

Managing issues Through the Supply Chain

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Why Social & Environmental Responsibility as part of HP's Supply Chain matters.....

Customers

- SER / Supply Chain execution directly impacts customer satisfaction & total customer experience (TCE)
- 'Putting the customer first' drives Supply Chain strategy & execution across the value chain

HP

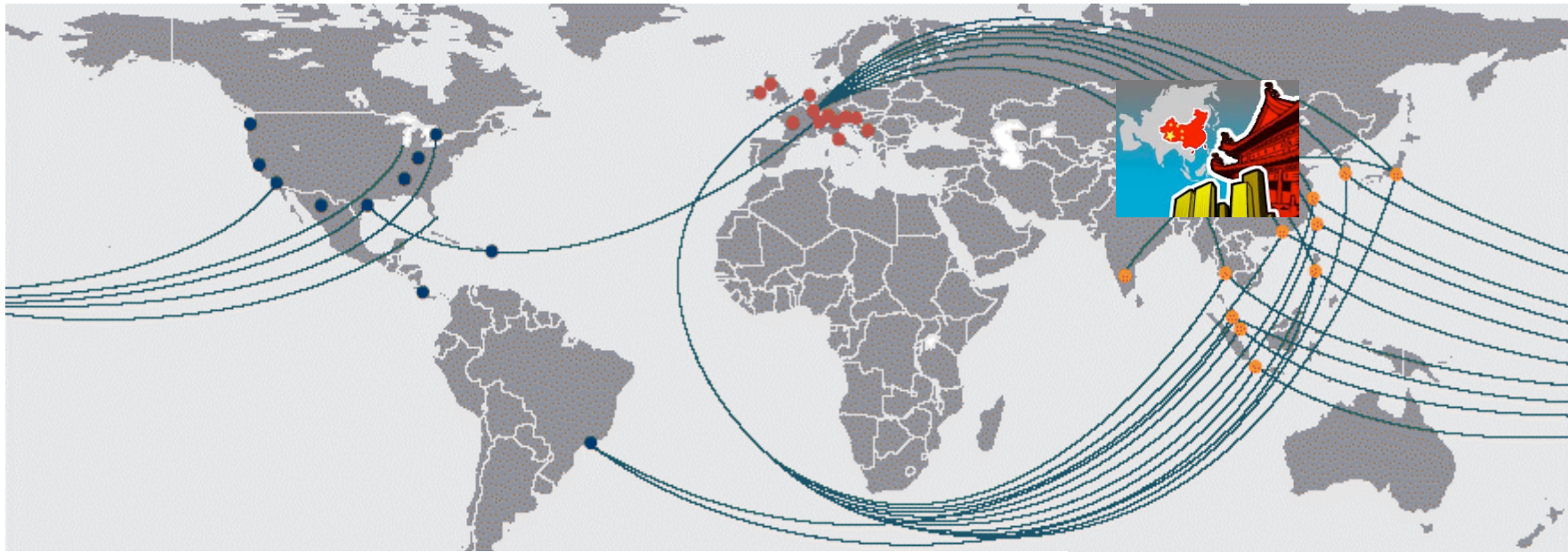
- Corporate Culture and Goals
- Supply Chain actively manages \$51B of HP company spend (64% of revenue)
- Rigorous attention to cost optimization influences overall profitability

Shareholders

- Superior Supply Chain performance (SER is part of this) can dramatically increase market capitalization
- Supply Chain results translate into;
 - improved cost structure enabling revenue & profit growth
 - increased cash flow

HP's Supply Chain "Connect Local & Serve Global"

Major w/w locations of HP product materials, components and services suppliers



HP's suppliers of product materials, components and services

Americas	Europe & Middle East	Asia Pacific & Japan	
<p>Canada, Puerto Rico, United States—software, semiconductors, hard drives, cabling & power supplies, packaging materials Brazil, Costa Rica, Mexico—microprocessors, contract manufacturing</p>	<p>Eastern Europe: Czech Republic, Hungary, Romania—contract design and manufacturing W. Europe: Austria, France, Germany, Italy, Holland, Scotland, Switzerland & UK—semiconductors, media, packaging materials</p>	<p>China—semiconductors, monitors, power supplies Japan—hard drives, media, optical disk drives, semiconductors, lenses Malaysia—semiconductors, hard drives</p>	<p>Korea—notebook displays, semiconductors, optical disk drives, hard drives Singapore—hard drives, microprocessors India, Indonesia, Philippines, Thailand—microprocessors, packaging materials Taiwan—semiconductors, cabling & connectors, monitors, notebook displays, power supplies</p>

Changing expectations for accountability for suppliers



Size and Scale

- Material spend = \$40B
- HP is #1 buyer of many electronic components & production materials:
 - Memory, Microprocessors, Software, Chipsets, Laser engines, Optical disk drives
- Manages over 700 suppliers
- Covers both direct & indirect procurement

Strategy

- Manages process of optimizing overall product material costs
- Assures supply while meeting quality standards
- Leverages advanced procurement best practices to deliver maximum advantage for HP

Value

- Controls Supply Chain variables such as component price, availability & quality
- Continuously drives cost out of procurement process
- Delivers products that customers value

Supply Chain SER Common Industry Code of Conduct Framework



Labor & Employment Practices



References leading standards including, UDHR, SAI, ETI & ILO

Suppliers are committed to uphold the human rights of workers, and to treat them with dignity and respect as understood by the international community

- ✓ Freely Chosen Employment: voluntary work and no forced, indentured or prison labor
- ✓ No Child Labor under the age of 16 is to be used in any stage of manufacturing
- ✓ No Discrimination based on age, gender, marital status, pregnancy, affiliations, etc.
- ✓ Harsh or Inhumane Treatment – no harassment, mental, physical or verbal abuse
- ✓ Legal Minimum Wages including overtime & benefits and no disciplinary deductions
- ✓ Legal Working Hours – no more than 60 hours except in emergency – one wkly day off
- ✓ Workers and management communicate openly and resolve working condition issues

Uphold Highest Standards of Ethics

No corruption, extortion or embezzlement

Disclose information according to regulations & prevailing industry

No improper advantage or bribery

Uphold standards of fair business, advertising and competition. Safeguard

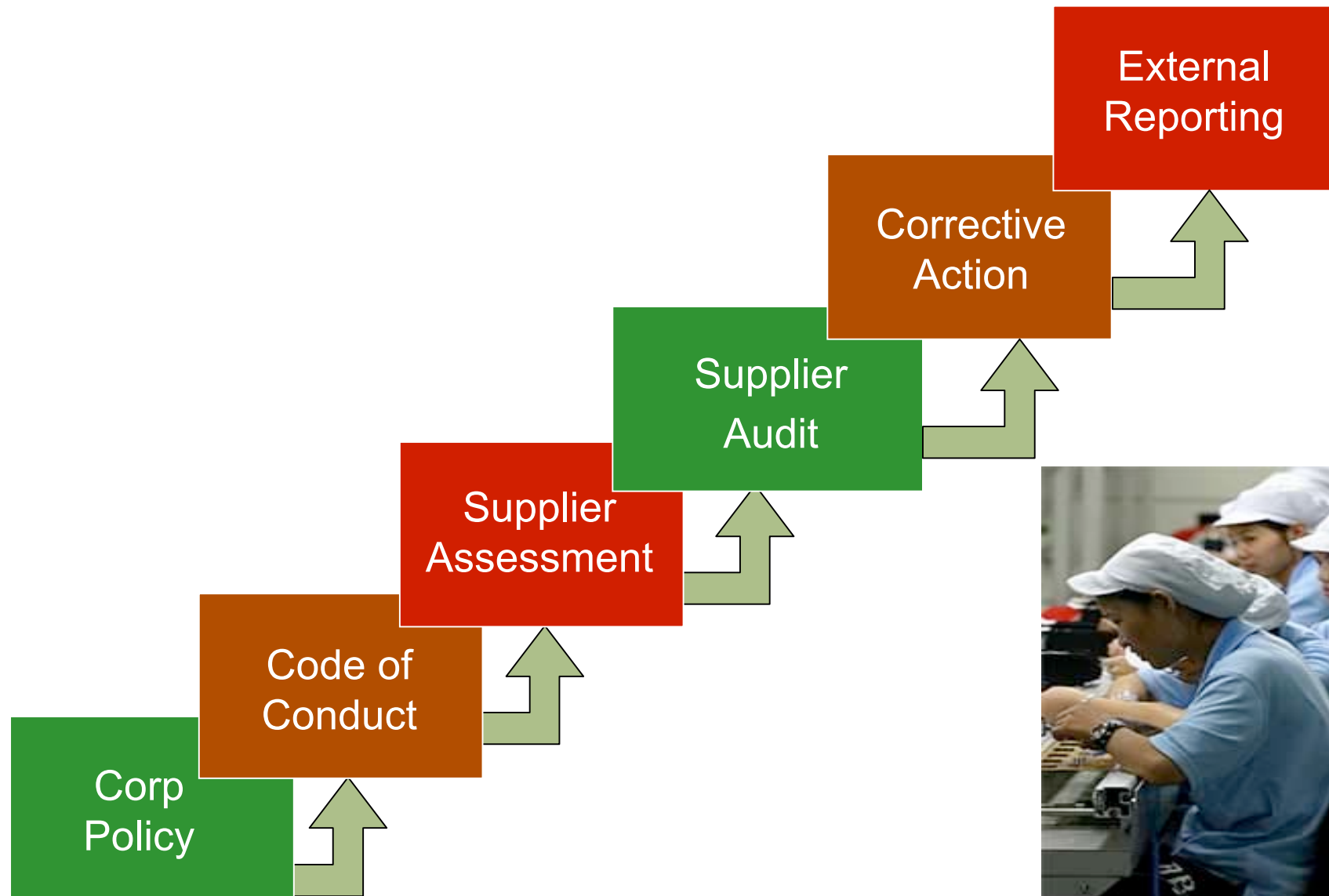
Protect supplier & worker whistleblowers

Engage in the community to help foster social and economic

Protect & respect intellectual property rights

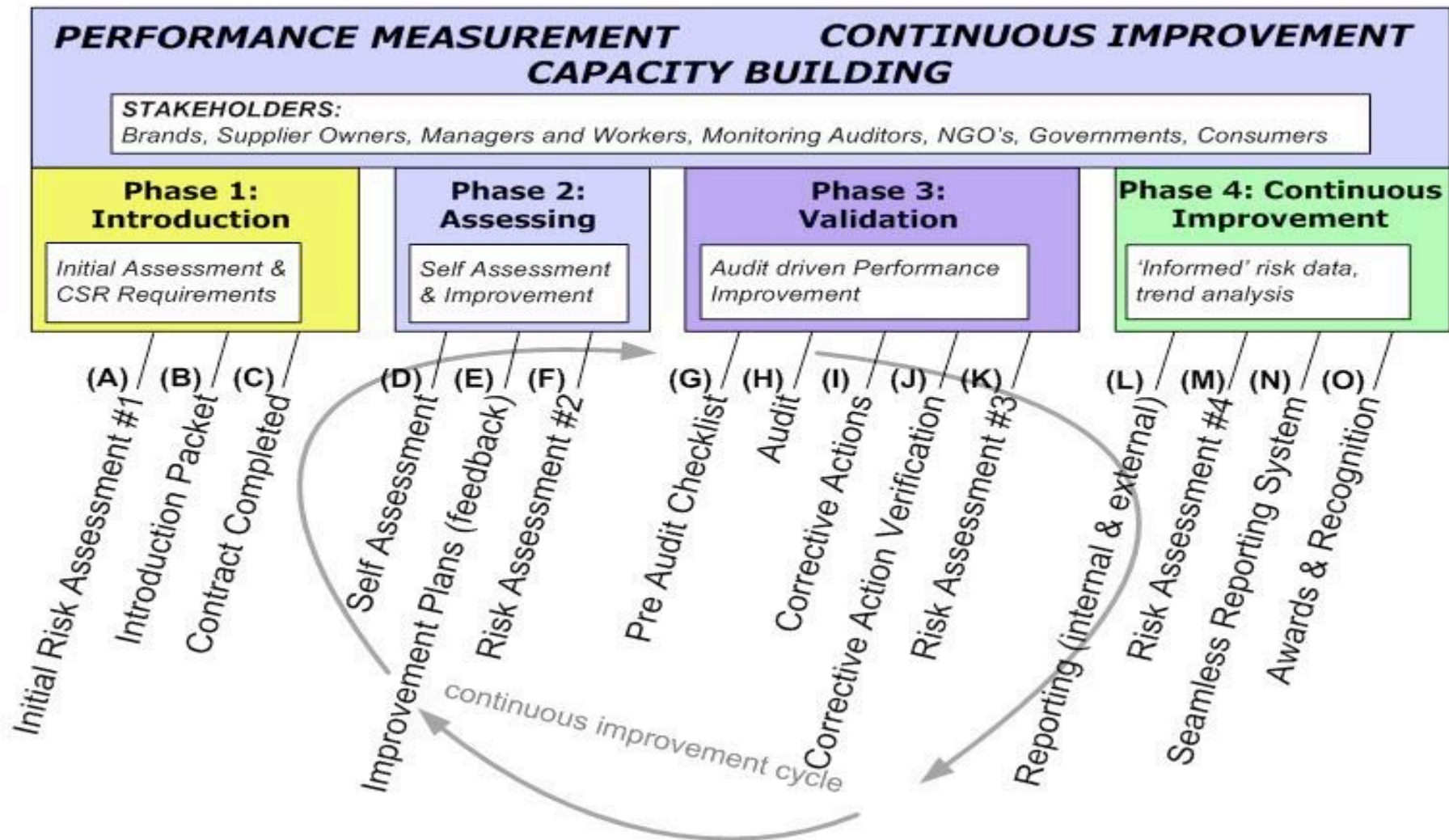


Framework Supply Chain Social Responsibility Program



Supplier Engagement Model

4 Phase Supplier Engagement Model (for Social & Environmental Responsibility)



Key steps in managing the supply chain issues

- 🔍 **Map and really understand** the supply chain
- 🔍 **Identify transactional points that could spawn** reputation, brand, regulatory and corporate responsibilities issues
- ✓ **Engage supply chain providers/partners** and understand their issues
- ✓ **Understand the socio-political environment** in which the supplier operates and in which the corporation sells
- ✗ **Set supply standards** agreed to with suppliers and agree on credible dispute resolution, auditing and reporting.

The Changing Regulatory Climate

- **International labor movement applied pressures on China**
 - Such as U.S. AFL-CIO submits Section 301 petition to USTR

- **Key Chinese Government initiative to Labor and other CSR-related issues**
 - Moves to expand China's participation in **standard-setting initiatives**
 - Heightened sensitivity to adoption of positions or **standards that contradict political positions** China maintains

The Changing Regulatory Climate

- **State Council Regulations on Certification and Accreditation**

- Government approval. No organizations or individuals shall engage in certification or accreditation activities in China without prior approval from the government.
- Qualifications. Certification and accreditation organizations must meet qualification criteria (e.g., internal management system for certification and accreditation, specific registered capital amount of 3 million RMB).

- **Increased attention of the Certification and Accreditation Administration of China position**

- The ISO Social Responsibility Guidance
- Development of the Social Responsibility Standard
- Social responsibility (e.g., SA 8000) certification
- Further possible Chinese government directives