

# Supply chains that our customers trust



## The outcome we need

We want our customers to trust that we live up to their standards, both in our own steel and mining business, and in our supply chain.

### Case study



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## Why this is important for ArcelorMittal

This outcome is both a sustainability challenge, and a commercial opportunity. It's a challenge because supply chains are getting far more complex, whilst both customers and consumers are asking for more information about where products are sourced and how they're made. New certification standards are evolving to help meet this need, and more of our customers are including social and environmental measures in their procurement criteria. We're also seeing more customers undertaking lifecycle analyses to verify what their suppliers tell them, and to meet standards for their own customers. We see this as a sign that sustainable development is becoming far more than lip service across our markets, and will increasingly become the basis of added value for our products.

### More rigorous standards

Increasing stakeholder expectations and the tightening of legislation, with new measures such as the UK Modern Slavery Act, and the EU's conflict minerals legislation, are having an impact on supply chains, especially on the sourcing of raw materials. Companies can now be held to account – whether legally or in the court of public opinion – for failings outside their direct control that happen further along their supply chain. These risks must therefore be fully understood, and actively managed.

## Opportunities from certification

Such developments are also an opportunity for us. We can open up new markets by demonstrating to our customers and other stakeholders that we understand and manage the environmental and social issues in our own and our suppliers' operations; we can enhance our relationships with our customers by addressing their concerns; and we can help improve standards across the whole of our supply chain, which is good for everyone.

For these reasons, we are taking a leading role in creating a global sustainability certification scheme for our steel products, Responsible Steel. And to assure the social and environmental standards in our supply chain, we are also working to develop a certification scheme for the mining industry led by the Initiative for Responsible Mining Assurance.

## Going beyond our Code for Responsible Sourcing

We have had a Code for Responsible Sourcing since 2010. This has helped us communicate our standards to our suppliers, and drive improvements in their systems. But to identify those issues that need deeper exploration, we need to do more. Some of this is down to the sheer scale and complexity of the challenge – we spent more than \$46 billion last year on suppliers across more than 60 countries with very different regulatory frameworks.

We want to be far more proactive – anticipating customers' needs, identifying emerging trends, and taking pre-emptive and positive action to reduce risk and drive up standards. The case of the [tin working group in Indonesia](#) is a great example.

This outcome is about far more than procurement. It is about how we can demonstrate to our customers that we are managing the issues that matter to them, thereby building their trust. [In recognition of this, it is sponsored by Brian Aranha, executive vice president, head of strategy, technology, R&D, commercial coordination and marketing, and global automotive.](#)

# Key developments in 2015

## Cross-functional collaboration

Last year was about preparing the ground for more ambitious work on our supply chain. We established a cross-functional supply chain working group, including representatives from purchasing, environment, compliance, sales, mining and corporate responsibility. This group has been running workshops to take stock of our work to date, identify key environmental and social risks in our supply chain, and plan what we need to do to make significant progress, including learning from what other industries have done.

## Determining our key risks

As a result, we've established that the most significant environmental and social risks in our procurement activities lie in our raw material supply chain. This includes iron ore, solid fuels (largely coking coal), what's known as 'ferroalloys', and base metals such as zinc, tin, aluminium, and nickel. The issues here relate to human rights, ethics and compliance, and environmental impact.

One example of how we are responding to such risks is our direct participation in the [Tin Working Group](#), led by the Dutch NGO IDH (the Sustainable Trade Initiative). This multi-stakeholder group is focused on improving the social and environmental impacts of informal tin mining in Indonesia.

## Progress in certifying our products

During the year we had in-depth and very valuable discussions with some of our key customers to understand what their priorities are, the issues that concern them, and how they see the whole area of product certification evolving.

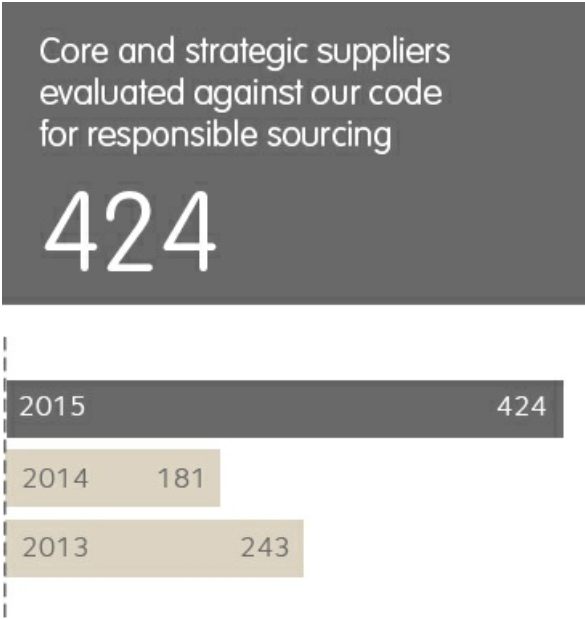
On the one hand, we saw further pressure to certify our products against a range of standards. We gained certification for our rebar products for the UK market from the Sustainable Constructional Steel scheme run by CARES. And right at the end of the year we heard that the Long Products division of ArcelorMittal Europe had achieved the prestigious BRE Environmental & Sustainability

Standard, BES 6001, for its entire portfolio of products, from construction bars to train rails.

On the other hand, our conversations with our customers have reinforced the value of the decision we made to take roles on the steering boards for Responsible Steel and the Initiative for Responsible Mining Assurance. These will give us a platform to help our two industries move towards global sustainability standards.

In the meantime, we are devising a detailed framework of relevant sustainability standards for our own products that would ensure our customers are confident we are addressing their key concerns. We plan to test the new sustainability framework internally in 2016.

Managing our supply chain



Continuing our usual work with our Code for Responsible Sourcing, we screened all our new suppliers in 2015 against the criteria of the Code, and did more detailed assessments of 424 core and strategic suppliers of raw materials, operating and industrial products, spare parts and land logistics. Of these, 73 flagged up issues that needed action and we are working with the firms concerned to address them. This has involved conversations with suppliers to discuss how they can make improvements in their systems, and already we have seen positive results: some suppliers are working towards certification against the ISO 14001 environmental standard, while some are writing their own policies, and even sharing them with their own suppliers.

Performance at a glance

| Metric                                                                           | Unit   | 2015 | 2014 | Management comment                                           | Status      |
|----------------------------------------------------------------------------------|--------|------|------|--------------------------------------------------------------|-------------|
| Global procurement suppliers evaluated against our code for responsible sourcing | Number | 424  | 181  | Increase due to broader scope of supplier categories covered | <div></div> |

Key:

met target/improved;

no progress made;

did not meet target/deteriorated



## Sustainable tin in Indonesia: the value of patience and partnership

Tin has hit the headlines quite a few times in the last few years – it's one of the metals covered by legislation on conflict metals, because much of it has been sourced in the past from the Democratic Republic of Congo or surrounding areas. However, tin is now the focus of our attention for a different reason, this time related to Indonesia, where we buy most of the tin we use to line steel cans for food packaging. So it's a concern for our packaging customers too.

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