

# Signify 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 Signify 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, Signify 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 Signify in the area of Responsible Sourcing so far**

Signify 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.

Signify 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 RMI (Responsible Minerals Initiative) tools, we have opted to take a risk-based approach. We request our most relevant suppliers (approximately 200 suppliers) to conduct investigation in their supply chain to determine the origin of the metals provided to Signify 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 2017, RMI identified 560 smelters of which 253 are validated smelters. Signify had

found 274 smelters in its supply chain of which 249 are validated smelters. We will continue to push for validated smelters in our supply chain. The Signify data is published on our website and shared with Signify to be integrated in the Conflict Minerals Report.

Since 2014, Signify reports annually on supply chain due diligence by filing a Form SD and Conflict Minerals Report with the US Security and Exchange Commission (SEC). Signify 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 Signify was the first company to publish its smelter list and will continue to regularly update this list as more information becomes available.

Signify 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.

Signify 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.

Signify 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, Signify 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 Signify 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 help address the conflict and get engaged. Currently responsibly sourced minerals from DRC and the region are part of Signify 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.