Supply Chain Social and Environmental Responsibility

Progress Report

November 2016

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COMMITTED TO SUSTAINABILITY IN EVERY STEP OF OUR VALUE CHAIN

Global Citizenship

Dell is committed to responsible business practices and we hold ourselves and our suppliers to a high standard of excellence. We operate in a world with many different cultures, countries and levels of economic development. Even in this diverse world, we believe there are some standards that are universal — including respect for workers, communities and the environment — and meeting these standards is a condition of doing business with Dell.

Dell and Dell's suppliers are required to comply with all applicable laws and regulations where business is conducted. Our suppliers are also expected to embrace our same high standards of ethical behavior and treat their employees fairly and with dignity and respect, consistent with local laws, International Labor Organization conventions, UN Human Rights, the Electronic Industry Citizenship Coalition (EICC) Code of Conduct, and Dell's social and environmental responsibility (SER) policies and goals.

Building a Legacy of Good

In 2012, Dell launched its 2020 Legacy of Good plan which outlines our commitment to reaching clear and measurable goals around sustainability and corporate social responsibility.

As part of this plan, we are working toward continuously improving ethical standards in our supply chain and demonstrating 100% transparency on key issues by 2020, working with suppliers to mitigate risks in those areas.
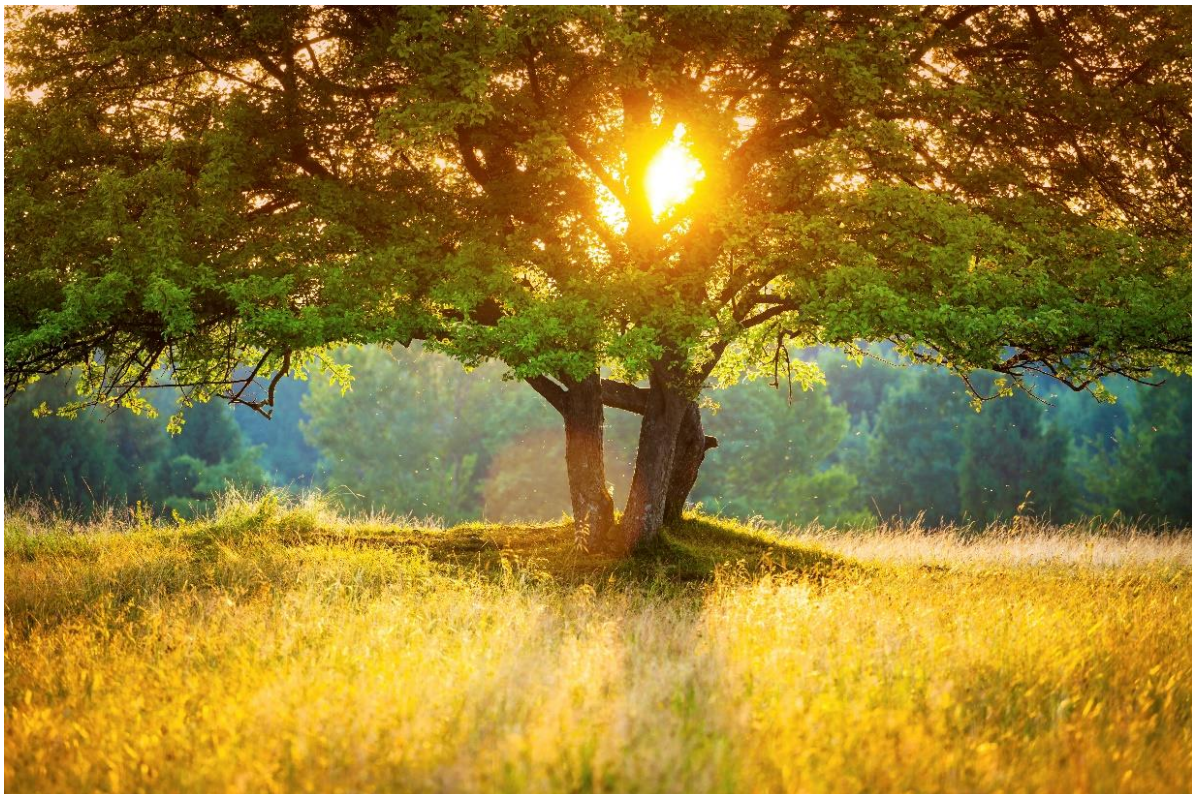
Upholding workers' human rights

Dell supports and respects the principles proclaimed in the Universal Declaration of Human Rights, and we know this issue is of utmost importance to our customers and the communities in which we live and work. We are committed to upholding the human rights of workers in our supply chain and to treating them with dignity and respect. We have embedded this commitment into our daily business practices and due diligence processes with our suppliers.

In FY16[1], all Dell production suppliers and select service suppliers agreed in writing to abide by our new Vulnerable Worker Policy, which outlines our expectations for labor conditions and explicitly bans the kinds of behaviors that may indicate a risk of forced labor or child labor, such as charging recruitment fees, holding identification documents, or failing to provide employment contracts in the native language of the worker.

To hold suppliers accountable to our Vulnerable Workers Policy, our SER Executive Review Board (ERB) works to prevent, mitigate, and remedy all audit findings that could possibly indicate a risk of child labor or forced labor. The ERB reviews all supply chain findings or allegations that could indicate a risk of human trafficking, child labor or forced or bonded labor. The executive review process has served to increase the knowledge and understanding of SER issues throughout Dell's global operations organization, and through this forum we have taken proactive steps in addressing root causes.

Vulnerable Worker Policy:

Dell's Vulnerable Worker policy applies to all workers in Dell's supply chain, regardless of tier, and specifically focuses on protecting foreign migrant workers, dispatch workers, student workers and young workers. This policy complements our existing Human Rights and Labor Policy. Dell also published an updated statement documenting our commitment to combat human trafficking and modern slavery.

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[1] Dell's fiscal year begins February 1st of the prior calendar year. Dell FY16 began on February 1, 2015.

DELL SUPPLY CHAIN SOCIAL AND ENVIRONMENTAL RESPONSIBILITY (SER) PROGRAM OVERVIEW

Supply Chain of the Electronics Industry

The supply chain of the electronics industry is highly complex, with many suppliers involved at multiple tiers in the end-to-end process of manufacturing a final product. Millions of workers and communities globally are involved in and/or affected by the industry.

At Dell we have a very large and dynamic supply chain, with supplier facilities located in different regions across the world. Thus, we take a comprehensive approach to hold our suppliers to the highest standards of responsible business practices and work in

partnership with them for continuous improvement.

Sometimes people want to know which of our suppliers make the products they buy. The answer is all of them. Managing risk and continuity of supply in a complex global supply chain necessitates that multiple partners are approved for each part and component of our products. As production levels around the world shift on a daily basis, supplier volumes also shift to meet demand. If we focused solely on the last facility that a product left before it entered out customers' homes or businesses, we would not be overseeing the vast majority of the businesses and people around the world who contributed to production.

As we discuss the social and environmental performance of our supply chain throughout this report, the supplier base includes all first tier and sub-tier suppliers that

Detail on Legacy Dell supplier manufacturing location distribution by commodity type
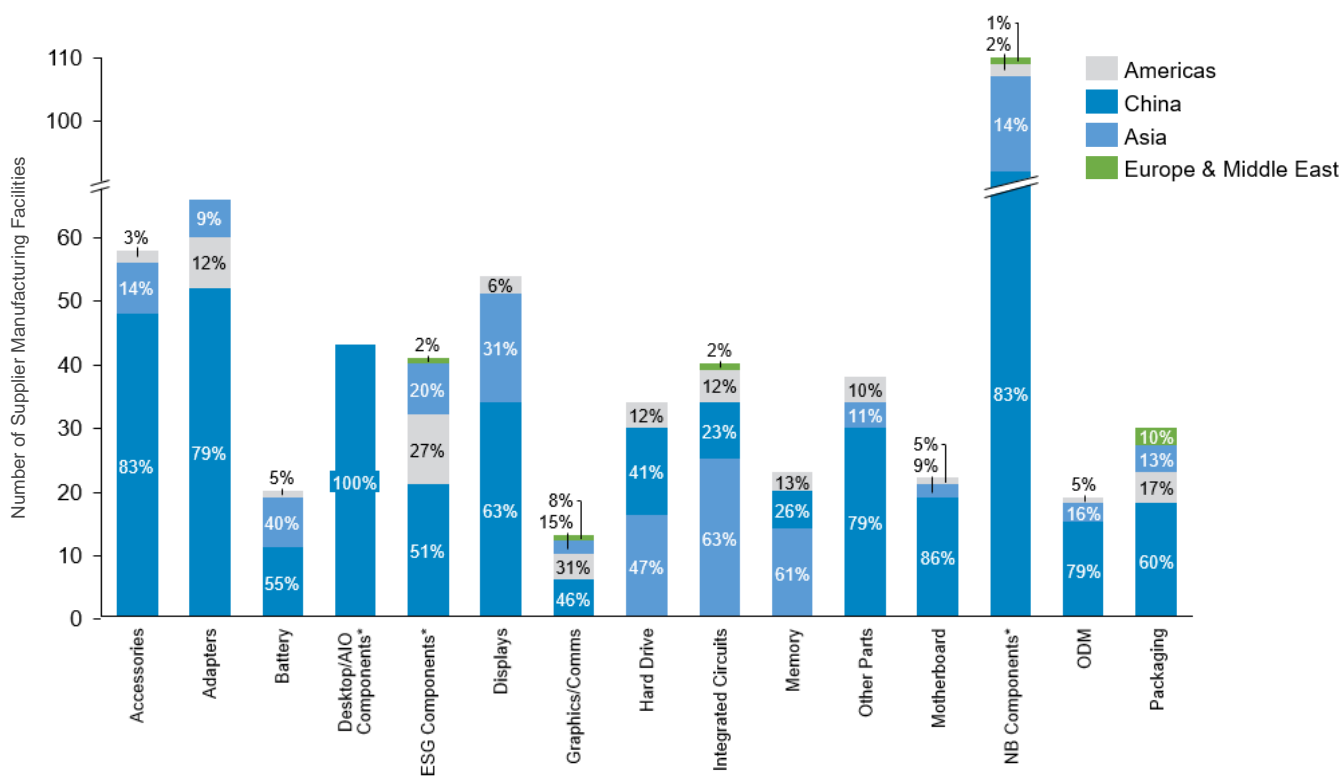
Product component categories include a variety of parts and components suppliers.

manufacture or supply critical components to our products. Dell holds all suppliers in our supply chain to the same high standard of manufacturing so that customers can be confident that their products were produced responsibly.

Joint Efforts through the EICC

In 2004, Dell and other leading electronics companies joined forces and founded the Electronics Industry Citizenship Coalition (EICC), a nonprofit organization with a common goal to improve efficiency and social, ethical, and environmental responsibility in the global electronics supply chain. Many of our suppliers supply components to multiple companies in the electronics industry, which is why it is important to deploy an industry-wide approach to setting responsible manufacturing standards.

As members of the EICC, we commit and are held accountable to responsible business standards set forth in the EICC Code of Conduct. The EICC code contains provisions to address performance in the areas of labor, health and safety,
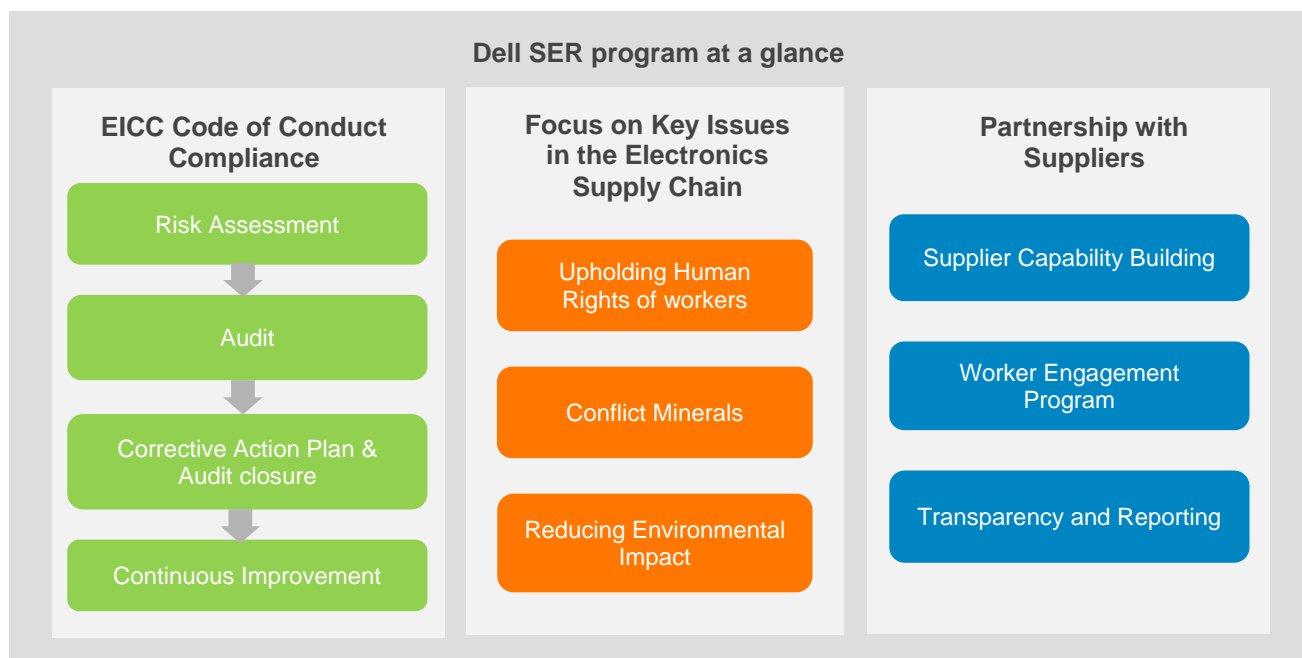
environment, ethics, and management systems. It also provides several resources such as trainings, guidelines, and tools to ensure compliance with these standards.

Our Supply Chain SER Program

Dell's Social and Environmental Responsibility (SER) Program oversees a network of interrelated projects, processes and initiatives designed to build and maintain a responsible supply chain. The EICC Code of Conduct governs expectations for suppliers across our industry and we supplement this policy with our own expectations and SER standards.

We ask our suppliers to abide by our Supplier Principles as a condition of doing business with Dell. We implement these standards through a three-step process:
1. Reinforcing the requirement that Suppliers meet or exceed all applicable laws and recognized international standards

Dell SER program at a glance

EICC Code of Conduct Compliance	Focus on Key Issues in the Electronics Supply Chain	Partnership with Suppliers
Risk Assessment	Upholding Human Rights of workers	Supplier Capability Building
Audit	Conflict Minerals	Worker Engagement Program
Corrective Action Plan & Audit closure	Reducing Environmental Impact	Transparency and Reporting
Continuous Improvement		

2. Ensuring the adoption of Dell's core policy commitments by defining and enforcing Supplier requirements
3. Requiring active participation in Dell's Supplier Engagement, Capability Building and Assessment Programs.

Our policy commitments provide requirements for suppliers with respect to the following areas: supplier diversity and non-discrimination, federal acquisition regulations, counterfeit mitigation and supply chain security, working conditions, forced labor, bonded labor and human trafficking, minerals and extractives, sustainability reporting, and anticorruption practices.

We ask suppliers to provide evidence of their commitment to abiding by our Supplier Principles through a Self-Assessment Questionnaire developed by the EICC. Our Supplier Global Citizenship Commitment includes more information on the criteria for the Self-Assessment Questionnaire.

Suppliers that face challenges in conformance with these requirements are asked to create corrective action plans, undergo audits to verify remediation, and participate in capability-building activities as needed.

Last year we also partnered with ELEVATE, a supply chain SER consulting firm, to

IPE Recognition

Our proactive supply chain management and SER processes have helped Dell improve its ranking on the Institute of Public and Environmental Affairs (IPE) Green Choice Alliance's Corporate Information Transparency Index significantly, going from #22 among technology companies in FY15 to #8 in FY16 and #2 as of June 2016.

launch a metric management project pilot for 20 of our suppliers whose audits identified priority issues. The project was designed to provide deeper insights into underlying social performance issues by analyzing the correlation between metrics like overtime, turnover rates, rework rates, wages and productivity. This helped suppliers work towards closing their noncompliant issues related to labor, EHS, ethics, and management systems, as well as identify trends in weekly working hours to improve compliance.

To embed socially responsible behavior into business activities, key suppliers must undergo reviews of their SER performance in quarterly business reviews with cross-functional Dell teams. They are evaluated using a SER scorecard and reviews include audit performance data, assessment of policy compliance and specific implementation plans for suppliers' own programs for compliance and environmental stewardship. Dell reserves the right to reduce volume or make business decisions based on SER performance.

Transparency and Reporting

Dell is committed to publicly disclosing our social and environmental performance. We publish our list of top suppliers on our Supply Chain Responsibility website and provide an overview of how our supply chain performs on a wide variety of issues related to social and environmental performance including audit findings and weekly working hours.

We also promote transparency and traceability through the supply chain and ask our suppliers to build company sustainability reports according to GRI (Global Reporting Initiative) guidelines. Learn more about GRI on Global Reporting Initiative.

ASSESSING CODE COMPLIANCE AND HUMAN RIGHTS IMPACTS

Risk Assessment

As the first step in monitoring suppliers' adherence and compliance with the EICC Code of Conduct, the SER Team evaluates supplier risk and develops annual audit plans using risk assessment tools, including the Self-Assessment Questionnaire.

The main criteria of the risk assessment include region, business spend, size, manufacturing process, labor and EHS compliance, and public reports. The risk assessment is conducted for each site, meaning if the supplier has several sites, the sites that provide products or services to Dell are required to be evaluated independently. Every site is given a SER risk level after completing the risk assessment.

We also work with suppliers to conduct ongoing risk assessments on various topics. In addition to our standard risk assessments, we have also developed a

more comprehensive environmental health and safety (EHS) assessment system to help identify risks that could lead to production suspensions, factory shut-downs or environmental damage.

Audit Process

Our EICC Code compliance monitoring program covers all first tier and sub-tier production and services suppliers critical to our supply chain. We require 100 percent of high-risk suppliers in the top 95 percent of our production spend to undergo EICC-certified third-party audits. This exceeds EICC membership requirements.

To date, we have audited 92% of our high risk facilities, and have scheduled the remaining audits to reach 99% by the end of the fiscal year. Suppliers must undergo a full audit once every two years (referred to as an "initial audit") and conduct as many follow-up audits as necessary to close all major and priority findings.

In FY16 we increased the number of EICC-certified third party audits by 88%. In FY17, we have conducted 263 total audits in Q1 and Q2 alone. Through increased monitoring, we are able to help our partners maintain our SER standards as well as track performance to identify common trends and solutions.

Audit type	FY15	FY16	Change
Initial audits	144	247	+ 72%
Follow-up audits	43	105	+ 144%
Total audits	187	352	+ 88%

A typical on-site audit process includes:

- Audit team preparation meeting
- Opening meeting
- Orientation tour
- Detailed evaluation
- Management reviews
- Worker reviews
- Analysis of findings
- Daily wrap-up meeting
- Closing meeting.

Learn more about the audit process at EICC VAP process.

100% of high-risk suppliers in our top 95 percent production spend undergo EICC-certified 3rd party audits, as required by our SER program

Nonconformance Levels

The audit process includes three levels of nonconformance:

- Priority Nonconformance: This includes violations that could signify an immediate risk to health or safety. Priority Nonconformance is the most severe nonconformance and requires escalation by auditors.
- Major Nonconformance is a significant failure in the management system which affects the ability of the system to produce the desired result.
- Minor Nonconformance is a violation that does not necessarily indicate a system-wide problem with the management system.
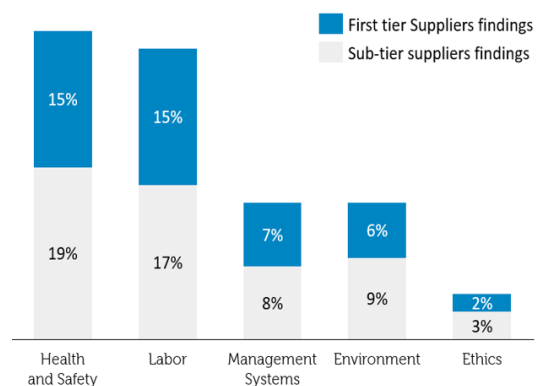
Audit Results

EICC audits assess health & safety, labor, management systems, the environment, and ethical behavior within an operation. About half of our findings come from Dell's first tier suppliers, while the other half is provided by our sub-tier suppliers.

If a nonconformance is identified in the audit, suppliers are requested to work on a corrective action plan (CAP) after the audit. The CAP is prepared using the Dell CAP template, which includes:

- Root cause analysis
- Immediate containment action
- Corrective action
- Accountable owner in the facility
- Target completion date
- Progress to goal

We review the corrective action plan and work closely with our suppliers to make sure the CAP is implemented and the findings are closed. Follow-up audits are typically scheduled 6-12 months after the initial audit for official closure, and 30 days for EHS priority closures. To date, we have closed 61% of all audit findings. This number is constantly changing since we continuously conduct new audits.

Audit findings distribution by category

First tier Suppliers findings
Sub-tier suppliers findings

	Health and Safety	Labor	Management Systems	Environment	Ethics
First tier	15%	15%	7%	6%	2%
Sub-tier	19%	17%	8%	9%	3%

Data: FY16 Audit Findings

FY16 Aggregate Supplier Audit Findings

| Audit section	EICC audit findings	Number of facilities with a finding of non-compliance	Facilities in compliance*
Labor & Human rights	Young worker protections	25	91%
	Freedom of association	40	86%
	Freely chosen employment protections	38	87%
	Humane treatment	4	99%
	Non-discrimination	61	79%
	Proper wages and benefits	108	63%
	Working hours and rest days	173	40%
Health & Safety	Emergency preparedness	115	60%
	Food, sanitation and housing	57	80%
	Health and safety communication	9	97%
	Industrial hygiene	76	74%
	Machine safeguarding	25	91%
	Occupational injury and illness prevention	82	72%
	Occupational safety	105	64%
	Physically demanding work	30	90%
Environment	Air emissions	23	92%
	Energy consumption and GHG emissions	27	91%
	Environmental permits and reporting	46	84%
	Hazardous substances	75	74%
	Materials restrictions	1	100%
	Pollution prevention and resource reduction	26	91%
	Storm water management	28	90%
	Wastewater and solid waste	21	93%
Ethics	Business integrity	16	94%
	Disclosure of information	4	99%
	Fair business, advertising and competition	23	92%
	Intellectual property	7	98%
	No improper advantage	14	95%
	Privacy	9	97%
	Protection of identity and non-retaliation	15	95%
	Responsible sourcing of minerals	5	98%
Management systems	Audits and assessments	25	91%
	Communication	23	92%
	Company commitment	7	98%
	Corrective action process	14	95%
	Documentation and records	10	97%
	Improvement objectives	25	91%
	Legal and customer requirements	33	89%
	Management accountability and responsibility	29	90%
	Risk assessment and risk management	34	88%
	Supplier responsibility	66	77%
	Training	18	94%
	Worker feedback and participation	4	99%

* Facilities with a major or priority finding in an initial or follow up audit are deemed to be non-compliant. All suppliers must implement corrective action plans to come into compliance with the EICC Code of Conduct.
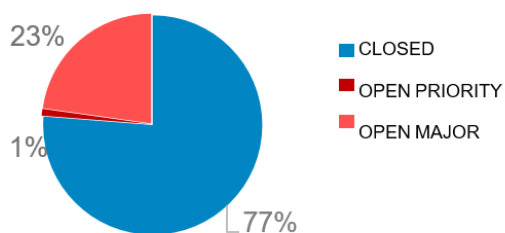
Audit Corrective Action Plan

We conduct an average of 100 audits per quarter, half of which are full initial audits in the 2 year cycle. Therefore, new findings are opened every day. Every finding is an opportunity to make a real improvement in the facility, and we want to make sure we are promoting continuous improvement and transparency.

Total findings closure rate progress (all levels)

37% CLOSED
61% OPEN PRIORITY
2% OPEN MAJOR

Data snapshot: FY17 Q3
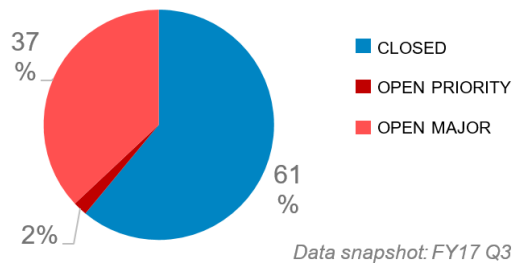
The timeline for closing audit findings is based on the nonconformance level. Major findings must be closed within 1 year, and priority findings within 6 months (30 days for EHS priority issues).

Closure rate for audits older than 6 months

23% CLOSED
77% OPEN PRIORITY
1% OPEN MAJOR

Data snapshot: FY17 Q3

Common representative findings

Our corrective action process allows us to get involved in continuous improvement objectives in our supply chain. Our SER

Specialists review audit findings and share best practices with our suppliers, following every issue through to closure. We also look for trends in common findings and use this analysis to design our supplier capability-building opportunities.

In the last audit cycle, the most common findings have involved non-conformances in the labor and health and safety areas of the EICC Code of Conduct. Along with the corrective action plan for remediation, our suppliers conduct a root cause analysis to design the most appropriate and sustainable solution to correct the non-conformance.

The table on the following page gives a generalized version of common, representative top ten audit findings and their abbreviated corrective action plans from suppliers.

Executive Review Board: Integrating and Acting on Potential Impacts

Through our SER Executive Review Board (ERB) process, Dell executives review critical SER issues in our supply chain. Beyond regular monitoring, the purpose of the SER Executive Review Board is to take a proactive and preventive approach to correcting issues that could create potential risks. Since its inception, the ERB has focused its efforts on reviewing all findings that could indicate the presence of forced labor, child labor, or human trafficking in the supply chain. If we find an issue such as holding passports, restrictions on movement in the facility or young workers working overtime or night shifts we review them extensively in our SER ERB. We will then follow the issue through to closure.
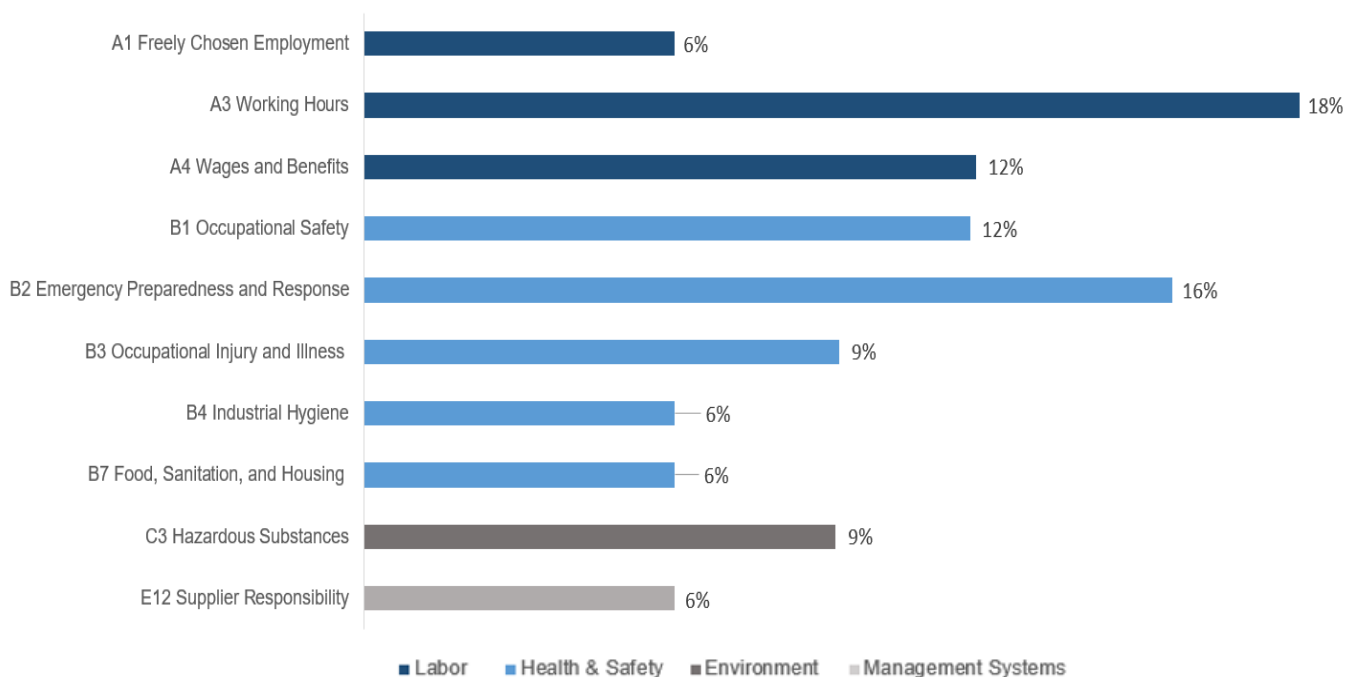
Common Audit Findings and Sample CAPs

EICC Code of Conduct Category	Representative Finding	Root Cause Analysis	Abbreviated Supplier Corrective Action Plan
Labor & Human Rights			
A.1. Freely Chosen Employment	Facility does not have policies against slavery and human trafficking	Lack of awareness and training on EICC requirement and human trafficking signs/symptoms	Develop an anti-slavery and human trafficking policy that incorporates due diligence during the hiring process. Provide training to managers and employees on new policy.
A.3. Working Hours	Workers working in excess of 6 consecutive days and/or 60 hours per week	No controlled monitoring of employees worked hours. Seasonality and labor shortages during holiday seasons	Establish a process to monitor employee working hours on a daily basis. Through controlled monitoring, workers who are close to the maximum working hours will not be assigned to fulfill increased demand.
A.4. Wages and Benefits	Pre-work meeting is not included in paid working time	Lack of awareness and training on EICC requirement	Adjust current meeting time. Publicize system for employees to make anonymous complaints to HR if meetings are conducted outside the general work time.
	Contribution base for social insurance follows legal minimum rather than actual base salary	Lack of understanding about legal requirements and hesitation to increase deductions, which decreases workers' net income.	Promote the social insurance to employee through monthly informational training sessions. Develop work plan to increase percentage of covered workers and review calculations to ensure amounts are based on actual base salary.
Health & Safety			
B.1. Occupational Safety	Inadequate use of personal protective equipment (PPE)	Lack of training on the importance of PPE and correct method of utilization. Compliance is not monitored regularly.	Include PPE in inventory control processes. Incorporate training on use of PPE during new hire orientation and hold regular refresher trainings. Appoint safety stewards to monitor compliance on a daily basis.
B.2. Emergency Preparedness & Response	Facility lacks fire alarm detection system and/or annual testing for the fire system	Lack of training on EICC requirement and established process for fire alarm testing	Install fire detection alarm system and implement annual testing procedures. Keep records of yearly audits. Review safety governance process.
B.3. Occupational Injury & Illness	No first aid workers trained in the facility	No established trainings procedure for a first aid response team	Develop training plan to ensure there are enough first aid responders in all shifts, and that they are re-trained on a regular basis.
B.4 Industrial Hygiene	Facility does not conduct occupational disease hazard assessment	Variations in local, state, and national regulations lead to uneven compliance	Review policy for prevention of occupational hazards and hire 3rd party to provide consulting and conduct training on applying a regular assessment
B.7 Food, Sanitation, & Housing	Drinking water is not regularly tested	Lack of awareness and training on EICC requirement	Establish program for testing drinking water with regular cadence and ensure that management systems support internal process reviews for code compliance

EICC Code of Conduct Category	Representative Finding	Root Cause Analysis	Abbreviated Supplier Corrective Action Plan
Environment			
C.3. Hazardous Substances	Facility does not conduct on-site audit of waste management vendor	Lack of awareness and training on EICC requirement to monitor sub-contractor and onsite service-providers for EICC compliance	Establish procedure in the waste management program to include annual audit of the vendor, as well as incorporate this clause in the Purchasing Management Procedure with the vendor.
Management Systems			
E.12 Supplier Responsibility	Facility has not implemented EICC code requirements with its suppliers	Lack of awareness and training on EICC requirement to monitor sub-contractor and onsite service-providers for EICC compliance	Develop internal process to onboard suppliers with the EICC requirements and develop program to monitor compliance. Incorporate EICC Code compliance as a requirement of Purchasing Master Procedure with the vendor.

Top 10 Audit Findings* Distribution by EICC Code of Conduct Provision

Provision	%
A1 Freely Chosen Employment	6%
A3 Working Hours	18%
A4 Wages and Benefits	12%
B1 Occupational Safety	12%
B2 Emergency Preparedness and Response	16%
B3 Occupational Injury and Illness	9%
B4 Industrial Hygiene	6%
B7 Food, Sanitation, and Housing	6%
C3 Hazardous Substances	9%
E12 Supplier Responsibility	6%

■ Labor   ■ Health & Safety   ■ Environment   ■ Management Systems

*Top 10 findings represent 60% of all audit findings – FY17Q3 snapshot

FOCUSING ON KEY ISSUES IN OUR SUPPLY CHAIN

Weekly Working Hours Monitoring

Working hours are a systemic concern in our industry's supply chain labor force. This is a complex issue that requires sensitivity to workers' health and safety, quality of life, wage earnings, and the use of recruiting mechanisms and labor agents.

In FY15 we initiated an internal weekly working hours monitoring program that tracks working hours and rest days for hours worked (as well as their use of student workers, dispatch workers, young workers— defined as under 18—and migrant workers) in our largest and most strategic production suppliers.

We have expanded this program to include more than 185,000 workers in 116 facilities. As a result, we have found that approximately 92 percent of the workers we monitor are in compliance with the maximum 60-hour week (a facility receives a major EICC finding during their audit if they are below 95 percent compliance— which is why we show only 40 percent compliance on the aggregate audit findings page).

92% of workers were compliant with the 60 hour a week maximum

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We now share this data from our monitoring on our public website and Dell leaders review this information on a weekly basis, incorporating it into quarterly business reviews with suppliers.

Weekly Supply Chain Monitoring	
# of workers covered	185,500
# of facilities covered	116
% of workers compliant with 60 hour workweek	92%
% workers with at least 1 day of rest per week	94%

Data snapshot: 13 weeks rolling FY17 Q3

Addressing Conflict Minerals

The illegal mining, processing, and trading of conflict minerals, such as tin, tantalum, tungsten, and gold, is an issue that has affected much of the electronics industry. In the Democratic Republic of the Congo, the mining of conflict materials is often not regulated or supervised, and infringes upon several environmental and human rights issues.

Dell has been a leader in addressing this issue and publically supported the requirement of traceability and responsible sourcing. We believe our most effective means of influencing responsible mineral

sourcing is to engage with our peers in the ICT industry, members of our supply chain, and members of industries that use these minerals.

Dell does not buy raw minerals directly from smelters. We instead buy parts and components which may include these minerals. However, we expect our suppliers to have policies and due diligence in place to reasonably assure that products and components supplied to Dell are conflict free.

In 2011, the EICC launched the Conflict-Free Sourcing Initiative (CFSI), in which smelters have their processes audited by a 3rd party and their inventory is traced back to the mine of origin. We are in support of this program and are educating suppliers on the benefits of a single multi-industry solution.

Leveraging the EICC tools and templates, we are working with our suppliers towards full and complete disclosure of their smelters list. We publish these lists on our website so customers can compare them to the list of smelters verified by the EICC's Conflict-Free Smelter Program.

Reducing Environmental Impact

As a global citizen, Dell is committed to minimizing the impact of our operations and those of our supply chain. We believe it is possible to succeed in business without doing harm to the environment. Central to this idea is the practice of using resources and managing waste responsibly.

We are committed to reducing our own carbon footprint with a goal to reduce greenhouse gas emissions from our facilities and logistics operations by 50% by 2020. Since 2003, we have reported to the Carbon Disclosure Project (CDP) which

Timeline of Dell's Actions around Conflict Minerals

2015
- Launched a revised Conflict Minerals Reporting Template (v4.01b) and now updating reporting monthly.
- Strengthened our due diligence process to align with OECD guidelines.
- Published conflict minerals policy.
- Achieved 99 percent completion of reporting within Dell's supply chain.

2014
- The European Union (EU) released a proposed regulation on conflict minerals.
- Dell continues to support legislative environments that require companies to source responsibly.

2013
- Dell became a private company, no longer subject to the Dodd-Frank requirement.
- Although, Dell continues to trace and report on its supply chain and support the industry in the collective effort to responsibly source minerals.

2012
- The US government released the final rule on Dodd-Frank Consumer Protection Act, including a section on conflict minerals.

2011
- The EICC launched the world's first conflict-free smelter program and list of compliant tantalum smelters.
- Joined the Public-Private Alliance on Conflict Minerals.
- Commodity managers and suppliers were given conflict minerals training and webinars

serves as the world's largest database of primary corporate climate change information. To reach our goal, the efficiency of the Dell supply chain is critical; we need to work together with our suppliers.

As part of our commitment to environmental responsibility and transparency, we ask our suppliers to report their GHG emissions to CDP. In 2015, 83 key production suppliers

representing more than 90 percent of Dell's production spend, reported their emissions. We continue this initiative through our CDP Project and request 100% of suppliers in this program to submit the required data to CDP on a yearly basis.

We also encourage suppliers' participation in CDP's Action Exchange – a platform for helping suppliers uncover energy efficiency opportunities within their operations. Of Dell's 27 participating suppliers, 12 separate facilities have used the tools to identify 753 energy efficiency opportunities and $39.7 million in potential savings.

$39.7M Suppliers identified 753 energy efficiency opportunities and $39.7M in potential savings

Certified Sustainability

A large range of Dell laptops, desktops and displays are certified to the international TCO Development standard, which is a third party certification that covers both social

and environmental aspects in every step of the product lifecycle. This includes working conditions during the production phase to energy efficiency and ergonomics standards during use, as well as take-back and recycling after use. More information on the TCO certification and the registry of TCO certified products can be found online.

Other eco-labels in Dell products include ENERGY STAR, EPEAT ® and the 80 PLUS ® Program. These labels certify that the products meet the high standards set by multi-stakeholder groups. Dell works with each of these groups and others in the industry to continually move the standards forward, ensuring the integrity of their designations and making it easy for customers to choose the most energy-efficient or sustainable options. Last year, 416 of Dell's products met ENERGY STAR® standards.

Water Risk Mitigation

According to the United Nations (UN), global water use has been growing at more than twice the rate of population growth over the past century and by 2025, two-thirds of the world's population could be living under conditions of water stress. Thus, Dell defines an important goal by 2020 to reduce our water use in water-stressed regions by 20%. While Dell's direct water use is relatively limited, some elements of our supply chain are water intensive.

Additionally, risks such as drought, flooding, disasters or a lack of clean water can disrupt suppliers' abilities to deliver goods and services and to care for their employees. We are asking all our production suppliers and select service suppliers to have a five-year responsible water risk mitigation plan in place by 2020.

To date, we have plans from our top 50 suppliers based on CDP disclosure data. These suppliers come from parts of the industry with high water consumption, such as printed circuit board makers and display manufacturers. **We have also invited suppliers to begin using the CDP's Water Disclosure Program as a first step toward measuring our supply chain water footprint.**

PARTNERING WITH SUPPLIERS

Supplier Capability Building

We believe a shared vision, capability, engagement, and accountability with our suppliers are key to helping them embrace efficiency opportunities and improve SER performance. In FY16, we offered suppliers capability-building opportunities focused on Environment, Health, and Safety (EHS) risk management, our Vulnerable Workers policy, best practices benchmarking and orienting new suppliers to the SER program.
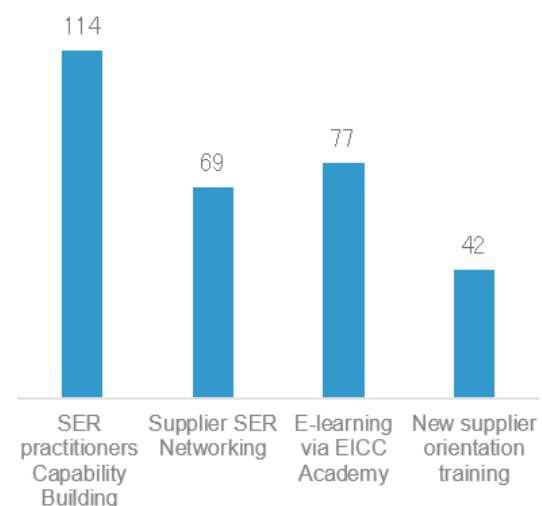
This year we have expanded our training opportunities to add six rounds of supplier networking sessions focused on sharing best practices in Shanghai, Xiamen, Chengdu, Suzhou and Nanjing. We have also expanded our specialized trainings for SER practitioners focused on EHS and HR, and requiring our suppliers to leverage EICC's online training modules on areas where they have audit findings.

Recent Social and Environmental Responsibility (SER) workshops included topics such as the greenhouse gas accounting and reporting via CDP's Supply Chain program, management of working hours and corporate responsibility performance evaluation tools.

Our capability building program helps suppliers in their onboarding process, as well as to improve suppliers' adherence to our standards for working hours, vulnerable workers, and environmental and health safety. Several trainings are also specifically designed to address audit findings, targeting relevant suppliers as participants.

Our online trainings are available to our entire supply base, and we have invested primarily in offering in-person trainings in China due to the high concentration of supplier facilities there. This year we are also expanding in-person trainings to include facilities in Singapore, Malaysia, and Taiwan, and hope to continue expanding beyond these in the future.

Supplier Facilities Participating in Training

114	69	77	42
SER practitioners Capability Building	Supplier SER Networking	E-learning via EICC Academy	New supplier orientation training

Data snapshot: FY17 Q1-Q2

As part of our supplier capability-building efforts, we have partnered with others in our industry to find solutions to issues common to our supply chains. We are active in working groups through the EICC, and we regularly meet with leaders in the industry to talk about how to tackle the most challenging issues. This fall we will hold an executive roundtable in Asia and bring together common suppliers to discuss key issues in the supply chain and ways to address them. The goal of this proactive work is to change the conversation with suppliers and redouble our commitments to making sustainable changes.

We are also a part of the Dutch Sustainable Trade Initiative (IDH), a program designed to improve working conditions at the supplier level by finding innovative ways to address concerns that affect both management and workers. Eleven Dell suppliers participate in IDH, and we continued to drive them to establish worker committees that can build effective dialogue mechanisms in the workplace.

Worker Engagement & Grievance Mechanisms

One key aspect of our supplier principles is ensuring that basic worker rights to open communication, direct engagement, and humane and equitable treatment are respected. We request all suppliers to

facilitate open communication and direct engagement between workers and management, enabling grievance mechanisms for workers – particularly in countries where worker representation and collective bargaining are restricted by law.

In FY17 we launched a worker hotline pilot with 5 of our large suppliers. Through this program, workers are able to contact Dell directly, without having to go through their supervisors or company leadership. The hotline is available for workers to voice their complaints, comments, and/or request counseling on issues they might be experiencing at their workplace.

We are also in the process of launching worker surveys on working conditions and health & safety in ten of our largest supplier facilities in China. Through these surveys conducted anonymously through the workers' own mobile phones, we are able to monitor working conditions and gain insights into the effects of our SER policies. Last year, our largest Original Design Manufacturers (ODMs) participated in a worker engagement survey where we received valuable feedback on their interests and initiatives they would like to see to build quality of life.

Aligned with the survey results, we created the Worker Engagement program to increase worker satisfaction. We have built

an online community platform where workers from different suppliers have access to professional and personal development training. In addition to providing access to develop these skills, it is also an opportunity to recognize talented workers and facilitate communication.

Engaged Transparency

In addition to increasing our audit coverage, in FY16 we also worked collaboratively with customers and nongovernmental organizations to discuss areas of concern in electronics manufacturing.

We feel so strongly about driving the right behaviors throughout our supply chain, that we have actually invited our customers to come and see it for themselves. We invited customers to tour Dell and supplier manufacturing facilities in China. This opened a dialogue on industry challenges such as excessive working hours, health and safety standards, and worker living conditions.

Attendees found the visits so valuable that we have scheduled additional supply chain tours in FY17. This open communication significantly strengthened our relationship with customers and partners and further demonstrates our commitment to 100 percent transparency in the supply chain.

MOVING FORWARD

Increased Investment in SER

Dell is committed to bringing the industry together on issues of social and environmental responsibility. We are making significant investments in driving social and environmental accountability throughout our supply chain, doubling the size of our SER team and launching a SER Champions team. The SER Champions team is composed of procurement category managers from across Dell who undergo training on SER best practices and supplier engagement. This has effectively quadrupled the number of people we have working on building supplier capabilities, closing open audit findings, and engaging on how to do business the right way.

We have also tripled the number of program managers who are EICC auditor-certified. This further increases our ability to leverage the EICC audit process to identify and mitigate risks, create robust corrective action plans and root cause analyses and close audit findings in a timely manner. We are helping suppliers integrate the EICC Code into every element of their business and providing them with the guidance and resources to maintain responsible and sustainable business practices.

Dell Technologies

In September 2016 Dell Technologies announced completion of the acquisition of EMC Corporation, creating a unique family of businesses that provides the essential infrastructure for organizations to build their digital future, transform IT and protect their most important asset, information.

As the world's largest privately-controlled technology company, Dell Technologies has a unique corporate structure that enables us the flexibility to innovate like a startup and invest in R&D for the long term, while offering the trust, service and global scale of a large enterprise.

With industry-leading practices in supply chain sustainability and transparency, we also now manage the world's largest technology recycling program. Together, we have recovered a cumulative 1.6 billion pounds of electronics since 2007.

We have an immense opportunity to positively impact the electronics supply chain and all of our workers, customers and communities as the largest technology company in the world. We are excited for this transformation, because we know that technology exists to drive human progress on a global scale—to create new markets, reshape industries and improve the lives of every person on the planet.

Appendix 1: Key Performance Indicators

Description	FY17 Q1-Q2	FY17 Total	Comments
SER Compliance			
Number of Initial audits conducted	85	-	All high risk facilities must undergo a full, initial audit every 2 years.
Number of Follow Up / Closure Audits conducted	178	-	Follow up/Closure audits are conducted to close findings in previous initial audits.
Percent of High Risk Facilities Audited	92%	-	It is Dell's goal to audit 100% of high risk facilities. We have scheduled the remaining facilities audits to achieve 99% completion by the end of the fiscal year.
Issue Closure			
Total Closure rate for Audits older than 6 months	77%	-	Audit findings must be closed on a timeframe depending on severity level and area. Major issues must be closed within 1 year, priority issues must be closed within 6 months (EHS priority issues within 30 days).
Number of Open Priority Issues older than 6 months	35	-	Our goal is to have zero open priority issues after 6 months. Snapshot of FYQ3 shows 33 open labor issues and 2 health and safety issues. This represents 1% of total audit findings.
Capability Building			
Number of participants attending capability building programs	810	-	Our four capability programs include six rounds of supplier networking sessions, quarterly new supplier orientations, EHS and HR capability trainings, and EICC e-learning modules.
Weekly Working Hours			
Percent of ODMS achieving target of 60 weekly working hour max.	92%*	-	Our goal is that 95% of ODMs operate within the 60 hour workweek. *FY17Q3 13-week rolling average
Percent of workers compliant with 1 rest day per week	94%	-	The EICC requires that workers have 1 rest day per week.
Environmental Monitoring			
Percent of water intensive ODMS and suppliers submitting PRTR (Pollutant release and transfer) data	61%	-	We have initiated this program with our ODMs and water intensive suppliers as a baseline for reporting in this area. Goal target varies by quarter, with a 90% goal by Q4.
Percent of identified suppliers submitting required data to CDP	95%	-	Our goal is to have 100% of identified suppliers submitting their data to the CDP online platform.

Appendix 2: Smelter List

Definitions
CFSI – Conflict Free Sourcing Initiative
CFSI Compliant – Any smelter that has successfully completed and passed the CFSI audit program.
CFSI Participating – Any smelter that is actively working towards "Compliant" status with the CFSP.
Identified for CFSI Participation – Includes all other entities that have received an identification number from CFSP.

Number of Smelters Collected from Supply Chain

METAL	A. CFSI COMPLIANT	B. CFSI PARTICIPATING	C. IDENTIFIED FOR CFSI PARTICIPATION	TOTAL
GOLD	85	12	49	146
TANTALUM	45	0	7	52
TIN	60	10	42	112
TUNGSTEN	34	1	18	53
TOTAL	**224**	**23**	**116**	**363**

Appendix 3: References

Dell Supplier Principles
www.dell.com/supplierprinciples

Dell Code of Conduct
http://i.dell.com/sites/doccontent/corporate/corp-comm/en/Documents/Dell-Code-of-Conduct-External.pdf

Dell Human Rights and Labor Policy Statement
http://www.dell.com/learn/us/en/uscorp1/corp-comm/cr-report-human-rights-labor-policy?c=us&l=en&s=corp&cs=uscorp1

Dell Conflict Minerals Policy
http://i.dell.com/sites/doccontent/corporate/corp-comm/en/Documents/conflict-minerals-policy.pdf

Dell Vulnerable Worker Policy
http://i.dell.com/sites/doccontent/corporate/corp-comm/en/Documents/vulnerable-worker-policy.pdf

United Nations Universal Declaration of Human Rights
www.un.org/Overview/rights.html

United Nations Convention on the Rights of the Child
http://www.unicef.org/crc/

Dodd-Frank Wall Street Reform and Consumer Protection Act
http://www.sec.gov/about/laws/wallstreetreform-cpa.pdf

Eco Management & Audit System
www.quality.co.uk/emas.htm

Electronic Industry Citizenship Coalition (EICC)
http://www.eiccoalition.org

Ethical Trading Initiative
www.ethicaltrade.org/

ILO Code of Practice in Safety and Health
www.ilo.org/public/english/protection/safework/cops/english/download/e000013.pdf

ILO International Labor Standards
www.ilo.org/public/english/standards/norm/whatare/fundam/index.htm

OECD Due Diligence Guidance
http://www.oecd.org/document/36/0,3746,en_2649_34889_44307940_1_1_1_1,00.html

OECD Guidelines for Multinational Enterprises
www.oecd.org

International Organization for Standardization (ISO 14001)
http://www.iso.org/iso/home.htm

Occupational Health and Safety Assessment Series (OHSAS 18001)
www.bsi-global.com/index.xalter

United Nations Convention Against Corruption
www.unodc.org/unodc/en/crime_convention_corruption.html

United Nations Global Compact
www.unglobalcompact.org