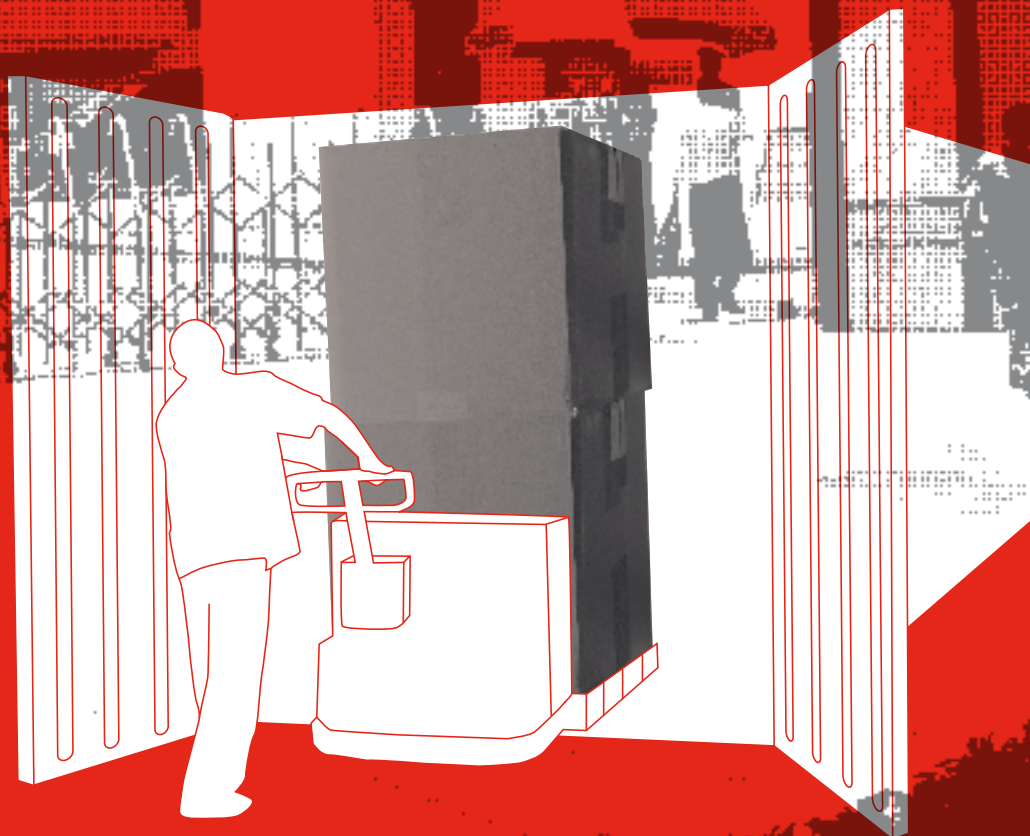# Best practices in sustainable public procurement of IT hardware in Europe

Report of the Procure IT Fair European Roundtable Meeting
Amsterdam, 31 March 2010

The approach of Procure IT Fair

Procure IT Fair is a consortium of European civil society organisations that promotes sustainable public procurement of IT hardware as a tool to improve working conditions, human rights and environmental protection in the global electronics supply chain. Procure IT Fair has developed an ambitious approach that incorporates social criteria throughout the procurement process of IT hardware. This approach is elaborated in the *Buy IT Fair* buyers guide. Well-prepared tenders, the inclusion of management system requirements as award criteria, and the incorporation of process agreements in the contract performance clauses are essential in the view of Procure IT Fair.

Procure IT Fair is aware of the challenges facing the implementation of this approach. Such challenges range from the lack of transparency in the global electronics supply chain to the lack of properly functioning trade unions and mature social dialogue, to the legal complexities regarding the inclusion of social criteria in award criteria. Other obstacles are posed by the absence of a proper multi-stakeholder initiative in the electronics sector. If it did exist, it could play a role in the monitoring and verification of adherence to labour and environmental standards. Procure IT Fair makes sure to address all these points in the buyers guide as well in its further activities, always aiming to strike a balance between ambition and feasibility.

Currently, Procure IT Fair is collecting examples of best practices in the sustainable procurement of IT hardware by public and private institutions alike throughout Europe. These cases are analysed and assessed on the basis of the Procure IT Fair approach. Moreover, Procure IT Fair is working to increase the general understanding of the roles and spheres of influence of the different players in the public procurement processes, including IT hardware resellers and service providers that take an intermediate position between the purchasing institutions and IT hardware brands.

The roundtable meeting Best practices in sustainable public procurement of IT hardware in Europe is the fifth in a series of six meetings that are organised by Procure IT Fair. The idea of these meetings is to provide involved IT industry stakeholders with a platform to discuss sustainable procurement of IT hardware. The 31 March roundtable in Amsterdam focused specifically on sharing best practices and the role of resellers and service providers in the sustainable procurement of IT hardware. The meeting also offered an opportunity to critically focus on the ambitious approach that is currently being advocated by Procure IT Fair.

Best practices presentation

At the Amsterdam meeting, representatives of local governments, IT hardware brand companies, IT service providers, trade unions, civil society organisations and other interested parties shared their experiences and views concerning sustainable tendering for the purchase of IT hardware. In their presentations, speakers were asked to focus on the implementation of social criteria in tenders. The presentations highlighted a number of the key issues that need to be addressed to render the procurement of computers truly sustainable.

Learning-by-doing in Amsterdam

The city of Amsterdam takes the view that sustainable procurement can be realised through learning-by-doing. For the city, sustainable procurement is an important instrument in realising policy goals with regard to sustainability and climate change. Amsterdam takes a pragmatic approach: when criteria are available, they are applied. The criteria for sustainable procurement that have been developed by the Dutch government agency AgentschapNL, however, are considered to be a minimum threshold. The municipality has, together with a group of its purchasers who are well disposed towards sustainable procurement, developed a guidebook to inform the different departments about the city's overarching sustainable procurement policy.

The most recent framework agreement for computers concluded by the city of Amsterdam contains a number of interesting exclusion criteria such as: the Energy Star 5-label; the direct suppliers' ability to provide its customer with environmental advice regarding the supplied products and their use; and respect for ILO norms. Monitoring or verification mechanisms to guarantee adherence to the ILO conventions have, however, not yet been put in place. Environmental and social criteria add up to 30% of the determining criteria in the selection phase of the tendering procedure. Although the current framework agreement for computers is reasonably well phrased, several issues remain that will need to be tackled in future tenders.

The framework agreement is concluded between the city and the direct supplier, a reseller, not with a brand company. However, the municipality mentions that it is not clear what can be expected from direct suppliers such as resellers and service providers in terms of their responsibility and influence over the supply chain. Amsterdam realises that a direct dialogue with the IT hardware brand company will be needed to increase sustainability throughout the supply chain. Another question relates to the relevance of asking suppliers for references or declarations of good conduct. What, after all, is the value of such declarations if they can not be checked or verified? Another point for debate concerns the usefulness of applying sanctions to suppliers for non-compliance with labour or environmental standards.

Procurement embedded in a political framework for sustainable development in Manresa

The Spanish city of Manresa aims to be a pioneer with regard to sustainable development. In its 2008-2011 Municipal Action Plan Manresa has laid down its goals to promote and enable fair trade, responsible consumption, social and economic international solidarity, and corporate social responsibility (CSR) on the part of local and regional companies. Sustainable procurement is an important element within this broader political framework. A committee for sustainable procurement has been established, as well as designated purchasing and contracting offices to guide the practical implementation of Manresa's sustainable procurement policies.

With regard to sustainable IT, the city is promoting the extension of the life of computers by donating used equipment, the proper clean-up of e-waste, and the use of recycled paper. Manresa encourages its civil service to print less and to minimise electricity and paper usage. ILO norms are referred to in tendering contracts, but not (yet) taken up as exclusion or award criteria. For future tenders for IT hardware Manresa intends to implement the social and environmental criteria that are proposed in the Procure IT Fair buyers guide.

Centralised public procurement for sustainability in Bremen

By law the German city of Bremen includes environmental as well as social criteria in its public tenders. Reference to ILO norms is included. Bidders are required to provide evidence to support their claims regarding corporate social responsibility and sustainability. While current budgetary limitations may restrict expenditure for public procurement, the city nevertheless intends to maintain its focus on sustainable procurement. It is expected that through centralised purchasing the application of environmental and social criteria can be upheld or even increased.

Bremen, along with several other German cities and provinces, has outsourced the purchasing of IT hardware to a specialised intermediary body, Dataport. In December 2008, Dataport put out a call for a tender for computers for Bremen. Although centralised professional purchasing has the advantage of realising economies of scale, the downside is possibly diminishing the influence of the end-customer. It turns out that Dataport is not necessarily as interested in including far reaching sustainability criteria as Bremen would like. In this recent tender, a reference to the ILO standards was included, and the requirement for the computers to answer to the highest Energy Star-label, as well as other environmental criteria such as the stated objective to reduce IT products. Compliance to ILO standards was not, however, verified.

A road map towards sustainability – the role of IT service providers

The IT industry is responsible for 8% of carbon emissions in the Netherlands. Besides the obvious need to reduce these levels, the IT sector is in the perfect position to support other industry sectors in achieving greater sustainability. IT service provider Atos Origin/Atos Consulting is operating on this premise. Among the services provided to its customers, Atos Consulting gives advice regarding sustainable development and green procurement of IT. Atos Consulting presents its customers with a sustainable road map starting off with energy-saving solutions and going all the way to the formulation of a sustainable product life cycle. Atos Consulting stresses the need to include potential suppliers in an early stage of the procurement process and to define the types of evidence that bidders will need to provide.

Recently, Atos Consulting supported a province in the Netherlands in developing a new procurement policy. The province was looking to accomplish a higher sustainability target than the procurement criteria propagated by AgentschapNL. At the meeting, Atos Consulting pointed out that a focus on efficiency and costs may automatically result in more environmentally friendly procurement.

Don't talk to direct suppliers, talk to brands – HP

Computer brand company Hewlett Packard (HP) pointed out that a transition from green to sustainable procurement is unmistakably taking place. Public procurement bodies in a number of European countries, including Sweden, Denmark and Austria, are strongly driving this process. EU procurement directives and environmental labels are contributing to this trend. Throughout the meeting HP emphasised that dialogue with the end-users of its products is essential for the company. Any product-related problem is of interest to the company, including social issues in the supply chain.

HP pointed out that it is one of the initiators of the Electronic Industry Citizenship Coalition (EICC) and the EICC code of conduct for the global electronics industry, which has come about despite legal objections. HP stressed the need for a code of conduct as an indispensable tool in supply chain management. Besides using the EICC code, HP expects its suppliers to respect the company's policies concerning supply chain management and social and environmental responsibility, and to take steps to comply with national and international laws and regulations. Self-assessment questionnaires and participation in audits are additional measures taken by HP to push its suppliers to comply with international standards.

Despite all measures that could possibly be implemented, HP acknowledged that audits will not reveal all issues that may occur at production sites. The voice of workers regarding their own working conditions remains key, according to HP. Civil society organisations also have an important role in uncovering such problems. In this context, HP stressed the importance of data collection and transparency.

Key issues to be addressed

Key issues dominating the discussions at the roundtable were: the role of brand companies, IT service providers and resellers; the question how best to include social criteria in tender procedures; the need for effective monitoring and verification of adherence to legislation and code compliance in the global electronics supply chain; and the quality of the EICC code of conduct. To allow for more in-depth discussion the roundtable participants split up into three break-away groups.

Role of brand companies, IT service providers and resellers

Regarding the role and the influence of brand companies, IT service providers, resellers and system integrators, it was pointed out that market power is not divided equally. IT service providers and resellers can put but limited pressure on brand companies and can not afford to be too critical towards brands for fear of losing their contracts. Subsequently, the question was debated how best to engage in a dialogue with these parties about transparency in corporate CSR policies and sourcing practices, as well as about monitoring and verification of standards compliance. It was argued that by demanding transparency in the contract performance clauses, identification of potential problems in the supply chain is enabled.

It was recommended that purchasing municipalities and institutions should not only address their direct supplier, but also engage with the brands in the discussion to improve social conditions in the supply chain of IT hardware. This continuous engagement needs to occur not only when the tendering procedure starts or in the contracting phase, but in between actual tenders as well. The view was expressed that walking away from bad suppliers could do more harm than good, as factory workers' jobs are directly at stake. Through dialogue it can be established within what timeframe corrective actions should be undertaken. Disengagement with a brand should be considered when a brand repeatedly refuses to make improvements or take part in dialogue.

EICC Code of conduct

Although the establishment of the EICC and its code of conduct was a big step forward for the electronics industry, the NGO and trade union representatives present at the roundtable were sceptical about the value of this code as the clauses regarding freedom of association and collective bargaining are weak. Philips, HP and several other companies acknowledge the importance of freedom of association and collective bargaining and have drafted addendums to their respective codes. The EICC code should therefore not be regarded as the highest standard. Moreover, the EICC is clearly not a multi stakeholder initiative.

Monitoring and verification

Monitoring and verification of standard compliance was a topic of heated discussion at the meeting. Civil society participants stressed that corporate statements of compliance to codes or standards mean little if they cannot be checked. As yet, no adequate mechanism has been developed for verifying and guaranteeing adherence to ILO standards. The Dutch government is suggesting multi-stakeholder initiatives as possible mechanisms to consolidate respect for social criteria. In the IT sector, however, a credible multi-stakeholder initiative, with the participation of brands, suppliers, trade unions and NGOs, does not exist. An often-heard suggestion was to involve trade unions and NGOs in audits and spot checks at supplier level. At the same time, it was pointed out that corporate supply chain transparency does not equal independent monitoring and verification of labour conditions and compliance with standards in factories. Respect for freedom of association and adequate trade unions are deemed essential in this respect. This in particular holds true for China.

At the moment, institutional customers lack a sufficiently strong position to impose sanctions on suppliers that may not comply with international standards. A suggestion was made for brand companies to facilitate end-customer visits to production sites in risk countries.

How to include social criteria

Participants exchanged ideas on how social criteria could be included in tender procedures. In Belgium, social criteria are usually introduced in the contract phase. Other participants are of the opinion that addressing sustainability issues in the contract phase only is already too late and will yield limited results as at that stage selection on the basis of sustainability is no longer an option. Another option that was discussed is how to formulate social criteria as exclusion criteria. In Hungary, an accreditation system for suppliers has been established. Suppliers are excluded from public tendering if they fail to deliver an annual report.

Problematic is that none of the electronics brands can as yet guarantee that conditions in their supply chains comply with ILO standards. Procure IT Fair recommends to include compliance with social standards in the award criteria. The EU procurement regulations seem to offer room to do this legally. Also, attaching more weight to social criteria will bring sustainable procurement closer to realisation. A possible incentive to make suppliers improve their CSR record is to publish the weight awarded to social criteria in a tender. In the same vein, publishing which bidder gets awarded the contract is also expected to have a motivating effect on suppliers.

Eventually, social and environmental criteria should be regarded as of equal importance. Advocates of sustainability are to play a role in bringing the issue up for discussion, both at brand company levels as well as among policy makers and public institutions.

Outcomes

Dialogue in this diverse group of participants resulted in some valuable insights into how sustainable procurement of IT hardware can be implemented more effectively in the European context. Open minded exchanges helped the discussion take an important step forward. Interesting insights into possible solutions were discovered.

> Embedding sustainable procurement thoroughly in an organisation is important to generate the institutional support required to make procurement truly sustainable.

> The suppliers' ability to provide customers with advice regarding social issues could be defined as an exclusion criterion, as is now already done in Amsterdam regarding the suppliers' ability to provide environmental advice.

> Also, attaching more weight to social criteria will bring sustainable procurement closer to realisation. A possible incentive to make suppliers improve their CSR record is to publish the weight awarded to social criteria in a tender. In the same vein, publishing which bidder gets awarded the contract is also expected to have a motivating effect on suppliers. Eventually, social and environmental criteria should be regarded as of equal importance.

> Advocates of sustainability can play a role in bringing the issue of sustainable procurement issue up for discussion, both at brand company levels as well as among policy makers and public institutions.

> Increased transparency regarding the supply chain and the sourcing of raw materials could be included as a tender requirement. The outcomes of a current project on supply chain mapping initiated by EICC and the Global e-Sustainability Initiative (GeSI) could feed into this.

> Taking the Hungarian situation as an example, end-customers could require suppliers to provide solid reports on predetermined social criteria.

> Reinforce the watchdog role that trade unions, research and campaigning organisations play. Public institutions could contractually oblige their suppliers to engage in a dialogue with civil society organisations and to elaborate and implement a corrective action plan whenever problems in the supply chain are reported.

> Dialogue with suppliers as well as brand companies is essential. This should be a tri-partite process between brands, resellers/service providers and customers that takes place in-between, as well as during tenders.

> IT service providers can make a positive contribution to increasing the sustainability of the procurement of IT hardware by guiding their customers in formulating social and environmental criteria.

> There are lessons to be learnt from green IT procurement, where demanding Energy Star label as a minimum requirement has become common practice.

> EU legislation regarding food security and the phasing out of hazardous substances in electronic products could serve as a blueprint for policies focused on the phasing out of substandard working conditions in the global supply chain of IT products available on the EU market.

In all, there seems to be commitment to sustainable procurement, as well as agreement among different stakeholder groups on the need for more ambitious criteria in tenders, transparency in the supply chain, and on the importance of dialogue among brands, resellers/service providers and end-customers. The general feeling is that EU legislation does offer room for the inclusion of social criteria. Procure IT Fair will incorporate these points in its approach, together with further insights gained during the roundtable. Procure IT Fair recommends organisations to be ambitious and explore possibilities to the fullest.

About Procure IT Fair

Procure IT Fair is a coalition of European civil society organisations that intends to raise awareness on the working conditions and environmental pollution present in the production of computers. It would like to ask politicians and public purchasers to use their (buying) power to demand compliance with international labour rights and ecological standards in the global supply chain of computers. www.procureitfair.org

SOMO, the Centre for Research on Multinational Corporations, is a Dutch not-for-profit research and advisory bureau. SOMO investigates the consequences of Multinational Enterprises' (MNEs) policies and the internationalisation of business worldwide.

Procure IT Fair partners

> Center for Environmental Studies CES, Hungary
> Ecumenical Academy Prague EAP, Czech Republic
> SETEM Barcelona, Spain
> SETEM Madrid, Spain
> SOMO, the Netherlands
> Südwind, Austria
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Participating organisations

> Aim for human rights, the Netherlands
> Atos Consulting
> City of Amsterdam, the Netherlands
> City of Bremen, Germany
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