

# Conflict Minerals White Paper

Supporting a Conflict Free Supply Chain



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*Photo courtesy of Responsible Sourcing Network*

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## Introduction

We share international concerns about the conflict in the Democratic Republic of the Congo (DRC) and adjoining countries, and we are working to ensure that the mining of the minerals that are in our products does not contribute to human rights violations in the region. For that reason, Qualcomm is active in multi-stakeholder efforts to improve responsible sourcing of tantalum, tin, tungsten and gold (conflict minerals). We are making progress: our integrated circuit products are comprised of tantalum sourced from 100 percent Conflict Free Smelter Program (CFSP)-compliant processing facilities.

## Our Conflict Free Minerals Policy

*Qualcomm is aware of concerns that minerals mined in conflict areas in the Democratic Republic of the Congo (DRC) and adjoining countries may be making their way into the electronics industry supply chain and may be fueling human rights violations and environmental degradation in the DRC region.*

*Qualcomm strives to provide DRC conflict free products by supporting industry-wide efforts to drive transparency in the supply chain and by expecting that our suppliers obtain materials from environmentally and socially responsible sources, including conflict free sources within the DRC and adjoining countries.*

## Our Program

Qualcomm first published a conflict free minerals policy in 2010. Our conflict free minerals policy has been integrated into our business practices and communicates our intent to achieve a responsibly sourced supply chain. We established an internal cross divisional and cross functional conflict minerals management team to implement our program that regularly reports on our program activities to executive management and the Audit Committee of our Board of Directors.

In the design of our conflict minerals program, we implemented the due diligence framework described in the [Organisation for Economic Co-operation and Development \(OECD\) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#), and we expect our suppliers to do the same.

Additionally, we expect all our manufacturing suppliers to become DRC conflict free. We regularly communicate our conflict minerals supplier requirements to our direct suppliers: these requirements have been a regular topic in our business reviews with suppliers and are addressed during supplier visits.

## Our Multi-Stakeholder Efforts

We are a full member of the [Electronic Industry Citizenship Coalition \(EICC\)](#); Kevin Caffey, Vice President of Quality and Reliability, has served on the EICC Board since 2014 and was elected Treasurer in 2015. We have been an active participant in the Conflict Free Smelter Initiative ([CFSI](#)) since 2010, when it was the EICC-GeSI<sup>1</sup>

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<sup>1</sup> Global e-Sustainability Initiative.



Extractives Working Group. We support the CFSI's responsible extractives initiatives, participate regularly in CFSI work groups, have adopted the EICC's Code of Conduct as our Supplier Code of Conduct and work to integrate responsible sourcing into our business operations. We, along with many other companies, rely on the CFSI's [Conflict Free Smelter Program \(CFSP\)](#) to verify processing facilities as CFSP-compliant. The CFSP uses an independent third-party audit to identify smelters and refiners (processing facilities) that have systems in place to assure sourcing of only conflict free materials. CFSP also recognizes responsible sourcing practices of processing facilities that have been validated by the London Bullion Market Association and the Responsible Jewellery Council.

We support and advocate on-the-ground, in-region responsible sourcing efforts. We joined the [Public Private Alliance for Responsible Minerals Trade](#) (PPA), having signed the Memorandum of Understanding with the initial supporters in November 2011, and regularly participate in the In-Region Working Group of the PPA. The PPA provides funding and coordination support to organizations working within the DRC and adjoining countries to:

- Develop verifiable conflict free supply chains,
- Align chain-of-custody programs and practices,
- Encourage responsible sourcing from the region,
- Promote transparency and
- Bolster in-region civil society and governmental capacity.

For instance, the PPA has funded a project of the Partnership Africa Canada (PAC), in collaboration with the Diamond Development Initiative (DDI), with the aim of creating a traceable conflict free mineral chain for artisanal gold from the Orientale province in the DRC, the results of and learnings from which are described [here](#). The PPA has also funded the Centre National d'Appui au Développement et à la Participation Populaire (CENADEP – National Center for Support of Development and Community Participation) project aiming to strengthen civil society initiatives to monitor transparency and strengthen accountability of the mining sector in South Kivu in the DRC. A key outcome from this work was the increased understanding on the ground of the conflict minerals issue, international, regional, and national standards for responsible trade and mechanisms for collecting and sharing information to support supply chain compliance and transparency.

We also participate in the [Responsible Sourcing Network's](#) multi-stakeholder group (MSG) efforts to support responsible sourcing from the region. The MSG is a network of investors, human rights groups, industry associations and companies that shares the concern about conflict minerals in the DRC and adjoining countries. The MSG coordinates consensus efforts to stop mineral revenues from funding militia groups, to develop responsible mining practices that contribute to local economic development and to bring an end to the conflict in the DRC.

Finally, we are an associate member of [iTSCi](#), the tin industry's sustainable tin initiative. iTSCi is a joint initiative that assists upstream companies (from mine to the smelter) to institute the actions, controls and processes necessary to conform with the OECD Due Diligence Guidance at an operational level, including small and medium size enterprises, co-operatives and artisanal mine sites. iTSCi offers mineral chain of custody information in keeping with the requirements of the CFSP.

## Our Supply Chain

We utilize a fabless production model, which means that we do not own or operate foundries for the production of silicon wafers from which our integrated circuits are made. Integrated circuits are die cut from silicon wafers that have completed the package assembly and test manufacturing processes. We employ both



turnkey and two-stage manufacturing models to purchase our integrated circuits. We employ both turnkey and two-stage manufacturing models to purchase our integrated circuits:

- Turnkey is when our foundry suppliers are responsible for delivering fully assembled and tested integrated circuits.

Under the two-stage manufacturing model, we purchase wafers and die from integrated circuit manufacturing foundries and contract with separate third-party suppliers for manufacturing services such as wafer bump, probe, assembly and final test. We rely on our direct suppliers to perform the manufacturing and assembly, and most of the testing, of our integrated circuits based primarily on our proprietary designs and test programs. Our direct suppliers and, in turn, their suppliers are responsible for the procurement of most of the materials used in the production of our integrated circuits. Certain materials purchased by our direct suppliers may come directly or indirectly from processing facilities that treat ores, concentrates, slags or secondary materials. Because we do not purchase any materials directly from these processing facilities, we must rely on information provided by our direct suppliers and the CFSI or other industry organizations in order to prepare this report. Our other products are primarily contracted to be manufactured as finished goods with the contract manufacturer responsible for the procurement of the materials and components that comprise these products.

### Our Due Diligence

We conduct due diligence on the conflict minerals in our supply chain – further outlined in our Conflict Minerals Report (CMR) – designed to determine whether any of the necessary conflict minerals in our products originate in the DRC or an adjoining country, or are from recycled or scrap sources.

We ensure our suppliers are aware of and conform to our Conflict Free Minerals Policy, and we conduct our due diligence using the EICC-GeSI Conflict Minerals Reporting Template (CMRT), which provides us with information about the source and chain-of-custody of conflict minerals in our supply chain. We require our suppliers of products that contain necessary conflict minerals to provide us with a complete list of processing facilities as reported by their own suppliers.

Suppliers are evaluated on the completeness and accuracy of their responses, including whether they have a conflict minerals policy, conduct due diligence and provide a processing facilities list.



Photo courtesy of Responsible Sourcing Network

In 2014, we conducted due diligence with 100 percent of our direct suppliers that provided us with products that contain necessary conflict minerals to determine whether any of these minerals originated in the DRC or an adjoining country, or were from recycled or scrap sources. We received responses from 100 percent of the direct suppliers of our integrated circuit products and from 97 percent of the direct suppliers of our other products.

We strongly encourage and promote processing facilities' participation in the CFSP and have visited processing facilities to advocate for the CFSP program. We require that our integrated circuit direct suppliers use the CFSP certified processing facilities and encourage non-compliant processing facilities to participate in the CFSP. Our direct suppliers have engaged with processing facilities directly and/or indirectly via their



suppliers to ask for participation in the CFSP. As more processing facilities become validated through the CFSP, we, along with the entire electronics industry supply chain, will move closer to achieving conflict free status.

We provide training and support to our suppliers to encourage the collection of supply chain data and seek improvements in data quality over time. We conduct outreach to our direct suppliers and to downstream processing facilities to improve the quality of processing facility data provided by our direct suppliers.

### Our Supplier and Processing Facility Data

In 2014, our due diligence determined the following with respect to the countries of origin of the necessary conflict minerals in our supply chain:

- We determined that approximately 6 percent of processing facilities reported by our direct suppliers were confirmed as sourcing conflict minerals from the DRC or an adjoining country. This represents an increase in processing facilities reported in our supply chain that source from the DRC or adjoining countries compared to calendar year 2013. Each of these processing facilities has been validated as CFSP-compliant.
- From calendar year 2013 to 2014, we noted CFSP-compliant processing facilities used in our integrated circuits products increased by 38 percent (Figure 1).
- From calendar year 2013 to 2014, we noted a 175 percent increase in our integrated circuit direct suppliers that used 100 percent CFSP-compliant processing facilities (Figure 2).

Figure 1: Integrated Circuits Processing Facilities Status by Year

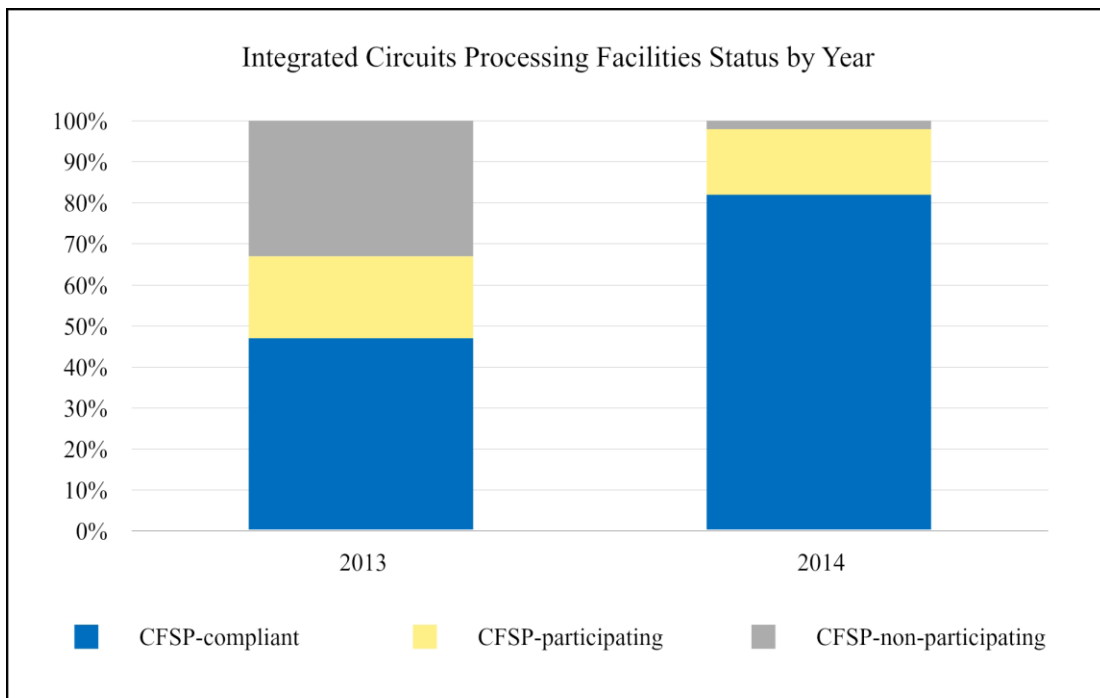


Figure 1 Notes

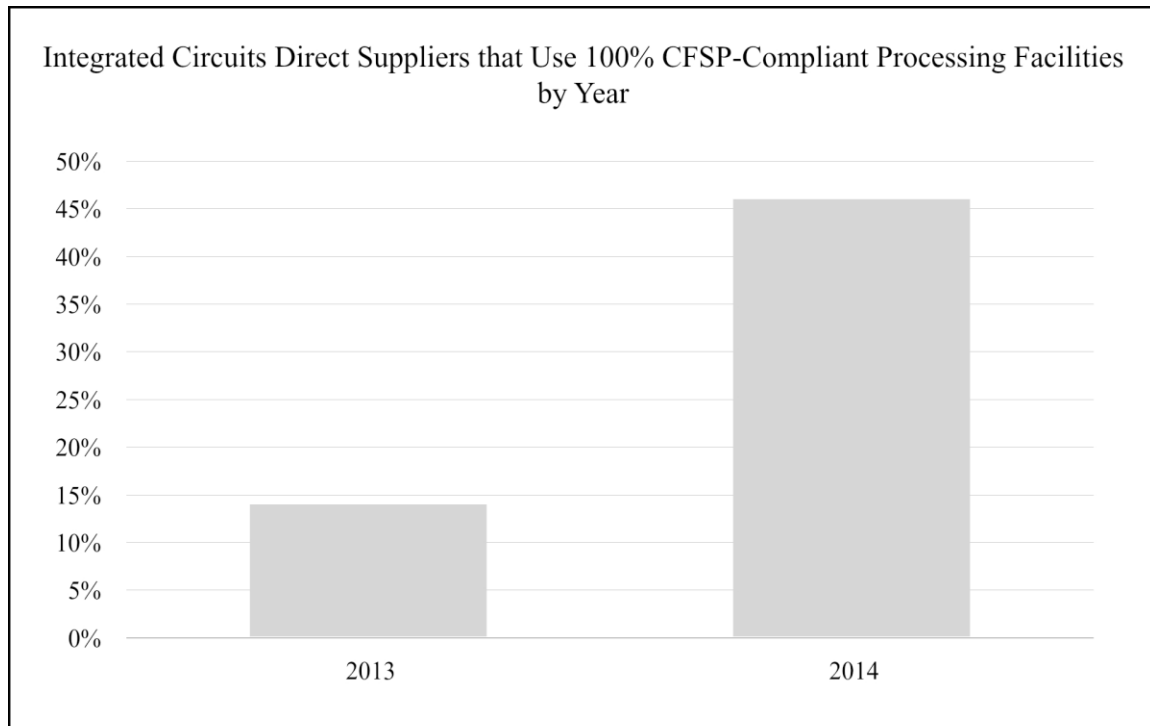
**CFSP-compliant:** Processing facilities reported in our supply chain that were validated as compliant according to the CFSP.

**CFSP-participating:** Processing facilities reported in our supply chain that have agreed to participate in the CFSP but have not yet completed the program.

**CFSP non-participating:** Processing facilities reported in our supply chain that have yet to agree to participate in the CFSP.



Figure 2: Integrated Circuits Direct Suppliers Using 100 Percent CFSP-Compliant Processing Facilities by Year



## Our Progress Toward a Conflict Free Supply Chain

Our goal is to achieve DRC conflict free sourcing of materials used in our products.

Working towards that goal in 2014, we:

- Encouraged our manufacturing suppliers to promote the use of CFSP-compliant processing facilities and encouraged non-validated processing facilities to participate in the CFSP.
- Continued active participation in the CFSI, including participating in CFSP pre-audit processing facility visits.
- Continued active participation in the PPA to further demonstrate our commitment to improving the working conditions and responsible sourcing initiatives in the DRC and adjoining countries.
- Continued to participate in IPC (Association Connecting Electronics Industries) conflict minerals standards development activities.
- Continued to support industry efforts to support the responsible sourcing of minerals through iTSCi membership.
- Achieved integrated circuit products comprised of tantalum sourced from 100 percent CFSP-compliant processing facilities.
- Engaged with our direct manufacturing suppliers to share our Conflict Free Minerals Policy and Supplier Requirements, as well as to collect supply chain information on the origin of tin, tantalum, tungsten and gold in our products.



- Surveyed our direct manufacturing suppliers' conflict minerals usage, the state of processing facilities in the supply chain and their preparedness for achieving DRC conflict free status.

## Our Implementation of OECD Due Diligence

### OECD Step 1: Establish Strong Company Management Systems

- We continued to publicly communicate our conflict minerals policy.
- We maintained a conflict minerals management team with representation from our finance, government affairs, internal audit, legal, regulatory, quality and supply chain departments which reported on program activities to executive management and the Audit Committee of our Board of Directors on a regular basis.
- We used the CMRT to identify processing facilities in our supply chain as reported by our direct suppliers.
- We communicated our conflict minerals supplier requirements to our integrated circuit direct suppliers.
- We maintained a public email address <conflictminerals@qti.qualcomm.com> available on our website for general inquiries and grievances regarding our conflict minerals program.
- We designed and implemented a comprehensive conflict minerals data management tool that tracks end-to-end communication with direct suppliers, automates the validation of direct supplier data and consolidates CMRT responses for analysis and reporting.

### OECD Step 2: Identify and Assess Risk in the Supply Chain

- We used the CMRT to review our direct suppliers' due diligence activities, such as whether they had a conflict minerals policy, required their own suppliers to source from processing facilities validated by an independent audit firm and implemented a review process that includes corrective action management.
- We used the CMRT to identify conflict minerals processing facilities if reported in our supply chain by direct suppliers.
- We determined if the processing facilities adhere to responsible sourcing practices by cross-checking with the list of CFSP-compliant processing facilities.
- We obtained countries of origin (when available) for CFSP-compliant processing facilities by relying on information provided by our direct suppliers, the CFSI and other public data sources.

### OECD Step 3: Design and Implement a Strategy to Respond to Risk

- We reported information on the source and chain of custody of conflict minerals in our supply chain to our conflict minerals working team and the Audit Committee of our Board of Directors on a regular basis.
- We maintained a conflict minerals risk management plan that sets forth direct supplier-risk management strategies ranging from continued procurement to disengagement.
- We participated in certain CFSP pre-audit site visits to processing facilities in Asia to encourage participation in the CFSP.

### OECD Step 4: Independent Third-Party Audit of Smelter/Refiner's Due Diligence Practices





- Because we do not source directly from processing facilities, we rely on the publicly available results of the CFSP, LBMA and RJC third-party audits to validate the responsible sourcing practices of processing facilities in our supply chain.
- The CFSI recognizes processing facilities as CFSP-compliant through validations conducted by the LBMA and RJC.

#### OECD Step 5: Report Annually on Supply Chain Due Diligence

- We file a Form SD and Conflict Minerals Report with the SEC on an annual basis. Our Form SD and Conflict Minerals Report are also available on our [website](#).
- We periodically provide information regarding our conflict minerals program in the Qualcomm Sustainability Report, as well as on our Sustainability [website](#).