



## Signify conflict minerals due diligence program

### Introduction

Due to Signify's position in the supply chain and limited insight in and leverage over the deeper levels of the supply chain, we engage and actively cooperate with other industry members. As encouraged in the second edition of the *Organization for Economic Cooperation and Development Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* (including its supplements on 3TG, referred to in this report as "OECD Guidance"), the internationally recognized standard on which our company's system is based, we support an industry initiative that uses an independent third-party audit to identify smelters and refiners that have systems in place to assure sourcing of only conflict-free materials. That industry initiative is the Responsible Minerals Initiative (RMI).

The data on which we rely for certain statements in our Annual Report is obtained through our membership in the RMI, using the Reasonable Country of Origin Inquiry report<sup>1</sup>. We use the tools and programs developed by theRMI, especially the *Conflict Minerals Reporting Template* (CMRT) and the *Conflict Free Smelter Program* (CFSP).

Signify designed its conflict minerals supply chain due diligence program with reference to the OECD Guidance and the five steps described in the supplements on 3TG.

### OECD Step 1: Company Management system

Signify adopted a Position paper on responsible sourcing in relation to conflict minerals, posted it on the company website and communicated it to all priority suppliers (see below section "OECD Step 2" for definition of priority suppliers). Signify has 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. Signify's program goals as described in the position paper are to work, together with other stakeholders, towards the achievement of two goals:

- Minimize the trade in conflict minerals from mines that directly or indirectly finance or benefit armed groups anywhere in the world.
- Enable responsible sourcing of minerals from conflict-affected areas, thereby supporting the development of the local economy and the communities.

Signify created and maintains an internal conflict minerals team to manage the implementation and progress of our due diligence efforts. The internal team consists of representatives from Procurement and Supplier Quality. Sustainability, Legal and the Ethics Office are included where relevant.

Signify established a system of controls and transparency over its 3TG supply chains by creating a process to engage a group of first tier priority suppliers (as defined below) and request them to submit information to Signify using the CMRT<sup>2</sup>. The information submitted by priority

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<sup>1</sup> This list provides country of origin information for smelting and refining facilities that are validated through the Conflict-Free Smelter Program. This data is based on the results of the independent third-party audits and is available to CFSI member companies only. The audit standard is developed according to global standards including the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act.

<sup>2</sup> The CMRT is a survey tool developed by the CFSI to standardize collection of due diligence information in the supply chain.



## Signify conflict minerals due diligence program

suppliers includes information gathered by those suppliers about the smelters identified in their own supply chains. The information was used by Signify to assess due diligence efforts implemented by suppliers, and to identify smelters.

Signify made responsible sourcing of minerals a supplier contract requirement. Signify requires suppliers to perform due diligence on their supply chain to ensure that their 3TG does not directly or indirectly finance or benefit armed groups that are perpetrators of serious human rights abuses in the DRC or an adjoining country.

Also the Signify Supplier Sustainability Declaration (SSD) includes a provision about Responsible Sourcing of Minerals. The SSD requires suppliers to have a policy in place to reasonably assure that purchasing of the 3TG minerals does not directly or indirectly finance or benefit armed groups that are perpetrators of serious human rights abuses in the DRC or adjoining countries with an effective procedure to establish and monitor responsible sourcing of minerals and capable of making the due diligence measures available upon request for customers.

For first tier suppliers in risk-countries Signify has a supplier sustainability audit program<sup>3</sup> in place, in which implementation of the SSD is assessed. Responsible Sourcing of Minerals is one of the topics reviewed in these audits. In case non-conformances are identified during the audit, suppliers are requested to make a corrective action plan and Signify monitors the implementation of this plan until the non-conformance is closed.

Multiple communication channels exist to serve as grievance mechanisms for early-warning risk awareness. Internally, Signify has a hotline available to its personnel to report anonymously possible violations of Signify Business Principles and other policies. Externally, concerns can be reported via the externally hosted Signify Ethics Line, Signify website and via existing industry grievance mechanisms as offered by RMI and ITRI's Tin Supply Chain Initiative (iTSCi).

### **OECD Step 2: Risk identification and assessment**

Given the size and diversity of our supplier base, we focus our efforts on a group of first tier priority suppliers and work with them to identify the smelters in our supply chain. Priority suppliers are selected based on:

- Purchasing spend

The selected priority suppliers cover the top 80% spend of the commodity groups identified by Signify as relevant. Signify uses a system to classify suppliers in commodity groups, for example plastics, packaging, and metals. Signify excluded from the set of "relevant commodity groups" any suppliers in commodity groups for which it is unlikely that one or more of the 3TGs is contained in the products, for example, software suppliers and packaging suppliers.

- Usage of 3TG

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*3 More information about the Signify supplier sustainability audit program can be found here: <http://www.lighting.Signify.com/main/company/about/suppliers/supplier-sustainability/our-programs/supplier-sustainability-assessment.html>*



## Signify conflict minerals due diligence program

Suppliers with products that contain a high quantity of 3TG were selected as priority suppliers with a significantly lowered purchasing spend threshold (e.g. solder suppliers). Even if these suppliers are not in the scope of our top 80% spend selection, we include them based on the 3TG content they supply.

All identified priority suppliers receive a letter formally requesting them to:

- Adopt a policy to reasonably assure that the 3TG in their products does not directly or indirectly finance or benefit armed groups in the DRC or an adjoining country.
- Identify all 3TG smelters in their supply chain. If they don't source directly from smelters, they are asked to pass on this request to their suppliers (who may have to pass it on to their suppliers, until the smelters are identified).
- Cascade the Signify request to only source from CFSP (or equivalent) compliant smelters to their suppliers and ask them to do the same with their next tier partners. Report back to Signify by filling in the CMRT.

A Signify conflict minerals helpdesk is available to increase awareness amongst priority suppliers and to help them meet our expectations. Different background and training materials are made available to suppliers. Webinars are organized for suppliers in both English and Chinese.

Signify reviews each received supplier CMRT and assesses whether it meets our acceptance criteria related to completeness, whether the supplier has adopted a conflict-free policy, the supplier's data collection from next tier suppliers, and smelter identification and disclosure. Suppliers with a CMRT that does not meet the acceptance criteria are requested to take corrective actions and update their CMRT accordingly.

We review the supplier CMRTs to determine if there are any findings that indicate a need to conduct further due diligence and gather more detailed information. An example of such a finding is when suppliers indicate that their 3TG metals originate from the DRC or adjoining countries.

Signify evaluates the smelters identified in the supplier CMRTs based on the information available. Signify uses the Conflict Free Smelter Program (CFSP) compliant and active<sup>4</sup> smelter list (CFSP recognizes and includes smelters from other lists such as the London Bullion Metal Association (LBMA) and Responsible Jewelry Council (RJC)). If available, we will also use other sources of information to assess potential risk. For example, we may review publicly available reports or direct information that Signify may have about a smelter's sourcing practices.

### OECD Step 3: Strategy to respond to identified risks

Progress and findings of the supply chain risk assessment are regularly reported to senior management. The risk management plan adopted by Signify is in accordance with its policy to ultimately discontinue doing business with any supplier found to be purchasing tungsten,

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<sup>4</sup> CFSI active smelter and refiners are at various stages of the audit cycle (undergoing or committed to undergo the audit). The full definition of CFSI "active" smelters can be found here: <http://www.conflictreesourcing.org/active-smelters-refiners/>



## **Signify conflict minerals due diligence program**

tantalum, tin or gold material which directly or indirectly finances or benefits armed groups in the DRC or adjoining countries, after attempts at corrective actions are not successful.

To monitor and track performance of risk management efforts, Signify uses data reported by suppliers in the CMRTs and updates of the CFSP compliant smelter list. The status is discussed internally in monthly reviews with the conflict minerals team and reported to senior management.

We request priority suppliers to update and resend their CMRT when additional information becomes available. When updates are received, the CMRT review step as described above is repeated to assess and mitigate risks.

### **OECD Step 4: Audits of smelter due diligence practices**

The fourth step in the OECD guidance is to carry out independent third-party audits of supply chain due diligence at identified points in the supply chain. Signify is a member of CFSI and uses information provided by the RMI for this step. As a paying member Signify has access to the RMI RCOI report data which we use to identify the minerals country of origin and conflict-free status of smelters.

Signify contributes to the RMI as a member company, and encourages smelters to participate in the CFSP through direct communication and smelter outreach communication.

### **OECD Step 5: Report annually on supply chain due diligence.**

Since 2017 Signify reports on the Conflict Minerals program in the company Annual Report. Before that Signify results were included in the annual Signify Form SD and Conflict Minerals Report as reported to the SEC. Signify has a dedicated conflict minerals website available with information for consumers, customers and suppliers. At this website the Signify smelter list is published and will be updated annually.