



Procurement Code of Ethics

May 2021

Philips employees, involved in the procurement process, play an important role in ensuring Philips conducts its business with integrity. Adherence to the Philips General Business Principles (GBP) in the contracting process strengthens stakeholders' confidence in Philips. Responsible business conduct can also avoid administrative, civil or criminal penalties as well as considerable business disruptions, associated with misconduct.

The Philips Procurement Code of Ethics applies to all employees working in Philips Procurement and is an integral part of the Philips General Business Principles (GBP).

At the end of each year Procurement employees affirm that they have adhered to (i) the Philips General Business Principles (GBP) and (ii) the Philips Procurement Code of Ethics during the past year, and that any breach of conduct that they became aware of has been promptly and duly reported. In addition to full compliance with the Philips General Business Principles (GBP), employees shall conduct business with honesty and integrity and, more specifically:

1. Confidentiality

- Procurement employees may have access to confidential information that may affect a contract bid or the business award process, such as selection plans, ranking of bids, proposals, competitors involved and competitive range determinations.
- Confidential information related to quotes and bids from suppliers is not to be shared with any other supplier or third party at any time. Philips employees will keep confidential information from a supplier confidential.

2. Conducting business with honesty and integrity

- Procurement employees shall ensure that contracts are awarded and administered free from improper influence.
- Circumstances might arise that could call into question the impartiality of employees, e.g. when their procurement duties require them to work with their former employer, partner's employer, close relatives,

or others with whom they have an indirect or direct business relationship. When a conflict of interest may arise, employees should promptly involve their line manager and/or GBP Compliance Officer.

- Partners or family members may not receive personal benefits as a result of an employee's position at Philips.
- Employees shall comply with the Philips General Business Principles (GBP) regarding the acceptance of gifts and hospitality. Local regulations regarding the acceptance of gifts and hospitality must be followed if such regulations are stricter than the Philips General Business Principles (GBP).

3. Follow a fair process to select suppliers and award business

- Employees shall select suppliers and award business on the basis of fair competition.
- In all cases, Philips will follow the predefined rules of the procurement processes, and share the rules upfront with suppliers when applicable.
- Arrangements with or among suppliers that could limit or distort competition shall be avoided.
- Long-term agreements with suppliers should periodically be subject to fair and open competition, to obtain the best current market offering and to provide alternative suppliers with an opportunity to win the business.
- Employees shall not request any payment from suppliers as a condition of being placed on a preferred supplier list. Suppliers should be selected on the basis of meeting appropriate selection criteria.
- Employees shall not require or encourage suppliers to undertake activities or incur costs when there is little chance for them obtaining business within a reasonable period - unless the supplier is made aware of all the circumstances.

4. Select suppliers that comply with ethical standards

- Employees shall select and award business to suppliers that are committed to acting fairly and with integrity towards their stakeholders. Suppliers must act with integrity towards stakeholders and observe both the laws of the countries in which they operate and the guidelines provided in the Philips Supplier Sustainability Declaration.

5. Report concerns regarding compliance with the Philips Procurement Code of Ethics

- Employees shall report to their line manager, General Business Principles (GBP) Compliance Officer or the Philips Ethics Line any concerns about compliance with the Procurement Code of Ethics and/or any applicable laws or regulations.

6. Accountability and adherence to the Philips Procurement Code of Ethics

- Each year, the designated Procurement employees shall confirm in writing that the Procurement Code of Ethics has been adhered to during the current year, and that any breaches they are aware of have been promptly and duly reported to the GBP Compliance Officer or the Philips Ethics Line.

- Procurement employees are expected to hold each other accountable for adherence to the Philips General Business Principles and the Procurement Code of Ethics.

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