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*Spotlight on Ferrous*  
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## **INTRODUCTION: TURNING HEADWINDS INTO TAILWINDS**

- Good afternoon and thank you.
- I am delighted to be here today... and for all of us to be back in Los Angeles... I don't know how many of you know this—or how many of you were here—but thirty-one years ago, ISRI held their inaugural national conference in this very city!
- As some of you may recall, 1988 marked ISRI's first full year as an association. It was a challenging time—with clouds looming on the federal, state, and local horizons. Our industry had a public image problem—to the extent it had an image at all.
- In fact, one of the workshops at the conference was titled, “Just What Is the Scrap Industry Anyway?”
- We knew then that we had to do a better job of defining our own destiny.
- So ISRI aimed to bring us all together, under the banner of “one voice” – to support each other and advance our collective interests.
- And the results are all around us.
- Just look at this year's program to see how *forward-looking* the scrap industry is today. Some great examples are the following:

- “The 2020 Workplace: Creating a Culture for the Next Gen Employee” .....here’s another....
- “Using Social Media to Grow Your Business & Promote Your Brand”  
.... or
- “How the Convergence of New Technologies Will Impact Recycling.” ....and then, of course...
- There’s also... “*Yoga.*”
- *[pause]*
- In all seriousness, a lot has changed over the past 31 years, and much of it for the better. That’s a testament to the vision and hard work of everyone in this room.
- We’ve got much to be proud of:
  - The U.S. scrap industry is the engine of more than \$117 billion in economic activity each year.
  - We’re a job creator—employing 156,000 men and women nationwide -- and indirectly supporting another 375,000 jobs.
  - We generate more than \$13 billion in federal, state, and local taxes.
- Our success is America’s success. And our interests are America’s interests.
- In the middle of our industry’s second strong year in a row, we’ve got a lot of reason for optimism.
- At Schnitzer, last year was one of our best years in a decade—and this year has started strong, too, despite some headwinds.
- But we know, as the ancient Greek philosopher said, *nothing endures but change.*

- So even as we make the most of this moment, we have to be preparing for what comes next.
- And frankly, when we look at what lies ahead for steel, maybe that's why ISRI is encouraging us to sign up for the yoga....
- Because, according to analysts at Bank of America-Merrill Lynch, we're on the cusp of "Steelmageddon."
- They warn that, over the next three years, in the US we could see as much as 20 to 25% increased steel-making capacity. Depending on where we are in the cycle—and we are experiencing an exceptionally long recovery—the US industry could be looking at significant oversupply and price compression.
- Steel mills are our customers. How they do, we do.
- If they face Steelmageddon, it may be difficult for us to escape unscathed.
- And we can't control that. But we *CAN* control a whole range of other factors.
- So even as we *adapt* to a changing environment, let's *invest* in the kind of change we want to see.
- What looks like a threat can become an opportunity if we are proactive and bold... if we can get ahead of the risk and turn it into a chance for reward.
- And that's what I'd like to focus on today: How to make that alchemy real.
- I want to look at three areas where our approach can turn headwinds into tailwinds—where we can drive initiatives that will help our industry... and also strengthen the U.S. economy as a whole.

## **THE FERROUS SCRAP MARKET TOMORROW**

- So...what will the scrap metal market of the future look like?
- I see three trends that are fundamentally transforming the way we run our businesses.
- The first is trade.... Changes in international trading dynamics have impacted our business both positively and negatively, and we don't know how the current situation will play out. Currently, the U.S. has the highest steel prices and the lowest level of imports we've seen in a long time and rebar-to-scrap spreads are unusually wide.
- The second is a more modern and enlightened approach to workforce management which recognizes that our employees are our most valuable resources....and....
- The third is an ever-more-comprehensive set of environmental regulations and expectations. These make going green not just good public relations, but a business necessity....
- Let me take these three topics in turn.

### **ISSUE #1: TRADE**

- First, and top-of-mind, is trade.
- Steel is a global industry.
- Last year, our Company exported our products to 25 countries worldwide.
- And industry-wide, through the fall of last year, ferrous scrap exports were up nearly 27 percent by volume.
- We expect that trend to continue... along with demand for steel. So it ought to be a very promising time for companies like ours.
- The problem is that the trade arena has grown increasingly contentious.

- As everyone here knows, over the past decade, we have seen a lot of unfair trading activity.
- As a result, in recent years, there's been a surge of anti-dumping cases filed by steel producers from all corners. Many were successful—but the process is cumbersome, expensive, and insufficient to keep trade flowing smoothly, freely, and fairly.
- It's kind of like “whack a mole.”
- Each case relates to a specific product and country. Winning in one place doesn't help you in another. And besides, you have to prove you've been injured, which takes a lot of time... time during which plants are idled, jobs evaporate, and market share is lost.
- Over the past year, American steel has gotten a boost from the Section 232 tariffs which the Administration imposed on steel imports.
- But while across-the-board tariffs may help us in the short-term, they are also an inadequate long-term solution—a blunt force response to a far more complex problem.
- For one thing, while tariffs do slow the imports of products that have been subsidized or dumped, those tariffs go to governments. Producers don't receive compensatory damages.
- And a climate defined by retaliatory threats creates a climate of uncertainty.
- So, what IS the solution? How do we make sure that trade creates tailwinds, not headwinds?
- There's no silver bullet. As industry leaders, we need to push for a range of alternatives.
- For starters, we need more creative approaches to trade imbalances, as we are already seeing with Australia, South Korea, Brazil, and Argentina.
- We also need more dynamic trade agreements, with more agile means of implementation—such as enhanced enforcement if the agreement is violated,

without need of WTO action or other review. These are the types of mechanisms we are hearing about with respect to the ongoing Chinese-U.S. negotiations. The USMCA—which is intended to be NAFTA’s successor—has similar dynamic provisions.

- We also need to urge our leaders to modernize the WTO.
- The WTO system has been transformational in providing a superstructure for world trade. But, similar to what I said about trade actions, the WTO is not equipped to handle massive disruptive events or the speed of change in today’s global economy.
- The WTO must be part of the solution and the United States must play a leadership role in working to improve the organization.
- Finally, I think we need to do a better job—in the private sector, in government, and across the political spectrum—of addressing the real anxiety that fuels hostility toward trade.
- As business leaders, we know that trade is a powerful force for growth, and—in the aggregate—its benefits *far* outweigh its costs. But it does have costs. For some individuals, it leads to dislocation and despair. We shouldn’t be surprised that populist and isolationist messages have gained appeal.
- Nor should we be content to proclaim how great trade is for US. That won’t advance the dialogue. Instead, we should champion solutions that everyone can get behind—from job retraining... to relocation assistance... to tax incentives... and more... to help ensure trade’s burdens are limited and its benefits widely shared.

## **ISSUE #2: A 21<sup>ST</sup> CENTURY WORKFORCE**

- The second issue we need to tackle is making sure we have the workforce we need.
- On one level, it is a matter of decency and morality. And, on another level, it's about best business practices.
- I'm referring to what we do in our role as employers.
- So...let me state the business case for management that prioritizes decent pay and benefits ... health and safety ... diversity and inclusion.
- Scrap recycling can be tough. It's demanding work. And in a tight labor market, with unemployment so low, attracting talent is even harder.
- Distribution centers and other warehouse jobs are competing with us in our traditional labor markets.
- We'd like to think our work offers fulfillment, but it's still tough to compete for employees with fulfillment centers!
- We need to make our facilities as worker-friendly as possible. Ensuring that the workplace is healthy and safe is priority number one.
- Schnitzer is proud to be a charter member of the ISRI Circle of Safety. I thank ISRI for developing this focus group and for highlighting and sharing leading Safety practices for the benefit of all its members.
- Our industry's success depends on developing strategies to improve the controls we have in place for existing risks and new and emerging threats. One important issue is Fire Prevention.
- According to *Waste Advantage* magazine, the number of fires at metals recycling facilities increased by over 100% between 2016 and 2018.
- Our industry has recognized the prevalence and contribution of batteries to fires and, thanks to ISRI and the Fire Task Group it organized nine months ago, there are two presentations on the topic at this conference.

- As an industry, understanding emerging issues like these and developing proactive solutions is essential to maintaining and enhancing our reputation.
- But let's also not forget that a shifting labor market can help drive innovation.
- To start, we can *harness new technologies* to help us fill gaps in our workforce.
- There are jobs that simply no longer need to be done by people – especially when there are fewer people interested in doing them.
- At Schnitzer, we have long been investing in state-of-the-art technology that will allow us to extract more metal from unprocessed scrap, reduce metal heading to the landfill, and improve efficiency across the board.
- Investments like these are highly capital intensive, but the dividends are real: A better quality product... faster, cleaner processes... and less waste.
- Second, if we're going to attract and retain talent, we need to *broaden our search*. It makes no sense to concentrate our hiring in only a fraction of the workforce. We should cast a wide net and make sure our companies make everyone feel at home.
- Historically, scrap workers have been predominantly male, at every level of the industry.
- But our industry is changing.
- We will find that many more positions can and should be filled by women—who make up more of the U.S. labor force than ever before.
- So it behooves us all to rethink the profile of our typical worker—gathering more people who bring different perspectives and talents to the table.
- In that spirit, I might add, I was glad to see the session this morning on tapping into veterans and formerly incarcerated individuals as pools of talent. We can help these motivated workers transition back to civilian life. It's a win-win opportunity.



- We also need to ***make sure our workplaces are inclusive, supportive, and equitable***. It may take time to become more diverse, but we can become more inclusive right away.
- Last year, Schnitzer appointed our first Chief Diversity Officer, with those priorities in mind. We want to be a place that appeals to today's workers—of every age, race, gender, identity, background, and sexual orientation.
- Finally, ***our country cannot have a growing economy with closed borders***. In a tight labor market, where businesses are having trouble filling positions, why would we turn willing workers away?
- We hear a lot in the media about H1-B visas, and the highly skilled workers that tech companies seek to fill capacity gaps in their enterprises.
- But the jobs that *our* industry depends on—jobs like picker and sorter and forklift operator—are often filled by new immigrants to this country. Hardworking people with a tremendous work ethic and a desire to get ahead.
- It is vital that the people who contribute so much to our industry and to our country have a pathway to citizenship. We need to stand up on behalf of common sense solutions like DACA and Temporary Protected Status for workers.
- It's not just about business.
- More fundamentally, their stories are our stories.
- The Company that I am privileged to lead was founded by a Russian immigrant who came here at the turn of the 20<sup>th</sup> century, looking for a better life. Sam Schnitzer got his start in Portland, Oregon by selling the scrap he could carry on his back. Over time, he built a family business into an empire.
- Our industry and our economy can't function without the contributions of immigrants. And our country can't maintain its character—or its soul—if we don't treat every person with the human dignity and respect they deserve.

### **ISSUE #3: THE REGULATORY ENVIRONMENT & PUBLIC PERCEPTION**

- The third issue is the regulatory environment, and the public face of the scrap industry, in a world where sustainability is becoming the watchword of the day.
- You can see it in China, where controlling industrial pollution and regulating waste have become top priorities. ... You can see it in Europe, where climate change is prompting dramatic changes in energy generation and consumption. ... And, yes, you can see it clearly in the United States.
- And, for us and our industry, that should be a very good thing.
- Yet too often we are seen as part of the problem—we are seen as damaging to the environment—by government regulators or by our very own neighbors in the cities and towns where we work.
- There's a stubborn image of our industry as a problem polluter... an image of scrap yards as junk yards... and processing plants as ugly old factories spewing waste and belching smoke.
- Not surprisingly, then, we're often met with a kneejerk "not in my backyard" response. People worry about air emissions, storm water and ground water protection, health and safety, and simple appearances.
- But our outdated image doesn't capture who we really are today.
- ***We shouldn't let ourselves be defined by our worst offender instead of by our best practices.***
- Moreover, we are on the side of the planet—and always have been.
- At the turn of the 19th century, Sam Schnitzer could not have foreseen issues such as greenhouse gas emissions or climate change, but the business he founded—like all of yours—was built on the principles that are fundamental to today's sustainability movement: reducing, reusing and recycling. By our very nature, we salvage the past to ensure the future.

- So how can we benefit from growing demand for scrap without inviting stifling red tape?
- First, we need to work hand-in-hand with our state and local regulators, and with our neighbors.
- Scrap isn't the only input we need to be successful. There's another key ingredient: human trust.
- Building personal relationships and engaging with our regulators and communities can help us work as allies, not as adversaries. It can help make clear we all want the same thing: A clean environment in a growing economy.
- And, we have science on our side. So let's *use science* to make our case.
- Let's help people connect the dots between what *we do* and what it means *for them*.
- For example, recycling metals allows the steel industry to save enough energy each year to power 18 million households.
- And using recycled steel—instead of fresh ore—in manufacturing steel cuts water use by roughly 40 percent.
- At Schnitzer, we estimate that based on our ferrous scrap volumes last year, more than 4 million metric tons of CO2 emissions were avoided—which is the equivalent of taking more than 900,000 cars off the road for one year.
- Let's also make sure people know how committed we are to reducing carbon emissions and waste in our own processes.
- And let's all work to educate local communities about our value—starting, of course, with the environmental benefits of making steel from scrap ... lower energy consumption, reduced greenhouse gas emissions, and less environmental degradation from mining. Scrap is sustainable, and the case for it becomes more compelling all the time.

- We can educate by sponsoring environmental cleanups and fostering a sense of societal responsibility. We can volunteer in classrooms. We can assist local law enforcement with weapons destruction and recycling. We can support charitable activities in the communities we call home.
- And, crucially, we can run ethical companies, admired for our integrity—companies that always do the right thing, even when no one is watching.
- In today’s world, where public trust has diminished, and where so many people see the system as rigged against them—it’s all the more important to demonstrate our commitment to being transparent and trustworthy.
- The millennial generation—which by 2025 will make up 75 percent of the workforce—believes in the power and responsibility of business to improve the world we live in.
- We have the opportunity to lead into this future—to set the standard for others to follow.
- And that leads into my last point: We need to *be our own best ambassadors*.
- We need to do a better job of communicating the value of our industry, and the role it plays in achieving a more sustainable future.
- Last month, I spoke at a very well-known university in California, to some of the country’s leading economic and policy gurus.
- And they all had definite, forceful views on all kinds of thorny issues—politics and policy, trade and the importance of steel tariffs and the domestic steel industry, the Trump administration’s stance on China.
- But many of these influencers acknowledged that they had no idea that steel is the most recycled commodity in the world....that two-thirds of the steel made in the US is made with recycled scrap....
- Or that on average, each day, the U.S. recycles enough ferrous scrap, by weight, to build 25 Eiffel Towers...

- Or that the cars they drive, the bridges they cross, and the buildings they work in are likely made from recycled scrap steel.
- This lack of awareness can be an obstacle—or it can be an opportunity, if we treat it as an open invitation to educate, inform, and inspire.

## **CONCLUSION: RESILIENT AS STEEL**

- I'm on the side of opportunity.
- The analysts at Bank of America-Merrill Lynch might be predicting “Steelmageddon,” but they aren't all doom and gloom. They also forecast that “when the dust settles,” the steel industry could emerge leaner and more competitive, and more attractive to investors.
- All of this is to say that in the long run the wind is at our back. The world needs steel, and steel needs scrap.
- I am confident that whatever challenges the coming years bring, we will meet them with vigor and resourcefulness.
- Because that's what we've always done.
- I became CEO of Schnitzer in December of 2008, just as the economy and our industry went off a cliff. The shock to the global financial system devastated the commodities market, disrupting our supply chains and causing the price of steel and scrap to plummet.
- But we bounced back. We reinvested in ourselves, in our people, in our processes – and in our pursuit of operational excellence.
- For Schnitzer Steel, operational excellence means using metrics to evaluate performance ... zealously controlling costs ... working constantly to improve productivity ... integrating technology as appropriate ... and looking for operating synergies. It also means diversifying our customer base and seeking out new sources of supply.
- This approach allows us to perform well in a range of market environments.

- The lesson we continually learn is how essential it is to be nimble. Adaptability and the ability to quickly react when opportunities present themselves are things that have been built into our culture.
- Over the past 10 years, my Company and yours have weathered other threats to stability and to growth.
- Through it all, we've survived and even flourished because – like steel itself – we're resilient.
- From our very beginnings, we've been able to see the upside in a downturn, to see opportunities that others have overlooked, and to spot value where others see waste.
- So, as we navigate today's challenges and uncertainties, I am optimistic about our future.
- And if we commit to speak up, I am confident we will be heard.

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