

# HP Inc. Report on Cobalt

May 2017



HP is committed to doing our part to address concerns about the sourcing of cobalt from the Democratic Republic of Congo. We take allegations of potential human rights impacts associated with our supply chain seriously. In response to Amnesty International's report indicating that cobalt processed by Huayou Cobalt for use in lithium-ion batteries in electronics and automotive components may have been mined using child labor in the Democratic Republic of Congo, we took swift action to investigate the allegations and to agree on a course of action with our suppliers.

Consistent with the recommendations for downstream actors like HP set forth in the OECD Due Diligence Guidance for Responsible Supply Chains (OECD DDG), our inquiry and investigation with respect to cobalt included the following actions:

- We informed our Chief Supply Chain Officer of this allegation and agreed on a course of action with our suppliers.
- We engaged our relevant direct battery suppliers on the requirements and prohibitions in the [HP Supplier Code of Conduct](#), which includes a prohibition on the use of child labor. We added cobalt due diligence expectations to our [HP's Supply Chain Social and Environmental Responsibility Policy](#).
- We initiated onsite procurement audits with relevant direct battery suppliers to identify the cobalt smelters that may be in our supply chain. These procurement audits included inspections of the labeling of cobalt-containing materials within the manufacturing operations as well as reviewing purchase orders by the manufacturing operations. HP's battery-related suppliers representing 99% of spend have been audited.
- The supply of cobalt to our suppliers occurs through a web of supply chain actors, including smelters of ore, refiners, chemical manufacturers, and cathode manufacturers. Because neither HP nor our direct suppliers have a direct business relationship with smelters or their mining partners, our suppliers relied on declarations made with respect to the smelters and refiners of cobalt of their sub-suppliers.
- Based on the information we obtained from our suppliers, we believe cobalt processed by Huayou was likely less than 5% of our total cobalt usage in 2016.

HP plans to report on our activities and progress with respect to cobalt as a part of our annual Sustainability Report.

HP does not buy cobalt from smelters or mines. HP has business relationships with battery cell manufacturers and battery pack manufacturers which are three to four supply chain actors removed from cobalt smelters and refiners. In this situation, as a downstream company with no direct business leverage over Huayou or other cobalt

smelters or mines, HP is focused on building leverage over the cobalt supply chain through collaboration with others to create demand for smelters and miners to conduct due diligence and prevent and mitigate human rights impacts associated with their mineral supply chain. This type of action by downstream companies is similar to what was accomplished through the Conflict Free Sourcing Initiative for conflict minerals.

Beginning in mid-2016, HP was one of a handful of companies that championed the development of the Responsible Raw Materials Initiative (RRMI) with the intent of working together to tackle issues such as responsible cobalt. The RRMI was successfully launched in November 2016 and now has more than 20 members. The RRMI aims to work with mid and upstream actor efforts, facilitate dialogue with external actors, and coordinate downstream actors to develop standards, tools, and programs that advance responsible sourcing. HP is a member of the cobalt work group. This work group is engaged in developing several tools to advance the responsible sourcing of cobalt including:

- The development of a standardized reporting template for Member companies to engage with their suppliers to map the downstream cobalt supply chain to the point of the smelter. The tool is based on the Conflict Minerals Reporting Template (CMRT) of the CFSI.
- A Risk Readiness Assessment (RRA) tool for minerals and metals producers and processors to assess and communicate their practices against a performance benchmark "norm" across these issue areas.
- The development of an audit/assurance system to independently validate that cobalt upstream actors' due diligence practices are aligned with the OECD DDG.

HP was also part of the official launch of the Responsible Cobalt Initiative in November 2016. This particular initiative involves upstream, mid-stream, and downstream actors involved with cobalt. The aims of this initiative are three-fold:

- Have companies conduct due diligence consistent with the OECD DDG to increase transparency and accountability in the cobalt supply chain.
- Promote cooperation with the Government of the Democratic Republic of the Congo, civil society, and affected local communities to take and/or support actions that address the risks and challenges in the cobalt supply chain.
- Develop a common communication strategy to communicate progress and results effectively to impacted communities, miners, and the public; to harmonize working objectives and plans with other stakeholders.

In conclusion, HP is doing its part to create demand for responsible cobalt through expectations of our suppliers, to conduct due diligence with our suppliers and understand cobalt sources, to evaluate those sources and respond to risks. Further, we are acting as a catalyst to bring others in the industry to develop programs and systems that will enable responsible sourcing and to build up leverage over upstream actors.