



The Home Depot 2018 Responsible Sourcing Report





“ Through our Responsible Sourcing program, we are able to share our values throughout the entire supply chain to achieve a positive impact for all involved. ”

—
CRAIG MENEAR
CHAIRMAN,
CEO AND PRESIDENT

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THE HOME DEPOT
19
Years
SERVICE AWARD

Hi, I'm
CRAIG

I put customers **FIRST**



More saving. More doing.

Letter from Our CEO

Our eight core values are the greatest gift our founders gave us almost four decades ago. Their philosophy was that if we operated according to these values, the rest would take care of itself. Our founders were right, and we continue to use these values as our guide to do things better every day.

The Home Depot works with thousands of suppliers and factories in over 30 countries to source merchandise for our customers. Through our Responsible Sourcing program, we are able to share our values throughout the entire supply chain to achieve a positive impact for all involved. The men and women who make what we sell are treated with respect and can rest assured THD is striving to ensure they are in a safe and fair workplace, our suppliers benefit from doing the right thing and our customers in turn receive quality product.

I want to thank our incredible associates and suppliers who have made social and environmental responsibility a top priority. I hope that you find our *2018 Responsible Sourcing Report* informative.



Craig Menear, Chairman, CEO and President

“ Our eight core values are the greatest gift our founders gave us almost four decades ago. ”

The Home Depot Human Rights Program



Our values of Doing the Right Thing, Respect for All People and Taking Care of Our People are at the center of our Human Rights program. The Home Depot and our subsidiaries respect and support the dignity, well-being and human rights of our employees, the workers in our extended supply chain, the communities in which we live and those affected by our operations.

The Home Depot is committed to respecting internationally recognized human rights. We review and are informed by the United Nations (UN) Guiding Principles on Business and Human Rights, the International Bill of Human Rights, International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. We recognize that while governments have a duty to protect human rights, companies have a responsibility to respect human rights. This means addressing the adverse impacts of our global operations.

We believe respecting human rights is of growing importance to our employees, workers, shareholders, investors, customers, consumers and the communities where we operate. There is both a business and moral case for ensuring that human rights are upheld across our supply chain.

Through appropriate contractual arrangements and our Responsible Sourcing program, we require our suppliers to be aware of and abide by our human rights expectations. All suppliers must agree to our Responsible Sourcing requirements as a condition of doing business with The Home Depot.

Our Commitments

The Home Depot and its affiliates, divisions and subsidiaries strive to conduct business in a responsible manner. As we expand our business activities and work with suppliers domestically and globally to meet customers' needs, it is important to maintain our collective commitment to human rights and safety in the workplace.

The Home Depot expects that all suppliers will abide by all applicable international and local laws, rules, and regulations in the manufacture and distribution of merchandise or services provided to The Home Depot. All suppliers are strongly encouraged to exceed The Home Depot's Responsible Sourcing guidelines and promote continuous improvement throughout their operations.

All suppliers must be able to demonstrate compliance with these requirements at the request of The Home Depot.

These guidelines provide an introduction to the minimum requirements that all suppliers must meet in order to conduct business with The Home Depot.

RESPECTING AND SUPPORTING OUR SUPPLY CHAIN STARTS AT THE TOP



**BOARD OF DIRECTORS
AND AUDIT COMMITTEE**

The Home Depot Audit Committee reviews the company's Responsible Sourcing program on an annual basis



**ENTERPRISE
RISK COUNCIL**

Council comprised of senior executive leaders from throughout the company that provides oversight and guidance



**THIRD-PARTY
AUDITORS**

We use established 3rd party audit firms to conduct our Responsible Sourcing Compliance Audits



**INTERNAL
AUDIT**

Internal audit associates conduct annual audits to ensure our Responsible Sourcing program is effective and operating as expected



**HOME DEPOT GLOBAL
SOURCING OFFICES**

Staff from our six global sourcing offices play a vital role in working with our supply chain towards compliance with our standards



**THE HOME DEPOT
RESPONSIBLE
SOURCING TEAM**

The Home Depot has dedicated associates focused on ensuring factories adhere to our standards

Responsible Sourcing Standards

Laws and Regulations - Suppliers must operate in full compliance with all applicable laws and regulations of the countries in which they operate.

Child Labor - Suppliers must not employ workers younger than the greater of 15 years of age – or 14 where the local law allows such exception consistent with International Labour Organization guidelines – or the age for completing compulsory education or the minimum age established by law in the country of manufacture. In addition, suppliers must comply with all local legal requirements for the work of authorized young workers, particularly those pertaining to hours of work, wages and working conditions.

Forced Labor - Suppliers must not use forced, bonded (including debt bondage) or indentured labor, involuntary or exploitative prison labor, nor shall suppliers participate in slavery or trafficking of persons. This includes transporting, harboring, recruiting, transferring or receiving persons by means of threat, force, coercion, abduction or fraud for labor or services. The use of prison or convict labor cannot be forced and must be consistent with the laws where the products are manufactured and the laws where it is imported.

There shall be no unreasonable restrictions on workers' freedom of movement in the facility in addition to unreasonable restrictions on entering or exiting company-provided facilities.

As part of the hiring process, workers must be provided with all documents relevant to their employment in a language they understand with a description of terms and conditions of employment prior to the worker departing from his or her country of origin, and there shall be no substitution or change(s) allowed in such documentation upon arrival in the receiving country unless these changes are made to meet local law and provide equal or better terms.

All work must be voluntary and workers shall be free to terminate their employment. Employers and agents may not hold or otherwise destroy, conceal, confiscate or deny access by employees to their identity or immigration documents, such as government-issued identification, passports or work permits, unless such holdings are required by law.

Foreign migrant factory workers shall not be required to pay employers' or agents' recruitment fees or other related fees for the purpose of being hired or as a condition of employment. If any such fees are found to have been paid by workers, such fees shall be repaid to the worker.

Responsible Sourcing Standards

Harassment and Abuse - Suppliers must treat all workers with respect and dignity. No worker shall be subject to corporal punishment or physical, sexual, psychological, or verbal harassment or abuse. In addition, suppliers will not use monetary fines as a disciplinary practice.

Compensation - Suppliers must meet or exceed the minimum wage and compensation requirements as defined under applicable labor laws, applicable agreements and local regulations for regular work, overtime work, production rates, and other elements of compensation and employee benefits.

Hours of Work - Suppliers must ensure that, except in extraordinary business circumstances, on a regularly scheduled basis, workers shall not be required to work more than the lesser of (a) sixty (60) hours per week, including overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture. In addition, except in extraordinary business circumstances, all workers shall be entitled to at least one day off in every consecutive seven-day period.

Non-Discrimination - While The Home Depot recognizes and respects cultural differences, suppliers will ensure employment – including hiring, salary, benefits, advancement, discipline, termination and retirement – should be based solely on the person’s ability to perform the job requirements and not the person’s beliefs or any other personal characteristics.

Freedom of Association and Collective Bargaining - Suppliers must recognize and respect the rights of workers to exercise lawful rights of free association, including joining or not joining any association. Suppliers must also respect the legal right of workers to bargain collectively.

Health and Safety - Suppliers must provide a safe and healthy working environment in accordance with applicable laws and regulations.

Environment - Suppliers must comply with all local environmental laws and regulations applicable to the workplace. Factories must conduct business in a manner which minimizes their impact on the environment.

Subcontracting - Suppliers must not use subcontractors in the manufacture of products or product components for The Home Depot without disclosing such information to The Home Depot, and only after the subcontractor has adequately demonstrated compliance with these Responsible Sourcing Standards.

Responsible Sourcing Standards

Communication - Suppliers must communicate the provisions of The Home Depot Responsible Sourcing Standards to all workers and supervisors.

Business Ethics - Suppliers will conduct business with The Home Depot consistent with honesty and integrity and demonstrate the highest standards of business ethics. Suppliers will take no actions directed at improperly impacting the results of any audit including presentation of falsified records or coaching of employees. Consistent with The Home Depot Gift and Entertainment policy, suppliers will not offer any incentives to The Home Depot's associates or audit firm representatives.

Monitoring and Compliance - The Home Depot will undertake affirmative measures, such as announced and un-announced on-site audits of production factories, to monitor compliance with these Responsible Sourcing Standards. Suppliers must maintain on-site all documentation necessary to demonstrate compliance with the Responsible Sourcing Standards, and suppliers must allow associates and/or representatives from The Home Depot full access to production facilities, worker records, production records and workers for confidential interviews in connection with monitoring visits.

Suppliers are expected to take necessary corrective actions to promptly remediate any noncompliance. Suppliers are expected to actively engage in remediation – including timely preparation and presentation of a Corrective and Preventive Action (CAPA) plan. The Home Depot reserves the right to terminate its business relationship with any supplier who is unwilling to comply with these Responsible Sourcing Standards.

Collaborations



Retail Ethical Sourcing Assessment (RESA)

The Home Depot believes in ensuring our factories meet our requirements. We recognize that many of our partners receive responsible sourcing audits from many other retailers throughout the year.

In 2017, The Home Depot and Lowe's worked collaboratively to establish and implement a unified audit template for both companies. The goal of this new Retail Ethical Sourcing Assessment (RESA) is to avoid duplication of audits where The Home Depot and Lowe's are utilizing the same factories.



We encourage other retailers to join us in reducing "audit fatigue" by utilizing RESA. RESA allows for audit resources to shift and enables our Responsible Sourcing team and factories the ability to dedicate those saved resources to further focus on improvement and compliance-related activities.

In addition to the RESA collaboration, we accept shared audits from our suppliers assuming they meet certain criteria.



Association of Professional Social Compliance Auditors (APSCA)

Social Compliance Auditing plays a vital role in enabling brands, retailers, producers and other partners to assess and therefore work towards improvement in labor conditions, including human rights and social issues throughout supply chains.

APSCA aims to increase the value and effectiveness of independent social compliance audits by enhancing the professionalism and credibility of individuals and organizations performing them.

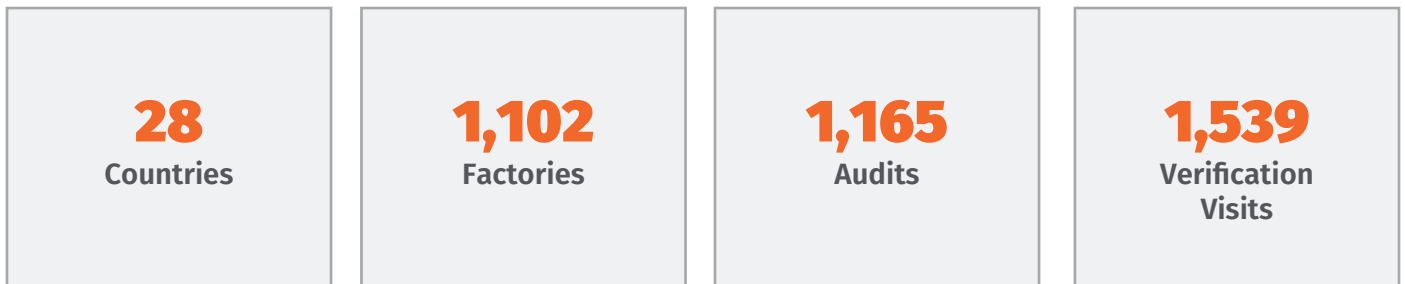
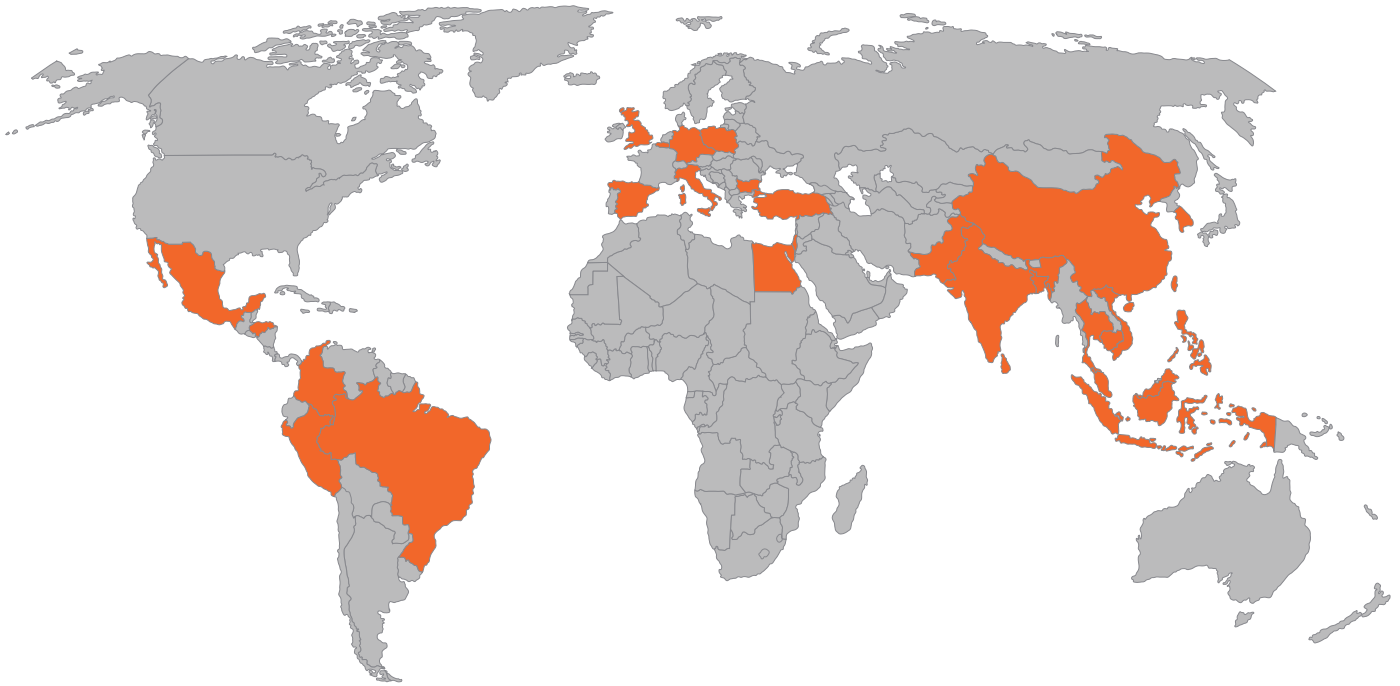
All APSCA members are required to sign and abide by a Code of Professional Conduct, which defines their commitments and responsibilities to which they must adhere and will be held accountable.

As an interested stakeholder, The Home Depot participated in working groups to support the development of the program.

Process

Audits

All factories producing private brand and direct import products for The Home Depot are required to receive a Responsible Sourcing audit prior to selling product to The Home Depot.



Bangladesh
Belgium
Brazil
Bulgaria
Cambodia
China
Colombia

Egypt
Germany
Honduras
India
Indonesia
Israel
Italy

Malaysia
Mexico
Pakistan
Peru
Philippines
Poland
South Korea

Spain
Sri Lanka
Taiwan
Thailand
Turkey
United Kingdom
Vietnam

Process

Corrective and Preventive Action (CAPA)

The Home Depot believes every deficiency found during an audit should be reviewed and addressed by the factory management team. We believe it is not only important to correct the problem, but also to prevent that problem from happening again. To that end, we have developed a comprehensive review and remediation program to address these deficiencies. The Home Depot works with our factory partners to develop strong, actionable plans with reasonable timelines to ensure both corrective and preventive solutions are put in place.

Corrective and Preventive Action Verification Program

This program requires additional verification visits after a CAPA plan is approved so that the original auditor can verify corrective and preventive actions have been implemented.

If a factory does not implement the corrective and preventive actions approved in their plan by the expected milestones in the program, The Home Depot may cease all future Purchase Orders with that factory.



Process

The Home Depot Audit Process

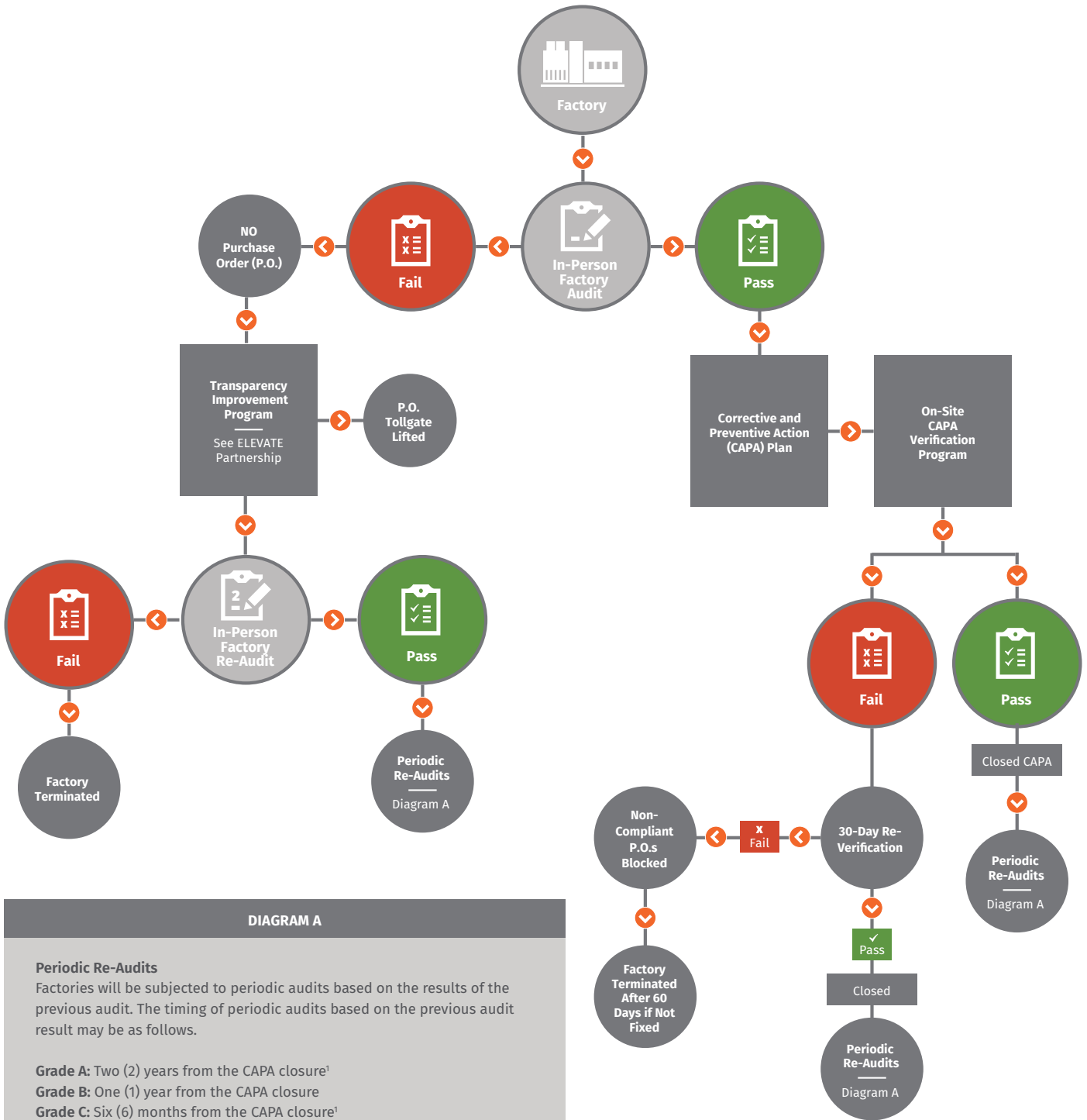


DIAGRAM A

Periodic Re-Audits

Factories will be subjected to periodic audits based on the results of the previous audit. The timing of periodic audits based on the previous audit result may be as follows.

Grade A: Two (2) years from the CAPA closure¹

Grade B: One (1) year from the CAPA closure

Grade C: Six (6) months from the CAPA closure¹

Grade F: Factory is required to undertake the Transparency Improvement Program (TIP²). New audit required six (6) months from the date of the audit. At that time, the factory is expected to achieve a grade C or higher.

¹THD reserves the right to audit more frequently at their discretion.

²See ELEVATE partnership section of this report.

When heightened issues of noncompliance are identified, The Home Depot is committed to working with suppliers and factories above and beyond the traditional CAPA program to improve working conditions. The Home Depot has a two-pronged approach to working with suppliers and factories where recurrent or heightened issues have been identified: the factory focused Transparency Improvement Program (TIP) and the Supplier focused Supplier Compliance Ownership Program Evaluation (SCOPE).

Transparency Improvement Program (TIP)

The Transparency Improvement Program (TIP) is a factory specific program unique to The Home Depot that is designed to support sustainable improvement for factories with recurrent and/or heightened issues. The TIP program was designed and is implemented by our third-party partner ELEVATE, a leading third-party business risk and sustainability solutions provider.

TIP is a six-month program designed to reinforce the need for transparency and provide factories with the opportunity and support needed to develop and implement management systems in a practical way and within reasonable time frames.

In FY2017, The Home Depot conducted 15 TIP Baseline Visits along with 32 follow-up Support Visits representing less than 1/2% of our eligible factories.

THE TIP PROCESS

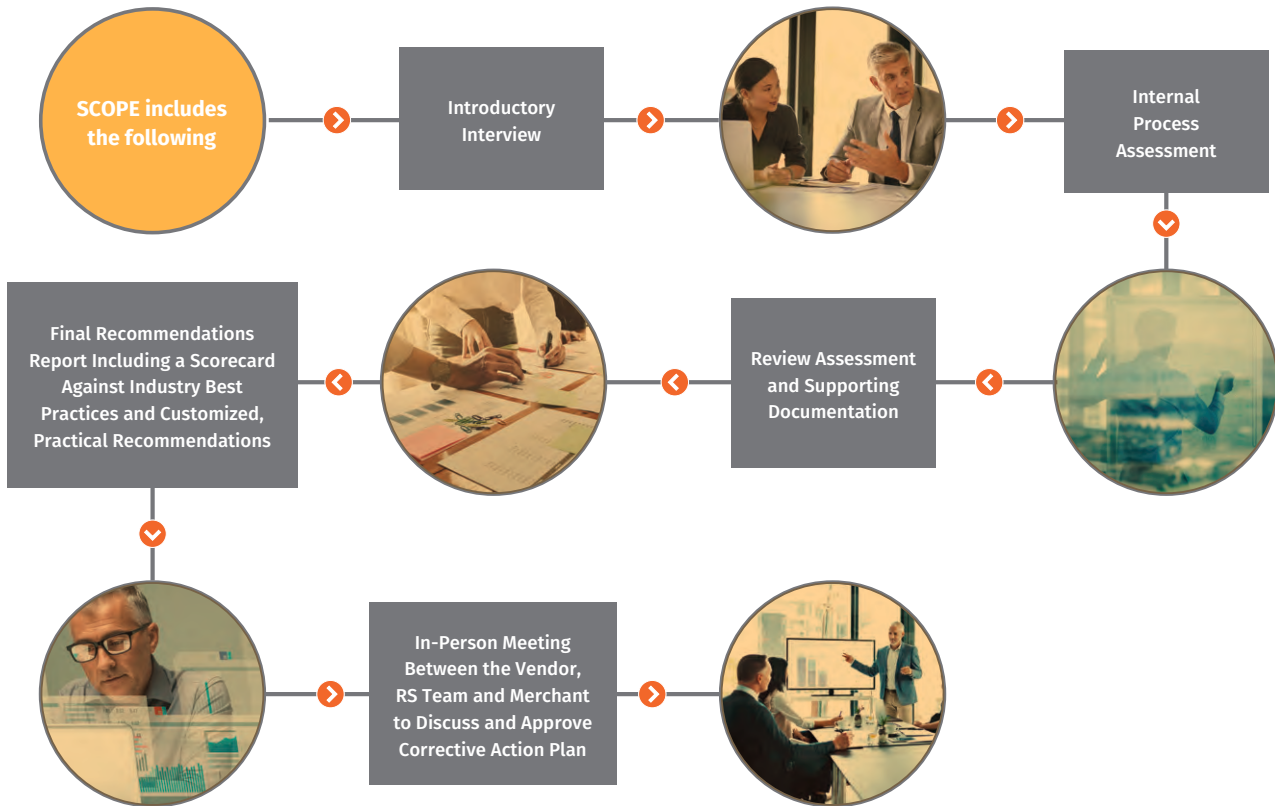


Supplier Compliance Ownership Program Evaluation (SCOPE)

When serious issues are identified in a factory, The Home Depot also works with the supplier to understand what went wrong and provides guidance on how to improve their systems for managing factory compliance. We partner with ELEVATE to use their Supplier Compliance Ownership Program Evaluation (SCOPE) gap analysis to evaluate program effectiveness.

In FY2017, The Home Depot vendors conducted seven SCOPE engagements with ELEVATE, which represents less than 1% of our eligible vendors.

HOW SUPPLIER COMPLIANCE OWNERSHIP PROGRAM EVALUATION (SCOPE) WORKS



SCOPE AND TIP IMPLEMENTATION SINCE PROGRAM INCEPTION

45 SCOPE Since 2011

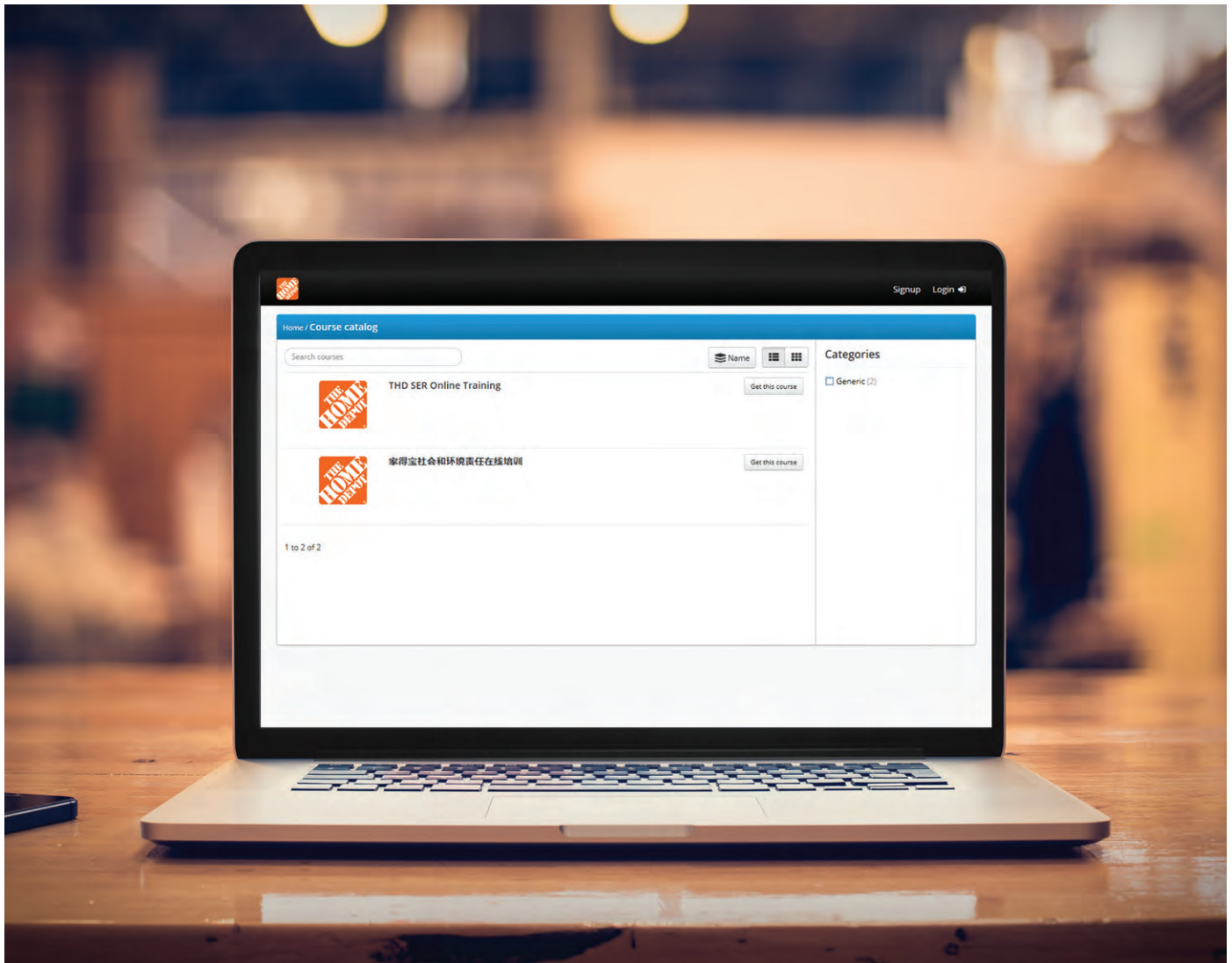
306 TIP Baseline Visits Since 2008

610 TIP Support Visits Since 2008

Training

The Home Depot believes that through training, we can best partner with our suppliers and their factories to achieve our mutual goals.

- In 2017, we trained representatives from suppliers via our newly launched online training system.
- In addition, we hosted monthly training sessions at our Shenzhen and Shanghai offices in China where representatives from suppliers learned first-hand about our expectations and were able to receive interactive guidance from The Home Depot's Responsible Sourcing Team.



Conflict Minerals

The Home Depot is committed to the responsible sourcing of materials for our products, and we expect that our suppliers are likewise committed to responsible sourcing.

Our Expectations

We expect all suppliers manufacturing our products to partner with us to provide appropriate information and conduct necessary due diligence in order to facilitate our compliance with the conflict minerals law. We further expect all suppliers manufacturing our products to adopt sourcing practices to obtain products and materials from suppliers not involved in funding conflict in the Democratic Republic of the Congo and adjoining countries.

Our Partnerships

We partnered with our private brands and proprietary suppliers whose products contain Tin, Tungsten, Tantalum or Gold (3TG) to identify the source of any 3TG in the supply chain.

Through our due diligence process, which aligns with due diligence guidance from the Organisation for Economic Co-Operation and Development (OECD), we received 100% participation from our in-scope private brands and proprietary suppliers for 2017.

We continue to work closely with our suppliers to ensure that they implement responsible sourcing and encourage their smelters to obtain a “conflict-free” designation from an independent third-party auditor.

212
in-scope
suppliers

26%
indicated 3TG
in their products

61
countries
where 3TG
was sourced

308
verified
smelters or
refiners (SORs)

60
SORs sourcing from
Democratic Republic
of the Congo (DRC) or
neighboring countries

Promoting a Culture of Ethical Accountability



We provide ways for our suppliers, factory workers and service providers to report concerns when they think our Home Depot Responsible Sourcing Standards, values or compliance with the law may be compromised.

ANONYMOUS REPORTS

WORKERS IN ALL COUNTRIES WHERE WE SOURCE GOODS MAY SUBMIT ANONYMOUS REPORTS VIA

www.THDSupplierAlertline.com

SUPPLIER ALERTLINE

SUPPLIER ALERTLINE IS ANSWERED BY A LIVE OPERATOR 24/7 IN THESE COUNTRIES:



U.S. AND CANADA
1-800-435-3152



MEXICO
001-888-765-8153



CHINA
86-400-880-1045



INDIA
(Dial Direct Access)
000-117
then (Dial)
800-435-3125

THD Responsible Sourcing Team



Todd A. Nash – Director

Todd Nash joined The Home Depot in January 2011 as the Director of Responsible Sourcing. Prior to joining The Home Depot, Todd led the Global Product Compliance team at Amazon.com, was responsible for regulatory compliance at West Marine and partnered with multiple U.S. government agencies as a consultant with Booz Allen & Hamilton.

A native of Rhode Island, Todd holds a B.A. degree in Political Science and English from the University of Rhode Island. Todd also received his master's degree in Public Administration from the Maxwell School of Citizenship and Public Affairs at Syracuse University.



Cathy Cao – Senior Manager

Cathy Cao joined the Responsible Sourcing team as Senior Manager in November 2014. She is responsible for managing the Asia Responsible Sourcing team to drive and implement the company's global strategy throughout The Home Depot and supply chain partners. Cathy also leads the team to work closely with our third-party audit firm partners to ensure they are meeting our service level expectations and collaborates with multi-functional teams throughout The Home Depot to support the overall global sourcing business.

Prior to joining the Responsible Sourcing team, Cathy was the Supplier Quality Engineer (SQE) and led the SQE team of multiple categories in The Home Depot Asia Sourcing Office (ASO); was responsible for quality assurance at H.E.F. Group; and was a Radio Frequency Testing Engineer at Lucent Technologies.

Cathy holds a B.A. degree in English from the Shanghai International Studies University.



Weina Li – Manager

Weina Li joined The Home Depot in June 2012 as Assistant Manager of Responsible Sourcing and was promoted to Responsible Sourcing Manager in April 2014. She is responsible for supporting the Responsible Sourcing Senior Manager to manage the daily operation of the Responsible Sourcing team in Shenzhen and works closely with the third-party service provider for Responsible Sourcing audit-reporting system maintenance and enhancement.

THD Responsible Sourcing Team

Weina also supports the Responsible Sourcing Senior Manager on Responsible Sourcing SOP enhancement and project management.

Prior to joining The Home Depot, Weina worked at PCH International as Senior Compliance Officer for four years and as Senior Account Manager and Auditor of System Auditing at TUV Rheinland Shenzhen Co., Ltd. for five years.

Weina holds a master's degree in Business Administration from the Renmin University of China.



Samantha Li – Senior Specialist

Samantha Li joined THD in September 2013 as Responsible Sourcing Senior Specialist. She works closely with the Responsible Sourcing ASO team and related Global Sourcing cross-functional teams in charge of all Responsible Sourcing issues for the kitchen and bath, indoor garden, and building materials and Interline departments.

Samantha has 14 years of working experience in social compliance and QA auditing. Prior to joining The Home Depot, Samantha worked as a Senior Assessor in PVH. Before that, she also worked as Social Compliance Specialist in Knothe Apparel Group SHA.

Samantha holds a bachelor's degree in Business Administration from the University of International Business & Economy in Beijing.



Jason Song – Specialist

Jason Song joined The Home Depot in March 2017 as the Responsible Sourcing Specialist. He is responsible for The Home Depot Responsible Sourcing program service provider and supplier monitoring processes for the electrical and outdoor garden departments. Jason is also responsible for conducting factory audits and coordinating with functional teams in the Asia Sourcing Shenzhen Office.

Prior to joining The Home Depot, Jason worked as Social Compliance Auditor at UL for three years. He is an SA8000 and ISO 9001-certified auditor.

Jason holds a bachelor's degree of Applied Chemistry from the Beijing Institute of Technology, Zhuhai Institute.

THD Responsible Sourcing Team



Wendy Liu – Specialist

Wendy Liu joined The Home Depot in September 2017 as Responsible Sourcing Specialist. She is responsible for The Home Depot Responsible Sourcing program service provider and supplier monitoring process for the lighting, storage, and Digital Décor departments. Wendy also is responsible for conducting factory audits and coordinating with functional teams in the Shenzhen ASO.

Prior to joining The Home Depot, Wendy worked as Social Compliance Auditor at UL for seven years.

Wendy holds a bachelor's degree from Hubei University and Economics.



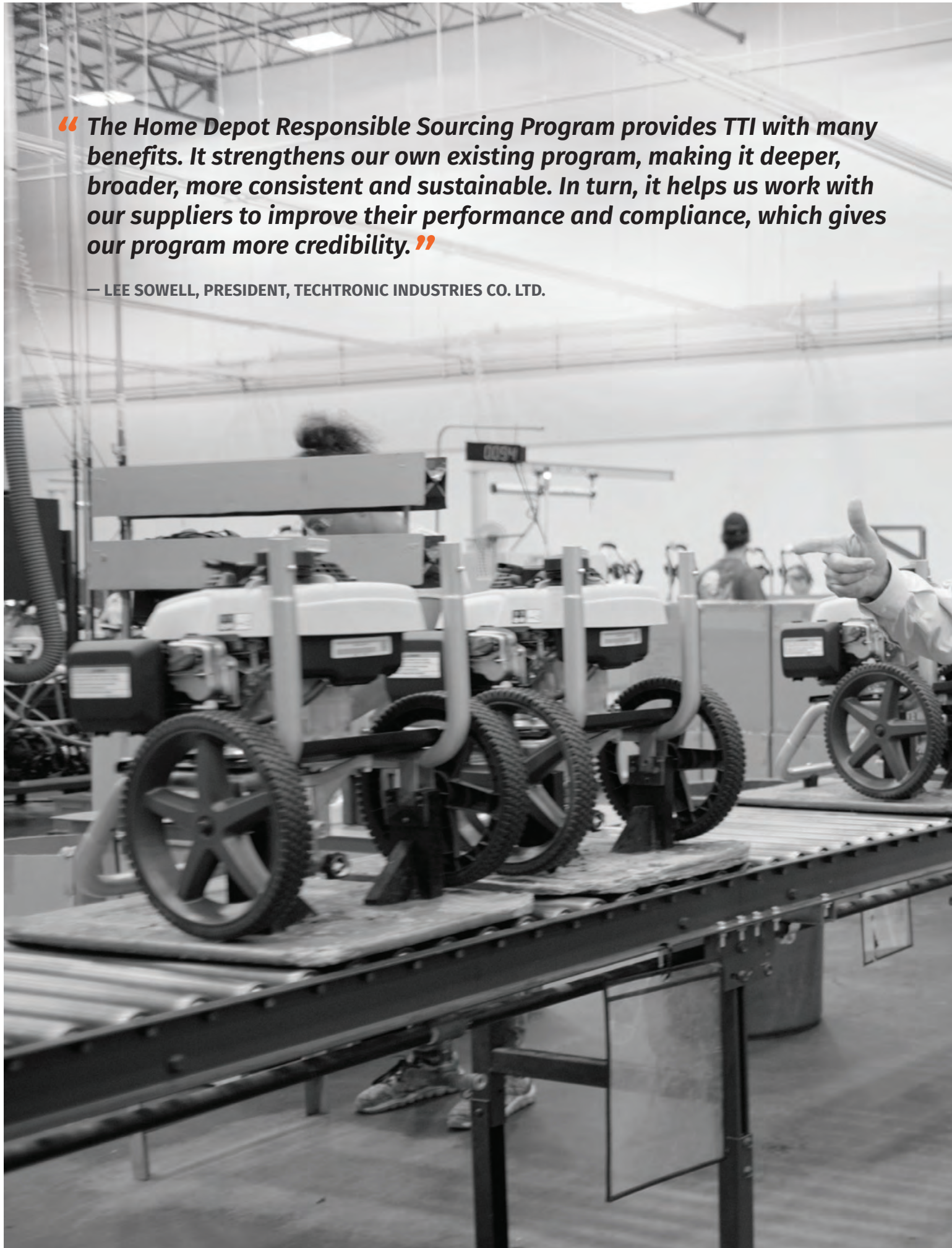
Moon Gao – Specialist

Moon GAO joined The Home Depot in October 2018 as a Responsible Sourcing Specialist. Before joining The Home Depot, Moon worked as the Sustainability Department Director in Nanjing for Unique International Trading Company, where she was responsible for all related compliance work. In addition, Moon spent two years with UL as a Social Compliance Auditor working with multiple suppliers and brands.

Moon received her bachelor's degree in Chemical Technology and Engineering and minor certificate in Business Administration from Shanghai University. Moon also holds a master's degree in Chemical Engineering from Shanghai University.

“ The Home Depot Responsible Sourcing Program provides TTI with many benefits. It strengthens our own existing program, making it deeper, broader, more consistent and sustainable. In turn, it helps us work with our suppliers to improve their performance and compliance, which gives our program more credibility. ”

— LEE SOWELL, PRESIDENT, TECHTRONIC INDUSTRIES CO. LTD.





LEE SOWELL (LEFT) AND TODD A. NASH



More saving. More doing.®