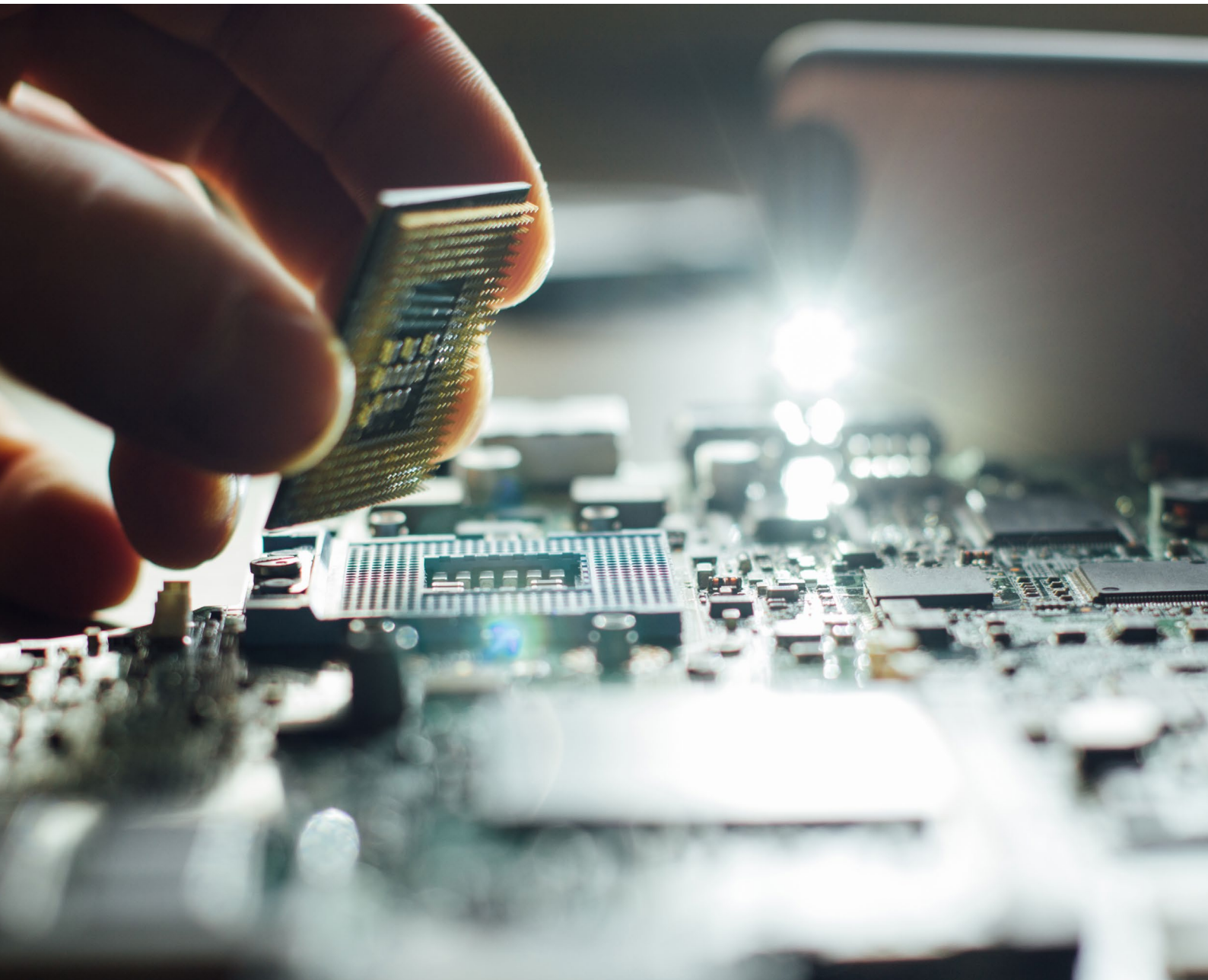


# Technology: Responsible Sourcing

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Part of **Common Threads: Designing Impactful Engagement**



# Introduction

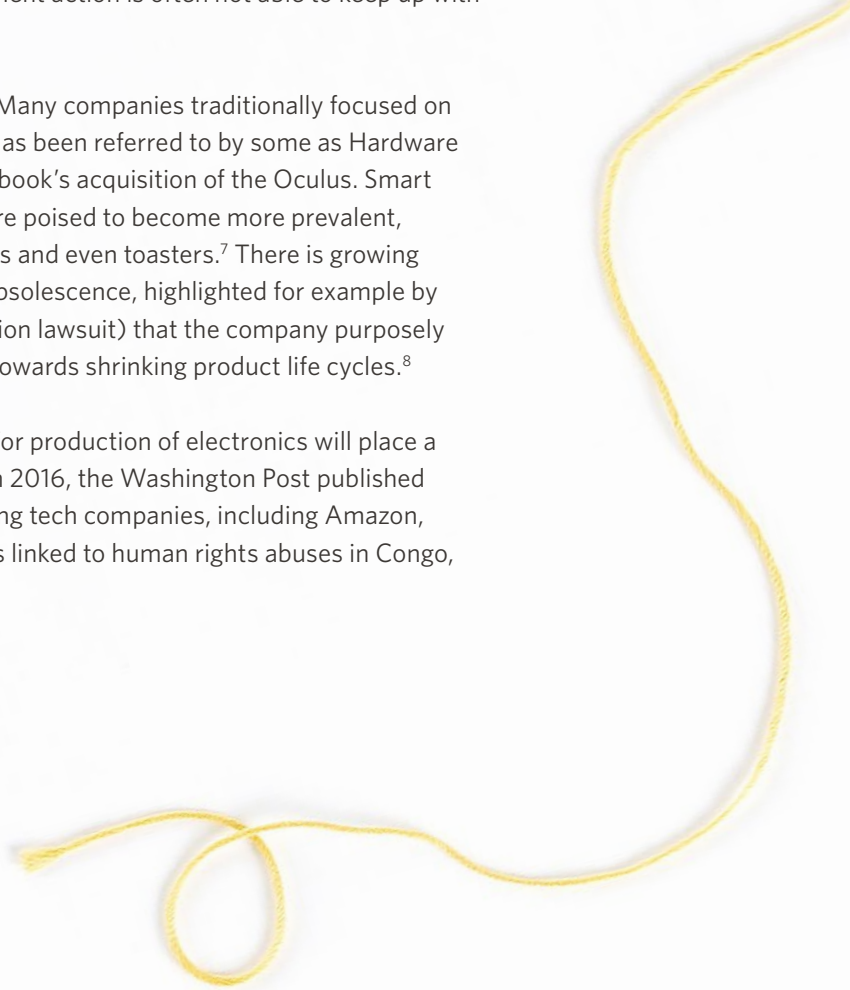
**Responsible sourcing of raw materials, referring to both social and environmental impacts, for technology companies has been a persistent issue for the sector. Over the past decade, we've seen growing stakeholder concern over issues deep in the sector's supply chain.**

Apple's relationship with Chinese supplier FoxConn raised alarms when a string of employee suicides hit news headlines in 2010.<sup>1</sup> Amazon has recently been criticized for working conditions in factories where it manufactures its Echo devices.<sup>2</sup>

A study by the World Economic Forum (WEF) showed that consumers are increasingly aware and engaging with tech companies and their CEOs, with the topic of sustainable production as a key areas of interest by consumers.<sup>3</sup> Investor groups are becoming increasingly engaged as well - the UN Principles for Responsible Investment (PRI) noted that 86-90% of environmental impact for tech companies lies in supply chains, suggesting significant risks for sourcing and urging investors to engage with companies to apply more due diligence to direct and indirect suppliers.<sup>4</sup> Action has been taken by government to address these issues, with the 2010 Dodd-Frank Consumer Protection Act as well as an upcoming 2021 European regulation on conflict minerals. However, government action is often not able to keep up with the fast pace of the sector.<sup>5, 6</sup>

The tech space is continuing to grow and evolve. Many companies traditionally focused on software are moving into hardware - a shift that has been referred to by some as Hardware 2.0 - such as Google's purchase of Nest and Facebook's acquisition of the Oculus. Smart devices, making up the Internet of Things (IoT), are poised to become more prevalent, arriving in the form of smart watches, refrigerators and even toasters.<sup>7</sup> There is growing concern about companies' practices in planned obsolescence, highlighted for example by Apple's recent admission (and following class action lawsuit) that the company purposely slowed down older iPhones - suggesting a trend towards shrinking product life cycles.<sup>8</sup>

As the sector expands the raw materials needed for production of electronics will place a further burden on society and the environment. In 2016, the Washington Post published an exposé showing that many of the world's leading tech companies, including Amazon, Samsung and LG, continue to source cobalt that is linked to human rights abuses in Congo, highlighting a persistent issue for the sector.<sup>9</sup>



# Companies step up

**Companies have begun taking a more proactive approach to responsible sourcing, but the complexity of supply chains makes it difficult for companies to take unilateral action.**

A large number of companies have joined multi-stakeholder coalitions or industry collaborations, for example the Responsible Business Alliance (formerly the EICC), the Global eSustainability Initiative (GeSI) and others. The goal of these coalitions is to agree on standardized processes for engagement and auditing of direct and indirect suppliers to increase transparency and improve performance.

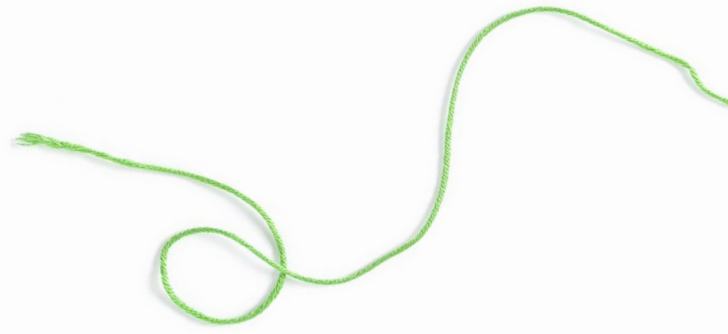
Some companies have focused on the circularity aspect of sourcing, noting that reclaiming raw materials after disposal can lead to cost reductions for the company while also minimizing supply chain risk and helping to alleviate global e-waste problems. These companies have tended to focus on engagement via partnerships with retailers

or community-based organizations to improve collection at end-of-life, or on enhancing internal or municipal infrastructure to improve reclamation technologies. Other companies have taken a more innovative and disruptive approach to solving issues in their supply chains – researching alternatives to cut out certain supply chains altogether.

Across the sector, tech companies and their CEOs are increasingly engaged with consumers and communicating about their companies' actions on sustainable production, as highlighted in the WEF report.<sup>10</sup> As demands from consumers on transparency and responsibility continue to grow, we are likely to see new and creative ways that tech companies are engaging with stakeholders on responsible sourcing.



# Case Studies



## Responsible Cobalt Initiative

**A number of companies, including Apple, HP, Samsung SDI and Sony, joined together in 2016 in a multi-stakeholder collaboration called the Responsible Cobalt Initiative (RCI).**

The collaboration aims to promote cooperation among the companies and improve transparency in their supply chains. The RCI is particularly noteworthy because it is led by the Chamber of Commerce for Metals, Minerals and Chemicals Importers and Exports (CCCIMC) in China, where a significant portion of electronics supply chains lie, and also aims to work directly with the government of Congo, where sixty percent of the world's cobalt supply originates.

Some stakeholders, particularly an investment risk analyst based in Asia, have criticized the initiative, calling attention to corruption in the Congolese government which they say will prevent the RCI from ever achieving its goal of ethically sourcing cobalt.<sup>11</sup> An alternative to the RCI is to follow Elon Musk's example and take steps to avoid cobalt in supply chains altogether.<sup>12</sup>

The RCI is still in its infancy and lacks a means of communicating with the general public (it does not have a website). However, its inclusion of key players across the cobalt supply chain in China and the Congo are promising and will be followed with much interest from tech companies and consumers alike.

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**SAMSUNG**

**SONY**

Dell



## Launching innovative partnerships for circularity

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**Since 2004, Dell has teamed up with the non-profit Goodwill to collect, refurbish and recycle e-waste materials.**

The program has grown significantly, with Dell taking steps to use the plastic recycled from Goodwill donations in its own products since 2014 and even became the first PC manufacturer to use recycled gold from e-waste in its products in 2018.<sup>13</sup>

Based on a study by TruCost for Dell, its work in recycling plastics has yielded a natural capital benefit of 44% (worth \$1.3 million annually) compared to the use of virgin plastics.<sup>14</sup> The study also showed that the recycling of gold in e-waste can cause 99% less environmental damage and can avoid 41 times the social impacts of gold mining, demonstrating to stakeholders the immense benefits of its circularity program.

Going beyond the partnership with Goodwill, Dell also collaborates with actress, activist and entrepreneur Nikki Reed to help bring greater visibility to the value within technology and encourage people to recycle. Nikki and Dell are partnering on BaYou with Love, an upcycled jewelry collection made entirely of recycled gold recovered from Dell's technology recycling programs.<sup>15</sup>

Dell's partnerships demonstrate that the company is willing to take unconventional approaches to stakeholder engagement in order to more responsibly source its materials and dispose of its products.

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Apple



## Moving from laggard to leader through engagement

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**In 2011 a group of Chinese environmental organizations led by the Institute for Public and Environmental Affairs (IPE) published a report titled *The Other Side of Apple*, accusing Apple of “ignoring hazardous and unhealthy conditions at the factories in China where its components are assembled.”<sup>16</sup>**

When Apple did not respond to inquiries by the environmental groups, the organizations stated in a second report that Apple had “systematically failed to respond to all queries regarding their supply chain environmental violations.”<sup>17</sup> The US-based Natural Resources Defense Council (NRDC) joined the conversation as well, urging Apple to engage and arrange talks.

Prior to this, Apple had defaulted to standing its ground, claiming that details about its suppliers and audit results were private, but the growing pressure prompted Apple to reach out to IPE to organize a private call. The two sides met several times and agreed to establish an open communication line that led to a joint pilot audit of one of Apple’s suppliers the following year.<sup>18</sup>

This direct engagement was an early but necessary step for Apple in improving performance and transparency in its supply chain. By 2015, in an evaluation on the Corporate Information Transparency Index (CITI), jointly developed by IPE and NRDC, Apple ranked as one of the top companies with the “greenest” supply chains – demonstrating a positive and tangible outcome of engagement.<sup>19</sup>

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# Recommendations for companies

- **Identify and engage with key players**  
Target groups that influence the most impactful points of the value chain and whom show interest in two-way constructive engagement.
- **Engage with local organizations**  
Stakeholders that are embedded in communities and have on-the-ground presence are critical.
- **Be creative about who you engage**  
Find partners that can help you reach a larger general public audience and play a role in educating consumers.

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## Looking ahead

**Stakeholder engagement for materials sourcing will continue to evolve and include key players across the complex supply chain. Tech will likely continue to play a role in solving issues, with many looking at blockchain solutions, IoT and big data.**

However, if problems continue to persist in supply chains for certain raw materials, companies may start to disengage with certain suppliers (as in the case of Tesla with cobalt), potentially disrupting livelihoods in those communities.

The tech sector is characterized by its ability to find creative and innovative solutions to some of the world's most challenging problems. Stakeholders look to the sector to take a stand and lead the world towards a sustainable economy. Companies must realize that they cannot do this without the support of stakeholders.



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