7 tips on how to go green in the outsourcing sector

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The Information Technology (IT) sector is growing fast. People are realising the negative impact that IT outsourcing has on the planet. It is not as visible as plastic waste on the streets, but people are realising that, for example, 1 Google search releases about 0.2gr of Co2. This means that it is important to become a green(er) outsourcing provider. Being a green outsourcing provider also gives you a competitive edge. And more and more often, European buyers are actually requiring providers to be green.

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1. Becoming more environmentally friendly is increasingly important for outsourcing providers

The most significant environmental impact of the IT outsourcing (ITO) and business process outsourcing (BPO) sector is made by its energy consumption. In the past 10 years, major steps have been taken to reduce the environmental impact of this sector's products and services. However, the sector in general has grown so much that energy consumption has also increased hugely. Green innovations and other energy-reducing inventions have not developed fast enough to keep up with this growth in consumption.

The planet needs it

The effect of climate change is being felt in most countries around the world. To reduce the effect of climate change, we all need to reduce our energy consumption. In 2020, the Information and Communication Technology (ICT) sector (including data centres, communication networks, and user devices) consumed approximately 4-6% of total global electricity use. And this sector's consumption keeps growing.

Up to now, most energy-reducing measures in the ICT sector have focused on increasing the computing power you can achieve for the same amount of energy use. This is like making your car more energy efficient but then driving more kilometres with it. It does not actually reduce the overall energy consumption.

For you as an ITO or BPO provider, the goal of going green must be to reduce the carbon footprint of your company and of the product or service you offer.

Example: Sama

Sama offers data annotation services for Artificial Intelligence (AI) and Machine Learning (ML) models, as well as data curation and an integrated ML-powered platform. Its main offices are in East Africa (Kenya, Uganda). Sama is one of the first AI companies to acquire B Corp Certification. This certification shows that they focus on both social and environmental responsibility.

The company has a methodical approach towards their environmental impact. They focus on the UN Sustainable Development Goals on climate action, as well as on equality and human-centred employment. Sama is working to measure and reduce their carbon footprint according to science-based reduction targets. Because this is a gradual process, they are also compensating their emissions by investing in offsets that support job creation and better air quality in East Africa.

Buyers increasingly require it

More and more often, European buyers are requiring their suppliers to be green and socially responsible. European governments are currently issuing many green-related requirements (you can read more about these in this document). More and more enterprises in Europe are starting to adopt these requirements. Green standards are becoming an important buyer requirement for both large enterprises and Small to Medium Enterprises (SMEs), so you must be prepared.

Right now, the most common sort of green compliance is a document that the buyer sends you, stating the types of green compliance it expects the supplying company (you) to comply with. You have to read this document and sign it if you agree.

From a contractual perspective, you will need to get ready to sign carbon service level agreements (SLAs). A standard SLA is a contract signed by the customer and the outsourcing service provider (you) that defines the services performed and the standards, responsibilities, and conditions attached to the project. A carbon SLA also covers the carbon footprint of these services and how both parties agree to reduce that footprint. At present, not all buyers require carbon reporting, but in some countries, it is already required by law. It is even possible that penalties will be placed on carbon emissions in the future.

Sustainability in the outsourcing sector

The ICT sector is a major global consumer of energy. By far the largest sustainability concern in the outsourcing sector is the electrical power consumption of data centres (see figure 1). However, if we look at ICT's overall energy consumption, data centres are not actually the main consumer. In fact, user devices consume more energy than networks and data centres combined. Approximately 60% of electricity consumption comes from devices (excluding TVs). The other 40% comes from networks and data centres (20% each).

Table 1: Sustainability concerns relating to global IT outsourcing

Concerns

What it means

Electrical power and water consumption in data centres	Increasing demand for electricity for IT products and services creates greenhouse gas emissions. Data centres also use a lot of water.
Global travel by employees	Large outsourcing contracts often involve air travel (mainly to establish new business relations). This adds to carbon emissions. Most smaller contracts do not involve a lot of air travel.
Availability and conservation of fresh water	For the large number of employees and communities in global delivery centres.
Growing volumes of electronic waste (e-waste)	From end-of-life information and communication technologies such as servers, communication devices, and personal computers.
The amount of energy that software programmes consume	Software consumes energy, sometimes even when it is not being used (but is running in the background).

Source: inspired by 'how green is my outsourcer' by Ron Babin and Brian Nicholson

As an ITO and BPO supplier, you usually cannot and do not want to be involved in the buyer's decision regarding which data centres are used (unless there are very specific technical requirements). The same applies to the hardware the buyer runs your software on. Hardware is also a major contributor to the IT sector's environmental footprint but unfortunately, as a software developer, you have little or no influence on the hardware your buyers use. This is why we will not discuss these topics further in this document. But you can, of course, decide which hardware you use yourself and how often you travel for work and whether you decide to compensate these emissions. You can read more about this topic under 'Make your office greener', below.

On the product side of outsourcing services, there are concerns about the amount of energy your software consumes. There are options available to make your software consume less energy. Read more about this under 'Make your product greener', below.

ITO and BPO providers in developing countries can contribute to a greener sector by:

- developing a greener product;
- making their office greener.

Example: Conectys

Conectys is a global BPO provider of contact centres, content moderation, and digital solutions in over 35 languages. Headquartered in Romania, Conectys also has smart locations complemented by work-from-home professionals in several countries, including Poland, Egypt, Turkey, the Philippines, and Colombia.

The company is committed to socially and environmentally responsible and sustainable business practices. They limit and reduce their environmental impact by:

- minimising waste and resource consumption via office practices on re-use, recovery, and recycling, energy- and water-efficient measures, and promoting efficient energy use;
- promoting and investing in technologies that help minimise the consumption of natural resources;
- developing a procurement programme that considers the environmental impact of products and services, and supports buying products and services in an environmentally responsible manner;
- promoting environmental awareness among employees and encouraging them to work in an environmentally responsible manner;
- adopting continuous improvement programmes to review current practices, identifying areas for improvement, and implementing continued measures.

2. Make your product greener (product level)

As hardware becomes more powerful and energy efficient, the impact of software on overall energy consumption becomes even more significant. For example, the University of Cambridge estimates that the energy needed to maintain the Bitcoin network is roughly 121 terawatt-hours (TWh) per year, which is about twice the energy consumption of the entire nation of Switzerland.

Also, of all the energy used by IT, the end user environment uses almost 40%. This means a lot of energy can be saved by making the end product more energy efficient. For example, the programming language you choose influences the energy efficiency of your software.

There is currently no uniform standard measurement for measuring carbon efficiency. But you can reduce the carbon footprint of your product or services by taking the right steps. Below are the design and coding options recommended by the Green Software Foundation:

- Focus on and control features with higher power consumption and common usage scenarios;
- Reduce data usage: adopt efficient cache policy, minimise data exchange, and manage the lifecycle of stored data, compressing and aggregating data and using smaller sizes for media and image when possible;
- Remove or refactor unused features this improves energy efficiency and makes software easier to maintain;
- Detect and remove loops which cannot achieve their intended purpose and uselessly consume energy, such as polling an unreachable server;
- Adapt the behaviour of your application according to the device power mode or other operating conditions;
- Limit the computational accuracy of the application to the desired level which is commensurate with the operational needs. For example, you do not need very high-resolution geolocation data for your user if you are just looking for friends nearby; and
- Monitor the real-time energy consumption of the application to identify the modules that can be optimised to produce fewer emissions.

Tips:

Learn how to build, maintain and run greener applications by following a free course provided by the Green Software Foundation.

Design and develop energy-efficient websites and carefully select or recommend green webhosts.

Find sources online that help you create greener software, such as this article by IEEE that presents a conceptual framework that provides an overview of the available strategies, models, and tools.

Consider getting the Blue Angel Certification. This is the first ecolabel for software products.

3. Make your office greener (organisation level)

Another way to go green as an ITO or BPO provider is to go green at organisational level. You can reduce your company's energy consumption or reduce the footprint of its output by creating less output or recycling your waste.

Energy consumption

Reduce energy consumption at your office by installing LED lights or less energy-consuming air conditioning systems. You can also insulate your office better and ask your employees to turn off their monitors when they leave the building.

Automation Implementing automation into existing or new processes will also help you increase efficiency. It gives you the tools you need to better monitor your operations so that you can reduce waste (and the costs associated with it) while increasing efficiency.

Automation by outsourcing

You can automate some of your business processes by outsourcing them to other companies. These other companies might be able to process the same amount of work more efficiently, perhaps because they have more efficient data centres or can offer economies of scale in the use of their facilities. If you reduce the amount of energy used in this way, your company will benefit and so will the environment.

If you decide to make use of another company to automate some of your business processes, choose the service providers you outsource to carefully.

Make good purchasing decisions

What you buy for your office impacts your carbon footprint. Here are some options:

- Buy green energy, if it is available at your location;
- Consider installing solar panels or solar boilers;
- Offer more vegetarian and vegan dishes in the cafeteria;
- Use biodegradable products to clean your office;
- When purchasing new hardware, consider choosing more sustainable options, such as sustainable laptops or fairphones.

Improve your office habits

- Limit water use;
- Encourage working from home;
- Print less and/or print double sided;
- Encourage your employees to cycle to work (if it is safe enough).

Recycle your waste

Recycling electronic waste can be difficult in some countries, but it is very important that you try to find a place you can take your electronic waste to for recycling. If you are based in a country where recycling is difficult, do not become discouraged. You can take small steps, such as:

- using reusable cups;
- recycling your office organic waste.

Perhaps you think these steps will have little impact, but we do not need one company to do everything perfectly; we need thousands of companies to do their best.

Teleperformance, an international contact centre service provider, launched its Citizens of the Planet initiative in 2008. They are very good at following through on their plans. They reduced their carbon emission per fulltime employee (FTE) by 15% from 2020 to 2021. In the same period, they reduced their electricity consumption per FTE by 21.4%. Their website gives good examples of how they make their progress visible for both employees and buyers and how they achieve these goals.

They reduced their carbon emission by raising awareness among their employees about water and power conservation. They also promote volunteer experiences, such as clean-up teams, to help reach their goal to reduce waste.

Tips:

Be honest about what you already do and what your plans are, but also about what is hard for your company to achieve. Do not promise windmills and full recycling of all your waste if this is not feasible at your location right now.

Look into ways in which automation can benefit your company.

Read our 'tips to go digital' document, especially the part about strategic automation, to learn more about automation within the outsourcing sector.

4. Become a green innovator

The world needs green innovations. Many of the best inventions in this area have come from the IT sector. One example is the invention of the cloud. At the start, cloud computing used significantly more energy than traditional datacentres, but cloud computing has since become significantly more energy efficient. Migrations to the public cloud can reduce CO2 emissions by 59 million tons per year. This has the same impact as taking 22 million cars off the road.

Another invention is the Internet of Things (IoT). This technology can be used to monitor and control energy consumption in buildings and other systems, enabling greater efficiency and energy savings. Then there are several inventions within IoT that contribute to a more sustainable world. Examples of such inventions are:

- Smart Agriculture: IoT sensors can be used to monitor soil moisture, temperature, and other factors that affect crop growth, enabling farmers to optimise their use of water and fertiliser and to reduce waste;
- Energy Management: IoT-enabled smart meters can monitor energy usage in real-time, helping to identify areas where energy efficiency can be improved and reducing overall energy consumption;
- Smart Cities: IoT sensors can be used to monitor traffic flow, air quality, and other factors that impact urban environments, enabling city planners to make more informed decisions and to improve sustainability;
- Waste Management: IoT-enabled sensors can be used to monitor the fill level of waste bins and optimise waste collection routes, reducing fuel consumption and the associated carbon emissions;
- Water Management: IoT sensors can be used to monitor water quality and usage in real time, helping to identify leaks and other issues and to conserve water resources.

There are two ways to become a green innovator:

- Offer existing products or services, but make them in such a way that they use less energy than most existing products or services;
- Develop new green products or services that are very different from the existing ones.

An interesting sector to consider is clean tech. This is one of the fastest growing markets worldwide. The International Energy Agency (IEA) has predicted that in 2030, in IEA's net-zero scenario, the value of the global market for clean tech will be greater than the value of the oil market, rising from ≤ 114 to ≤ 810 billion.

Tips:

Stay up to date on the latest innovations in your sector. Not all innovations that benefit the environment are called green innovations, so do not just search for 'green innovations'.

Make you green performance into a USP. When marketing your company, using the right keywords is very important. If you want to emphasise the green nature of your products, consider using the terms "clean technology" or "green technology". Make sure to check the definitions of these terms to see if they fit your profile.

Have a carbon-based business case ready. Some European buyers might ask for it when they are looking for a new outsourcing supplier. This business case must make clear to your buyer how you are putting you 'green goals' into practise. List your green targets and which targets you have already achieved. If you are a larger company, they might also ask you for published environmental targets and information because they want to know whether you are actually achieving your goals.

Do not forget that even though you want to profile yourself as a green company, potential buyers are first of all looking for someone to do the job for them. Your core business must always be central on your website.

5. Inform yourself about the relevant European legislation

Legislation on reducing carbon footprint is increasing, both at European and country level. Market experts believe that more and more enterprises in Europe will soon start to adopt most government requirements. Reducing carbon footprint will become an important buyer requirement for both large enterprises and SMEs.

New legislation is being made all the time. It is impossible to list or be aware of all the regulations, so this chapter just discusses the most common ones.

In the recent past, some European companies have used outsourcing to make their companies appear more green on paper. In fact, they have actually just moved the problem from an on-shore data centre to an offshore data centre that is often less energy efficient than the on-shore one. This practice is called greenwashing and must always be avoided.

At the moment, there is no European legislation that ITO or BPO providers from developing countries are obliged to comply with. But this is expected to change. It is important that you know about this legislation so that you can prepare your company for compliance in the future.

There is always the risk of spending too much time and/or money on this subject. However, it may be even riskier to spend too little time and money on it and then to fall behind the competition when legislation does become mandatory.

Sustainable or Green Public Procurement

Sustainable Public Procurement (SPP) is becoming the norm in many European countries. SPP is an instrument used by governments to tackle abuses involving people and the environment in international chains. This means that more and more often, European governments are requiring their suppliers to be green and socially responsible.

The Netherlands already has such a system in place, as do Norway and many other European countries. The Dutch government uses a points-based system for public tenders in which sustainability plays an important role. Many more countries are expected to follow in the next 5 years.

EU Green Deal

Europe is striving to become the first climate-neutral continent. In 2019, the European Commission launched the European Green Deal (EGD). The EGD is a package of actions to reduce greenhouse gas emissions and to minimise the use of resources while achieving economic growth. This means that products sold in the EU market need to meet higher sustainability standards.

If you are an ITO or BPO provider wanting to sell your products or services to the EU, this means that you will have to start thinking about how green your company is and how you can make it even greener. As mentioned above, most legislation does not yet apply to smaller companies, but that will probably change soon.

If you want to be a subcontractor for a larger ITO or BPO provider, this legislation might apply to them. By incorporating green practises yourself, you will probably gain a competitive advantage over companies that have not done so.

If you export to the EU or plan to do so, you need to find out how the EGD policies can impact your business and then prepare yourself for those impacts. Important chapters for ITO and BPO providers are the chapters on Energy, Industry, and Research & Innovation.

Example: Carbon reporting

European climate law states that EU countries must cut greenhouse gas emissions by at least 55% by 2030. One way to achieve this is via mandatory carbon reporting. The Corporate Sustainability Reporting Directive (CSRD) came into force on 5 January 2023. The CSRD is a set of rules that companies in the European Union must follow. It requires them to provide clear and comparable reports about how they are doing in terms of environmental, social, and governance issues. This helps people understand how companies are taking care of the planet and their communities. The CSRD currently only applies to companies that meet at least two out of the following three criteria: more than 250 employees, more than €40 million turnover, or more than €20 million on their balance sheet.

The UK recently developed the Streamlined Energy and Carbon Reporting (SECR). At the moment, this only applies to companies that meet at least two of the following three criteria: 250 or more employees, more than £36 million turnover, or more than £18 million on their balance sheet. It requires these companies to report their energy use, greenhouse gas emissions, and related information in a streamlined manner. This helps promote transparency and encourages companies to monitor and reduce their environmental impact.

Global Reporting Initiative

The Global Reporting Initiative (GRI) is the world's most widely used framework for standardising how businesses report on their sustainability. Most companies that use it are larger companies. Only 10 to 15% of the companies that use GRI's Sustainability Reporting Standards are SMEs.

But you can still apply GRI standards to your organisation. They can be used by any organisation, large or small, private or public, from any sector, location, or reporting background. Using these reporting standards will give

you clear and comparable information that you can present to potential clients. They can then easily compare your standards to those of others. These standards will also help you to set priorities, create accountability, and identify and manage long-term risks.

The GRI website has a research centre that provides more information about reporting sustainability performances for different sectors in different countries and even in different languages.

ISO14001

ISO 14001 is an internationally agreed standard. It sets out the requirements for an environmental management system. It helps organisations improve their environmental performance through more efficient use of resources and reduction of waste.

UN Global Compact:

This is the world's largest corporate sustainability initiative. Their goal is to align the strategies of larger companies with universal principles on human rights, labour, environment, and anti-corruption. The UN Global Compact is aimed at large companies, but their website can still serve as an inspiration. They have a section dedicated to the environmental side of the impact. You can also visit their page on local initiatives.

Example: Merchants

Merchants is a BPO solutions provider, specialised in customer experience and customer interactions. The company designs, builds, and operates contact centres. They communicate a people-centred approach. Their motto is "Making Digital Human".

Figure 1: Merchants' values

In 2022, Merchants became South Africa's first BPO company to join UN Global Compact, the world's largest CSR initiative. This initiative asks companies to incorporate its Ten Principles into their strategies, policies, and procedures. These ten principles relate to various areas, including human rights, labour, and anti-corruption. Principles 7, 8 and 9 are relevant here, as they focus on the environment:

- Principle 7: businesses should support a precautionary approach to environmental challenges;
- Principle 8: businesses should undertake initiatives to promote greater environmental responsibility;
- Principle 9: businesses should encourage the development and diffusion of environmentally friendly technologies.

Every year, UN Global Compact companies communicate their progress on the Ten Principles and the SDGs to build trust, credibility, and transparency.

Tips:

Read the CBI document entitled The EU Green Deal - How will it impact my business.

Consult the ITC Sustainability Map for a full overview of certification schemes addressing sustainability in the IT outsourcing sector. Good examples are the B-Corp certification and 1% for the Planet.

Stay up to date on the laws and regulations in your target markets. Look at our **Buyer Requirements** study for more information on the buyer requirements for the IT outsourcing sector in general.

Ask your buyers if they would appreciate a certain certification. Perhaps you can join forces in becoming greener together.

6. Incorporate green principles in your code of conduct

A Code of conduct (COC) is a set of guidelines adopted by an organisation to address what behaviours are expected and appropriate. Every company should have a code of conduct. It is a good idea to rewrite your organisation's COC, adding your new green principles.

Your code of conduct should include information about:

- The values your company believes in;
- Guidelines for behaviour;
- Day-to-day business practices;
- How your employees should interact with outside parties.

Valamis has written a good article about what to include in your code of conduct.

Most COCs in the ITO and BPO sector are 80% about social issues and 20% about green issues. See, for example, this COC published by the AddNode Group. Green topics in their COC include their contribution to the circular economy, adjustments to their office space, and their travel policy.

You can also write a supplier code of conduct. Al company Sama has published this Supplier Code of Conduct. You can use it as inspiration.

Tips:

Rewrite your code of conduct with your new green principles. Keep your COC up to date by annually reviewing it.

Do not forget to incorporate your green office procedures in your COC.

Also incorporate a chapter about choosing your clients and suppliers carefully. Part of your green identity is working with clients and suppliers that match your values.

7. Find funding, investors and/or partners

There are many initiatives by governments, companies, and organisations that aim to make the world a 'greener' place. Many of them are directed at - or at least involve - technological inventions. These funds can support your company in your journey towards becoming a greener company, or they can fund your green innovation.

The support other parties offer can be financial, but also educational. These parties can also help connect you to the right information or the right people.

Country funding

There are several government initiatives in Europe that aim to stimulate green innovation involving software. Here are two examples:

The NL-ECO programme: The aim of this programme is to reduce the energy consumption of computers via green innovation. In December 2022, this Dutch government-funded initiative awarded funding amounting to about €9.5 million in total to twelve research projects through the Open Technology Programme. Other companies and organisations contributed a further €2.5 million.

Digital Europe Programme: The Digital Europe Programme is a plan created by the European Union to help Europe recover from the pandemic and become more advanced in digital technology. It is responsible for part of the EU budget for 2021 to 2027 and will provide money for projects in five important areas: supercomputing, artificial intelligence, cybersecurity, digital skills, and making sure digital technology is used across the economy and society.

This programme is designed to help bring digital technology research to the market and to benefit European citizens and businesses, especially small and medium-sized enterprises. The investments made through this programme will support Europe's goals of becoming more environmentally friendly and digitally advanced and will help to make Europe stronger and more independent.

These initiatives provide important support and funding for green innovation involving software, helping to drive the development of new technologies and solutions to tackle climate change and promote sustainability.

Crowdfunding

You can attract investments through crowdfunding. Crowdfunding is defined by Fundable as a method of raising capital through the collective effort of friends, family, customers and individual investors via online channels, such as via social media and crowdfunding platforms. By making use of different European crowdfunding platforms, you can find potential investment partners based in Europe and raise capital to help develop business ideas further.

Take a look at sites such as Crowdsourcing Week and Silicon Canals to learn more about crowdfunding and to find the best European platforms. Different countries use different platforms.

Greenly

This company works with investment portfolios that align with Environmental, Social and Governance values (ESG). Individuals, companies, or organisations can use green funding to create products or services with environmentally friendly practices, or any product or service that has the goal to reduce its overall carbon footprint.

Examples of companies that use green funding are renewable energy companies, companies that purchase renewable energy sources, organic farms, and manufacturers of products that are created with clean technology and contain little to no synthetic chemicals that could negatively impact the environment.

Recommendations

Look for government grants and subsidies

Many governments offer grants and subsidies to companies that are investing in sustainable technologies and practices. Check with your local or national government to see if there are any programmes that your company may be eligible for. Green Climate Fund has programmes that fund projects in developing countries that contribute to lower emissions and/or climate-resilient developments. Other similar funds are initiatives such as the Green Guarantee Company and the EU's Global Gateway. These examples and more can be found in this article by Impact Investor.

Seek out impact investors

Impact investors are individuals or organisations that invest in companies that are making a positive impact on society or the environment. Look for impact investing networks or platforms that specialise in the IT sector, such as the Impact Investing Network or the Global Impact Investing Network.

Research sustainability-focused accelerators and incubators

There are a growing number of accelerators and incubators that focus on supporting companies that are developing sustainable technologies and practices. Look for programmes that specialise in the IT sector, such as Climate-KIC or the Cleantech Open.

Connect with industry associations and networks

There are many industry associations and networks that focus on sustainability and green technologies. Joining one of these groups can provide access to funding opportunities, as well as to valuable connections and resources. Examples are: Bitkom, NL Digital, Tech UK, BIMA, Association of British HealthTech Industries, African Agricultural Technology Foundation, Global Sourcing Association, German Outsourcing Association, and Sourcing Nederland.

Participate in sustainability competitions and challenges

Many organisations and companies host sustainability competitions and challenges that offer funding and other support to companies that are developing innovative solutions to environmental challenges. Look for opportunities that are relevant to the IT sector, such as the Sustainability Challenge or the Cleantech Open Ideas Challenge.

Conclusion

Overall, the keys to finding funding in the ITO and BPO sector are to be proactive and persistent in seeking out opportunities, and to be willing to explore a variety of different channels and approaches. By demonstrating a commitment to sustainability and a willingness to explore innovative solutions, your company may be able to attract the financial and educational support it needs to become a greener and more sustainable organisation.

This study was carried out on behalf of CBI by Globally Cool B.V. in collaboration with Laszlo Klucs and Christian Vezjak.

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