Vendor Profile

European Sustainability Index Vendor Profile: Ricoh

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IDC OPINION

The IT industry needs to be more ambitious in asserting its role in solving current societal and environmental challenges such as facing the pandemic, reducing global warming, and improving energy efficiency. IDC has been taking the pulse of the industry regarding sustainability, using our proprietary framework along three sustainability pillars for the IT industry:

- Technology Vendor Performance
- Technology as an Enabler
- Technology for Good

Ricoh performed exceptionally well against that framework, placing among the absolute top performers across nearly 30 equipment manufacturers and infrastructure vendors. This strong showing stems from well-balanced performance across all three main pillars. This quantitative measurement is a testimony to Ricoh's overall strategy related to the sustainability cause, which is to pursue a sustainable society by balancing what the vendor refers to as the Three Ps: Prosperity (economic), People (society), and Planet (environment).

IN THIS VENDOR PROFILE

This IDC Vendor Profile provides a detailed view of Ricoh's own performance vis-à-vis IDC's sustainability framework across the three pillars. It examines the vendor's overall performance, points to the specific areas where the vendor strongly outperformed the industry average and offers a view of drivers and events that will shape sustainability issues in the future. The manufacturer applies the United Nations Sustainable Development Goals (UN SDGs) to its operations (through the disposal, transport, and production of goods); the use of its products (considering aspects such as the electricity, paper, or ink utilized); and its supplier network (when sourcing raw parts and materials). It also conducts lifecycle analysis to assess the environmental impacts associated with the different stages of its products' lives. It focuses on three key UN SDGs (#13, Climate Action; #12, Responsible Consumption and Production; and #3, Good Health and Well Being), although it supports 12 SDGs. For years, the organization has developed and implemented its Sustainability Optimisation Programme that takes a consulting-led approach to carbon neutrality, energy, and paper reduction and certification.

IDC has selected the vendors for individual profiles based on their overall performance and willingness to provide material information in a transparent manner.

SITUATION OVERVIEW

Why Now?

Recent years have seen an increasing focus on the drivers of environmental and social sustainability across European countries, as we indicated during our recent webcast: *The Sustainable Enterprise: How Technology Can Help Achieve Sustainability in a COVID Reality*.

These key drivers of sustainability include:

- **Regulatory Environment:** This driver is especially important in Europe, where the European Green Deal and national and local regulations are shaping the future direction and recovery of companies and businesses in the region (e.g., carbon tax, stimulus packages tied to green investments, regulations regarding electronic waste).
- **Financial Interest:** This driver relates to the role of investors as a driver of social responsibility in organizations through environmental, social, and governance (ESG) funds, rating agencies incorporating ESG indicators into their ratings, and so forth.
- **Consumer Demand:** While the role of consumers in shaping sustainability discourse through purchases decisions is a key element, this driver also encompasses suppliers and partners in the external customer role and employees as internal customers.
- **Trust/Reputation:** Unethical or negligent behavior regarding ESG issues can cause reputational damage, which then translates into financial loss.
- **Currently Available Technologies:** The availability of technology to help solve many of the challenges we face today is driving many organizations in the region to use these technologies to tackle sustainability challenges while also helping their top line.
- **COVID-19:** Many current COVID-19 recovery packages are linked to sustainability-related initiatives, such as the issuance of green bonds in France and Germany, and the European Commission's decision to allocate about one-third of the recovery package to sustainability-related investments.

Introduction to IDC's Technology for Sustainability and Social Impact Index Framework

The events of 2020 (from the COVID-19 pandemic to unprecedented social unrest and environmental disasters) have emphasized the delicate balance between nature and society. These events have also brought attention to the crucial role all parties in society play (individuals, organizations, governments, and the private sector) and the need for collaboration between them to help solve the challenges we face. The ICT industry is a fundamental piece of this puzzle, both as a culprit and, more importantly, as a provider of solutions.

Operating a sustainable business is a top business priority for almost 60% of European organizations; hence, sustainability- and climate-related goals are integral to their corporate strategies (*European IT Services Survey*, January 2020, N=665). With 75% of European businesses intending to spend up to 50% of their IT budgets on sustainable products and services in the next two years (*COVID-19 Survey, Wave 15*), ICT players' enablement of sustainability has become a business necessity, as well as a moral obligation. The European ICT industry, be it through established vendors or the start-up community, already offers a variety of products and solutions to assist clients on their sustainability journeys. However, a scarcity remains of robust and reliable assessment metrics for technology users and decision makers to help them navigate toward more sustainable consumption and production patterns.

IDC Europe's Technology for Sustainability and Social Impact (TSSI) Framework takes into consideration the three main ways in which the ICT industry can have an impact on enabling sustainable enterprises and industries:

- **Technology Vendor Performance:** The first pillar focuses on vendors' performance against ESG-related attributes. The framework references both ESG objectives and the UN's 17 SDGs, applying the "monitor, measure, compare, and report" principle.
- **Technology as an Enabler:** The second pillar refers to technology as a means to achieve sustainability-related goals. It focuses on the products, services, and solutions vendors

offer their clients to meet their sustainability- and diversity-related goals. Product manufacturers demonstrate how their solutions help their customers.

- ▪ **Technology for Good:** The third pillar focuses on the altruistic side of vendors' activities and actions — good deeds achieved through technology deployment while pursuing good causes. Technology for Good encompasses the not-for-profit altruistic activities and partnerships many technology vendors have implemented to positively impact communities in need — usually, corporate social responsibility (CSR) activities.

IDC Europe's TSSI Index aims to provide a comprehensive vision of the current state of the European ICT industry regarding sustainability and social impact, created to reflect the market's maturity in sustainability achievements and initiatives and to help identify areas still in need of improvement.

IDC Sustainability Framework — the Three Pillars
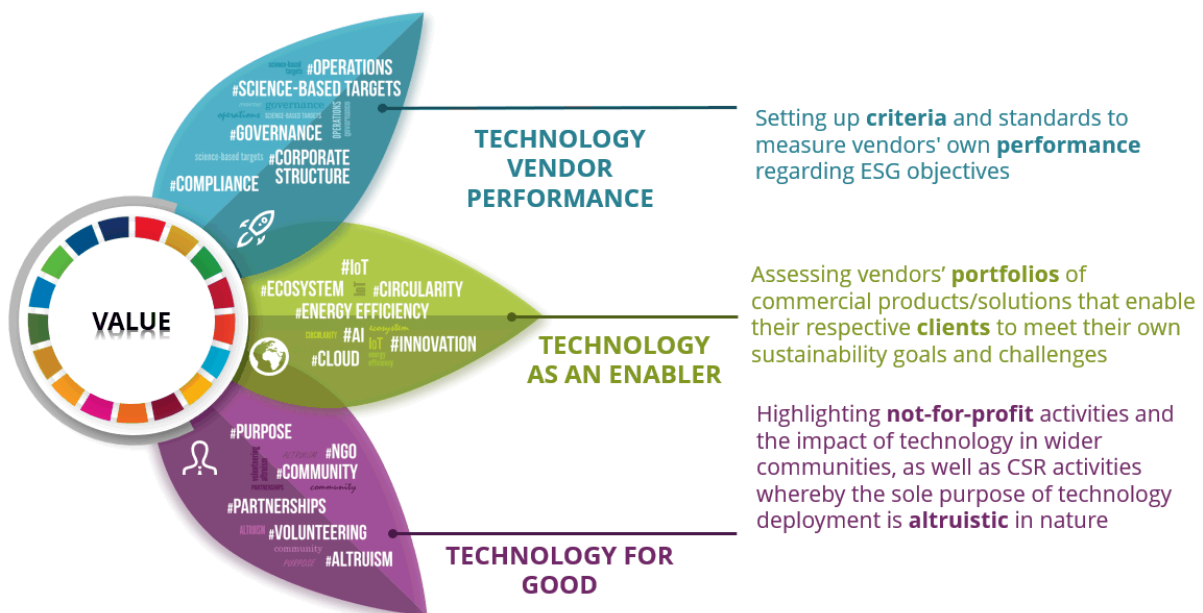
Source: IDC, 2021

The IDC TSSI Index measures vendors against some 140 parameters across these three pillars. With the framework in mind, this Vendor Profile offers a detailed overview and assessment of its sustainability activities and strategy to date.

Company Overview

Founded in 1936 as a hardcopy and imaging vendor in Tokyo, Japan, Ricoh has since moved to providing complex infrastructure for modern office environments. In the Europe, Middle East, and Africa (EMEA) region, the vendor operates as Ricoh Europe. Headquartered in London (U.K.) and Amstelveen (Netherlands), Ricoh Europe has 24 subsidiaries in EMEA that employ 15,000 people. The vendor also has dedicated centers, including the Service Operations Center and AV Network Operations Center (both located in Warsaw) and the User Experience and Innovation Center (Oviedo).

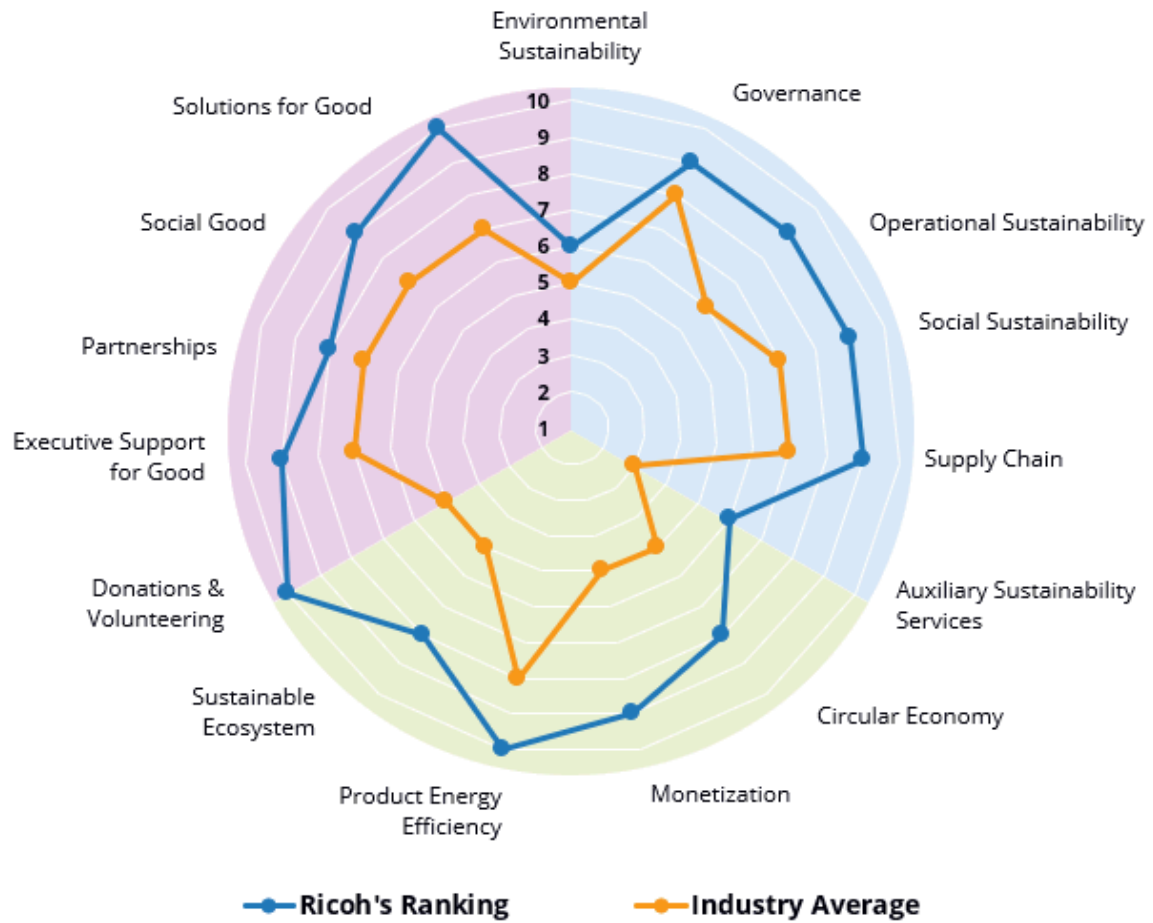## *Ricoh's Sustainability Strategy*

Ricoh's approach to sustainability is to pursue a sustainable society by balancing the Three Ps: Prosperity (economic), People (society), and Planet (environment). One of the key challenges many organizations face, however, is to incorporate and integrate environmental and social aspects within business (financial) measurements. In order to succeed, the role of governance is crucial, and Ricoh has recognized this by incorporating ESG objectives into its overall business strategy. Ricoh has managed to position both financial and ESG goals hand in hand as companywide management objectives.

Stemming from this basic concept, Ricoh has identified seven material issues related to sustainability: Creativity from Work, Quality of Life Enhancement, Zero-Carbon Society, Circular Economy, Stakeholder Engagement, Open Innovation, and Diversity & Inclusion. It has incorporated them into its business strategy. Examples of how the company is incorporating them into environment-related goals include its focus on accelerating energy-saving initiatives and use of renewable energy, as well as providing digital services for new ways of working.

With regard to social sustainability, Ricoh has endorsed a road map from Business for Inclusive Growth (B4IG) that calls for businesses and governments to coordinate their efforts to build an inclusive recovery, in light of the devastating impact of the COVID-19 crisis. As part of B4IG's activities, Ricoh participated in a working group focused on bridging the digital divide to help communities that do not have adequate access to digital infrastructure. Furthermore, Ricoh has launched a global communication campaign that encourages its employees to think about how to achieve the SDGs and act with a real sense of global unity. In Europe, it took the form of encouraging employees to participate in an online educational session about the impact of COVID-19 on dementia research.

FIGURE 2

Ricoh's Sustainability Performance Against IDC's Sustainability Framework

Source: IDC, 2021

Ricoh's Overall Performance Against IDC's TSSI Index

Ricoh was ranked among the top 3 out of 29 companies measured in the IDC sustainability framework. Figure 2 visually illustrates Ricoh's overall performance against the industry average for IT equipment and infrastructure providers. The vendor's performance is strong and well balanced across all pillars, with recorded average scores of 8 on the 10-point scale.

The overall strong performance reflects Ricoh's management strategies and subsequent tactical steps. Specifically, the vendor in its mid-term management plan (MTP) identified the seven aforementioned material issues that, in two key areas (namely "resolving social issues through business" and "robust management infrastructure") are linked to 12 of the UN's 17 SDGs. More importantly, all these material issues are reflected in concrete business strategies and consequently have specific key performance indicators (KPIs) and material targets.

Pillar One — Technology Vendor Performance

The vendor placed among the top 5 out of the 29 vendors tracked for the first pillar. Ricoh outperformed the market on four out of five key categories (Governance, Social Sustainability,

Supply Chain, and Operational Sustainability) and scored on par with the average on Environmental Sustainability.

Governance

The vendor scored eight points in the governance category due to its efforts and focus on:

- Embedding sustainability-related KPIs into the company's executives' evaluation criteria. Specifically, Ricoh has set ESG targets that are aligned to seven material goals, and each target and KPI is embedded in the job description of all executives.
- Appointing a board member/executive to be responsible for corporate responsibility and sustainability management.
- Making an environmental and sustainable-development strategy a part of the company's values.

Solid performance in the governance category is linked to the aforementioned seven material issues in general and, in particular, to robust management infrastructure that underpins Ricoh's mission to develop and offer new value in order to actively contribute toward improving the quality of life and achieving sustainability.

Social Sustainability

Ricoh has implemented some key initiatives under the social sustainability category, covering issues and activities such as customer trust and privacy, sustainability-related training and education, employee safety and wellbeing, and workforce empowerment. The vendor actively promotes diversity and inclusion principles by, for example, implementing quotas for managers from underrepresented and diverse backgrounds. In the specific subcategory of diversity and inclusion, Ricoh was one of the few vendors reporting the percentage of women in its workforce. In Europe, women represent 27% of the total Ricoh workforce, and every fourth Ricoh executive is female.

Supply Chain Sustainability

Sustainable supply chain practices include requiring evidence from suppliers of their sustainability goals and science-based targets, adhering to UN Supplier Code of Conduct principles, and certifying that internal company processes meet best practices in relation to sustainability, climate-change, and conflict-material issues.

The factors behind the strong development of Ricoh's supply chain practices include the following:

- A requirement that all Ricoh's suppliers and partners provide material proof of their sustainability goals, have ISO 14001 certification, and manage, recycle, or reuse waste
- Participation in independent assessment/audit programs aimed at improving conditions in conflict-affected countries
- A process in place for the refurbishment, reuse, recycling, mitigation, or substitution of critical raw materials

Operational Sustainability

Operational sustainability is a broad collection of policies and practices that includes prevention of landfilling, responsible travel policies, and tracking and analyzing sustainability indicators.

The vendor performed very well in operational sustainability compared with the overall average performance of the industry. Within this category, the vendor deployed a number of robust responsible travel policies and has also been actively using a technology solution to track and analyze sustainability indicators. Technological tools are used both to track sustainability indicators

within Ricoh and to help external clients address their own sustainability requirements. The vendor uses technology-based tools to track ESG indicators across operations in EMEA, gathering information on all the relevant metrics and KPIs. A case in point is a regular environmental performance report that each of Ricoh's operating companies is required to return. These reports include information on the operating company's greenhouse gas (GHG) emissions and its use of renewable resources. More information on Ricoh's tools for external clients is provided in the section below.

The company aims to reduce its Scope 1 and 2 GHG emissions by 63% by 2030, and its Scope 3 emissions by 20% in the same period, among other ambitious targets.

Pillar Two — Technology as an Enabler

The vendor ranked among the top 3 out of the 29 vendors tracked for the Technology as an Enabler pillar. Ricoh outperformed the market average on all five main categories that IDC identified as must-have sustainability value propositions. These categories are Monetization, Circular Economy, Sustainable Ecosystems, Product Energy Efficiency, and Auxiliary Sustainability Services.

Monetization

The vendor scored particularly high in this category, thanks to having several pieces in place for monetizing its sustainability approach, such as:

- A diverse portfolio of sustainability offerings that includes sustainability services, products, and product features such as a carbon calculator for customers. An eco mode and eco night sensor mode feature across its products.
- Financial backing, such as Ricoh's sustainability-linked loan agreement with MUFG Bank to borrow JPY 10 billion in April 2020. The sustainability-linked loan is a financial product for companies that set high environmental goals and actively work on climate-change issues. The loan will accelerate the deployment of energy-saving measures by expanding the use of renewables certifications and expanding in-house power production (solar and micro-wind power).

In addition, the company has a dedicated sales team focused on the sustainability and social impact topic, who are trained in SDGs and taught to explain how Ricoh products and services can help clients to solve their sustainability challenges. For specific sustainability topics, Ricoh has an established central ESG team that supports the sales team.

Circular Economy

The circular economy is central to meeting sustainability-related challenges for product manufacturers. It refers to putting practices in place to encourage or ensure the collection and recycling/remanufacture of products and equipment, as well as enabling new as-a-service business models that remove the need for equipment ownership.

Ricoh performed particularly well across the following attributes:

- Providing a large portion of its production portfolio (80% both globally and at the European level) via a product-as-a-service model (for the direct channel)
- Offering recycling, repair, and remanufacture capabilities: In CY 2019, Ricoh sold almost 10,000 units of its GreenLine remanufactured units — with over 80% of existing parts and components (by weight) of the original product being reused — which has been independently audited and certified by the British Standards Institution. The company also complies with Waste Electrical and Electronic Equipment (WEEE) regulations. (In CY 2019, it collected 17,176 tons of equipment.) Ricoh runs a Resource Smart Return

Program in 18 European countries for the return of original Ricoh consumables to support its Zero Waste to Landfill environmental policy.

- Tracking and reporting the percentage of recycled metals and plastic materials used to manufacture its own products.
- Adhering to long-lasting design principles and conducting lifecycle services analysis: The vendor provides a comprehensive list of devices that are certified by EcoLeaf methodology.
- Recyclable packaging; in Europe, 100% of the plastics in its packaging are recyclable.
- Designing products for circularity, making them lighter and smaller and enabling interchangeable parts, as well as recycled materials in the production line

The manufacturer has a flagship European center in France for recycling and remanufacturing materials, which, unusually for such a center, provides recycling and remanufacturing services to other brands as well. For example, Ricoh will identify and recover non-Ricoh branded imaging products via its own collection network and remanufacture power circuit boards that employ non-Ricoh components.

Sustainable Ecosystem

Ricoh has an efficient tracking and enforcement system that ensures its OEM/manufacturing partners adhere to sustainability principles. This system requires the vendor's OEM partners to provide material proof of their sustainability goals and to commit to recycling or reusing waste, as well as mandating ISO 14001 certification or similar credentials to ensure a sustainability management system is implemented.

Ricoh's products carry a range of certifications and ecolabels to inform customers of their energy efficiency, including Blue Angel Mark, EcoLeaf, and Energy Star. Over 90% of the vendor's products carry some form of ecolabel.

Through its flagship center in France, Ricoh is aiming for all parts to be handled and managed by local partners.

Auxiliary Sustainability Services

Ricoh recognizes the importance of providing a holistic package of solutions related to sustainability. The "Sustainability Optimization Programme" complements the vendor's devices and services portfolio with consultancy-based offerings focused on energy efficiency, paper use, total cost of ownership, and carbon footprint of the document infrastructure. These offerings aim to help Ricoh's customers achieve carbon neutrality via five steps, titled Analyze, Design, Implement, Govern, and Neutralize (customers typically opt for the first three steps of the process). Ricoh's Carbon Calculator is an integral part of the solution and helps clients to assess the actual power consumption values of Ricoh's and competitors' devices.

The sustainability optimization metrics are energy consumption, paper use, and related carbon emissions. In addition, the solution visualizes the carbon footprint of the pre-use phase of the proposed Ricoh devices using data from EcoLeaf. The vendor's carbon-balanced printing module allows customers to neutralize the remaining unavoidable carbon footprint with carbon credits from the UNFCCC project.

Pillar Three — Technology for Good

Ricoh outperformed the market average on all five key categories that IDC identified as must-have sustainability value propositions within the third pillar: Technology for Good. These categories are Executive Support for Good, Partnerships, Solutions for Good, Social Good, and Donations and Volunteering.

Solutions for Good

Ricoh was very proactive in putting its technological solutions to a good cause, partnering with Alzheimer's Research UK, for example, to coproduce an awareness-raising film titled *Dementia Uncovered*. The vendor also supported Alzheimer's Research UK in launching its Printed Memories postcard tool, which leverages Ricoh's technology and software solutions to connect people to loved ones who have dementia. In the area of equal opportunities, Ricoh is a Silver Patron of The Prince's Trust, a UK charity that aims to help young people aged 16-25 into employment, further or higher education, or training by giving them access to employability workshops, work placements, and similar activities. Furthermore, in response to the COVID-19 pandemic, Ricoh UK produced 40,000 face shields per week for the country's National Health Service and provided additional personal protective equipment to healthcare systems worldwide.

Donations and Volunteering

The vendor has been very active on both fronts, providing monetary contributions to worthy causes as well as enabling employee volunteering programs. In Europe alone, over $1 million has been donated to various causes, and 10,584 employees took part in social contributions in 2019, spending 23,062 hours volunteering. Each Ricoh Europe employee is permitted up to 16 hours of additional paid leave per financial year to undertake volunteer efforts during working hours, as part of the vendor's Employee Volunteering Scheme. Ricoh Europe has set the following three priorities for its work on sustainability in the region:

- **Inclusion of Work**, which relates to UN SDG #8 (Decent Work and Economic Growth) and #10 (Reduced Inequalities).
- **Quality of Life**, which is linked to UN SDG #3 (Good Health and Well-Being) and #4 (Quality Education).
- **Response to Climate Crisis and Biodiversity**, which is related to UN SDG #13 (Climate Action).

FUTURE OUTLOOK

Sustainability Goals

The IT industry needs to do more to become an agent of change to reverse the current negative health, environmental, and social trends in our society. Vendors that are reluctant to commit to offering viable sustainability portfolios will eventually see their market share decline, suffer potential regulatory fines for non-compliance, and face a loss of trust from both customers and employees. The process of developing such a portfolio can start with setting science-based goals for carbon neutrality and following up with supporting policies and practices.

Fortunately, several leaders are showing the way, and Ricoh, having placed among the top three vendors in IDC's framework, is assuredly among them. Nevertheless, current achievements are not guarantors of future success. Both tangible and intangible indicators are often movable targets that must be adjusted to multiple factors, such as the current status of the regulatory and legal environment.

Regulatory and Legal

Across most of Europe, the legislative framework in relation to sustainability is clearly determined be the European Green Deal, a plan to make the EU's economy sustainable. That translates into following commitments for the future:

- No net emissions of greenhouse gases by 2050

- Economic growth decoupled from resource use
- No person and no place left behind

The first point suggests a need to set up science-based targets for a range of environmental indicators, such as the share of renewable energy in the organization's total energy consumption, and the amount of GHG/CO_2 emissions broken down by Scope 1, 2, and 3, and, ultimately, a target year for achieving carbon neutrality.

Consequently, customers and end users will increasingly want to optimize their own carbon footprint. They will seek solutions such as carbon calculators, as well as advisory and implementation services linked to achieving greater energy efficiency and to conserving resources. Forward-looking vendors will include these solutions and services into their product portfolios.

Clarity of Metrics

The issue of metrics poses something of a conundrum. More stringent rules and regulations are needed to achieve the 2050 goal and consequently to avert climate catastrophe. Businesses, institutions, and individuals will have to comply with these rules and regulations, and even set progressively more ambitious targets. Yet IT users and providers alike, as well as the financial community, rightly point to the lack of clarity and metrics related to sustainability reporting.

Nevertheless, positive change in this regard appears to be on the horizon. For example, the EU's Non-Financial Reporting Directive requires large companies to include a non-financial statement as part of their annual public reporting obligations, which will be revised in April 2021. This measure and ones like it will, hopefully, lead to greater transparency and a more accurate reflection of the impact of ESG goals on financial performance and valuations.

ESSENTIAL GUIDANCE

Advice for Ricoh

Keep Strategy and Execution Aligned

Announcements and proclamations regarding sustainability targets are relatively easy to issue for multinational corporations and large IT players, but backing them up with action is another story. As multiple parties are paying increased attention to the topic, proportionally more eyes will be following whether these pledges are being kept and followed up with real tactical steps, financial disbursements, and personnel deployments. Announcements can make the headlines, but they can also have dire consequences if they are not being kept to and followed through with serious execution. These consequences may come in the form of a rapid loss of trust and credibility. Ricoh has so far been a good example of "walking the walk." The company needs to ensure that it continues to show progression and achievement at the regional level across the different areas of focus and the 17 UN SDGs.

European Focus

Europe is one of the most sustainability-focused continents, with one of the most ambitious agendas regarding carbon neutrality and with increasingly tightening rules and regulations. Despite the seemingly unified approach exemplified by the European Green Deal, Europe consists of 44 countries, often with distinct laws and regulations. Ricoh must take this into account and treat Europe accordingly. While doing so may increase the complexity of execution and add costs, it will also generate larger rewards in two main ways. First, European clients (especially in some sub-regions and countries) will not accept unsustainable solutions or products, thereby granting a competitive advantage to vendors with a well-developed sustainability portfolio. Second, the European continent as a whole is poised to invest significantly in sustainability – for example, one-

third of the European Commission's EUR 1.8 trillion stimulus package is reserved for fighting climate change, and 45% of assets under funds management in Europe employ some kind of ESG consideration.

Areas for Improvement

The sustainability topic is exceedingly complex, variable, and evolving. Along with new and more demanding expectations, the opportunity for an improvement is boundless, even for the best in class. One of these areas is environmental sustainability, which encompasses some areas where more ambitious and challenging goals are needed, among them improvements in overall energy usage. One way to make an incremental improvement in that area is through broader deployment of green building indicators, such as those used in Amstelveen, the Netherlands.

Promoting the availability of its Carbon Calculator product to potential customers is a necessity for Ricoh, given the region's current regulatory focus on the carbon footprints of organizations. The solution can help in the in-use phase of Ricoh products. Extending the service to include non-Ricoh equipment could present an interesting proposition, although it would require a number of partnerships in the region to enable scalability. In addition, expanding the current remanufacturing center or replicating it at a smaller scale in other European countries could be beneficial, as could engaging with local recycling experts to explore the possibility of scaling up this part of the process.

LEARN MORE

Related Research

- *IDC Europe Technology for Sustainability and Social Impact Index Market Maturity report: Infrastructure and Enterprise Equipment Manufacturers* (IDC #EUR146127520)
- *Ricoh: A Printing Vendor's Digital Transformation* (IDC #EUR146251220, May 2020)
- *IDC Survey Spotlight: Impact of Sustainability on Technology Vendor Selection Processes: Sustainable Portfolios, Part 3/3* (IDC #EUR246922120)
- *The Sustainable Enterprise: How Technology Can Help Achieve Sustainability in a COVID Reality* (IDC #EUR146996920)

Methodology

IDC analysts leveraged the results of an extensive study of 29 enterprise equipment manufacturers and consumer electronics providers for this profile. IDC Europe's Technology and Sustainability Practice has created a framework that takes into consideration the three main ways in which the ICT industry can enable sustainable enterprises and industries. The main proprietary survey tool collects mainly science-based data from individual vendors, with the goal of monitoring, collecting, aggregating, and analyzing the sustainability theme from the IT perspective. The output is an industry index dedicated to a group of technology providers with similar characteristics. This particular study analyzes inputs from product manufacturers, which includes hardware providers, office automation vendors, and consumer electronics manufacturers.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

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