

“Business and Ethics in Globalized Value Chains -

To what extent is ethical responsibility enforceable and manageable?”

Panel discussion: Prof. Dr. Edda Müller, Chair of Transparency International Germany

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1. Current situation

International agreements, principles¹ and guidelines to respect human rights are not missing. The integration of these principles into the reality of international trade and consumer markets however is more than questionable. The root cause of this predicament lies in the governance gaps created by globalization which “provide the permissive environment for wrongful acts by companies of all kind without adequate sanctioning or reparation”².

The most prominent way out of this dilemma is the **CSR** concept. The business sector is called upon to take over responsibility, to respect these principles in their own companies, to choose suppliers accordingly and to render account by public reporting on their global operations. The other way strongly supported by the **Ruggie recommendations** is that home States “set out clearly the expectation that businesses respect human rights abroad”.³ Anti-corruption legislation, the obligation to publish financial flows in the extractive industries sector and to control the use of conflict minerals introduced by the Dodd Frank act and similar legislation of the European Union are examples of how this binding framework can look like.

We have heard about the strong **commitment of Telekom** to become a driving force internationally for sustainable action. The vision is excellent. But how do the implementation and actions look like? And to what extent will the communication of sustainable action to the customer be perceived as being reliable and trustworthy?

2. What should be done?

Let me mention three fields of action:

- Reducing the **energy consumption in the ICT** sector and starting at home. The electricity consumption of IT devices in German private households amounted to 23%

¹ Laid down in the United Nations Global Compact, the conventions of the International Labour Organization (ILO) and the Organization for Economic Cooperation and Development (OECD)

² S. Human Rights Council A/HRC/8/5, 7. 4. 2008, p. 3

³ S. Ruggie Report: Guiding Principles on Business and Human Rights: Implementing the United Nations „Protect, Respect and Remedy“ Framework, 2011, p. 7

in 2007. The world wide CO₂-emissions from the ICT are at the same level as the emissions from air traffic. What is Telekom doing to help consumers to save energy? Last year Telekom got the Blue Angel Award for its climate friendly DECT phone. Which role will the Blue Angel as a highly reliable information tool for consumers play in your vision and strategy in the future?

- **Conflict minerals:** Telekom supported the Conflict-Free Smelter Program which will improve the safety in the raw material supply chain. What about the downstream activities? Can we expect to find mobile phones free from conflict minerals in Telekom shops soon (fairphone produced in China) and how will be consumers informed?
- What about **recycling** and resources efficiency? BITKOM estimates that more than 100 million old mobile phones can be found in German households. Taking back systems could help to reclaim 20.000 tons of valuable natural resources (UBA).

The reduction of the ecological footprint of the ICT sector, the respect for fair labor standards together with the fight against corruption as well as the protection and respect for human rights have to be jointly addressed.

Corruption is the cause and core of many human rights violations. Environmental degradation and hazardous substances at the workplace can have the same effect.

You may remember the recent accidents with deaths and injuries of hundreds of workers in the **readymade garment sector of Bangladesh**. My colleagues from Transparency International Bangladesh looked at the impact corruption played in these accidents and concluded: "Unrest in this sector should not be treated as accident rather it is the outcome of irregularities and corruption of relevant institutions and stakeholders, their lack of transparency, accountability and responsiveness".⁴

3. Is ethical responsibility enforceable and manageable?

It is. I will give you two examples:

Example conflict minerals:

The problem here is mainly the **downstream business**.

Ethical responsibility is needed of a rather small number of companies that are active in the upstream business but also of numerous companies in the downstream business. Some business actors argue that transparency of the minerals and the transfer of information within the value chain would be extremely difficult and cumbersome. If the business sector would not be able to agree on a voluntary procedure legal obligations would help as three cases from environment policy show. In all three cases the transparency of the substances and minerals used in the downstream business are required:

⁴ TI Bangladesh: The Readymade Garment Sector: Governance Problems and Way Forward, Executive Summary, 31. 10. 2013, p. 10

- The regulation for old chemical substances – **REACH** – requires from manufactures, importers and distributors the registration or the admission of the chemicals used. The consequence and necessary precondition for this is the transfer of information in the value chain.
- The electronic industry mainly concerned with the conflict minerals problem has to follow the **Electric Substances Directive**. It requires guaranteeing that 6 hazardous substances such as lead are not incorporated in the product.
- The **European End of Life Vehicles Directive** requires car manufactures to ensure that 85 % of the average weight of the car can be recycled and reused. The car industry has installed an international material database. They use the standardized material data sheets when producing their cars to be in compliance with the Directive.

Example Blue Angel

Telekom already uses the Blue Angel as a tool for competitive success. It is the perfect tool for pushing innovation and for making efforts for sustainability visible and trustworthy for customers and consumers. It is relevant for all energy consuming devices and systems, for all activities concerning recycling and resources efficiency and for labeling mobile phones that are free from conflict minerals. The Blue Angel uses the United Nation logo for protecting the environment, has a more than 35 years tradition, is well known by consumers and in public procurement. Criteria are been developed mainly by experts of the Federal Environmental Agency. The decisions are taken by the Blue Angel Jury after consultation with the respective business. Following a spirit of pushing technological progress forward label criteria are only set for a limited period of time. After 3 to 4 years depending on the speed of technological progress they are checked in order to strengthen the level of ambition.

Consumer communication in the entire field of sustainable procurement faces a big problem due to the inflation of labels of all kind and of all origins. To choose the right tool, to be consistent and reliable, and to guarantee a high recognition value is essential for the brand value of a company as you may know better than I do.

To conclude:

Telekom's commitment for protecting human rights and respecting sustainability principles is impressive. If consequently implemented it could set an example of a business living CSR. As a member of the Blue Angel Jury I would like to offer our support in the process of continuous improvements, sustainable innovation and the necessary reliable communication strategy vis-à-vis your costumers.