



## 2017 Sustainable Impact Report

# Environmental Resources Management Statement

Environmental Resources Management (ERM) continued support of the HP Inc. (HP) global reuse and recycling vendor audit program (Program) for the tenth year. The Program's guiding principles continue to be engaging with vendors to drive substantive improvements across the vendor base measured against the HP Reuse and Recycling Standards, and to report outcomes and challenges of the Program with transparency.

ERM's involvement with the Program and increasing familiarity with vendor sites continues to afford us the opportunity to gather vendor intelligence, which has been key in influencing the strategic direction of the Program and supporting the drive towards improved vendor performance.

HP's implementation of the Program in 2017 focused on a number of components including:

- a. **Expanding the Scope of Vendor Audits:** HP expanded their Program to improve internal efficiencies and integrate two additional vendor types which were previously managed separately:
  - a. Indigo vendors, which are suppliers that process large batches of ink and other printer supplies for commercial printing processes.
  - b. Reuse vendors. The scope expanded to audits in new European countries.

HP and ERM worked with these recycling and reuse partners to verify they have adequate systems in place to manage HP material responsibly.

- b. **Streamlining Vendor Network:** In 2017, HP further refined its regional vendor networks, consolidating their Europe, Middle Eastern and Africa (EMEA) recycling operations to vendors that specialize in managing downstream networks of recycling service providers specifically within the European Union and have familiarity with the various international requirements in this area. This has resulted in fewer touch points for HP and allowed greater focus on risk management and compliance.
- c. **Performance Audits:** The majority of performance audits conducted in 2017 were repeat audits, with an emphasis on re-evaluating on-site performance across a comprehensive portfolio of environmental, health, safety (EHS) and operations support topics. Overall there were fewer major findings in 2017 compared to previous years due to a combination of engaging with vendors to discuss reasonable solutions to challenges they were facing and removing poor performing vendor from the downstream network that were unable to meet expectations. For all performance audits, corrective action plans are expected to be completed by vendors within 30 days.

In general, through HP audit execution and post-audit engagement, there continues to be an overall improvement of vendors' understanding of HP requirements and expectations, and processes to manage risks associated with their operations. HP's risk framework requires annual auditing of vendors with major gaps until these are risk are fully addressed.

## Ongoing challenges:

- a. **Downstream material chain-of-custody:** Whilst there has been noticeable improvement with regards to downstream information from second tier and third tier vendors, the industry's and the Program's dominant challenge continues to be a lack of detailed information. ERM continues to focus on strengthening communication between HP Vendor Managers and key contacts within downstream vendors to deliver improvements in the acquisition of vendor network documentation. We have seen vendors make real investments in the development of systems to help map their downstream chain of custody and better manage extensive downstream vendor networks. It is recognized that this is a challenging endeavour that will be an on-going effort.
- b. **Infrastructure and Management Systems in Medium and High Risk Countries:** In higher-risk countries, vendors typically have less mature social and environmental management systems, requiring greater intervention in order to build understanding and to adequately address the requirements. Repeat audit findings in these countries can be common and often require escalation before action is taken to mitigate risks and close out gaps.

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