

## Sustainable procurement

### Supplier codes of conduct

#### Do we really need them?

Many leading organizations and industry associations have adopted supplier codes of conduct (SCCs) for many good reasons. SCCs communicate an expectation in terms of corporate responsibility from the supplier community and express organizational values. At a minimum, these standards of performance address working conditions such as health, safety, and social inclusivity along with sustainable business practices within a voluntary framework.

Organizations and associations want to know that companies within its supply chain are not contributing to social problems - either domestic or foreign. More importantly, they want to know how their supplier partners are contributing to sustainable development. However, there is growing evidence that codes of conduct although they are well intentioned may default to protecting profits over the concerns for people or the planet.

A review of the sourcing for a raw material used in the high tech industry reveals a great deal about what SCCs imply and how companies respond. Columbite-tantalite, or coltan as it is commonly known, is a metallic ore which finds its way into the supply chains of manufacturers of capacitors for cell phones, DVD players, laptops, pagers, computers, hearing aids, digital cameras and many other electronic devices. Commercially coltan is converted to a heat resistant powder called tantalum used in circuit boards.

One of the key geopolitical areas where coltan is mined is the Democratic Republic of the Congo (DRC). The International Union for Conservation of Nature (IUCN) has condemned the



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sourcing of coltan from the DRC as well as the internationally recognized Organization for Economic Co-Operation and Development (OECD). The Canadian government participates in over 20 committees of the OECD with representation by Canadian Parks and Wilderness Society, Toronto Zoo, and the Canadian Institute of Resource Law, to name a few and has a Permanent Delegation of Canada through Ambassador Paul-Henri Lapointe.

The OECD published its 2008, 65-page OECD Guidelines for Multinational Enterprises. Under the section *Concepts and Principles* it clearly states that “*observance of the Guidelines by enterprises is voluntary and not legally enforceable.*” It asks that multinational corporations meet the *softer* expectations of society while promoting commercial interests.

Coltan may be to the electronic industry as ‘blood diamonds’ were to the jewellery industry. Over 70 percent of the global supply of coltan is said to be from the DRC. The DRC has been at war with its neighbours Uganda, Burundi, and Rwanda with illegal trading in coltan being one of the contributing factors. The United Nations

has been on record as saying that the DRC coltan supply is subject to “highly organized and systematic exploitation.” The BBC News reported “coltan is one of the driving forces behind the war in the DRC, and the presence of rival militias in the country.”

To its credit, US-based KEMET Corporation, an electronics component manufacturer, reiterated in July 2008 that “all suppliers of tantalum material to provide a Letter of Certification that they do not or will not, (a) illegally mine any tantalum material from the Congolese mines, (b) purchase any illegal material containing tantalum, including coltan, from the Congolese mines and (c) sell any illegal material to KEMET from such mines. All of our tantalum material suppliers have complied and issued signed Letters of Certification that KEMET Corporation will not receive illegal tantalum mined in the Democratic Republic of Congo.”

Good on them for making such a strong commitment towards corporate social responsibility in their SCC. There are likely many more companies in this sector that are acting responsibly and still protecting their bottom line. As too, there are likely many more which have chosen other sourcing options – not all of which are in line with sustainable business practices.

Thousands of kilograms of coltan are leaving the Congo area each year. It is going into our consumer products creating the consumer paradox – “I like the product but I don’t want to know how the stuff got inside.” Coltan will continue to be mined under exploitive and illegal conditions until consumers are made more aware of ‘what’s inside’ and choose to buy more responsible products; or until more sources are available which comply with the expectations of a global society; or until the material is designed out of the product.

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In September 2009 the Electronics Industry Citizenship Coalition (EICC) met with industry representatives to discuss responsible tantalum sourcing. The reasons for the meetings may be due to the increased awareness by customers and communities with the mounting problems related to current sourcing practices. The EICC has had an electronic industry code of conduct in place since October 2004. Membership in the EICC includes HP, Apple, KEMET, Microsoft, Sony, Dell, and other leading brands.

If society and business support organizations such as the OECD and EICC, we should have confidence that they will be assertive and progressive in their demands that MNCs meet the expectations of a global society. As reported by the NGO OECD Watch, the OECD *Guidelines* do not have the teeth to ensure compliance and allow for a lot of discretion by the parties to address the issues being reported. It would also appear that the EICC has found its code to be comprehensive but difficult to monitor the compliance in practice.

Consumers changed the tide for the diamond and clothing industry and for many other retail items by challenging the integrity of the brand supply chain policies and practices. Consumers may be able to do the same for the coltan industry. However, the list of toxic or inimical materials is so long it would take years to expunge them on a case-by-case review. This in part is why governments acknowledge the importance of the work done by the OECD, the EICC, other industry review committees and business leaders. Each has a role to play and compliance is the key. Consumers rely on codes of conduct as being bona fide. The Forest Stewardship Council (FSC) and Marine Stewardship Council (MSC) certifications are building credibility with consumer preference. Supply professionals expect that responsible companies and industries will act responsibly and stand behind their voluntary codes. Where they fail, they expect that sanctions will be appropriate and effective. Thinking globally means acting responsibly.

Supplier codes of conduct with the ability to meet compliance expectations are what we need. What’s inside your SCC? 