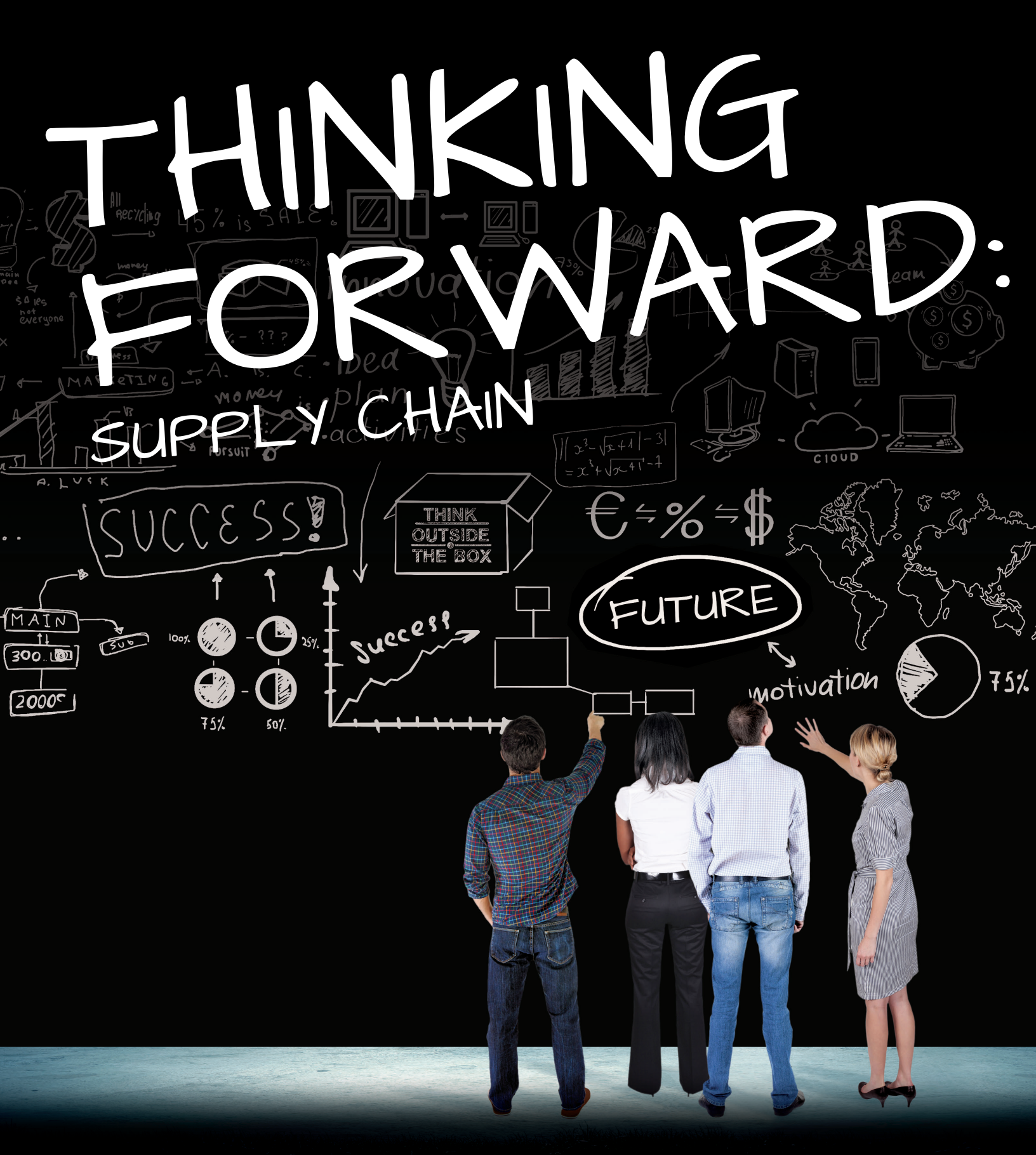
THINKING FORWARD:

SUPPLY CHAIN



REDEFINE THE FUTURE

2013 EMC Sustainability Report

EMC²

TABLE OF CONTENTS

SUPPLY CHAIN 1

Supply Chain Social & Environmental Responsibility 2

Supply Chain Business Continuity Planning 12

Conflict Minerals 14

SUPPLY CHAIN

At EMC, sustainability is a strategic pillar in our global supply chain strategy, managed along with cost, quality, availability, and time-to-market. We engage directly with hundreds of suppliers in more than 20 countries around the world to build a more resilient model that respects workers and the environment and to create opportunities that benefit stakeholders at every level of the supply chain.

TARGETS AND GOALS

CORPORATE TARGETS

- **Supply Chain Social & Environmental Responsibility**
  - **100% of Tier 1 & EMC-managed Tier 2 suppliers[1] issue sustainability reports by 2020**
  - **100% of EMC-managed Tier 2 suppliers monitor Tier 3 suppliers to EMC® standards of SER performance by 2020**

TOPICS COVERED IN THIS REPORT INCLUDE:

- Supply Chain Social & Environmental Responsibility (SER)
- Supply Chain Business Continuity Planning (BCP)
- Conflict Minerals

[1] Tier 1 suppliers: those who sell directly to EMC; Tier 2 suppliers: those who sell to our Tier 1 suppliers

SUPPLY CHAIN SOCIAL & ENVIRONMENTAL RESPONSIBILITY

EMC's Supply Chain Social & Environmental Responsibility (SER) program is about mitigating risk, identifying and building opportunity, and helping to ensure a resilient supply chain. We seek to achieve these objectives by collaborating with our suppliers and the industry to find and use common standards and tools. This includes continually refining and redefining our approach based on what we learn.

In 2013, EMC saw important advances in our SER program. Consistent with our strategic pillars and priorities, we leveraged improved data to enhance our risk assessment and to prioritize capacity-building initiatives; engaged our internal staff, suppliers, and stakeholders in new ways; and integrated SER more deeply into our business practices. As we look forward to 2014, these priorities will remain the same.

MONITORING AND REPORTING

Approach

EMC joined the Electronic Industry Citizenship Coalition (EICC) in 2008 and has since collaborated with the organization on its common standards, tools, and questionnaires. These include the EICC Code of Conduct, the Self-Assessment Questionnaire, the EICC-VAP audit protocol, and the Environmental Reporting questionnaire. Code of Conduct acknowledgements are collected from all direct materials suppliers, and compliance is part of our standard contract language for all vendors. We collect and evaluate Self-Assessment Questionnaires and Environmental Reporting from all strategic Tier 1 and Tier 2 suppliers, and audit and spot check a growing percentage of supplier sites every year. The majority of the tools we use to assess risk and monitor suppliers look at all aspects of social and environmental responsibility together. We view labor, ethics, environment, health and safety, and management systems as all part of a closely interrelated system.

We complement these tools with an internally developed risk assessment process (first implemented in 2011) and spot checks (piloted in 2013). The risk assessment determines which sites we consider to be high risk, and are therefore to be prioritized for audits and spot checks over the course of the year.

In addition to the EICC tools and the spot check program, EMC regularly checks the database of pollution violations maintained by the Institute of Public & Environmental Affairs (IPE) in China. Any concerns identified through these channels are corrected promptly using direct supplier discussion and Corrective Action Plans (CAPs). We also continue to work to strengthen coverage of environmental issues in the EICC tools and to build awareness and engagement with IPE through our leadership in the EICC's Environmental Sustainability Workgroup.

COLLABORATING TO SET STANDARDS AND MONITOR SUPPLIERS

- **EMC Supplier Code of Conduct:** A standard to set our expectations of suppliers. We follow the EICC Code of Conduct, which covers labor, ethics, environment, health and safety, and management systems.
- **EICC Self-Assessment Questionnaire:** A risk assessment tool EMC uses to evaluate the presence of policies and procedures needed to support compliance with the Code of Conduct, as well as risk factors and associated controls. The SAQ is collected from all strategic Tier 1 and Tier 2 suppliers.
- **EICC Audits:** Used to evaluate conditions and practices in supplier manufacturing facilities. EMC uses EICC-VAP (Validated Audit Program) audits wherever possible. The result of this rigorous audit can be shared with multiple companies, thereby reducing the overall volume of audits conducted. VAPs are conducted by third-party auditors and are valid for two years. In the rare cases where EMC does not use a VAP audit, we still follow EICC standard audit protocol and use certified third-party auditors.
- **Corrective Action Plan (CAP):** A plan to address all findings from an audit. EMC works directly with our suppliers to understand underlying causes, review plans, evaluate, and accept evidence demonstrating completion of all corrective actions. A supplier may also undergo a Closure or Follow-up Audit following the completion of its CAP to validate the results of its actions.
- **EICC Environmental Reporting:** A shared EICC questionnaire aligned with CDP and Global Reporting Initiative (GRI) reporting, to collect information about suppliers' carbon, water, and waste volumes, goals, and initiatives. It is collected from all strategic Tier 1 and Tier 2 suppliers.

EVALUATING SUPPLIER SITE RISK

1. **Geography**
   Supplier sites receive a geographic risk score based on the human rights, ethics, and environmental risks of their location. These scores are weighted according to indicators of governance and accountability.

2. **Exposure**
   New in 2013, sites are then evaluated based on improved exposure data from our Business Continuity program. This incorporates spend, sole sourcing, and the percentage of purchased parts made at that location.

3. **Company-specific Information**
   Past performance indicates supplier-specific risk. Past audit scores provide the primary variable, supplemented by Corrective Action Plans, first-hand insights from EMC staff, Self-Assessment Questionnaires, and media and NGO reports.

4. **Commodity**
   Commodity—indicating what the site manufactures for EMC, and where the supplier falls in our supply chain—provides the final input to our risk calculation. Suppliers who are further upstream or have more chemicals involved in their production, for example, may pose greater risk.

2013 Monitoring and Reporting Initiatives

Business Integration

A supplier's social and environmental responsibility is part of its overall business performance, and transitioning many aspects of SER monitoring from the sustainability team into the commodity team responsibilities helped to reinforce its importance. In 2013, commodity teams received training on processes and content, began dialogue with suppliers on sustainability topics at all levels of interaction, and became accountable for the sustainability performance of their suppliers. To learn more, visit the Internal Training section under "Engaging to Improve" in this report.

We will continue to train our staff and improve EMC's infrastructure for information sharing in 2014. We are planning to launch a new tool, built on the EMC Archer® Governance Risk and Compliance platform, that will allow automation and centralization of scoping, tasks, and risk and performance data across all of our sustainability programs. This will help our commodity teams better track open items, compare the sustainability performance of their suppliers, and access training and resources. The platform also offers a portal, which will similarly allow suppliers to directly access tasks, status, and training and resources.

Scorecard

EMC has scored our strategic suppliers on their sustainability performance since 2009. This information feeds into our overall Supplier Scorecard, which also includes other business metrics such as quality, cost, and availability, and provides a key input into business decisions. In 2013, we made significant advances in both the methodology and weight of the score:

- The sustainability section of the Scorecard—which evaluates SER, Business Continuity Planning (BCP), and Material Content—more than tripled in points, making it the third most heavily weighted section of the overall score (approximately 18 percent for most suppliers) after cost and quality.
- We expanded and clarified the metrics for SER. For example, we added scores for water and waste performance based on data reported through suppliers' environmental reporting, SAQs, and audits.

SPOT CHECKS CONDUCTED IN 2013

This increased weight and breadth of scoring has already led to increased focus on suppliers' efforts to communicate their initiatives to EMC. In some cases, suppliers have made additional investments in order to meet EMC expectations on SER performance. We expect to see this continue in 2014, as suppliers work to meet a new EMC Scorecard metric about publicly reporting sustainability efforts and initiatives.

Spot Checks

In 2013, we piloted spot checks at five supplier sites in three countries. Spot checks are conducted by in-region EMC supply chain technical and commercial staff who assess key social and environmental indicators. Spot checks are designed to identify and remedy small problems before they become significant issues. These spot checks give us a more frequent view to on-the-ground conditions, complementing the formal auditing process. Results are also used to inform our audit prioritization.

The pilot provided an opportunity to test the approach, identify areas for improvement, and better understand findings. Initial results revealed only a small number of minor findings, all of which were quickly remedied through CAPs. This was consistent with our existing knowledge of these sites and reflected the spot checks' focus on only the most serious potential issues, rather than examining the range and depth of topics evaluated in a formal audit.

In 2014, we plan to spot check at least 20 sites, expanding the diversity of type of sites and augmenting EMC's visibility. This visibility, combined with additional training for in-region staff, will further emphasize our commitment to strong SER practices for our suppliers and enhance our own supply chain staff's ability to identify potential risks.

Public Sustainability Reporting

As part of our commitment to transparency and accountability in our supply chain, we formalized our requirement for EMC's strategic direct materials suppliers to publish a public sustainability report using the Global Reporting Initiative (GRI) standard. Throughout 2013, we conducted a range of initiatives to support this aim. This included surveying our suppliers to better understand their current practices and plans for reporting; providing resources and information on training for GRI and sustainability reporting; and restructuring our Scorecard methodology to allow expansion in 2014 to include sustainability reporting as a metric.

In 2014, suppliers will have the opportunity to attend additional training on sustainability and GRI reporting before being re-surveyed and scored on their reporting. We will begin to report publicly on this metric in 2015.

Monitoring EMC's Sub-Tier Suppliers

EMC has consistently monitored our Tier 1 and Tier 2 suppliers; however, the further we move away from our direct relationships, the more risk increases and our leverage decreases. In the past, we have set an expectation of sub-tier management through our Code of Conduct and have audited our suppliers to this standard, but we plan to work even more collaboratively with our suppliers to do so moving forward. In 2013, key partners began to share audit information and collectively promote corrective action at sub-tier supplier sites due to our collaboration. In some cases we became aware of a concern at the third or fourth tier, such as one related to health and safety practices or working conditions, and began to implement this approach, working with a strategic supplier to better understand the issues and to ensure appropriate corrective actions.

We plan to expand and formalize this strategy in 2014, hoping to create a culture of collaboration around risk assessment and impact that will help the industry make strides toward greater responsibility throughout the supply chain.

Expanding EICC Environmental Reporting

In 2013, EMC played a leadership role in the workgroup responsible for EICC's Carbon & Water Reporting Initiative. Our work included expanding the questions about waste and streamlining questions about water and carbon in order to reduce repetition of questions already addressed in SAQs and audits. The workgroup also transitioned the now-rebranded questionnaire, the EICC Environmental Reporting Initiative, into EICC-ON. EMC assisted in development, as well as trained EICC members and suppliers on the importance of reporting and how to use the new tool.

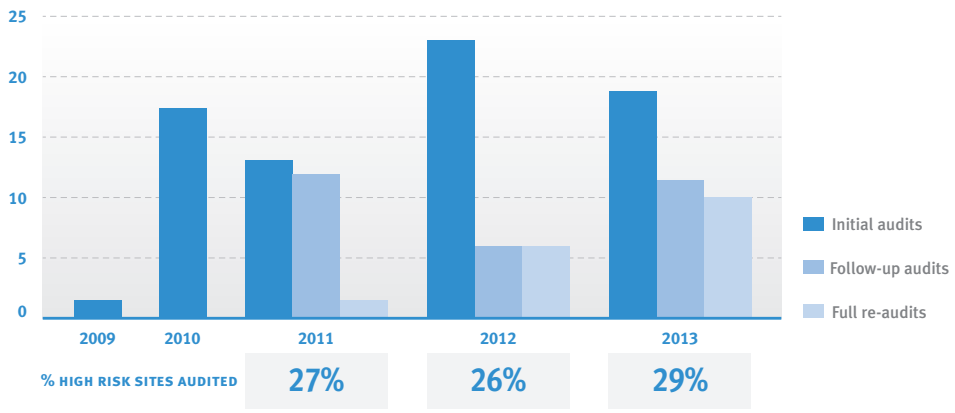
Metrics and Results

Audits

The number and geographic location of sites audited in 2013 remained fairly consistent with the previous year. This reflects a strategic decision to maintain our audit scope, while growing other critical pieces of the program that include better integration into the business, improved knowledge about individual supplier performance and exposure, and building our infrastructure for sub-tier monitoring. This will simultaneously improve our ability to scale and create the incentives for self-driven, sustained performance that cannot be created through audits alone. We also expect to continue to see increases in the number of our supplier sites audited, as more and more companies use the shared EICC-VAP audit approach.

Although consistent with 2012, our 2013 numbers do reflect an increased emphasis on follow-up audits—which evaluate the mitigation or closure of all corrective actions—as well as a slight increase in the percentage of high-risk sites audited.

NUMBER OF SUPPLIER SER AUDITS, 2009-2013



The data represented in the audit numbers and results in this report reflect two forms of assessment: full audits, which ask all questions on the EICC audit protocol, and follow-up or closure audits, which assess the closure of findings from a previous audit. We increasingly encourage the use of follow-up audits in any case where there are more than a small number of findings. "Initial audits" and "full re-audits" are both forms of full audits, where a "full re-audit" indicates the site had previously, two or more years prior, been audited to the EICC-VAP standard, and has now been fully audited again.

We view audits as a mechanism for performing due diligence, getting baselines of supplier site performance, and evaluating the effectiveness and longevity of improvements over time. They can also serve as a valuable means for raising the awareness of different expectations and management systems that were previously unknown to the company or site. We see suppliers' increased awareness through the CAPs that follow every audit. Taken in aggregate, our suppliers show a 71 percent reduction in the number of findings from their first audit to their second.[2] This progress speaks to the key goal of audits: not simply to assess, but also to identify and follow through on areas of improvement.

Detailed results of 2013 audits below highlight the difficulties of solving some industry-wide challenges. As in 2012, working hours and emergency preparedness continue to be the most prevalent systems-level (major) non-conformances outside of overall management systems findings. In addition, freely chosen employment became one of the most prevalent categories of findings in 2013. Though we did not see any instances of forced labor, we did see a need for suppliers to improve their management systems around monitoring their own suppliers and vendors, particularly in the high-risk area of labor agents. We continue to work one-on-one with our suppliers to increase awareness and support so they can address these challenges. We also have prioritized modules and resources around these topics for the online resource library, which is set to be launched in 2014. To learn more about the library, visit the Key SER Engagement Initiatives section of this report.

"I just received an email from the plant manager thanking us for the way the audit process was conducted, and saying that they learned a lot during the audit and are developing and implementing many of the recommendations they received. This is very encouraging and what we hope for with our audits! It was a long process to get us to this point but it sounds like a positive outcome."

AUDITOR

"It feels good to say that, after spending last year working through some of the challenges of our Corrective Action Plan, we just had our closure audit and it showed 100% conformance."

STRATEGIC TIER 2 SUPPLIER

[2] This includes first full audit to closure audit, as well as first full audit to second full audit.

Working hours are one of the most consistently challenging areas of conformance for suppliers in the electronics industry. In 2013, we saw this trend continue, and have made this a top priority for our online resource library that is set to launch in 2014. But we also saw the positive effects of multi-pronged, focused efforts on reducing those hours. In one case, corrective actions—including improved document control, an adjusted production plan, and targeted efficiencies—reduced the percentage of workers exceeding the EICC limit by 95 percent after just three months. In another case, multiple goals regarding automation, compensation, employee engagement, and productivity brought down the number of consecutive days worked and the number of hours worked per week from 40 percent and 15 percent over EICC limits, respectively, to 0 percent.

We cannot take direct credit for these improvements, but do see them as a key point of impact from the work we do to enforce standards, while supporting our suppliers' efforts, sharing solutions, and providing a neutral channel to help them learn from others.

SUPPLY CHAIN SER DETAILED SUPPLIER AUDIT FINDINGS 2013

EICC CODE	PERCENT OF NON-CONFORMANCE[3]	MAJOR	MINOR
GENERAL	0%		
Code of Conduct		0.0%	0.0%
Compliance With Laws		0.0%	0.0%
LABOR	32%		
Freely Chosen Employment		14.7%	11.9%
Child Labor Avoidance		2.3%	5.6%
Working Hours		11.9%	7.3%
Wages & Benefits		5.1%	11.3%
Humane Treatment		2.3%	2.8%
Non-discrimination		1.7%	1.7%
Freedom of Association		4.5%	1.7%
ETHICS	12%		
Business Integrity		10.4%	17.9%
No Improper Advantage		3.0%	9.0%
Disclosure of Information		3.0%	0.0%
Intellectual Property		4.5%	1.5%
Fair Business, Advertising, & Competition		10.4%	1.5%
Protection of Identity		9.0%	6.0%
Responsible Sourcing of Materials		6.0%	4.5%
Privacy		4.5%	0.0%
Non-retaliation		4.5%	3.0%
HEALTH AND SAFETY	26%		
Occupational Safety		13.0%	5.8%
Emergency Preparedness		25.4%	5.8%
Occupational Injury & Illness		10.1%	7.2%
Industrial Hygiene		8.7%	3.6%
Physically Demanding Work		2.2%	2.2%
Machine Safeguarding		2.2%	2.9%
Food, Sanitation, & Housing		6.5%	1.4%
ENVIRONMENT	9%		
Environmental Permits & Reporting		10.8%	2.7%
Pollution Prevention & Resource Reduction		10.8%	0.0%
Hazardous Substances		37.8%	21.6%
Wastewater & Solid Waste		2.7%	2.7%
Air Emissions		5.4%	5.4%
Product Content Restriction		0.0%	0.0%
MANAGEMENT SYSTEMS	21%	64.6%	27.4%

[3] Percentage of non-conformance in each higher-level category (e.g., labor) is higher in 2013 due to the EICC's shift in categorizing management systems. In 2012, labor and ethics management systems were categorized separately from environment, health and safety (EHS) management systems. In 2013, they were combined into a single management systems category. Since many sites formerly had findings in both categories of management systems, what might have been two findings before is now one. This means the total number of findings is now fewer, making every finding worth a higher percentage of the total.

Although our top three areas of systems-level (major) findings in 2013 were consistent with those in 2012, most of our common areas of minor findings in 2012 (hazardous substances, fair business, and child labor avoidance) were not high frequency in 2013. This may reveal trends, but more likely reflects that we are auditing different sites each year and do not have a large enough sample size to draw conclusions from different sites in the two data sets.

In addition to looking at year-over-year trends, EMC also looks at all of our data in aggregate, analyzing across different factors to identify patterns and prioritize training, incentives, and any policy changes related to supplier performance management. The audit coverage map below illustrates some of what this type of analysis reveals. Although we cannot draw overarching conclusions about manufacturing in a given country solely from this data given the relatively small sample sizes, it does help us to isolate commonalities as well as to identify topics and geographies where targeted training materials may be most impactful.

SUPPLY CHAIN AUDIT COVERAGE AND RESULTS

AVERAGE NUMBER OF FINDINGS PER CATEGORY—5 MOST AUDITED COUNTRIES 2011-2013

H&S = Health & Safety **ENV.** = Environment ****L&E** = Labor & Ethics ****EHS** = Environment, Health & Safety **MGMT** = Management Systems

*The General category of the audit protocol was eliminated in the 2013 revision, and is included here only for audits prior to that revision.

**Labor & Ethics Management Systems and EHS Management Systems used to be evaluated separately but, since the 2012 revision, are now evaluated through a single Management Systems category. The lower number of "Management Systems" findings reflects the fact that the new protocol may find a single overarching finding where the old protocol may have found two. We show all of the categories here since we are aggregating across both historical and more recent findings.

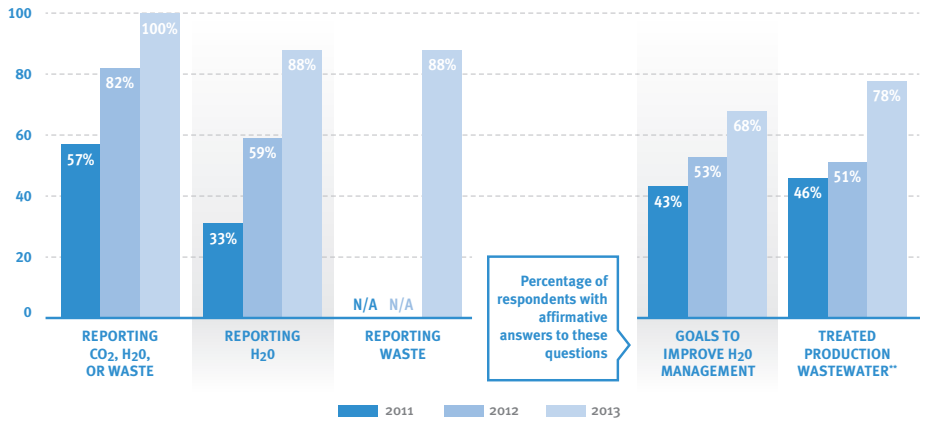
Environmental Risk and Performance

In 2013, 99 percent of EMC's Tier 1 and Tier 2 suppliers by spend completed environmental reporting. In addition, we saw continued growth in the percentage of suppliers who reported upon our request.

Although the environmental reporting numbers are lower for water and waste than for carbon, the overall percentages are strong and reflect an increased familiarity with, infrastructure for, and emphasis on environmental tracking and reporting across the industry—including within our own supply chain. We continue to use industry standard tools through the EICC, which also accepts CDP and GRI reporting, to maximize our ability to leverage this trend. We also continue to promote strong environmental programs through our Scorecard, trainings, Blue Sky Award, and newsletter, rewarding strong commitment and innovative ideas beyond basic responsible environmental management. In addition, as we refine our data analysis and normalization, we will increasingly reach out to specific suppliers that would benefit from targeted guidance or training.

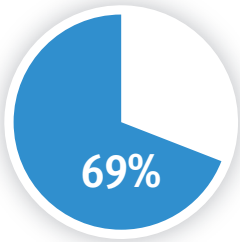
The growth in commitment, initiatives, and management systems is reflected in the illustrative statistics below.

2011-2013 SUPPLIER ENVIRONMENTAL REPORTING*



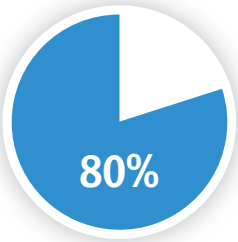
* Data only for those suppliers who completed EICC Environmental Reporting.

** Due to changes in the EICC Environmental Reporting Questionnaire, we cannot directly compare the water management statistics reported in 2012 to those in 2013. We are therefore combining information from EICC Environmental Reporting with information from the EICC Self-Assessment Questionnaire. These data come from suppliers representing more than 80 percent of our Tier 1 spend, as well as strategic Tier 2 suppliers.



% of suppliers (who reported) with a GHG emissions reduction goal*

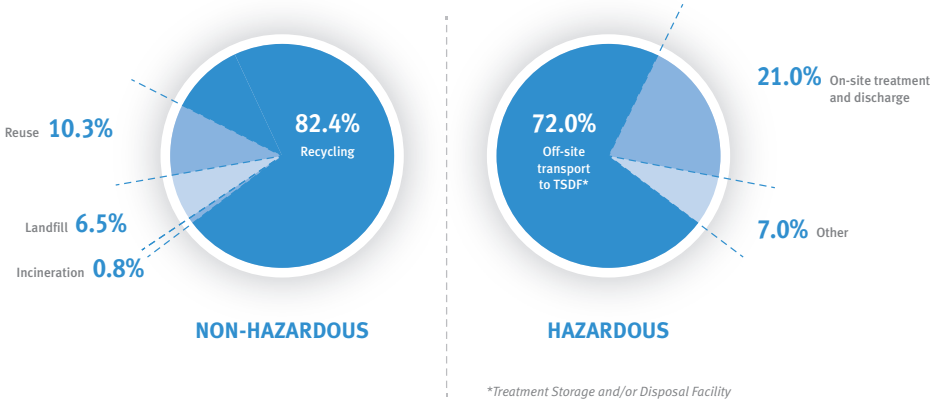
* A goal was defined as having a quantified reduction target and time frame for attainment



% of suppliers (who reported) with initiatives to reduce energy use**

** An initiative was defined as any completed or planned action to reduce energy use

WASTE DISPOSAL METHODS



2013 EMC's Scope 3 Emissions associated with Direct Tier 1 Suppliers
The greenhouse gas (GHG) emissions associated with EMC's direct material suppliers was 90,000 metric tons CO_2e in 2013. We collected Scope 1 and 2 GHG emissions data from direct Tier 1 suppliers comprising 99 percent of annual spend. Using economic allocation, we then approximated our share of their GHG emissions. This involves determining the ratio of our spend to each company's revenue and applying that ratio to their reported emissions. This methodology follows the WRI GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard and is currently the best available option given the level of data reported. Because this allocation approach requires access to supplier revenues, a small number of private companies were excluded from the analysis.

2013 was the first year we collected standard waste management metrics from our suppliers as part of the Environmental Reporting module in EICC-ON, although questions about responsible waste management had already been asked for multiple years through the Self-Assessment Questionnaire and the audit protocol. The data suggest an already-existing emphasis on the responsible disposal of material. We will seek to better understand these data in the coming year.

ENGAGING TO IMPROVE

Collaboration and continuous improvement are core to EMC's Supply Chain SER program. Programs in these areas provide us with an important opportunity to support our suppliers, our internal staff, and multi-stakeholder initiatives, while simultaneously providing incentives for strong performance and opportunities to learn.

To facilitate these efforts, we continued to send out our quarterly newsletter, SER Link, and awarded the Blue Sky Supplier Sustainability Award, begun in 2012, to two suppliers. We also continued one-on-one mentoring for suppliers that are early in the development of their sustainability programs, as well as training for new EMC staff who are learning how SER fits into EMC's business culture. For more formal training, we encouraged suppliers to attend the EICC's training on Code of Conduct, Worker-Management Communication, and Health & Safety.

"Taking the lead from EMC's Supplier SER award and newsletter, we implemented similar programs with our 1,000+ strategic suppliers. Historically, we think of suppliers as being customer-owned, but your engagement really triggered me to think more about how we could do something more meaningful to engage a large number of suppliers in a positive way."

STRATEGIC TIER 1 SUPPLIER

ADDITIONAL INFORMATION

EMC STATEMENT AGAINST SLAVERY AND HUMAN TRAFFICKING

EMC POLICY ON CONFLICT MINERALS

In addition to our internal activities, we continued to engage in multi-stakeholder initiatives. These included:

- Continued leadership in the EICC's workgroups on Environmental Sustainability and the Impact Assessment Subgroup of the Learning & Capabilities Building Workgroup
- Active participation in other workgroups, including the Conflict-Free Sourcing Initiative
- Engagement in research initiatives and conversations as part of the Stanford Initiative for the Study of Supply Chain Responsibility (SISSCR), which published new research in 2013 on the relationship between responsible practices and business performance
- Participation in stakeholder feedback sessions about human trafficking

Key SER Engagement Initiatives

Online Resource Library

EMC's suppliers have a wide range of expertise and challenges, as well as varied operations, worker demographics, and geographies. Though we can't provide individual training for every supplier, in 2013 we began analyzing past audit and SAQ data to identify the most common areas of need across our supply base. We also spoke with multiple supplier contacts in different geographies and commodities to better understand which resources would provide the most value. Additional input came from a gap survey (see below), concerns raised in the media and NGO reports, and conversations with peers in the industry.

Armed with this knowledge, we began to develop an online resource library for suppliers. The resource contains short training modules on different topics and at different levels, including best practices, case studies, and references to already-existing resources available through public sources. In 2014, we will launch the library for external and internal use and will continue to add modules over the course of the year based on the highest priorities. We plan to analyze pre- and post-performance, as we roll it out, to help gauge the impact of the new resource.

Gap Survey

Although the public conversation—for example, in the media and at conferences—often focuses on certain topics of concern or note, EMC strives to make sure the development of our supplier training and resources reflects their specific needs as accurately as possible. With that in mind, in 2013 we launched a supplier survey focused largely on common root causes of social or environmental challenges. The goal was to understand the maturity of our suppliers on different topics and to use that information to tailor our training going forward. In addition to using the results for the resource library mentioned above, it also yielded substantial information about our suppliers' management systems, operational approaches, and existing training—valuable insight EMC will continue to use as we further develop our SER program.

Internal Training

In 2013, almost 100 EMC commercial and technical supply chain management staff members in the United States attended a full-day Supply Chain Social & Environmental Responsibility training. The training improved understanding of SER auditing, the identification of social and environmental responsibility issues, and the root-cause analyses of issues that often arise in electronics manufacturing—each of which was part of their new SER responsibilities. We also provided process and spot check training, as staff took on these new responsibilities. Looking forward to 2014, we plan to provide additional training to supplement these efforts.

"Thank you for running this survey! I love that you're looking at root causes. We don't track all of the metrics now, but I already went to HR to ask about starting to track them in the future."

CORPORATE RESPONSIBILITY ASSOCIATE, STRATEGIC TIER 2 SUPPLIER

SUPPLY CHAIN BUSINESS CONTINUITY PLANNING

Supply chain resiliency in the face of unexpected disruptions is essential to meeting customer expectations for quality and availability. The EMC Supply Chain Business Continuity Planning (BCP) program sets strategies to prepare for, and react to, potential disruptions from events such as natural disasters, civil unrest, and financial instability. This planning makes our supply chain more resilient in the face of large-scale events that could create delivery, quality, or production issues.

Though EMC's operations were not directly impacted by natural disasters or social disruptions in 2013, we continued to improve our program to address increased complexities and potential risks.

OUR APPROACH

In late 2012, we began using a data-driven approach to redefine EMC's BCP program. We continued this work in 2013, collecting more comprehensive supplier site data that form the basis for our program and implementing a framework to use it to drive increased resiliency. The revised framework consists of three pillars: global sites mapping, risk assessment and mitigation planning, and event monitoring and disaster recovery.

Global Sites Mapping

In 2013, EMC mapped 15,000 part numbers to more than 800 Tier 1 and Tier 2 global supplier sites to better understand our global manufacturing "hotspots" locations where our suppliers are concentrated. These part numbers are mapped back to EMC products and revenue metrics to understand the significance to EMC's financial performance, should there be a disruption in the availability of any one part, site, or supplier.

Risk Assessment and Mitigation Planning

After mapping, each part is assessed for risk across multiple dimensions, including:

- Natural disaster and other geographic risks
- Supplier capability to recover from risk scenarios
- Supplier financial risk

The risk scoring is then compiled at the supplier, site, product, and part level to highlight the highest-risk areas for focus. This prioritization exercise allows EMC to proactively identify weaknesses in our sourcing strategies and our supply chain footprint. We then identify actions including: alternate source qualifications to identify new, lower-risk suppliers for those parts at highest risk; component buffering to assure sufficient supply of an essential part if a natural disaster or risk event should occur; and deeper supplier assessments such as onsite audits in areas contributing the highest amounts of risk and simulations of business disruptions to test suppliers' ability to activate emergency response plans and crisis management. These proactive strategies optimize our supply chain's flexibility, cost, and risk profile.

In addition, we evolved our supplier BCP self-assessments from a process-based to a capabilities-based tool, enhancing our understanding of suppliers' readiness in the face of potential disruption. Identifying our suppliers' capability gaps allows us to coach them in adding capabilities to enhance their resiliency and decrease risk to EMC. We also strongly encourage our suppliers to maintain internal business continuity programs that are consistent with ISO 22301, BS 25999 or equivalent.

Event Monitoring and Disaster Recovery

Each supplier site mapped to an EMC part number is monitored for adverse events around the clock. Events monitored include natural disasters, labor stoppages, supplier bankruptcies, and human-caused disasters such as factory fires and chemical spills. When an event occurs, the part numbers and products impacted are immediately identified. With parts already proactively mapped to sites, EMC can spend less time collecting data and assessing risk and can efficiently and intelligently transition into response and recovery procedures.

2014 FOCUS

In 2014, EMC will continue to leverage the data collected from our Tier 1 and Tier 2 suppliers to increase our supply chain's capability to withstand disruption. We also hope to expand our efforts where possible, focusing on assessing and mapping relationships with our subcontractors and Tier 3+ supply base. In addition, we plan to focus on product design and strategic sourcing processes and will be developing plans to formally drive risk data and metrics deeper into our product development and planning activities.

CONFLICT MINERALS

In recent years, there has been increasing focus on the ethical sourcing of minerals, and in particular of tantalum, tin, tungsten and gold (3TG), often referred to as "conflict minerals," from the Democratic Republic of the Congo (DRC). In the DRC, some mines are controlled by armed militias who use the proceeds from the sale of these minerals to fund ongoing conflict in the region.

EMC is committed to the ethical sourcing of 3TG. As stated in our Conflict Minerals Policy, it is our goal not to purchase product materials containing 3TG whose sale financed armed conflict. However, we believe being "DRC Conflict-Free" should not mean "DRC-Free"; we intend to source responsibly from the DRC and adjoining countries in order to support peaceful economic activity in the region.

OUR APPROACH

Researching the origin of minerals through the supply chain is a complex endeavor. As a manufacturer of enterprise storage systems, we do not purchase 3TG directly from mines, smelters, or refiners. Therefore, to meet our goal of being DRC Conflict-Free, we must collaborate with suppliers, industry peers, and other stakeholders. We seek to advance tools and programs that simplify due diligence processes through the supply chain and increase the supply of verifiably DRC Conflict-Free minerals.

EMC is an active member of the Conflict-Free Sourcing Initiative (CFSI), which was founded by the Electronics Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative. We participate in workgroups and projects to advance the following CFSI programs:

- **Conflict Minerals Reporting Template (CMRT):** A widely-used standard to collect information throughout the supply chain, including the names of 3TG smelters and refiners.
- **Conflict-Free Smelter Program (CFSP):** An independent third-party audit program of 3TG smelters and refiners. Audits determine the country of origin of minerals and whether minerals are DRC Conflict-Free.

We also participate in the multi-stakeholder group conference calls organized by the Responsible Sourcing Network. In 2013, we applied to join the Public-Private Alliance for Responsible Minerals Trade (PPA), a multi-sector and multi-stakeholder initiative to support supply chain solutions to conflict minerals challenges in the DRC and the Great Lakes Region of Central Africa.

These collaborations help us advance toward our goal, and also help build a global supply chain system for responsible and ethical mineral sourcing, making it more widely possible for other companies to source DRC Conflict-Free minerals for their products.

Our Strategy

In 2013, we began implementation of a three-pronged strategy focused on suppliers, smelters and refiners, and responsible sourcing in the DRC and adjoining countries (collectively called the "Covered Countries"). The strategy aims to:

1. **Engage suppliers in due diligence and DRC Conflict-Free sourcing**
   - Survey suppliers using the CMRT
   - Offer training and education on the issue of conflict minerals and best practices in due diligence
   - Influence the supply chain to shift to CFSP-compliant smelters and refiners
2. **Increase the number of DRC Conflict-Free Smelters and Refiners**
   - Identify smelters and refiners in our supply chain
   - Help advance the CFSP through active participation in CFSI workgroups
   - Encourage smelters and refiners in our supply chain to be CFSP-compliant
3. **Encourage responsible sourcing from Covered Countries:**
   - Support initiatives to advance verifiable conflict-free sourcing in the Covered Countries in order to promote peaceful economic activity

Our Program

EMC's program is overseen by the Conflict Minerals Governance Committee, that provides strategic direction and input to EMC's conflict minerals policy, supplier requirements, communications, and risk management. This committee includes executives from Global Supply Chain Management, Global Supply Chain Engineering, and the Office of Sustainability, as well as representatives from Finance, Legal, Global Product Operations Sustainability, Government Affairs and Internal Audit.

Supplier requirements for conflict minerals due diligence are embedded in EMC's supply chain management. Our Supplier Code of Conduct requires direct material suppliers to have a conflict minerals policy and conduct due diligence on the source and chain of custody of 3TG in their products. Requirements to adhere to the Supplier Code of Conduct are included in our standard contracts and purchase agreements.

2013 ACTIVITIES

Supplier education is an important component of this effort. In 2013, we invited EMC suppliers to online training that offered an overview of conflict minerals, EMC's policy, the CFSI approach to responsible mineral sourcing, and how to survey the supply chain and report using the CMRT. We also helped develop CFSI's training modules, which are publicly available on that organization's website.

In 2013, EMC conducted our first full conflict minerals survey of the supply chain. This survey included Tier 1 suppliers who sell directly to EMC as well as Tier 2+ suppliers from whom we instruct Tier 1 suppliers to purchase parts for the components they sell to us. We asked suppliers to survey their own supply chain and report to us using the CMRT.

Suppliers representing 89% of our 2013 spend returned completed CMRTs. We then mapped our suppliers against our products and reviewed the smelter lists for those suppliers. We found that for each product category:

- Some 3TG is sourced through validated smelters and refiners that are not yet CFSP-compliant and therefore we have not yet determined the country of origin of those minerals; and
- Some 3TG is sourced from CFSP-compliant smelters and refiners, including smelters and refiners who source responsibly from Covered Countries, and therefore we have reason to believe those minerals are DRC Conflict-Free.

THINKING FORWARD

In 2014, EMC intends to improve its due diligence process and further mitigate the risk of purchasing 3TG whose sale financed armed conflict in the DRC. Our supplier engagement will focus on continued improvement in the CMRTs and further education about the role of CFSP-compliant smelters and refiners. We will also continue embedding communications and incentives in supply chain management business processes, including adding the suppliers' conflict minerals risk score, based on their response to the CMRT, to the Supplier Scorecard which informs business decisions. A key performance indicator will be reaching our 2014 goal of 100% of Tier 1 suppliers whose products contain 3TG having a conflict minerals policy published on their website. On an industry level, we aim to work through CFSI to increase the number of CFSP-compliant smelters.

For more information, please see our full Conflict Minerals Report which will be available on emc.com.

CONTACT

EMC encourages its stakeholders to provide feedback on the topics covered in this report. Please submit any questions or comments about the report or its contents to the Office of Sustainability at Office_of_Sustainability@emc.com.

EMC, EMC2, the EMC logo and Archer are either registered trademarks or trademarks of EMC Corporation in the United States and/or other countries. All other trademarks are the property of their respective owners. © 2014 EMC Corporation. All rights reserved.
05/1 Brochure 310521