



## Philips Modern Slavery and Human Trafficking Statement 2019

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Pursuant to **Section 3 of the California Transparency in Supply Chains Act of 2010 and the United Kingdom (UK) Modern Slavery Act 2015, Chapter 30, Part 6, Provision 54**, Philips declares its efforts in identifying, assessing and managing the risks of modern slavery and human trafficking within its product supply chain. This statement is in relation to the financial year ending 31 December 2018.

Verification and a summary of efforts concerning audits, certification, internal accountability, and training are provided below. For more information on the company's organizational structure and the approach to sustainability, please refer to the [Philips Annual Report](#).

### Verification

Philips engages in verification activities to identify, assess and manage the risks of modern slavery and human trafficking in its product supply chain. Philips is a member of the Responsible Business Alliance (RBA), a non-profit coalition of electronics companies committed to: (1) supporting the rights and well-being of workers and communities engaged in the global electronics supply chain, and (2) environmental and social responsibility. Philips adopted the [RBA Code of Conduct](#) and included the requirements of the code as part of our supplier contracts within the Philips Supplier Sustainability Declaration (Declaration). Philips suppliers must adhere to the Declaration and deploy it upstream to their suppliers. The full version of the Declaration is available [here](#). Philips monitors compliance with the Declaration through its Supplier Sustainability Performance (SSP) program.

### Supplier assessments

Suppliers are expected to implement internal controls to ensure they comply with the requirements of the Declaration. Philips performs assessments to evaluate their compliance with Philips' requirements concerning trafficking and slavery. At-risk suppliers are identified using the following criteria:

- Substances used in the product and manufacturing process
- Commercial interests: Philips' spend with Supplier
- Incidents reported to Philips directly or indirectly (e.g. via the media)
- Type of products or services delivered to Philips

The assessments are planned together with the supplier. Philips publishes the end-of-year results in the Annual Report. More information about the Philips Supplier Sustainability Performance program, which is focused on improving the sustainability practices of suppliers, can be found [here](#).

### Certification

Philips suppliers certify conformance to the RBA requirements embedded within the Philips Supplier Sustainability Declaration (Declaration), which is part of the Philips supplier contracts. The Declaration includes five chapters covering labor, employee health & safety, environment, ethics, and management systems. Chapter A of the Declaration focuses on the labor rights of workers. The labor standards comprise rules relating to freely chosen employment, child labor avoidance, working hours, wages and benefits, humane treatment, non-discrimination, and freedom of association. This latter aspect is elaborated in the Annex to the Declaration, which sets employees' rights relating to freedom of association and collective bargaining in accordance with the relevant ILO conventions on fundamental principles and rights at work. It also outlines the necessary measures and management system requirements to ensure workers' rights are protected. Modern Slavery and Human Trafficking is captured under the first paragraph of this chapter, Freely Chosen Employment:

*"Forced, bonded (including debt bondage) or indentured labor, involuntary prison labor, slavery or trafficking of persons shall not be used. This includes transporting, harboring, recruiting, transferring or receiving persons by means of threat, force, coercion, abduction or fraud for labor or services. There shall be no unreasonable restrictions on workers' freedom of movement in the facility in addition to unreasonable restrictions on entering or exiting company-provided facilities. As part of the hiring process, workers must be provided with a written employment agreement in their native language that contains a description of terms and conditions of employment prior to the worker departing from his or her country of origin. All work must be voluntary and workers shall be free to leave work at any time or terminate their employment. Employers and agents may not hold or otherwise destroy, conceal, confiscate or deny access by employees to employees' identity or immigration documents, such as government-issued identification, passports or work permits, unless the holding of work permits is required by law. Workers shall not be required to pay employers or agent recruitment fees or other aggregate fees in excess of one month's salary. All fees charged to workers must be disclosed and fees in excess of one month's salary must be returned to the worker."*

Non-compliance with the RBA Code on slavery and/or trafficking is taken very seriously. It is considered one of the most severe types of supplier non-conformances, requiring immediate corrective action plans to remediate identified non-conformance. Philips works with suppliers until the noncompliance is resolved, which is confirmed by a follow-up assessment. After failing to resolve the noncompliance after two follow-up assessments, the supplier enters a phase-out process.

### **Internal accountability**

Acting with integrity is at the heart of Philips' culture and is part of our company's mission and vision. While pursuing our business objectives, we aim to be a responsible partner in society, acting with integrity towards our employees, customers, business partners, and shareholders, as well as the wider community in which we operate.

The General Business Principles set the standard for acting with integrity at Philips. They govern all our decisions and actions throughout the world and apply equally to our group actions and to our conduct as individuals. The principles of fair employment practices are defined in paragraph 1.1:

#### *1.1 Fair employment practices*

*We believe a diverse workforce and an inclusive work environment are essential to a thriving innovative business. We strive to attract employees from a wide range of backgrounds. We do not discriminate on the basis of race, color, age, gender, gender identity or expression, sexual orientation, language, religion, political or other opinions, disability, national or social origin or birth.*

*We promote a workplace that is free from physical and verbal harassment. We do not tolerate any conduct that creates, encourages or permits an offensive, humiliating or intimidating work environment. We do not make use of child labor or forced labor.*

*We recognize and respect the freedom of our employees to associate with any employee organization of their own choosing under local law without fear of reprisal, intimidation or harassment. Where employees are represented by a legally recognized union, we establish a constructive dialogue and engage in negotiations or consultation as required with their freely chosen representatives.*

*We aim to maintain a healthy, safe and productive work environment.*

The General Business Principles are an integral part of Philips' labor contracts, which are available in 32 languages in virtually all countries where Philips operates.

Responsibility for compliance with the General Business Principles rests principally with the management of each business. Every market organization and each main production site has a GBP Compliance Officer. Confirmation of compliance with the General Business Principles is an integral part of the annual Statement on Business Controls. The management of each business unit is required to issue such a Statement as part of a cascading process leading to CEO/CFO certification of the company's annual accounts.

Philips has a GBP Reporting Policy in place that encourages all employees to report any suspected violation of the General Business Principles that cannot be resolved together with the management concerned or that constitute an immediate threat to corporate integrity.

The full text of the Philips General Business Principles can be found [here](#).

In addition to the Philips General Business Principles, we have a dedicated Human Rights Policy, reaffirming our commitment to support and respect human rights as set out in the International Bill of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.

In accordance with this policy, Philips initiated its first country-specific Human Rights Impact Assessment in 2018, deepening the human rights due diligence process by engaging with internal and external stakeholders to identify the human rights areas of severe impact and most vulnerable groups. The result is presented in Philips' first Human Rights Report, which also contains more detailed information regarding the progress. The Human Rights report can be found [here](#).

### **Training**

Philips has implemented training and a variety of capability-building initiatives to help its suppliers comply with the Philips modern slavery and human trafficking requirements.

### **Supplier Sustainability Performance program**

The Supplier Sustainability Performance (SSP) approach, first piloted in 2016, focuses on:

- a systematic way to improve the sustainability performance of our supply chain
- continuous improvement against a set of recognized and global references
- collaboration, increased transparency, clear commitments, and ensuring suppliers meet the agreed targets

The SSP process is monitored through continuous feedback loops. The outcome of the SSP assessment is a supplier sustainability score ranging from 0 to 100. This score is based on supplier performance in environmental management, health & safety, business ethics, and human capital. Based on their scores, suppliers are categorized on the basis of supplier maturity, resulting in supplier specific proposals for improvement.

Philips measures the impact of the SSP engagement through an improvement metric, which represents the pro-rata change in performance from one year to the next. In 2018, the average year-on-year improvement is 25% for suppliers that entered the program in 2016 and 2017. The number of employees impacted at suppliers participating in the SSP program was approximately 240,000.

### **Philips RBA training sessions**

All Philips suppliers are encouraged to take part in training sessions on the RBA Code of Conduct that are held on a regular basis. Philips organizes these training sessions, covering various topics relating to the requirements of the RBA Code of Conduct, and can help to further develop supplier sustainability competences. Philips also proactively informs suppliers of training opportunities offered by RBA (e.g. worker management training, health and safety training), and encourages suppliers to take part. In 2018, Philips organized 8 training sessions.

### **Supplier Days**

Sustainability is an integral part of the Supplier Day events Philips Procurement organizes annually in different regions. High-level directions and changes are communicated during these days by top management to the suppliers.

## **Employee Training**

In order to ensure constant awareness throughout the company of the need to act with integrity, a worldwide communication and training program, including mandatory sign-off on the General Business Principles, is in place. On an annual basis, global internal communications programs are rolled out with the participation of the Executive Committee and the respective Sector, Area and Market management.

A web-based GBP training tool is available to all employees with online access in 23 different languages. This tool is regularly updated. Also, dedicated training courses, both web and classroom-based, are offered to specific audiences and functional areas. GBP Compliance Officers are regularly enrolled in dedicated e-training programs that include complaint-handling procedures and dilemma training. Furthermore, a regular two-day train-the-trainer program for compliance awareness is mandatory for all Philips GBP Compliance Officers.

## **Approval**

This Statement has been approved by the board of Directors of **Philips Electronics UK Limited**, with respect to the financial year ending on 31 December 2018.

A handwritten signature in black ink, appearing to read 'Neil Mesher', is centered on a light gray background.

Neil Mesher  
CEO / Director  
**Philips Electronics UK Ltd**  
21 May 2019