



# **HPE SUPPLY CHAIN RESPONSIBILITY: OUR APPROACH**

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**This document summarizes Hewlett Packard Enterprise's<sup>1</sup> approach to supply chain responsibility (SCR). It contains information on our SCR program purpose, objectives, and procedures.**

**For performance data, progress toward our supply chain goal, and forward-looking statements, view our annual [HPE Living Progress Report](#).**

## **THE HPE SUPPLY CHAIN RESPONSIBILITY PROGRAM**

We share a responsibility with our suppliers to protect workers, communities, and the environment in our supply chain. Our extensive Supply Chain Responsibility (SCR) program guides our approach to assessing risks, monitoring and improving performance, and working collaboratively with suppliers to share knowledge on key issues.

The mission of HPE's SCR program is to protect and elevate workers, and to reduce global and community environmental impacts while creating benefits for the company, our business partners, and our customers. Indeed, our efforts help us to retain a stable, high-quality supply chain, ensuring we remain a trusted sourcing partner to our customers.

We continually revise our SCR program, founded in 2001, to realize our vision of a sustainable supply chain. We change our policies, standards, and management systems to meet new challenges and/or address existing challenges more effectively. And we empower suppliers to prioritize the well-being of the people, communities, and the environment.

Our approach to SCR is illustrated in Figure 1.

- Our policies and standards establish clear social and environmental responsibility (SER) requirements for our supply chain. Our SER management system effectively drives the development and execution of our SCR program.
- We take a systematic approach to sensing, understanding, and addressing risk—maintaining awareness of geographic risks, labor trends, and other factors through sources such as industry groups, suppliers, and other stakeholders.
- To address these risks, we set industry-leading standards and targets, including our [Foreign Migrant Worker Standard](#), [Student and Dispatch Worker Standard](#), and a first-of-its-kind science-based [supply chain greenhouse gas \(GHG\) emissions reduction goal](#).
- We engage suppliers by integrating supply chain responsibility into business practices as well as through audits, capability building, and remediation.
- Our commitment to transparency forms a solid foundation for our efforts. We believe this approach is consistent with our commitment to the [UN Guiding Principles \(UNGPs\) on Business and Human Rights](#). We share our experiences and collaborate with others to elevate supply chain standards within and outside the IT sector, assess risk, mitigate potential negative impacts, and remediate if actual harm occurs.

<sup>1</sup> On November 1, 2015 Hewlett Packard Enterprise became an independent publicly traded company following the separation of Hewlett-Packard Company into two entities. To avoid confusion, HPE, as used throughout this report, refers both to pre-separation Hewlett-Packard Company as well as HPE.



Mission

- Protect and elevate workers
- Reduce global and community environmental impact
- Benefit HPE, our business partners, and our customers

Our approach

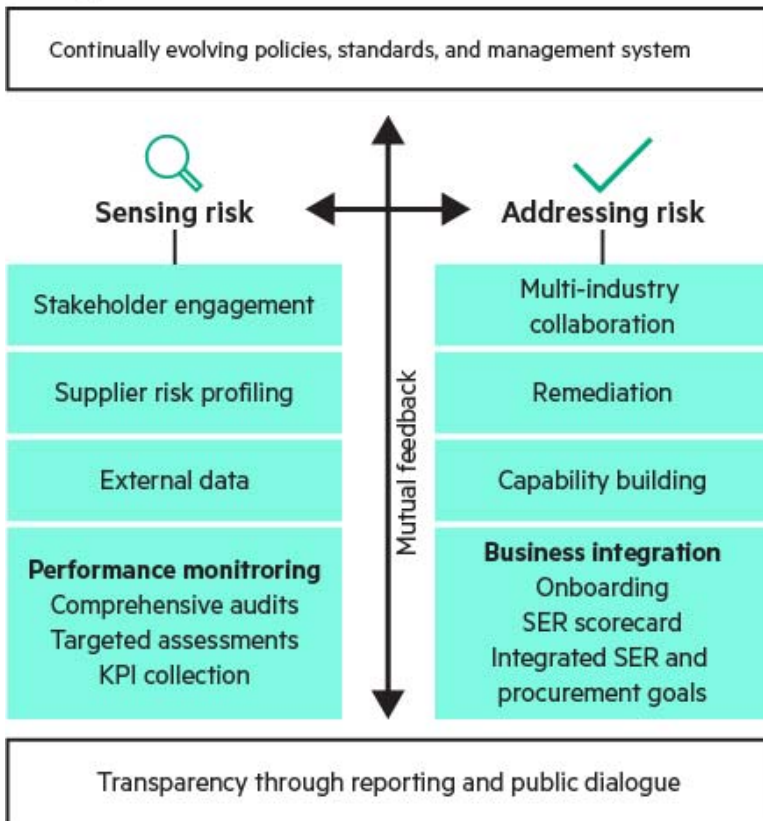


FIGURE 1. The HPE Supply Chain Responsibility Program



## LEADERSHIP AND TRANSPARENCY

Leadership and transparency are central to our SCR program. Openly reporting supply chain risks and social and environmental performance data leads to a more robust and resilient supply chain with positive impacts on people and the environment. Transparency is critical to effective stakeholder engagement, informed decision-making, accountability, and progress toward cross-sectoral issues. We publicly report key information about our suppliers and their SER performance year-over-year, which helps us hold ourselves and our suppliers accountable.

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### OUR HISTORY OF INDUSTRY-LEADING TRANSPARENCY INCLUDES

- **2005:** First IT company to publish aggregated supplier audit results
  - **2008:** First IT company to publish a list of production suppliers. View our [production supplier list](#)
  - **2011:** First Hewlett-Packard Company nonproduction supplier audit performed
  - **2013:** First IT company to set a goal to reduce GHG emissions in its supply chain. First IT company to publish its complete [carbon and water footprints](#). First IT company to publish its [supply chain smelter list](#), adding to the dialogue between companies and stakeholders on conflict minerals. Published an industry-first [Student and Dispatch Worker Standard](#), with stakeholder input
  - **2014:** Established an industry-leading Supply Chain [Foreign Migrant Worker Standard](#), developed in collaboration with Verité
  - **2017:** First IT company to set a goal, based on climate-science, to reduce GHG emissions in its supply chain. First company to report publicly on individual SER performance metrics by publishing individual suppliers' progress on GHG management. See our [production supplier list](#)
  - **2019:** One of the few IT companies to conduct a company-wide Human Rights Impact Assessment with an independent external evaluator, Article One, to better understand our risks, identify gaps in our due diligence, and update our strategy and processes in order to more effectively manage our human rights risks. We published the assessment approach<sup>2</sup> and results including HPE's most salient risks, all of which are common throughout the IT industry: responsible use, responsible product development, modern slavery, decent work, conflict minerals, inclusion and diversity, and water use. HPE is committed to conducting regular company-wide Human Rights Impact Assessments, to assessing risk when there is a significant change in the business (such as entering a new market or the acquisition of a company), assessing specific business opportunities deemed high risk with respect to potential human rights concerns, and continuously monitoring emerging risks and trends through industry engagement.
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### WE PUBLISH

- A list of our production suppliers. The list—covering 95% of first-tier production suppliers (by spend)—includes supplier names, addresses, product types, sustainability reporting, and progress toward a transparent and science-based GHG reduction program. View our [production supplier list](#)
  - [Our Living Progress Report](#), containing:
    - Our SCR dashboard
    - Supplier audit results
    - SER Scorecard results
    - Summary information about our capability-building programs
  - A list of [3TG<sup>3</sup> smelters and refiners and their locations](#)
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<sup>2</sup> Our third-party experts, Article One, followed international best practice when saliency mapping our human rights risks, policies, processes, and opportunities for improvement. Article One **assessed factors of human rights risk** against each article in the Universal Declaration of Human Rights. They followed UNGPs to consider actual and potential adverse human rights impact, where impact could be more severe or have widespread impact, groups who may be most vulnerable, and where we could potentially cause, contribute, or have a linkage to such impacts.

<sup>3</sup> Tin, tantalum, tungsten, and gold



Examples of our leadership in transparent supply chain reporting include:

- Reporting on the results of our in-depth assessments of risks for human trafficking and forced labor—the Thomson Reuters Foundation recognized HPE for its transparency with the Foundation’s inaugural [Stop Slavery Award](#) in 2016
- Measuring and disclosing supply chain GHG emissions since 2008, which in turn helped us to establish a first-of-its-kind science-based [supply chain GHG emissions reduction goal](#) in 2017

Our consistent approach to transparency enables us to work in partnership with suppliers to recognize and tackle critical or emerging issues. We hope our openness contributes to wider change by encouraging others within and outside the IT sector to adopt a similar approach.

## A RISK-BASED APPROACH

A risk-based approach focuses our resources so they can have the greatest impact. Our primary focus is on suppliers with whom we have a direct contractual relationship, including final assembly and strategic component suppliers.

We require our first-tier suppliers to pass along our [social and environmental requirements](#) to their own suppliers (i.e. our sub-tier suppliers). Our third party audits assess for compliance with this requirement and we work with first-tier suppliers to monitor and address sub-tier supplier risks. This helps us meet customer expectations and reduce risks further along our supply chain.

Where we have identified industry-wide emerging or high-risk issues, such as conflict minerals, foreign migrant workers, and forced labor, we have strengthened our standards, our monitoring, and our engagement with suppliers. We modify our program as needed to address risk, particularly in cases where issues occur deep in the IT sector supply chain.

### Sensing risk

We identify and characterize sources of risk at a global or regional level, and at the level of individual suppliers. We accomplish this through the following avenues:

- **Stakeholder engagement.** We engage with a broad range of stakeholders to research and better understand issues of concern regarding SER in our supply chain. These stakeholders include workers (through interviews, surveys, capability building programs, and our ethics concerns reporting system), industry bodies, governments, socially responsible investors (SRIs), NGOs, and human rights groups such as the Leadership Group on Responsible Recruitment, the Responsible Business Alliance, the Business Roundtable on AI and Human Rights, the World Economic Forum, and the Responsible Labor Initiative. Stakeholder engagement is a critical step toward a coordinated and effective response to important social and environmental challenges.
- **External data.** We use information from a wide range of sources. These include research reports and industry-group indices, as well as other resources.
- **Supplier risk profiling and risk calculator.** We create and update a risk profile of our supply base on an ongoing basis, which helps us determine how to deploy resources and engage suppliers most effectively. In assessing supplier risk, we draw from various sources, including the [Responsible Labor Initiative](#), the RBA’s Labor Migration Corridor Database, the [RBA’s independent risk assessment tool](#), and through regular conversations with our suppliers regarding workforce challenges. **HPE’s supplier ethical risk calculator determines the degree of risk for each supplier and facility.** Our risk calculator factors in various risk factors including geography, type of work, prevalence of modern slavery in the region, rule of law, dependency on vulnerable groups, criticality, and past performance. Our risk rating is applied to suppliers and each supplier facility (first-tier, many second-tier, and a several third-tier). We apply a rating of high, medium, or low risk. We also track which supplier workforces fall into our vulnerable worker categories (such as migrant, student, and dispatch workers) and commission foreign migrant worker assessments and other specialized assessments, as needed.
- **Performance monitoring.** We measure supplier performance to understand individual supplier issues and identify trends across our supplier base.



## Addressing risk

We address risks to workers and the environment in the following ways:

- **Remediation.** Using information from audits and assessments, we improve SER performance through:
  - HPE-approved corrective action plans that assess root cause of any non-conformance, identify clear improvements assigned to individuals with deadlines, and implement actions to remedy where applicable.
  - Escalated remediation, monitoring, and reporting for critical findings.
- **Capability building.** We help suppliers improve SER performance through programs and partnerships with NGOs, training partners, and governmental organizations focusing primarily on worker empowerment and management systems development. We believe suppliers must commit to continuous improvement with respect to capability building, and worker voice is critical to compliance and robust operations.
- **Business integration.** Our program relies on procurement operations to motivate and incentivize suppliers, including through regular supplier business reviews and day-to-day engagement.
- **Multi-industry collaboration.** We work with industry peers and consortia to influence industry alignment and direction. Collaboration can entail general sharing of best practices, contributing research, co-developing supplier guidance and tools, or proposing and consulting on amendments to the RBA Code of Conduct. We also participate in multi-industry collaboration to drive and support change beyond the IT industry.

## HOW WE WORK WITH SUPPLIERS

### Supplier SER development

We focus our resources according to the identified risks posed by suppliers, workers and other stakeholders and aim to improve long-term SER performance by building suppliers’ capabilities through sustained engagement. We believe in partnership with our suppliers in order to build trust, collectively address challenges, and enable us to tailor our engagement to the specific needs of individual supplier facilities. Some suppliers may present a greater risk for poor SER performance, and therefore necessitate greater engagement on our part. As new risks are detected, we leverage our toolkit or develop new tools.

The four phases of SER supplier development (see Figure 2) provide a framework for engagement through our SCR program. Since our SCR program began, all of our key production suppliers have completed the assessment and positioning for engagement phases. In line with our risk-based approach, our primary focus is on suppliers with whom we have a direct contractual relationship, including final assembly and strategic component suppliers. However, when we identify specific risks or opportunity to have a significant impact, we may also engage suppliers deeper in our supply chain (i.e. a good portion of the suppliers we work with are beyond the first tier).



**FIGURE 2.** Four phases of supplier SER development



## Phase 1: Assessment

We build ethical criteria into supplier selection and onboarding. We consider the risk profile of every supplier and conduct a formal preliminary risk assessment if necessary. Key suppliers may also undergo site-based onboarding assessments. This motivates suppliers to value SER performance and build relevant standards into their management systems early in the business relationship.

We assess the following risk factors:

- **Location:** Risk is higher in some geographic locations than others.
- **Procurement category:** Risk is higher in some procurement categories. High-risk categories include manufacturing and assembly of parts/components, call centers, food, facility management, and security. Lower risk categories include consultancy, outsourced financial services, and software licensing.
- **External stakeholder reports:** We consider information highlighted in NGO and other external stakeholder reports and determine whether we require specific supplier improvements or commitments.
- **Supplier-specific factors:** These include workforce composition, past performance, self-assessment data, nature of business relationship with our company, and volume of business. Insight from previous audits, on-site performance evaluations, the findings of our supplier KPI program, stakeholder input, press articles, incidents, or accidents may also affect our assessment of supplier risk.

## Phase 2: Positioning for engagement

To use our resources most effectively, we prioritize and plan our engagement with suppliers. If the HPE risk assessments show a supplier poses a medium or higher social and environmental risk, the supplier must complete a [self-assessment questionnaire](#). This helps us identify potential SER performance risks and helps suppliers understand our expectations for conformance to the HPE Supplier Code of Conduct. We also use the supplier self-assessment, our previous risk assessment, and various third-party sources to determine how best to monitor the supplier and build their capabilities. We facilitate discussions with suppliers that are rated high risk to explain our expectations and plan actions the supplier can take to align with our standards.

## Phase 3: Monitoring remediation and improvement

### Monitoring conformance

We use third-party audits and assessments, backed by independent quality verification.

We engage with suppliers and monitor their performance through data collection and assessment, consisting of the following elements:

- **Third-party on-site audits.** We require regular independent audits against our Supplier Code of Conduct, in two forms:
  - Comprehensive audits conducted by an external organization on behalf of HPE and other RBA member companies. The auditing methodology, the Validated Audit Process (VAP), eliminates duplication and promotes audit sharing by providing a common approach among companies. We request that our suppliers use the VAP as an independent assessment of their performance.
  - Audits conducted by an external organization to verify audits, or to provide independent investigations of allegations. Alongside regular audits, we sometimes undertake additional assessments on specific risk areas including vulnerable worker groups such as student, dispatch, and foreign migrant workers.
- **Key Performance Indicator (KPI) program.** We require key suppliers in high-risk locations to provide additional monthly reporting on KPIs such as working hours, vulnerable workers, and GHG emissions. We work with suppliers to ensure they have effective internal monitoring systems in place in order to control these issues and report to us.
- **SER scorecard.** Our SER Scorecard ties ongoing procurement decisions to supplier SER performance and participation in capability building. Suppliers with strong SER performance improve their opportunities for new or expanded business. Suppliers with poor SER performance risk a reduction in the business. The SER Scorecard includes a management system component, which enables suppliers to demonstrate integration of SER issues within their own management systems, and to demonstrate a proactive approach on key risks.

As a matter of general practice, we announce audits in advance and conduct them in the presence of facility management, as doing so contributes to building and maintaining strong relationships and fostering supplier ownership of SER performance. However, we will conduct an unannounced audit if circumstances call for it.



### Responding to nonconformance

We rank levels of nonconformance to the HPE Supplier Code of Conduct as per the RBA grading system of minor, major, and priority, and apply an additional grade of critical. A nonconformance does not necessarily mean a violation has been found. It could mean that there are insufficient management systems in place to prevent violations from occurring.

A minor nonconformance is not a systemic problem. Instead it is typically an isolated finding from an internal audit or a procedure that has not been revised to reflect a change in regulations. This could include, for example, an out-of-date record or a procedure that has not been updated.

The grade of priority and major nonconformance are a significant failure in the management system that affects a company's ability to ensure that conditions conform to the HPE Supplier Code of Conduct or General Specification for the Environment (GSE). For example, a site may not have implemented a required standard or 20% or more of workers are not aware that such a standard exists. Suppliers must demonstrate that they have addressed any major nonconformance within 180 days by delivering appropriate documentation or through a third party audit.

HPE defines a critical issue as a non-conformance with our Supplier Code of Conduct, either through an audit or other means that has the potential to cause a significant and immediate negative impact on people or environment. HPE reviews issues within the following scope to determine issues of criticality: presence of child labor, severe forced labor, severe harassment, immediate risk to life or limb, and environmental issues that resulted in (or have strong potential to result in) serious and immediate harm to workers or the community. Critical findings and the underlying management system deficiencies are immediately escalated and the supplier receives a significant penalty in our SER scorecard. We require suppliers to work with us to remediate these issues, demonstrate improvement, and close the issue through a third party audit. Failure to do so can impact their future business opportunities with HPE. Suppliers must also have a process to communicate the requirements and monitor compliance in their own supply chain based on our Supplier Code of Conduct.

### Corrective action plans

We require suppliers to provide a detailed corrective action plan addressing all identified nonconformances (except critical findings, the treatment of which is described above) within 30 days of receipt of the site audit report. We review these plans and request reports to monitor progress and subsequent closure of nonconformances. We also conduct follow-up audits to ensure nonconformances are closed. When progress is inadequate, we intervene to help create an effective plan.

Read about monitoring and improvement in the latest [HPE Living Progress Report](#).

### Remedy

Suppliers should take steps to both remedy any negative impact on workers and prevent further negative impacts. We work in partnership with suppliers to review root causes, approve plans to improve and remedy, and monitor evidence of improvement and worker engagement. Grievance channels, third party audits, and partnership with our suppliers are important tools for ensuring remedy.

One important aspect of third party audits is to assess whether workers, one of our key rights holders, have mechanisms to voice concerns can access to remedy and avoid obstruction of remedy. Through third party audits, we assess whether grievance mechanisms and channels for workers to raise concerns are adequate, effective, and accessible (including that workers do not fear reprisal or intimidation when utilizing such mechanisms). If an issue arises through such audits, we require suppliers to submit a review of the root cause, propose a corrective action plan for review and approval, and close the issue through robust evidence or a third party assessment. Third party audits are a critical tool for helping us identify potential human rights violations, giving us a means to engage suppliers to address and remedy and help our suppliers build their management systems or change their ways of operating to prevent violations from occurring.

In addition to supplier channels, HPE provides multiple channels for individuals in our value chain to raise concerns, including our workers (our most at risk category of stakeholder), those of our suppliers, community members, and the general public. Read about our channels for raising concerns in [HPE Standards of Business Conduct](#), and the Responsible Business Alliance operates a grievance mechanism that any worker from any supplier can use to raise concerns.





## Phase 4: Capability building

Capability-building programs address the most significant supply chain SER issues as identified by audit trends, external stakeholder input, and other intelligence. We often pair supplier assessments with capability-building opportunities to facilitate improvement. In conjunction with local and international NGOs and training groups, we have delivered four types of training and capability-building programs.

- **Supplier-specific capability-building.** Virtual and on-site programs that help suppliers develop sustainable management systems and remediation plans for specific SER issues. For example:
  - **Ongoing access to the RBA e-Learning Academy.** Access enables first-tier and sub-tier suppliers to receive targeted training on a range of SER topics in multiple languages, as part of a collective industry effort to build capacity across a shared supply chain.
  - **On-site support with root cause analysis and corrective action plans.** This resource is for suppliers who struggle to show improvement over the course of audits or need additional resources to develop corrective action plans addressing root causes. Once the analysis and plan are complete, suppliers can move forward with implementation and undergo closure audits to verify the issues have been addressed.
- **Broad-topic capability-building.** Programs and events that address industry-wide key issues, emerging risks, and new requirements across our supply chain.
- **Worker well-being.** Programs with a focus on worker empowerment and well-being. These are designed to have a positive impact beyond the workplace.
- **Worker voice.** A program designed to engage workers and create capability-building initiatives driven by their needs.

Read about capability building in the latest [HPE Living Progress Report](#).

### Supplier audits

Supplier audits provide the broadest measure of conformance with the HPE Supplier Code of Conduct and are used to establish whether a supplier has systems in place to facilitate continued conformance. These audits are performed based on RBA tools. Audits enable our company to identify pressing issues and build corrective action plans with suppliers to address those issues, as well as help us prioritize issues to cover in our capability-building programs.

### Ongoing dialogue with our suppliers

The SCR program depends on our ability to understand and engage with our suppliers.

We collaborate with suppliers on key environment, ethics, health, and safety, and labor issues on an ongoing basis. This includes:

- Learning about their challenges and successes
- Integrating our SER requirements and standards into their management systems and operations
- Supporting them with capability-building programs and targeted guidance or training on specific issues such as foreign migrant worker recruitment
- Ensuring that they communicate our requirements and monitor compliance in their own supply chain based on our Supplier Code of Conduct

## EXTERNAL COLLABORATION TO ACCELERATE PROGRESS

Widespread adoption of consistent policies across companies and industries is key to transforming supply chains and eliminating specific emerging or high-risk issues. We collaborate with experts in governments, non-governmental organizations (NGOs), and other groups to drive systemic change. This expands our understanding of risk and the collaborative efforts to tackle these issues. We share our experiences and challenges in order to:

- Raise awareness of emerging and high-risk issues such as human trafficking and forced labor
- Advance wider stakeholder dialogue and partnerships
- Inform and improve collaborative actions taken to raise industry standards
- Build the business case for supply chain responsibility



We engage closely with other companies, industry bodies, and cross-sectoral organizations, including:

- **Business for Social Responsibility (BSR):** We work with BSR on capability-building and environmental efficiency programs at supplier factories.
- **CDP:** We require our suppliers disclose their GHG emissions and climate change strategies through the CDP Supply Chain program.
- **Responsible Business Alliance (RBA):**<sup>4</sup> HPE is a member of the RBA, with board representation from 2004 to 2017. Through collaboration, the RBA has helped member companies and the electronics industry as a whole achieve significant SER progress. To help raise and align industry standards, we have participated in numerous RBA working groups and taskforces focused on ensuring rights to freely chosen employment, wage equality, reasonable accommodation for religious practices, restriction of manufacturing process substances, and GHG emissions tracking. HPE has also benefited from RBA collaboration through:
  - Access to a common code of conduct, audit methodology, and validated audit program
  - The launch of RBA-ON, a technology platform that helps members store and share RBA Code of Conduct compliance data from suppliers
  - The collection of GHG emissions data for 95% of suppliers by spend, as part of the RBA's environmental reporting initiative
  - Access to tools and standards on conflict minerals
- **Verité:** Since 2007, we have worked with Verité to develop our auditing approach. Verité conducts specialized audits for HPE, and we collaborate with them to develop new capability building activities. Additionally, in 2014 we worked with them to establish our industry-first supply chain foreign migrant worker standard, which addresses the potential exploitation of this vulnerable labor group and the associated capability building.
- **Global Business Initiative (GBI) on Human Rights:** As a founding member of GBI, we aim to show leadership and raise awareness of human rights issues within the business community and to contribute to the development of best practices by testing emerging approaches in our operations and supply chain. Read more about our approach to human rights in the latest [HPE Living Progress Report](#).
- **The Center for Child Rights and Corporate Social Responsibility (CCR CSR):** We worked with CCR CSR in developing our industry-first student and dispatch worker standard. Additionally, we use inputs from CCR CSR to inform our child labor remediation process.
- **The Institute for Human Rights and Business (IHRB):** In 2016, HPE was a founding member of the IHRB's Leadership Group for Responsible Recruitment (LGRR). Group members are committed to driving broad, cross-sectoral adoption of the "Employer Pays Principle." The Principle states that no worker should pay for a job and that the costs of recruitment should be borne by the employer, since debt incurred by workers during the recruitment process is one of the key risks of forced labor. Membership in LGRR aligns with the principles of our own Foreign Migrant Worker Standard and is part of our position that all workers should be treated with dignity and respect during their employment.

## OUR SUPPLY CHAIN ENVIRONMENTAL FOOTPRINT

An environmentally responsible supply chain helps us to ensure we remain a trusted sourcing provider and indirectly reduces our customers' environmental footprint.

In 2017, we established the world's first science-based supply chain management program to reduce the impact of our manufacturing suppliers. We expect the program will enable 80% of our manufacturing suppliers, by spend, to set science-based targets (SBTs), potentially avoiding the equivalent of 100 million tons of emissions. Through the program, we aim to reduce the absolute manufacturing-related GHG emissions in our supply chain by 15% from 2015 levels by 2025, in line with climate science.

Beyond reducing GHG emissions in our own supply chain, we aim to catalyze the IT industry to become a leader in emissions reductions and inspire cross-sector action. We partnered with the nonprofit BSR and POINT380 to develop a supply chain standard for emissions reductions and abatement. This standard will act as a framework to assist companies in establishing SBTs for their supply chain and support suppliers in setting their own targets.

We publicly track each supplier's progress in setting an SBT, require suppliers to disclose their GHG footprint and verify their emissions with an independent third-party, and provide resources to help suppliers achieve their SBTs. We support manufacturing suppliers through capability-building programs that provide training on low-carbon strategies that eliminate barriers to participation, and that drive accountability.

<sup>4</sup> Formerly the Electronic Industry Citizenship Coalition (EICC).



We advance waste and water stewardship and management by providing suppliers with clear expectations, prescriptive guidelines, and helpful tools. Suppliers must meet the [HPE GSE](#) and the [HPE Supplier Code of Conduct](#), and we monitor conformance with our standards through our process of audit and assessment. Our audits include provisions related to environmental permits, environmental reporting, pollution and prevention, resource reduction, hazardous substances, wastewater, solid waste, and air emissions.

Continued transparency and engagement drives awareness across our supply chain to address inefficiencies, minimize waste, and enhance water stewardship. We work with suppliers to accurately [report performance](#) toward their waste and water reduction goals and to improve the quality of reporting and engagement.

Environmental performance is incentivized through our SER scorecard. The scorecard requires suppliers to publicly disclose their company-wide GHG footprint (verified by an external auditor to [CDP standards](#)). This footprint, in turn, can be used to track progress toward their science-based [GHG goal](#). The scorecard also requires company-wide water and waste footprint disclosure. Our data-based approach provides visibility into suppliers' environmental footprint, while driving accountability across our supply chain.

Learn more about our supply chain environmental footprint in the [HPE Living Progress Report](#).

## OUR JOURNEY TOWARD COMBATING HUMAN TRAFFICKING AND FORCED LABOR IN OUR SUPPLY CHAIN

Every individual has the right to choose the work they do, and to be treated with dignity and respect. We work to lead our industry and influence other sectors to protect workers from the risks of forced labor. Our disclosures under the California Transparency in Supply Chains Act of 2010 and the UK's Modern Slavery Act of 2015 can be found [here](#).

### Mapping and responding to risks in our supply chain

Through systematic assessments of labor risks we identified two vulnerable groups at heightened risk of exploitation:

- Foreign migrant workers
- Student and dispatch workers in China

We responded to these risks by working to detect and address unacceptable labor practices in our supply chain. To ensure that suppliers continue to share our commitment to worker rights and the [Employer Pays Principle](#), we follow a consistent process of auditing, monitoring, and remediation through our SCR Program.

- **Developing new standards and guidance.**

- In 2015, we were the first IT company to require suppliers to hold direct employment contracts with foreign migrant workers, with the implementation of our [Supply Chain Foreign Migrant Worker Standard](#). The Standard also prohibits worker-paid recruitment fees, requires that migrant workers keep their passports and personal documentation, and asks suppliers to minimize the use of recruitment agencies. This reduces the risk of forced labor by ensuring that our suppliers take direct responsibility for conditions of employment.
- To protect the rights of student and dispatch workers at our suppliers' plants in China, we require relevant suppliers to adhere to our [Student and Dispatch Worker Standard for Supplier Facilities in the People's Republic of China \(PRC\)](#).

- **Deepening supply chain assessments.** In 2016, alongside existing audits, we intensified assessments for specific suppliers based on those considered to be at highest risk of nonconformance with our labor practice requirements. By focusing our deeper assessments on high-risk suppliers, such as through our foreign migrant worker site assessments, we uncover less visible issues and see a more accurate picture of the true level of compliance with our standards. We continue to refine and utilize our foreign migrant worker assessments.

- **Requiring fee reimbursement.** Suppliers are expected to uphold our joint commitment to the Employer Pays Principle. When an audit or other assessment identifies that workers have paid recruitment fees, we collaborate with suppliers to ensure workers are reimbursed. When we identify a case of recruitment fees, we ensure the following steps are taken:

- Reach out to all workers of a demographic (e.g. migrants) to remind them of the zero fees policy, ask if they paid any fees, and inform them of the process for reporting fees, and share additional findings with HPE.
- Develop a reimbursement plan, in consultation with workers, and a corrective action plan to improve management systems in order to prevent it from reoccurring, and obtain HPE's approval. This often includes a collaborative effort to improve the plan and ensure all HPE requirements are addressed.
- Reimburse workers according to their plan, continuously engage with workers, and share multiple forms of evidence of each reimbursement payment with HPE.
- Commission an independent third party closure audit to assess and confirm full compliance, and collaborate with the RBA to ensure awareness of the issue.



As a matter of regular program activities, we engage with all suppliers on third party audit findings rated major or priority to understand the non-conformance, analyze the root causes, review, and approve their corrective action plan, and require and monitor for closure/remedy of the non-conformances. When needed, we engage with other customers to apply leverage to guarantee supplier's commitment to remedy.

- **Building supplier capabilities.** We hold training events with suppliers to share our expectations regarding forced labor risks, explain external requirements from the RBA, governments, and others and equip suppliers with tools, skills, and knowledge to deliver against these expectations. We have partnered with other leading IT companies—including competitors and suppliers—to deliver this training. This demonstrates a consistent industry approach to suppliers and deepens the reach of our training program beyond our first-tier supply chain.
- **Building recruitment agent capabilities.** Recruitment agents are the link between suppliers and workers, often brokering agreements and arrangements for migrant workers seeking employment. Ensuring that they understand what we require, and why, is crucial to eliminating the risk of forced labor from our own and other supply chains in the long term.
- **Employee training.** Our employees work closely with suppliers to reduce labor risks. We require all HPE employees to comply with our Standards of Business Conduct, which include provisions prohibiting the use of child, prison, or forced labor in HPE operations. Employees receive annual training on the Standards of Business Conduct. Our Human Trafficking Awareness training modules are available to all employees through our virtual university—Accelerating U. We address specific scenarios likely to be faced in particular job roles, and we require employees with certain supply chain responsibilities to undertake additional training on our requirements and processes with respect to human trafficking and forced labor.

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## OUR JOURNEY TOWARD ELIMINATING HUMAN TRAFFICKING AND FORCED LABOR IN OUR SUPPLY CHAIN

- **2013:** Developed our [Student and Dispatch Worker Standard for Supplier Facilities in the People's Republic of China \(PRC\)](#)
- **2014:** Established an industry-leading [Supply Chain Foreign Migrant Worker Standard](#), and implemented this with suppliers in 2015 via targeted training
- **2015:** Donated a guidance document to the RBA for use by all members, aiding the development of a systematic approach to protecting foreign migrant workers<sup>5</sup>
- **2016:** Intensified monitoring and assessments related to the recruitment and employment of foreign migrant workers at supplier sites. Became a founding member of the Leadership Group for Responsible Recruitment. Received a Stop Slavery Award from the Thomson Reuters Foundation, in the “Transparency and Response to Challenge” category
- **2017:** Signed up to the Evening Standard's statement for action on modern slavery, alongside other leading companies.<sup>6</sup> Extended focus to working with recruitment agents, and donated the Hewlett Packard Enterprise Migration Corridor Database to the RBA for use by any member
- **2019:** Worked closely with RLI and the Global Reporting Initiative (GRI) to develop the [Modern Slavery Reporting Toolkit](#) to support company reporting efforts, and partnered with the RBA and other companies to develop the [Practical Guide to Due Diligence on Recruitment Fees in International Supply Chains](#), supplier guidance on repaying and eliminating worker recruitment fees
- **2020:** Developed tools for suppliers and HPE to better respond to recruitment fee findings, what to include in a reimbursement plan and how to demonstrate progress and were recognized by KnowTheChain benchmark as the [top performing](#) ICT manufacturing company in their modern slavery benchmark

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<sup>5</sup> In partnership with HP Inc.

<sup>6</sup> [standard.co.uk/news/modern-slavery/business-giants-join-the-evening-standard-s-modern-slavery-campaign-a3669566.html](https://standard.co.uk/news/modern-slavery/business-giants-join-the-evening-standard-s-modern-slavery-campaign-a3669566.html)



## OUR APPROACH TO CONFLICT MINERALS

We have a responsibility to ensure that the materials used to make HPE products are sourced ethically. These include tin, tantalum, tungsten, and gold (3TG)—metals found in most IT products, including our own.

The sale and use of 3TG from the Democratic Republic of the Congo (DRC) or an adjoining country—collectively known as the Covered Countries—is linked to the funding of violent groups who commit human rights offenses. Through our conflict minerals program, we work to advance the responsible sourcing of minerals from Covered Countries used in our products.

Our conflict minerals program focuses on three key areas:

- **Multi-stakeholder collaboration.** The 3TG supply chain is complex and global, with several stages from mine to product. Our aim is to achieve DRC conflict-free status<sup>7</sup> for our products, which requires working closely with our suppliers and peers.
- **Suppliers.** We clearly communicate our expectations with suppliers through our codes and policies including our Supply Chain SER Policy, Supplier Code of Conduct, and HPE's GSE.
- **Smelters.** We ask suppliers to provide a list of smelters and refiners involved in our supply chain, which we include in our annual Conflict Minerals Report. The report—required by the U.S. Securities and Exchange Commission—shows the status of smelters' participation in an independent assessment and compliance program.

HPE encourages responsible sourcing from the DRC and its adjoining countries and is an active member of the Responsible Minerals Initiative (RMI member ID: HPE).

## POLICIES, STANDARDS, AND MANAGEMENT SYSTEMS

We set leading supplier SER performance standards and drive supplier conformance with those requirements. And we introduce leading policy and standard updates that appropriately communicate our expectations to suppliers, as appropriate.

Our SER management system is designed to improve the SER performance of our supply chain on an ongoing basis. We periodically review our management system and prioritize improvements that further advance our approach to supply chain responsibility. See our [Supplier SER requirements](#) for more information.

The Global Social and Environmental Responsibility (SER) Team in the Ethics and Compliance Office, which resides within the Office of Legal and Administrative Affairs, is responsible for establishing and coordinating the policies, programs, and processes governing HPE's approach to human rights and ethical conduct in the supply chain. The Global SER team works closely with dedicated individuals in the product supply chain, indirect procurement, corporate affairs, and other organizations to implement and manage policies and programs in our operations and in our supply chain.

### International Labour Organization Declaration on Fundamental Principles and Rights at Work

Our SCR program promotes the core labor standards as stated in the ILO Declaration on Fundamental Principles and Rights at Work (1998):

- Freedom of association and the effective recognition of the right to collective bargaining
- Elimination of all forms of forced or compulsory labor
- Effective abolition of child labor
- Elimination of discrimination in respect to employment and occupation

### HPE Supplier Code of Conduct

The [HPE Supplier Code of Conduct](#) is our primary reference for supplier SER requirements. Our code is based upon the RBA Code of Conduct—the standard applied across the IT industry's global supply chain—which we co-lead the development of in 2004. We endorse the RBA code and we have continued to collaborate with the RBA to refine and expand it to support workers' rights and protect the environment.

We require all suppliers of HPE goods and services to conform to the HPE Supplier Code of Conduct and associated standards. This includes standards related to the management of vulnerable worker groups, requirements for substances used in products and production processes, and product recycling and reuse described below. Furthermore, our suppliers must pass on these requirements to their next tier suppliers and monitor compliance.

<sup>7</sup> "DRC conflict free" as defined in the U.S. Securities and Exchange Commission's conflict minerals rule: products that do not contain conflict minerals that directly or indirectly finance or benefit armed groups in the DRC or an adjoining country.



## Student and Dispatch Worker Standard

In response to the growing focus on responsible student worker management in the electronics industry supply chain, we developed a specific [Student and Dispatch Worker Standard](#) for supplier facilities in China. This industry-leading initiative was first communicated to suppliers in February 2013.

## Foreign Migrant Worker Standard

To address the vulnerable position of foreign migrant workers, in November 2014, we established a [Foreign Migrant Worker Standard](#). The standard requires direct employment of foreign migrant workers by suppliers, as opposed to employment through labor agents. It prohibits worker-paid recruitment fees, as well as the retention of worker passports and personal documentation.

## HPE General Specification for the Environment

All suppliers are required to comply with our GSE standards. The GSE establishes substance and materials requirements used in HPE products, packaging, and manufacturing processes.

## HPE reuse and recycling

The HPE reuse and recycling standards define requirements for transportation, treatment, and disposal of IT hardware and printing supplies on our behalf. Through this standard we aim to maximize reuse and recycling, minimize waste, and ensure information security while requiring suppliers to operate ethically and with respect for the environment and human health and safety. Suppliers must commit to conformance with the HPE standards and applicable laws, as well as demonstrate management systems to ensure success. Read more about reuse and recycling in the latest [HPE Living Progress Report](#).

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