

QUALCOMM Incorporated

20.2 /100 Medium

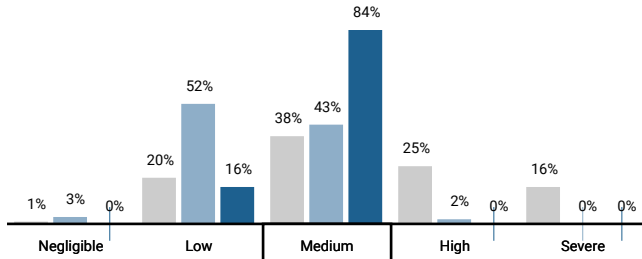
Communications Equipment | United States | NAS:QCOM



Rating Overview

The company is at medium risk of experiencing material financial impacts from ESG factors, due to its low exposure and average management of material ESG issues. Despite its management policies and programmes, the company has experienced a high level of controversies.

ESG Risk Rating Distribution

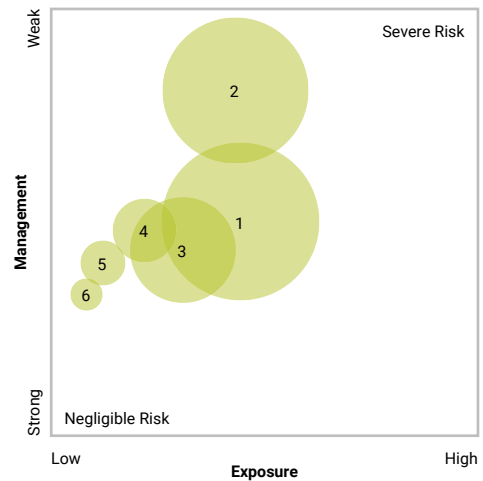
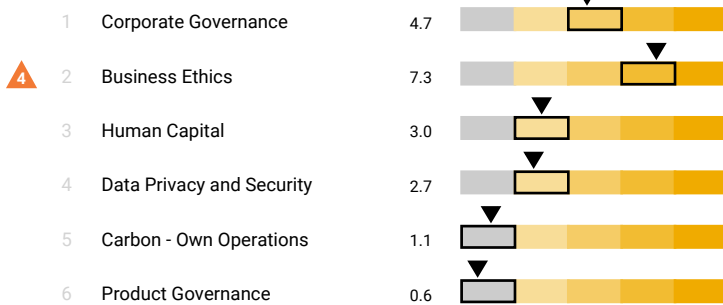


Relative Performance

	Position (1st = lowest risk)	Percentile (1st = lowest risk)
Global Universe	2021 out of 9376	22nd
Technology Hardware (Industry)	187 out of 338	55th
Communications Equipment (Subindustry)	9 out of 49	17th

Attribution Analysis

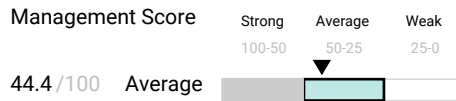
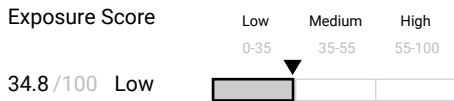
Top Material Issues



△ = Significant event

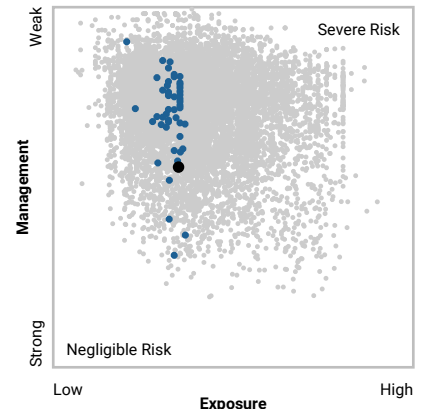
○ Circle size = Contribution to ESG Risk Rating

Risk Analysis



Qualcomm's business has been overshadowed in recent years by regulatory scrutiny and fines related to anti-competitive practices, and legal conflicts with its major customer, Apple. In addition, the company is fending off a hostile takeover attempt by Broadcom, which is offering USD 117 million for a merger. With such ongoing turmoil, the company's strategy to capitalize on up-and-coming trends, such as Internet of Things (IoT) and automotive chips is of utmost importance. While Qualcomm's expected acquisition of NXP semiconductors will strengthen the company's automotive chip business; its focus on R&D and ongoing corporate restructuring increases exposure to talent risks. Furthermore, revelation of semiconductor chip security vulnerabilities among Qualcomm's peers in early 2018 highlighted data security risks as an important exposure in the sector. The company's overall exposure is low and is moderately above subindustry average. Human Capital, Business Ethics and Data Privacy and Security are notable material ESG issues.

Qualcomm's social responsibility leadership committee and the board-level governance committee oversee ESG management. In addition to transparently reporting on material ESG issues, the company discloses relevant regulatory investigations and its lobbying efforts. Qualcomm has been underperforming in managing risks related to anti-competitive practices. The company has established basic standards and training to comply with competition laws; however, this is lacking given the repeated regulatory scrutiny of its licensing business. It has established recruitment and development programmes similar to its peers and, following the 2016 settlement of a gender discrimination lawsuit, it is improving its diversity efforts. Furthermore, it has reasonable privacy and security management initiatives, and proactively reaches out to the security research community. The company's overall management of material ESG issues is average.



● Global Universe
● Communications Equipment (Subindustry)
● QUALCOMM Incorporated

QUALCOMM Incorporated

20.2 /100 Medium

Communications Equipment | United States | NAS:QCOM

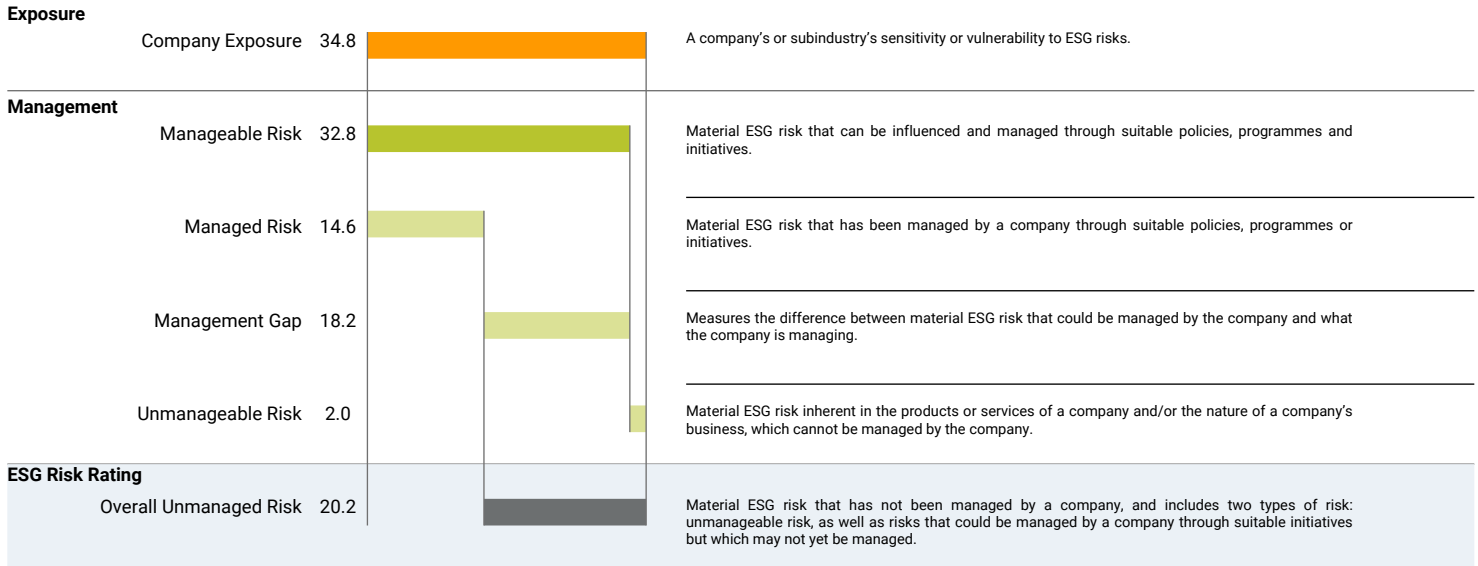


Attribution Details

Issue Name	Contribution to						ESG Risk Rating	Risk Category
	ESG Risk Rating	Subindustry Exposure	Company Exposure	Excess Exposure	Manageable Risk Factor	Management Score		
Corporate Governance	27.5%	9.0	9.0	-	100%	48.0	4.7	
▲ Business Ethics	25.4%	6.0	8.8	2.8	95%	17.3	7.3	
Human Capital	18.3%	6.0	6.3	0.3	95%	54.6	3.0	
Data Privacy and Security	11.0%	5.0	4.5	-0.5	80%	50.0	2.7	
Carbon - Own Operations	7.8%	3.0	2.6	-0.5	100%	57.6	1.1	
Product Governance	5.5%	2.0	1.8	-0.2	100%	65.0	0.6	
Human Rights - Supply Chain	4.6%	2.0	1.9	-0.1	80%	71.9	0.8	
Overall	100.0%	-	34.8	-	-	44.4	20.2	Medium

▲ =Significant event

Risk Details





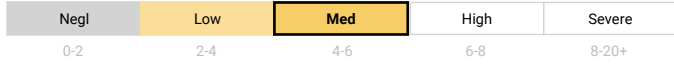
Corporate Governance

Contribution 27.5 %

Corporate Governance comprises six pillars that represent foundational structures for the management of ESG risks.

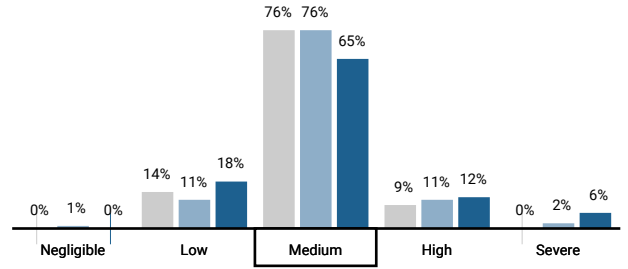
Rating Overview

4.7 /20+ Medium



Sustainalytics assesses governance - related risks and opportunities by determining the extent to which a company's governance practices detract from or add to the company's ability to execute on its business strategy. Sustainalytics' Corporate Governance Research evaluates the governance structures, practices, and behavior of a company and its ability to build sustainable, long-term value that can be delivered to shareholders and other stakeholders in a fair and transparent manner.

ESG Risk Rating Distribution

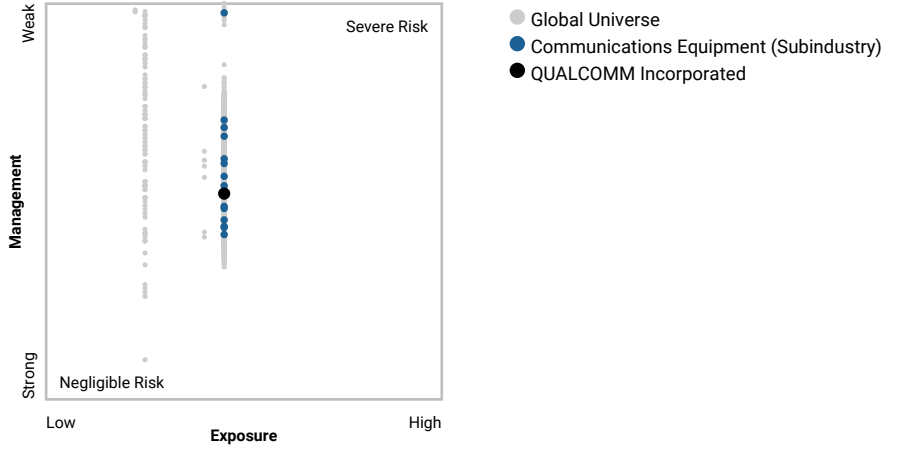
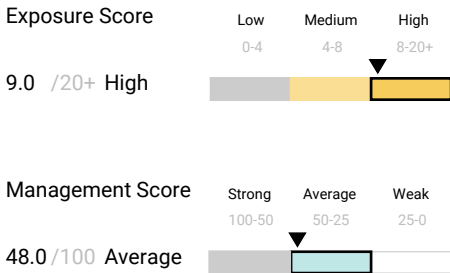


Relative Performance

	Position (1st = lowest risk)	Percentile (1st = lowest risk)
Global Universe	1638 out of 3691	44th
Technology Hardware (Industry)	42 out of 123	34th
Communications Equipment (Subindustry)	9 out of 17	50th



Risk Analysis



Category	Score	Description
Exposure		
Company Exposure	9.0	A company's or subindustry's sensitivity or vulnerability to ESG risks.
Management		
Manageable Risk	9.0	Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.
Managed Risk	4.3	Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.
Management Gap	4.7	Measures the difference between material ESG risk that could be managed by the company and what the company is managing.
Unmanageable Risk	0.0	Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.
ESG Risk Rating		
Issue Unmanaged Risk	4.7	Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.



Corporate Governance

Contribution 27.5 %

Corporate Governance comprises six pillars that represent foundational structures for the management of ESG risks.



Corporate Governance Pillars

Pillar	Score	Weight	Weighted Score
Board/Management Quality & Integrity	36.0	25.0%	9.0
Board Structure	52.0	17.0%	8.8
Ownership & Shareholder Rights	32.0	15.0%	4.8
Remuneration	54.0	25.0%	13.5
Audit & Financial Reporting	67.0	8.0%	5.4
Stakeholder Governance	65.0	10.0%	6.5
Totals		100.0%	48.0



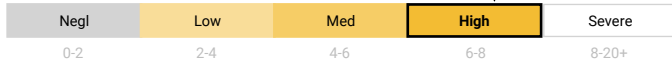
Business Ethics

Contribution 25.4 %

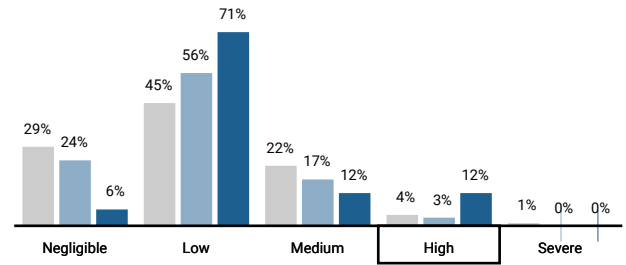
Business Ethics focuses on the management of ethical considerations applicable to most or all sectors, such as taxation and accounting, anti-competitive practices and intellectual property issues.

Rating Overview

7.3 /20+ High



ESG Risk Rating Distribution



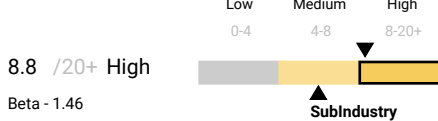
Considering its high exposure and below average management of Business Ethics, we view the company to be at high risk for the issue.

Relative Performance

	Position (1st = lowest risk)	Percentile (1st = lowest risk)
Global Universe	3304 out of 3357	98th
Technology Hardware (Industry)	116 out of 117	99th
Communications Equipment (Subindustry)	16 out of 17	94th

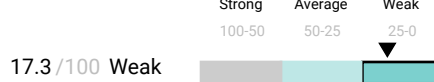
Risk Analysis

Exposure Score



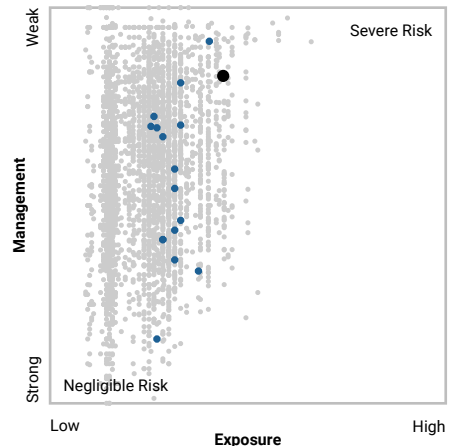
Qualcomm licenses intellectual property including standard essential patents (SEPs) used for wireless communications. The company is accused of predatory pricing, using exclusivity payments to drive out competition, overcharging and refusing to license SEPs to rival chipmakers, and has received multiple fines from regulatory bodies. Given this scenario, Apple's refusal to pay royalty fees, Broadcom's attempt at a hostile takeover, and review of the takeover by the US Treasury, the company's exposure to business ethics risks have increased. The company's exposure to Business Ethics issues is high and significantly above subindustry average.

Management Score



Qualcomm's code of conduct addresses compliance with competition and intellectual property law. In addition, the company has established annual compliance risk assessments and whistleblowing mechanisms. As part of settlements with competition regulators, the company has agreed to change certain licensing practices. However, it is unclear if the company is formally evaluating its licensing business practices. Moreover, in February 2018, in a defense of Broadcom's takeover attempt, Qualcomm took a poison pill strategy by increasing its offer to acquire NXP. The company has other takeover defenses, such as, supermajority provisions. It is unclear if it has established a due diligence process prior to using such defenses, to avoid detrimental effects to investors.

The company has below average preparedness measures to address Business Ethics issues and has been implicated in major controversies related to the issue. In our view, the company's management of the issue is below average.



- Global Universe
- Communications Equipment (Subindustry)
- QUALCOMM Incorporated

Exposure

Company Exposure 8.8

A company's or subindustry's sensitivity or vulnerability to ESG risks.

Management

Manageable Risk 8.3

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Managed Risk 1.4

Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.

Management Gap 6.9

Measures the difference between material ESG risk that could be managed by the company and what the company is managing.

Unmanageable Risk 0.4

Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.

ESG Risk Rating

Issue Unmanaged Risk 7.3

Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.



Business Ethics

Contribution 25.4 %

Business Ethics focuses on the management of ethical considerations applicable to most or all sectors, such as taxation and accounting, anti-competitive practices and intellectual property issues.



Management Details

Indicators	Raw score	Weight	Weighted Score
Bribery & Corruption Policy	100	4.0%	4.0
Bribery & Corruption Programmes	100	8.0%	8.0
Political Involvement Policy	75	1.0%	0.8
Whistleblower Programmes	75	6.0%	4.5
Lobbying and Political Expenses	0	1.0%	0.0
Anti-Competitive Practices	Category 4	50.0%	0.0
Accounting and Taxation	Category 2	10.0%	0.0
Bribery and Corruption	Category 2	10.0%	0.0
Business Ethics	Category 2	10.0%	0.0
Intellectual Property	Category 0	0.0%	0.0
Lobbying and Public Policy	Category 0	0.0%	0.0
Sanctions	Category 0	0.0%	0.0
Society - Human Rights	Category 0	0.0%	0.0
Weapons	Category 0	0.0%	0.0
Total		100.0%	17.3

=Event indicator



Human Capital

Contribution 18.3 %

Human Capital focuses on the management of risks related to scarcity of skilled labour as well as labour relations, such as non-discrimination, working hours and minimum wages.

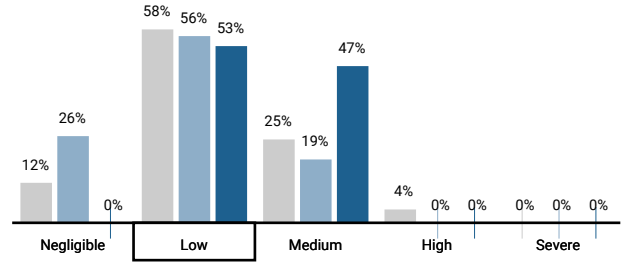
Rating Overview

3.0 /20+ Low



Considering its medium exposure and above average management of Human Capital, we view the company to be at low risk for the issue.

ESG Risk Rating Distribution



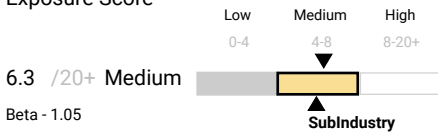
Relative Performance

	Position (1st = lowest risk)	Percentile (1st = lowest risk)
Global Universe	1417 out of 3521	40th
Technology Hardware (Industry)	77 out of 117	66th
Communications Equipment (Subindustry)	5 out of 17	25th



Risk Analysis

Exposure Score



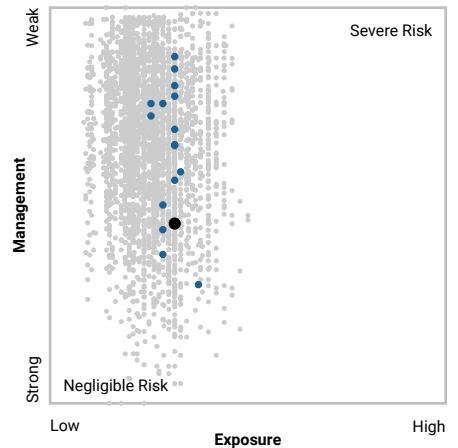
As of February 2018, Qualcomm reported 9000 pending patent applications and annual investment of approximately 24% of revenues into R&D. Attracting and retaining a highly specialized workforce amidst ongoing corporate restructuring is important for the company. The company's exposure to Human Capital issues is medium and similar to subindustry average.

Management Score



In FY2017, Qualcomm consisted of 33,800 employees, an increase from previous years due to its acquisition of RF360 holdings, a trend expected to continue with the pending acquisition of NXP. In response to Broadcom's takeover attempt, the company introduced an employee compensation plan that increases severance pay, a step that encourages key talent to stay and would make it difficult for Broadcom to reduce the workforce affordably. Similar to its peers, Qualcomm offers stock ownership options and career development options. The company is improving its efforts at reporting on relevant talent management metrics, such as training hours, and employee diversity data. Furthermore, following a 2016 settlement of a gender discrimination lawsuit for USD 19.5 million, the company appointed a Chief Diversity Officer and analyzes gender pay equity.

The company has above average preparedness measures to address Human Capital issues and has been implicated in minor controversies related to the issue. In our view, the company's management of the issue is above average.



- Global Universe
- Communications Equipment (Subindustry)
- QUALCOMM Incorporated

Exposure

Company Exposure 6.3

A company's or subindustry's sensitivity or vulnerability to ESG risks.

Management

Manageable Risk 6.0

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Managed Risk 3.3

Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.

Management Gap 2.7

Measures the difference between material ESG risk that could be managed by the company and what the company is managing.

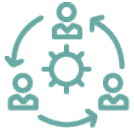
Unmanageable Risk 0.3

Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.

ESG Risk Rating

Issue Unmanaged Risk 3.0

Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.




Human Capital


Contribution 18.3 %

Human Capital focuses on the management of risks related to scarcity of skilled labour as well as labour relations, such as non-discrimination, working hours and minimum wages.



Management Details

Indicators	Raw score	Weight	Weighted Score
Freedom of Association Policy	75	6.7%	5.1
Human Capital Development	75	31.5%	23.6
Working Conditions Policy	75	6.7%	5.1
Discrimination Policy	50	6.7%	3.4
Diversity Programmes	50	18.0%	9.0
Employee Turnover Rate	50	6.7%	3.4
Percentage of Temporary Workers	50	6.7%	3.4
Collective Bargaining Agreements	25	6.7%	1.7
 Labour Relations	Category 2	10.0%	0.0
Total		100.0%	54.6

 =Event indicator



Data Privacy and Security

Contribution 11.0 %

Data Privacy and Security focuses on data governance practices, including how companies collect, use, manage and protect data.

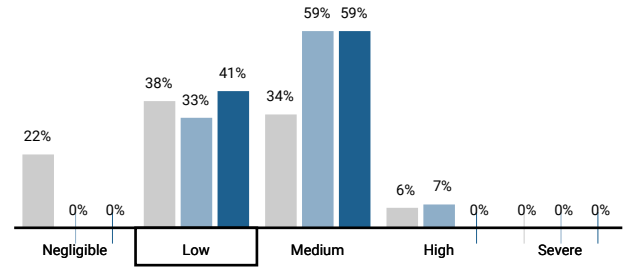
Rating Overview

2.7 /20+ Low



Considering its medium exposure and above average management of Data Privacy and Security, we view the company to be at low risk for the issue.

ESG Risk Rating Distribution



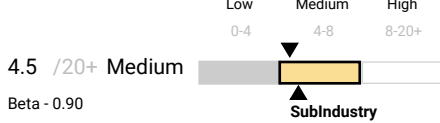
Relative Performance

	Position (1st = lowest risk)	Percentile (1st = lowest risk)
Global Universe	519 out of 1523	34th
Technology Hardware (Industry)	6 out of 54	9th
Communications Equipment (Subindustry)	3 out of 17	13th



Risk Analysis

Exposure Score



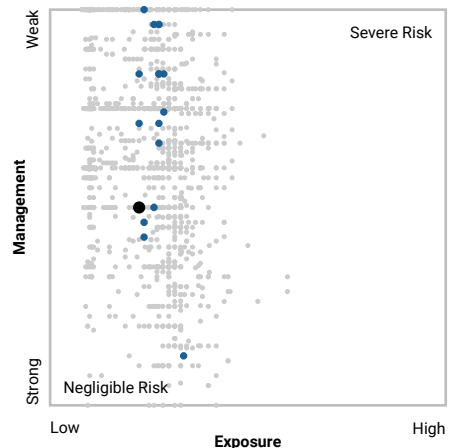
In January 2018, security vulnerabilities were identified in chips manufactured by Intel, Arm, and AMD. Some of Qualcomm's processors use CPU cores from Arm and are therefore indirectly affected by the security vulnerability. As security researchers and hackers become increasingly sophisticated, we expect more vulnerabilities to be identified and present operational risks to Qualcomm and its peers.

The company's exposure to Data Privacy and Security issues is medium and moderately below subindustry average.

Management Score



Qualcomm has established security and privacy policies and guiding principles that provide adequate guidance on handling user data and product design. The company's bug bounty programme, established in 2016, encourages identification of security vulnerabilities and offers USD 15,000 to security researchers. Accompanying this programme, it has a vulnerability reporting system and commits to respond within 48 hours, which indicates established structures to process reports. Qualcomm has assigned responsibility for privacy and security issues to a steering committee and states it conducts third-party security assessments; however, the company does not disclose the composition of the committee nor the frequency of such assessments. Despite such preparedness initiatives, the company's disclosure on managing security vulnerabilities associated with its supplier ARM is limited. In our view, the company's management of the issue is above average.



- Global Universe
- Communications Equipment (Subindustry)
- QUALCOMM Incorporated

Exposure		Management	
Company Exposure	4.5	Manageable Risk	3.6
		Managed Risk	1.8
		Management Gap	1.8
		Unmanageable Risk	0.9
ESG Risk Rating		Issue Unmanaged Risk	
	2.7		




Data Privacy and Security


Contribution 11.0 %

Data Privacy and Security focuses on data governance practices, including how companies collect, use, manage and protect data.



Management Details

Indicators	Raw score	Weight	Weighted Score
Data Privacy & Security Programme	50	76.9%	38.5
Data Privacy Policy	50	23.1%	11.5
 Data Privacy and Security	Category 0	0.0%	0.0
Total		100.0%	50.0

 =Event indicator



Carbon - Own Operations

Contribution 7.8 %

Carbon - Own Operations refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of Scope 3 emissions.

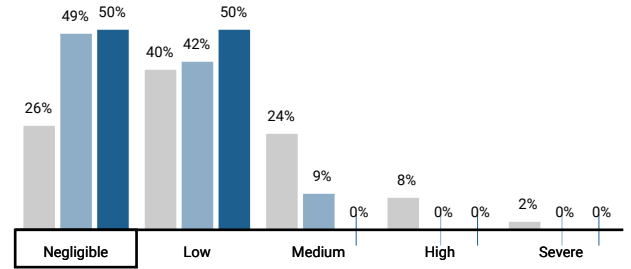
Rating Overview

1.1 /20+ Negligible



Considering its low exposure and above average management of Carbon - Own Operations, we view the company to be at negligible risk for the issue.

ESG Risk Rating Distribution

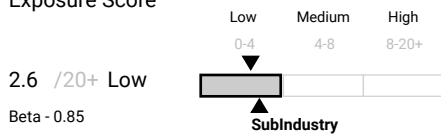


Relative Performance

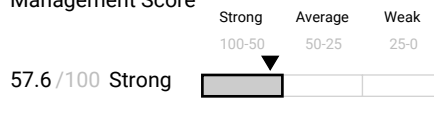
	Position (1st = lowest risk)	Percentile (1st = lowest risk)
Global Universe	177 out of 2076	8th
Technology Hardware (Industry)	22 out of 108	20th
Communications Equipment (Subindustry)	5 out of 12	36th

Risk Analysis

Exposure Score

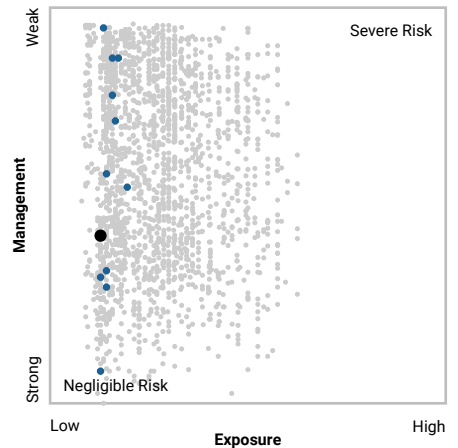


Management Score



The key drivers of carbon risk for the communications equipment subindustry are manufacturing along with data centre offerings, such as colocation and managed services. Expanding data centre operations remain energy intensive, potentially consuming 10 or even 50 times the energy of a typical commercial office building, per the US Department of Energy. Along with the energy intensity of these facilities, data centre development costs may run into the billions. Prudent companies develop strategies to manage the carbon footprint of these operations. Strategies include reducing energy use by retrofitting existing facilities and data centres to be more energy efficient, using onsite renewable energy, or developing new facility designs with innovative cooling systems. In terms of tracking, proactive companies often use metrics, such as Power Usage Effectiveness (PUE), to gauge the energy efficiency of their data centres. In light of the Paris agreement, which is likely to expand regulatory carbon frameworks, best practice includes formalizing a commitment to reducing energy use and setting targets as well as deadlines to support accountab ...

In our view, the company's management of the issue is above average.



- Global Universe
- Communications Equipment (Subindustry)
- QUALCOMM Incorporated

Exposure		A company's or subindustry's sensitivity or vulnerability to ESG risks.	
Company Exposure	2.6		
Management		Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.	
Manageable Risk	2.6		
Managed Risk	1.5	Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.	
Management Gap	1.1	Measures the difference between material ESG risk that could be managed by the company and what the company is managing.	
Unmanageable Risk	0.0	Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.	
ESG Risk Rating		Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.	
Issue Unmanaged Risk	1.1		




Carbon - Own Operations


Contribution 7.8 %

Carbon - Own Operations refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of Scope 3 emissions.



Management Details

Indicators	Raw score	Weight	Weighted Score
Carbon Intensity	100	5.0%	5.0
CDP Participation	100	2.5%	2.5
GHG Reduction Programme	100	20.0%	20.0
Scope of GHG Reporting	100	2.5%	2.5
Environmental Policy	75	2.5%	1.9
GHG Risk Management	75	15.0%	11.3
Environmental Management System	60	10.0%	6.0
Renewable Energy Programmes	25	20.0%	5.0
Carbon Intensity Trend	20	7.5%	1.5
Renewable Energy Use	20	10.0%	2.0
EMS Certification	0	5.0%	0.0
 Energy Use and GHG Emissions	Category 0	0.0%	0.0
Total		100.0%	57.6

 =Event indicator



Product Governance

Contribution 5.5 %

Product Governance focuses on how companies manage responsibilities to their clients. Emphasis is put on quality management systems, marketing practices, fair billing and post-sales responsibility.

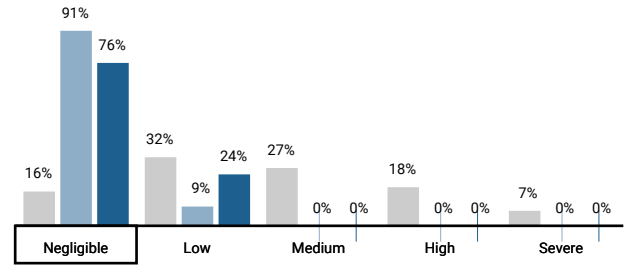
Rating Overview

0.6 /20+ Negligible

Negl	Low	Med	High	Severe
0-2	2-4	4-6	6-8	8-20+

Considering its low exposure and above average management of Product Governance, we view the company to be at negligible risk for the issue.

ESG Risk Rating Distribution



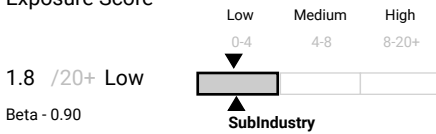
Relative Performance

	Position (1st = lowest risk)	Percentile (1st = lowest risk)
Global Universe	53 out of 2888	2nd
Technology Hardware (Industry)	29 out of 114	25th
Communications Equipment (Subindustry)	6 out of 17	31st

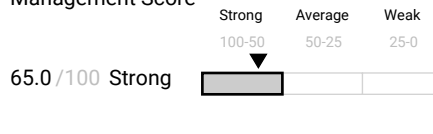


Risk Analysis

Exposure Score

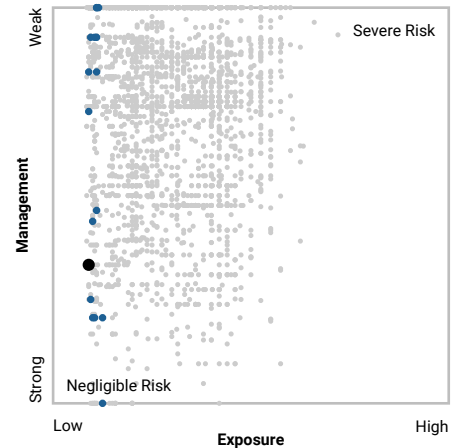


Management Score



Product Governance issues in the communications equipment industry include offering products and services that support reliable, high-speed networks for telecom customers. Poor quality products and services affect reliability of telecom networks and result in dissatisfied customers. Companies have spent up to USD 600 million to recall products and offer customers refunds when faulty equipment has caused network failure. Companies typically offer quality assurance on their products and provide customer service. Furthermore, continued innovation is critical to offer products that support new generations of mobile telecommunication, improve network capacity and provide essential communication services to underserved populations. In addition to product quality, improving product energy efficiency and reliability to meet customer expectations determines market leadership. Best practices include long-term focus on research and product innovation, establishing quality management systems to ensure product quality, and offering reliable customer service. The company's exposure to Product Governance issues is low and moderately below subindu ...

In our view, the company's management of the issue is above average.



Exposure

Company Exposure 1.8

A company's or subindustry's sensitivity or vulnerability to ESG risks.

Management

Manageable Risk 1.8

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Managed Risk 1.2

Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.

Management Gap 0.6

Measures the difference between material ESG risk that could be managed by the company and what the company is managing.

Unmanageable Risk 0.0

Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.

ESG Risk Rating

Issue Unmanaged Risk 0.6

Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.





Product Governance


Contribution 5.5 %

Product Governance focuses on how companies manage responsibilities to their clients. Emphasis is put on quality management systems, marketing practices, fair billing and post-sales responsibility.



Management Details

Indicators	Raw score	Weight	Weighted Score
Eco-Design	100	35.0%	35.0
QMS Certifications	100	30.0%	30.0
Product Stewardship Programmes	0	35.0%	0.0
 Marketing Practices	Category 0	0.0%	0.0
 Quality and Safety	Category 0	0.0%	0.0
Total		100.0%	65.0

 =Event indicator



Human Rights - Supply Chain

Contribution 4.6 %

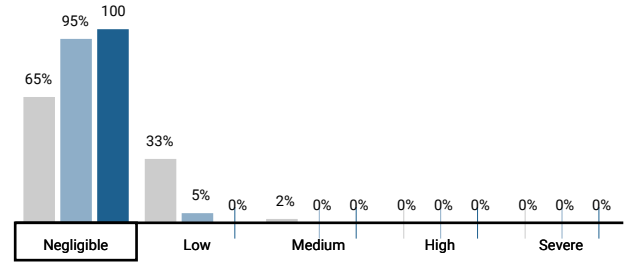
Human Rights - Supply Chain focuses on a company's management of fundamental human rights issues occurring in its supply chain.

Rating Overview

0.8 /20+ Negligible



ESG Risk Rating Distribution



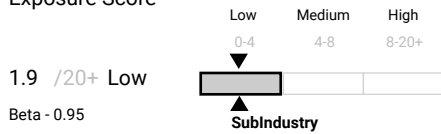
Considering its low exposure and above average management of Human Rights - Supply Chain, we view the company to be at negligible risk for the issue.

Relative Performance

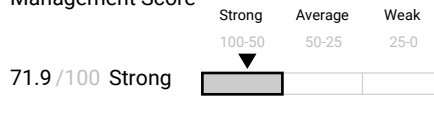
	Position (1st = lowest risk)	Percentile (1st = lowest risk)
Global Universe	25 out of 967	2nd
Technology Hardware (Industry)	6 out of 84	6th
Communications Equipment (Subindustry)	3 out of 17	13th

Risk Analysis

Exposure Score

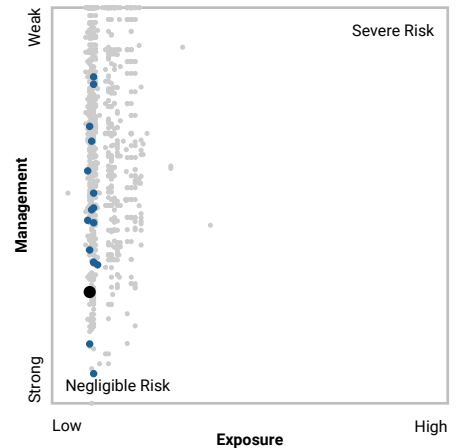


Management Score



The communications equipment industry relies heavily on contract manufacturers to assemble products. Subindustry companies procure raw materials, such as metals, plastic and minerals, from multiple tiers of suppliers. Human rights violations in the supply chain pose reputational risks for communications equipment companies and receive scrutiny from regulators in developed markets. Maintaining brand reputation is a crucial intangible asset required for the success of these companies, which can be affected by negative media attention for involvement in human rights violations. Human rights violations by contract manufacturers have included employing child labour and/or forced labour. In addition, the industry is exposed to issues related to conflict minerals, which have been associated with human right abuses in conflict zones in the Democratic Republic of Congo. The US Trade Facilitation and Trade Enforcement Act of 2015 and the UK Modern Slavery Act 2015 have placed restrictions on the importation of products with involvement in human rights abuses, and require companies to disclose due diligence steps taken to ensure their supply c ...

In our view, the company's management of the issue is above average.

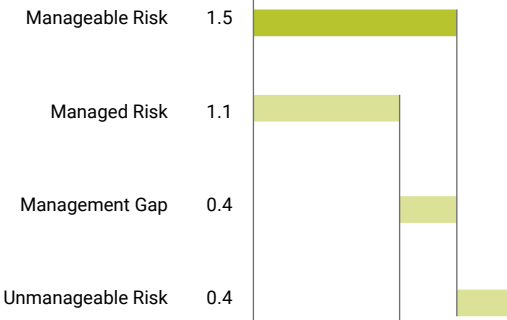


Exposure



A company's or subindustry's sensitivity or vulnerability to ESG risks.

Management



Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Material ESG risk that has been managed by a company through suitable policies, programmes or initiatives.

Measures the difference between material ESG risk that could be managed by the company and what the company is managing.

Material ESG risk inherent in the products or services of a company and/or the nature of a company's business, which cannot be managed by the company.

ESG Risk Rating



Material ESG risk that has not been managed by a company, and includes two types of risk: unmanageable risk, as well as risks that could be managed by a company through suitable initiatives but which may not yet be managed.







Human Rights - Supply Chain


Contribution 4.6 %

Human Rights - Supply Chain focuses on a company's management of fundamental human rights issues occurring in its supply chain.



Management Details

Indicators	Raw score	Weight	Weighted Score
Conflict Minerals Policy	100	15.0%	15.0
Quality of Social Supplier Standards	100	7.5%	7.5
Scope of Social Supplier Standards	100	15.0%	15.0
Conflict Minerals Programmes	75	27.5%	20.6
Supply Chain Management	50	27.5%	13.8
Social Supplier Certification	0	7.5%	0.0
 Employees - Human Rights - SC	Category 0	0.0%	0.0
 Labour Relations - SC	Category 0	0.0%	0.0
 Occupational Health and Safety - SC	Category 0	0.0%	0.0
 Society - Human Rights - SC	Category 0	0.0%	0.0
Total		100.0%	71.9

 =Event indicator

Appendix



Management Details



Corporate Governance

Board/Management Quality & Integrity

36 Average Performer

Raw Score



Qualcomm's board exhibits a good mix of skills as it is comprised of experienced members that possess relevant industry expertise garnered through their service as directors and/or executive at other IT and telecommunications companies. However, there are also several members who are associated with outside governance and/or performance controversies. We also note the company's failure to address strongly-supported and recurring shareholder proposals requesting an expansion of existing proxy access rights. Lastly, Qualcomm's patent royalties have been generating various legal and regulatory actions which exposed the company to multiple fines and commercial liabilities ranging between USD 800 million and USD 1 billion, each.

Indicators

Score

Board Experience	70
Director Track Record	20
Board Capture	60
Votes Against Board	40
Responsiveness to Shareholders	30
Related Party Transactions	70
Director Ownership & Remuneration	70
Executive/Board Misconduct	50
Business Practices Controversies	0
Governance Controversies	50

Board Structure

52 Average Performer

Raw Score



The company showcases generally standard US corporate governance structures and employs robust director election mechanisms. Nevertheless, its board-level leadership is assigned to the former CEO, Paul Jacobs (now serving as Executive Chairman), which undermines the board's independent authority function. Moreover, there are two directors whose prior relationship with the company (Francisco Ros, former Senior Director of Business Development) or long tenure (Barbara Alexander) raise additional concerns regarding the board's overall independence.

Indicators

Score

Board Leadership	30
Board Tenure	50
Board Independence	40
Nominating Committee Effectiveness	50
Director Disclosure	60
Voting Structures	70
Directors not Elected by Shareholders	60
Risk Oversight	60
Board Diversity	70
Other Board Structural Issues	50

Ownership & Shareholder Rights

32 Laggard

Raw Score



Qualcomm is a widely owned US large-cap company that features only two notable shareholders – BlackRock (7.10%) and The Vanguard Group (6.74%). Although the company has an annually-elected board and adheres to the 'one share, one vote' principle, it also employs a series of powerful takeovers defenses that include supermajority provisions and the prohibition of shareholder-initiated special meetings or action through written consent.

Indicators

Score

Classified Board & Director Removal	50
Proportionality - One Share/One Vote	50
Ownership Structure	50
Capital Issuance Risks	50
Shareholder Action	0
Poison Pill & Takeover Defences	30
Supermajority Provisions	10
Other Shareholder Rights Limitations	50

Appendix



Management Details

Remuneration

54 Average Performer

Raw Score



The company’s approach towards executive remuneration displays some strong areas, as well as some weak ones. The current design of the program appears to generally align pay with performance. However the presence of two controversial RSU awards in FY2014, are particularly concerning and have prompted significant shareholder discontent – 42.6% negative ‘say on pay’ vote in 2015. The two equity awards in question consisted of a large number of front-loaded and special time-based RSU grants that amounted to USD 50 million and USD 26.6 million for the CEO and President, respectively.

Indicators	Score
Remuneration Disclosure	60
Remuneration Committee Effectiveness	50
Say on Pay	60
Pay Controversies	50
STI Performance Metrics	70
LTI Performance Metrics	60
Pay Magnitude	70
Pay for Performance	70
Pay for Failure	30
Equity Ownership Policies	80
Internal Pay Equity	70
Clawback Policy	10
Equity Pay Concerns	50

Audit & Financial Reporting

67 Leader

Raw Score



Qualcomm displays a generally adequate financial reporting function, as its audit committee includes members who possess relevant industry experience and financial expertise and holds a sufficient number of meetings (10 in FY2016), in addition to having an auditor whose independence is not threatened by large non-audit fees (7% of audit-related fees in FY2016).

Indicators	Score
Audit Committee Structure	70
Audit Committee Effectiveness	80
Auditor Fees	90
Audit Rotation Policy	50
Auditor Change	50
Reporting Irregularities	50
Other Financial Reporting Concerns	50

Stakeholder Governance

65 Leader

Raw Score



In reviewing the company’s practices regarding ESG stakeholder governance, points of attention for QUALCOMM Incorporated are Bribery & Corruption Policy, ESG Governance and ESG Performance Targets Bribery & Corruption Policy: The company has a weak policy ESG Governance: A board member or a board committee is responsible for overseeing ESG issues ESG Performance Targets: Executive compensation is not explicitly tied to ESG performance targets

Indicators	Score
ESG Governance	100
ESG Reporting Standards	75
Verification of ESG Reporting	0
Global Compact Signatory	100
ESG Performance Targets	0
Political Involvement Policy	75
Lobbying and Political Expenses	0
Bribery & Corruption Policy	100
Environmental Policy	75
Whistleblower Programmes	75
Tax Disclosure	0
Discrimination Policy	50
Scope of Social Supplier Standards	100
CDP Participation	100
GHG Reduction Programme	100
Green Procurement Policy	60

Appendix



Management Details



Business Ethics

G.1.1 - Bribery & Corruption Policy

100	4.00%	4.0
Raw Score	Weight	Weighted Score

The company has a strong policy

Criteria

- Prohibition of bribery
- Definition of bribery or corruption
- Prohibition and definition of conflicts of interest
- Prohibition and definition of facilitation payments
- Guidelines of what is considered acceptable behaviour

Sources

Qualcomm Incorporated Code of Business Conduct, released 2016
 Qualcomm Incorporated Code of Ethics, released March 2017
 The company provided comments/feedback on 29 March 2017

G.1.1.1 - Bribery & Corruption Programmes

100	8.00%	8.0
Raw Score	Weight	Weighted Score

The company has a very strong programme

Qualcomm evaluates corruption risks annually and requires employees to complete a certification process in regards to anti-corruption practices. In addition, the company has established an anonymous hot line for employees to receive guidance on ethical issues.

Criteria

- Managerial responsibility for bribery and corruption
- Regular bribery and corruption risk assessments
- Operating guidelines addressing record keeping, approval procedures and appropriate behaviour
- Annual signoff of the policy on bribery and corruption by employees
- Regular training on bribery and corruption
- Internal monitoring system to detect corruption
- Mechanisms for employees to consult on ethical issues

Sources

Qualcomm Incorporated Code of Business Conduct, released 2016
 Qualcomm Incorporated Sustainability Report 2017 (FY2016/FY2017)

G.1.2 - Whistleblower Programmes

75	6.00%	4.5
Raw Score	Weight	Weighted Score

The company has a strong programme

Criteria

- Proactively communicated to employees
- Available to suppliers, customers and other third parties
- An independent, reporting hotline available 24/7
- Possibility for anonymous reporting and reports are treated confidentially
- Non-retaliation policy
- Structures in place to process whistleblower reports
- Disclosure on the number of reports received, the types of misconduct and measures taken
- Available in local languages

Sources

Qualcomm Incorporated Code of Business Conduct, released 2016
 Qualcomm Incorporated Corporate Website, Ethical Governance, www.qualcomm.com; accessed 15 February 2018

G.3.1 - Political Involvement Policy

75	1.00%	0.8
Raw Score	Weight	Weighted Score

The company has an adequate policy

Qualcomm states that it abides by all applicable laws and regulations when making political contributions and that employees can make contributions to Qualcomm's political action committee. While it is involved in lobbying activities that are allowed by laws, it commits to providing transparent disclosure of its political contributions and the organisations it supports.

Criteria

- Prohibits political involvement of any kind on the company's behalf
- Partially prohibits political involvement
- Approved by senior management
- Commits the company to disclose political donations and/or lobbying expenditures

Sources

Qualcomm Incorporated Code of Business Conduct, released 2016
 Qualcomm Incorporated Political contributions and expenditures policy, released November 2013

Appendix



Management Details

G.3.2 - Lobbying and Political Expenses

Raw Score	Weight	Weighted Score
0	1.00%	0.0

In the last three years, the company made more than USD 0.5 million in political contributions or political spending

Between 2015 and 2017, the company's political spending through lobbying activities in the U.S. amounted to approximately USD 21.6 million.

2017: USD 8.2 million
 2016: USD 5.5 million
 2015: USD 7.9 million

Between 2015 and 2017, the company's political spending in the EU is estimated to be between USD 1.1 million and USD 1.2 million.

Sources

Center for Responsive Politics, www.opensecrets.org; accessed 15 February 2018

Qualcomm Incorporated Political contributions and expenditures disclosure 2016 (FY2016)

Appendix



Management Details

Anti-Competitive Practices Events



Category 4 Event - High



Outlook - Neutral

Summary

Our outlook for this event is Neutral. We do not anticipate an upgrade or downgrade of our rating in the next 12 months, based on the following reasons:

Qualcomm faces pending investigations by two powerful competition regulators, the European Commission and the US Federal Trade Commission, and will likely receive fines and orders to change its business practices. However, decisions made by regulators in China and Korea will likely have the highest impact on the company's revenues, since 65% and 16% of the company's customers were from China and Korea, respectively, in FY2017.

Sustainalytics would consider an upgrade to our rating if the European Commission's investigation clears Qualcomm of anti-competitive allegations, or if the company discloses new guidance suggesting it has changed its licensing practices to ensure compliance to competition laws.

Sustainalytics would consider a downgrade to our rating if the European Commission further fines on Qualcomm and if there are further negative developments in the investigation by the US regulator.

Assessment

Qualcomm faces scrutiny from regulators for allegedly abusing its dominant market position by limiting competition through its pricing practices and limiting standard essential patent (SEP) licensing to rival chipmakers. Qualcomm holds essential cellular communication patents, offers licenses through its Qualcomm Technology Licensing (QTL) segment and its Qualcomm CDMA Technologies (QCT) segment manufactures chipsets. The company allegedly refused to license SEPs to rival chipmakers and coerced customers into purchasing expired patents, bundled with the sale of necessary patents. The company received a USD 975 million fine from China's trade commission in 2015, a USD 854 million fine from the Korean Fair Trade Commission in 2016 and a USD 773 million fine from Taiwan's trade commission in 2017. In January 2017, the US Federal Trade Commission filed a lawsuit, alleging Qualcomm violated anti-competitive laws. In January 2018, the European Commission (EC) fined USD 1.2 billion for making exclusivity payments to a customer (Apple) and restricting the customer from choosing other competitors. The EC continues to investigate Qualcomm regarding the sale of chips at costs lower than the cost of production. Apart from these regulatory hurdles, Apple—Qualcomm's major customer—has launched lawsuits in the US, UK, and China, accusing the company of overcharging and is seeking USD 1 billion in damages. Due to the ongoing lawsuit, Apple has stopped paying rebates to Qualcomm.

We assess a rating for anti-competitive practices as Category 4, due to the high impact that some of the company's business practices has had on consumers, such as limiting fair competition, and the significant regulatory and operational risks that Qualcomm faces. The company has SEPs that are irreplaceable and essential in producing handsets. It has sustained fines in China, South Korea, Taiwan and EU, in some cases the highest fines awarded by those regulators to date. More importantly, the regulators required the company to change its licensing practices and engage in licensing negotiations with cellular chipmakers. Licensing to rival chipmakers might affect the company's share in the mobile chip manufacturing market. Our rating also reflects the regulatory risks that the company faces, due to ongoing investigations elsewhere, particularly a secondary investigation by the European Commission (EC) and the US Federal Trade Commission. In addition, we view Qualcomm's ongoing legal issues with Apple, its major customer, as unfavourable for the company and expect it to affect the company's licensing rates, and profits. We anticipate these regulatory and legal hurdles to influence an upcoming proxy fight where Broadcom is pursuing a hostile takeover of Qualcomm for USD 121 billion.

Incident History



Locations: Belgium, Taiwan, South Korea, United States, Brussels, Belgium, China

Tags: Anti-competitive Practices

European Commission fines company for alleged anti-competitive practices
Reuters UK - 24 January 2018

Taiwanese regulator fines company for antitrust practices
Reuters - 11 October 2017

EU Commission lists antitrust concerns over deal with Dutch NXP
Actforfree.Nostate.net - 09 June 2017

Qualcomm appeals South Korea's FTC antitrust fine
The Korea Economic Daily - 22 February 2017

Update: South Korean antitrust regulators fine Qualcomm USD 853 million
EE Times - 28 December 2016

Update: Fair Trade Commission finds company engaged in anti-competitive
4 Traders - 15 July 2016

Update: Fair Trade Commission antitrust investigation
Reuters - 13 February 2015

Appendix



Management Details

Apple files USD 1 billion lawsuit against Qualcomm over royalties

[Business Insider UK - 20 January 2017](#)

Update: US Federal Trade Commission files lawsuit over patent licensing

[4 Traders - 17 January 2017](#)

Update: US Federal Trade Commission investigation

[Financial Times - 10 November 2014](#)

European Commission investigation

[The Wall Street Journal - 16 July 2015](#)

Update: Complaint over pricing practices

[Financial Times - 17 June 2014](#)

Fine over anti-competitive practices

[The New York Times - 10 February 2015](#)

Update: Changes to licensing policy

[Reuters - 07 January 2015](#)

Update: Chinese antitrust probe

[Reuters - 28 January 2014](#)

Appendix



Management Details

Accounting and Taxation Events



Category 2 Event - Moderate

Incident History

Oxfam report criticizes US corporations for holding money offshore
Crains ChicagoBusiness - 14 April 2016



Locations: United States

Tags: Taxes avoidance/evasion

Appendix



Management Details

Bribery and Corruption Events



Category 2 Event - Moderate

Incident History



Locations: China, United States

Tags: Bribery and Corruption

Chinese FCPA investigation settlement
Business Insurance - 04 March 2016

Update: Corruption investigation
The Wall Street Journal - 19 July 2012

Appendix



Management Details

Business Ethics Events



Category 2 Event - Moderate

Incident History



Locations: San Diego, CA, USA

Tags: Business Ethics - Other, Insider Trading

Arbitration orders company to refund BlackBerry over royalties
[4 Traders - 12 April 2017](#)

Second executive sentenced for insider trading
[Associated Press - 26 June 2015](#)

Update: Executive sentenced for insider trading
UT San Diego - 16 February 2015

Appendix



Management Details



Human Capital

S.1.1 - Freedom of Association Policy

75	6.75%	5.1
Raw Score	Weight	Weighted Score

The company has an adequate policy on freedom of association

Qualcomm's human rights commitment states that it respects the rights of employees to join or form organisations and is compliant with collective bargaining agreements required by local law. It refers to the Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights and is a signatory to the United Nations Global Compact. However, it does not explicitly refer to the relevant International Labor Organisation (ILO) conventions in its policy.

Sources

Qualcomm Incorporated Commitment to Human Rights, modified February 2018

S.1.1.1 - Working Conditions Policy

75	6.75%	5.1
Raw Score	Weight	Weighted Score

The company has an adequate policy on working conditions

Qualcomm commits to comply with all applicable wage and hour laws in its operations and states that it has adopted the EICC Code of conduct for its operations, but it does not explicitly refer to the ILO core labour rights conventions nor does it state

Sources

Qualcomm Incorporated Code of Business Conduct, released 2016

Qualcomm Incorporated Commitment to Human Rights, modified February 2018

S.1.2 - Discrimination Policy

50	6.75%	3.4
Raw Score	Weight	Weighted Score

The company has an adequate policy

Criteria

- List of the types of discrimination the company is committed to eliminate
- Commitment to ensure equal opportunity
- Reference to the ILO conventions

Sources

Qualcomm Incorporated Code of Business Conduct, released 2016

Qualcomm Incorporated Commitment to Human Rights, modified February 2018

S.1.3 - Diversity Programmes

50	18.00%	9.0
Raw Score	Weight	Weighted Score

The company has an adequate programme

Through its global inclusion and diversity programme strategy Qualcomm has established employee networks and diversity councils. In its 2015 sustainability report, the company stated that it offered an internal training programme on unconscious bias awareness to 10% of employees in the US and India. It is unclear if the company offers diversity training for other employees.

Criteria

- Managerial or board level responsibility for diversity initiatives
- Targeted recruitment
- Training and guidance regarding diversity
- Diversity initiatives that go beyond legal compliance
- Employee affinity groups, diversity councils, or networking groups
- Mentorship programmes
- Initiatives supporting a diverse workforce
- Diversity monitoring or audits

Sources

Qualcomm Incorporated Corporate Website, Diversity & Inclusion, www.qualcomm.com; accessed 09 February 2018

Qualcomm Incorporated Sustainability Report 2017 (FY2016/FY2017)

Appendix



Management Details

S.1.4 - Collective Bargaining Agreements

25	6.75%	1.7
Raw Score	Weight	Weighted Score

0-24% of the company's employees are covered by collective bargaining agreements

None of Qualcomm's U.S. employees are covered by collective bargaining, and less than 25% of employees outside the U.S. are covered by collective bargaining agreements.

Sources

Qualcomm Incorporated Sustainability Report 2017 (FY2016/FY2017)

S.1.5 - Employee Turnover Rate

50	6.75%	3.4
Raw Score	Weight	Weighted Score

The company's employee turnover rate is average

Qualcomm discloses an employee voluntary turnover rate of 6.4% for FY2017.

Sources

Qualcomm Incorporated Sustainability Report 2017 (FY2016/FY2017)

S.1.5.1 - Percentage of Temporary Workers

50	6.75%	3.4
Raw Score	Weight	Weighted Score

Between 10% and 15% of the workforce are temporary workers

Qualcomm states that in FY2017, temporary workers made up of 10% of its workforce.

Sources

Qualcomm Incorporated Sustainability Report 2017 (FY2016/FY2017)

S.1.5.2 - Human Capital Development

75	31.50%	23.6
Raw Score	Weight	Weighted Score

The company has a strong programme

Qualcomm offers mandatory and optional career development training courses for its employees and reports on the total number of training hours. Furthermore, the company has established an employee stock ownership plan and conducts performance reviews for its employees.

Criteria

- Initiatives for talent recruitment
- Initiatives for talent development
- Initiatives for talent retention
- Regular formal performance reviews for all permanent employees aligned with career development
- Quantitative targets related to human capital development
- Formal mechanisms to promote an open feedback culture
- Reporting on human capital development metrics
- Reporting on human capital risk assessment

Sources

Qualcomm Incorporated Sustainability Report 2017 (FY2016/FY2017)

Appendix



Management Details

Labour Relations Events



Category 2 Event - Moderate

Incident History

Company settles gender discrimination lawsuit in California
ZD net - 28 July 2016



Locations: California, USA

Tags: Discrimination & Harassment

Appendix



Management Details



Data Privacy and Security

S.3.1.3 - Data Privacy Policy

50	23.08%	11.5
Raw Score	Weight	Weighted Score

The company has an adequate policy

Qualcomm has established privacy principles that guide the company's information security and data privacy practices and has a privacy policy applicable to its website users.

Criteria

- Commitment to notify data subjects in a timely manner in case of policy changes or data breach
- Commitment to informed and limited collection of essential personal identifiable information
- Clear terms involving the use of personally identifiable information (PII)
- Commitment to seek consent for the collection, use and sharing of non-essential PII
- Commitment to implement leading data security safeguards

Sources

Qualcomm Incorporated Corporate Website, Privacy Principles, www.qualcomm.com; accessed 12 February 2018
 Qualcomm Incorporated Corporate Website, Privacy, www.qualcomm.com; accessed 12 February 2018

S.3.1.3.1 - Data Privacy & Security Programme

50	76.92%	38.5
Raw Score	Weight	Weighted Score

The company has an adequate programme

Qualcomm considers privacy and security at the product R&D stage. The company receives guidance on privacy and security from a steering committee and also conducts third-party security assessments.

Criteria

- Managerial responsibility for privacy and data security
- Regular employee training on data privacy and security issues
- Measures to prevent data security breach
- Data subjects can access their accounts to erase, rectify, complete or amend personal info
- Clear and accessible mechanism for data subjects to raise concerns about data privacy
- Regular privacy risk assessments or audit
- Regular security audits on the company's technologies and practices affecting user data
- Reporting on data privacy and security issues

Sources

Qualcomm Incorporated Privacy public policy position, released July 2017
 Qualcomm Incorporated Security and Privacy Vision, released June 2015
 Qualcomm Incorporated Sustainability Report 2016 (FY2015/FY2016)
 Qualcomm Incorporated Sustainability Report 2017 (FY2016/FY2017)

Appendix



Management Details



Carbon - Own Operations

E.1.1 - Environmental Policy

75	2.50%	1.9
Raw Score	Weight	Weighted Score

The company has a strong policy

Criteria

- Commitment to environmental protection
- Commitment to create environmental awareness
- Commitment to implement an environmental management system
- Commitment to use natural resources or energy more efficiently
- Commitment to reduce emissions, releases and waste
- Commitment to monitor the company's environmental performance
- Commitment to report regularly on environmental issues
- Commitment to consult with stakeholders on environmental issues
- Approved by senior management or the board of directors

Sources

Qualcomm Incorporated Environmental guiding principles, released January 2014
 Qualcomm Incorporated Sustainability Policy, released October 2015

E.1.2 - Environmental Management System

60	10.00%	6.0
Raw Score	Weight	Weighted Score

The company has an adequate EMS

Qualcomm has established environmental programmes to manage emissions and water use. The company measures and reports on metrics related to emissions, water, and waste.

Criteria

- Managerial or board level responsibility for environmental issues
- Identification of products, activities and services that have significant impacts on the environment
- Compliance with environmental regulation
- Objectives, targets and deadlines
- Environmental programmes
- Assigned roles and responsibilities
- Training and awareness programmes for employees
- Internal and external communications on environmental management issues
- Monitoring and measurement
- Environmental performance records
- External environmental audits
- Internal environmental audits
- Corrective actions to stimulate continual improvement

Sources

Qualcomm Incorporated Corporate Website, Environment, www.qualcomm.com; accessed 07 February 2018
 Qualcomm Incorporated Corporate Website, Sustainability Strategy, www.qualcomm.com; accessed 07 February 2018
 Qualcomm Incorporated Sustainability Report 2017 (FY2016/FY2017)
 The company provided comments/feedback on 29 March 2017

E.1.3 - EMS Certification

0	5.00%	0.0
Raw Score	Weight	Weighted Score

Based on available evidence, the company's activities have not received external certification

Sources

Qualcomm Incorporated Sustainability Report 2017 (FY2016/FY2017)

E.1.5 - CDP Participation

100	2.50%	2.5
Raw Score	Weight	Weighted Score

The company's response to the latest CDP questionnaire is publicly available

Appendix



Management Details

E.1.6 - Scope of GHG Reporting

100	2.50%	2.5
Raw Score	Weight	Weighted Score

The company reports on scope 1 & 2 and discloses relevant information on Scope 3 GHG emissions

E.1.6.1 - GHG Risk Management

75	15.00%	11.3
Raw Score	Weight	Weighted Score

The company has a strong risk management programme

Criteria

- Recognition of the transition risks related to climate change
- Commitment to manage the regulatory, reputational and/or market risks related to climate change
- Managerial or board level responsibility for addressing transition risks
- Integration of transition risks into regular risk assessments and strategy
- Detailed reporting on transition risks

Sources

Qualcomm Incorporated Climate Change Response 2017, www.cdp.net; accessed 08 February 2018
 Qualcomm Incorporated Sustainability Report 2017 (FY2016/FY2017)

E.1.7.0 - GHG Reduction Programme

100	20.00%	20.0
Raw Score	Weight	Weighted Score

The company has a strong programme

Qualcomm targets to reduce absolute greenhouse gas (GHG) emissions from global operations by 30% by 2025 with 2014 as a baseline. The company's emissions reduction initiatives include utilising waste heating from facilities to cool buildings, and implementing energy efficiency processes. Qualcomm discloses third-party verified GHG emissions data to The Climate Registry.

Criteria

- Policy commitment to reduce GHG emissions
- Managerial responsibility for GHG emissions
- Initiatives to reduce GHG emissions
- GHG reduction targets and deadlines
- GHG emissions monitoring and measurement
- Regular GHG audits or verification

Sources

Qualcomm Incorporated Corporate Website, Environment, www.qualcomm.com; accessed 07 February 2018
 Qualcomm Incorporated Sustainability Policy, released October 2015
 Qualcomm Incorporated Sustainability Report 2017 (FY2016/FY2017)

E.1.8 - Renewable Energy Programmes

25	20.00%	5.0
Raw Score	Weight	Weighted Score

The company has some activities but it doesn't have a formal programme

Qualcomm states it uses renewable energy to power its facilities and has established partnerships with renewable energy certificate providers. The company does not disclose a formal programme to increase renewable energy use.

Sources

Qualcomm Incorporated Sustainability Report 2017 (FY2016/FY2017)

Appendix



Management Details

E.1.9 - Carbon Intensity

100	5.00%	5.0
Raw Score	Weight	Weighted Score

Disclosure on carbon emissions is insufficient to determine performance relative to peers

Company Corporate Website
<https://www.qualcomm.com/media/documents/files/2017-qualcomm-sustainability-report.pdf>

E.1.10 - Carbon Intensity Trend

20	7.50%	1.5
Raw Score	Weight	Weighted Score

Disclosure is insufficient to calculate the company's carbon intensity trend over the last 3 years

E.1.11 - Renewable Energy Use

20	10.00%	2.0
Raw Score	Weight	Weighted Score

No data is available on company's renewable energy consumption

Qualcomm states that it utilizes renewable energy; however, it does not disclose the percentage of renewable energy it uses.

Sources

Qualcomm Incorporated Sustainability Report 2017 (FY2016/FY2017)

Appendix



Management Details



Product Governance

E.3.1.6 - Eco-Design

100	35.00%	35.0
Raw Score	Weight	Weighted Score

Environmental impact is systematically considered at the design stage of products

Qualcomm has a sustainable product design programme and sets environmental expectations for its products and suppliers that manufacture its products to ensure that environmental considerations such as reducing pollution from hazardous substances are integrated at the design stage of its products and services.

Sources

Qualcomm Incorporated Corporate Website, Sustainable Product Design, www.qualcomm.com; accessed 09 February 2018

Qualcomm Incorporated Sustainability Report 2017 (FY2016/FY2017)

E.3.1.7 - Product Stewardship Programmes

0	35.00%	0.0
Raw Score	Weight	Weighted Score

The company has no programmes for end-of-life product management

Qualcomm has an e-waste collection programme for employees. However, there is no takeback programmes for semiconductor chips.

Sources

Qualcomm Incorporated Sustainability Report 2017 (FY2016/FY2017)

S.3.2.1 - QMS Certifications

100	30.00%	30.0
Raw Score	Weight	Weighted Score

90% or more of the company's sites has received external certification

All of Qualcomm's facilities had obtained ISO 9001:2008 certification as of 2017.

Sources

Qualcomm Incorporated Corporate Website, Quality Management, www.qualcomm.com; accessed 15 February 2018

Appendix



Management Details



Human Rights - Supply Chain

S.2.1 - Scope of Social Supplier Standards

100	15.00%	15.0
Raw Score	Weight	Weighted Score

The company has very strong social supply chain standards

Qualcomm is a member of the Electronic Industry Citizenship Coalition (EICC) and hence requires its semiconductor manufacturing suppliers to adhere to the principles of the EICC code of conduct which covers majority of the elements that are expected in proper social supplier standards.

Criteria

- Addresses health and safety
- Addresses minimum living wages
- Addresses maximum working hours
- Addresses freedom of association and the right to collective bargaining
- Addresses child labour
- Addresses acceptable living conditions
- Addresses non-discrimination
- Addresses corporal punishment/disciplinary practices
- Addresses forced labour

Sources

Qualcomm Incorporated Commitment to Human Rights, modified February 2018

S.2.1.1 - Quality of Social Supplier Standards

100	7.50%	7.5
Raw Score	Weight	Weighted Score

The company has strong supply chain standards

Qualcomm requires its semiconductor manufacturing suppliers to adopt the EICC code of conduct, which was developed using ILO standards.

Sources

Qualcomm Incorporated Commitment to Human Rights, modified February 2018

S.2.1.3 - Conflict Minerals Policy

100	15.00%	15.0
Raw Score	Weight	Weighted Score

The company has a strong policy

Criteria

- A formal, company-wide policy
- Commitment to proactive elimination of conflict minerals from products and the supply chain
- Commitment to conduct supply chain due diligence to assess risk exposure
- Commitment not to source minerals from the DRC and adjoining countries
- Commitment to source minerals from certifiable conflict free areas within the DRC

Sources

Qualcomm Incorporated Conflict Minerals Policy, released August 2015

Qualcomm Incorporated Conflict Minerals Report, released 2016

S.2.1.3.1 - Conflict Minerals Programmes

75	27.50%	20.6
Raw Score	Weight	Weighted Score

The company has a strong programme

Qualcomm uses the EICC- Global e-Sustainability Initiative's (GeSI) Conflict Minerals Reporting Template (CMRT) to evaluate its suppliers. The company relies on reporting from the Conflict-Free Smelter Program, a voluntary programme that conducts independent third-party audits. The company reviews CFSP reporting on its suppliers and implements a corrective action management plan. Qualcomm's conflict minerals working group reports to the executive management and the audit committee. The company is also a member of the Public-Private Alliance for Responsible Minerals Trade (PPA).

Criteria

- Mapping or identification of smelters/refiners in the supply chain
- Assessment of minerals' country of origin
- Internal audits of smelters/refiners
- External audits of supplier assertions and of refiners/smelters
- Credible certification scheme to select smelters/refiners
- Corrective actions to address non-compliance
- Education of downstream suppliers about risks
- Multi-stakeholder engagement
- Public policy engagement

Appendix



Management Details

- Initiatives to reduce the use of raw materials that can be conflict minerals
- Managerial responsibility for conflict minerals
- Transparent reporting on due diligence at the smelter/refinery level

Sources

Qualcomm Incorporated Conflict Minerals Report, released 2016
 Qualcomm Incorporated Sustainability Report 2017 (FY2016/FY2017)
 The company provided comments/feedback on 29 March 2017

S.2.2.2.1 - Supply Chain Management

50	27.50%	13.8
Raw Score	Weight	Weighted Score

The company has an adequate management system

Qualcomm conducts audits based on the EICC- Validated Audit Process annually. In 2017, 100% of the company's top-spend suppliers participated in the audits. Based on audit results the company conducts site visits and collaborates with suppliers to take corrective actions.

Criteria

- Board-level responsibility for supply chain management
- Managerial responsibility for supply chain management
- Systematic consideration of suppliers' social performance during procurement
- Targets and deadlines related to supply chain management
- Compliance with social standards included in legally binding agreements with suppliers
- Regular training programmes for suppliers on labour rights issues
- Monitoring of supply chain non-compliance incidents or practices
- Engagement with non-compliant suppliers to reach compliance
- Formal channels for supply chain workers to raise concerns
- Regular internal supplier audits
- Regular external supplier audits
- Reporting on audit results
- Engagement with NGOs, labour groups or industry peers on social supply chain issues
- Is applicable to second-tier suppliers

Sources

Qualcomm Incorporated Corporate Website, Supply Chain Management, www.qualcomm.com; accessed 09 February 2018
 Qualcomm Incorporated Sustainability Report 2017 (FY2016/FY2017)
 The company provided comments/feedback on 29 March 2017

S.2.2.3 - Social Supplier Certification

0	7.50%	0.0
Raw Score	Weight	Weighted Score

Based on available evidence, the company's suppliers have not received external certification

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GLOSSARY OF TERMS

Beta (Beta, β)






A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

-  **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
-  **Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
-  **Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
-  **High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
-  **Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

Management

A company's handling of ESG risks.

Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

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