



CA Transparency in Supply Chains Act of 2010



On January 1, 2012, the California Transparency in Supply Chains Act of 2010 (SB 657) went into effect. This law seeks to increase the availability of information from manufacturers and retailers regarding their efforts, if any, to address the issues of slavery and human trafficking in their supply chains. This in turn is intended to allow consumers to make better, more informed choices regarding the products they buy and the companies they choose to support.

HP is committed to acting with integrity, fairness, transparency, inclusiveness and accountability, which we believe are fundamental principles underlying an inclusive society and a thriving business. We are uncompromising in our high expectations of ethical behavior by our employees, partners, and suppliers. Core expectations for our own operations are clearly described in [Integrity at HP \(formerly the Standards of Business Conduct\)](#) and supported by additional targeted policies and codes of conduct addressing the behavior of our partners and suppliers. [HP's Sustainability Policy](#) further outlines HP's commitment to respect human rights in our operations.

Key expectations of our suppliers are contained in HP's [Supplier Code of Conduct](#), which incorporates international labor and human rights principles (and aligns with the Responsible Business Alliance (RBA) Code of Conduct). Our contracts with suppliers require them to ensure that workers associated with HP production at supplier facilities have:

- (i) the right to freely chosen employment
- (ii) the right, in accordance with local laws, to join labor unions on a voluntary basis, to bargain collectively as they choose and to engage in peaceful assembly; and
- (iii) the right to a workplace free of harassment and unlawful discrimination. HP's manufacturing suppliers also agree that their operations comply with applicable laws regarding forced labor, child labor and human trafficking.

We recognize that certain groups of workers in our supply chain may be more vulnerable than others to risks of forced labor and human trafficking and have developed two specialized standards that are applied in targeted jurisdictions. Our [Student and Dispatch Worker Standard](#) was introduced in 2013 to address unique risks for young workers (16 and 17 years old), contracted dispatch workers, and students at supplier facilities in the People's Republic of China. Our Foreign Migrant Worker Standard was introduced in 2014 to address specific risks related to the recruitment, selection, hiring, and management of foreign migrant workers.

HP's efforts to evaluate suppliers' conformity to our requirements and to prevent risks of forced labor and human trafficking in the supply chain include:

1. Evaluation and verification of product supply chains.

We work to sense emerging risks in our supply chain at global, regional, and local levels. We analyze information from our supplier-monitoring program, worker engagement, our extensive stakeholder network, and other external sources to proactively look for and address risks such as those related to forced labor and human trafficking. HP works to identify and characterize sources of risk and their context, which can be identified at a global or regional level, and at the level of individual manufacturing and non-manufacturing sites.



CA Transparency in Supply Chains Act of 2010

- Stakeholder engagement: HP engages with a broad range of stakeholders including workers (through interviews, capability building programs, and our ethics concerns reporting system), industry bodies, governments, socially responsible investors (SRIs), and non-governmental organizations (NGOs) to research and better understand risks of forced labor and human trafficking in the supply chain.
- Supplier risk profiling: HP performs assessments of many suppliers to analyze potential risks of forced labor and human trafficking, which consider supplier location, manufacturing process, supplier reputational and business information, and external stakeholder information. Typically, if the supplier is considered a high-risk supplier with whom we have a certain level of spend, we require the completion of a foreign migrant worker self-assessment questionnaire. We conduct specialized assessments of conformance for selected manufacturing suppliers.
- External data: We use information from a wide range of external sources to provide context for our supply chain responsibility program design. These sources include research, reports, indices from governments and reputable research institutions, and we monitor external sources for new resources as they become available.
- Risk indicators: To evaluate risks related to forced labor or human trafficking, we analyze indicators such as employment of vulnerable worker groups, the potential use of third-party agents in the recruitment or management of workers, and supplier operations in geographic areas with potential for elevated risks of forced labor or human trafficking.

We primarily focus our supply chain responsibility program engagement on manufacturing suppliers with whom we have a direct contractual relationship. Non-manufacturing suppliers undergo a social and environmental responsibility risk assessment which considers industry risks associated with the particular category of products or services provided, the geographies in which the supplier operates and whether the country has elevated risks of forced labor or human trafficking. We also require that our direct suppliers mirror our expectations with their suppliers. Where we do not have direct relationships, we believe that industry collaboration can be used to appropriately accelerate change.

2. Audits of suppliers.

The information received through our risk sensing feeds into our annual audit prioritization process, capability building, and other manufacturing supplier program activities. HP's audit program evaluates suppliers' conformance to HP's Supplier Code of Conduct and/or specialized labor standards.

Announced audits of certain high-risk manufacturing suppliers are conducted by independent third-party auditors through the [RBA \(formerly the Electronic Industry Citizenship Coalition \(EICC\) Validated Audit Process \(VAP\)\)](#) or by certified HP auditors. During 2018, we conducted 115 manufacturing supplier audits and assessments (which included labor rights), approximately 87% of which were audits conducted by independent third-party auditors. For non-manufacturing suppliers that provide goods and services for HP at their own facility, we conducted 21 audits, all of which were conducted by certified HP auditors. Six suppliers were found to have indicators of forced labor or human trafficking, including passport and personal document withholding and charging of recruitment fees. We required the issues to be immediately addressed and are working with the suppliers to complete remediation to the workers and implement corrective actions to adjust their management systems. Our annual Sustainable Impact Report (published in the summer of 2019) summarizes these manufacturing and non-manufacturing supplier audits, including the number of suppliers reviewed in our assurance program and the aggregated audit results. During 2018, all of the sites monitored in our key performance indicator program-maintained student worker levels at no more than 20% of the total workforce related to HP production.

In 2018, as a part of addressing priority findings above, HP has confirmed remediation to more than 1000 workers in our operations and supply chain including more than \$1.2 million USD in repayments.

A finding of non-conformance with HP's Supplier Code of Conduct or any other HP policy or a relevant standard does not necessarily indicate that an instance of forced labor or human trafficking has occurred but may signal a lack of operations or procedures to prevent such an occurrence. Following a finding of non-conformance, suppliers are required to produce and implement corrective action plans to resolve the issue. In addition, we regularly assess our audit findings to make improvements to our approach to detecting and addressing the risks of forced labor and human trafficking in our supply chain. Auditors are required to escalate any findings or indicators of forced labor and human trafficking. Immediate priority audit findings are the most serious type of supplier non-conformance. These findings include potential indicators of child labor, forced labor, severe forms of discrimination, health and safety issues posing immediate danger to life or risk of serious



CA Transparency in Supply Chains Act of 2010

injury, and perceived violation of environmental laws posing serious and immediate harm to the community. Suppliers must immediately cease all practices contributing to an immediate priority audit finding and report their corrective action no later than 30 days after the original audit or specialized assessment. The finding will then be re-examined during a site visit by a third party or certified HP auditor to confirm resolution.

(See audit results in HP's [most recent Sustainable Impact Report](#) for more information.)

3. Certification requirements for direct suppliers.

HP has purchasing agreements or purchase order terms and conditions in place with our direct suppliers requiring them to comply with international standards and applicable laws and regulations regarding forced labor and human trafficking as specified in HP's Supplier Code of Conduct. HP's direct suppliers certify that their operations comply with the laws regarding forced labor and human trafficking through their consent to the relevant terms and conditions in their agreements with HP.

Although the terms of HP's Supplier Code of Conduct do not specifically address "materials" that suppliers incorporate into products, HP presents the Code of Conduct as a total supply chain initiative and requires suppliers to certify, at minimum, that they require their next tier suppliers to acknowledge and implement the HP Code of Conduct and hand the HP Code down to their sub-tier suppliers. We also require suppliers to monitor the performance of their next tier suppliers against the requirements of the HP Supplier Code of Conduct.

As part of the requirements of HP's Supplier Code of Conduct and specialized labor standards we require suppliers to develop appropriate policies, procedures and associated documentation to adhere to our requirements and any applicable laws and regulations, including those prohibiting forced labor and human trafficking. We confirm the existence and maintenance of those management systems through our audit program (see section 2 above).

4. Internal accountability standards and procedures.

HP requires all employees to comply with Integrity at HP, which includes provisions prohibiting the use of child, prison, forced, or trafficked labor in HP operations. Any concerns or alleged violations of company policy are taken seriously. We respond promptly and conduct investigations when appropriate. Violations of Integrity at HP or HP policies may result in disciplinary or remedial actions, up to and including termination. HP's expectations have also been adapted for contingent workers through the [HP Contingent Worker Code of Conduct](#), which is re-enforced through labor contracts.

HP provides multiple communication channels to ask questions or report concerns about a potential violation of law, company policy, or Integrity at HP, including those related to forced labor or human trafficking. (See [Ethics](#) for more information).

5. Training.

Our employees are trained annually on Integrity at HP, with a training completion rate of more than 99% of active employees. HP also provides an annual training for relevant procurement staff that provides the context of forced labor and slavery, how to identify the signs of forced labor conditions, a summary of HP's policies and standards to combat these risks, who to contact for help, and how to report information.

We also seek to raise supplier awareness of and conformance to HP's Supplier Code of Conduct and specialized labor standards, including ways to identify and address the risks of forced labor and human trafficking. HP's supply chain capability building programs have conducted four two-day workshops on the RBA 6.0 Code of Conduct changes, which resulted in an increase in our expectations for the treatment of foreign migrant workers. The workshops were held in Thailand, Singapore, and Malaysia and trained 189 supplier factory managers representing 118 suppliers.

In addition to our internal processes and programs, we strongly believe that partnership with other companies and key stakeholders is critical to facing the challenges of forced labor and human trafficking. We work through the RBA to create and share leading practices and programs



CA Transparency in Supply Chains Act of 2010

to advance improvements to the RBA Code of Conduct and capabilities of RBA member suppliers. HP's Director of Human Rights and Supply Chain Responsibility is the chair for the steering committee of the RBA Responsible Labor Initiative, a multi-industry, multi-stakeholder initiative focused on ensuring that the rights of workers are consistently respected and promoted. We seize opportunities to cooperate across the broader business community, for instance becoming one of the founding members of the Leadership Group for Responsible Recruiting, which is focusing on eradicating worker-paid fees.

We believe our role as a global company is to respect human rights around the world, both in our operations and by influencing our suppliers through our business relationships. Combating forced labor and human trafficking requires persistence, ongoing due diligence, and continuous improvement. This work is consistent with the core values on which HP was founded and strives to live up to each day: to create a positive, lasting and sustainable impact on the planet, our people and the communities where we live, work and do business. For full details of our Supply Chain Responsibility program, see [Supply chain responsibility](#).