



Report:

**Success Factors in Sustainable IT Purchasing.
Swedbank – purchase of 10 000 notebook computers.**

TCO Development, February, 2015.

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TCO Development helps organizations integrate sustainable IT as part of an overall sustainability strategy. We are the organization behind the TCO Certified sustainability certification for IT products.

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Conclusions

Swedbank's ambition is to include sustainability considerations in all business decisions and interactions with stakeholders. They have therefore given preferred status to suppliers that are able to deliver products and services that meet their requirements for environmental and social responsibility.

To ensure a successful sustainable IT purchasing process, Swedbank took a systematic approach, consisting of a purchase-related risk assessment, direct dialog with IT vendors along with clear and concise articulation of their sustainability requirements, including a mandatory requirement that products must meet the criteria in sustainability certification TCO Certified.

The risk assessment clearly pointed to IT products as a risk category, and provided guidance and rationale for including social and environmental criteria in the sustainable IT purchasing program.

Clear goals along with a value-based commitment to sustainability can help guide the negotiations with vendors throughout the process.

The outcome of Swedbank's process was 10 000 additional certified notebook computers that meet all sustainability criteria in the latest version of TCO Certified Notebooks. Other benefits include a reduction in environmental impact and improvements in social aspects of IT products from a life cycle perspective.

For Swedbank, the commitment to sustainable IT purchasing has led to a stronger brand, increased awareness and credibility of their sustainability program, along with the goodwill of sharing their experience with other organizations wanting to make sustainable choices when buying IT products.

Other effects of Swedbank's focus on sustainable IT

Other positive outcomes of Swedbank's efforts in sustainable IT purchasing include;

1. Greater awareness and understanding for the role of purchasing and IT in the organization's sustainability strategy.
2. Better communication with the IT industry about the value of TCO Certified products
3. An additional computer brand has begun certifying its notebook computers to TCO Certified Notebooks
4. A wider availability of notebook computers that meet life cycle criteria for socially responsible manufacturing, user health and safety, ergonomics and reduced environmental impact.
5. A new professional network made up of representatives from the finance and insurance industries and dedicated to influencing the IT industry toward more sustainable product development.

Introduction

There is a growing awareness among IT buyers of the negative environmental impact of the electronic devices we use. As a result, more businesses and organizations are specifying environmental criteria in their purchasing of computers and other IT products.

Increasingly, human rights and other social factors connected to the life cycle of IT products have also entered into the sustainability debate. Public and private sector organizations are implementing goals, strategies and action plans aimed at reducing the environmental impact and preventing human rights violations connected to the services and products they buy.

When included as a meaningful part of an overall sustainability strategy, IT hardware purchasing can help an organization reach its broader goals for environmental and social responsibility.

Risk assessments from several organizations show the importance of specifying sustainability criteria in IT hardware contract language. Setting clear criteria is key in helping reduce the negative environmental and social impact of electronics in all phases of the product life cycle.

A comprehensive sustainability strategy set by senior management and containing measurable targets is a critical step toward a successful sustainable IT purchasing program. This overall strategy communicates the organization's commitment to sustainability and helps position the purchasing program as a tool for setting specific criteria and measuring progress.

In 2012 Swedish bank Swedbank decided to sharpen their focus on sustainability when preparing for a purchase of 10 000 notebook computers for internal use. In communicating their requirements directly to the IT vendors, Swedbank specified that the notebooks they would buy should be certified to TCO Certified, the sustainability certification for IT products.

This report describes the success factors behind Swedbank's sustainable IT purchasing program. It also outlines the importance of an environmental and social life cycle risk assessment of purchasing processes and vendors. Swedbank's initial risk assessment led to a closer collaboration between sustainability and procurement teams, targeting IT purchasing as a sustainability priority for the company.

With over nine million customers and 14 000 employees, Swedbank is Sweden's largest bank, with additional presence in Northern Europe, the Baltic region, USA and China.

IT products as a risk category

During 2011-2012 Swedbank carried out an in-depth effort to integrate sustainability aspects throughout their company-wide purchasing program. The goal was to include sustainability factors in all business decisions and stakeholder interactions. For their vendors and suppliers, this required an open commitment to respecting human rights, regard for environmental factors and an anti-corruption stance. For Swedbank these issues are important for both their business and society at large. As a result, Swedbank gives priority to vendors that can deliver products and services that meet these priorities.

Swedbank's ambition is to systematically ensure that sustainability considerations are included in all phases of the purchasing process; from the pre-contracting phase through to product delivery and follow up. As part of this process, a social responsibility life cycle risk assessment of purchases and vendors was carried out.

Results of the risk assessment identified IT products as a product group that involves significant risk for human rights violations. These results led Swedbank to revise their purchasing requirements to include criteria for socially responsible manufacturing of the IT devices they buy.

The risks assessment also showed that IT purchasing can also help the organization meet its overall sustainability targets. As a result, Swedbank decided to focus on IT purchasing as part of an overall goal to reduce the negative environmental and social impacts of company operations.

TCO Certified as a tool for specifying criteria

In 2012 Swedbank planned to purchase 10 000 notebook computers. To identify relevant sustainability criteria, the procurement team wanted select a certification for IT products. The choice was TCO Certified, the third party sustainability certification for IT products. The criteria in TCO Certified cover socially responsible manufacturing, user health and safety, ergonomics and environment in all life cycle phases of the product; manufacturing, use and end of life.

In communicating their sustainability requirements to vendors, Swedbank was clear that compliance with the criteria would be mandatory, not "optional" or "desired" elements of the contract. They stated that all notebook models included in the contract must be certified according to the latest version of TCO Certified Notebooks. This information was communicated clearly and concisely from the beginning of pre-contract negotiations as consistent with the values held by Swedbank in their purchasing operations and overall sustainability strategy.

Swedbank's clear criteria, along with an open dialog with vendors, has directly contributed to advancing sustainable development in IT. As a direct result of the Swedbank contract, the number of TCO Certified notebook models has increased. With a wider availability of certified notebooks from multiple brands, other professional buyers in the public and private sector are now more easily able to make more sustainable IT product choices.

Success factors in Swedbank’s computer purchase

The success of the Swedbank Notebooks purchase can be attributed to a structured approach in three areas:

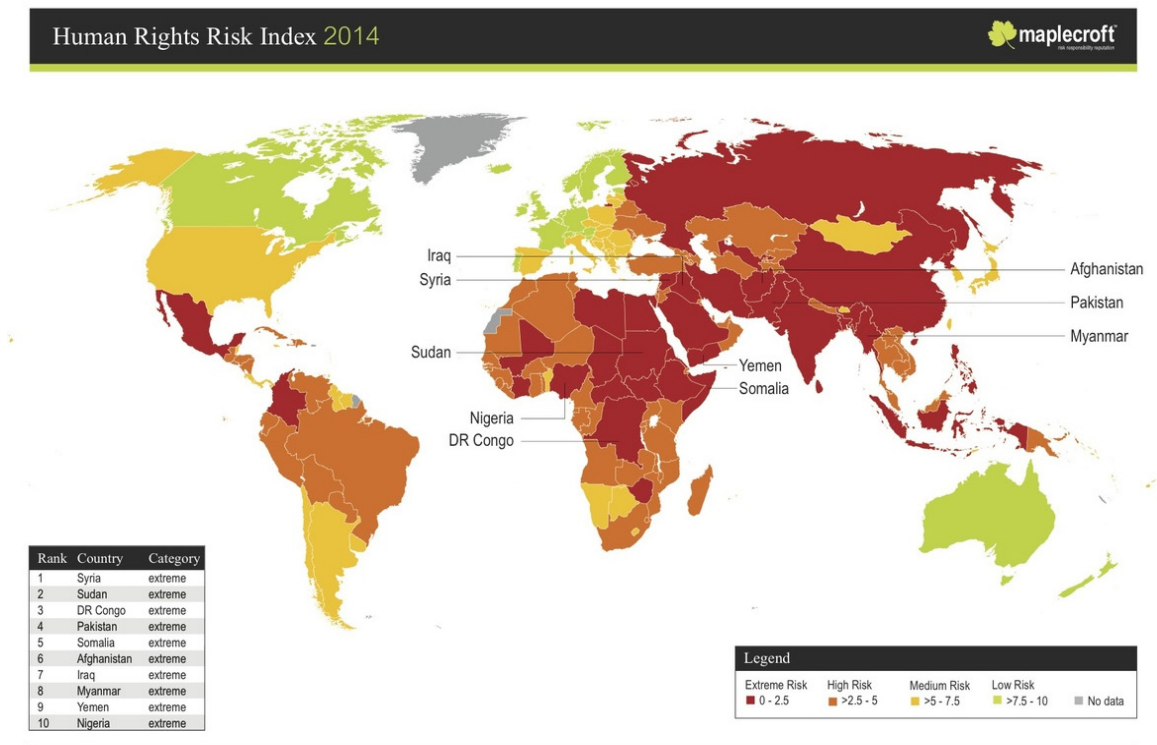
1. **Risk assessment** – a life cycle risk assessment of purchases and vendors, looking particularly at social aspects. This resulted in a decision to focus on sustainability in IT product purchasing.
2. **Vendor dialog** – a direct and open dialog, clarifying Swedbank’s sustainability criteria, including socially responsible manufacturing of the products they buy.
3. **Clear and consistent criteria** – a mandatory requirement that all notebook products were to meet the criteria in TCO Certified.

Risk analysis – social responsibility factors

Swedbank’s risk assessment of the products they buy and their suppliers focused on social aspects from a life cycle perspective. A key finding was that IT hardware represents a significant risk for human rights violations, especially in the manufacturing phase.

These risks include unsatisfactory factory working conditions, such as long working hours and unpaid overtime, unsafe working environments, limited rights for workers to organize as well as instances of child labor. A complex supply chain with sustainability risks on many levels compounds the problem.

Following an internal analysis of these findings, purchasing and sustainability teams from Swedbank decided to prioritize IT hardware purchasing as part of their overall sustainability strategy.



The majority of IT products are manufactured in low-wage regions in Asia, where there is also a higher risk of violations of human rights and ILO's core conventions.

Communicating Criteria and values to vendors

Integrating sustainability aspects throughout the purchasing process has been a key aspect of Swedbank's sustainability strategy. This means that all vendors are expected to share Swedbank's commitment to baseline values such as respect for human rights, a commitment to the environment and an anti-corruption stance. For Swedbank, these values are vital both for their business and for society as a whole.

In order to communicate these values to potential vendors, Swedbank initiated a direct dialog with several IT hardware suppliers to ensure that they were clear on the Swedbank's values, code of conduct, life cycle focus on social issues as well as the criteria in TCO Certified for socially responsible manufacturing. From the supplier side, each interested bidder presented their own code of conduct and sustainability goals.

Through this open and consistent dialog, Swedbank has been able to communicate to vendors the added value of certifying products to a third party program such as TCO Certified. Offering certified products makes it easier for buyers and suppliers alike to monitor that sustainability criteria included in a purchasing contract continue to meet those criteria over time.

Setting clear, consistent criteria

During the entire purchasing process, Swedbank was clear and consistent in their mandatory requirement for notebook computers to meet the latest version of TCO Certified. So that several bidders had the opportunity to meet this requirement, a 6 month grace period to comply was offered as part of the bidding process.

Initially, Swedbank selected a vendor that had indicated their ability to deliver TCO Certified notebooks. Then the selected vendor chose to not certify their products, whereupon Swedbank maintained their mandatory requirement and changed supplier as a result.

The new supplier did not have any notebooks that met the latest criteria in TCO Certified notebooks when they submitted their original bid. In order to win the bid and satisfy Swedbank's sustainability requirements, the new supplier decided to test and certify a series of notebooks to TCO Certified Notebooks. This led directly to the brand being awarded a four year contract with Swedbank.

As a direct result of the Swedbank process, more notebook computer models have been certified to the latest version of TCO Certified Notebooks. These models have been verified to meet criteria for socially responsible manufacturing, environment, user health and safety and ergonomic design. This increases availability of certified models paves the way for other professional buyers in the public and private sector who are looking to make more sustainable choices in IT products.

Practical tips

Swedbank offers some advice when implementing a structured approach to sustainable IT purchasing.

Pre-purchase phase

1. Establish a sustainability strategy that includes clear objectives, values and targets.
2. Conduct a sustainability risk assessment of your purchases and vendors. This will help you identify what products to prioritize and provide a sustainability rationale to help guide decision making moving forward.
3. Identify which tools are available to support your goal of establishing a sustainable purchasing program. These may include company-wide objectives, internal policies and guidelines.
4. Create a list of your current products and vendors.
5. Identify which sustainability certification(s) meet your sustainability requirements and are consistent with your values and goals.
6. Secure internal support for your sustainability strategy with key decision makers

Contracting / award phase

1. Design purchasing policies and processes that are consistent with your sustainability objectives
2. Specify and communicate your sustainability demands clearly and consistently to vendors throughout the purchasing process and contract period.
 - a. General requirements; criteria for supplier engagement in sustainability efforts
 - b. Specific requirements; “All models should be tested and verified to meet the requirements in the latest version of TCO Certified”

Follow up phase

1. Be prepared to evaluate new information from suppliers throughout the process
2. Treat your relationships with suppliers as a long term collaboration, working toward the common goal of advancing sustainable development
3. Maintain an open dialog. This will help increase understanding of your requirements and goals.
4. Stay focused and committed to your sustainability requirements throughout the process.
5. Don't accept the response “It's not possible” from suppliers. Buyers have the power to influence suppliers and brands.

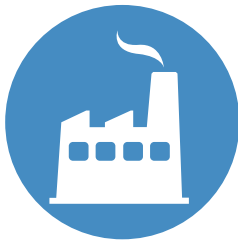
In September, 2014 there were over 1200 product models certified according to the criteria in TCO Certified. These product models represented 27 IT brands.

Appendix – About TCO Certified

TCO Certified is the most comprehensive sustainability certification for IT products. The certification includes a broad scope of environmental and social criteria connected to the life cycle phases of an electronic device: manufacturing, use and end of life handling.

Accredited, independent third parties test and verify product models and their manufacturing facilities to fulfil all criteria in TCO Certified. TCO Development also carries out regular spot checks to monitor that certified products continue to comply with the criteria over time.

This means that purchasers do not have to carry out this follow up themselves.



Criteria - manufacturing phase



Criteria – Use phase



Criteria - End of life phase

- Always make sure to specify the latest version of TCO Certified and relevant product category
- Specify that your IT suppliers show a valid TCO Certified certificate as proof of compliance
- Specify that products included in the contract must meet TCO Certified criteria for the full extent of the contract period.
- Do not equate TCO Certified with other certifications. Know what's included.

Make sure to discuss sustainability requirements with your vendors early and often. Clarify that you intend to include requirements for TCO Certified products in future purchasing contracts.

Need more information? Contact TCO Development

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