

Philips' Position on Responsible Sourcing of Minerals

Philips' efforts to respect human rights extend to issues further down in our supply chain, for instance to prevent human rights abuses in the extractives sector, especially related to conflict minerals. We are committed to not purchasing raw materials, subassemblies, or supplies, known to contain conflict minerals from conflict-affected and high-risk areas¹ (CAHRAs), including the Democratic Republic of the Congo (DRC) and adjoining countries, among others. Philips does not directly source minerals from mines as these are typically several tiers removed from our direct suppliers. Nevertheless, we recognize that from our position in the supply chain as a downstream company we can have an impact in addressing the sustainability issues related to mining of minerals through implementation of due diligence mechanism and robust multi-stakeholder engagement.

Activities of Philips in Responsible Sourcing so far

Philips fully supports and complies with the **OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance)**². Furthermore, we have committed not to purchase raw materials, subassemblies, or supplies that we know contain conflict minerals which directly or indirectly finance or benefit armed groups in the Democratic Republic of the Congo (DRC) or an adjoining country, per Section 1502 of the US Dodd Frank Act. We conduct due diligence for tungsten, tantalum, tin, gold (also known as 3TG), and cobalt.

Philips joined the **Responsible Business Alliance (RBA)**, in 2006, and has been an active member of the **Responsible Minerals Initiative (RMI)**³, a cross-industry initiative, which provides companies with tools and resources to make sourcing decisions that improve regulatory compliance and support responsible sourcing of minerals from conflict-affected and high-risk areas (CAHRAs), DRC and adjoining countries. The RMI has developed tools to increase transparency of the origin of conflict minerals, including an electronic due-diligence tool for companies and the **Responsible Minerals Assurance Process (RMAP)** to audit smelters, which are a key element in the supply chain for determining the origin of relevant minerals. These tools are consistent with the OECD guidance and are currently undergoing further alignment to the OECD standard.

In following the OECD Guidance and using these RMI tools, we have opted to take a risk-based due diligence approach. We request our most relevant suppliers to conduct investigations of their supply chain to determine the origin of metals contained in products supplied to Philips. Our suppliers cascade this request into the next tiers of the supply chain until it reaches the smelter level, identifying and then sharing the smelter names with us. We also request our suppliers to only source from smelters that are validated to be RMAP (or equivalent) conformant, and to cascade the request to the next tier suppliers. Philips requires that suppliers whose products contain tantalum, tin, gold, and tungsten (3TG) submit this information to Philips using the standardized Conflict Minerals Reporting Template (CMRT) issued by the Responsible Minerals Initiative (RMI), which traces the metals back through the supply chain. Philips aims to provide feedback to suppliers regarding smelters not listed on the RMAP (or equivalent) Active and Conformant list with the goal to minimize and ultimately eliminate the use of such smelters in our supply chain. We will request our suppliers and the supply chain to exclusively source from Active and Conformant smelters.

Since 2014, Philips reports annually on supply chain due diligence by filing a Form SD and Conflict Minerals Report with the US Security and Exchange Commission (SEC)⁴. Philips has been including certain disclosures about the use of conflict minerals since 2009, even before the SEC's rules first became effective. A dedicated conflict minerals

¹ OECD definition of conflict-affected and high-risk areas: Conflict-affected and high-risk areas are identified by the presence of armed conflict, widespread violence or other risks of harm to people. Armed conflict may take a variety of forms, such as a conflict of international or non-international character, which may involve two or more states, or may consist of wars of liberation, or insurgencies, civil wars, etc. High-risk areas may include areas of political instability or repression, institutional weakness, insecurity, collapse of civil infrastructure and widespread violence. Such areas are often characterised by widespread human rights abuses and violations of national or international law.

² [OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas - OECD](#)

³ [Responsible Minerals Initiative \(RMI\)](#)

⁴ [US Security and Exchange Commission \(SEC\)](#)

website with information for consumers, customers and suppliers is available. In 2012, Philips was the first company to publish its smelter list and will continue to regularly update this list as more information becomes available.

Recognizing that due diligence is an on-going, proactive, and reactive process, Philips annually reviews and improves its responsible minerals program to ensure it complies with applicable international and domestic laws, respects human rights and does not contribute to conflict. Philips is evolving its due diligence practices to address concerns of conflict and other OECD Annex II risks⁵ of minerals from CAHRAs beyond the scope of Dodd-Frank Act.

Moving beyond due diligence – multi-stakeholder initiatives in responsible sourcing of minerals

The Dodd-Frank Act and the OECD Guidance focus on due diligence and the subsequent risk management (mitigation). As a result, many companies tend to steer their supply chains away from the entire conflict-affected and high-risk areas, the DRC, and adjoining countries. In other words, risk mitigation becomes synonymous to “risk avoidance”. However, risk avoidance leads to economic and social hardship in those countries that already suffer from conflict, poverty, and other issues. Philips believes that companies should be encouraged to continue to carry out a due diligence of their supply chain, primarily to understand if and how they might be connected to an adverse impact in those areas, and how they can maximize their leverage to have a positive impact.

Philips recognizes the need of systematically addressing all extractives-related issues worldwide, such as human rights abuses, including child labor, forced or bonded labor, as well as health & safety and environmental issues. We ensure responsible sourcing in affected regions without creating de facto embargoes. For this purpose, we actively engage in multi-stakeholder initiatives, such as the Responsible Business Alliance (RBA), along with industry programs and groups, such as responsible sourcing and upstream impact programs and workgroups initiated under the Responsible Minerals Initiative (RMI). Through our engagements, we aim to foster the wider adoption, improvement, and reliability of relevant programs, tools and standards.

Philips intends to continue leveraging its position as a strategic partner in the European Partnership for Responsible Minerals (EPRM), a public-private cooperation that supports and complements the EU conflict minerals legislation. As a strategic partner, Philips will engage in responsible sourcing projects, expanding the scope to include conflict-affected and high-risk areas worldwide, as well as addressing a broader range of human rights and environmental issues. The objective is to promote the supply and demand for responsibly sourced minerals.

Through a combination of due diligence efforts and multi-stakeholder initiatives, companies and other stakeholders can work towards the achievement of two goals:

1. Stop or minimize the trade in conflict minerals sourced from mines that directly or indirectly finance or benefit armed groups anywhere in the world.
2. Enable responsible sourcing of minerals from conflict-affected and high-risk regions, including, but not limited to, the DRC and adjoining countries, and thereby supporting the development of the local economy and communities.

In sum, Philips, along with our partners and suppliers, actively seek to establish responsible supply chains and support initiatives at fostering aimed at fostering responsible sourcing on a global scale.

⁵ OECD Annex II risks refer to the risks specified in Annex II of the OECD Guidance, such as serious human rights abuses (including forced labor and worst forms of child labor), direct or indirect support to non-state armed groups or public/private security forces, bribery, and fraudulent misrepresentation of the origin of minerals (including money laundering), and non-payment of taxes, fees and royalties to governments.
(Source: [OECD Annex II Risks \(responsiblemineralsinitiative.org\)](https://www.responsiblemineralsinitiative.org/))