The Home Depot’s Business Ethics in Action

Kelly Barrett
VP – Internal Audit & Corporate Compliance
Ethics in Action

Short clip on integrity & golf

https://www.youtube.com/watch?v=-ZUs-Vakp0&feature=related

Would you have done the same thing?
Ethics in Action

“When your values are clear to you, making decisions becomes easier.”

— Roy Disney
"There are seven things that will destroy us: Wealth without work; Pleasure without conscience; Knowledge without character; Religion without sacrifice; Politics without principle; Science without humanity; Business without ethics."

— Mahatma Gandhi
"In looking for people to hire, you look for three qualities: integrity, intelligence and energy. And if they don't have the first, the other two will kill you."

— Warren Buffet
Integrity & Ethics Failures – Yesterday

1987

TIME
What Ever Happened to ETHICS
Assaulted by sleaze, scandals and hypocrisy, America searches for its moral bearings

2002

PERSONS OF THE YEAR
The Whistleblowers
CYNTHIA COOPER OF WORLDCOM
COLEEN ROWLEY OF THE FBI
SHERRON WATKINS OF ENRON
Integrity & Ethics Failures – Today

Vast Mexico Bribery Case Hushed Up by Wal-Mart After Top-Level Struggle

What Went Wrong?

- Wal-Mart Mexico allegedly paid over $24 million in bribes from 2003-2005
  - Paid to secure permits in new store construction process
  - Allegedly done with direct oversight of in-country senior executives
- Senior leadership in Bentonville then allegedly allowed local executives to handle investigation of issue – case was quickly closed with no disciplinary action taken or changes made
Integrity & Ethics Failures – Beyond Business

Ohio State Football Coach Quits Amid NCAA Scandal

Beyond Ugly: Penn State Football Scandal & the Fall of Joe Paterno

Arkansas fires Petrino amid scandal
According to the Association of Certified Fraud Examiners, what percentage of the population is likely to commit fraud given the right combination of opportunity, motive and ability to rationalize?

A. 10%
B. 30%
C. 60%
D. 90%
In the News – Code of Conduct Breaches

H-P CEO Ouster Follows Board Probe Into Expensive Gifts

Best Buy CEO Resigns; Dunn Caught in Messy Situation

Navy Officers Accused in Alleged Bribery Scandal
Doing the Right Thing

Values-driven Company

- Giving Back
- Excellent Customer Service
- Building Strong Relationships
- Creating Shareholder Value
- Entrepreneurial Spirit
- Respect for All People
- Taking Care of Our People
The Business Code of Conduct and Ethics (BCCE) is the primary resource for Home Depot associates to ensure their decisions align with the Company’s values and legal obligations.

- Available on the Company intranet to all associates in English, Spanish, French and Mandarin.
- Format is simple, interactive and engaging.
- Provides real life answers to the most historically asked questions.
- Links to reporting resources and other compliance material (i.e., FCPA policy, hotline numbers, etc.).
Business Code of Conduct & Ethics

Letter from Frank Blake sets a clear example of Home Depot’s Tone at the Top

Establishes Home Depot’s commitment to conduct business in ways that align with the core value of ‘Doing the Right Thing’

Reiterates the importance of speaking up if an associate has concerns
Business Code of Conduct & Ethics

TABLE OF CONTENTS

INTRODUCTION
1.... Our Core Values
2.... Complying with the Code and the Law
2.... The Open Door Policy
2.... Zero Tolerance for Retaliation
2.... Waivers to this Code
2.... Getting Answers to Your Questions or Reporting a Concern

DOING THE RIGHT THING
FOR OUR CUSTOMERS
8.... Anti-trust and Fair Competition
9.... Confidentiality, Privacy and Information Protection

DOING THE RIGHT THING
FOR OUR SHAREHOLDERS
10.... Protecting the Company’s Assets and Intellectual Property
10.... Insider Trading
11.... Financial Integrity and Reporting
11.... Records Retention

DOING THE RIGHT THING
FOR OUR COMMUNITIES
12.... Environmental Responsibility
13.... Political Involvement
13.... Government Contracting
13.... The Foreign Corrupt Practices Act (FCPA) and Anti-Bribery

Contains key policies to protect our associates and our shareholder value:

- Open Door Policy
- Zero Tolerance for Retaliation
- Conflicts of Interest
- Gifts & Entertainment
Awareness Tools

Annual Open Door Policy Training

The Open Door Policy creates an atmosphere that encourages associates to:
- Voice concerns,
- Express doubts,
- Ask questions and
- Offer suggestions about workplace issues

To reinforce the importance of the policy, Corporate Compliance executes an annual web-based training for all managers and above.
Awareness Tools

Zero Tolerance for Retaliation

The policy protects associates who report a suspected wrongdoing. It is every associate’s responsibility to raise good faith concerns including suspected violations of the Code, Company Policies or the law.

Whistleblower Hotlines

Hotlines provide associates and vendors with a channel to report situations they are aware of that conflict with Home Depot’s core values. Callers may remain anonymous.

**Associate AwareLine:**

**Associate Badges:**

Reminder of available resource

**Supplier AlertLine:**

Information provided by callers into the whistleblower lines sometimes leads to internal investigations. Examples include:

- Conflict of interest allegation with a Merchandising VP and a potential supplier - unsubstantiated
- Conflict of interest allegation in the hiring process followed for a candidate whose relative was already a THD associate – changes made within the organizational structure
Conflicts of Interest

A conflict can occur when your private or professional interests interfere in any way – or even appear to interfere – with the interests of the Company

Q: I want to start my own hardwood floor installation company while working my full-time job with The Home Depot. Is this allowed?

A: No. Since Home Depot offers hardwood floor installation to our customers, this would create a conflict of interest between your personal interest and those of The Home Depot.

Q: Sharon’s sister, Peggy, is a representative for a Home Depot vendor. Should Sharon report this relationship?

A: Yes. Most likely this relationship will not create an issue and no changes will be necessary, but to avoid a conflict of interest, Sharon should inform her manager or Corporate Compliance.
Scenario – Code of Conduct Issues

An anonymous tip leads to an investigation of an alleged inappropriate relationship between an Officer within Home Depot’s Merchandising organization and a supplier representative. The supplier’s company sells products in the categories led by the Officer.

An investigation confirms the relationship, which directly conflicts with the Business Code of Conduct & Ethics; however, further analysis shows that there was no negative impact to the business due to the relationship.
Scenario (Continued)

What would you do in this situation if you were the boss?

A. Coach the Officer on the Business Code of Conduct & Ethics Conflict of Interest policy, but allow the Officer to maintain his position

B. Move the Officer to an area of responsibility that does not have ownership for decisions related to the supplier in question

C. Do nothing - You do not see anything wrong with the relationship since there was no negative impact to the business

D. Terminate the Officer for the lack of transparency with the relationship

67%
33%
0%
0%
Gifts & Entertainment Policy

The acceptance of gifts and entertainment from current or potential suppliers, vendors or service providers can cause a conflict of interest or give the appearance that you put your personal interests ahead of Home Depot’s best interest. Home Depot has a zero tolerance policy for receiving unsolicited gifts and entertainment.

Examples of gifts and entertainment include:
- Meals
- Tickets to sporting events
- Discounts not available to the general public
- Gift cards
- Wine or alcohol

Q: A vendor offered me tickets to a baseball game. Can I accept?

A: No. This would violate Home Depot’s zero tolerance policy for accepting gifts from vendors or service providers. Let the vendor know about the gift guidelines and decline the tickets.

Q: May I accept a gift from a vendor as long as it is below $25?

A: No. There is no dollar amount for receiving gifts. You may only accept mementos paid for by vendors as recognition for service provided the award has no intrinsic value.
Scenario – Code of Conduct Issues

Home Depot received an anonymous allegation, which stated that a Merchant in the Flooring Department was accepting kickbacks in return for giving unwarranted business to suppliers.

An investigation confirmed that the Merchant was purchasing excessive volumes of poor-performing products that were negatively impacting the inventory position of the category.
Scenario (Continued)

What would you do in this situation if you led the Merchandising organization?

A. Partner with federal authorities to complete a thorough investigation and ensure that all guilty parties are handled appropriately

B. Develop enhanced controls to limit Merchants’ buying authority

C. Use the situation as a coaching point for the entire organization including the supplier community to prevent future fraud

D. Establish a “Zero Tolerance” Gift & Entertainment policy for what is acceptable in relationships between Merchants and suppliers

E. All of the above
Annual Compliance Training

**Web-based**
- Web-based training for store associates and Store Support Center (SSC) new hires
- Sets immediate tone with new associates on the Company’s culture and expectations of ethical behavior
- Always available on Company intranet as a reference tool

**In-person**
- Train ~2,300 high-risk associates annually
- High-risk groups include associates who:
  - Have significant buying authority and/or vendor relationships
  - Have access to proprietary, sensitive data
  - Work in remote locations and may have more opportunity to make decisions on behalf of Home Depot
- Scenario-based
- Interactive
- Officer of the business area kicks off the training to show their support

**Certification**
- All trained associates have to complete a survey to identify their potential conflicts of interest
- Additionally, all Officers have to certify their potential conflicts annually
Quarterly Ethics Update

Internal newsletter highlighting examples of actual AwareLine, AlertLine and other ethics issues. Examples provide details of the situation, how it was handled and the final outcome.

- Gives associates real examples of ethics-related situations that have occurred across the Company.
- In situations where an associate made a bad decision, shows that the Company takes the right actions to align with the core values.

- Posted quarterly on Company intranet.
- High download rate shows associates' interest.
- Provides reminders on key compliance and ethics information.
- Reminds associates to raise concerns through available channels.

The Home Depot was founded more than 30 years ago with a set of core values that includes "Doing the Right Thing". By making ethics completely transparent, we can be a leader in ethical standards for our associates, our customers and our shareholders. If you become aware of conduct that may be illegal, unethical, in violation of Company policy or simply contrary to our values, please share your concerns with your management team, contact the Associate Advice and Counsel Group at 1-866-560-7497 or call the AwareLine at 1-800-236-4600, where you may remain anonymous. Listed below are real situations in which an associate voiced their concern and received guidance.

**Alert Associate Recognizes Safety Risk**

A new associate observed a customer hurriedly loading several bulky items onto their truck and approached to offer assistance. The associate explained their concern that loading might cause instability and offered to help.

The helpful associate understood specified training was required before securing loads in or on customer vehicles. They notified a manager and sought assistance from a trained associate to ensure the merchandise was safely secured.

**All in the Family**

A supervisor learned his brother-in-law accepted a management position at a local paint and hardware store. Realizing the store is a competitor, the department supervisor discussed the situation with his manager.

By being transparent and disclosing the relationship, the store manager was able to offer guidance and remind the supervisor the importance of avoiding potential conflicts of interest.

**Caught in the Act**

A cashier was observed allowing a customer to exit the store without paying for several big ticket items. A concerned associate notified management and called the AwareLine.

A review of CCTV and POS systems confirmed the allegation and additional investigation revealed the cashier had been assisting their friend with similar thefts for several months. The offending associate was terminated and the reporting associate was awarded $1,850 through the Asset Protection Award Program.

**Treasure Hunt**

A Lot Associate overheard a frantic customer tell the front-end greeter they had lost a money bag in the parking lot. Without hesitation, the associate searched, found and returned the missing bag, which contained $10,000. The customer was overwhelmed with joy and grateful for the honesty of the Lot Associate.

This is a perfect example of doing the right thing even when no one is looking and establishing an emotional connection with our customers. Instead of waiting for direction or keeping some of the cash, the associate took immediate action in helping a customer in need.

"The time is always right to do the right thing" - Martin Luther King Jr.
Monthly Internal TV Slides

Slides are featured on TVs in elevator areas throughout the SSC. Highlight examples of actual AwareLine, AlertLine and other ethics issues. Gives associates guidance on how to handle situations they may face.

Gifts & Entertainment

Conflict of Interest

**Question:** I’ve been asked to join the board of directors for an organization in which I’m involved. Do I need to tell anyone?

**Answer:** Yes. To prevent a conflict of interest or even the appearance of a conflict, tell your manager or Corporate Compliance.

See myApron > myCompany > Corporate Compliance > Business Code of Conduct and Ethics
Annual CEO Communication

Frank Blake distributes memo to all associates about available resources should they be aware of conduct that is contrary to Home Depot’s values

Internal Communication

from Frank Blake

Date: November 26, 2012
To: All THD Associates
From: Frank Blake, Chairman and CEO
Re: Our Commitment to Ethics and Core Values

As part of this week’s celebration of Corporate Compliance and Ethics Week, we are reminded that each of us has a responsibility to do the right thing every day through our interactions with each other, our customers, our shareholders and the communities we serve.

As we continue to embrace our corporate values and adhere to the highest ethical standards, I want to make sure you are aware of the tools in place to help you. If you become aware of conduct or activity that you perceive as being contrary to our values and culture, I hope you will share your concerns through any of these options:

- Speak with your immediate manager or supervisor
- Call the 24-hour AwareLine at 1-800-286-4909, where you can remain anonymous if you choose
- Contact the Associate Advice and Counsel Group at 1-866-myTHDHR (1-866-686-4347). Available for US mainland associates only
- Contact the Corporate Compliance team at 770-433-8211, ext. 14098 or e-mail at corporate_compliance@homedeport.com
- Consult the newly revised Business Code of Conduct and Ethics, located at myApron> My Company>Corporate Compliance

Working together, I know we can continue to do the right thing for our business and each other. Thank you.

This message is intended for an internal audience only. Do not forward outside the Company.

AwareLine
- Whistleblower hotline available to all associates 24 hours a day
- Associates can remain anonymous
- 1-800-286-4909
Compliance & Ethics Week

Annual event features multiple activities to promote awareness of the importance of Compliance & Ethics in our business

• CEO memo to all associates, distribution of apron pins, sensitive document “housekeeping” event
• Main event is a guest speaker presentation and discussion about ethics in business. Examples of past speakers include:
  • Danny Wuerffel – Heisman Trophy Winner (1996), University of Florida
  • Aaron Beam – HealthSouth CFO who participated in corporate fraud
• Award winners
  • Nominated by Company Officers for inspiring integrity
  • Travel accommodations provided – first opportunity for most to go to the SSC
  • Recognized by CEO – significant milestone in their Home Depot career
  • Featured on internal website with details about their inspiring story