

A Commitment to Leadership

An Interview with Jennifer F. Scanlon,
President and Chief Executive Officer, USG Corporation



Jennifer F. Scanlon

EDITORS' NOTE Jennifer Scanlon became USG Corporation's President and CEO on November 1, 2016. Previous roles at USG included President of the company's International and L&W Supply divisions, Senior Vice President, CIO, and Director/Vice President SCM and CRM Strategy for USG. Prior to USG, she was a consultant for Bricker & Associates, Inc. and worked in service delivery for IBM. She earned her M.B.A. in Finance and Marketing from the University of Chicago Booth School of Business and her B.A. in Government and International Relations/Computer Applications from the University of Notre Dame.

COMPANY BRIEF USG Corporation (usg.com) is an industry-leading manufacturer of building products and innovative solutions. Headquartered in Chicago, USG serves construction markets around the world through its United States Gypsum Company, USG Interiors, LLC, and international subsidiaries, including its USG Boral Building Products joint venture. USG's wall, ceiling, flooring, sheathing, and roofing products provide the solutions that enable customers to build the outstanding spaces where people live, work, and play. Its USG Boral Building Products joint venture is a leading plasterboard and ceilings manufacturer across Asia, Australasia, and the Middle East.

What makes USG special and what has been the key to the company's success?

USG has been an industry-leading manufacturer of building products and innovative solutions for 115 years. We invented Sheetrock® brand wallboard 100 years ago, which was a breakthrough invention for our company and the building industry. We continue to innovate today, helping our customers in the building industry build smarter, better, and faster.

I joined this company because USG was an industry leader and, over the past 14 years, my pride and admiration for our company has only grown. What really struck me as interesting, even before I became an employee, was USG's commitment to our customers and our strong brands, which are backed up by our core values and our people.

Our number-one core value is safety and we live this every day. Working safely is not just a statement on a poster – it is a value that is addressed every single minute of every single day. For example, at our plants, the first thing that one sees is how many hours it has been since the last lost-time injury. In fact, our Galena Park, Texas, plant just celebrated 10,000 safe workdays – that's 27 years without a lost-time injury.

We recently received the National Safety Council's Robert W. Campbell Award for excellence in environmental, health, and safety programs, which is one of the most prestigious safety recognitions in the United States.

I truly feel that because of our focus on safety, our people listen to each other and they look out for each other. This is a crucial part of USG's culture and reinforces our commitment to the success of our employees and of our customers.

With the company's long history, how do you remain innovative, especially at your size and scale?

Innovation has made it possible for us to become who we are today. We have driven some of the most significant developments in building materials over the past 100 years: drywall panels, mineral-fiber acoustic ceiling tiles, and light steel studs for framing are just a few examples. Today, we continue to create meaningful solutions to the challenges faced by our industry, such as labor shortages, time constraints, and water scarcity.

We foster an innovation-centric culture that encourages and rewards ideas and improvements. Yet, the main focus driving innovation has been the needs of our customers. Our employees are out in the field, listening to our customers and seeing firsthand how products are being used. This gives us an understanding of what customers really care about. That closeness to our customers makes us responsive and allows USG to be an innovation leader.

We have a Corporate Innovation Center outside of Chicago, which is a state-of-the-art research facility where our scientists focus on improving current products and developing new ones. This continues to be a key differentiator for us and helps us serve our customers' evolving needs.

In attracting talent, what do you tell them about the opportunities this industry offers?

Manufacturing is a rapidly changing field where a variety of skills are needed. An incredible amount of technology and innovative thinking goes into our products. We need talented employees that are skilled in science, technology, engineering, and math to connect with our diverse employee and customer bases.

We focus on research and development at our innovation center and, in fact, are awarded dozens of patents each year so there is always something fresh and new we are bringing to the market.

What makes it exciting to work at USG is that as we travel around the country or around the world, we can see that our products are part of creating important buildings. For example, we provided the first shaft wall system used in some of the tallest buildings in the U.S. such as the Willis Tower in Chicago and One World Trade Center in New York City. We shipped USG products from the U.S. to Dubai to build the Burj Khalifa. We have been a leader in providing innovative solutions and systems required to create buildings of that scale.

People really identify with that sense of creating something. I think this excitement stems from the fact that our industry contributes to creating the places where people live and work every day. We're part of it all, and that's fun.

How important is brand and brand awareness to USG?

USG is one of the leading brands in the building industry. We also have some of the most recognizable product brands.

In our industry, we've found that the Sheetrock® product brand really resonates with consumers. People know it and it's an iconic product. When we launched our USG products into Asia, Australia, and the Middle East markets, we found that the Sheetrock® product brand resonated in other countries as well. Additionally, our joint compound "with the green lid" is well-known within our industry. We're proud that our products are the stamp of excellence for commercial contractors.

How important is diversity and the efforts around making sure you have that type of environment?

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USG prides itself on building a world-class workforce, and we make it a priority to have a diverse and inclusive workplace.

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Diversity is essential in making sure that we're including different perspectives with all of the intellect and talent that is out there. The construction industry has evolved a lot since our company was founded. It's important that our employees are reflective of our customer base so we can better understand and meet their needs.

We recently received an award by a prominent Chicago organization, Chicago United, for our focus on diversity and inclusion. We're proud USG has been recognized for our efforts.

Diversity really is about including people of all ethnicities, genders, talents, and experiences. When we look at the issues that our customers care about – labor shortages, water scarcity, or time management – we think about the science, engineering, and technology that is needed to solve them, and we need to make sure we have people that can solve these problems.

For example, we have a food scientist in our research center that is focused on developing different compositions for the chemistry of our products. We also have another talented scientist who came from the cosmetics industry and some of the work she has done has been extremely helpful in allowing us to think differently about our manufacturing processes. If we weren't willing to consider a diverse pool of candidates and only hired from within our industry, we would not have had some of our most innovative product breakthroughs.

Will you talk about your views around the responsibility that leading companies have to address broader community needs?

We are truly committed to being good corporate citizens in the communities where we live and work. We always think about how we can better serve our customers, be better corporate citizens, and be the best employer for our people. Corporate engagement in our communities is an essential piece of that.

Supporting the communities we serve is an important part of life at USG. We have a number of means for employees to get involved, and our USG Foundation sets the tone. USG also matches contributions that our employees make in time or money to local nonprofits.

The foundation focuses on housing, health and human services, and education, and our employees are very engaged and committed to giving back to the local neighborhoods in which they live.

Is there such a thing as finding a balance between the short-term pressures and making long-term investments for the company?

We are now in a strong financial position, which provides opportunities to invest in our future. It is really important to have a strong and healthy balance sheet to enable us to make wise decisions about investing in our business. This past year, we paid off more than \$1.1 billion in debt, and we're back to having a balance sheet that is at the right leverage ratio for our company. This has reduced our interest expense and provides us the flexibility to invest in growth opportunities.

We'll continue to evaluate growth opportunities in a disciplined fashion and consider the ways to return capital to shareholders. We are also looking to see how we can round out our portfolio in our core manufacturing business.

Is the dialogue that is taking place around advancement for women the right one?

USG prides itself on building a world-class workforce, and we make it a priority to have a diverse and inclusive workplace. I'm honored to

be the first female CEO in USG's history. I believe there are great opportunities for women at USG and in our industry. Our company has been very involved in programs that encourage more women to pursue or advance their careers in manufacturing and all areas of our business, and I am happy to continue our commitments to STEM (science, technology, engineering, and mathematics) programs.

There is a continued focus on recruiting and retaining women for positions within the STEM fields. I'm very encouraged by the progress out there, but everybody needs to be really clear that the way those opportunities unfold is to be the best candidate that is available. It's about rolling up one's sleeves and focusing on those essential skills in an industry – the science and engineering topics, and the math and technology are what open the doors for anyone.

I have seen a lot of progress in diversity in our industry. We recently sold USG's distribution business, L&W Supply, to ABC Supply, owned by one of the most successful self-made entrepreneurs in the country, Diane Hendricks. She's leading a terrific company. Also, what goes in the wall right behind our Sheetrock® brand wallboard is insulation and we have Mary Rhinehart leading Johns Manville, who has been a great role model in the industry.

Being in Chicago, I get to see some of the iconic structures that Jeanne Gang of Studio Gang is building and see that she has been recognized for her work. It's great to follow the many great female architects around the world who are becoming more prominent and earning recognition for what they do.

I'm always fascinated when I travel in Asia and Mexico – our customers are frequently family-owned businesses so the whole family is involved. The husband might be the head of sales and the wife might be the head of marketing or accounting, but they're in it together. We're seeing many women take over the leadership helm of these family businesses over time. I find that to be really exciting because they are role models in their local communities.

Do you feel you've been able to have a number of different careers within one company?

Absolutely. I initially came to USG for a better work/life balance but I also joined because I knew there would be great opportunities here. At that time, I didn't even know how many opportunities I would actually have, but that has always been my number-one focus at USG. I wanted to keep learning and keep myself fresh. I made sure that I was contributing in some way, shape, or form that is meaningful to the company. I have always been involved at USG and it's been terrific.

When young people ask me what advice I have for them, I tell them that at any point in their careers, they have to balance the work opportunities that are presented to them with their family and personal obligations, and their compensation. At any step, they have to feel they have the right balance, although it might never be perfect.

Are you able to enjoy the process and celebrate some of the wins?

While sometimes I'm big on, "even better next time," I think it's important to step back and reflect on our achievements. I have found that employees feel the same way – they want to feel good about the things that have been accomplished and it is fun to celebrate successes. It's something that I have become better at throughout my career. ●