

Philips' position on Responsible Sourcing of Minerals

Our commitment to sustainable development obliges us to address issues in the extractives sector, even though Philips does not directly source minerals from mines (these companies are typically several tiers removed from our direct suppliers). We recognize that from our position in the supply chain as a downstream company we are able to have an impact in addressing the sustainability issues related to mining of minerals through a strong multi-stakeholder engagement.

With this in mind, Philips became a **strategic partner of the new European Partnership for Responsible Minerals (EPRM)**, a public-private partnership initiative that was launched in 2016, in which Philips took a leading role in the private sector.

The EPRM will provide a platform for cooperation between EU governments, companies and civil society to address the issue occurring in the mining of minerals and to enable responsible sourcing from high risk and conflict regions. Another goal of EPRM is to promote dialogue, cross-sector learning and support for the implementation of due diligence mechanisms along the entire chain, with special attention to SMEs.

Activities of Philips in the area of 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**. We have committed not to purchase raw materials, sub-assemblies, or supplies for which we know contain conflict minerals that directly or indirectly finance or benefit armed groups in the DRC or an adjoining country.

Philips joined the **Responsible Business Alliance (RBA)**, formerly known as Electronics Industry Citizenship Coalition (EICC), in 2006, and has been an active member of the **Responsible Minerals Initiative (RMI)**, formerly known as the Conflict Free Sourcing Initiative (CFSI), a cross-industry initiative, which seeks to prevent minerals that directly or indirectly finance the DRC conflict from entering the electronics supply chain. 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)**, formerly known as Conflict Free Smelter Program (CFSP), 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 due diligence guidance and using these RMI tools, we have opted to take a risk-based approach. We request our relevant suppliers (approximately 250) 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 the smelter level can be identified and then share the smelter names with us. The result of this due diligence process is a list of smelters, most of them currently participating in the Responsible Minerals Assurance Process.

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). 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 website with information for consumers, customers and

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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.

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 conflict affected and high-risk regions. In other words, risk mitigation becomes synonymous to “risk avoidance”. Risk avoidance causes economic and social hardship in those countries that already suffer from conflict, poverty and other issues.

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 a negative impact in the conflict affected and high-risk regions, and how they can maximize their leverage to have a positive impact.

As an example to how this could work, Philips has combined a risk-based approach for its due diligence related to the conflict in the DRC (i.e. traceability to smelters for approximately 250 of the most relevant suppliers) with a “conflict free tin initiative”. As part of this initiative, Philips used its leverage and placed an order for conflict free tin from the DRC.

We influenced the supply chain, including solder manufacturer, smelter, and mine trading route in a multi-stakeholder setting, supported and facilitated by the Dutch government and an US-based Public Private Initiative. Note that our due diligence initially revealed that we were not linked to any tin originating from the DRC. However, we realized that we could use our leverage over the supply chain to help address the conflict and get engaged. Currently responsibly sourced minerals from DRC and the region are part of Philips supply chain on a business as usual basis.

Philips recognizes the need to start systematically addressing all extractives related issues worldwide, e.g. human rights abuses incl. child labour, health & safety and environmental issues while making sure not to create de facto embargoes by enabling responsible sourcing in the affected regions. For this purpose, we actively engage in multi-stakeholder initiatives, such as the Responsible Business Alliance (RBA), Responsible Minerals Initiative (RMI), the Dutch Gold Sector IRBC Agreement, and as a strategic partner of EPRM as mentioned above.

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

1. Minimize the trade in conflict minerals 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, thereby supporting the development of the local economy and communities.

Philips also expects its suppliers to source from responsible sources and start actively cascading this request to the next tiers of Philips supply chain. We will actively seek to establish responsible supply chains where possible and facilitate such initiatives to be scaled up to foster responsible sourcing from conflict and high-risk areas.