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# Walk the Talk: How PNNL is Developing a Supply Chain Security Culture

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# Overview

- ▶ The nuclear security and nonproliferation work of the Pacific Northwest National Laboratory (PNNL) and that of its suppliers demands critical attention to export controls and nonproliferation activities.
- ▶ In the *Bulletin of the Atomic Scientists* (2013), Kurzrok and Hund published seven indicators to help companies report on nonproliferation excellence to stakeholders.
- ▶ PNNL is actively using these indicators to measure its own efforts to foster a supply chain security culture.



**Abstract**  
Proliferators continue to seek dual-use commodities that can be exploited to create weapons of mass destruction, and the private sector has a critical role to play in quelling against this threat. Corporate sustainability, which helps firms and outside stakeholders monitor the impacts of business operations, has emerged as a framework for engagement with industry on its nonproliferation responsibilities. However, the existing literature has not considered how to integrate nonproliferation into the current infrastructure of corporate sustainability, particularly into voluntary reporting standards or socially responsible investment analysis. These tools are essential market mechanisms that incentivize superior behavior on other challenges such as environmentally responsible management, respect for human rights, and fair labor practices. The authors outline the history of corporate sustainability and argue that nonproliferation should be considered a sustainability issue. They propose a nonproliferation pledge and a series of nonproliferation indicators as potential first steps that could build awareness and distinguish between firms based on how successful they are at meeting nonproliferation goals.

**Keywords**  
corporate social responsibility, corporate sustainability, dual-use, export control, nonproliferation

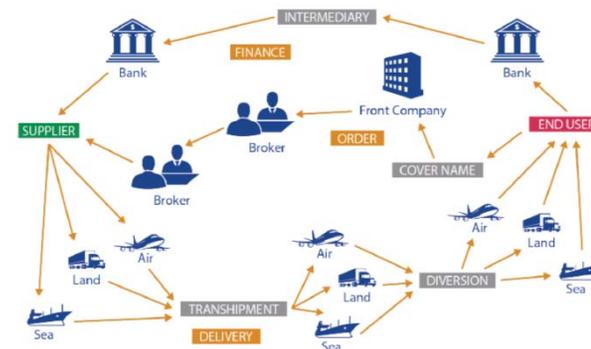
In July 2012 the US Justice Department announced the indictment of Parviz Khaki, an Iranian citizen accused of conspiring to procure materials and equipment for Iran's nuclear program. Beginning in 2008, Khaki and his accomplices allegedly contacted American dual-use commodity manufacturers, seeking products that Iran could use to improve its uranium centrifuges. Khaki allegedly stated that the products were for legitimate Chinese firms, when in reality they were destined for Iran.

In two instances, items shipped to China arrived in Iran only days later (United States District Court, 2012). The Khaki case is not unique. Instead of seeking commodities with explicitly nuclear applications, proliferators are increasingly purchasing dual-use commodities, deceiving firms and governments about their true procurement motivations, and exploiting the international financial and trade systems in the process. As the gatekeeper of international manufacturing, shipping, and

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# Nonproliferation Indicators

1. Communicate nonproliferation sentiment in company's corporate governance statement
2. Participate in relevant nonproliferation codes of conduct or pledges
3. Preferentially select business partners that also maintain strong nonproliferation practices
4. Develop a corporate policy on sharing suspicious inquiries with appropriate parties
5. Participate in governmental export control rulemaking
6. Report on nonproliferation training and education for employees
7. Acknowledge noncompliance if it occurs



Supply chain security culture is needed to help control proliferation activities.



# How are we doing?

1. Communicate nonproliferation commitment in company's corporate governance statement
  - PNNL & Battelle Mission, Vision and Value statements
    - "PNNL science and technology inspires and enables the world to live prosperously, safely, and securely"
    - "We [Battelle] are guided by the belief, shared by our employees, that no business objective is worth achieving at the expense of our integrity and ethics"
    - "We employ the highest ethical standards, demonstrating honesty and fairness in every decision and action"
  - PNNL Director Mike Kluse video statement
2. Participate in relevant nonproliferation codes of conduct or pledges
  - None currently exist that target National Laboratories
3. Preferentially select business partners that maintain strong nonproliferation practices
  - In sole-source contracts, PNNL can require contracting entities to abide by our nonproliferation (supply chain security controls) standards
  - Exploring options to include this in bidder criteria for procurement

# How are we doing?

4. Develop a corporate policy on reporting anomalous inquiries with appropriate parties
  - Identifying/reporting suspicious behavior included in mandatory staff training
5. Participate in governmental export control rulemaking
  - Economic analysis in support of the National Nuclear Security Administration's revision of Code of Federal Regulations Title 10 Part 810 is one example
6. Report on nonproliferation training and education for employees
  - Included in mandatory staff training; all information must be reviewed by derivative classifier and/or export control as necessary before release
7. Acknowledge noncompliance if it occurs
  - Reported regularly to regional and HQ offices

## What's next?



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- ▶ More explicitly weave sentiment into our corporate governance statement.
- ▶ Implement selection criteria for nonproliferation practices in bidding and procurement processes.
- ▶ Incorporate more lessons learned into training to better convey the importance of controlling information, technology, and equipment.
- ▶ Strive to build a code of conduct for ourselves and to serve as a thought leader among the national laboratories.
- ▶ Reiterate importance of individual behavior to control information.
- ▶ Require that all presentations and papers to be given/released be reviewed first by the appropriate manager to ensure that no sensitive information is included.
- ▶ Broaden public messages on export control and counterintelligence to emphasize nonproliferation and the need to maintain a supply chain security culture.
- ▶ Help partners/sponsors adopt similar measures within their supply chains.
- ▶ Translate the indicators into metrics and report on our progress regularly.

# Contact



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- ▶ Kurzrok AJ, and G Hund. (2013). "Beyond compliance: Integrating nonproliferation into corporate sustainability." *Bulletin of the Atomic Scientists*. 69:31. DOI: 10.1177/0096340213485946.