

# Philips Lighting position on responsible sourcing in relation to Conflict Minerals

---

Our commitment to sustainable development compels us to address issues in the extractives sector, even though Philips does not directly source minerals from mines or smelters (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 play a role in addressing conflicts, human rights abuses as well as environmental issues related to mining of minerals only through a strong multi-stakeholder partnership.

This is why Philips became a strategic partner of the new European Partnership for Responsible Minerals (EPRM), a public-private partnership initiative which was launched on May 12, 2016 by the founding members incl. Philips, Intel, EU governments and NGOs.

The EPRM will provide a platform for cooperation between EU governments, companies and civil society to address the issues 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, subassemblies, or supplies 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 Electronics Industry Citizenship Coalition ([EICC](#)) in 2006, and is an active member of the [Conflict Free Sourcing Initiative](#), a cross-industry initiative, which seeks to prevent minerals that directly or indirectly finance the DRC conflict from entering the electronics supply chain. This group has developed tools to increase transparency of the origin of conflict minerals, including an electronic due-diligence tool for companies and the [Conflict Free Smelter Program \(CFSP\)](#) to audit smelters, which are a key element in the supply chain for determining the origin of the 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 CFSI tools, we have opted to take a risk-based approach. We request our most relevant Lighting suppliers (approximately 200 suppliers) to conduct investigation in their supply chain to determine the origin of the metals provided to Philips Lighting by identifying the smelters and share all the smelter names to us. The result of this due diligence is a list of smelters, most of them participating in the Conflict-Free Smelter audit program. In April 2016, CFSI identified 325 smelters of which 214 are validated smelters. Philips Lighting had found 295 smelters in its supply chain of which 213 are validated smelters. We will continue to push for validated smelters in our supply chain. The Philips Lighting data is published on our website and shared with Philips to be integrated in the Conflict Minerals Report.

*Date: May 12, 2016*

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 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.

Philips recognizes the need to start systematically addressing all extractives related issues worldwide, e.g. human rights abuses incl. child labor, 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 Tin Working Group Indonesia, Dutch Covenant on Gold and recently as a strategic partner of EPRM.

### **Moving beyond due diligence – towards an EU initiative on conflict minerals**

The Dodd-Frank Act and the OECD guidance focus on due diligence and the subsequent risk management. Companies are encouraged to keep their supply chain free from minerals that finance conflict and will therefore steer suppliers away from the conflict 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 the conflict as both legitimate as well as illegitimate sources of minerals are de facto banned from the global supply chain.

Philips encourages the development of an EU initiative on Conflict Minerals that puts less emphasis on the due diligence and put more emphasis on risk mitigation that encourages companies and other actors in the supply chain to leverage their influence to help improve the situation, rather than avoiding the region altogether. Furthermore, we support the extension of the scope beyond the DRC to all conflict and high risk areas worldwide.

Philips believes that the European Commission should function as a broker for peace wherever there is a minerals related conflict in the world. The European Commission should systematically bring together all relevant stakeholders (industry, civil society, governments, and peacekeepers) to device roadmaps to peace where each of the stakeholders will be allocated responsibilities that match their ability to maximize their leverage and be incentivized for the right behavior.

In addition, 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 conflict, and provide a better understanding on how they can maximize their leverage to do good.

As an example how this could work, Philips combined a risk-based approach for its due diligence related to the conflict in the DRC (i.e. traceability to smelters for ~400 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 a 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

*Date: May 12, 2016*

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.

Through a combination of due diligence and beyond due diligence efforts companies and other stakeholders (now through the public-private initiative EPRM) 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 areas, thereby supporting the development of the local economy and the communities.