

CUMMINS COBALT POLICY

1.0 Purpose:

Cummins Inc. is a global company headquartered in the United States that must comply with laws and regulations where we do business. In areas where there are not laws and regulations, we strive to use industry standard and best practices; this policy relates to the responsible sourcing of cobalt.

This policy lays the framework to have Cummins avoid knowingly using cobalt from sources that support or fund inhumane treatment, including human trafficking, slavery, forced labor, child labor, torture and war crimes in known Conflict Affected and High-Risk Areas (CAHRA).

This policy is not intended to completely ban procurement of cobalt or other products from CAHRAs, but to promote sourcing from responsible sources in the regions.

2.0 Scope

This policy applies to Cummins Inc. entities world-wide, including Cummins subsidiaries, joint ventures, affiliated companies and distributors in which Cummins has a controlling ownership interest or management responsibility.

3.0 References

[Cummins Core Values](#)

[Organization for Economic Co-operation and Development](#) (OECD) Guidelines

[Responsible Minerals Initiative Guidelines](#)

Cummins Human Rights Policy (CORP-00-11-11-00)

Cummins Cobalt Communication Plan

4.0 Policy

Following are the primary tenets of our policy:

- 4.1 Cummins will make reasonable efforts to:
 - a. know and to require that each Cummins supplier disclose to Cummins, the sources of cobalt used in its products; and
 - b. to eliminate procurement, as soon as commercially practical, of products containing cobalt obtained from sources that fund or support inhumane treatment from CAHRAs.
- 4.2 Cummins will monitor legal requirements for responsible sourcing of Cobalt, and will comply accordingly. Cummins will require that our suppliers assist the Company to comply with the requirements for any related laws and rules globally.

COBALT POLICY FAQs

Summary:

Cobalt is a chemical element with several practical applications in products we use each day; however, its use has increased exponentially due to the development of lithium-ion batteries. Lithium-ion batteries are used in common personal devices, such as cell phones, tablets, and electric vehicles. If a product uses an integrated rechargeable battery, it probably uses cobalt.

In 2018, Cummins Inc. formally launched an electrified power business now called New Power. This business focuses on electrified powertrains and brings new challenges and opportunities to Cummins. It has also resulted in a focus on the supply chain, and environmental and social concerns regarding the sourcing of cobalt. As the automotive industry trends towards electric vehicles and as rechargeable battery use grows exponentially, the question of cobalt sourcing and expectations about responsible sourcing will become more prevalent.

As awareness grows of the potential problems facing cobalt that is not responsibly sourced, our stakeholders are beginning to demand more from us. Some industry groups (like the Responsible Minerals Initiative and the Automotive Industry Action Group) have launched a process for voluntary cobalt reporting, and some of our customers are considering requiring performance with this process to continue doing business. Other external stakeholders, including the press and public, have started seeking responses from companies in our industry, and heavy cobalt consuming companies like and other companies using lithium ion batteries.

Responsible Sourcing of Cobalt FAQs

What are conflict minerals?

The concept of conflict resources emerged by the end of the 1990s and is used to describe diamonds mined by slave labor in Angola and Sierra Leone to finance rebellions. Within the U.S. lexicon, [Section 1502 of Dodd-Frank Wall Street Reform and Consumer Protection Act](#) specifies conflict minerals as tin (cassiterite), tungsten (wolframite), tantalum (columbite-tantalite, or coltan), and gold, or 3TG, mined in the Democratic Republic of Congo (DRC) and the nine countries that surround it.

The term “conflict minerals” has been expanded to include other conflict-affected and high-risk areas (CAHRAs) and regions of devastating conflict using illegal labor (including forced or underaged labor); and where the sale of these resources are used to finance further conflict. Per European Union regulations ([REGULATION \(EU\) 2017/821 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 May 2017](#)), conflict minerals has been expanded to include ores and other composites of 3TG.

Is cobalt a conflict mineral?

Currently, cobalt is not classified under any regulation as a conflict mineral. Cummins has developed and posted a policy on the management of the cobalt supply chain. Any reporting that Cummins does for cobalt sourcing is voluntary. However, this does not discount the importance of responsible sourcing.

What is the penalty for using conflict minerals?

Currently, any penalties for non-compliance to conflict minerals laws are handled differently depending on the country involved.

How do I report the use of conflict minerals?

Whether you are legally obligated to report conflict minerals depends on the country that has jurisdiction over the company's operations. Cummins reports to the U.S. and the European Union.

In the U.S., conflict minerals should be reported if they are present in products produced by the company, and there is no minimum limit. The use of conflict minerals is disclosed using [Form SD](#), and submitted to the

Securities and Exchange Commission (SEC). The SEC will follow up with non-compliant filers and assesses penalties as necessary.

In the European Union, conflict minerals reporting is required if the metal or mineral exceeds the threshold stated by the law. With non-compliance, the European Commission issues an order that the entity should address the non-conformance by a given deadline. Should the deadline pass, and the issue is not addressed to the satisfaction of the European Union, the practice is to follow up with the firm to ensure it does so. While this is not yet mandatory, the European Union is encouraging companies to begin assessing their supply chains, and making improvements where necessary, as the regulation will be enforced beginning January 1, 2021.

If cobalt is not a conflict mineral, what is the issue with sourcing cobalt?

The sale of cobalt has been historically used to fund conflict activities, and has been a source of potential human rights violations, including slavery and illegal child labor. While not every mine in these countries uses illegal or forced labor for their mining practices, nor are all using the proceeds from the mining activities to fund conflict, these practices continue to persist. It is estimated that approximately 40,000 children as young as age 7 are exploited by these mining activities. This does not consider the number of children who are affected by the indirectly related activities of war and other conflict.

In cases where the mines do not finance conflict, there are still questions about the labor conditions of the miners. Artisan miners of cobalt are at risk for chronic respiratory problems and pain from mining (Amnesty International¹). Poorly constructed mines with little structural support and ventilation are common. Miners may work between 12 – 24 hours per day with little or no breaks.

Where is cobalt mined?

It is estimated that 60% – 85% of the world's cobalt supply is sourced from the DRC or covered countries (Sudan, Uganda, Rwanda, Burundi, Tanzania, Zambia, Angola, Congo Republic, Central African Republic).

What happens if Cummins does not voluntarily disclose its cobalt sourcing information?

Currently, there is no legal penalty for choosing to not disclose a company's cobalt sourcing information, however, this could change as new legislation is implemented.

Why is Cummins increasingly interested in cobalt and where it comes from?

Through our New Power Business Unit, we are getting more involved in markets that require cobalt sourcing.

Based on our observations within the industry and our history in reporting on conflict minerals, we expect the question of cobalt sourcing, and expectations about responsible sourcing, will become more prevalent. Our company values suggest that we want to be proactive to ensure our supply chain is aligned with our values.

So, in July 2019, we formally adopted the Cummins Cobalt Responsible Sourcing Policy that acknowledges the challenges that occur as part of responsibly sourcing cobalt, and it reaffirms our commitment to ethical sourcing that reflects our values as a company. The policy states Cummins will make reasonable efforts to:

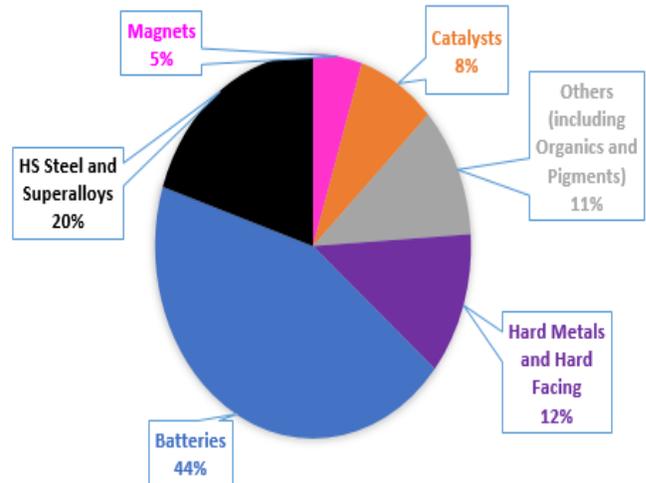
- a) know and to require that each Cummins supplier disclose to Cummins, the sources of cobalt used in its products; and
- b) to eliminate procurement, as soon as commercially practical, of products containing cobalt obtained from sources that fund or support inhumane treatment from Conflict Affected and High-Risk Areas (CAHRAs).

¹<https://www.amnesty.org/en/documents/afr62/3183/2016/en/>/<https://www.amnesty.org/en/documents/afr62/3183/2016/en/>

Cummins will monitor legal requirements for responsible sourcing of Cobalt and will comply accordingly. Cummins will require that our suppliers assist the Company to comply with the requirements for any related laws and rules globally.

How is cobalt used in the automotive industry?

The largest use for cobalt is for batteries, with 44% of the world's supply being used for this purpose. Cobalt has other applications in the automotive industry, including 32% being used for strengthening metals and making super alloys and super steel. Cobalt in catalysts and magnets count for 8% and 5% total usage, respectively. Other uses of cobalt, including organic compounds and pigments, account for 11% of total consumption.



Is anyone else participating in the responsible sourcing of cobalt?

Governments and several influential organizations have begun encouraging their members to embrace the responsible sourcing of conflict minerals.

The Responsible Minerals Initiative (RMI, formerly the Conflict-Free Sourcing Initiative, or CFSI) has been working to provide an international framework that entities can use to review their supply chain and perform due diligence as required. This framework is based on guidance from the Organization of Economic Co-operative Development (OECD). Many other industry groups are also taking advocacy positions on cobalt, many of which Cummins has an active membership in. These include:

- Automotive Industry Action Group (AIAG).
- Association of Equipment Manufacturers (AEM).
- European Association of Internal Combustion Engine Manufacturers (EUROMOT).
- The European Battery Alliance (EBA).

Who in Cummins manages the responsible sourcing process?

The group managing Cummins' compliance to responsible sourcing is Restricted Substances & Product Disclosure (a discipline of Environmental Strategy and Compliance), who seeks advice from stakeholders such as purchasing, trade compliance, legal and ethics, and compliance as needed to address issues.

What is the reporting process for cobalt?

Reporting for cobalt will be incorporated into the current conflict minerals reporting practice. This is an annual exercise beginning in Q3 of the current reporting year and concludes by Q2 of the following year. Restricted Substances and Product Disclosure will send a survey to Cummins' Tier 1 direct material suppliers. The survey responses are analyzed to ensure compliance to the applicable legislation. Non-compliant responses will have further due diligence applied, where direct material suppliers work cross-functionally with purchasing, legal, and ethics and compliance to mitigate the risk. Survey responses are validated and rolled up into a report sent to customers (upon request), and the report detailing the conflict minerals reporting activities is submitted to the appropriate government agency. The Cummins Inc. Conflict Minerals Reporting Template can be made available upon request.