

## Incentivizing Integrity: Schnitzer's *Ethics in Action* Award Program

The *Ethics in Action* Award program is a company-wide employee peer-to-peer recognition program created and administered by Schnitzer's Ethics and Compliance Department.

### Why Reward Ethical Behavior?

Rewarding ethical behavior in the workplace is an effective way to encourage it, and organizations that prioritize doing so reap significant rewards from the effort. At Schnitzer we continue to emphasize ethics as a foundational principle. (Integrity, along with Sustainability and Safety, is one of our Core Values.) We are finding that elevating the ethics discussion and tying the message of integrity to all of what we value and wish to build on as an organization is nothing short of key.

First, let's clarify that when we talk about applying ethics principles of course we mean more than just establishing the rules and regulations and ensuring we have enough hall monitors and penalties at the ready. Schnitzer's Ethics and Compliance Department curates the policies and procedures, administers the Whistleblower Hotline, and ensures the Company both stays abreast of current legal requirements and remains diligent about following the rules. But in order to counteract the negative aspects of enforcing the rules and encouraging people to report misconduct, we must not neglect to illuminate the positive on the other side. Balancing that, to us, is what ethics is really about.

### Integrity Initiatives and Workplace Culture

By instilling a sense of inclusiveness and camaraderie, we all get used to the idea that we are in this together, and us humans naturally, with no more than the slightest nudge, tend to look out for those who make their presence known next to us. We aim for collaboration wherever we can. We know and can see how much it can mean, not just in terms of profit-making productivity improvements and profit-sparing injury and accident reduction, but in everything about ensuring people are safe and satisfied at work.

We can see clearly that all things positive about our employees' satisfaction correlate with that of our customers and shareholders. This is not so surprising when you think about it, and successful companies increasingly know it is true.

Our Ethics and Compliance Department created the *Ethics in Action* Award as a way to both enhance our integrity message and encourage the kind of intrinsic motivation that comes along with employees' knowing they are valued members of our organization.

### How the *Ethics in Action* Award Program Works

The *Ethics in Action* Award is essentially the opposite of the Whistleblower Hotline in that it encourages and enables employees to toot their coworkers' horns rather than blowing the whistle on misconduct and safety violations. Any employee can nominate a coworker, regardless of the hierarchy of their position, to receive a congratulatory shoutout for ethical actions or decisions—or for any such effort that contributes to a more respectful and safe workplace environment.



Schnitzer's *Ethics in Action* Award program began in 2017 as a way to formally recognize and congratulate people for ethical behavior. The Chief Ethics and Compliance Officer (CECO) often heard stories over the years about employees' ethical behavior and occasionally sent out emails to tell others about it. It eventually became clear, though, that an email was not enough. We decided that we could capitalize on these stories to encourage and incentivize the kinds of behavior they demonstrated. We also wanted a way to encourage people to go to the trouble of telling someone about it when they witness or appreciate it.

We selected our first three award recipients from the informal reports of exemplary ethical behavior the CECO received. Each employee whose behavior was the subject of these reports was given an inaugural *Ethics in Action* Award. The effect of this went beyond merely congratulating those individuals; it created opportunities to illustrate and broadcast their good deeds in numerous communications about what integrity means. This was the beginning of the *Ethics in Action* Award Program.

We presented these first three awards at our Pick-n-Pull locations (Schnitzer's self-service recycled auto parts retail subsidiary) where the award recipients worked. The CECO traveled to each store to host a lunch celebration and present an award plaque in person. These events became not just opportunities for her to stand in front of the groups and talk about what the *Ethics in Action* Award means, but to answer questions and open the rooms for what became lively and illuminating discussions about integrity and ethics in the workplace. It was apparent that these discussions demonstrated a level of engagement and potential for greater impact to justify a repeated round of awards.

We took photos at these gatherings to include in newsletter articles and social media posts to promote the program and to take advantage of another opportunity to discuss Integrity as well as our Company's other Core Values. The photos were also included in the CECO's update presentation to Schnitzer's Board of Directors as evidence of our Ethics and Compliance Department's initiatives and activities.

By mid-FY 2018 the CECO had heard a great deal more from Schnitzer employees and leadership and gained further specific examples and insights about the power of incentivizing ethical behavior, as this program already seemed to quite effectively do. Given this perspective, she and her department decided to extend its reach beyond Pick-n-Pull employees to all employees in all Divisions of the Company. We issued an all-employee announcement, officially launching and soliciting nominations for the FY 2018 *Ethics in Action* Awards. We included instructions for how and why to nominate a coworker and provided a link to the nomination form via the portal we established on SharePoint. (See the all-employee "Nominate A Coworker Today!" message in English and Spanish and the "Nomination Form" at the end of this article.)

We chose our ten FY 2018 *Ethics in Action* Award winners from a pool of nominees for a variety of ethical deeds and choices. Some were specific instances when a quick decision was made, whereas others were for more generalized and consistent behavior patterns. For example, an *Ethics in Action* Award was given to someone who found and turned in what ended up being a customer's beloved mother's ashes accidentally left behind in a car bound for demolition. Not only did that employee find the urn and bring it to someone's attention, she went to a great deal

of trouble making multiple calls to track down the person it belonged to and return it. Another award went to someone who had spoken up in a team meeting to confront an issue they were having that made someone else feel less a part of the team. The choice to bring it up was courageous and showed a willingness to stick their neck out for someone else's benefit. Another award recipient was honored for having chosen to take the necessary time to move a truck into a safe position despite being pressured to hurry up and take a chance on the far less safe option. Finally, an award went to an employee for stepping in to help on multiple occasions, recognizing a need and being there to fill it.

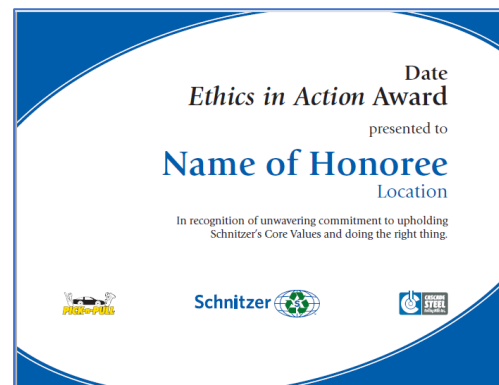
Consistently being quick to recognize and alert others to a potential hazard or spearheading efforts to do the right thing for others is what employees are seeing and appreciating in their coworkers. Sometimes the *Ethics in Action Award* is for bold heroics whereas others are to recognize a person for the steady stream of trustworthiness and respect they demonstrate, which benefits their coworkers, our customers, and by extension, our Company.

When the time comes to choose the *Ethics in Action Award* recipients each year we, meaning the CECO and the Ethics and Compliance team, review the nominations as a group and decide. We write up an announcement including the winners' names and a brief description of their so-honored ethical action(s) and send it via an all-employee email from the CECO.

A few days after the email announcing the FY 2018 *Ethics in Action Award* winners went out, Schnitzer's CEO spoke about the Award, then re-announced and congratulated our winners during her Company-wide "CEO Town Call" status update. It was great to applaud each of them together as a Company.

The CECO also sent a separate message to each recipient's manager, and copied their Human Resources representative, to congratulate them for their employee's award and thank them for the leadership they contributed in establishing an environment conducive to ethical choices and behaviors. (The template for this manager message is provided at the end of this article.)

*We presented a personalized award plaque to each employee to be displayed at their workplace. We also gave them a certificate to take home, a copy of which will remain in their permanent employee file.*



The CECO travelled to each of the ten FY 2018 recipients' workplaces and presented the awards in person. As in the year prior, she hosted a facility-wide meal celebration and congratulated the honoree to the applause of their entire team. She also invited others to speak about the award and engage in what would otherwise be a rare occurrence—a truly candid discussion about ethics in the workplace.



### On A Growth Trajectory

We continue to enhance the program. This year's kickoff email soliciting FY 2019 nominations included a video the CECO recorded. In it she discussed the *Ethics in Action Award* and offered examples of the kinds of behavior we celebrated in prior years' awards, showing photos of the winners, and encouraging future nominations. The video included a recap of each of last year's winners with photos from each of their award presentations.

We received about twice as many nominations for the FY 2019 *Ethics in Action Awards* as we had the year before. We again chose and announced ten recipients—representatives from each of our Company's Divisions. The CECO has begun presenting the awards at the honorees' workplace locations.

We continue to solicit nominations and hope to encourage employees to increasingly recognize and take the time to nominate their coworker's ethical choices and behavior so we can acknowledge them as a Company and celebrate together. The nomination portal we created remains accessible 24/7 on the SharePoint site, so employees can easily submit nominations at their convenience all throughout the year.

### Seeing the Effects of the *Ethics in Action Award* Program

In summary, Schnitzer's *Ethics in Action Award* rollout and evolution has already shown positive effects on the Company's culture, within and between all Divisions of the Company and throughout all of our facilities. We are encouraged by what we have seen.

We hope to continue to promote participation throughout our ethics and compliance communications and in any way we can. We expect further positive developments from building an integrity-apparent ethical culture, which means greater safety and satisfaction with our surroundings, with our leadership, and with our jobs.



## Manager Message – Acknowledging and Appreciating Ethical Leadership

*The following is the message each award recipient's manager receives:*

TO: [Manager]

CC: [Manager's Manager]

CC: [HR Representative]

RE: [name of honoree] – *Ethics in Action* Award Honoree

Dear [Manager],

I would like to congratulate you for your employee's having been selected for the *Ethics in Action* Award.

As you know, we created this award to help us all continue fostering a culture of integrity and inclusiveness, to recognize and celebrate people doing the right thing, and to amplify the positive we see throughout the Schnitzer organization.

Establishing an ethical environment comes not by merely deciding to do what's right and encouraging each other accordingly, but by laying a foundation based on the truth that each member's contribution is valued, and each member is treated and respected as a vital part of a whole. People who feel included and believe themselves to be a genuinely valued contributor look beyond themselves and better serve one another and our Company.

By being dependable through consistency in attitude and actions, in big and small ways, in visible and invisible situations, we all have the opportunity to demonstrate integrity on a daily basis. We know that each person selected for the award has benefited from quality leadership and encouragement like [name of honoree] has received from you. We realize, in other words, that you had something to do with creating a workplace climate of honesty, trust and open communication. Accordingly, we recognize your leadership and appreciate your vigilance.

I ask that you will take this opportunity to discuss [name of honoree]'s award with your teams and expand on it to include a discussion about your workplace environment and our Core Values of Sustainability, Safety and Integrity in the next week or so. (Of course, I urge you to discuss our Core Values at **every** opportunity.)

Finally, later in the fiscal year I will visit your facility and host a lunch for everyone there to join me in congratulating you and [name of honoree] in person and to celebrate as a group. I look forward to meeting you and visiting with you and [name of honoree] and your whole team.

Please feel free to contact me should you have any questions.

Thanks for all you do,

**Callie Pappas**

Vice President & Chief Ethics and Compliance Officer

**Schnitzer Steel Industries, Inc**

**From:** [Callie Pappas](#)  
**To:** [All Users](#)  
**Cc:** [All Human Resource](#); [Corporate Compliance](#)  
**Subject:** Ethics in Action Award--Nominate a Coworker today!  
**Date:** Monday, September 16, 2019 1:58:00 PM

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All,

The ***Ethics in Action Award*** program is Schnitzer's way of shining a light on people making honest choices and demonstrating ethical behavior in our workplaces.

*(Consulte a continuación de este correo electrónico para la versión en español.)*

**Please click on this link ([Ethics in Action Award](#)) for a video that provides information about the award and again celebrates the nine EIA Award winners from last year.**

What exactly do we mean when we talk about *Ethics in Action*?

Think about your colleagues.

- Who among us exemplifies our Core Values of Safety, Sustainability and Integrity?
- Who took action to ensure the safety of employees and customers?
- Who made a decision for the health of our business and the larger community?
- Who spoke up when something was not right?

Let us know who these individuals are by nominating them for an *Ethics in Action* Award today! **The deadline for nominations is October 11, so act now!**

You can nominate a coworker:

- By clicking [here](#) or going to <https://tinyurl.com/ethicsinaction>,
- Through the Corporate Compliance page on SharePoint, or
- By contacting Corporate Compliance at [CorporateCompliance@schm.com](mailto:CorporateCompliance@schm.com).

**I request that HR representatives help cascade this announcement and that all location managers share this video with their teams so that those without email or computer access can view it.**

Please do not hesitate to contact me with any questions or comments. We look forward to receiving your nominations

**Callie Pappas**

Vice President & Chief Ethics and Compliance Officer

**Schnitzer Steel Industries, Inc.**

Asunto: Proponga a un compañero de trabajo para el Premio *Ethics in Action*

El programa **Premios *Ethics in Action*** es la forma en que Schnitzer da a conocer a las personas que toman decisiones honestas y demuestran un comportamiento ético en nuestros lugares de trabajo.

¿Qué queremos decir exactamente cuando hablamos de *Ethics in Action*? **Haga clic en el enlace de abajo para ver un video que proporciona información sobre el premio y que nuevamente hace un homenaje a los nueve ganadores del Premio EIA del año pasado.**

[Premios \*Ethics in Action\*](#)

Piense en sus colegas.

- ¿Quiénes de nosotros ejemplifican nuestros valores fundamentales de Seguridad, Sostenibilidad e Integridad?
- ¿Quiénes han tomado medidas para garantizar la seguridad de los empleados y los clientes?
- ¿Quiénes tomaron decisiones a favor de la salud de nuestro negocio y de la comunidad en general?
- ¿Quiénes se hicieron escuchar cuando algo no estaba bien?

Proponga hoy mismo a estas personas al Premio *Ethics in Action* para hacernos saber quiénes son. **La fecha límite para las nominaciones es el 11 de octubre, ¡así que actúe ahora!**

Puede proponer a un compañero de trabajo:

- Haciendo clic [aquí](#) o visitando <https://tinyurl.com/ethicsinaction>,
- A través de la página de Cumplimiento Corporativo en SharePoint, o
- Contactado a Cumplimiento Corporativo al 503-323-2748 o en [CorporateCompliance@schn.com](mailto:CorporateCompliance@schn.com).

**Solicito que los representantes de Recursos Humanos ayuden a difundir este anuncio y que todos los gerentes de sitio compartan este video con sus equipos para que los que no tengan acceso al correo electrónico o a la computadora puedan verlo.**

No dude en ponerse en contacto conmigo si tiene alguna pregunta o comentario. **Esperamos recibir sus nominaciones.**

**Callie Pappas**

Vicepresidente & Director de Ética y Cumplimiento  
**Schnitzer Steel Industries, Inc.**

# Ethics in Action Award Nomination Form

The Ethics in Action Award recognizes employees who demonstrate outstanding leadership and commitment to the Company's core values of Integrity, Safety and Sustainability. Employees may be nominated by a manager or another colleague.

\* Required

1. Who are you nominating for an Ethics in Action award? \*

*¿A quién nomina para el Premio a la Ética en Acción?*

Enter your answer

2. Why? Please describe how they have demonstrated one or more of our Core Values of Safety, Sustainability and Integrity. \*

*¿Por qué? Describa de qué manera esa persona ha demostrado uno o más valores fundamentales de seguridad, sostenibilidad e integridad.*

Enter your answer

3. Division of Nominee \*

*División de nominados*

- AMR Autos
- AMR Metals
- CSS (Cascade Steel and Scrap)
- COR (Corporate Shared Services)

4. Work Location of Nominee \*

*Lugar de trabajo del nominado*

Enter your answer

5. Your Name and Contact Information (in case we have any questions) \*

*Su nombre e información de contacto (en caso de que tengamos alguna pregunta)*

Enter your answer

Submit