



Environmental Resources Management Statement

Environmental Resources Management (ERM) supported Hewlett-Packard Company in 2016 for the ninth year of implementing its global reuse and recycling vendor audit program (Program).

Program focus

Environmental Resources Management (ERM) continued support of the HP Inc. (HP) global reuse and recycling vendor audit program (Program) for the ninth 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 2016 was focused on a number of components including:

- a. **Increase Access to Responsible Recycling:** HP expanded access to responsible recycling in new territories, through the introduction of new recycling partners, including in Colombia, Mexico, Singapore and Russia. We worked with these recycling partners through a rigorous selection process to verify they had adequate systems in place to manage HP material responsibly.
- b. **Streamlining Vendor Network:** In 2016, HP further refined its regional vendor networks, consolidating to a smaller base of vendors where possible and working with companies specialized to manage recycling service providers. 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 2016 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. Generally, vendors have better understanding of environmental topics compared with health and safety (H&S), attributed to greater regulatory oversight, with many regulations requiring environmental permits and certifications. Additionally, in countries with less developed regulatory frameworks, vendor understanding of, and hence management systems related to, both environmental and occupational health and safety regulations are less established.

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, enhanced in 2016, requires annual auditing of vendors with major gaps until these are deemed fully addressed. Major non-conformances were more prevalent 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.

For all performance audits, corrective action plans are expected from vendors within 30 days. HP works closely with vendors to close out gaps and support performance improvement. In some extreme cases, HP terminates relationships with persistently underperforming.

Performance audits also included new recycling vendors being added to the Program as part of the expansion of access to responsible recycling globally.

- d. **Foreign Work and Labour Practices:** In 2015 HP introduced audit criteria specifically targeted at foreign migrant worker policies. 2016 audits results saw improvement in documented labor procedures concerning foreign workers especially in the area of dual language signage/documentation and grievance reporting. Many downstream vendors had informal protections in place prior to 2015 and have made those practices official and accountable in 2016.

Ongoing challenges

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 has focussed 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.

ERM continues to be deployed to conduct chain-of-custody audits and follow-up on behalf of HP for the immediate future. HP utilizes third-party certifications (such as R2, e-Stewards, and WEEELABEX) in its vendor audit program, counting such certifications towards conformance where the standards are aligned with HP requirements, and conducting supplementary audits to bridge any gaps.

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