HP Supply Chain Responsibility
EICC code
HP SER/EICC Audits

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Content

- HP Supply Chain Responsibility
- EICC / EICC Code of Conduct
- HP SER/EICC audits
- HP SER/EICC audit report
- Corrective Action Plan (CAP)
The mission of HP’s Supply Chain Responsibility program is to protect and empower workers, who we view as rights holders, and to reduce global and community environmental impacts while simultaneously creating benefits for HP and our customers. We believe this mission is complementary to our business objectives and results in a competitive advantage.

HP’s vision is for a sustainable supply chain, with empowered partners who own and prioritize the well-being of the people, communities, and environment around them.
Policies and standards

HP selects suppliers that agree to conform to business requirements, laws and regulations, and specific SER policies and standards

- HP’s Supplier Code of Conduct
- General Specification for the Environment (GSE)
- HP Student and Dispatch Worker Standard
- HP Supply Chain Foreign Migrant Worker Standard
- HP Reuse and recycling standards

HP promotes the core labor rights under the ILO Declaration on Fundamental Principles and Rights at Work (1998)
Transparency

HP’s long history of industry-leading transparency includes:

- **2002-2005**: First IT company to publish supplier SER code of conduct
- **2005**: First IT company to publish aggregated supplier audit results
- **2008**: First major IT company to publish aggregated supply chain greenhouse gas (GHG) emissions
- **2002**: First IT company to publish a list of suppliers; in 2014 we added details on supplier addresses, product types, and the number of hourly employees dedicated to HP production
- **2012**: Published an industry-first Student and Dispatch Worker Standard, with stakeholder input
- **2013**: First IT company to publish its supply chain smelter list, adding to the dialogue between companies and stakeholders on conflict minerals
- **2014**: First IT company to publish its complete carbon footprint and supply chain water footprint
- **2014**: Published an industry-leading Supply Chain Foreign Migrant Worker standard, developed in collaboration with Verité
HP Supply Chain Foreign Migrant Worker Standard

HP mandates better protection for vulnerable worker group

- No recruitment fees paid by workers
- No document retention by suppliers or agents
- Direct employment relationships with suppliers (industry first)

Capacity Building
Assurance Program Development
Monitoring
Industry / Stakeholder Collaboration
Conflict Minerals

- 76% of smelters reported in HP supply chain are Conflict-Free Smelter Program compliant or in process to become compliant
- More than doubled number of 3TG smelters compliant on CFSP list from 60 to 152
- Continuing our industry first practice, we disclosed the list of all smelters in supply chain whether or not sourcing from DRC or adjoining countries

### Status of 3TG smelters or refiners reported in HP’s supply chain

<table>
<thead>
<tr>
<th></th>
<th>2013 (as of January 2014)</th>
<th>2014 (as of April 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of smelters</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliant*</td>
<td>60</td>
<td>152</td>
</tr>
<tr>
<td>In process**</td>
<td>21</td>
<td>44</td>
</tr>
<tr>
<td>Not yet participating</td>
<td>120</td>
<td>61</td>
</tr>
<tr>
<td>Total</td>
<td>201</td>
<td>257</td>
</tr>
</tbody>
</table>

*Smelters or refiners compliant with assessment programs: CFSI’s CFSP, Responsible Jewellery Council’s (RJC) Chain-of-Custody Certification Program, or the London Bullion Market Association’s (LBMA) Responsible Gold Programme.

**Smelters or refiners listed by CFSI as currently in the process of becoming CFSP-compliant or that are Tungsten Industry–Conflict Minerals Council (TI–CMC) Category A members.

### Industry and multi-stakeholder engagement:

- Conflict-Free Sourcing Initiative
- IDH’s Indonesian Tin Working Group
- Former Conflict-Free Tin Initiative
- Solutions for Hope DRC conflict-free tantalum project
- Kemet Partnership for Social and Economic Sustainability
- Public-Private Alliance for Responsible Minerals Trade
- Responsible Sourcing Network’s Multi-Stakeholder Group
What it Really Looks Like

Tier 1

Request

Information

Tier 2 +

Tier x (Smelters)
Incentivizing suppliers: HP’s SER scorecard

HP’s supplier SER scorecard and System of Response act as a multiplier to the Supplier Performance Management score:

- Suppliers with strong SER performance can increase their opportunities for new or expanded business, as well as other benefits such as SER awards.
- Suppliers with persistently poor SER performance will see executive escalations and required remediation, and may see a decrease in business with HP.

**SER Scorecard**

- Social and Environmental Responsibility performance

**System of Response**

**SER scorecard distribution, 2014**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective or exceptional</td>
<td>56%</td>
</tr>
<tr>
<td>Concern or warning</td>
<td>44%</td>
</tr>
<tr>
<td>Unacceptable</td>
<td>0%</td>
</tr>
</tbody>
</table>

Includes final assembly suppliers and suppliers of strategic commodities.

**Supplier Performance Management Scorecard**

**Business Awards Process**

**HP sourcing decisions**
EICC (Electronic Industry Citizenship Coalition)

EICC Code of Conduct
Electronic Industry Citizenship Coalition (EICC)

Total members Oct. 2015: 108
EICC Code of Conduct

An industry wide approach is simpler and more efficient for suppliers

A management systems approach to drive sustainable solutions

Treat employees with dignity & respect

Protect the environment

Labor

Environment

Management Systems

Health & Safety

Ethics

Evaluate & control exposure to hazards

Uphold the highest standards

References:
- ILO Code of Practice in Safety and Health
- National Fire Protection Agency
- ILO International Labor Standards
- OECD Guidelines for Multinational Enterprises
- United Nations Convention Against Corruption
- United Nations Global Compact
- Universal Declaration of Human Rights
- ISO 14001
- SAI / SA 8000
- Ethical Trading Initiative
- OHSAS 18001
- Eco Management & Audit System
- OECD Due Diligence Guidance
- Dodd-Frank Wall Street Reform and Customer Protection Act
### AUDIT SCOPE

#### HP/EICC Code of Conduct

- Supplier understanding of Code requirements
- Code applied to site operations

<table>
<thead>
<tr>
<th>Labor</th>
<th>Health and Safety</th>
<th>Environment</th>
<th>Ethics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freely Chosen Employment</td>
<td>Occupational Safety</td>
<td>Environmental permits and reporting</td>
<td>Business Integrity</td>
</tr>
<tr>
<td>Child Labor</td>
<td>Emergency Preparedness and Response</td>
<td>Pollution prevention and Resource Reduction</td>
<td>No Improper Advantage</td>
</tr>
<tr>
<td>Working Hours</td>
<td>Occupational Injury and Illness</td>
<td>Hazardous substances</td>
<td>Disclosure of Information</td>
</tr>
<tr>
<td>Wages and Benefits</td>
<td>Industrial Hygiene</td>
<td>Wastewater and Solid Waste</td>
<td>Intellectual Property</td>
</tr>
<tr>
<td>Humane Treatment</td>
<td>Physically Demanding Work</td>
<td>Air Emissions</td>
<td>Fair Business, Advertising and Competition</td>
</tr>
<tr>
<td>Non-discrimination</td>
<td>Machine Safeguarding</td>
<td>Product Content Restrictions (HP’s GSE)</td>
<td>Protection of Identity</td>
</tr>
<tr>
<td>Freedom of Association</td>
<td>Sanitation, Food and Housing</td>
<td></td>
<td>Responsible Sourcing of Minerals</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Privacy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Non-Retaliation</td>
</tr>
</tbody>
</table>

#### Management Systems

- Company Commitment
- Management Accountability & Responsibility
- Legal and Customer Requirements
- Risk Assessment and Risk Management
- Improvement Objectives
- Training
- Communication
- Worker Feedback & Participation
- Audits and Assessments
- Corrective Action Process
- Documentation and Records
- Supplier Responsibility
HP SER/EICC audits
All HP SER/EICC audits are conducted as per the “EICC VAP Operations Manual” (respective valid version).

Some aspects covered by this operations manual:

• The EICC Code of Conduct

• EICC code interpretation guidelines (required evidence sources, rating guideline, etc.)

• Who may conduct an audit / Audit Team (lead auditor needs to have proper education and needs to be IRCA certificated)
  – The HP SER/EICC audit team usually consists out of: 1 lead-auditor, 1 EHS co-auditor and 1 translation support person.

• Preparation of the audit

• Process of the audit (vast majority as per ISO 19011:2002)

• Scope of the audit

• Audit report

• Corrective actions (CAP Management)

• Closure of corrective actions, follow-up audit
HP SER/EICC audit

Components of a HP SER/EICC audit:

• Opening Meeting

• Facility / Orientation tour (Familiarize the Audit team with the facility layout and key operations; Observe general physical and working conditions; Observe areas of potential high risk; and Identify and prioritize other areas and aspects of local operations that may require more detailed inspection and review during the Audit)

• Detailed Evaluation / Analysis of findings

• Management interviews

• Worker interviews (Their views is critical to obtain a full range of perspectives on facility programs and performance)

• Daily wrap up meetings

• Closing meeting
Sources of evidence

Possible sources of evidence (defined in the audit protocol per provision):

- **Site observation** (emergency exits, sprinklers, fire extinguishers, first aid boxes, any signs of restricted worker movement, any signs of child labor, safe guards of machines, chemical storage, cranes, facility notice board, condition of canteen, etc., etc.)
- **Document review** (e.g. permits, policies, procedures, work instructions, forms, employee files, pay slips, bank account statements, booking records, audit report of the 3rd party accountant, training attendance records, etc.)
- **System review** (e.g. time record system, documentation system, facility intranet, accounting system, training system, etc.)
- **Management interviews**
- **Worker interviews** (very important source of evidence)
HP SER/EICC audit report
HP SER/EICC audit report

The HP SER/EICC audit report serves as a detailed record of the conditions and practices in place at the auditee at the time of the audit. As such it’s „a picture“ of the auditee’s facility at the time of the audit.

The audit report is the basis for the auditee to implement corrective actions and as such is the basis for continues improvements.

Main content:
- Executive Summery
- Proof / Evidence per provision
- Conclusion statement per provision
- Rating per provision
HP SER/EICC audit report, rating

Possible ratings in a HP SER/EICC audit report:

- Conformance

- Risk of Non-Conformance (Should be given in case the auditor gets conflicting evidence)

- Minor Non-Conformance

- Major Non-Conformance

- Priority Non-Conformance (very severe issues, like confirmed presence of forced/bonded labor or no fire equipment or blocked, locked fire exits or canteen and/or kitchen is/are unsafe, etc.)
CAP (Corrective Action Plan)
Corrective action plan (CAP) based on the audit report

After submitting the audit report, HP expects that the supplier is curing the audit finding in a certain time frame based on the rating:

- Priority Non-Conformance – within 30 days
- Major Non-Conformance – within 90 days
- Minor Non-Conformance – within 180 days
- Risk of Non-Conformance – within 180 days.

The closure of a CAP can either be proofed via respective evidence (documents, pictures, flow charts, etc.) or it will be checked in a follow-up audit.

CAPs are managed in the EICC-On system.
References

More detailed information about HP’s Supply Chain Responsibility program:

2014 HP Living Progress Report

Supply Chain Responsibility: Our approach

HP SCR Living Progress web pages

Supply Chain Responsibility
Supply Chain Environmental Impact
Thank you!