Sector Guideline: Electronics

Scope and purpose
Swedbank’s sector guidelines are tools to enable better insights into the sustainability issues that various industries face.

The overall purpose of sector guidelines is to promote sustainability performance in our business relations and to give guidance on aspects that could be discussed with customers, suppliers and other stakeholders. The primary purpose of the guidelines is to support sustainability risk assessment and describe how Swedbank interprets sustainability risks in several sectors. Sector Guidelines are a set of recommendations that we would like to see our customers aim towards. They are relevant to all companies within the sector and in all stages of the value chain, such as production, processing and training.

Dependent on the size and maturity of the customers’ businesses, we acknowledge that their transition journeys can be in different development phases and at any point of time satisfy different set of recommendations. However, we do not wish to see our customers going against the intention of our recommendations.

Sustainability impact
The electronics sector includes communications equipment, computers and peripherals, electronic equipment, office electronics and semiconductors.

The Environmental, Social and Governance (ESG) risks and impacts associated with the production of electronic equipment include very high water usage, particularly in the production of semiconductors, hazardous chemical usage and its associated effects on health and the environment, the sourcing of so-called conflict minerals’ (tantalum, tin, tungsten, cobalt and gold supply chain) and labour conditions in assembly plants.

The most significant life-cycle risk of electronic equipment is that of so-called e-waste generated at the end of product life. Increasing efforts are underway in most countries to recycle waste electronic devices in order to recover the range of valuable or hazardous metals they contain. E-waste is often exported to developing countries where labour conditions in disassembly workshops are generally poor and hazardous for workers’ health.

Significant environmental and social opportunities also exist in the sector, for example in the manufacturing of energy efficient devices and systems, energy storage, other clean-tech applications and for producers who can decrease supply chain and conflict mineral risk by utilising recycled metals.

Expectations and recommendations
Swedbank expects clients, portfolio companies and suppliers to operate in accordance with relevant international norms, as well as regional and national laws, regulations and permits. We expect our business partners to manage material sustainability issues in a systematic manner within the field of human rights, labour rights, climate, environment and business ethics. We also recommend that companies involved in the electronics sector:

• Identify material sustainability aspects and adopt relevant policies, objectives and targets;

• Have policy commitments that meet responsibilities with regard to human rights, labour rights, environmental protection, health & safety at work and anti-corruption;

• Prevent discrimination and improve equal treatment of men and women;

• Where practicable, implement a life-cycle approach to production, including:
  o green design (e.g. use of LED technology, ease of dismantling for recycling);
  o responsible sourcing (e.g. low toxicity chemicals, recycled materials and non-conflict minerals);
  o maximisation of cleaner production techniques (e.g. water and chemical conservation and recycling, low energy...
consumption);
  o minimisation of health, safety and environmental (HSE) risks;
  o product end of life responsibility (e.g. product recovery programs and education);

- Conduct due diligence in supply chains to ensure management of environmental, social and business ethics issues and integrate sustainability criteria within procurement processes. Further, ensure high levels of HSE management, and most importantly, safeguard against involvement in conflict minerals - tantalum, tin, tungsten, cobalt and gold;

- Verify compliance with company standards on a regular basis;

- Report transparently on tax payments at group and country level in line with established global initiatives;

- Report regularly on material sustainability issues in line with established reporting framework standards, such as GRI.

Relevant norms, guiding principles & standards:

✓ The 10 principles of the United Nations Global Compact
✓ OECD Guidelines for Multinational Enterprises
✓ UN Guiding Principles on Business and Human Rights
✓ US Securities and Exchange Commission (SEC) Dodd Frank ruling on conflict minerals
✓ Toolkit on environmental sustainability for the ICT sector
✓ Electronic Industry Citizenship Coalition (EICC) Code of Conduct
✓ Conflict Free Sourcing Initiative (CFSI)
✓ United Nations Industrial Development Organization (UNIDO) ICT programme on e-waste
✓ Certification such as, Energy Star, TCO and EU Ecolabel
✓ REACH, regulation of chemical substances

Implementation

Sustainability risk assessment is an integral part of Swedbank Group’s risk assessment within corporate lending, investment and procurement. Sector guidelines set the context for risk assessment. In order to comply with our existing sustainability framework Swedbank shall:

- Ensure understanding of existing and potential clients’ and portfolio companies’ activities and risks. This means that Swedbank may require relevant documentation such as certificates and policies in order to understand sustainability governance and performance;

- Evaluate suppliers’ sustainability performance and integrate sustainability requirements as a mandatory part of supplier agreements. This means that Swedbank may terminate supplier relationships in the event of non-compliance with our supplier code of conduct;

- Continuously educate relevant Swedbank staff on general and specific Corporate Sustainability trends, issues and opportunities;

- Monitor our portfolios to mitigate ESG risks;

- Collaborate with third-party professional Corporate Sustainability experts and establish dialogue with counterparties on environmental and social matters;

- Report transparently on sustainability performance.
The so-called conflict minerals are gold, tin, tantalum, tungsten (the “3 T’s”) and are mined in eastern Congo. The minerals can be found in all consumer electronics products.
http://www.enoughproject.org/conflict-minerals

The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. https://www.unglobalcompact.org/about

OECD Guidelines for Multinational Enterprises.
http://www.oecd.org/corporate/mne/

The United Nations Guiding Principles on Business and Human Rights (UNGPs) are a global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity.

SEC Dodd-Frank ruling on conflict minerals. In 2010, the US Congress passed the Dodd-Frank Act, which directs the Commission to issue rules requiring certain companies to disclose their use of conflict minerals if those minerals are “necessary to the functionality or production of a product” manufactured by those companies. Under the Act, those minerals include tantalum, tin, gold or tungsten.
http://www.sec.gov/News/Article/Detail/Article/1365171562058

The Toolkit on Environmental Sustainability for the ICT sector is an ITU-T initiative which provides plenty of detailed support on how ICT companies can build sustainability into the operations and management of their organisations, through the practical application of international standards and guidelines. http://www.itu.int/ITU-T/climatechange/ess/index.html

Electronic Industry Citizenship Coalition Code of Conduct is a set of standards on social, environmental and ethical issues in the electronics industry supply chain.
http://www.eiccoalition.org/standards/code-of-conduct/

CFS. Tools include: Conflict-Free Smelter Program for smelters and refiners validated as “conflict-free, Conflict Minerals Reporting Template, which helps companies disclose and communicate about smelters in their supply chains, and white papers and guidance documents on responsible conflict minerals sourcing and reporting.
http://www.conflictfreesourcing.org/about/

UNIDO The e-waste initiative aims at addressing the full life cycle of ICT equipment by properly dismantling and recycling it once the equipment has become obsolete. An e-waste dismantling facility will be piloted in Uganda and Tanzania.
http://www.unido.org/index.php?id=268

ENERGY STAR is a U.S. Environmental Protection Agency (EPA) voluntary programme and products are independently certified to save energy without sacrificing features or functionality.
http://www.energystar.gov/

TCO Certified is an international sustainability certification for IT products and includes a wide range of criteria ensuring that the manufacturing, use and recycling of IT products is carried out with regard to environmental and social responsibility.
http://tcodevelopment.com/

EU Ecolabel is a voluntary scheme designed to encourage businesses to market products and services that are kinder to the environment and for European consumers - including public and private purchasers - to easily identify them.
http://ec.europa.eu/environment/ecolabel/index_en.htm

REACH Regulation (EU) No 907/2006 concerns the registration, evaluation, authorisation and restriction of chemical substances. It also contains requirements addressed to the users of chemicals, unlike previous legislation.
http://ec.europa.eu/environment/chemicals/reach/reach_en.htm