

TRANSCRIPT

DELL - Dell Technologies Inc Corporate Sustainability Investor Call

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CORPORATE PARTICIPANTS

Hall Butler Dell Technologies Inc - Senior Director, Investor Relations

Cassandra Garber Dell Technologies Inc - Vice President, Corporate Sustainability and ESG

Alyson Freeman Dell Technologies Inc - Customer Innovation lead

PRESENTATION

Hall Butler - Dell Technologies Inc - Senior Director, Investor Relations

Hello, everyone, and welcome to our Fifth Annual Investor Call covering Dell Technologies' Corporate Sustainability. I'm Hall Butler, Senior Director of Investor Relations here at Dell and we appreciate you joining us.

We've posted a copy of today's presentation on our IR website and the slides are intended to follow our conversation. All statements made during this call that relate to future results and events are forward-looking statements based on current expectations.

Actual results and events could differ materially from those projected due to a number of risks and uncertainties, including those discussed in our periodic SEC reports. We assume no obligation to update our forward-looking statements.

Today, we will start with some prepared remarks and then we'll take questions. (event instructions)

On the call, I'm joined by Cassandra Garber and Alyson Freeman. Cassandra is our Vice President and Head of Corporate Sustainability and ESG, which for us at Dell also includes philanthropy. Alyson leads customer innovation within our corporate sustainability and ESG organization. He holds a PhD in materials science and engineering with a focus on semiconductors and was previously a product manager in our Infrastructure Solutions Group.

Moving to our agenda, slide 4. I will provide a brief update on corporate governance and our board. Cassandra will review our sustainability, strategy, and governance; our ESG priority areas, goals, and progress; and talk about our end-to-end approach to sustainability. Alyson will cover sustainable data centers, which remains an important investor topic given AI, then we will highlight some of the recent recognition we've received as a company and take your questions.

Moving to slide 5. Last year, we made several enhancements to our governance and Board structure based on investor feedback. We established a lead independent director role with robust responsibilities. Our Board's independent directors have elected Ellen Kullman to this role. All of our Board Committees are completely independent following the reconstitution of the Nominating and Governance Committee and the establishment of a separate Compensation Committee. You can see a high-level summary of our Board and Committee responsibilities in the appendix on slide 19.

We also continue to enhance our proxy statement disclosure in key areas, including corporate governance and stockholder engagement informed by input from our stakeholders. And as a reminder, this builds on other positive changes made in recent years. The addition of two of our last three independent directors enhanced our mix of leadership and experience along with gender and racial representation.

Board independence has increased to 75% with the majority of our Board six of eight members independent, including the last three directors that have been appointed. Additionally, one of our independent Board Members has elected solely by Class C stockholders. Currently, that is Ellen Kullman and you may hear us refer to her as our Group Board Director in addition to Lead Independent Director.

Finally, we have a declassified Board, so all directors stand for election every year. We believe our current Board is composed of directors with a strong mix of skills and expertise, and we'll continue to evaluate our Board structure to ensure it effectively supports our efforts to drive value creation in the interests of our shareholders.

Our governance is informed by a number of sources, including institutional investors and various advocacy groups. During the latest off-season and proxy engagement cycles, IR, along with Cassandra's team, engaged with many of our top holders as well as advocacy groups to answer their questions regarding our governance, compensation, and ESG practices and disclosures. Going forward, we will continue to collect their feedback for future enhancements.

With that, let's move on to sustainability. Over to you, Cassandra.

Cassandra Garber - Dell Technologies Inc - Vice President, Corporate Sustainability and ESG

Thank you, Hall, and hello, everyone. We appreciate everyone who is joining us today for this conversation. Before I share an overview of our sustainability and ESG strategy and goals and our progress, we thought it would be helpful to remind you of our operating model and our governance and this important topic.

We've talked previously of how governance is foundational to our sustainability strategy. This has become even more important, continues to increase in its importance as we prepare for evolving regulations and reporting requirements. We continue to receive more requests from stakeholders for data and guidance and addressing regional nuances as well.

Our governance framework has played a crucial role in ensuring collaboration and alignment as well as innovation across our material topics across our company. Those material topics are the ones where we can have the greatest impact. It also allows us to track progress centrally more easily so it's already helped us navigating risks and realizing opportunities as a company.

The same governance framework incorporates ESG goals and metrics into the company's overall strategy and our overall operations. Our Board of Directors oversees the establishment and maintenance of our governance in this space. At the center of this chart, our ESG steering committee and ESG interlock team develop, manage, and measure ESG strategy and performance.

Our ESG governance framework ensures a central point of control, communication, and decision making, which strengthens our ability to add long-term value, minimize risk, and drive societal progress. These governance bodies are composed of members from business unit teams and corporate functions, all across Dell and they create an integrated perspective and an integrated approach to ESG.

They include representatives from teams such as sustainability, human resources, giving and social innovation, security, ethics, privacy, supply chain, government affairs, internal audit, legal, Investor Relations, and accounting, just to name a few. Both the ESG steering committee and the ESG interlock team have distinct roles and aligned to how we manage risk in the company.

Our steering committee sets and leads our annual ESG strategy under the supervision of our leadership team. They oversee gold progress. They provide progress updates to the Board of Directors and monitor regulatory updates to ESG requirements.

Our interlock team enables the execution of our ESG strategy. They stay informed on key risks, emerging trends, and stakeholder priorities and they influence decisions that could impact the company's ESG strategy. We've continued to evolve the responsibilities of these governance bodies to match our growing ESG efforts and to follow the emerging trends in this space.

So as you can see on this slide, interlock members also serve as a conduit to other councils and/or stakeholder groups to ensure alignment across the entire company. It helps us connect dots across our different business units, our regional leaders, and it allows members to exchange insights and remain informed of the key risks, emerging trends, and our priorities.

This model has been effective in helping to provide clear lines of responsibility and accountability for ESG work. It's helped reduce the duplication of efforts and has enabled a consistent approach across different departments and business units, which is leading to increased efficiencies, cost savings, and ultimately impact.

It's helped to strengthen our stakeholder relationships and it's improved our reporting and transparency by ensuring that ESG data is collected, analyzed, and reported consistently and accurately, enhancing our transparency and credibility with stakeholders. Our corporate sustainability ESG leadership regularly provide the Board of Directors with updates on progress against our ESG goals and initiatives to support the integration of ESG measures with the company's overall business strategy.

Lastly, reporting is, of course, also key to accountability. We remain committed to reporting on ESG metrics that matter most to our stakeholders, and we have also proactively sought opportunities to support initiatives to standardize reporting across the industry and beyond. Our teams are also actively preparing for upcoming changes to international reporting. Additional details, including our consideration of internationally recognized frameworks and guidelines as shown on the slide here can be found in our FY24 ESG report.

With that, let's discuss our sustainability and ESG strategy. We are in our 40th year of Dell Technologies, and although technology has advanced significantly, our core purpose has not changed. We are committed to creating technology that drives human progress.

Our focus as a company is to drive impact for the planet and to support sustainable, inclusive, and digitally equitable communities where we live and work and our stakeholders anticipate our contributions to addressing environmental and societal issues alongside our leadership in technological innovation and supporting their business success.

When we talk about sustainability and ESG at Dell, we are describing how we operationalize, measure, and report on the set of goals and criteria we've set up to achieve this very vision. As you can see on this slide, there are no major updates to our strategy this year, but it is important to acknowledge that we are in the era of AI. Even though the energy requirements for substantial AI operations are significant, we remain optimistic about what lies ahead.

AI has the capacity to accelerate human progress and help us to tackle some of the world's most complex challenges. Many of these challenges existed previously such as climate change, our collective energy consumption, e-waste, and enabling access to technology for all to ensure that no one is left behind. However, AI has propelled some of these gaps as well as potential solution to the forefront.

Almost 6 in 10 customers tell us, they think AI will compromise our environmental sustainability efforts, and many customers tell us they are not sure where to focus. So the intersection of sustainability and AI is a key focus area for us. And as we continue our journey to meet our ambitious goals and help customers meet theirs, part of our continued responsibility will be to do our part to ensure that the application of AI is as beneficial to people and our planet as possible.

As you can see on this slide, we've organized our work across the six key topics where we have the largest opportunity to drive meaningful change. We call these our priority impact areas. These areas are spaces where we are pooling our resources, our talent, technology, partnerships to create lasting, meaningful change. These impact areas include taking action on climate change. This means supporting the net-zero transition on the path to a climate resilient society. This has always been a key priority for us, but I alluded to it a moment ago the challenges and potential in this space has grown significantly as we explore both the impact of AI on energy use and the opportunities AI may bring to help us address climate change.

Accelerating the circular economy, eliminating the concept of waste, redesigning, reusing, and recycling our way to a better future remaining a priority for our company. Creating an inclusive workforce, driving culture, diversity and inclusion, inclusion to attract, retain and develop Dell's current and future workforce.

Championing digital inclusion, connecting underserved and underrepresented groups to skills and resources, delivering the benefits of technology for all. This is another area where we have been focused for a while, but continue to see opportunities for the role of AI in driving human progress.

Equally, as we help enable the digital transformation of our customers, we also want to make sure that everyone has access to the AI tools and skills that they need to participate in our digital society so that we are not exacerbating an existing digital divide.

Fostering trust in everything we do is core to who we are and how we deliver technology and solutions, which drive business and society forward. This area is particularly important as we think about responsible AI and the role trust plays. We continue to prioritize our work in this space, and we'll communicate updates when we have more to share.

And human rights, upholding and advancing respect for the fundamental human rights of all people. This spans our partners, our supply chain, our customers, and beyond and remains a priority for us. Our goals also remain the same as last year where we condensed our goals from 25 to 9 so we could focus our work on where we have the greatest responsibility and opportunity to affect change.

In the last slide, I shared an overview of our interlock steering committee and our governance model but this last column shows some examples of our broader roles as a team. We continue to receive great feedback internally and externally for our model and our approach. A few recent examples of how we are collaborating across the organization to show up for our stakeholders include our presence and how our sustainability was woven in across Dell Technologies World in May, a collaborative development of our annual ESG report, which begins months ahead of publication, plus many of the customers, partners, and analysts we engage with on a regular basis.

With that, let's move to the next slide. A few weeks ago, we published our FY24 ESG report. Our annual report, which we compile with input from across the organization. The report is how we hold ourselves accountable and share progress against our commitment to create positive social and environmental impact for our business, people, and the planet.

Despite our strategy, focus areas, and goals remain the same, for FY24, we transitioned the report to a more disclosure-oriented format as we prepare for growing ESG regulations and the evolving reporting expectations from our customers and other stakeholders. We are making steady progress towards our 2030 and beyond goals. We knew that our goals were ambitious when we set them but we remain committed to driving positive impact, and we are working across the organization to look at ways to accelerate our progress.

I'd like to take a moment to highlight some of the progress we are making. In FY24, 61.5% of electricity used across all of Dell Technologies facilities came from renewable sources. This is up from 59% in FY23. By 2030, we aim to source 75% of our energy from renewable sources with an extended goal to reach 100% by 2040. We continue to close in on our packaging goal.

In FY24, 96.4% of packaging across our entire product portfolio was made with recycled or renewable materials. We aim to reach 100% by 2030. In FY24, we used over 43.09 million kilograms of recycled and renewable materials in products compared to 39.8 million in FY23.

This equates to around 14.1% of our products. Our goal is that by 2030, more than half of our product content will be made from recycled, renewable, or reduced carbon emissions materials. We were recognized for our DEI efforts and achieved a top score as a Best Place to Work from the Disability Equality Index.

To date, 396 million people have benefited from our digital inclusion programs, partnerships, and innovation since FY20. This number includes the additional 106.8 million people benefiting from our programs in FY24. We were also recognized as one of the World's Most Ethical Companies by the Ethisphere Institute for the 12th time.

Additionally, another thing we talk about a lot in ESG is the power of partnerships and the power of collaborative effort to drive collective impact. We are proud to share that in FY24 alone, Dell team members delivered 949,000 volunteer hours, an impressive number.

Before I hand over to Alyson, I'd like to share a little more about our end-to-end approach to sustainability, and we'll move to the next slide. Sustainability is woven throughout our business operation. It influences how we design our products and innovate more energy-efficient data center solutions and shapes how we help our customers meet their business and societal impact goals.

It's not new. It's something we have been doing for a while, and it includes all parts of our organization. In fact, our Chief Operating Officer, Jeff Clarke, published a public blog about our approach recently and shared how we found that this approach is an important foundation to build on as we seize the AI opportunity ahead.

Our end-to-end approach to sustainability is similar to how we bring end-to-end IP solutions to our customers. The back end is what I just shared with you and a bit more. It's how we integrate and operationalize sustainability as an organization internally and within our ecosystem.

It's our strategic plan and priority areas, our reporting and internal tools and training for team members. By embedding sustainability into our robust operations and supply chain, we create a foundation that enables us to drive sustainable materials innovation with our suppliers and product design teams. It's how we drive cross organizational collaboration to meet upcoming regulations and reporting requirements.

The front end is most simply our offerings. Sustainable products and services and the way in which we engage and support our customers to meet their sustainability goals from our sustainable data center solutions to the low emissions aluminum in our AI PC and our multi-pack shipping options to reduce emissions and waste.

Beyond our products, it's the conversations we have with our customers and partners about their sustainability needs. How we help them to identify the ways they could be more efficient. This might be in general account manager conversations or in dedicated councils, forums, and regular touch points.

The front end includes our recycling and recovery services for the responsible retirement or reuse of systems and the reduction of e-waste, but Dell APEX and as-a-service solutions for more flexible IT management. All these solutions can help customers and partners reduce the overall emissions of IT operations. This also includes our sustainability training resources for sales teams.

And finally, we combine the back end and the front end to deliver collective impact alongside our partners and communities. Beyond our internal efforts, Dell drives collective impact through technology, skill building, community networks, and innovation. By partnering globally and locally, we can scale our positive effects on industries, communities, and society.

Feedback from customers and partners has been extremely positive. Many appreciate our holistic approach to sustainability. As we talk with customers about our front end portfolio, they're increasingly interested in sustainable data centers.

The rising energy costs and diverse stakeholder demands are forcing organizations to adopt more sustainable IT practices. Digital transformation and a sustainable transition do not need to be either/or decisions. And as our customers explore the possibilities of large workloads like AI, we are helping customers lean in with sustainable data center offerings.

So now let me hand the mike over to Alyson for my team to share a little more on our approach in action and how that shows up in our sustainable data center offering.

Over to you, Alyson.

Alyson Freeman - Dell Technologies Inc - Customer Innovation lead

Thank you.

As Cassandra mentioned, at Dell Technologies, we use our end-to-end approach to sustainability, deeply integrating into our back-end operations, and supply chains while collaborating closely with team members, partners, and suppliers on the front end to tailor sustainable solutions.

Our AI solutions are a great example of this end-to-end approach in action. It enables AI performance while reducing environmental impact by leveraging energy-efficient technologies to help ourselves and our customers achieve their sustainability and impact goals. So let's talk a little bit more about exactly how we do that and what that looks like on the next slide.

We've grouped all the ways we help customers achieve better AI outcomes for business and the environment into three main areas: insights, efficiency, and circularity. So under gaining intelligent insights. Here, we can achieve cost efficiency and lower emissions and deliver breakthrough innovations with data-driven and actionable insights.

And I'd like to highlight just a few programs that we have to help customers make informed decisions around the data center. One is our ProConsult Advisory Services. Here, we can access customers, data centers, and deliver a strategic plan to achieve efficiency and lower emissions.

With these advisory services, we enable them to chart a clear digital destination to enable real business and IT outcomes. And the way we do that is we start -- we assess the customer's current state. We work to align all the stakeholders and identify the steps needed to close the gaps and create the actionable next step. Our approach includes technology and people and process, which accelerate [cloud] platform delivery, enhances workforce experiences, and ensures business resilience.

In addition to these advisory services, we also have a get efficient assessment. If customers are looking for more directional insights rather than a full fledged service, this is a great way to understand how current energy consumption and subsequent cost can be reduced by leveraging the latest line of products in the Dell Technologies portfolio.

And yet another way we use data to help make informed decisions is through our AIOps insights. Our software stack delivers the real-time data and controls needed to observe servers across all locations to track and forecast energy emissions enterprise-wide.

So the tracking and forecasting includes identifying the highest energy consuming and emissions generating servers across our enterprise. And then we can also forecast energy and emissions at the fleet server and workload levels. AIOps can help you automate power and thermal management in real-time using telemetry data.

With that, we can do things like reduce power consumption and off-peak time, set and enforced power consumption policies either for server, for racks, or for group or location. And we can also cut power consumption and servers aren't in use or for servers without sustained high usage or even capping servers base on workload types. These are all ways insights can help you save energy. We can also identify potential issues earlier on servers and racks. So we can shut down or repurpose zombie or underutilized servers and discover those performance bottlenecks and tune resources efficiently.

Those are just a few of the examples for how we can use data to make informed decisions. And we want to, in a second group, lowering energy and cooling cost. We can deploy rightsized AI models and energy-saving techniques to optimize efficiency and reduce energy and cooling costs. So it always go hand-in-hand.

For improving energy efficiency, our products are designed to be more efficient and less energy intensive. So we can utilize high-capacity systems with advanced compression and de-duplication to help minimize waste.

An important part of any discussion about sustainable AI and operational efficiency is talking about the AI model types. There are lots of opportunities for efficiency here that can ultimately lower energy and cooling costs. While there was a rise to build larger LLMs, we're now seeing a rise in domain-specific and enterprise-specific models, and these are smaller.

So despite AI's decades-long history, generative AI remains relatively new, and there's still ongoing exploration into optimizing these models. Model augmentation gained momentum in 2023, marking a shift in interest, essentially integrating rich domain-specific data into these models, yield superior results compared to relying solely on the massive models that can lack contextual relevance to unique needs and operational efficiency. So it's really crucial to consider the model size, user base, and architecture type to determine the necessary infrastructure. You want to make sure you have that operational efficiency optimized.

Also in this bucket, we think about implementing thermal and cooling technologies. We collaborate closely with our OEM team to develop cooling option suitable for various scenarios. Our cooling solutions encompass air, immersion, and liquid cooling methods, and each of those are designed to address different requirements. That's why it's important to have cooling solutions across the full spectrum of how data centers operate today, so we can address energy efficiency in any situation.

The hardware itself is optimized for component cooling with advanced thermal controls where we -- fans keep air flowing while the chassis design should also help protect components from the hot air. On the liquid cooling side, our direct liquid cooled servers, enhance energy efficiency and performance for AI and HPC workloads.

These liquid cooling technologies used a closed-loop system to manage the heat, allowing higher compute density and lower fan power. And on top of all of that in this third column here, you also have to think about the transition to AI with circularity in mind. We have to ensure responsible use and retirement when you're upgrading to these new and more sustainably made technologies.

Two components to think about there, refreshing responsibly. Dell has over 25 years of recovery and recycling experience. We can help customers retire their IT equipment securely and sustainably and unlock that value that can be put towards future innovation.

We offer services to take back data center equipment and PCs to regardless of the brand and advancing sustainability isn't just thinking about the one product that you're buying, it's a little more holistic than not. It's about thinking through your broader environment and making sure you rightsize your investment in a way that allows you to reach your AI goals in a sustainable way.

With our take back and refresh services, there's four key areas that we prioritize: data protection and security. We sanitize devices offsite at our facility. And if not successful, we physically destroy the drives to prevent data recovery. All of our processes are in alignment with NIST standards data sanitation requirements.

We also focus on partner management, rigorously vetting, auditing, and holding partners accountable to the highest ethical environmental standards. And we also look at value recovery and environmental compliance. In 2009, we became the first in the industry to be in the export of non-working electronics and e-waste to developing countries.

And last but not least, we want you to focus on choosing more sustainable hardware and devices. It is really important to allow third parties to be the judge of how sustainable something is. International ecolabels guide us in making decisions about reducing the environmental impact of our product.

EPEAT is a well-known name in this space and helps guide the industry with stringent criteria for climate, circularity, transportation, energy efficiency, and other things and recently EPEAT launched a new program called EPEAT Climate+. This program focuses on reducing greenhouse gas emissions and achieving net zero, and Dell is one of the first EPEAT Climate+ champions, and we have over 200 products meeting that criteria today. In addition to EPEAT, we also work with Energy Star, which is well known. Many of our products across the portfolio meet Energy Star criteria. And we're the only manufacturer to have Energy Star on [Reddit] networking product.

In addition to those, we work with 80-plus TCO and the China Environmental Label Program. All of this helps our industry align to an industry standard to reduce our impact wherever possible.

Cassandra Garber - Dell Technologies Inc - Vice President, Corporate Sustainability and ESG

Speaking of third parties, Alyson, I want to wrap this up by just touching on some of the awards that we've received in FY24. Recognition for efforts in this base reflects our commitment to sustainability and driving environmental, social, and business impact. It highlights areas of excellence and areas where we will continue to enhance our performance. Our recognition over the past year include the EcoVadis platinum medal, Ethisphere's World's Most Ethical Companies for the 12th time, top 10 and Fortune America's most innovative company. We were recognized by the World benchmarking alliance for digital inclusion efforts and we were also recognized as winners in Gartner's Annual Power of the Profession Supply Chain Awards. Again, more details on these awards and others can be found in our FY24 ESG report.

And with that, Hall, I think we can open up for Q&A if we have any.

QUESTIONS AND ANSWERS

Hall Butler - Dell Technologies Inc - Senior Director, Investor Relations

Thanks, Cassandra. And thank you, Alyson. As a reminder, there's a ton of great information and a lot more detail as Cassandra mentioned in our annual ESG report. And you can find that on dell.com as well as our IR website. There is also additional content in the appendix of today's deck.

(event instructions)

So let's go to the first question, this one will be for, Cassandra you're probably best positioned to answer. This one is about scope. It's a one of one investor question about Scope 3 goals and energy impacts of AI. So there have been a lots -- there have been lots of headlines about challenges of meeting Scope 3 goals in the current environment. How are you thinking about the energy impacts of AI? And how have your goals evolved to recognize these realities?

Cassandra Garber - Dell Technologies Inc - Vice President, Corporate Sustainability and ESG

Yeah, this is a great question from someone who's clearly following both AI and greenhouse gas accounting these days. So SBTi did validate our Scope 3 goals back in FY23. And we have adjusted our approach to emissions reduction goals overall based on that.

Importantly, our previous goals were intensity targets, not absolute targets. So to ensure we're setting goals that are not only appropriate for the size and the scale of our business, but also met the Paris Agreement targets. We wanted to set goals that are based on absolute emissions and that way also they could be SBTi validated. So that was an important change for us, quite frankly.

What we've done for our CAT 1 and category 11 goals achieves both of those objectives. So we believe absolute goals are more transparent. They allow us to hold ourselves accountable to our goals and our stakeholder commitments. They're not reliant upon other factors such as sales or volumes, which is really important in this space right now. And honestly, we wanted to demonstrate that we're committed to reducing our absolute emissions regardless of shifts in our business results. So that decoupling is really important. In order to affect the change our planet needs, we also felt we had to have these absolute emission reduction goals that just frankly at the end of the day is what this is about.

As for AI's impact on our goals, AI is without a doubt, transforming our industry, it is transforming our business, it is transforming society. It has a potential to make significant advances on key environmental issues. So we remain committed to our goals, but AI is forcing us to revisit our programs as we always do with any other environmental and industry changes.

I do have some stats here. I mean, according to a recent Goldman Sachs Intelligence Report with data centers making up 8% of total US power demand by 2030 from about 3% -- moving from about 3% currently, AI takes about 20% share of the total data center power demand. That same study found that AI innovations increased computing speed and max power consumption per server, which represents meaningful reduction in power intensity. So this comes back a bit of what Alyson was sharing. The key lies in rightsizing AI solution. It's not just about adopting the most advanced AI, but tailoring it to fit the specific needs of each customer. This avoids unnecessary computational waste and importantly in this conversation, an excessive energy consumption.

So for us, I mean, we're doing what we can to help manage AI's impact right now, our customers -- we are having lots of conversations with our customers about this. Customers should transition towards a sustainable data center. That's why we put that on the agenda today to talk about because this is really, really key.

This means implementing energy efficient hardware configurations, environmentally responsible cooling methods, insights from management software tools, responsible retirement of older obsolete systems, all the things that at Alyson just walked us through.

And importantly, often energy efficiency can be augmented through just better observation, better observability and control of infrastructure using telemetry, AI again and of course, automation. So these are the kinds of actions we're talking about with our customers. These are the kinds of things that can optimize data center performance and importantly, reduce emissions.

I'll just also mention quickly, a customer should also explore powering data centers with renewable energy like solar or wind organizations that -- working with solar or wind organizations because prioritizing Gen AI and adopting a rightsizing approach, we can leverage the benefits of AI, but well powering them in a renewable way, we can, of course, be working towards a more sustainable future at the same time.

So as we continue this journey for our goals and importantly, helping our customers meet theirs, which is obviously core to our strategy, being a part of our continued responsibility to ensure that the application of AI is as beneficial to people and planet is really, really key and absolutely important from a Scope 3 greenhouse gas emissions standpoint.

Hall Butler - Dell Technologies Inc - Senior Director, Investor Relations

Thank you, Cassandra. We have a question here on the queue about e-waste. So maybe this one -- you can take this one, Alyson? Where can I learn more about the e-waste and data center removal services?

Alyson Freeman - Dell Technologies Inc - Customer Innovation lead

You can get more information at dell.com/recycle. There's a lot of great information on that page, but right at the top, there's a button that says recycle now next to get started, and that's your best first place to go.

Hall Butler - Dell Technologies Inc - Senior Director, Investor Relations

Thank you, Alyson.

So this is also a shorter question. Let's go to you for this one, Cassandra.

Where can I find more information about Dell's diversity goals and purpose?

Cassandra Garber - Dell Technologies Inc - Vice President, Corporate Sustainability and ESG

Yeah. First, let me start by saying diversity and inclusion remain important at Dell. Michael himself chairs our Global Diversity Council, which provides our direction support oversight of our inclusion initiatives across our company. The best place to find a comprehensive overview of our commitment diversity is, of course, in our annual ESG report, which we've mentioned a number of times. That will give information about our global workforce based on -- organized based on how our company is structured.

But I will share that later this year, we will begin to disclose our consolidated EEO-1 filing, so that provides information about our US workforce demographic data. And it's a document that is based on EEO-1 job categories. So that doesn't exactly organize with how we categorize our employers, which is why our ESG report provides a clearer picture of our diversity in our company.

So hopefully, that helps.

Hall Butler - Dell Technologies Inc - Senior Director, Investor Relations

Yes, thanks, Cassandra.

So we have another -- we have a question here about multi-class structure. I will take this one. The question is, are you considering removing the multi-class stock structure or subjecting it to a sunset requirement?

This is one I get a lot. The Board continues to believe that our current structure remains appropriate because it allows the Board and our management team to really focus on long-term value creation for the benefit of all shareholders. The current structure provides leadership and our management team stability and enables long-term focus and also a commitment to a multiyear strategy.

As a reminder, the economic interest of Michael and Silverlake through primarily on the A and B shares, respectively remain aligned with the Class C shareholders, which should support the creation of sustainable long-term value for us, stockholder. In addition, companies with multi class structures are now eligible for the S&P indices.

Let's go to the next question, and this is one for you, Alyson. It looks like maybe someone who is a British origin here. What kinds of sustainability queries are you receiving from customers?

Alyson Freeman - Dell Technologies Inc - Customer Innovation lead

(laughter)

A lot. Sustainability really drives those meaningful conversations and engagements with our customers. Sales is constantly reaching out to us about these types of things. And I would say, first and foremost, we're getting a lot of questions about reporting readiness and regulation, that's top of mind.

And then as always, we get a lot of sustainable data centers, emissions, energy use type engagements related to rightsizing and crewing and tracking sometimes motivated by energy cost, sometimes motivated by sustainability, and then also product carbon footprints.

Customers are asking how can that be reduced? How do you compare them? I think that's closely tied to that reporting readiness and regulations that we get a lot of customers questions about. Those are the big three.

We also see things around product lifecycle and digital inclusion. And occasionally, we get questions about carbon credits or carbon neutral offerings. I would say those are the biggest buckets we get a few hundred sustainability ESG questions from customers every quarter, all around the world. The biggest region right now is EMEA, but we're also seeing a lot of increased questions from North America and APJ.

And those are just the questions that come from customers through sales outlets but we also host sustainability sessions in our customer advisory boards and partner advisory boards and councils. So there's a lot of communication happening on this topic.

Hall Butler - Dell Technologies Inc - Senior Director, Investor Relations

Great. Thanks, Allison.

So another diversity question here, this time related to the Board of Directors. So I'll take this one. How do you think about the diversity of your Board of Directors?

So we feel that our Board is currently comprised of the right mix of directors as I mentioned earlier. When you think about the various set of skills across our director positions and all their expertise in terms of the technology industry, financial literacy, international experience, operational experience. And then when you think about some of their C-Suite roles.

The Board seeks to include highly qualified individuals who meet the same criteria and considers diversity with respect to race, ethnicity, gender, and other attributes and its new director candidate pool to strengthen the Board. Each of our Directors feels empowered to share their unique perspectives in the boardroom to express their opinion, which elevates the level of comp -- discussion and enhances decision making.

We continually assess our Board composition to ensure it has the right mix of skills and experience to support the execution of our strategy. And as Cassandra mentioned earlier, within the business, cultivating a culture of inclusion remains a company imperative.

Okay. Next question. Let's go back to you maybe on this one, Alyson.

How is still addressing the social impacts of AI?

Alyson Freeman - Dell Technologies Inc - Customer Innovation lead

AI is revolutionizing how we live and work, and it will drive unprecedented advances across every domain of human endeavor, education, health care, physics. It will help deliver radical progress and productivity, but we have to work together to ensure AI lives up to that potential by making its application as sustainable and energy efficient as possible.

So as we're trying to enable the digital transformation of our customers, we know we have a responsibility to ensure people are not left behind furthering the existing digital divide. To get ahead of those risks, we're actively integrating Gen AI training into our digital inclusion portfolio and partnerships, which is helping equip people with the skills to safely use and benefit from AI. An example of that is we've been exploring the use of Dell generative AI solution for digital assistance to help students in the Dell student tech crew program secure jobs from a user perspective, a digital assistant can be a more comfortable, flexible environment to practice ahead of a formal interview with hiring managers. And while we're supporting these communities with AI, we can't ignore the environmental costs.

We've talked a lot about that today. We are focused on reducing energy use, but we can also use AI to accelerate climate work. There's a few customer examples that come to mind of where AI can help sustainability. In Australia, we're working with CSIRO, that's the Commonwealth Scientific and Industrial Research Organisation on a new HPC system. At the virga, it's being used for CSIRO research and that research include developing leading flexible printed solar panels, predicting fires, measuring wheat crops, and developing vaccines.

So this HPC system speeds up AI performance and capabilities and helps train large language models within days or hours. And with this Dell and NVIDIA solution, virga will help create scientific breakthroughs using AI while also being both more sustainable and energy efficient than previous generations of clusters.

That's one example of where AI can accelerate climate work. And another one is nature fresh farms. It's a family owned business that shops non-GMO greenhouse grown produce. It collects data from automation in its greenhouses in two locations in Ontario and in Ohio. And it uses AI to analyze diseases and pests within the greenhouse. And the data is checked by their data scientists, and it allows them to make real-time changes to growing conditions, so they can release the good bugs needed to stop the bad bugs. This data is all organized and helps deliver quality within its greenhouses as well as forecasting things like labor management, packing line volumes, and the volume that would be available to retailers across North America.

So we're at an inflection point where this technology is here and we need to act today so that we can minimize the risk and unleash the best of what humans can do. It's critical that we continue to meet communities where they are supporting them with what they need to thrive, whether that's digital literacy, workforce skills, or access to efficient technology to meet basic needs.

Hall Butler - Dell Technologies Inc - Senior Director, Investor Relations

Great. Thanks, Allison.

We have another really long one here for you, but maybe I'll skip to Cassandra to give you a bit of a break here. This is an interesting one about politics and the election. So Cassandra, will Dell continue to prioritize ESG issues given the divisive views leading up to the November US elections?

Cassandra Garber - Dell Technologies Inc - Vice President, Corporate Sustainability and ESG

Yeah, this is not the first time I've gotten this question.

The answer is yes, yes, we will continue to prioritize this work. It's not a nice to have, it's much bigger than that. It's a business imperative. Our customers, our partners are asking for it. That's really at the end of the day, the answer. Companies are increasingly measured not only by their financial performance, but also by their broader contributions to society and we will continue to be at the forefront of delivering on both.

Just to say it again how we started this conversation about our strategy, but our strategy is to use technology as a driving force to not only help businesses adjust to a rapidly changing technology landscape, but to improve the lives of our team members, our customers, our stakeholders through their own opportunities, through our resources, to create a positive change in the world. And so I hope as we talk through everything we've been sharing today, you feel that coming through because that is core to who we are.

Hall Butler - Dell Technologies Inc - Senior Director, Investor Relations

Thanks, Cassandra.

So back to you on this one, Alyson. This is a longer question. So let me see if I can get it all out here one time. What do you think about incentives for AI vendors to adopt cloud-based infrastructure over on-premises solutions given the claims for greater energy efficiency and reduced environmental impact?

Alyson Freeman - Dell Technologies Inc - Customer Innovation lead

That's a good question. This is a discussion I have with customers a lot and any conversation about AI infrastructure decision making should always be underpinned by choice. So optimizing AI workloads to ensure energy efficiency is a shared goal. So it's one that can be achieved with an on-prem approach or a cloud approach, depending on your data needs and your vendor choice.

So on-prem, that provides a scalable and secure environment that simplifies compliance with stringent regulations and addresses data governance and data locality concerns and can deliver high SLA performance and energy efficiency through rightsizing of those data loads that we talked about earlier in the call today.

So it's important that it's tailored to fit the specific needs of each customer so that you can avoid waste. That's applicable whether you're talking on-prem or cloud and accurately forecasting those cloud needs and adjusting capacity if necessary is an important aspect of optimizing AI.

But it's critical that organizations have a choice to determine the right infrastructure for AI based on performance, energy efficiency, costs, security, privacy. Vendor lock-in would ultimately prevent customers from making the optimal choice for their AI needs.

And with Dell that allows customers to retain control over their solutions and it takes a more comprehensive approach to sustainability. That includes addressing both operational emissions and embodied emissions and providing tailored solutions. And we can also help with educating customers about potential risks and hidden costs.

This makes sure customers can achieve their sustainability goals, but also make sure they can have full visibility and control over their solutions. Some of the other advantages mentioned in that question are or what cloud can do? Dell has several strategic partnerships that can allow customers to access those power purchase agreements or PPAs to ensure the use of renewable energy with minimal effort from the customer.

And then I would say finally, the last thing is when you're taking advantage of on-prem compute, you can use Dell's lower embodied carbon in our products because we're using recycled materials and we have an emphasis on low emissions manufacturing.

Hall Butler - Dell Technologies Inc - Senior Director, Investor Relations

Great, Alyson. Thank you.

So back to you to Cassandra for this next one.

Do you remain confident about meeting your 2030 goal?

Cassandra Garber - Dell Technologies Inc - Vice President, Corporate Sustainability and ESG

Getting some tough questions today.

Yeah. I mean, despite there being a lot of changes in the world since we set many of our goals back in 2019, we have definitely gained a lot of valuable insights but we remain committed and confident in our efforts in our strategy and in our progress and many of our goals don't end at 2030. They're part of a decade-long commitment that we set for ourselves, some are for 2040, some are for 2050. So that's part of us demonstrating our long-term commitment to these things.

When we set them, we knew they were ambitious. We knew they would take our entire company as well as others. So a number of them are dependent upon our suppliers, our peers, our customers, even nonprofit public sector organizations is a very ecosystem based approach to how we actually make progress and drive our results.

So our ESG report, I'll reference it again. We're making steady progress as we head towards 2030 and try to be very transparent in what we're sharing and how we're getting there. We'll continue to look at ways we can accelerate progress and increase our transparency and how we're reaching our targets.

But as I mentioned, AI is transforming our industry, it's transforming our business, it's transforming society. So we are revisiting how we're going to go about achieving all the necessary goals that we have and there will be much more to come as we navigate this transformation in the AI era.

Hall Butler - Dell Technologies Inc - Senior Director, Investor Relations

Thanks, Cassandra. And so this next question is about S&P 500 index inclusion. So I'll take that one because I get this one a lot. Is there an update on the potential for future inclusion in the S&P 500 index? And do you have an update on timing for that?

So we have a long history of being in the S&P 500. When you think about Dell as a long-time member up through 2013 when we went private and then of course, legacy EMC was in the S&P prior to the acquisition in 2016. Today, we are an even stronger company and certainly a technology bellwether. When you think about our levels of revenue profitability, cash flow, and market share.

We think we have an excellent case for inclusion. Ultimately, inclusion and timing is subject to the discretion of the S&P's selection committee and they have a process that they run, which typically doesn't include a lot of back and forth with potential candidates, and certainly we respect their process. So no hard update on inclusion or timing, but we remain optimistic about our case for inclusion.

Okay. We're running short of time. So maybe we have time for a couple more here. Let's go back to you, Cassandra.

What are your thoughts on regulatory reporting requirements like the SEC climate disclosure, CSRD, et cetera?

Cassandra Garber - Dell Technologies Inc - Vice President, Corporate Sustainability and ESG

Yeah, I mean, I think at the top of this call, we started a conversation about regulations in the ESD spacing. It's a high priority for us and it's big part of why we actually when you see the ESG report this year, you will see that we've even changed the format to be more closely aligned with the disclosure based report. So we fully recognize what's coming from an ESG regulatory standpoint, and it's a top priority. Not just to us, but again, back to our customers.

So we're hearing it from our customers. Alyson mentioned it being a top question we get from customers as well, how we're navigating this. So my thoughts are it's here. It's driving a lot of preparation and a lot of priority. And we remain committed to driving meaningful impact and transparently disclosing our progress.

What I would say is we not only welcome but encourage global standardization. The more we can simplify and harmonize all of the international reporting is really important because we recognize the impact it has on our customers, the impact it has on our own teams, and what we're all trying to navigate now with various reporting frameworks. So we would encourage standardization as much as possible.

Hall Butler - Dell Technologies Inc - Senior Director, Investor Relations

Great, Cassandra.

So maybe we'll have time for one more question here. The hour has gone quickly and we'll get back to you on this one, Cassandra.

How do you see trust as part of your ESG efforts in the AI era?

Cassandra Garber - Dell Technologies Inc - Vice President, Corporate Sustainability and ESG

Yeah, again, I'll refer back to the beginning. We talked about trust is so critical and so important across our company in everything we do. But particularly as it relates to ESG and AI right now, at the end of the day, the essence, if you will, of ESG, is to drive positive outcomes that contribute to societal value, that goes beyond to the company's role to maximize profits for shareholders, to reflect the needs of all stakeholders.

So at the root of these positive outcomes and shared values is the trustworthiness of the company, which is foundational to having this value system in place. So we actually -- back in 2022, we began framing a Dell Technologies' trust model, our trust model is centered on security, privacy, and ethics.

So recognizing that these areas are material to establishing and maintaining all of these relationships that are critical to our company. We expanded our upholding ethics and data privacy pillar of ESG to upholding trust and framed everything within it. So we established a new goal focused specifically on trust. We established key drivers to hold ourselves accountable to that goal. We've defined what trust means to us and we continue to meet and exceed our stakeholder expectations when it comes to trust.

So in today's AI era, I know we've said it a number of times, but it's really, really important trust is really, really important in the AI era as we work to ensure AI and other advanced technologies are developed and deployed in an ethical and responsible and trustworthy manner.

With that the set of principles we have to guide our development and use of AI applications to help ensure they're beneficial, we think about equitable, we think about being transparent, we think about responsibility, being responsible, being accountable.

We even have an AI use case review board, which carefully reviews proposed use cases and ensures our projects adhere to our AI principles. This board is really helping us unlock value internally and externally in terms of use cases in a confidential and secure way. So we created a set of AI security requirements and best practices to help our teams take appropriate security measures to safeguard data and our systems.

And I actually have to say I just – I think this is an important way to wrap up the call because I see that we're exactly at time. So ending the conversation on trust couldn't be a better way to wrap all this up so--

Hall Butler - Dell Technologies Inc - Senior Director, Investor Relations

Well, terrific. That was our last question for today. I want to thank you, Cassandra and Alyson, for joining and thank all of you online for attending. If you have additional questions about our sustainability programs and progress, please reach out to our team.

That concludes our call for today.
