

## Assurance statement: AA1000

S&amp;P Global

Trucost was engaged by **Schnitzer Steel Industries, Inc.** to provide assurance of the environmental sustainability data disclosed within its 2020 Sustainability Report, and its 2021 CDP "Climate" and "Water" questionnaire responses.

**Intended users**

The intended users of this assurance statement are the management and stakeholders of Schnitzer Steel Industries, Inc. (hereafter "Schnitzer").

**Responsibilities of Schnitzer and assurance provider**

The management of Schnitzer has sole responsibility for the preparation and content of its Sustainability Report and CDP questionnaire responses. Trucost's statement represents its independent and balanced opinion on the content and accuracy of the disclosures and environmental sustainability data held within.

**Assurance standard**

Trucost undertook the assurance in accordance with AA1000AS (2008 with 2018 addendum) Type 2 moderate-level assurance, covering:

- ✓ Evaluation of adherence to the AA1000APS (2018) Principles of inclusivity, materiality, responsiveness, and impact (the Principles).
- ✓ The reliability of specified environmental performance information (energy use, greenhouse gas emissions, water use, waste generated, and waste disposed of).

Trucost used the Global Reporting Initiative (GRI) and the GHG Protocol to evaluate Schnitzer's performance information and adherence to the Principles.

**Scope and limitations**

Trucost was engaged to assure the data and disclosures in Schnitzer's 2020 external reporting, encompassing the period of 1 September 2019 – 31 August 2020. Trucost was asked to assure reporting for specific KPIs. Schnitzer took an operational control approach.

Trucost verified the environmental impacts, as calculated by Schnitzer, within the table alongside.

**Methodology**

Trucost's assurance activities included the following:

- Review of the processes by which Schnitzer defines the environmental sustainability issues that are relevant and material to its operations and its stakeholders.
- Interviews with managers responsible for environmental sustainability performance and data collection
- Assessment of the extent to which Schnitzer's environmental sustainability activities adheres to the Principles
- Review of processes and systems used to gather and consolidate environmental sustainability data
- Verification of data accuracy for a selection of sites, including an audit of conversion factors and calculations.

GHG EMISSIONS	QUANTITY (Metric tons CO2e)	ENERGY QUANTITY (GJ)
<i>By Scope<sup>1</sup></i>		
GHG Scope 1- Natural Gas	48,592 (FY19: 48,743)	958,918 (FY19: 961,897)
GHG Scope 1- Equipment & Vehicle Fuels	44,737 (FY19: 51,335)	642,655 (FY19: 735,065)
GHG Scope 2- Location-based electricity	22,481 (FY19: 24,350)	1,410,603 (FY19: 1,445,435)
GHG Scope 2- Market-based electricity	19,365 (FY19: 21,364)	
GHG Scope 3- Business Travel	1,137	-

WATER	UNIT	QUANTITY
Purchased municipal water	m3	1,277,527 (FY19: 1,165,314)
Extracted well water	m3	8,539 (FY19: 9,729)

WASTE	UNIT	QUANTITY
<i>By Source Category</i>		
Business waste	Metric tons	8,198 (FY19: 12,174)
Process waste	Metric tons	609,041 (FY19: 707,085)
Regulated waste	Metric tons	8,427 (FY19: 9,021)
<i>By Disposition<sup>2</sup></i>		
Landfill disposal	Metric tons	49,374 (FY19: 54,195)
Beneficial Re- use/Recycling	Metric tons	576,291 (FY19: 674,085)
<i>By Regulation<sup>3</sup></i>		
U.S. Federal RCRA	Metric tons	8,427 (FY19: 9,021)

<sup>1</sup>The scope 1 emissions included within the assurance do not include production process emissions associated with any of Schnitzer's steelmaking, metal shredding, and recycling, or end-of-life vehicle dismantling operating activities. The following fuels types are included under the scope 1 category; natural gas, as well as transportation and equipment fuels such as Diesel, Biodiesel-blends, Gasoline, Ethanol-blends, Fuel Oil, Kerosene, Propane, Propylene, Ametalene and Acetylene.

<sup>2</sup>The value reported under the Beneficial Re-use/Recycling category is inclusive of materials for re-use/recycling; materials used for energy recovery and may include U.S. federal RCRA materials.

<sup>3</sup>The value reported under U.S. federal RCRA may be inclusive of both disposition types i.e. by landfill disposal, and re-use/recycling. The reported regulated waste quantities exclusively represent electric arc-furnace (EAF) baghouse dust, one of three valuable co-products of the steelmaking process.

General note: Restatements due to reconciliation of invoices and use of updated emission factors are stated for the FY19 period for each KPI.

## Assurance statement: AA1000

S&amp;P Global

PRINCIPLE	COMMENTS
<b>Inclusivity:</b> the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability	Schnitzer's primary stakeholder groups are its shareholders, employees, and local communities. Also, Schnitzer engages with regulators, customers, suppliers, and relevant non-profit associations. The organization provides sufficient avenues for all stakeholders to register their feedback and voice their concerns. Schnitzer engages with its stakeholders using standard methods such as surveys, meetings, newsletters, and periodic notifications. In FY20, Schnitzer increased its frequency of engaging with its local communities by scheduling quarterly interactions with appointed working groups. These interactions served to discuss mutual goals and to leverage opportunities. Schnitzer's engagement with its employees was also ramped up in FY20 to facilitate more transparency. Some highlights included the issuing of weekly reports and virtual town halls from the company's CEO on EHS, ESG, and market and business dynamics.
<b>Materiality:</b> determining the relevance and significance of an issue to an organization and its stakeholders	Schnitzer derives insights on its sustainability strategy from quarterly reviews, annual updates, and tri-annual assessments on Materiality in the context of Sustainability including environmental, social, and corporate governance (ESG). Materiality assessments are conducted with the participation of subject matter experts and senior management, and external parties where appropriate. Accordingly, the material issues identified along with traditional business risk are comparable to previous years. Climate, regulatory and physical risks from acute weather events are highlighted in the Materiality Assessment due to their potential impact on the supply chain and its operations.
<b>Responsiveness:</b> an organization's response to stakeholder issues that affect its sustainability performance and is realized through decisions, actions, and performance, as well as communication with stakeholders	Schnitzer has allocated environmental reserves, and capital expenditures tied to climate considerations. These are integrated into the organization's financial planning and audit review procedures on an annual basis. In FY20, Schnitzer focused on the development of advanced metal recovery technologies to support the production of "low-carbon goods" and "circular economy" recycling services, such as scrap metal products used to produce finished steel products. The supply of these goods to the broader supply chain for the production and installation of technologies and infrastructure that support the development of low-carbon economies are also initiatives that Schnitzer considers as opportunities. Further, the organization is also taking a leadership position within the metal shredding industry by properly quantifying air emissions and by installing advanced water treatment and air emission control systems.
<b>Impact:</b> Organizations should monitor, measure, and be accountable for how their actions impact broader ecosystems	In FY20, the absolute energy consumption is lower in comparison to the previous years due to lower production volumes, largely related to COVID-19 in the latter half of the fiscal year. In FY21, Schnitzer will roll out new data management systems that will facilitate improved monitoring and management of energy consumption. Additionally, members of the Board and C-Suite will continue to be incentivized to support and work on sustainability-related goals anchored to FY25 targets. Overall, these goals have encouraged management to seek to develop climate-impact and water-security related performance improvement projects.

**Findings, conclusions, and recommendations**

**The Principles:** Nothing came to Trucost's attention to suggest that Schnitzer's CDP Response does not adhere to the AA1000 Principles.

**Data reliability:** Schnitzer has implemented rigorous processes to collect and aggregate global energy consumption, GHG emissions, water use, and waste generation. Upon evaluating this system, Trucost found that data was accurate overall and any minor corrections were made as necessary.

**Assurance provider**

Trucost has been researching, standardizing, and validating corporate environmental performance data since 2000. Trucost's research team has the relevant

professional and technical competencies and experience to conduct an assurance to the AA1000 standard. Trucost has conducted this assurance independently and impartially and in compliance with S&P Global's policies and procedures, including its Code of Business Ethics that provide a framework relating to ethical conduct, conflict of interest, and compliance with law.

**Trucost, part of S&P Global**  
London, November 2020



**Steven Bullock**  
Global Head of Research and Innovation



Trucost  
ESG Analysis  
S&P Global

The materials have been prepared solely for informational purposes based upon information generally available to the public and from sources believed to be reliable. No content contained in these materials (including text, data, reports, images, photos, graphics, charts, animations, videos, research, valuations, models, software or other application or output therefrom or any part thereof ("Content")) may be modified, reverse engineered, reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of Trucost or its affiliates (collectively, S&P Global). S&P Global, its affiliates and their licensors do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global, its affiliates and their licensors are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON AN "AS IS" BASIS. S&P GLOBAL, ITS AFFILIATES AND LICENSORS DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, CONDITIONS, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global, its affiliates or their licensors be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Trucost's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. Trucost assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions.

S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge) and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).