2,139) | — | (2,669) |
| Income tax benefit | — | 167 | — | 167 |
| Other comprehensive loss before reclassifications, net of tax | (530) | (1,972) | — | (2,502) |
| Amounts reclassified from accumulated other comprehensive loss | — | 688 | 312 | 1,000 |
| Income tax benefit | — | (19) | (72) | (91) |
| Amounts reclassified from accumulated other comprehensive loss, net of tax | — | 669 | 240 | 909 |
| Net periodic other comprehensive income (loss) | (530) | (1,303) | 240 | (1,593) |
| Balance as of August 31, 2016 | $ (34,539) | $ (5,576) | $ — | $ (40,115) |

Reclassifications from accumulated other comprehensive loss, both individually and in the aggregate, were immaterial to the impacted captions in the Consolidated Statements of Operations in all periods presented.

Note 12 – Derivative Financial Instruments

Foreign Currency Exchange Rate Risk Management

To manage exposure to foreign exchange rate risk, the Company has entered into foreign currency forward contracts to stabilize the U.S. dollar amount of the transaction at settlement. The Company previously entered into a series of foreign currency exchange forward contracts to sell U.S. dollars in order to hedge a portion of its exposure to fluctuating rates of exchange on anticipated U.S. dollar-denominated sales by its Canadian subsidiary with a functional currency of the Canadian dollar. The Company utilized intercompany foreign currency derivatives and offsetting derivatives with external counterparties in order to designate the intercompany derivatives as hedging instruments. Once the U.S. dollar-denominated sales have been recognized and the corresponding receivables collected, the Company utilized foreign currency exchange forward contracts to sell Canadian dollars, achieving a result similar to net settling the contracts to sell U.S. dollars. The foreign currency exchange forward contracts to sell Canadian dollars are not designated as hedging instruments.

The Company did not have any foreign currency exchange forward contracts as of August 31, 2016, and the results of contracts that expired during fiscal 2016 were immaterial. Accordingly, the results of foreign currency exchange forward contracts for fiscal 2016 are excluded from the tabular disclosures below.

The fair value of derivative instruments in the Consolidated Balance Sheet as of August 31, 2015 is as follows (in thousands):

| | Asset (Liability) Derivatives | |
|---|---|---|
| | Balance Sheet Location | August 31, 2015 |
| Foreign currency exchange forward contracts | Prepaid expenses and other current assets | $— |
| Foreign currency exchange forward contracts | Other accrued liabilities | $(751) |

The following table summarizes the results of foreign currency exchange derivatives for the years ended August 31 (in thousands):

| | Derivative Gain (Loss) Recognized in | | | | | |
|---|---|---|---|---|---|---|
| | Fiscal 2015 | | | Fiscal 2014 | | |
| | Other Comprehensive Income | Revenues - Effective Portion | Other Income (Expense), net | Other Comprehensive Income | Revenues - Effective Portion | Other Income (Expense), net |
| Foreign currency exchange forward contracts - designated as cash flow hedges | $(5,310) | $(4,923) | $ 216 | $325 | $ 249 | $ 112 |
| Foreign currency exchange forward contracts - not designated as cash flow hedges | — | — | (87) | — | — | (12) |

There was no hedge ineffectiveness with respect to the foreign currency exchange cash flow hedges for any of the periods presented.

Note 13 – Employee Benefits

The Company and certain of its subsidiaries have qualified and nonqualified retirement plans covering substantially all employees. These plans include a defined benefit pension plan, a supplemental executive retirement benefit plan (“SERBP”), multiemployer pension plans and defined contribution plans.

Defined Benefit Pension Plan and Supplemental Executive Retirement Benefit Plan

The Company maintains a qualified defined benefit pension plan for certain nonunion employees. Effective June 30, 2006, the Company froze this plan and ceased accruing further benefits for employee service. The Company reflects the funded status of the defined benefit pension plan as a net asset or liability in its Consolidated Balance Sheets. Changes in its funded status are recognized in comprehensive income (loss). The Company amortizes as a component of net periodic pension benefit cost a portion of the net gain or loss reported within accumulated other comprehensive loss if the beginning-of-year net gain or loss exceeds 5% of the greater of the benefit obligation or the market value of plan assets. Net periodic pension benefit cost was not material for the years ended August 31, 2016, 2015 and 2014. The fair value of the plan assets was $15 million as of August 31, 2016 and 2015, and the projected benefit obligation was $15 million and $13 million as of August 31, 2016 and 2015, respectively. The plan was fully funded with the plan assets exceeding the projected benefit obligation by $1 million and $2 million as of August 31, 2016 and 2015, respectively. Plan assets were comprised entirely of Level 1 investments as of August 31, 2016 and 2015. Level 1 investments are valued based on quoted market prices of identical securities in the principal market. No contributions are expected to be made to the defined benefit pension plan in the future; however, changes in the discount rate or actual investment returns that are lower than the long-term expected return on plan assets could result in the need for the Company to make additional contributions. The assumed discount rate used to calculate the projected benefit obligations was 3.22% and 4.10% as of August 31, 2016 and 2015, respectively. The Company estimates future annual benefit payments to be between $1 million and $3 million per year.

The Company also has a nonqualified SERBP for certain executives. A restricted trust fund has been established with assets invested in life insurance policies that can be used for plan benefits, although the fund is subject to claims of the Company’s general creditors. The trust fund is included in other assets and the pension liability is included in other long-term liabilities in the Company’s Consolidated Balance Sheets. The trust fund is valued at $3 million as of August 31, 2016 and 2015. The trust fund assets’ gains and losses are included in other income, net in the Company’s Consolidated Statements of Operations. The benefit obligation and the unfunded amount were $4 million as of August 31, 2016 and 2015. Net periodic pension cost under the SERBP was not material for the years ended August 31, 2016, 2015 and 2014.

Because the defined benefit pension plan and the SERBP are not material to the Consolidated Financial Statements, other disclosures required by U.S. GAAP have been omitted.

Multiemployer Pension Plans

The Company contributes to 14 multiemployer pension plans in accordance with its collective bargaining agreements. Multiemployer pension plans are defined benefit plans sponsored by multiple employers in accordance with one or more collective bargaining agreements. The plans are jointly managed by trustees that include representatives from both management and labor unions. Contributions to the plans are made based upon a fixed rate per hour worked and are agreed to by contributing employers and the unions in collective bargaining. Benefit levels are set by a joint board of trustees based on the advice of an independent actuary regarding the level of benefits that agreed-upon contributions can be expected to support. To the extent that the pension obligation of other participating employers is unfunded, the Company may be required to make additional contributions in the future to fund these obligations.

One of the multiemployer plans that the Company contributes to is the Steelworkers Western Independent Shops Pension Plan (“WISPP”, EIN 90-0169564, Plan No. 001) benefiting the union employees of SMB, which are covered by a collective bargaining agreement that will expire on March 31, 2019. As of October 1, 2012, the WISPP had an accumulated funding deficiency (i.e., a failure to satisfy the minimum funding requirements) and was certified in a Red Zone Status, as defined by the Pension Protection Act of 2006. As of October 1, 2013, the WISPP was no longer in Red Zone Status, having been certified by the plan’s actuaries as being in the Green Zone. The Company contributed

$3 million to the WISPP for each of the years ended August 31, 2016, 2015 and 2014. These contributions represented more than 5% of total contributions to the WISPP for each year.

In 2004, the Internal Revenue Service ("IRS") approved a seven-year extension of the period over which the WISPP may amortize unfunded liabilities, conditioned upon maintenance of certain minimum funding levels. In 2014, the WISPP obtained relief from the specified funding requirements from the IRS, which requires that the WISPP meet a minimum funded percentage on each valuation date and achieve a funded percentage of 100% as of October 1, 2029. Based on the actuarial valuation for the WISPP as of October 1, 2015, the funded percentage (based on the ratio of the market value of assets to the accumulated benefits liability (present value of accrued benefits) using the valuation method prescribed by the IRS) was 74.3%, which satisfies the minimum funded percentage requirements of the IRS. Company contributions to all of the multiemployer plans were $4 million for the years ended August 31, 2016, 2015 and 2014.

Defined Contribution Plans

The Company has several defined contribution plans covering certain employees. Company contributions to the defined contribution plans totaled $3 million, $3 million and $2 million, respectively, for the years ended August 31, 2016, 2015 and 2014.

Note 14 – Share-Based Compensation

The Company's 1993 Stock Incentive Plan, as amended, ("the Plan") was established for its employees, consultants and directors. There are 12.2 million shares of Class A common stock reserved for issuance under the Plan, of which 4.9 million are available for future grants as of August 31, 2016. Share-based compensation expense was $10 million, $10 million and $15 million for the years ended August 31, 2016, 2015 and 2014, respectively. Tax benefits used for option exercises and vesting of restricted stock units were $3 million and $2 million for the years ended August 31, 2016 and August 31, 2015, respectively, and immaterial for the year ended August 31, 2014.

Restricted Stock Units

The Plan provides for the issuance of RSUs. The estimated fair value of the RSUs is based on the market closing price of the underlying Class A common stock on the date of grant. The compensation expense associated with RSUs is recognized over the respective requisite service period of the awards, net of estimated forfeitures.

During the years ended August 31, 2016, 2015 and 2014, the Compensation Committee granted 361,131 RSUs, 287,180 RSUs and 219,504 RSUs, respectively, to its key employees, officers and employee directors under the Plan. The RSUs vest 20% per year over five years commencing October 31 or June 1 of the year after grant. In addition, in the first quarter of fiscal 2016 the Compensation Committee granted 48,163 RSUs with a two-year vesting term and no retirement-eligibility provisions under the SIP. The estimated fair value of the RSUs granted during the years ended August 31, 2016, 2015 and 2014 was $7 million, $6 million and $7 million, respectively.

A summary of the Company's restricted stock unit activity is as follows:

| | Number of Shares (in thousands) | Weighted Average Grant Date Fair Value | Fair Value(1) |
|---|---|---|---|
| Outstanding as of August 31, 2013 | 311 | $ 39.11 | |
| Granted | 220 | $ 30.55 | |
| Vested | (93) | $ 42.13 | $ 25.01 |
| Forfeited | (49) | $ 35.73 | |
| Outstanding as of August 31, 2014 | 389 | $ 33.97 | |
| Granted | 287 | $ 22.58 | |
| Vested | (151) | $ 35.96 | $ 20.34 |
| Forfeited | (40) | $ 26.59 | |
| Outstanding as of August 31, 2015 | 485 | $ 27.21 | |
| Granted | 409 | $ 18.28 | |
| Vested | (145) | $ 30.86 | $ 16.36 |
| Forfeited | (14) | $ 22.61 | |
| Outstanding as of August 31, 2016 | 735 | $ 21.59 | |

(1) Amounts represent the weighted average value of the Company's Class A common stock on the date that the restricted stock units vested.

The Company recognized compensation expense associated with RSUs of $6 million, $7 million and $6 million for the years ended August 31, 2016, 2015 and 2014, respectively. As of August 31, 2016, total unrecognized compensation costs related to unvested RSUs amounted to $6 million, which is expected to be recognized over a weighted average period of 2.8 years.

Performance Share Awards

The Plan authorizes performance-based awards to certain employees subject to certain conditions and restrictions. A participant generally must be employed by the Company on October 31 following the end of the performance period to receive an award payout, although adjusted awards will be paid 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 or the reportable segments for which the participant works. Awards will be paid in Class A common stock as soon as practicable after October 31 following the end of the performance period.

The Company accrues compensation cost for performance share awards based on the probable outcome of specified performance conditions, net of estimated forfeitures. The Company accrues compensation cost if it is probable that the performance conditions will be achieved. The Company reassesses whether achievement of the performance conditions are probable at each reporting date. If it is probable that the actual performance results will exceed the stated target performance conditions, the Company accrues additional compensation cost for the additional performance shares to be awarded. If, upon reassessment, it is no longer probable that the actual performance results will exceed the stated target performance conditions, or that it is no longer probable that the target performance condition will be achieved, the Company reverses any recognized compensation cost for shares no longer probable of being issued. If the performance conditions are not achieved at the end of the service period, all related compensation cost previously recognized is reversed.

Fiscal 2014 – 2015 (August) Performance Share Awards

The Compensation Committee approved performance-based awards under the Plan with a grant date of August 13, 2013. The Compensation Committee established performance targets based on the Company’s EBITDA (weighted at 50%) and return on equity (weighted at 50%) for the two years of the performance period, with award payouts ranging from a threshold of 50% to a maximum of 200% for each portion of the awards.

Fiscal 2014 – 2015 (November) Performance Share Awards

The Compensation Committee approved performance-based awards under the Plan with a grant date of November 21, 2013. The Compensation Committee established performance targets based on divisional volume metrics (weighted at 50%) and divisional operating income metrics (weighted at 50%) for the two years of the performance period, with award payouts ranging from a threshold of 50% to a maximum of 200% for each portion of the awards.

Fiscal 2015 – 2016 Performance Share Awards

The Compensation Committee approved performance-based awards under the Plan with a grant date of November 25, 2014. The performance targets are based on the Company's EBITDA (weighted at 50% ) and return on equity (weighted at 50%) for the two years of the performance period, with award payouts ranging from a threshold of 50% to a maximum of 200% for each portion of the awards.

Fiscal 2016 – 2018 (November) Performance Share Awards

In the first quarter of fiscal 2016, the Compensation Committee approved performance-based awards under the Plan with a grant date of November 9, 2015. The 201,702 performance share awards granted by the Compensation Committee are comprised of two separate and distinct awards with different vesting conditions.

The Compensation Committee granted 99,860 of the performance share awards based on a relative Total Shareholder Return ("TSR") metric over a performance period spanning November 9, 2015 to August 31, 2018. Award share payouts range from a threshold of 50% to a maximum of 200% based on the relative ranking of the Company's TSR among a designated peer group of 16 companies. The TSR award stipulates certain limitations to the payout in the event the payout reaches a defined ceiling level or the Company's TSR is negative. The TSR awards contain a market condition and, therefore, once the award recipients complete the requisite service period, the related compensation expense based on the grant-date fair value is not changed, regardless of whether the market condition has been satisfied. The estimated fair value of the TSR awards at the date of grant was $2 million. The Company estimated the fair value of the TSR awards using a Monte-Carlo simulation model utilizing several key assumptions including expected Company and peer company share price volatility, correlation coefficients between peers, the risk-free rate of return, the expected dividend yield and other award design features.

The remaining 101,842 performance share awards have a three-year performance period consisting of the Company’s fiscal 2016, 2017 and 2018. The performance targets are based on the Company's cash flow return on investment ("CFROI") over the three-year performance period, with award payouts ranging from a threshold of 50% to a maximum of 200%. The fair value of the awards granted was based on the market closing price of the underlying Class A common stock on the grant date and totaled $2 million.

Fiscal 2016 – 2018 (April) Performance Share Awards

In the third quarter of fiscal 2016, the Compensation Committee approved the second half of the fiscal 2016 performance-based awards with a grant date of April 27, 2016. The Compensation Committee granted 152,221 performance share awards consisting of 73,546 TSR awards and 78,675 CFROI awards to the Company's key employees and officers under the Plan with terms substantially similar to the awards granted in the first quarter of fiscal 2016, as described above in this Note, except that the performance period for the TSR awards started on April 27, 2016 and for the CFROI awards on March 1, 2016. The estimated fair value of each of the TSR awards and CFROI awards at the date of grant was $2 million.

A summary of the Company’s performance-based awards activity is as follows:

| | Number of Shares (in thousands) | Weighted Average Grant Date Fair Value | Fair Value[1] |
|---|---|---|---|
| Outstanding as of August 31, 2013 | 573 | $ 32.47 | |
| Granted | 220 | $ 30.55 | |
| Vested | (62) | $ 55.43 | $ 28.87 |
| Forfeited | (108) | $ 41.48 | |
| Outstanding as of August 31, 2014 | 623 | $ 27.93 | |
| Granted | 269 | $ 24.02 | |
| Vested | (98) | $ 26.27 | $ 23.60 |
| Forfeited | (159) | $ 26.36 | |
| Outstanding as of August 31, 2015 | 635 | $ 26.92 | |
| Granted | 364 | $ 19.19 | |
| Vested | (194) | $ 28.82 | $ 16.86 |
| Forfeited | (210) | $ 28.48 | |
| Outstanding as of August 31, 2016 | 595 | $ 21.02 | |

(1) Amounts represent the weighted average value of the Company’s Class A common stock on the date that the performance share awards vested.

Compensation expense associated with performance-based awards was calculated using management’s current estimate of the expected level of achievement of the performance targets under the Plan. Compensation expense for anticipated awards based on the Company’s financial performance was $4 million, $2 million and $6 million for the years ended August 31, 2016, 2015 and 2014, respectively. As of August 31, 2016, unrecognized compensation costs related to non-vested performance shares amounted to $5 million, which is expected to be recognized over a weighted average period of 1.3 years.

Deferred Stock Units

The Deferred Compensation Plan for Non-Employee Directors (“DSU Plan”) provides for the issuance of DSUs to non-employee directors to be granted under the Plan. Each DSU gives the director the right to receive one share of Class A common stock at a future date. Immediately following the annual meeting of shareholders, each non-employee director will receive DSUs which will become fully vested on the day before the next annual meeting, subject to continued service on the Board. The compensation expense associated with the DSUs granted is recognized over the respective requisite service period of the awards.

The Company will issue Class A common stock to a director pursuant to vested DSUs in a lump sum in January of the first year after 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 DSU Plan.

DSUs granted during the years ended August 31, 2016, 2015 and 2014 were for a total of 57,780 shares, 48,590 shares and 30,848 shares, respectively. The compensation expense associated with DSUs and the total value of shares vested during each of the years ended August 31, 2016, 2015 and 2014, as well as the unrecognized compensation expense as of August 31, 2016, were not material.

Stock Options

Under the Plan, stock options are granted to employees at exercise prices that are set at the sole discretion of the Board of Directors. The fair value of each option grant under the Plan is estimated at the date of grant using the Black-Scholes Option Pricing Model, which utilizes assumptions related to volatility, the risk-free interest rate, the dividend yield and employee exercise behavior. Expected volatilities utilized in the model are based on the historical volatility of the Company’s stock price. The risk-free interest rate is derived from the U.S. Treasury yield curve in

effect at the time of grant. The expected term of the options is based on an analysis of expected post-vesting exercise behavior including historical exercise patterns when available.
No options were granted in fiscal 2016, 2015, and 2014.

A summary of the Company’s stock option activity and related information is as follows:

| | Options (in thousands) | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (in thousands)[1] |
|---|---|---|---|---|
| Outstanding as of August 31, 2013 | 555 | $ 32.07 | 3.1 | $ 47 |
| Granted | — | $ — | | |
| Exercised | (9 ) | $ 25.56 | | |
| Canceled | (20 ) | $ 30.55 | | |
| Outstanding as of August 31, 2014 | 526 | $ 32.25 | 2.2 | $ 335 |
| Granted | — | $ — | | |
| Exercised | — | $ — | | |
| Canceled | (122 ) | $ 24.95 | | |
| Outstanding as of August 31, 2015 | 404 | $ 34.46 | 1.3 | $ — |
| Granted | — | $ — | | |
| Exercised | — | $ — | | |
| Canceled | (182 ) | $ 34.11 | | |
| Outstanding as of August 31, 2016 | 222 | $ 34.75 | 1.0 | $ — |

(1) Amounts represent the difference between the exercise price and the closing price of the Company’s stock on the last trading day of the corresponding fiscal year, multiplied by the number of in-the-money options.

All outstanding stock options were vested as of August 31, 2016 and 2015. The aggregate intrinsic value of stock options exercised, which was zero for the years ended August 31, 2016 and 2015 and immaterial for the year ended August 31, 2014, represents the difference between the exercise price and the value of the Company’s stock at the time of exercise. No stock options vested in the years ended August 31, 2016 and August 31, 2015 and 307,855 stock options vested in the year ended August 31, 2014. Compensation expense associated with stock options, the total proceeds received from option exercises and the tax benefits realized from options exercised was zero for the years ended August 31, 2016 and 2015 and not material during the year ended August 31, 2014.

Note 15 – Income Taxes

Income (loss) from continuing operations before income taxes was as follows for the years ended August 31 (in thousands):

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| United States | $(4,303) | $(113,084) | $12,286 |
| Foreign | (11,202) | (87,380) | 2,696 |
| Total | $(15,505) | $(200,464) | $14,982 |

Income tax expense (benefit) from continuing operations consisted of the following for the years ended August 31 (in thousands):

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Current: | | | |
| Federal | $23 | $(11,275) | $6,508 |
| State | 180 | (84) | 229 |
| Foreign | 25 | 732 | 177 |
| Total current tax expense (benefit) | $228 | $(10,627) | $6,914 |
| Deferred: | | | |
| Federal | $502 | $(4,752) | $(4,911) |
| State | 54 | 2,805 | 880 |
| Foreign | (49) | (41) | (301) |
| Total deferred tax expense (benefit) | 507 | (1,988) | (4,332) |
| Total income tax expense (benefit) | $735 | $(12,615) | $2,582 |

A reconciliation of the difference between the federal statutory rate and the Company's effective tax rate for the years ended August 31 is as follows:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Federal statutory rate | 35.0 % | 35.0 % | 35.0 % |
| State taxes, net of credits | 1.3 | 1.1 | (2.5) |
| Foreign income taxed at different rates | (12.0) | (7.7) | (8.6) |
| Section 199 deduction | — | — | (5.3) |
| Non-deductible officers' compensation | (2.0) | (0.1) | 2.0 |
| Noncontrolling interests | 4.1 | 0.3 | (8.7) |
| Research and development credits | 2.4 | 0.3 | (0.8) |
| Fixed asset tax basis adjustment | — | — | (15.3) |
| Valuation allowance on deferred tax assets | (59.0) | (25.2) | 10.2 |
| Unrecognized tax benefits | (3.6) | (0.6) | 12.9 |
| Non-deductible goodwill | (0.9) | (2.5) | — |
| Realized foreign investment basis | 29.4 | 6.3 | — |
| Other | 0.6 | (0.6) | (1.7) |
| Effective tax rate | (4.7)% | 6.3 % | 17.2 % |

The Company's effective tax rate from continuing operations in fiscal 2016 was an expense of 4.7%, which was lower than the U.S. federal statutory rate of 35%. The effective tax rate was reduced for valuation allowances on deferred tax assets and the aggregate impact of foreign income taxed at different rates. Those reductions were partially offset by the realization of foreign investment basis for tax purposes. The Company’s income tax expense is comprised primarily of the increase in deferred tax liabilities from indefinite-lived assets plus certain state cash tax expenses. The increase in valuation allowance on deferred tax assets was recognized as a result of negative evidence, including recent losses in all tax jurisdictions, outweighing the more subjective positive evidence, indicating that it is more likely than not that the associated tax benefit will not be realized. Realization of the deferred tax assets is dependent upon generating sufficient taxable income in the associated tax jurisdictions in future years to benefit from the reversal of net deductible temporary differences and from the utilization of net operating losses.

The Company's effective tax rate from continuing operations in fiscal 2015 was a benefit of 6.3% which was lower than the U.S. federal statutory rate of 35%. The effective tax rate was reduced by 33% for valuation allowances on deferred tax assets and the aggregate impact of excluding foreign income taxed at different rates. Those expenses were partially offset by the recognition of a $13 million benefit related to the realization of foreign investment basis for tax purposes. The increase in valuation allowance on deferred tax assets was recognized as a result of negative evidence, including recent losses in all tax jurisdictions, outweighing the more subjective positive evidence, indicating that it is more likely than not that the associated tax benefit will not be realized.

The Company's effective tax rate from continuing operations in fiscal 2014 was an expense of 17.2% and was lower than the U.S. federal statutory rate of 35%. The effective tax rate benefited from a fixed asset tax basis study performed during fiscal 2014 which resulted in the recognition of a tax benefit of $2 million, as well as the aggregate impact of excluding income associated with noncontrolling interests, foreign income taxed at different rates, and certain deductions and credits. Other significant items impacting the effective tax rate included the recognition of a valuation allowance against certain foreign and state deferred tax assets and the recognition of a liability for unrecognized tax benefits of $2 million. The valuation allowance on deferred tax assets of certain foreign and state tax jurisdictions increased by $2 million compared to the prior year and was recognized as a result of negative evidence, including recent losses in certain foreign and state jurisdictions, outweighing the more subjective positive evidence, indicating that it is more likely than not that the associated tax benefit will not be realized. Realization of the foreign subsidiaries' deferred tax assets is dependent upon generating sufficient taxable income in the foreign tax jurisdiction in future years to benefit from the reversal of net deductible temporary differences and from the utilization of net operating losses.

Deferred tax assets and liabilities were comprised of the following as of August 31 (in thousands):

| | 2016 | 2015 |
|---|---|---|
| Deferred tax assets: | | |
| Environmental liabilities | $11,048 | $11,623 |
| Employee benefit accruals | 12,620 | 13,471 |
| State income tax and other | 8,518 | 4,601 |
| Net operating loss carryforwards | 19,723 | 20,485 |
| State credit carryforwards | 6,352 | 5,935 |
| Inventory valuation methods | — | 975 |
| Amortizable goodwill and other intangibles | 47,023 | 51,459 |
| Valuation allowances | (86,917 ) | (78,304 ) |
| Total deferred tax assets | $18,367 | $30,245 |
| Deferred tax liabilities: | | |
| Accelerated depreciation and other basis differences | $32,528 | $44,131 |
| Prepaid expense acceleration | 2,402 | 2,460 |
| Inventory valuation methods | 119 | — |
| Total deferred tax liabilities | 35,049 | 46,591 |

| | | |
|---|---|---|
| Net deferred tax liability | $16,682 | $16,346 |

As of August 31, 2016, the Company had federal net operating loss carryforwards of $35 million, which will expire if not used by 2035. Foreign operating loss carryforwards were $32 million, which expire if not used between 2022 and 2036. State credit carryforwards will expire if not used between 2017 and 2026.

Accounting for Uncertainty in Income Taxes

The following table summarizes the activity related to the Company’s reserve for unrecognized tax benefits, excluding interest and penalties, for the years ended August 31 (in thousands):

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Unrecognized tax benefits, as of the beginning of the year | $3,970 | $2,780 | $526 |
| Additions for tax positions of prior years | — | — | 1 |
| Reductions for tax positions of prior years | (56) | — | — |
| Additions for tax positions of the current year | 810 | 1,571 | 2,253 |
| Settlements with tax authorities | — | (381) | — |
| Unrecognized tax benefits, as of the end of the year | $4,724 | $3,970 | $2,780 |

The Company does not anticipate any material changes to the reserve in the next 12 months. Reserves pertaining to positions claimed on the fiscal year 2014, 2015 and 2016 tax returns would result in net operating loss offsets in the event the positions were successfully challenged. Pursuant to FASB's Accounting Standards Update 2013-11, the reserves are netted against deferred tax assets related to net operating loss carryforwards.

The recognized amounts of tax-related penalties and interest were not material for all periods presented.

The Company files federal and state income tax returns in the U.S. and foreign tax returns in Puerto Rico and Canada. For U.S. federal income tax returns, fiscal years 2012 to 2015 remain subject to examination under the statute of limitations.

Note 16 – Net Income (Loss) Per Share

The following table sets forth the information used to compute basic and diluted net income (loss) per share attributable to SSI for the years ended August 31 (in thousands):

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Income (loss) from continuing operations | $(16,240) | $(187,849) | $12,400 |
| Net income attributable to noncontrolling interests | (1,821) | (1,933) | (3,667) |
| Income (loss) from continuing operations attributable to SSI | (18,061) | (189,782) | 8,733 |
| Loss from discontinued operations, net of tax | (1,348) | (7,227) | (2,809) |
| Net income (loss) attributable to SSI | $(19,409) | $(197,009) | $5,924 |
| Computation of shares: | | | |
| Weighted average common shares outstanding, basic | 27,229 | 27,010 | 26,834 |
| Incremental common shares attributable to dilutive stock options, performance share awards, DSUs and RSUs | — | — | 166 |
| Weighted average common shares outstanding, diluted | 27,229 | 27,010 | 27,000 |

Common stock equivalent shares of 1,016,745, 1,018,858 and 618,348 were considered antidilutive and were excluded from the calculation of diluted net income (loss) per share attributable to SSI for the years ended August 31, 2016, 2015 and 2014, respectively.

Note 17 – Related Party Transactions

The Company purchases recycled metal from its joint venture operations at prices that approximate fair market value. These purchases totaled $12 million, $22 million and $30 million for the years ended August 31, 2016, 2015 and 2014, respectively. Net advances to these joint ventures were zero for the years ended August 31, 2016 and 2015, and $3 million for the year ended August 31, 2014.

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 the Company is the 75% partner and which operates five self-service stores in Northern California. Mr. Klauer’s 25% share of the profits of this partnership, through the date of his retirement, totaled $1 million and $2 million for the years ended August 31, 2015 and 2014, respectively. The partnership leases properties from entities in which Mr. Klauer has ownership interests under agreements that expire in December 2020 with options to renew the leases, upon expiration, for multiple periods. The rent paid by the partnership to the entities in which Mr. Klauer has ownership interests, through the date of his retirement, was less than $1 million for the year ended August 31, 2015, and $1 million for the year ended August 31, 2014.

Certain members of the Schnitzer family own significant interests in, or are related to owners of, MMGL Corp (“MMGL,” formerly known as Schnitzer Investment Corp.), which is engaged in the real estate business and was a subsidiary of the Company prior to 1989. The Company and MMGL are involved in a cost sharing arrangement with respect to defense costs related to Portland Harbor. MMGL was considered a related party for financial reporting purposes prior to January 2015 due to the involvement of Kenneth M. Novack, a former member of the Company's board of directors, in the management of MMGL. 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. As of August 31, 2014, $1 million was receivable from MMGL, which was paid in full in the first quarter of fiscal 2015.

Note 18 – Segment Information

The accounting standards for reporting information about operating segments define an operating segment as a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses for which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Prior to the fourth quarter of fiscal 2015, the Company's internal organizational and reporting structure supported three operating and reportable segments: the Metals Recycling Business ("MRB"), the Auto Parts Business ("APB") and the Steel Manufacturing Business ("SMB"). In the fourth quarter of fiscal 2015, in accordance with its plan announced in April 2015, the Company combined and integrated its auto parts and metals recycling businesses into a single operating platform. This resulted in a realignment of how the Chief Executive Officer, who is considered the Company's chief operating decision maker, reviews performance and makes decisions on resource allocation. The change in the Company's internal organizational and reporting structure resulted in the formation of a new operating and reportable segment, the Auto and Metals Recycling ("AMR") business, replacing the former MRB and APB segments. The Company began reporting on this new segment in the fourth quarter of fiscal 2015 as reflected in its Annual Report on Form 10-K for the year ended August 31, 2015. The segment data for the comparable periods presented prior to the segment change has been revised to conform to the current period presentation for all activities of AMR. Recasting this historical information did not have an impact on the Company's consolidated financial performance for any of the periods presented.

Additionally, the Company is a noncontrolling partner in joint ventures, which are either in the metals recycling business or are suppliers of unprocessed metal.

AMR buys and processes ferrous and nonferrous metal for sale to foreign and other domestic steel producers or their representatives and to SMB. AMR also purchases ferrous metal from other processors for shipment directly to SMB. AMR also procures salvaged vehicles and sells serviceable used auto parts from these vehicles through a network of self-service auto parts stores.

SMB operates a steel mini-mill that produces a wide range of finished steel products using recycled metal and other raw materials.

Intersegment sales from AMR to SMB are made at rates that approximate market prices for shipments from the West Coast of the U.S. These intercompany sales tend to produce intercompany profits which are not recognized until the finished products are ultimately sold to third parties.

The information provided below is obtained from internal information that is provided to the Company's chief operating decision maker for the purpose of corporate management. The Company uses segment operating income to measure segment performance. The Company does not allocate corporate interest income and expense, income taxes and other income to its reportable segments. Expenses related to shared services that support operational activities and transactions is allocated from Corporate to the segments. Unallocated Corporate expense consists primarily of expense for management and certain administrative services that benefit both reportable segments. In addition, the Company does not allocate restructuring charges and other exit-related activities to the segment operating income because management does not include this information in its measurement of the performance of the operating segments. The results of discontinued operations are excluded from segment operating income and are presented separately, net of tax, from the results of ongoing operations for all periods presented.

The following is a summary of the Company’s total assets as of August 31 (in thousands):

| | 2016 | 2015 |
|---|---|---|
| Total assets: | | |
| Auto and Metals Recycling(1) | $1,510,688 | $1,492,906 |
| Steel Manufacturing Business | 373,130 | 370,955 |
| Total segment assets | 1,883,818 | 1,863,861 |
| Corporate and eliminations(2) | (992,389) | (901,562) |
| Total assets | $891,429 | $962,299 |
| Property, plant and equipment, net (3) | $392,820 | $427,554 |

(1) AMR total assets include $14 million and $15 million as of August 31, 2016 and 2015 respectively, for investments in joint ventures.

(2) The substantial majority of Corporate and eliminations total assets is comprised of Corporate intercompany payables to the Company's operating segments and intercompany eliminations.

(3) Property, plant and equipment, net includes $19 million and $29 million as of August 31, 2016 and 2015, respectively, at our Canadian locations.

The table below illustrates the Company's results from continuing operations by reportable segment for the years ended August 31 (in thousands):

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Auto and Metals Recycling: | | | |
| Revenues | $1,173,032 | $1,716,296 | $2,334,389 |
| Less: Intersegment revenues | (90,394) | (175,934) | (188,103) |
| AMR external customer revenues | 1,082,638 | 1,540,362 | 2,146,286 |
| Steel Manufacturing Business: | | | |
| Revenues | 269,905 | 375,037 | 388,640 |
| Total revenues | $1,352,543 | $1,915,399 | $2,534,926 |
| Depreciation and amortization: | | | |
| Auto and Metals Recycling | $44,719 | $56,767 | $66,894 |
| Steel Manufacturing Business | 7,366 | 7,523 | 8,256 |
| Segment depreciation and amortization | 52,085 | 64,290 | 75,150 |
| Corporate | 2,545 | 2,825 | 2,724 |
| Total depreciation and amortization | $54,630 | $67,115 | $77,874 |
| Capital expenditures: | | | |
| Auto and Metals Recycling | $27,879 | $22,762 | $29,281 |
| Steel Manufacturing Business | 5,788 | 6,899 | 5,379 |
| Segment capital expenditures | 33,667 | 29,661 | 34,660 |
| Corporate | 904 | 2,636 | 4,487 |
| Total capital expenditures | $34,571 | $32,297 | $39,147 |
| Reconciliation of the Company's segment operating income (loss) to income (loss) from continuing operations before income taxes: | | | |
| Auto and Metals Recycling[1] | $22,626 | $(164,031) | $55,089 |
| Steel Manufacturing Business[2] | 3,734 | 20,378 | 18,538 |
| Segment operating income (loss) | 26,360 | (143,653) | 73,627 |
| Restructuring charges and other exit-related activities | (6,781) | (13,008) | (6,830) |
| Corporate and eliminations | (27,421) | (38,868) | (42,433) |
| Operating income (loss) | (7,842) | (195,529) | 24,364 |
| Interest expense | (8,889) | $(9,191) | (10,597) |
| Other income, net | 1,226 | 4,256 | 1,215 |
| Income (loss) from continuing operations before income taxes | $(15,505) | $(200,464) | $14,982 |

(1) AMR operating income (loss) includes $1 million, $2 million and $1 million in income from joint ventures accounted for by the equity method in fiscal 2016, 2015 and 2014, respectively. The AMR operating income (loss) for fiscal 2016, 2015 and 2014 includes a goodwill impairment charge of $9 million, $141 million and zero , respectively, and other asset impairment charges of $18 million, $44 million and $1 million, respectively.

(2) SMB operating income for fiscal 2016 includes other asset impairment charges of $2 million.

The following revenues from external customers are presented based on the sales destination and by major product for the years ended August 31 (in thousands):

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Revenues based on sales destination: | | | |
| Foreign | $683,569 | $984,910 | $1,472,023 |
| Domestic | 668,974 | 930,489 | 1,062,903 |
| Total revenues from external customers | $1,352,543 | $1,915,399 | $2,534,926 |
| | | | |
| Major product information: | | | |
| Ferrous scrap metal | $619,060 | $922,291 | $1,440,582 |
| Nonferrous scrap metal | 340,025 | 488,036 | 556,139 |
| Retail and other | 123,553 | 130,035 | 149,565 |
| Finished steel products | 269,355 | 363,795 | 377,678 |
| Semi-finished steel products | 550 | 11,242 | 10,962 |
| Total revenues from external customers | $1,352,543 | $1,915,399 | $2,534,926 |

In fiscal 2016, 2015 and 2014, there were no external customers that accounted for more than 10% of the Company's consolidated revenues. Sales to customers in foreign countries are a significant part of the Company's business. The schedule below identifies those foreign countries in which the Company's sales exceeded 10% of consolidated revenues in any of the last three years ended August 31 (in thousands):

| | 2016 | % of Revenue | 2015 | % of Revenue | 2014 | % of Revenue |
|---|---|---|---|---|---|---|
| China | $150,570 | 11.1 % | $240,279 | 12.5 % | $390,634 | 15.4 % |
| Turkey | 163,696 | 12.1 % | 225,040 | 11.7 % | 261,558 | 10.3 % |
| South Korea(1) | N/A | N/A | N/A | N/A | 265,912 | 10.5 % |

(1) N/A - sales were less than the 10% threshold.

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Quarterly Financial Data (Unaudited)

In the opinion of management, this unaudited quarterly financial summary includes all adjustments necessary for a fair statement of the results for the periods represented (in thousands, except per share amounts):

| | Fiscal 2016 | | | |
|---|---|---|---|---|
| | First | Second | Third | Fourth |
| Revenues | $321,198 | $289,077 | $351,604 | $390,664 |
| Cost of goods sold | $284,854 | $259,670 | $294,738 | $336,726 |
| Operating income (loss) | $(4,028) | $(37,076) | $14,886 | $18,376 |
| Loss from discontinued operations, net of tax | $(65) | $(1,024) | $(116) | $(143) |
| Net income (loss) attributable to SSI | $(5,296) | $(41,245) | $11,000 | $16,132 |
| Basic net income (loss) per share attributable to SSI | $(0.20) | $(1.52) | $0.40 | $0.59 |
| Diluted net income (loss) per share attributable to SSI | $(0.20) | $(1.52) | $0.40 | $0.58 |

| | Fiscal 2015 | | | |
|---|---|---|---|---|
| | First | Second | Third | Fourth |
| Revenues | $553,624 | $437,449 | $467,309 | $457,017 |
| Cost of goods sold | $508,015 | $406,649 | $424,312 | $403,702 |
| Operating income (loss) | $785 | $(201,011) | $(4,020) | $8,717 |
| Loss from discontinued operations, net of tax | $(838) | $(4,242) | $(1,234) | $(913) |
| Net income (loss) attributable to SSI | $(2,473) | $(195,642) | $(9,626) | $10,732 |
| Basic net income (loss) per share attributable to SSI | $(0.09) | $(7.24) | $(0.36) | $0.40 |
| Diluted net income (loss) per share attributable to SSI | $(0.09) | $(7.24) | $(0.36) | $0.39 |

In the second quarter of fiscal 2016, operating results included a goodwill impairment charge of $9 million, other asset impairment charges of $18 million and restructuring charges and other exit-related activities of $5 million. In the fourth quarter of fiscal 2016, operating results included other asset impairment charges of $2 million and an insurance reimbursement gain of $6 million.

Net income attributable to SSI for the fourth quarter of fiscal 2015 included a benefit of $3 million, net of valuation allowances, related to the realization of foreign investment basis for income tax purposes. In the second quarter of fiscal 2015, operating results included a goodwill impairment charge of $141 million, other asset impairment charges of $44 million and restructuring charges and other exit-related activities of $5 million.

See Note 2 - Summary of Significant Accounting Policies, Note 6 - Goodwill and Other Intangible Assets, net, Note 8 - Discontinued Operations, and Note 9 - Commitments and Contingencies.

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Schedule II – Valuation and Qualifying Accounts
For the Years Ended August 31, 2016, 2015 and 2014
(In thousands)

| Column A | Column B | Column C | Column D | Column E |
|---|---|---|---|---|
| Description | Balance at beginning of period | Charges to cost and expenses | Deductions | Balance at end of period |
| Fiscal 2016 | | | | |
| Allowance for doubtful accounts | $ 2,496 | $ 131 | $ (312) | $ 2,315 |
| Deferred tax valuation allowance | $ 78,304 | $ 8,613 | $ — | $ 86,917 |
| Fiscal 2015 | | | | |
| Allowance for doubtful accounts | $ 2,720 | $ (280) | $ 56 | $ 2,496 |
| Allowance for notes and other contractual receivables | $ 7,602 | $ — | $ (7,602) | $ — |
| Deferred tax valuation allowance | $ 30,265 | $ 48,039 | $ — | $ 78,304 |
| Fiscal 2014 | | | | |
| Allowance for doubtful accounts | $ 2,990 | $ 650 | $ (920) | $ 2,720 |
| Allowance for notes and other contractual receivables | $ 7,803 | $ (201) | $ — | $ 7,602 |
| Deferred tax valuation allowance | $ 29,696 | $ 2,827 | $ (2,258) | $ 30,265 |

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## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission’s rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives. The Company’s management, with the participation of the Chief Executive Officer and Chief Financial Officer, has completed an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures. Based on this evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of August 31, 2016, the Company’s disclosure controls and procedures were effective at the reasonable assurance level.

### Management’s Annual Report on Internal Control Over Financial Reporting

Management’s Annual Report on Internal Control Over Financial Reporting is presented within Part II, Item 8 of this report and is incorporated herein by reference.

### Changes in Internal Control Over Financial Reporting

There was no change in the Company’s internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during its most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

## ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by Item 401 of Regulation S-K regarding directors, and information required by Items 405, 407(c)(3), 407(d)(4) and 407(d)(5) of Regulation S-K, will be included under “Election of Directors,” “Corporate Governance” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company’s Proxy Statement for its 2017 Annual Meeting of Shareholders and is incorporated herein by reference.

Executive Officers of the Registrant

| Name | Age | Office |
|---|---|---|
| Tamara L. Lundgren | 59 | President and Chief Executive Officer |
| Richard D. Peach | 53 | Senior Vice President,Chief Financial Officer and Chief of Corporate Operations |
| Michael Henderson | 57 | Senior Vice President and Co-President, Auto and Metals Recycling |
| Steven Heiskell | 47 | Senior Vice President and Co-President, Auto and Metals Recycling |
| Jeffrey Dyck | 53 | Senior Vice President and President, Steel Manufacturing Business |
| Peter Saba | 55 | Senior Vice President, General Counsel and Corporate Secretary |
| Stefano Gaggini | 45 | Vice President, Corporate Controller and Principal Accounting Officer |

Tamara L. Lundgren has been our President and Chief Executive Officer since December 2008. She joined the Company in September 2005 as Vice President and Chief Strategy Officer and held roles of increasing responsibility, including Executive Vice President and Chief Operating Officer. Prior to joining us, Ms. Lundgren was a Managing Director in the Investment Banking Division of JPMorgan Chase, which she joined in 2001, and Deutsche Bank, which she joined in 1996. Ms. Lundgren began her career as an attorney and was a partner at Hogan & Hartson LLP in Washington, D.C.

Richard D. Peach joined us in March 2007 and was appointed Chief Financial Officer in December 2007. In September 2016, in addition to his responsibilities as Chief Financial Officer, Mr. Peach assumed the role of Chief of Corporate Operations. Prior to joining us, Mr. Peach was the Chief Financial Officer and Senior Vice President with the Western U.S. energy utility, PacifiCorp, from 2003 to 2006. From 1995 to 2002, he served in a variety of senior management positions with ScottishPower, the international energy company, including Group Controller, Managing Director of United Kingdom Customer Services and Director of Energy Supply Finance. Prior to joining ScottishPower, Mr. Peach was a senior manager with Coopers & Lybrand. Mr. Peach is a member of the Institute of Chartered Accountants of Scotland.

Michael Henderson joined us in April 2012 and served as Chief Operating Officer and President of the Metals Recycling Business, prior to his promotion to Co-President of the Auto and Metals Recycling business in April 2015. Prior to joining Schnitzer, he was Eastern Region President for Sims Metal Management where he was responsible for 26 facilities, including four shredders and five port locations. He began his career with Naparano Iron & Metal and has more than 30 years in the scrap industry, including expertise in both the ferrous and nonferrous sides of the business.

Steven Heiskell joined us in August 2004 and served in a variety of capacities within our Auto Parts Business, including as Vice President Corporate Development, Chief Development Officer, General Manager and Vice President and Managing Director, prior to his promotion to Co-President of the Auto and Metals Recycling business in April 2015. Prior to joining us, Steven served in a variety of executive positions at Simpata, Inc., a venture capital backed internet startup in San Francisco, Enron, and BP/Amoco Oil.

Jeffrey Dyck joined the Steel Manufacturing Business in February 1994 and served in a variety of positions, including Manager of the Rolling Mills and Director of Operations of the Steel Manufacturing Business, before his promotion to President of SMB in June 2005.

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Peter Saba joined us in July 2015 as Senior Vice President, General Counsel and Corporate Secretary. He is a member of the New York State, District of Columbia and U.S. Supreme Court Bar, not admitted in Oregon State. Prior to joining us, Peter was the Senior Vice President, General Counsel, Chief Compliance Officer and Corporate Secretary for Centrus Energy Corp. (formerly, USEC, Inc.), a global energy company that enriches uranium for nuclear fuel, which he joined in 2008. USEC, Inc. filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in March 2014 and emerged from Chapter 11 as Centrus Energy Corp. on September 30, 2014. Over a 30-year career, Peter has worked in leading international law firms focusing on corporate and project finance, served as Chief Operating Officer and General Counsel at the Export-Import Bank of the United States and as the Principal Deputy Assistant Secretary for Domestic and International Energy Policy at the U.S. Department of Energy, and taught international business transactions as an Adjunct Professor at Georgetown Law School.

Stefano Gaggini joined us in July 2011 as Senior Manager of SEC Reporting and Technical Accounting and became Director of SEC Reporting and Technical Accounting in March 2012. He became Vice President, Corporate Controller and Principal Accounting Officer in December 2013. Prior to joining Schnitzer, Mr. Gaggini was a senior manager at KPMG LLP, where he served in various auditing roles since 1998 in the Portland, Oregon and Zurich, Switzerland offices. He is licensed as a Certified Public Accountant in the State of Oregon.

Code of Ethics

On April 28, 2010, the Board of Directors approved a revised Company’s Code of Conduct that is applicable to all of its directors and employees. It includes additional provisions that apply to the Company’s principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions (the “Senior Financial Officers”). This document is posted on the Corporate Governance page of the Company’s internet website (www.schnitzersteel.com) and is available free of charge by calling the Company or submitting a request to ir@schn.com. The Company intends to satisfy its disclosure obligations with respect to any amendments to or waivers of the Code for directors, executive officers or Senior Financial Officers by posting such information on its internet website set forth above rather than by filing a Form 8-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Items 402, 407(e)(4) and 407(e)(5) of Regulation S-K will be included under “Compensation of Executive Officers,” “Compensation Discussion and Analysis”, “Director Compensation”, “Corporate Governance – Assessment of Compensation Risk” and “Compensation Committee Report” in the Company’s Proxy Statement to be filed for its 2017 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information with respect to security ownership of certain beneficial owners and management, as required by Item 403 of Regulation S-K, will be included under “Voting Securities and Principal Shareholders” in the Company’s Proxy Statement for its 2017 Annual Meeting of Shareholders and is incorporated herein by reference. Information with respect to securities authorized for issuance under equity compensation plans, as required by Item 201(d) of Regulation S-K, will be included under “Compensation Plan Information” in the Company’s Proxy Statement for its 2017 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Items 404 and 407(a) of Regulation S-K will be included under “Certain Transactions” and “Corporate Governance – Director Independence” in the Company’s Proxy Statement for its 2017 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding the Company’s principal accountant fees and services required by Item 9(e) of Schedule 14A will be included under “Independent Registered Public Accounting Firm” in the Company’s Proxy Statement for its 2017 Annual Meeting of Shareholders and is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

| | |
|---|---|
| (a) 1 | The following financial statements are filed as part of this report:<br>The Report of Independent Registered Public Accounting Firm, the Company's Consolidated Financial Statements, the Notes thereto and the quarterly financial data (unaudited) are on pages 52 through 96 of this report. |
| 2 | The following financial statement schedule is filed as part of this report:<br>Schedule II Valuation and Qualifying Accounts is on page 97 of this report.<br>All other schedules are omitted as the information is either not applicable or is not required. |
| 3 | The following exhibits are filed as part of this report: |
| 3.1 | 2006 Restated Articles of Incorporation (as corrected December 2, 2011) of the Registrant. Filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 30, 2011, and incorporated herein by reference. |
| 3.2 | Restated Bylaws of the Registrant. Filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on December 13, 2013, and incorporated herein by reference. |
| 10.1 | Lease Agreement, dated September 1, 1988, between Schnitzer Investment Corp. and the Registrant, as amended, relating to the Portland Metals Recycling operation and which has terminated except for surviving indemnity obligations. Filed as Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 filed on September 24, 1993 (Commission File No. 33-69352), and incorporated herein by reference. |
| 10.2 | Purchase and Sale Agreement, dated May 4, 2005, between Schnitzer Investment Corp. and the Registrant, relating to purchase by the Registrant of the Portland Metals Recycling operations real estate. Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 10, 2005, and incorporated herein by reference. |
| 10.3 | Third Amended Shared Services Agreement, dated July 26, 2006, between the Registrant, Schnitzer Investment Corp. and Island Equipment Company, Inc. Filed as Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on July 28, 2006, and incorporated herein by reference. |
| 10.4 | Third Amended and Restated Credit Agreement dated as of April 6, 2016 among Schnitzer Steel Industries, Inc., as the US Borrower, and Schnitzer Steel Canada Ltd., as a Canadian Borrower, Bank of America, N.A., as Administrative Agent, and the other Lenders party thereto. Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended February 29, 2016, and incorporated herein by reference. |
| 10.5 | Security Agreement dated as of April 6, 2016 among Schnitzer Steel Industries, Inc., the other Grantor's party thereto and Bank of America, N.A., as Administrative Agent. Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended February 29, 2016, and incorporated herein by reference. |
| 10.6 | General Security Agreement dated as of April 6, 2016 between Schnitzer Steel Canada Ltd. and Bank of America, N.A., as Collateral Agent. Filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended February 29, 2016, and incorporated herein by reference. |

| | |
|---|---|
| *10.7 | Amended Executive Annual Bonus Plan. Filed as Appendix A to the Registrant's Annual Proxy Report on Form DEF 14A filed on December 17, 2014, and incorporated herein by reference. |
| *10.8 | Annual Incentive Compensation Plan, effective September 1, 2006. Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended February 28, 2007, and incorporated herein by reference. |
| *10.9 | 1993 Stock Incentive Plan of the Registrant as Amended and Restated on November 7, 2013. Filed as Appendix A to the Registrant's Definitive Proxy Statement filed on December 18, 2013, and incorporated herein by reference. |
| *10.10 | Form of Stock Option Agreement used for option grants to employees under the 1993 Stock Incentive Plan. Filed as Exhibit 10.49 to the Registrant's Annual Report on Form 10-K for the fiscal year ended August 31, 2007, and incorporated herein by reference. |

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| *10.11 | Form of Stock Option Agreement used for option grants to non-employee directors under the 1993 Stock Incentive Plan. Filed as Exhibit 10.15 to the Registrant’s Annual Report on Form 10-K/A for the fiscal year ended August 31, 2004, and incorporated herein by reference. |
| *10.12 | Form of Deferred Stock Unit Award Agreement under the 1993 Stock Incentive Plan used for non-employee directors. Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on July 28, 2006, and incorporated herein by reference. |
| *10.13 | Deferred Compensation Plan for Non-Employee Directors. Filed as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed on July 28, 2006, and incorporated herein by reference. |
| *10.14 | Summary Sheet for 2016 Non-Employee Director Compensation. Filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended February 29, 2016, and incorporated herein by reference. |
| *10.15 | Amended and Restated Supplemental Executive Retirement Bonus Plan of the Registrant effective January 1, 2009. Filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended May 31, 2009, and incorporated herein by reference. |
| *10.16 | Form of Change in Control Severance Agreement between the Registrant and executive officers other than Tamara L. Lundgren and used for agreements entered into prior to 2011. Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on May 5, 2008, and incorporated herein by reference. |
| *10.17 | Form of Change in Control Severance Agreement between the Registrant and executive officers and used for agreements entered into between 2011 and 2014. Filed as Exhibit 10.19 to the Registrant's Annual Report on Form 10-K filed October 29, 2013 and incorporated herein by reference. |
| *10.18 | Form of Change in Control Severance Agreement between the Registrant and executive officers and used for agreements entered into after 2014. Filed as Exhibit 10.16 to the Registrant's Annual Report on Form 10-K filed October 27, 2015, and incorporated herein by reference. |
| *10.19 | Amended and Restated Employment Agreement by and between the Registrant and Tamara L. Lundgren dated October 29, 2008. Filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on November 4, 2008, and incorporated herein by reference. |
| *10.20 | Amendment No. 1 dated June 29, 2011 to Amended and Restated Employment Agreement by and between the Registrant and Tamara L. Lundgren dated October 29, 2008. Filed as Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended May 31, 2011 and incorporated herein by reference. |
| *10.21 | Amended and Restated Change in Control Severance Agreement by and between the Registrant and Tamara L. Lundgren dated October 29, 2008. Filed as Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed on November 4, 2008, and incorporated herein by reference. |
| *10.22 | Amended and Restated Change in Control Severance Agreement by and between the Registrant and John D. Carter dated October 29, 2008. Filed as Exhibit 10.4 to the Registrant’s Current Report on Form 8-K filed on November 4, 2008, and incorporated herein by reference. |
| *10.23 | |

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| | Form of Indemnification Agreement for Directors and certain officers used for agreements entered into prior to 2016. Filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on July 28, 2006, and incorporated herein by reference. |
| *10.24 | Form of Indemnification Agreement for Directors and certain officers used for agreements entered into after 2015. Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 3, 2016, and incorporated herein by reference. |
| *10.25 | Amended and Restated Employment Agreement by and between the Registrant and John D. Carter dated June 29, 2011. Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended May 31, 2011 and incorporated herein by reference. |
| *10.26 | Form of Non-Statutory Stock Option Agreement used for premium-priced option grants to executive officers on August 28, 2012 under the 1993 Stock Incentive Plan. Filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on August 31, 2012, and incorporated herein by reference. |

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| *10.27 | Form of Restricted Stock Unit Award Agreement used for award to chief executive officer on August 30, 2012 under the 1993 Stock Incentive Plan. Filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on August 31, 2012, and incorporated herein by reference. |
| *10.28 | Form of Restricted Stock Unit Award Agreement under the 1993 Stock Incentive Plan used for award to chief executive officer on October 28, 2015. Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 30, 2015 and incorporated herein by reference. |
| *10.29 | Form of Restricted Stock Unit Award Agreement under the 1993 Stock Incentive Plan used for awards granted prior to fiscal 2013. Filed as Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2008 and incorporated herein by reference. |
| *10.30 | Form of Restricted Stock Unit Award Agreement under the 1993 Stock Incentive Plan used for awards granted after fiscal 2012 through the first half of fiscal 2016. Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2012 and incorporated herein by reference. |
| *10.31 | Form of Restricted Stock Unit Award Agreement under the 1993 Stock Incentive Plan used for awards granted after the first half of fiscal 2016. Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended May 31, 2016 and incorporated herein by reference. |
| *10.32 | Form of Long-Term Incentive Award Agreement under the 1993 Stock Incentive Plan used for awards granted in fiscal 2014. Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2013 and incorporated herein by reference. |
| *10.33 | Form of Long-Term Incentive Award Agreement under the 1993 Stock Incentive Plan used for awards granted in fiscal 2015. Filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2014 and incorporated herein by reference. |
| *10.34 | Form of Long-Term Incentive Award Agreement under the 1993 Stock Incentive Plan used for awards granted in first half of fiscal 2016. Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2015 and incorporated herein by reference. |
| *10.35 | Form of Long-Term Incentive Award Agreement under the 1993 Stock Incentive Plan used for awards granted in second half of fiscal 2016. Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended May 31, 2016 and incorporated herein by reference. |
| *10.36 | Fiscal 2015 Annual Performance Bonus Program for Tamara L. Lundgren. Filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2014 and incorporated herein by reference. |
| *10.37 | Fiscal 2016 Annual Performance Bonus Program for Tamara L. Lundgren. Filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2015 and incorporated herein by reference. |
| *10.38 | Amendment No. 1 to Fiscal 2016 Annual Performance Bonus Program for Tamara L. Lundgren. Filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2016 and incorporated herein by reference. |

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| 21.1 | Subsidiaries of Registrant. |
| 23.1 | Consent of Independent Registered Public Accounting Firm. |
| 24.1 | Powers of Attorney. |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

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| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following financial information from Schnitzer Steel Industries, Inc.'s Annual Report on Form 10-K for the year ended August 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations for the years ended August 31, 2016, 2015 and 2014, (ii) Consolidated Balance Sheets as of August 31, 2016, and August 31, 2015, (iii) Consolidated Statements of Comprehensive Income (Loss) for the years ended August 31, 2016, 2015 and 2014, (iv) Consolidated Statements of Cash Flows for the years ended August 31, 2016, 2015 and 2014, and (v) the Notes to Consolidated Financial Statements. |

*Management contract or compensatory plan or arrangement.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SCHNITZER STEEL INDUSTRIES, INC.

Dated: October 25, 2016 By: /s/ RICHARD D. PEACH

Richard D. Peach

Senior Vice President, Chief Financial Officer and Chief of Corporate Operations

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant on October 25, 2016 in the capacities indicated.

| Signature | Title |
| --- | --- |
| Principal Executive Officer: | |
| /s/ TAMARA L. LUNDGREN<br>Tamara L. Lundgren | President and Chief Executive Officer and Director |
| Principal Financial Officer: | |
| /s/ RICHARD D. PEACH<br>Richard D. Peach | Senior Vice President, Chief Financial Officer and Chief of Corporate Operations |
| Principal Accounting Officer: | |
| /s/ STEFANO GAGGINI<br>Stefano Gaggini | Vice President, Corporate Controller and Principal Accounting Officer |
| Directors: | |
| *DAVID J. ANDERSON<br>David J. Anderson | Director |
| *JOHN D. CARTER<br>John D. Carter | Director |
| *WAYLAND R. HICKS<br>Wayland R. Hicks | Director |
| *DAVID L. JAHNKE<br>David L. Jahnke | Director |

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| Signature | Title |
|---|---|
| *JUDITH A. JOHANSEN<br>Judith A. Johansen | Director |
| *WILLIAM D. LARSSON<br>William D. Larsson | Director |
| *MICHAEL SUTHERLIN<br>Michael Sutherlin | Director |

*By: /s/ RICHARD D. PEACH
Attorney-in-fact, Richard D. Peach