



Whitepaper:

e-Waste Management: An integral part of Corporate Social Responsibility

By: Nick Makhani, CEO, SPlus Technologies LLC.

Abstract: *Corporate social responsibility (CSR), also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business (SRB), or corporate social performance, is a form of corporate self-regulation integrated into a business model. Pro-active organizations constantly monitor the environment in which they operate and take the necessary steps to include pro-active CSR initiatives to maximize their deliverables to shareholders and minimize risk associated with negative publicity. One of the emerging issues that falls under CSR is e-Waste. Globally, based on various estimates, our society produces over 50 million tons of e-Waste, which winds up in landfills and oceans. Primarily, this e-Waste consists of modern electronics which contain up to 60 different elements, some valuable, some hazardous, and some both. Toxins from e-Waste eventually winds up in the water tables and then into our food supply. With new, stricter legislation for e-Waste in the developed nations, some enterprises are using developing countries, such as China and India, as the dumping ground for their e-Waste or using 3rd Party Service Providers to indirectly dump e-Waste into these developing countries. With the increased focus by the public, the media, specialty groups such as Greenpeace, and legislative bodies, many corporations and organizations are re-evaluating their Corporate Social Responsibility (CSR) strategy. Specifically, they are expanding mandates to include e-Recycling, Disposal, and downstream management of their 3rd PSPs; by demanding full audit trails and Certificates of Destruction.*

I am frequently asked to speak at conferences and seminars about Corporate Social Responsibility. In addition, our customers frequently ask me about new issues emerging in the industry which are going to impact their CSR strategy and to always provide advice on effective pro-active strategies. One of these issues revolves around e-Waste, which is of particular interest to me and my team. We spend a lot of time putting systems, policies, and procedures in place to ensure that we focus on and minimize the amount of e-Waste generated by all of our businesses, finding reputable and certified suppliers for disposal, and ensuring full accountability throughout the entire process. For example, at one of our business, SPlus, we have eliminated 85% to 90% of e-Waste that would have been generated without our CSR/e-Waste initiatives. This paper examines the importance of a pro-active CSR strategy, the growing issues of e-Waste, and highlights some of the considerations for an effective e-Waste management strategy.

Corporate Social Responsibility

Before we go further, I wanted to share the definition of CSR. **Corporate social responsibility (CSR)**, also known as **corporate responsibility**, **corporate citizenship**, **responsible business**, **sustainable responsible business (SRB)**, or **corporate social performance**, is a form of corporate self-regulation integrated into a business model. Ideally, CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its adherence to law, ethical standards, and international norms. The key words in this definition are built-in and self-regulating.

When it comes to CSR, most corporations and organizations have a reactive CSR strategy; dealing with established issues such as Charitable Donations, Recycling of paper and plastic products, and Community Involvement. However, organizations with a pro-active CSR strategy have chosen to go above and beyond by considering emerging issues, such as e-Waste. In my opinion, over time, these pro-active and responsible organizations will capture market share and get acclimated from shareholders, customers, partners, suppliers, legislators, and the public.

CSR is becoming increasingly important for business today due to three trends:

- **Changing Social Expectations:** Consumers and society expect more from companies whose products they buy; especially, with in light of the recent corporate scandals which have significantly reduced the public's trust of corporations.
- **Increasing Affluence:** Affluent customers, specifically in the develop countries, can afford to pick and chose products that they buy.
- **Globalization:** The growing influence of the media sees any "mistakes" by companies brought immediately to the attention of the public.

I am reminded of a quote from Carly Fiorina, Chairman and CEO of HP, who had indicated that "I honestly believe that the winning companies of this century will be those who prove with their actions that they can be profitable and increase social values – companies that both do well and do good... Increasingly, shareowners, customers,

partners, and employees are going to vote with their feet-rewarding those companies that fuel social change through business. This is simply the new reality of business-one that we should and must embrace.” Moreover, as legislation evolves, these organizations will be in the best position to experience growth rates higher than their competition.

For example, BP, with a \$200 million re-branding exercise, has effectively re-positioned itself as the most environmentally sound and socially responsible of the extraction companies. The company stands in stark contrast today with Exxon Mobil that faces ongoing NGO (Non-Governmental Organization) attacks, consumer boycotts, and activist-led litigation because of its decision to fight the environmental movement, and its failure to recognize the wider importance of CSR as a corporate strategy

CSR also can impact the sustainability of a brand name. Johnson & Johnson’s transparent handling of the crisis facing its Tylenol brand in 1982 is widely heralded as the model case in the area of crisis management. J&J went far and above what had previously been expected of corporations in such situations, instigating a \$100 million re-call of 31 million bottles of the drug following a suspected poisoning/product tampering incident. In acting in the way it did, J&J saved the Tylenol brand; enabling it to remain a strong revenue earner for the company to this day. Toyota’s current situation may have been quite different if it has adopted J&J’s strategy.

The e-Waste Problem

One of the emerging issues associated with CSR is e-Waste. Let me share some of the data on e-Waste:

- We, as a society, generate about 50M tons of e-Waste annually, with a projected growth rate of 10% to 15% per year, which eventually winds up in landfills and oceans
- There is an insatiable demand for consumer electronics (cell phones, computers, cameras, and TVs, as well as other electronic devices). A vast majority of this is driven by the marketing and sales activities of large enterprises to promote deployment of new products in the marketplace. For example, Cellular carriers focus on consumer service contract renewals and increasing ARPU is primary driver for transition to newer phones every 12 to 18 months. One carrier has gone to lengths to offer a 12 month cell phone upgrade program.
- USA produces about 13M tons of e-Waste, followed by China at 2.3M tons and India at 0.43M tons.
- China remains a major dumping ground for e-Waste from developed countries.
- Most electronic scrap in China is improperly handled; much of it is incinerated by backyard recyclers to recover valuable metal such as Gold, but unfortunately, these incinerators release toxic pollutants into the atmosphere and water, as well as generate a low yield on the quantity of metal recovered.
- Modern electronics can contain up to 60 different elements, some valuable, some hazardous, and some both.

Considerations for e-Waste Management

e-Waste can occur throughout the entire organization and effective management strategies must examine all the different aspects of the business. For example, companies generate e-Waste by disposing of systems, circuit packs, cables, storage devices, CRT/LCD Monitors, Accessories, and Power Systems when they:

- Upgrade to new computers for their employees
- Reduce headcount
- Upgrade and expand servers utilized for web sites, email, security, etc.
- Replace cameras for higher resolution ones
- Change carriers for cellular and wired services
- Generate scrap material in the manufacturing process
- Dispose of excess inventory
- Dispose of obsolete inventory
- Recall products
- Offer commercial upgrade programs such as credits for older equipment
- Repair product
- And other activities and programs

Typically, the mind set is one of disposal; throw away items in the trash which requires another department to absorb the cost of waste management. Unfortunately, as reflected by Michael Blumberg, “There’s Gold in Them There Parts.” An effective e-Waste strategy can assist in managing:

- (1) The Revenue Impact of e-Waste. In the majority of the cases, 85% to 90% of e-Waste has some residual value in the market. Sometimes, by testing and repairing items, or by salvaging the product for piece parts, the recovery rate of this residual value can be maximized, generating an incremental 20% to 30% return over the nominal residual value. In 2009, a leading computer manufacturer (LCM) faced a dilemma with one of its product lines for which the Manufacturer Discontinued (MD) date was accelerated, resulting in excess inventory of 31,000 laptop battery packs. LCM’s Standard operating procedures dictated a disposal of the battery packs with an estimated cost of \$70K; however, with some innovation and collaboration, SPlus Technologies was able to convert the \$70K expense into a \$300K win fall for LCM. In a nut shell, SPlus put a program together to recover the cells from the battery packs and resell the cells to another manufacturer who was able to integrate the cells into its product; reducing the product cost. This created a win-win-win scenario and eliminated approximately 1.5M tons of e-Waste from working its way into the landfill.
- (2) The PR Impact of e-Waste: In 2009, one of the biggest media sources did an expose on e-Waste and the disposal of the associated items in developing nations. In the expose, the reporter picked up a computer from the landfill made up of electronic equipment. Although the computer manufacturer did not directly dispose of the computers, the public and politicians automatically associated the manufacturer with dumping e-Waste. Subsequently, the manufacturer has spent a

significant amount of money and energy to recover from the negative impressions.

- (3) The Environmental Impact of e-Waste for Future Generations: In addition to contributing to landfills, e-Waste generates toxins which work their way into our food and water supply. Although the impact will probably not become prevalent for another ten to fifteen years, our kids and our grandchildren are going to be exposed to this real problem.

I hope this white paper has shed some light on the need for a pro-active approach to CSR and the importance of e-Waste management, in addition to existing CSR initiatives.

About SPlus Technologies

SPlus Technologies, with headquarters in the DFW metroplex, is a leading global 3rd Party Service Provider (3 PSP), offering Forward and Reverse Logistics Services, including Fulfillment Services, Parts Management, Parts Sourcing, and other Asset Recovery Services. A broad customer base utilizes SPlus for Customer Returns Management and Resale, Overstock Items, Manufacturer Discontinued (MD) Items Management, Commercial Programs Management, Manufacturing Parts Excess, and Inventory Liquidation. With ISO 9001, ISO 14001, and OSHA's 18001, SPlus utilizes a flexible business model with a strong emphasis on maximizing asset recovery value for our customers in an eco-friendly manner.

For additional information, please contact SPlus at 877-SPLUSTECH or via email info@splustech.com.