ATEA SUSTAINABILITY FOCUS

Report to Responsible Business Alliance

JANUARY 2018

Transparency

A prerequisite for sustainable development

PHOTO: THRON ULLBERG

Magnus Sallbring, Director of Culture and Marketing, Atea Sweden

Changing the world through transparency

If you have the power and ability to do well, you must do it. If you can do well in a way that no one else could do in a given area, the responsibility becomes even greater to truly ensure that it happens.

In January 2017, we gathered all colleagues in the sustainability field at Atea to jointly decide if we could contribute to the global IT industry's sustainability work. We wanted to gather the power of Nordic involvement in sustainability issues.

After a day's discussions, the vision of Atea Sustainability Focus was born. We realized that there may be no other organization in the world that could fill the gap between the purchasing organizations within IT in the Nordics — that many consider to be the most demanding in the world — and the global IT industry.

Through its 86 Nordic and Baltic offices, Atea has a unique opportunity to gain knowledge of what Nordic IT organizations consider to be the most important area to improve on the coming year.

Atea also has — through its position as Europe's second largest IT infrastructure provider — the entire IT industry's ear and commitment. Our assumption was that the global IT industry would see this as a great opportunity to gain input about what Nordic IT organizations saw as a priority in sustainability.

With this input, could Atea write the report itself?

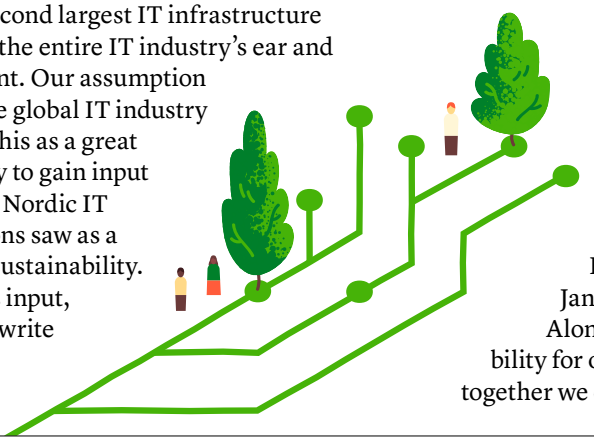
Of course, we could. But to ensure the results are untarnished by the industry's stakeholders, we instead chose to turn to some of the Nordic region's leading competencies in sustainability and IT purchasing: forming the ASF Advisory Board.

The ASF Advisory Board consists of members from IKEA, H&M, Alfa Laval, LKAB, City of Malmö, the National Agency for Public Procurement, Ørsted (DK), DNB (NO) and UPM (FI). Committed and knowledgeable representatives from these organizations are those who formulated the report that Kantar Sifo was later assigned to compile.

Now we are in January 2018, and it has been a year since the vision was born. During that year, we have involved the global IT industry through its cooperative body – Responsible Business Alliance. We have gathered the buyers' impressions and opinions, conducted the analysis together with KTH Royal Institute of Technology, facilitated the report writing between the ASF Advisory Board and Kantar Sifo.

It is with great expectation that we want to launch the ASF report and hand it over to the RBA and industry on January 18, 2018.

Alone we can take responsibility for our own footprint, but together we can change the world. ●



COVER ILLUSTRATION: GUSTAF ÖHRNELL HJALMARS/AGENT MOLLY

In brief

Atea founded Atea Sustainability Focus (ASF) in 2017. Its purpose was to use the position as a leader within IT in the Nordic countries to influence the industry towards more sustainable production. A key outcome of this initiative is to provide the Responsible Business Alliance (RBA) with recommendations from the Nordic IT buyers. With input from 250 Nordic IT buyers and industry analysis from KTH Royal Institute of Technology, four sustainability areas for the electronics industry were selected for the ASF Advisory Board. These where turned into recommendations by the Advisory Board at a meeting outside Stockholm in Autumn 2017.

The recommendations from the board:

- RBA should over the short/medium period focus on transparency beyond the first tier. There are many important topics within sustainability that RBA could address, but without transparency in member company reporting, any other initiatives will fall short. Hence, transparency is the prerequisite for other areas to work — and needs to be addressed first.

- RBA should focus on establishing and implementing a uniform reporting framework for the electronics industry, for reporting aggregated impact across core material indicators over the entire supply chain at a company level, thus beyond first tier. The KPIs should cover environmental, social and governance performance through the complete manufacturing process. KPIs must be balanced, accurate and reliable. They also must report both positive and negative impacts, and be comparable in applying uniform accounting practices. ●

Background & purpose

Sustainability in the IT industry is an area of great importance to Atea and to many of its clients. Ranging from combating child labor to the handling of waste water in production, the industry still has many challenges that need to be addressed. The outcome will be that clients can be assured that the products they are buying are sustainable.

Atea is the second largest buyer of IT infrastructure products in Europe. From this position they can influence producers of IT products and contribute to a more sustainable world. However, until now, a single dedicated forum for this has been lacking. A forum where Atea clients can define and share their expectations with the producers in the IT industry.

The IT producers are at the same time increasingly well prepared to act on feedback from partners such as Atea and their end-clients, thanks to RBA.

RBA gathers many of the largest producers of electronics and is the main initiative that is set up to influence the industry to reach a more sustainable production.

Because of this, Atea made the decision to create Atea Sustainability Focus (ASF) involving Nordic IT buyers in this initiative. ASF will enable Atea to leverage the point of view of its clients and will ensure an effective and clear channel for communicating to the industry what are the most pressing concerns and wishes from clients. The end purpose of ASF is to gather, facilitate and discuss insights from the customers within the area of sustainability to provide RBA with yearly and precise recommendations.

Combining first level research, industry analysis and round table discussions with key industry stakeholders (ASF Advisory Board), Atea created a platform to identify and channel sustainability requirements directly to the Responsible Business Alliance, RBA.
ASF Advisory Board members were carefully selected and include the largest IT buyers in the Nordics, with sustainability high on their agenda.

This report presents the recommendations to the RBA from the ASF Advisory Board, covering also the background and the rationale for bringing forward these recommendations. ●

"We gather the power of procurement to create change."
Magnus Sallbring,
Director of Culture and Marketing,
Atea Sweden

The decision-making process

The Atea Sustainability Focus (ASF) is an initiative consisting of five predefined steps, designed to take place on a yearly basis. The annual end product is a series of recommendations from the ASF Advisory Board to RBA. The process outlined below allows Atea to identify and articulate the recommendations that will have the greatest impact on sustainability within the IT industry, according to the people who are buying IT products: the IT buyers represented in the ASF Advisory Board.

1) ASF Dialogue
The ASF dialogue is an annual survey of engaged IT buyers in the Nordics. The study is aimed at identifying key sustainability topics that matter to the buyers' organizations.

2) Industry analysis
KTH Royal Institute of Technology is tasked with a deep dive into the most important topics that ASF dialogue has identified, covering recent developments in the IT industry at both the buyer and supplier side.

3) ASF Advisory Board
ASF Advisory Board is a council of Nordic sustainability leaders from the private and public sector, among the largest IT buyers in the Nordics. Each organization contributes with sustainability and IT expertise.

4) Advisory Board recommendations
Based on the previous steps, the ASF Advisory Board gathers for a 24 hour meeting, resulting in final recommendations to RBA from the Nordic IT buyers.

5) RBA receives recommendations
RBA and its member companies decide on specific activities to implement the recommendations from the ASF Advisory Board.

Increased focus on transparency

The ASF Advisory Board members have reached consensus that increased focus on transparency is the most fundamental and urgent aspect for making the electronics industry more sustainable.

For RBA and its member companies to move forward at an even greater pace on the sustainability journey, it is essential to focus on transparent reporting and product sustainability information. This is necessary to establish a strong baseline to monitor the impact for future actions on the sustainable development goals (SDGs).

The recommendations for RBA:

Establish and implement a uniform reporting framework for the electronics industry to report aggregated impact across core material indicators in the entire supply chain at a company level, beyond first tier.

The material indicators must be reported on by all member companies of the RBA.

All RBA regular and full members are required to include a mandatory and complete list of suppliers.

Uniform reporting framework across all suppliers in the electronics industry	
Key performance indicators (KPIs) in reporting	Final KPIs are to be defined by the industry.
	The KPIs must cover environmental, social and governance performance throughout the complete manufacturing process.
	KPIs must be balanced (reporting both positive and negative impacts), comparable (applying uniform accounting practices), accurate and reliable.
Granularity of reporting	Initially at company level, in the near future, at a product level.
Reporting timeframe	All member companies should report and share protocols within a timeframe decided by RBA.
Comparability of reports	Reports are to be uniform, transparent and sharable.
Verification of reporting	No external audit initially, but may apply in years to come.

The board recognizes that there are significant challenges across the supply chain that are systemic and apply even beyond electronics. However, it wishes to see industry-wide and company-wide reporting around how practices within the supply chain actually differ from internationally recognized standards, for example at country level. This is critical for the industry to focus their efforts and fill the gaps where necessary with the tools offered by RBA. The Board will refrain from making prescriptive recommendations around the reporting frame work.

About the ASF Advisory Board

Recap of discussions within the ASF Advisory Board

The mission for the ASF Advisory Board was to articulate clear and relevant recommendations for the Responsible Business Alliance (RBA) on behalf of the IT buyers in the Nordic countries. This is the first time Nordic buyers unite to aid the industry in this manner.

The ASF Advisory Board consists of representatives from 9 companies, from within different industries, representing both public and private sectors in Sweden, Norway, Denmark and Finland. All member companies had some previous engagement with corporate social responsibility (CSR) work from Atea.

The individual participants volunteered to the advisory board to influence the manufacturers of IT products. There was a consensus concerning the need for more sustainability initiatives from within the IT industry. The board members gathered outside Stockholm for a 24 hours meeting with Chatham rules; to agree upon which of the many urgent topics that the ASF should recommend RBA and its members to focus on.

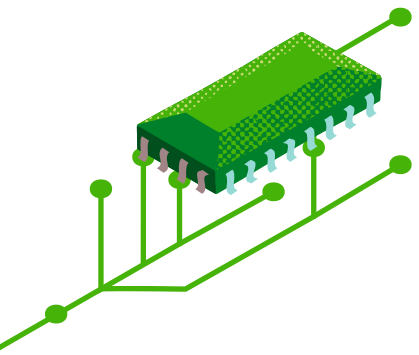
All ASF Advisory Board members had received summaries of the ASF Customer Dialogue and the industry analysis from KTH Royal Institute of Technology. Their mission in the meeting was to formulate clear and relevant recommendations to the RBA, and to collectively put forward: "This is what Nordic IT customers expects from the global IT industry."

Many shared experiences of placing demands, but not getting straight answers within the topics of social, economic, and environmental responsibility from IT vendors, making compliance with their own company protocols sometimes challenging.

The board members discussed the different possible topics in break-out sessions in order to decide on which one would have the greatest impact on RBA's sustainability work. ●

"We want to know what we are buying"
Nordic IT manager, buyer at a global company.

The recommendations from the ASF Advisory Board is not to be seen as replacing or overruling any existing initiatives or work already in place between the RBA and members of the ASF Advisory Board.



Decision-making matrix

The below matrix presents the areas discussed by the ASF Advisory Board. Each area was analyzed and evaluated as a candidate to become the RBA focus area, with key factors such as potential industry impact, expected effort and overall feasibility in mind as pros and cons.

The area of transparency was finally selected as the focus area for the recommendations to the RBA by a unanimous advisory board.

	Recycling	Resource use	Transparency	Bribery and corruption
Identified pros	E-waste is growing and has a negative impact on consumers, buyers and society.	Much to gain from using resources more efficiently in production, particularly water, energy, minerals and human resources.	Without transparency, progress in other areas is very hard to verify and industry initiatives lack risk of trust.	Bribery and corruption harms trust and undermines initiatives to follow up on other areas.
Identified cons	Too narrow, and subject to many other initiatives within resource use and transparency.	Too dependent on industry standards, relevant KPIs and third party audits.	Risks placing too much pressure on suppliers.	Sustainability guidelines are often not practical enough.

Transparency

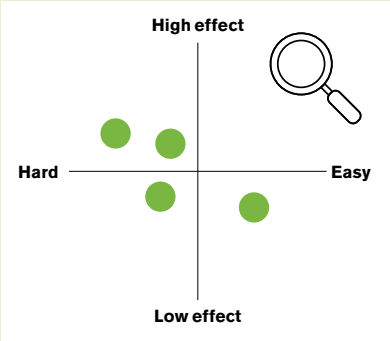
The target area for recommendations to RBA

Transparency is key to all sustainability in the electronics industry. Without it, no other area can be addressed with real credibility. Once the area of transparency was chosen, the board's mission was now to formulate clear and relevant recommendations within the transparency area, where RBA could have real impact. Different propositions for recommendations were brought forward and subsequently prioritized by analyzing which effect they could have on industry sustainability (from low to high) and how much resources would be needed from RBA to act upon these recommendations (from low to high).

The board concluded that even though it could be tempting to jump straight to solving different pressing issues — such as lack of recycling, or child labour — without transparency, no other area could really be addressed in an effective and trustworthy manner by the industry.

Transparency represents the transformative ingredient that is required to make buyers, customers and consumer take action towards producers that do meet the standards, and for suppliers to visualize the impact on production and bottom line from other initiatives within sustainability.

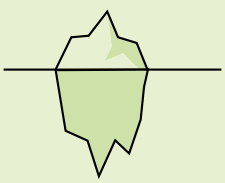
Focus on transparency gives the industry the burden of proof regarding the content of their products, including suppliers on first tier and beyond. It is a way of identifying resource use and share relevant KPIs such as CO_2 footprint, water and energy use, levels of toxicity and recycle value — initially at company level, and in the near future, down to a product level.



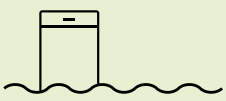
Even though there is an initial cost for setting up the framework, KPIs and protocols, RBA need to lead the way for the industry and place demands on its members. There might be major concerns among producers and suppliers beyond the first tier to lose business and be left with only the cost. In the future, the transparency of production in key areas could be a membership requirement. ●

Transparency

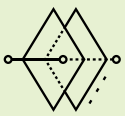
(trans "through" + parere "appear")



22% of the companies in the RobecoSAM Corporate Sustainability Assessment study had a human rights policy in place. Almost three quarters of these have made it publicly available.



16% of the companies in the telecom industry provide high quality quantitative data on the financial impacts of water risks.



1 in 5 companies look at tier 2 and beyond as part of their sustainable procurement strategies and fewer still at tier 3 and beyond.

20% of companises included in the Dow Jones Sustainability Index are able to measure their social and environmental impacts quantitatively, qualitatively and monetarily.

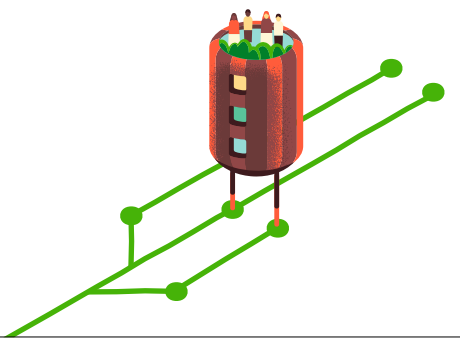
12 of 20 leading companies claim they require suppliers to ensure their suppliers adhere to the brands' standards. **1 of 20 describes how.** The "Know the Chain" benchmark of the ICT industry analyses the work done by 20 leading companies to address forced labor in their supply chain.

KTH Royal Institute of Technology: industry analysis

The key topics from the customer dialogue were assigned to students studying the master of science programme at the Royal Institute of Technology in Stockholm to be investigated further, to find critical gaps that the industry should focus on over the short term looking especially to identify areas of high potential. Working conditions and impact on people, although very important and urgent, were excluded at this time due to other ongoing initiatives in the industry.

	Area	Why is this an issue?	Why was it included?
	**Transparency**	Many producers have transparency in the first tier, but most serious environmental breaches are beyond the first tier, connected to a vast number of suppliers.	In order to drive real change, the production needs to be transparent to put pressure on the full supply chain and not only on the parts that are easiest to control (own production).
	**Recycling**	On a global scale, e-waste is the fastest growing waste category adding up to 20-50 million tons annually. 5% of the total municipal solid waste consists of e-waste.	Recycled materials are immensely valuable, still very little is recycled or reused. Lack of recycling is hazardous for people, planet and profits.
	**Resource use in production**	The production of electronics uses a lot of rare metals and minerals and also consumes huge amounts of water and energy across the supply chain and the planet.	Natural resources are scarce and their usage in production needs to be taken into account when calculating the total cost of the products.
	**Bribery and corruption**	The cost of corruption is approx. 5% of the total global GDP. Corruption is one of the most hazardous powers in society, undermining trust at a micro and macro level.	Existing code of conducts are not being followed, there is a need for a wider approach across the value chain with global standards for combating these practices.

*For list of sources, see page 12.



Transparency beyond the first tier

Manufacturing companies that sell products to the end customer can have hundreds of different parties in their supply chains. It becomes exceedingly difficult to keep track of every supplier. Despite this, it is critical to address the topic of transparency in order to grasp and understand the origins of the products across the supply chain. A transparent supply chain is one that ensures openness, communication and accountability between the participants. It is an absolute prerequisite for obtaining a sustainable development within the IT industry.

Impact on people
Without transparency it is impossible to grasp, and reassure, working conditions of labor force in production. Companies downstream can unknowingly be linked to forced labor, trafficking or other malicious labor practices.

Impact on planet
The most serious environmental breaches are often caused by the suppliers beyond the first tier. The CO_2-emissions from the supply chain before it reaches the companies' own operations are approximately four times greater than the emissions from a company's own operations.

Impact on profit
Without transparency of the supply chain beyond the first tier, the potential cost for consumer driven companies is extremely high, in terms of damaged brand and reputation as well as internally due to lower employer retention and lost commissions.

Key industry challenges
- Standard for tools and protocols for transparency.
- Relevant KPI's.
- Initial cost for set-up of systems for transparent production.
- Suppliers afraid of reprisals for sub-standard conditions.

Recycling (or lack thereof)

Lack of recycling is problematic on many different levels. It has a negative impact on people, the planet and is an inefficient way of using resources. The responsibility of recycling has been pushed over to the end-user of the product, leaving us with quickly expanding amounts of "e-waste".

Impact on people
Improper recycling of e-waste is hazardous for the (often poor) people working with retrieving the valuable materials from the waste at the risk of their own health and that of future generations.

Impact on planet
Even though only 2% of landfills consist of e-waste this category represents 70% of heavy metals in landfills. Globally, e-waste adds up to 20-50 Mt annually. It equals 5% of the total municipal solid waste and it is the fastest growing waste category in the world.

Impact on profit
The value of e-waste in Europe alone is at an estimated 48BN Euros. The gold metal, that e-waste contains, is estimated at 300 tons, which equals 11% of the global yearly production of gold.

Key industry challenges
- Current recycling of electronics is not systematic and well organized.
- There is a lack of systematic incentives for recycling.
- Dismantling e-waste is not mandatory, is cumbersome and standards are largely absent.

Resource use in production

The resources used in production of electronics include minerals, water, energy and human resources. The rapid growth of the demand for IT products increase the total use of resources in the complex supply chain of global production.

Impact on people
The complex production of electronic goods impacts human resources throughout the supply chain in hazardous ways, from poor working conditions, to polluted living conditions nearby production sites.

Impact on planet
The production has environmental impact at all stages in the supply chain. Starting with the mining of rare minerals for non-recycled components. Some of the most important minerals are extracted from conflict areas with very low environmental protection, polluting the soil and water near the sites.

Impact on profit
The low cost of production pushes the true cost – from producers – towards the physical place of production (environment), and towards the end consumer (cumbersome recycling/cleaning of products), who in fact both pay the price of the environmental impact and that of the product.

Key industry challenges
- Increase the life spans of products.
- Limit use of virgin mineral by increasing level of recycling.
- Make production processes more efficient in regards to water, energy and other resources used.

Combating bribery and corruption

According to the World Economic Forum, the cost of corruption and bribery is approximately 5% of the global yearly GDP. Corruption is defined as dishonest or unethical actions conducted by persons with authority to gain personal benefits. It can be found throughout the value chain in the IT sector: from the mining of the raw materials, to auditors of processes, to fraudulent public tenders involving the end buyers.

Impact on people
Corruption erodes the social contract, cements poverty and creates mistrust. It undermines initiatives and protocols designed to safeguard fundamental human rights.

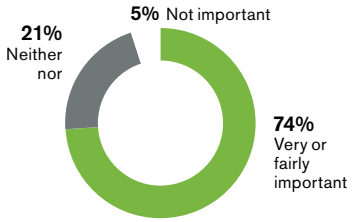
Impact on planet
Corruption sets aside the laws, codes of conduct and international agreements, resulting in diminishing natural resources, pollution of water, air and soil.

Impact on profit
Corruption hurts the financial performance of companies and countries. The risks of corruption are substantial when transparency is low and they may jeopardize entire companies.

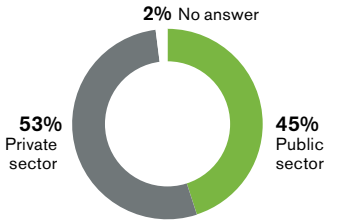
Key industry challenges
- Codes of Conduct and Corporate Social Responsibility Initiatives needs to be practical and relevant to gain traction.
- An effective approach needs to be applied across the entire value chain.
- Tiers need to feel increased pressure to follow laws and codes of conducts to display refiners' certificates.

The Customer dialogue

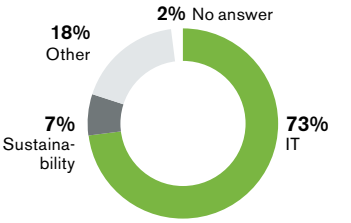
Almost 250 Nordic IT buyers engaged with Atea in the dialogue



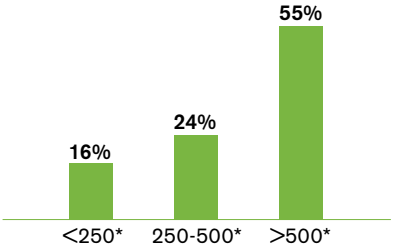
74% stated sustainability issues had a very or fairly high priority. 5% stated it had low, or very low priority.



Private and public sectors were evenly represented in the survey

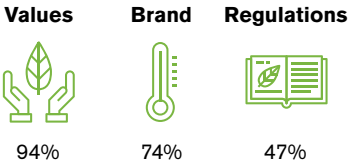


73% of respondents had IT in their titles, only 7% sustainability.



The lion's share of customers were medium and large scale organizations.

*Number of employees.



The main reason for customers' sustainability focus were "values" or a desire to do the right thing, followed by brand-related issues. 47% stated legal requirements.

About the survey:
The ASF Customer Dialogue was conducted by the independent research company CMA and sent out to customers in the Nordic countries, during the summer of 2017.

247 clients responded to this survey on sustainability in the IT sector.

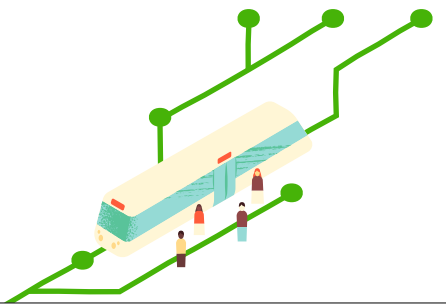
Priorities for the customers

The 247 Nordic IT customers were asked to state their top priorities within sustainability in the IT industry in a customer dialogue.

The areas that were brought forward in the customer dialogue can be seen to the right. Customers were asked to prioritize within each area what they believed the IT industry ought to focus on with the highest urgency.

The pattern of priorities was very similar over company size, public and private sector with small differences between different groups. Sustainability is high on the agenda across the range of participants.

The customer dialogue was used as a vehicle for Atea to take the next step in the process with the industry analysis by KTH Royal Institute of Technology in Stockholm into selected sustainability topics. These topics were related to, but not a direct result of the findings in the customer dialogue phase. ●



Where customers see RBA and its members having the most potential impact

Environmental issues
- Recycling/re-use
- Resources used in production

Working conditions
- Child labour
- Employee health/safety

Impact on people
- Childrens right
- Trafficking/sexual exploitation

Contribution to society
- Efficient resource use via tech
- Reducing economic gap

Ethics and governance
- Against bribery & corruption
- Transparency in supply chain beyond 1st tier

ASF Board member companies

IKEA
H&M
The National Agency for Public Procurement
Ørsted (Formerly know as Dong Energy)
City of Malmö
UPM
DNB
Alfa Laval
LKAB

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Find out more about Atea Sustainability Focus at
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