# Forest positive accounting manual

for sizing HP's environmental engagements on forests

# Purpose of this document

The purpose of this document is to provide insights and relevant details on the approach HP Inc. (HP) uses to determine the type and size of environmental engagements on forests and other nature-based solutions as communicated in HP's Sustainable Impact Report.

References to "the Company" in this document refer to HP Inc. as the operating entity during the November 1, 2020-October 31, 2021 (FY21) reporting period.

# HP accounting structure for forests

HP follows guidelines set by the Accountability Framework initiative (AFi) [1] common global definitions as the basis for setting and reporting a faithful, true, and fair account of a company's impact on forests. As forest science continues to evolve, HP also uses principles derived in part from generally accepted financial accounting and reporting principles, including relevance, completeness, consistency, transparency, and accuracy.

## Nature-based Solutions and HP Forest Positive Initiative

HP supports IUCN Standard for Nature Based Solutions [2] (NBS). According to IUCN Standard for Nature Based Solutions [3] , protecting, restoring, and sustainably managing forests can deliver substantive benefits for society. Nature-based solutions - when approached in a scientific and consistent manner - are key to solving societal challenges humankind is faced with today. Forests help with combatting climate change, slowing down the loss of biodiversity, solving fresh water and soil fertility crises, and protecting livelihoods of forest communities and Indigenous peoples.

HP Forest Positive initiative aims to counteract deforestation and forest degradation [4] at scale. The size of forest projects is determined by the annual consumption of paper (by weight) by HP printers, printing presses, and paper-based packaging [5]. The scope of the initiative is not limited to sustainably sourcing HP-branded paper or balancing the use of paper with forest restoration projects. Any paper, regardless of its brand, used by HP print customers is included in its scope. The HP Forest Positive framework goes beyond responsible forest management by including actions in the following five areas:

- maintaining HP's long-standing commitment to sustainable sourcing
- supporting the advancement of forestry science
- partnering with NGOs (non-governmental organizations) to restore and protect global forests
- leveraging HP industry partnerships to influence actions positive for forests, and
- advancing printing technology to help customers use paper efficiently

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[1] The Accountability Framework initiative (AFi) is a collaborative effort to build ethical supply chains for agricultural and forestry products https://accountability-framework.org/about/about-the-initiative/

[2] https://portals.iucn.org/library/sites/library/files/documents/2020-021-En.pdf Page 9

[3] https://portals.iucn.org/library/sites/library/files/documents/2020-021-En.pdf Page 9

[4] https://accountability-framework.org/wp-content/uploads/2019/05/Operational_Guidance_Applying_Definitions.pdf

[5] Packaging is the box that comes with the product and all paper (including packaging and materials) inside the box

Avoiding deforestation in the first place is an important aspect of the initiative. [The HP Sustainable Paper and Wood Policy](#) lays out the principles of sourcing HP branded papers and paper-based product packaging. To further promote sustainable forestry, HP encourages investments in the FSC® (Forest Stewardship Council®)[6] [Digital Marketplace](#), [Sustainable Consumption (China) campaign](#) to help create market pull for sustainably sourced products.

## HP Forest Positive Accounting System Boundaries

<u>Upstream activities</u> (HP supply chain): sustainable sourcing of HP-branded paper and paper-based packaging[7] is at the foundation of the HP Forest Positive framework. The principles of sustainable sourcing of these papers are laid out in HP Sustainable Paper and Wood Policy[8].

<u>Downstream activities</u> during the use phase of HP printers (beyond HP supply chain): all brands of paper, including those that do not meet the high sustainability standard of HP-branded paper, are included within the boundaries of the HP Forest Positive accounting system.

A graphic representation of paper and paper-based packaging streams at HP is shown in Picture 1 with the purpose of demonstrating the comparative scale of upstream and downstream volumes as well as the degree of HP influence on paper sourcing characteristics.

For printers where paper consumption is expected to occur in future years because the s placement of a printer on the market – in the reporting year has long-term paper usage impacts, paper volumes are calculated for printer's lifetime. For these printers, paper consumption is determined through the means of statistical analysis, and the reported paper volumes should not be interpreted to mean that paper has already been consumed, but that paper is expected to be consumed because of activities that occurred in the reporting year.

For printers such as HP High Speed Webpresses, where paper consumption is provided to HP as part of a printer's normal operation, this actual paper volume is reported.
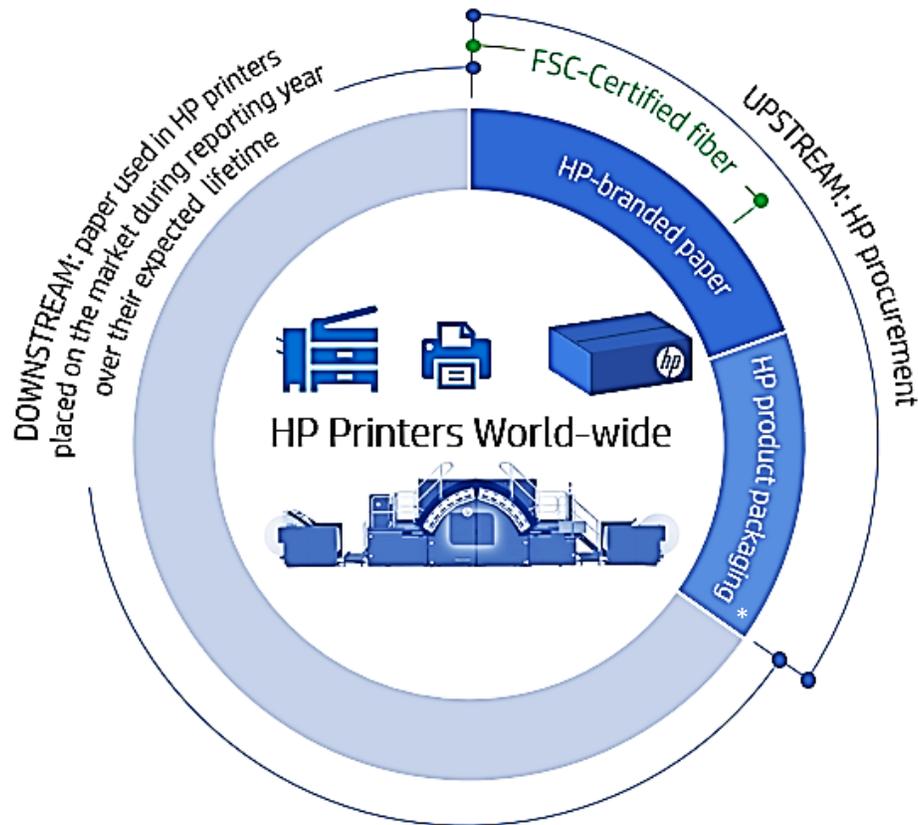
Picture 1

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[6] Sustainable forestry certifications such as [FSC®](#) ensure that the forests from which HP Everyday Papers come from are responsibly managed, ensuring the growth of healthy forests for future generations.

[7] Packaging is the box that comes with the product and all paper-based materials inside the box.

[8] HP Sustainable Paper and Wood policy https://h20195.www2.hp.com/V2/getpdf.aspx/c05352448.pdf

*HP product packaging is paper-based product packaging of all HP products. Packaging is the box that comes with the product and all paper-based materials inside the box. Packaging for commercial, industrial, and 3D products, scanners, personal systems accessories, and spare parts are not included.

## Paper: scope and sizing

Included in scope and accounted for, is all paper, regardless of its brand, used for printing on HP printers and paper-based product packaging.

HP collects and analyzes data related to the type and amount of paper used in our printers. There are five categories of data points used for estimating the tonnage of paper used by our customers:

- Direct data sharing
  This type of data is provided by our consumer and some commercial customers when they choose to report data to HP at the time of device set up.

All data reported to HP does not contain identifiable personal information[9].

- Telemetry
  Commercial and industrial customers report data to HP via the means of telemetry as agreed at the time of contract signing. Data is collected in situ at remote customer locations and automatically transmitted to HP.

- Analytics
  This data is the result of statistical analysis based on the number of printers and printing supplies placed on the market during the reporting period, their intended use and projected yield. The analysis is corrected by the data acquired through direct data sharing by HP customers. HP continually refines data transformation process to ensure that data collection and calculations are accurate and appropriate for the intended purpose.

- HP-brand paper labeled with Forest Stewardship Council© (FSC©) is deemed sourced sustainably. FSC forest management certification confirms that the source forest is being managed to preserve biodiversity and benefit the lives of local communities while ensuring economic viability. Per FSC Mix label rules, products that contain minimum 70 percent wood from FSC-certified forests are eligible for certification. Therefore, HP excludes 70 percent of FSC Mix-certified HP-branded paper tonnage from the tonnage of paper that informs the size of our forest environmental interventions.

- HP packaging sourcing information is provided to HP through supplier surveying process. Suppliers report paper-based packaging material by tonnage, sustainable forestry certification status, and recycled content.
  Recycled and sustainable forestry certified paper-based packaging tonnage is excluded from the tonnage that informs the size of our forest environmental interventions.

As to the type of paper, when possible, HP uses customer-reported information. When reported data is incomplete, HP makes assumptions that enable the calculation of consumed paper volumes based on printing technology and use case. For example, it is safe to assume that a multi-function Laserjet device would be placed in an office. And that the most frequently used paper for this device would be A4 20lb bond paper. Hence, A4 20lb bond paper is used as proxy for estimating paper consumption of a HP Laserjet multifunction device placed on the market during reporting year.
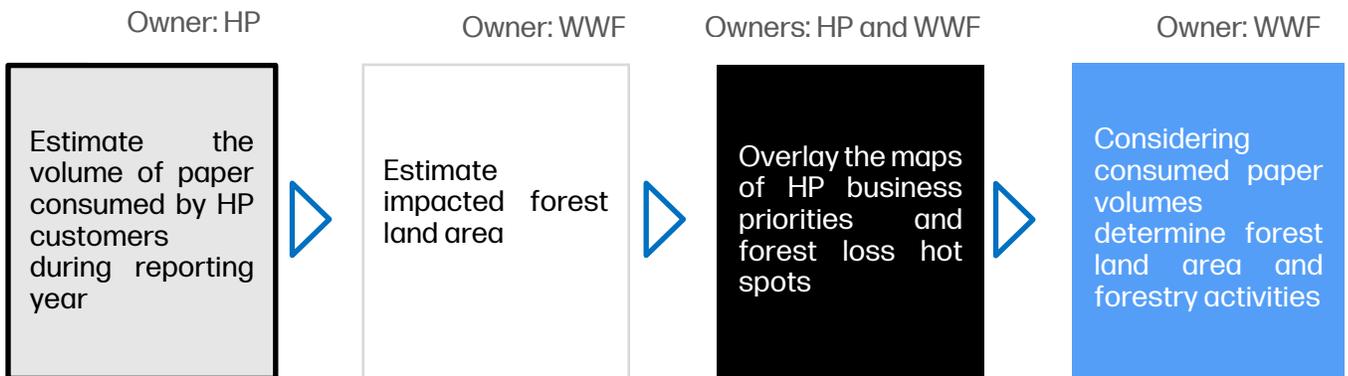
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[9] For data privacy concerns, refer to HP On-line Privacy Statement at
https://www8.hp.com/us/en/privacy/privacy.html#:~:text=Unless%20otherwise%20stated%20for%20a,otherwise%20permitted%20by%20applicable%20law

## Estimating the Impact of Paper on Forests

HP uses a novel approach to accounting for the land-based impacts of paper used in HP printers. Since the origin of the non-HP brand paper used in HP printers is typically not known it is difficult to determine whether this paper was produced sustainably or not. However, the volume of paper that passes through HP printers during their use is known based on printer analytics information. Also known are geographies where a certain number of HP printers have been placed on the market. To determine the impacts of all the paper used in HP Printers, HP works with World Wildlife Fund (WWF) to estimate the land area and intensity of forestry activities that contribute to paper sourcing in relevant global regions. WWF first estimates the forest area required to produce the annual volume of paper that flows through HP printers and then calculates the intensity of impacts on nature based on the type of forest management used to produce timber and pulp for printer paper. This generates an annual estimate of the land area impacts of downstream paper used in HP printers.

Picture 2

### HP Process Owners for Estimating the Impact of Paper on Forests

Owner: HP

Owner: WWF

Owners: HP and WWF

Owner: WWF

Estimate the volume of paper consumed by HP customers during reporting year

Estimate impacted forest land area

Overlay the maps of HP business priorities and forest loss hot spots

Considering consumed paper volumes determine forest land area and forestry activities

## Environmental Engagements

HP collaborates with forest science experts such as World Wildlife Fund (WWF) to set targets for the size and type of environmental engagements designed to counteract potential impacts of paper on forests.

In accordance with the best available forest science, forest expert organization(s) help

determine:

- The type of intervention, e.g., forest restoration, protection, responsible management[10]
- Geolocation to impart the most positive impact on improving biodiversity
- The size of forest area informed by paper usage data

For the type of environmental activities, HP has set annual breakdown as follows (by paper tonnage):

- Forest restoration and protection      20% minimum
- Other types of interventions**      balance

** Other types of interventions may include responsible forest management, agroforestry, activities targeted to improve certain ecosystem services such as watershed restoration.

HP-NGO collaborations are key to setting targets that are relevant, attainable, scientific, and go beyond "doing-no-harm" static objectives.

When it comes to choosing NGO partners, HP decisions are influenced by factors that include durability of positive change, support of local NGOs and communities, alignment with local governments, and with other relevant stakeholders.

Regardless of size, all HP environmental engagements on forests strive to be part of environmental interventions developed in accordance with the principles of Forest Landscape Restoration[11] (FLR). FLR is characterized by a holistic forward-looking approach to regaining ecological functionality and enhancing human well-being across deforested or degraded forest landscapes. FLR is not limited to planting trees. It considers a whole landscape with consideration for present and future local needs and multiple ecosystem benefits and land uses over time.

HP recognizes the following forestry activities as meeting FLR principles:

- New tree plantings
- Managed natural regeneration
- Agroforestry
- Improved land management to accommodate a mosaic of land uses, including agriculture, protected wildlife reserves, managed plantations, riverside plantings
- Other

## De minimis values

HP considers paper tonnage values to be de minimis when they are less than 0.25% of

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[10] See "Definitions" section at the end of this document

[11] https://infoflr.org/what-flr , https://www.iucn.org/ IUCN, International Union for Conservation of Nature, is the global authority on the status of the natural world and the measures needed to safeguard it.

total annual paper consumption. In  addition to this quantitative reporting threshold, we also consider qualitative factors regarding HP ability to directly track data, contribution to deforestation risk and stakeholder   expectations in this category.

## Definitions

| Term | Definition |
| --- | --- |
| Forest | Land spanning more than 0.5 hectares with trees higher than 5 meters and a canopy cover of more than 10 percent, or trees able to reach these thresholds in situ. It does not include land that is predominantly under agricultural or other land use. Forest includes natural forests and tree plantations. |
| Deforestation | Deforestation is the loss of natural forest because of the following three types of events:<br><br>• Conversion to a tree plantation<br>• Severe and sustained degradation<br>• Conversion to agriculture or other non-forest land use |
| Natural Forest | • Primary or unmanaged forest<br>• Regenerated (second growth) forest<br>• Forest managed for timber harvest or other activities that retains its main natural characteristics |
| Tree Plantation | • Composed mainly of planted or seeded trees<br>• May include intensive management<br>• Lacks key elements of natural forests native to the area, such as species composition and structural diversity |
| Degraded Land | Former forest that has lost main elements of composition, structure, and function of a forest on a sustained basis due to severe degradation |
| Conversion | Conversion is the change of a natural ecosystem to another land use, or a profound change in the natural ecosystem's species composition, structure, or function |
| Cutoff date | The date after which deforestation or conversion renders a given area or production unit non-compliant with no-deforestation or no-conversion commitments, respectively.<br>HP sets its cutoff date as the date of the announcement of HP Zero-deforestation goal, i.e., June 2016. |

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| Natural ecosystem | An ecosystem that substantially resembles one that is or would be found in each area in the absence of major human impacts. This may include human-managed and/or partially degraded ecosystems. |
| Nature-based Solutions (NBS) | Nature-based solutions are actions to protect, sustainably manage *and restore natural and modified ecosystems* in ways that address societal challenges effectively and adaptively, to provide both human well-being and biodiversity benefits |
| Agroforestry | Agroforestry is land management system that optimizes the benefits of growing trees and shrubs with crops and/or animals depending on economic and environmental objectives |
| Non-forest Natural Ecosystems | • Natural grasslands, woodlands, savannahs, wetlands, and peatlands<br>• May include sustainable livestock grazing on native forage |
| Forest Landscape Restoration | Forest landscape restoration is the planned process of assisting the recovery of an ecosystem, and its associated conservation values, that has been degraded, damaged, or destroyed.<br><br>This process aims to regain ecological functionality and enhance human wellbeing. This work involves engaging with key stakeholders in government and local communities towards common forest landscape restoration objectives. Implementation activities include native forest restoration, natural regeneration, biodiversity corridor connectivity, planted forests and woodlands, mangrove restoration, watershed protection and erosion control, agroforestry, silviculture, and improved fallow. Additional activities to support enabling conditions include support for native seedlings and nurseries. |
| Responsible (aka improved, sustainable) Forest Management (RFM) | Responsible forest management[12] (RFM) is a dynamic and evolving concept, which aims to maintain and enhance the economic, social, and environmental values of all types of forests, for the benefit of present and future generations.<br><br>Responsible Forest Management (RFM) includes work on specific |

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| | issues such as High Conservation Value (HCV) habitats, certain ecosystem services, reduced impact logging, fair trade and livelihoods for smallholders and communities. RFM involves engaging with multiple stakeholders in the policy and private sectors to mainstream the highest standards of responsible forest and plantations management by stimulating and enabling responsible forestry, credible certification, and a new generation of well-managed plantations. |
| Forest protection | Protection includes, but is not limited to, activities that seek to avoid deforestation, support for land tenure for Indigenous Peoples and Local Communities (IPLC), and support for Protected and Conserved Areas (PCAs). |

Included definitions relevant to the scope of HP Counteracting Deforestation by 2030 goal and HP Forest Positive strategy are aligned with the AFi definitions[13]. For example, AFi adopts the FAO forest definition but differentiates natural forest from tree plantation for the purpose of implementing deforestation-free supply chains and commitments.

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[12] http://www.fao.org/forestry/sfm/en/
[13] https://accountability-framework.org/the-framework/contents/definitions/