



# Hewlett Packard Enterprise

## ESG Spotlight: Barclays Call with HPE's CEO, Antonio Neri

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### Speakers:

Antonio Neri, President & CEO

Monica Batchelder, Chief Sustainability Officer

### Tim Long:

Hello everybody. This is Tim long, IT hardware analyst at Barclays. And along with Jessica Whit from our global ESG research team we welcome into this call with HPE on their ESG agenda. As you know, ESG is a growing topic and one that HPE is spent at an increasing amount of time and energy on over the last few years. We're pleased to have with us Antonio Neri and Monica Batchelder. Antonio is president and CEO of HPE, as you all know he's a 25 year veteran of HPE and HPE. And it's held a variety of positions across the company. Antonio has managed several successful innovations across product categories at HPE and has also been pivotal in the integration of several of the important acquisitions. Monica is the chief sustainability officer at HPE, where she is focused on driving the business value of sustainability and solving social and environmental challenges in collaboration with key stakeholders. She's also involved in the HPE foundation and HPE's living progress steering committee. I do wanna call out that you can refer to slide three of the presentation for HPE's disclosures and also can visit the HPE investor relations website, at [investors.hpe.com](https://investors.hpe.com) for more details with that, I'm gonna throw it over and to Antonio, he'll pass it to Monica. And then after that, Jessica, Ken and I will lead a Q and A section. So, Antonio, thanks for joining us and let me throw it to you.

### Antonio Neri:

Well, thank you Tim and Jessica for having us today. Good morning, everyone. Thank you for joining our HPE's third annual ESG focused investor webcast. And again, I want to thank our host, our Barclays for this opportunity to provide an update on HPE strategy. We're always pleased to talk with you about how our ESG strategy is linked inextricably to our overall business strategy. Our discussion today comes on the heels of HPE publishing our living

progress report in June. This report details, how HPE's business strategy works hand in hand with creating sustainable IT solutions for what we call a data first world. We're pursuing a wide range of ESG goals at HPE from bold emission targets and designing more efficient IT solutions to ensuring equitable talent practices and accelerating the development and progression of our underrepresented diverse team members. These efforts and commitments are important in driving our business and delivering our purpose, which is to advance the way people live and work.

**Antonio Neri:**

But if you take a step back, it is clear that the world is facing complex challenges that are driving an ongoing market shifts towards ESG integration and increased demand for corporate sustainability. This renewed focus validates the integrated ESG and business strategy. We have employed for decades now for the cementing HPE as a leader with the case of experience innovating for a better world. So let me start with an overview of our board governance and its engagement in ESG issues. Our board of directors actively provides oversight on a range of ESG issues and initiatives and offers a guiding hand to integrate risks and opportunities into our long-term strategy. Environmental, Social and Governance issues are woven into the fabric of how they exercise their fiduciary duties to ensure that first we deliver products and solutions that supports our customers sustainability efforts. And second ensure we foster an unconditionally inclusive culture for our team member and last but not least, maximize obviously value for our shareholders through effective ESG initiatives.

**Antonio Neri:**

HPE's board members are thought leaders in this space for HPE and for our industry are large. Let me give you a few examples. Pam Carter sponsored the architecture and development of HPE's global diversity equity and inclusion council. Similarly, our chair, Pat Russo represents HPE on the World Economic Forums, community of chaired persons climate initiative, which actually explores how public company boards are tackling the issue of climate change and enhancing climate stewardship across their organizations. I am personally proud to see the HPE board on Fortunes modern board top 25th, 25 list as the number two spot, which reflects the strong approach to effective oversight on all our ESG initiatives at the board level. We're also very proud that 50% of our board is from diverse backgrounds, which is amongst the most diverse in the industry. We know that diversity of perspectives leads to better dialogue and debate, which leads to better strategic decisions at the management level.

**Antonio Neri:**

It is also important that our business decisions are integrated with our ESG priorities. Our living progress strategy council is a cross-functional team of executives who ensure best in class ESG performance across all our teams. We are living in a digital economy where the demands on a team infrastructure are growing larger every day and though we actually don't see it in, in many cases. The environment is impact on the digital economy continues to grow as well. By aligning the technology strategy with sustainability initiatives, organizations are growing stronger and more nimble meaning they can better accelerate data first modernization strategies. There is a

clear business case for this company that link digital and sustainable transformation are 2.5 times more likely to be the stronger performer businesses in the future than those that do not. As a technology company we see HPE as an essential part of the solution.

**Antonio Neri:**

We view sustainability as a catalyst for innovation, and we are uniquely positioned to meet our customers wherever they are on their journey to advance their sustainability agenda from edge to cloud. For example, HPE GreenLake, which is this centerpiece of our edge to cloud strategy enables customers to consume IT on as a service basis, enabling them to scale their IT to meet their needs and reduce IT inefficiencies, which are a significant source of environmental impacts within many companies. We know that effective strategy to achieve net zero carbon emissions is a cornerstone of corporate longevity. With that in mind, we recently announced our commitment to become a NetZero enterprise across our entire value chain by 2040. We have also set near term targets that include reducing our scope one and scope two emissions by 70% and our scope three emissions by 42% by 2030, which Monica will discuss in greater depth. But goals with our accountability, don't make an impact.

**Antonio Neri:**

That's why HPE instituted a new initiative designed to drive meaningful results across the organization. In March, we unveiled a new compensation metric that ties a portion of variable pay for the members of our executive committee to management of carbon emissions across our value chain. This builds on existing variable pay indicators related to team member engagement and workforce diversity. Of course, neither progress nor innovation are possible without an engaged and motivated workforce. Part of my commitment to build a vibrant and inclusive culture has focused on creating a supporting environment where team members feel they can build long-term careers and thrive, as I did. The pandemic led people to reevaluate what they value in life. HPE listened to our people and what their vision for the future work looked like. And the message was clear, balance, choice, and flexibility, and fulfilling careers. In response, we launched edge-to-office, our hybrid working model that provides the vast majority of our workforce, the ability to set work arrangements on their terms while maintaining strong collaboration and connections with our colleagues and leaders.

**Antonio Neri:**

And it is working with 84% of the team members telling us they see value in this approach because it enables them to be effective in their roles. And 90% telling us they continue to feel connected to the HPE community no matter where they work. In a world in which equity has come into intense focus, I'm particular proud of the work, our work with the work we have done to ensure equal pay with regular review, our global pay practices to ensure that team members in similar roles and locations are paid in line with their experience and responsibilities. As a result of these efforts, our most recent pay equity review shows that female team members in the United States, UK and India, as well as team members of all ethnicities in the US earn on an average \$1 for every dollar earned by male team members.

**Antonio Neri:**

The team member population in these three countries represent a majority of our global workforce. HPE conducts a number of compensation analysis in other countries to ensure competitive and equitable pay and where permissible intends to incorporate similar third party pay assessments into our existing processes. And under the leadership of our new chief diversity equity and inclusion officer Aisha Washington, we have realigned our strategy to reinforce our commitment to diversity at the team member and executive levels. It is an incredible pleasure and honor to lead a company with bold ESG goals that reflect the needs of our team members, our customers, and our community. And it is actually very comforting to see the validation we are receiving for different aspects of our ESG focus. But now let me introduce you to Monica Batchelder who became our new chief sustainability officer in June as another way to show the momentum in the company to promote within. Monica is a great example of that. She will go into greater detail about our ESG strategy and priority issues. So, Monica, over to you.

**Monica Batchelder:**

Thanks Antonio. I love what you just said about the need to pair goals with accountability and action to create change. That's so important, and that's what I'm here to talk about today. Over the next 20 minutes, I'm gonna share how HPE is driving action and measurable progress and how we're moving the needle on key issues we know are most important to investors, including issues such as net zero human capital and our human rights strategies. So, let's dive right in. HPE Living progress is our strategy to embed ESG priorities and initiatives across the value chain. Our mission is to create sustainable and equitable technology solutions for a data first world, our strategy and our disclosures are guided by our non-financial materiality assessment. And that enables us to focus on the issues that we know are most important to HPE and important to the business, the planet and society.

**Monica Batchelder:**

The issues you see here are those which are covered within the annual living progress report. And although I won't be able to touch on all of them today, I'd like to share a few highlights from each of the three pillars. So, let's start with accelerating net zero. As Antonio shared, HPE made the incredibly important and ambitious decision to accelerate our net zero commitments by a decade from 2050 to 2040. Years ago, when we set our net zero ambition, it was based on best practices and backed by science-based targets. But as the science changed, we saw the need to accelerate our goals. Our climate program already has many firsts to its name. We were the first IT company to set science-based targets across our value chain among the first IT companies to report in alignment with the task force on climate related financial disclosures.

**Monica Batchelder:**

And now we are among the first two global companies with a net zero target approved by the science-based target initiative. And that last one is really critical because it's the first standard of its kind that lends credibility to the new wave of net zero targets coming out of corporations. We've published a roadmap outlining our path to net zero and most notably, as Antonio

mentioned, we've tied climate metrics to executive compensation to keep our most senior leaders accountable. In order to achieve the business transformation that we see as necessary to achieve net zero, we're rolling out an internal climate training program to all employees in our company, and that's gonna be custom built to help team members identify how their specific organization can contribute to our climate goals. Speaking of climate goals, our new targets that Antonio laid out are outlined on the slide here.

**Monica Batchelder:**

Our interim targets for 2030 include reducing our scope one and scope two emissions by 70% from 2020 levels. And our scope three or, our absolute scope three emissions goal is to reduce 42% off a 2020 baseline. And that scope three target includes the use of our products by customers, upstream transportation and distribution, and our production suppliers' operational emissions. Scope three emissions are by far the largest part of our footprint and will increasingly need to rely on external partnerships in order to move the needle at scale there. So, let's double click on that in the next slide. Upstream emissions comprise about one third of our total environmental impacts. So, to drive towards our scope three target upstream, we've committed that 80% of our production suppliers by spend will set their own science-based emission reduction targets by 2030. And to ensure that targets achieved HPE partnered with a third party called Optera to create a customized data management software platform that gives our largest suppliers access to modelled emission targets for their operations, as well as the ability to track progress and benchmark against their peers.

**Monica Batchelder:**

Now, the most substantial impact HPE can make is actually by having our customers reduce the impacts of their IT infrastructures. And we see a huge opportunity for HPE to engage directly with customers on their sustainability related needs. In fiscal year 2021 sales directly related to customer engagements on sustainability metrics rose to nearly \$900 million. That's a 185% increase over the last three years. And it reflects the increased demand we're seeing for vendors for sustainable IT credentials. Unfortunately, there's no silver bullet to reducing downstream emissions associated with customer use of our products, which comprise about two thirds of our total footprint. But that said HPE's commitment to offering its entire portfolio as a consumption based as a service offering is already delivering sustainable outcomes for our customers. By way of example, one of our large HPE GreenLake customers, a multinational chemical company is expected to achieve a, a reduction of more than 2000 tons of carbon dioxide equivalent based on their transition to an HPE GreenLake solution.

**Monica Batchelder:**

That's a staggering figure and it represents more than a 70% reduction in electricity consumption at nearly half the Rackspace. Lastly, I also wanna touch on our end of use solutions. We encourage our customers to upcycle their used assets at our HPE technology renewal centers, which accept any brand of retired or unwanted IT equipment regardless of manufacturer. And that's a very unique practice. Last year, more than 3 million assets were sent to these centers for processing and 85% of the assets were refurbished for a second life that

generates additional revenue streams for HPE and returns money back to our customers. Along with HPE asset, up, up cycling services, we offer customers a customized circular economy report that actually quantifies the emissions and landfill savings avoided by using these services. Move on to the next slide. So, I've touched on how HPE is creating efficient IT solutions. And we also focus on applying these technologies to enable the transition to a low carbon economy.

**Monica Batchelder:**

We refer to those notions as sustainable IT and IT for sustainability. So let me give you an example of each. First, take our partnership with Auckland Transport. Previously, Auckland Transport used 2,500 cameras to monitor the city for safety issues, which created an ever-increasing amount of data. Auckland Transport transitioned its video management system to an HPE Apollo gen 10 server running on HPE GreenLake edge to cloud platform. And that resulted in a 37% decrease in energy consumption, a 41% reduction in Rackspace and reduced associated power and cooling costs. What I love most about that example is that they achieved those environmental efficiencies without compromising the system's ability to process data in the exabyte realm. Secondly, as the leader in high performance computing, we're also partnering with our customers across sectors to tackle a range of climate related challenges, Frontier, the HPE Cray EX system at Oak Ridge national laboratory recently topped the supercomputing world.

**Monica Batchelder:**

It's the first verified exascale system in the world. The world's fastest supercomputer and the world's most energy efficient supercomputer topping the green 500. Frontier will solve calculations up to 10 times faster than today's top super computers and tackle problems that are eight times more complex that will help Oak Ridge national laboratories speed up discoveries in critical areas like renewable energy and new materials to create safer and more sustainable products. I wish I had more time to share the incredible innovations that our team members are driving with our customers, but we recognize that it's in large measure because of the dedication and passion of these team members that we can act as a force for good. So, on that note, let's dive into the next pillar of our ESG strategy. Investing in our people. As Antonio mentioned, we've intensified our focus on fostering a vibrant culture that creates a superior team member experience and a highly engaged workforce.

**Monica Batchelder:**

We're proud that our efforts have resulted in the highest team member engagement score on record at 84%. And we were ecstatic to have received external validation of the experience that we're creating for our teams when we ranked number 19 on Fortune's best companies to work for list in 2022. I know there are a lot of stats on this slide, but I wanna call out just a few in particular voluntary retention is at 93%, which is well above the industry. Average cited around 86%. And our workforce planning team is ensuring that we have the strategic skills for a business to compete, looking at both internal skilling opportunities and recruitment processes, focused on the skills that they've identified as critical to accelerating our pivot, to become the

edge to cloud company. Going back to the theme of accountability that I mentioned around climate, our workforce representation is also tied to executive compensation, and we also incorporate less traditional metrics like employees, sense of culture, belonging, and equity.

**Monica Batchelder:**

So that brings me to the critical topic of diversity, equity and inclusion. In 2021, we realigned our DEI strategy around three key pillars that you see here. First, we recognize that a huge barrier to equity in the workplace is an entry it's advancement, and we're focused on ensuring that our team members have the pathways to opportunities to advance their careers here at HPE. First, for, for example, in order to further our diversity of our executive pipeline, we've aligned our talent succession planning to the executive sponsorship program. And that's a program in which a diverse team member from each organization is selective to receive access visibility and sponsorship from their EC leader. To that end, we also set new stretch targets in the US to double our black and executive head counts. By 2027, from 2020 levels. And for our executive population to be one third female by 2027. I'm personally really excited to see these long-term goals that are focused on diversity at the highest levels, particularly in industry that we know has a long way to go when it comes to representation.

**Monica Batchelder:**

Next step is equity. We lead data driven reviews to improve workforce representation, drive accountability, and implement targeted interventions. In 2021, we achieved or exceeded all of our workforce representation targets. Representation of women in executive roles increased by two percentage points year over year and representation of women and us ethnically diverse team members increased by at least one percentage point each nodding to the old adage that you can't manage, what you don't measure. We also go above and beyond when it comes to DEI transparency. We not only report workforce composition, which is a standard practice, but we actually report attrition, hiring and promotion rates of diverse team members to ensure we're going beyond just representation. Last up on the slide is inclusion. We enable a workplace where team members feel respected and valued. We're activating our workforce to be champions for inclusion and allyship. 70% of our workforce globally has already voluntarily completed our behaviors-based training inclusion for all.

**Monica Batchelder:**

And our voice of the workforce scores for 2021 revealed that 95% of team members feel they are treated equitably, and with respect, regardless of gender, ethnicity, or other characteristic. On that note, I'd like to move on to the third and final pillar of our strategy. Operating with integrity. Our culture is founded in ethics and integrity, and our corporate citizenship was built into the founding principles of HPE back in the days of Bill and Dave beyond our walls. Our long held focused on human rights extends across our value chain. I'm delighted to share that for the fourth year in a row, HPE has been named one of the world's most ethical companies by the Ethisphere Institute. And last year, HPE received the Thompson Reuters Foundation's Stop Slavery Enterprise Award for our leadership in limiting the risk of slavery in our supply chain and our operations.

**Monica Batchelder:**

More impressive still, HPE is the only two-time winner of that award. Human rights is a priority for HPE in the development deployment and use of artificial intelligence. And we developed a set of AI ethical principles to guide the company in mitigating risks and the adverse impacts of technology. We operationalize those principles across both our own product development and the internal use of third-party AI software that supports our business operations. Our AI ethics principles are overseen by our executive level AI ethics advisory board. And we rolled out an AI ethics training to our customers and all our employees earlier this year to improve awareness and accountability. Now alongside product development, we also recognize we have a responsibility to ensure that our products aren't used in a manner that is inconsistent with our values and culture. So last year we strengthened and formalized our processes for identifying and assessing those risks across our value chain.

**Monica Batchelder:**

And we look at areas like sales, acquisitions, products, and partnerships, as well as implementing enhanced human rights screenings of sales and high-risk geographies. This year, we also launched three targets related to ethical sourcing in our supply chain. By 2030, all of the suppliers engaged in our supply chain responsibility program will commit to the employer pays principle. And for those of you unfamiliar with that concept, it's a key responsible recruitment practice to avoid forced labor. And we're pleased to say that as of now, we currently have a hundred percent compliance with no outstanding payments to workers. Secondly, major suppliers comprising 95% of supply chain supply chain spend will complete training on human rights by 2030 and a hundred percent of supplier tier one. And tier two sites will have effective grievance processes in place by 2030. Let's move on to my next slide. So, I hope those highlights that I shared from the past year have shown light on a few ways that HPE continues to build upon are long legacy of sustainability leadership, but you don't need to take my word for it.

**Monica Batchelder:**

HPE is a leader in many of the most credible investor and customer facing ESG ratings. In particular, I wanna highlight MSCI ESG, which was just released last month and upgraded HPE from a double AA, to a triple AAA rating, which puts us in the top 4% of our industry. Our ESG performance, which informs these ratings is shared annually in our living progress report, which we released in June. And that's available on our website at [hpe.com/living progress](https://www.hpe.com/living-progress). So, to wrap up the presentation portion of today's call, I wanna reinforce how critical ESG is to the success of our company. Unless we move the needle on the three areas I touched on today, environmental sustainability, human capital, and strong governance, we can't succeed as a company and we can't meet the needs of our stakeholders, including our customers, our team members and our shareholders. So, I'll leave you with that. Tim, I think we're ready to take Q & A

**Tim Long:**

Thank you. Antonio and Monica, that was an excellent rundown of all the things you guys are doing, both really good information in there. I think I'll start it off Monica and your presentation feel free for Antonio to jump in here too. You know, some really good data in there and notice some, you know, you guys already generating some incremental revenue through sustainability solutions. How are sustainability considerations influencing your customers procurement decisions for both services and equipment?

**Antonio Neri:**

Yeah, maybe I can start, you know, at HPE team, we offer numerous solutions, including obviously our go forward platform, that we are spending an enormous amount of time to continue to build and differentiate, which is our edge-to-cloud platform called HPE GreenLake. And as Monica said, you know, an example with a chemical company, when they get on the platform, not only they get in a modern architecture, which is obviously a cloud architecture, a service-oriented experience that you can pay as you go. But at the same time, you actually accelerate your sustainability goals because the fact that you only pay for what you consume, reduces that carbon footprint and that solution gets leveraged by other clients along the way. So it is, as we said at the beginning, right, the strategy and our ESG agenda are extremely connected, but the way we are conceiving these value propositions is to deliver solutions with sustainability in mind. So, the customers can accelerate those objectives in ways they cannot do themselves. Maybe Monica, you want to add a few, few thoughts on that then maybe other statistics.

**Monica Batchelder:**

Yeah. Our customers are increasing their mandates around sustainable and ethical IT. So, we're seeing sustainability criteria weigh as much as 25% of scores in some bids. And our own research shows that vendors are looking or that customers are looking to their vendors to help them reduce their climate impacts, whether that's through improved efficiency, as Antonio spoke about measurement and automation, or just the minimization of energy use and materials. And so, I mentioned in my presentation that we have a very unique practice in that we work one on one with customers to help them improve the efficiency and sustainability of their IT estates. And so, as I mentioned, those direct engagements with customers generated \$891 million of new net revenue for HPE last year. And we're only seeing that continue to grow.

**Tim Long:**

Thank you.

**Jessica Whitt:**

A few questions on your goals and how they relate to remuneration. So HPE has tied a portion of executive committee variable pay to management, carbon emissions across its value chain. How did you land on that incentive structure and how do you ensure it permeates all levels of employees who will ultimately play a role in delivering against these objectives? And, yeah, finally, what mechanisms are in place to create alignment and accountability around these ESG goals?

**Antonio Neri:**

Yeah, well, we believe you know, accountability is a key component of how we accelerate this journey to a better, better world, honestly. And obviously the way we do that is by achieving these net zero commitments. But Jessica, the way our compensation work is that there is a 20% of our pay, obviously from me down to the executive level, that's based on individual goals, which now includes ESG metrics on human capital, diversity and climate. And this year we add the climate performance to that MBO. So, what that means is that you have to achieve this you know combination of metrics in that MBO in order to compensate for that 20% up and down. And so in fiscal year 22, we launched a mandatory climate learning program for all the vice presidents and up. And Monica spoke about that in order to start building the accountability for our climate strategy, and then is also available now to any team members across the entire business.

**Antonio Neri:**

So, we need to, you know, start with an education, put some tangible metrics that we can measure and then improve from there. And I have to say, what is really remarkable to me is that we, as a culture are embracing it. We have 60,000 team members that are very passionate about what we do, you know, customer driven culture and ultimately very much connected to the communities, but in the end, we have to make it accountable for the people to deliver against those bold commitments. And this why this managed by business objective metric is a good way to flex that. And we will keep adding as we go along the way.

**Tim Long:**

Okay. maybe, maybe I could jump in here like to talk a little about another key environmental issue, which is e-waste obviously in the IT world, there is you know, and to all the software and services. There is, there's some equipment out there. So how is HPE going about minimizing e-waste?

**Antonio Neri:**

So, Monica, you want to take that?

**Monica Batchelder:**

Sure. So, we offer multiple solutions across our global markets to help contribute to a circular economy. So let me just give you quick three quick examples. HPE renew is a comprehensive portfolio of products that have undergone complete remanufacturing and customers purchasing through that program receive a minimum 15% discount along with the HPE warranty on all the remanufactured products. Another example is HPE asset up cycling services, which I mentioned, we provide customers with the ability to create value from unnecessary or outdated IT equipment by returning those for processing to our HPE technology renewal centers, and those centers over the last three years have processed more than 2.5 million PCs, 2.2 million servers and compute assets and close to 1 million storage devices, which were returned to active use. And then the third example I wanna give is HPE certified pre-owned products. So similarly, it's another example of how we can extend the life of legacy systems and

support business continuity, particularly in this time supply chain shortages. So, by purchasing pre-owned equipment, our customers benefit both from reduced IT costs as well as the ENVO avoided environmental impacts associated with the manufacturing of products.

**Tim Long:**

Okay, great. Maybe Antonio one, or two for you here. And we do hear a lot about the war for kind of tech and skilled talent. Looks like you guys have had some real good success boosting employee engagement. What human capital programs have you seen actually move the needle on some of the key issues like diversity retention, employee satisfaction and what's the priority right now with regard to human capital?

**Antonio Neri:**

Yeah, I mean, Tim, obviously today we are living in a world with a lot of disruption. We went through the pandemic, we see geopolitical tensions. We have talked about the great resignation and, and the like but to me, you know, the two biggest risk we are dealing with today, obviously one is the supply chain. The other one is talent. Talent retention, and talent acquisition. And so, when I think about how we're gonna compete and win, it's gonna come, come down to our best innovation and best people. And that's why we want people to be engaged. You know, when I joined HPE in 1995, 27 years ago, believe it or not almost three decades. I joined in the company as a call center agent supporting customers on the phone. I would never imagine that 23 years later in that journey, I will become the CEO of another remarkable companies.

**Antonio Neri:**

And that's why you need people to stay engaged in their careers. And I will tell you right now, when we talk to people about what is the biggest driver for them to even think about changing jobs or changing companies, it really comes down to that career mobility more than compensation. Although obviously compensation is very important. And that's why we are really focused on that development internally. And this past year alone, 20% of the internal moves, right came through these programs because it's important. They understand they can learn and progress. Now we have five formal career focused conversation in a year. That's something that I'm very passionate about it. So, it's not about how you do against your goals, which you and your manager established, but how you do it against your career progression. And versus, you know, in the past, maybe it just happened once a year.

**Antonio Neri:**

And so now team members can actually plan their next career with personalized development recommendations. We have established a career hub, which is a new source for our employees to look at what they need to do for mentoring, coaching, and, and development. And also of course we are using our own technologies like AI and ML to continue to solve, run to the platform and share those best practices. So, something that we need to continue to focus on a lot of good progress, but that has resulted in a better employee engagement score. When I became CEO, the employee engagement score, what we call EI was in the low sixties and now is

in the higher eighties, that's important because that's a source to retain and acquire talent because in the end, it's all about the culture.

**Tim Long:**

Okay, great. Maybe to further that a little bit more just talking about kind of skill sets and, you know, skill shortages out there, particularly in areas like cyber. Do you guys, does HPE have any programs that you're implementing to kind of, you know, close that skill gap, if you will?

**Antonio Neri:**

Absolutely. And we need to be flexible about this. Obviously, we come from the cadence of, you know, getting a bachelor's degrees or getting a PhD or graduate degrees was everything. But the reality is that you need different type of programs. And, and this is a multi-year talent strategy that we have focused on, on hiring early career and non-traditional talent which obviously coupled with internal learning allows us to develop the, the skill sets that we need and close those gaps. Let me give you an example. And this is a great example of someone we hired a while back that became our CSO, our chief information security officer. You know, as we know in the service space, there is shortage of labor there, in fact more than 600,000 jobs open today. And but also at the same time there, lot of barriers to get into that job.

**Antonio Neri:**

So, our program seeks to create, you know, a solution to reduce that experience gap not the talent gap. And so, we are seeking candidates for six months in apprenticeships. I am a true believer of apprenticeships who has the willingness to learn. They don't need a college degree or cyber experience. And our current cohorts of apprentices include former school bus drivers, actors, stay-at-home moms, grocery store managers, and the like, who were really impacted by the COVID and in this situation, they have the right attitude. And that's why I always said, I'd rather have someone in a job at the right time with the right attitude and the right passion, than the perfect experience, because in the end, they're hungry to learn and with these types of programs we can reduce what we call that experience gap, not just the talent gap.

**Tim Long:**

Great. Thank you.

**Jessica Whitt:**

So, shifting topics a bit, can you speak a bit more to how ESG performance is tracked and monitored within the organization? Where does the ESG function sit in your corporate structure? And is there a direct line of communication to the management team and the board?

**Antonio Neri:**

Yeah, maybe I start and then Monica obviously leads our, our broader sustainability efforts and the like, but, you know, as I said, in my open remarks, you know, our board is very active

and engaged you know, in everything related to ESG strategy. And we have a committee, a lot of committees, but one of them is the nominating governance, social responsibility committee, providing direction based on the specific area of ESG oversight. And the ESG topics are regularly discussed at the board meetings and the committee meetings. Progress against the company, ESG objectives and targets are reviewed at least annually by the board of directors and the committee itself. And at the management level the HPE Living Progress strategy council, which obviously Monica helps chair is a cross-functional team of the executives across the company to ensure best in class performance is achieved across the organization. So we have management oversight, and obviously we have board oversight through the nominating committee. We review that progress on a monthly, quarterly with the management and at least annually with our board ensuring that we stay on track with our commitments, and then obviously that cascades into the other aspects of compensation and, and, and so forth.

**Jessica Whitt:**

Okay. Um wanted to ask a few additional questions about the recently revised net zero targets. So, with the announcement that you're accelerating the net zero climate target by 10 years from 2050 to 2040, can you speak a bit to what was behind this decision? Critically, this was accompanied by a detailed roadmap to achieve this goal for scope one, two, and three emissions. How did you go about developing that? And what key levers did you identify?

**Antonio Neri:**

Well, I would like to have Monica addressed the front part of this, and then I will talk at the end more from the leadership perspective.

**Monica Batchelder:**

Perfect. Sounds good. So, until recently there was no standard for how to sort of align net zero targets with climate science until the science-based target initiative recently came out with their corporate net zero standard. And so we immediately became one of the first companies to be approved through that standard with our new targets. And one of the key criteria of that standard is that you have to reduce emissions as much as possible based on actual emissions reductions activities, as opposed to offsets or other carbon removal credits using those only as the last mile approach. And so, we're really proud that today we count no offsets in our carbon footprint, and we're really focused on actually reducing the emissions, both of HPE, of our customers and of our suppliers. Eventually we know that we'll need to look at carbon removal offsets perhaps as a way of sort of a last mile approach to get to net zero.

**Monica Batchelder:**

But we're really focused on a key roadmap. Now that looks at the levers that we know will drive the largest emissions reductions. So, one of the key levers for that is obviously decarbonizing the grid where HPE operates, where our suppliers operate and where our customers operate. And we're increasingly relying on external partnerships. We are scaling our advocacy and support, you know, the new climate regulation that just came out in the US is gonna certainly drive us forward, but we need to be moving the needle together with our suppliers and

together with our customers. And then lastly, harder to abate emissions, like transportation will require piloting new technologies that don't exist at scale today. And so, we're already investigating those with some of our logistics providers,

**Antonio Neri:**

I will say Jessica, on top of all the, I call it the science part and the policy side, this is the right thing to do. I mean, we live in, in a time where we are going backwards on climate. To be honest with you, we see all the natural disasters. We as a company has, have lived a couple of natural disasters in our operations. And look, I mean, even what we see in the last few months, right. You know, this is not sustainable, so we need to accelerate this and we need to do it the right way. Even though the opportunity for carbon of offset is there, I argue we need to do it the hard way. And the hard way is by developing and deploying in this data driven economy, which data's gonna be the core, how we consume less to manage that data.

**Antonio Neri:**

And this is where HPE is uniquely positioned because of our engineering heritage on infrastructure and our now growing expertise and relevancy in the cloud space and in the data space to bring all together and be able to stack a series of solutions that can accelerate business outcomes from the data in what I call this new age of insights and do it significantly more sustainably. We talk about Frontier, if you think about Frontier and I was there yesterday doing the official launch with the department of energy and the Oakridge laboratory, you walk there, you don't hear any noise at all, and is a system that can perform 10 times faster than ever before. And actually, faster than the next nine system combined with 35% less energy that's doing of the hard way, but now we can deliver outcomes in a societal set of challenges that we have in a more sustainable way.

**Tim Long:**

Yeah. And Antonio maybe follow up there on kind of climate change and the company's making sign significant investments to mitigate climate change. How, how are, how is the company thinking about adaptation? What are some of the key areas of concern for HPE, the customers, suppliers and other stakeholders?

**Antonio Neri:**

Well, Monica talked a little bit about this early on about when we compete for business, the ESG agenda now is part of the commercials or a, a major, a major thing that you have to overcome to win that business. But when I think about what HPE has done, right, HPE has, was among the first it companies to disclose the climate risks and opportunity in alignment with a recommendation of the task force on climate related financial disclosure. I think that, you know, it's very important we stay in front of this and be part of the solution on how we think about this. And that's why our modeling confirms that the physical risk on climate change will continue to impact our, our company. And we are looking at this every single day, and this is why development technology solutions that facilitate a low carbon transition will yield significant market opportunity for our business.

**Antonio Neri:**

And that's why our strategy is so interlinked, right? And then our resilience planning recognized the climate change is a clear and present danger. You know, as I said, I'm here in Houston, right? This is a brand new office campus that we bring we built from the ground up. And Houston was impacted a couple of times in 2017 and 2018 with two big storms, right? And this is why we chose to locate our, our new campus outside the hundred and 500 year flood plans due to increased flooding drive driven by the climate. Nobody knew that that side where the former campus was, was gonna be flooded because that hasn't happened in 500 years. Here we go, we saw it. And this is why we need to take this incredibly seriously. And we need to take action is more important than now, than ever. We did take action.

**Tim Long:**

Okay. thank you very much. I think we, we've kind of run through the question set that we had and you guys gave a real lot of information in the, in the deck there. So, we really appreciate it, Antonio. Monica, thank you so much, Jessica. Thanks for joining from the Barclay side. So, thank you everybody for your time here today. And we look forward to speaking to you soon and thanks again to the team at HPE.

**Antonio Neri:**

Thank you, Tim and Jessica for having us and for giving us the opportunity to showcase what we're doing. We are really proud of what we're doing. In the end it comes down to culture. And this is a company that has an amazing culture linked to the community and to the biggest societal challenges that we live today. And obviously climate is, is one of the most important today.

**Tim Long:**

Thank you.

**Antonio Neri:**

Thank you.