

A group of five diverse professionals (three men and two women) are sitting around a red circular table in a modern office setting with large windows overlooking a city. They are engaged in a discussion, with a laptop and coffee cups on the table. The Philips logo is in the top left corner.

PHILIPS

Philips Human Rights Report 2021



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Foreword

Over the last year, human rights have been under pressure around the world. However, even before the COVID-19 pandemic brought the issue of vaccine inequity to public attention, half the world's population lacked access to essential health services. Geo-political tensions, political polarization, and climate change could all make matters worse. They have the potential to negatively impact not only people's right to good health, but also many of the other fundamental human rights – economic, social, and cultural – that underpin civilized societies.

For any company committed to doing business responsibly, upholding human rights must not and cannot be reduced to 'ticking boxes'. A key element of Environmental, Social and Governance (ESG) policy, it must be driven from the top down, actively engaged in from the bottom up and expanded across the value chain. No one in the entire ecosystem around a business should be denied the human rights to which they are entitled.

Our purpose is to improve people's health and well-being through meaningful innovation with the aim of improving 2.5 billion lives per year by 2030. As such, addressing human rights is a key element of our ESG strategy – not just in terms of our aims, but also in terms of transparency and accountability in our ESG action plans and reporting. Our Human Rights Report provides an overview of our initiatives aiming to respect every individual's human rights, not only within Philips, but also across our value chain and the wider societies we serve.

Frans van Houten, CEO of Royal Philips



Philips' purpose statement

Philips' purpose is to improve people's health and well-being through meaningful innovation. We aim to improve 2.5 billion lives per year by 2030. We will be the best place to work for people who share our passion, promoting personal development, inclusion and diversity. Together we will deliver superior, long-term value to our customers and shareholders, while acting responsibly towards our planet and society, in partnership with our stakeholders.

Introduction

As a purpose-driven company, Philips is conscious of its responsibilities towards society. The company continuously sets itself challenging environmental and social targets and lives up to the highest standards of governance.

Philips has been reporting on human rights for the last four years.

In 2017, Philips initiated a new ‘Business & Human Rights’ program to embed and drive human rights more holistically across the organization. The first step was to review all human rights-related policies within Philips and develop a comprehensive Human Rights Policy. This Policy defined Philips’ goals and ambitions and how the company conducts business in respect of human rights throughout all its businesses, markets and functions.

As a consequence of the ‘Business & Human Rights’ program, Philips’ progress on human rights was captured as a separate topic within the Philips’ 2017 Annual Report. Together with the Philips 2018 Annual Report, the first stand-alone Human Rights Report was launched. The aim of this document was to provide an extensive update on the company’s efforts in the ‘human rights areas of severe impact’ (those human rights at risk of the most severe negative impact).

As part of its commitment to ensure transparency and accountability through accurate and timely measurement and reporting, Philips has committed to publishing its Human Rights Report on an annual basis.

In September 2020, Philips reinforced its leadership as a purpose-driven company with [the announcement](#) of its Environmental, Social and Governance (ESG) framework – an enhanced and fully integrated approach to doing business responsibly and sustainably. The ESG framework builds on Philips’ proven track record in sustainability over the years. It comprises a comprehensive set of key commitments across all the environmental, social and corporate governance dimensions that guide the execution of the company’s strategy.

These commitments are aligned with the United Nations’ Sustainable Development Goals (SDGs), especially SDGs 3 (good health and well-being), 12 (responsible consumption and production), 13 (climate action), and 17 (partnership for the goals).

Building on the learnings of the previous years, the Philips’ 2021 Human Rights Report illustrates the progress in addressing key human rights domains over the past year and Philips’ plans for continuous improvement.

SUSTAINABLE
DEVELOPMENT

GOALS

3 GOOD HEALTH
AND WELL-BEING

12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION

13 CLIMATE
ACTION

17 PARTNERSHIPS
FOR THE GOALS



Philips' approach to human rights

As a signatory to the 2007 [UN Global Compact and its Ten Principles](#) covering human rights, labor, the environment and anti-corruption on sustainable and socially responsible policies, Philips strongly believes that companies have both the responsibility to respect human rights and the ability to protect them.

[Philips' Human Rights Policy](#), [General Business Principles](#) and other relevant policies detail how Philips respects human rights, in line with the [International Bill of Human Rights](#) and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. In this regard, Philips also follows the guidance given in the [UN Guiding Principles on Business and Human Rights](#) and the [Organisation for Economic Co-operation and Development \(OECD\) Guidelines for Multinational Enterprises](#).

[The Philips ESG framework](#) includes targets and detailed action plans related to respect for and promotion of human rights. Each year, Philips transparently shares its progress and challenges through its [Annual Report](#).

Philips' governance on human rights

Philips' commitment to respect human rights is led by the Environmental, Social and Governance (ESG) Committee. This internal body is composed of Executive Committee members and senior executives from businesses and functions across Philips. As the highest governing ESG body within Philips and co-chaired by CEO, Frans van Houten, and Chief Legal Officer, Marnix van Ginneken, the Committee is responsible for strategy and oversight of all company activities across the three ESG dimensions. The Committee also monitors progress and takes corrective action where needed.

In addition to the ESG Committee, the company has also set up a dedicated Steering Committee on Business & Human Rights. The group ensures that Philips' responsibility for human rights is upheld across the organization. Steering Committee members regularly review progress and make important decisions on the approach and direction of human rights and report to the ESG Committee.



Business integrity – General Business Principles

The [General Business Principles](#) set the standard for acting with integrity at Philips. They govern all its decisions and actions throughout the world and apply equally to its group actions and to employees’ conduct as individuals. The General Business Principles are an integral part of Philips’ labor contracts and are available in 30 languages.

Philips is committed to identifying and mitigating any negative impact on local communities and society in general and to be open, honest and ethical in all its dealings and operations.

Philips expects the same ethical behavior from its business partners. The General Business Principles are part of the company’s business contracts and are referenced for suppliers upstream through its Supplier Sustainability Declaration. In addition, Philips may require risk-based due diligence to be conducted in order to make an informed decision about the risks of doing business with its partners. This includes, for instance, applying the Philips mandatory Due Diligence Process for selecting distributors and agents.

Building awareness of Philips’ General Business Principles

For Philips, it is essential that every employee, regardless of role, tenure or location, is familiar with the General Business Principles.

For all Philips employees, the General Business Principles training aims to create more awareness of the General Business Principles and labor rights, with examples of ‘everyday situations’ to bring the principles to life. However, not all employees have regular access to a computer or are otherwise unable to complete the online training module. This includes, for example, employees in manufacturing sites or warehouses, employees with basic digital literacy, or employees with visual impairment. For the approximately 12,000 employees who are not able to take the online General Business Principles course, an offline General Business Principles training has been created. This training, specifically tailored to this group of employees, features relevant examples, simplified language and engaging animations, while offering possibilities for interaction and lively discussion.

A shared narrative on human rights

Across the company, Philips offers communication and awareness programs to educate, inform and inspire employees on its human rights policy framework. Company-wide communications, e-learning and face-to-face training support the General Business Principles and underlying policies that cover human rights topics. This activity helps employees understand how to apply and uphold the General Business Principles in their daily work and how to report concerns.

In 2020, Philips introduced an initiative aimed at increasing internal capacity in addressing human rights matters. For maximum impact, content is tailored to specific key audiences. As a result, last year’s annual training program for the General Business Principles Compliance Officer network featured Philips’ human rights strategy and its implications.

The General Business Principles are an integral part of Philips’ labor contracts and are available in 30 languages.



Philips' response to COVID-19

During the COVID-19 global pandemic, Philips mobilized all its resources to deliver on what the company refers to as its triple duty of care: fulfilling critical customer and patient needs, ensuring the health and safety of employees, and ensuring business continuity.

Critical customer and patient needs

To meet the increased demand for professional healthcare products and solutions to help diagnose and treat COVID-19 patients across the globe, Philips ramped up the production of critical care products and solutions. Particularly, certain diagnostic imaging systems, patient monitors and ventilators. In line with the recommendation by the World Health Organization (WHO), Philips called on governments to facilitate enhanced access to critical materials and components by not imposing restrictions such as export controls and tariffs. Instead, Philips helped accelerate logistics as well as exemptions for critical suppliers from lockdown measures. The company also successfully mobilized its global supplier network to ramp up support and production despite the extraordinarily challenging circumstances. Philips advocated for a fair and ethical approach to allocate supply to acute patient demands based on data such as the COVID-19 risk-classification of a country/region.

Philips employees' safety and well-being

In line with its ambition to create a healthy, productive and safe work environment, Philips is committed to safeguarding employees from immediate and long-term harm to their physical and mental health during the pandemic. In March 2020, a dedicated Intranet page was created to provide guidelines, training, educational webinars, videos, and other resources including helpdesk support. Furthermore, to support Philips employees in taking care of themselves and their families, the company has offered specific daily care benefits for employees with children, and has opened "Hallo Philips", a phone line for psychological support.

Philips continues to provide expert advice to its employees as part of the ongoing pandemic management process, developing strategies with a focus on infection prevention.

Business continuity

Despite the many challenges posed by the COVID-19 pandemic, Philips was able to continue business operations around the world. The company worked closely with its customers to ensure continued safe and timely support to enable them to fulfil critical patient care needs, in accordance with local health authority recommendations and Philips' comprehensive measures and protocols.

Philips
triple duty
of care



Fulfilling critical customer
and patient needs



Ensuring the health and
safety of employees



Ensuring business
continuity

Philips mobilized all its
resources to deliver on what
it refers to as its triple duty
of care.





Philips' grievance mechanism process

Grievance mechanisms are an important pillar of the United Nations Guiding Principles on Business and Human Rights (UNGPs). The Philips Speak Up Policy and underlying Speak Up mechanism enable Philips' stakeholders (including third parties) to inform Philips about any concerns (including human rights) they may have. This enables the company to take appropriate corrective action in accordance with principles 29 and 31 of the UNGP.

As established in Philips' Speak Up Policy, there are three reporting channels:



Directly to the GBP
Compliance Officer



Via Philips' Speak Up
(Ethics line) using the
hotline



Via a web
intake form

Third parties can file a complaint in Philips' Speak Up (Ethics line) 1) by [telephone](#) or 2) through a [web intake form](#). In all countries where it is permitted by law, Philips' Speak Up (Ethics line) is available 24 hours a day, 7 days a week, and 365 days a year. The telephone number is available in most of the main local languages of the countries in which Philips operates. In most instances, if not legally prohibited, concerns can be raised anonymously. In any event, the report will be treated as strictly confidential and will only be shared with those responsible for handling the concern. For more information, refer to the [Philips website](#).

To increase transparency, the Annual Report discloses the total yearly number of cases reported, pending, and closed, as well as information on types of cases per geography.

Human rights due diligence

Philips is committed to do all that is reasonable and practicable to proactively identify and mitigate (potential) adverse human rights impacts in its operations and value chain. This is supported by different due diligence mechanisms.

Philips’ approach to human rights due diligence includes defining and addressing human rights areas of severe impact, performing human rights impact assessments at selected sites, reviewing of research projects by the Internal Committee for Biomedical Experiments (ICBE) and implementing multi-tier supplier sustainability programs.

Human rights across Philips’ operations

Philips’ respect for human rights is expressed in its [Human Rights Policy](#), [General Business Principles](#), and several other domain-specific policies. The General Business Self-Assessment validates the implementation of the General Business Principles and related policies worldwide. This assessment includes several human rights areas of severe impact, including, in no particular order, business integrity, freedom from child labor, forced labor and bonded labor, working hours, non-discrimination, respectful, equal and fair treatment, right to organize, collective bargaining and remuneration.

The goal was to gain insights into the views of potentially affected stakeholders and engage in constructive dialogues with them.

Our pilot assessment in Indonesia

In 2018, Philips initiated its first Human Rights Impact Assessment in its manufacturing site in Batam, Indonesia. The goal was to gain insights into the views of potentially affected stakeholders, engage in constructive dialog with them, and determine appropriate actions and management processes to effectively mitigate and address human rights risks. Additionally, the company wanted to validate the benefits of a Human Rights Impact Assessment within its own operations, next to its current General Business Principles and human resource management approaches.

Acting on insights

A range of internal and external stakeholders were interviewed in Batam. After validation of the insights gathered, local management, together with the union, developed an action plan for improvement. Philips learned that temporary workers hired through external labor agencies were often insufficiently aware of both Philips policies and their worker rights. Consequently, an awareness campaign was launched among all workers on topics such as bonded labor, maternity leave entitlement, privacy, non-discrimination, and freedom of association. The information was included in the initial training for new hires and was based on the relevant global policy, which incorporates international standards. Follow-up to the agreed action plan was monitored and supported by the global organization throughout 2019 and 2020.

In 2021, local consultants ensured measures were sufficiently implemented and overall awareness had improved. Follow-up interviews with the local management and staff were conducted in the first quarter of 2021. The pandemic did impose some limitations such as restrictions on workers’ movements (including those staying in dormitories) and on access to communal areas. Despite this, the consultants confirmed there had been improvements since the first visit, with overall awareness of human rights increasing and no issue on culture behaviors.



2018

first
assessment

3,000+

employees

94

stakeholders
interviewed

Case Study

Human Rights Impact Assessments

“When we know better,
we do better”

Kenny Lee Chee Tiong, Plant Manager Batham,
Philips Indonesia

We can only deal with potential human rights abuses when we have a clear understanding of them.

Having first-hand experience of a Human Rights Impact Assessment in Batam, I can attest to its impact on workers, community members, and on ourselves as employers. Involving detailed interviews with stakeholders across the business, followed by analysis, assessment and, most crucially, action, it was a robust yet rewarding process that required focus and commitment.

The Human Rights Impact Assessment highlighted the gaps where we could take immediate action and maximize opportunities to advance human rights in the region. It has given us a deeper knowledge of the perspective of our employees in Batam, our responsibilities, and a clearer picture of areas that need improvement. For example, we discovered that many of our people had limited understanding of human rights. Our response was regular awareness campaigns, along with including relevant information into our induction program for all new hires.

We’ve also identified gender equality as a priority. My team is committed to increasing female representation at leadership level. We look forward to sharing our progress throughout our journey.



Expanding Philips' Human Rights Impact Assessment approach

Philips has a country risk assessment in place to identify locations which may have a higher risk of human rights violations. This assessment is updated periodically and considers open-source country analysis as well as global benchmarking reports, for example by the International Trade Union Confederation, to determine at-risk sites. These elements are cross-checked with internal parameters, for instance, the number of full-time equivalent employees at manufacturing sites and the number of reported General Business Principles complaints.

Based on this analysis, a revised Human Rights Impact Assessment approach was rolled out to five manufacturing sites in China, covering 4,000 employees. With the assessments finalized in 2021, 60% of the identified sites received a dedicated Human Rights Impact Assessment in the past three years.

By 2023, Philips aims to perform Human Rights Impact Assessments at 100% of identified sites and will repeat the assessments every three years.

Ensuring best practice

To ensure the Human Rights Impact Assessment approach is in line with best practices, Philips continued to work with an external consultant, [Human Rights@Work](#). Leveraging due diligence practices used in its supply chain, the updated Human Rights Impact Assessment consists of a desktop validation phase, with a self-assessment questionnaire that is supported by substantiating evidence. This approach enables subject-matter experts to perform remote validation grounded on predefined criteria.

Based on the outcomes of the desktop review, on-site assessments were performed by the same team. Stakeholder groups included in the assessment comprised of direct and indirect employees, subcontractors, and local management teams. Given the detailed approach to improving human rights performance of suppliers, the scope of these assessments was consciously limited to exclude the extended value chain.

Including key stakeholders

Involving potentially affected stakeholders is key for a Human Rights Impact Assessment. Between November and December 2020, 109 people were interviewed. Refer to the table below for the distribution of stakeholder groups.

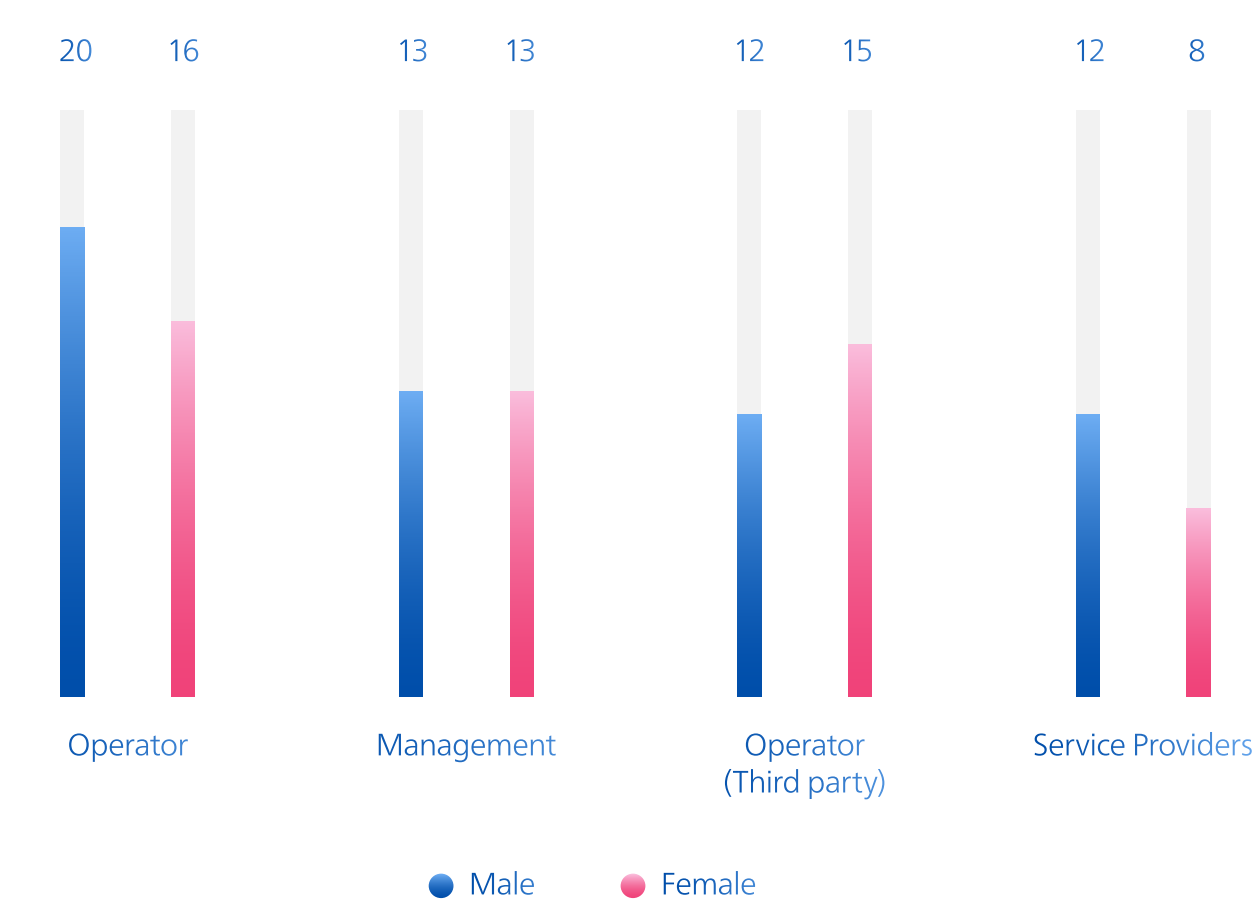
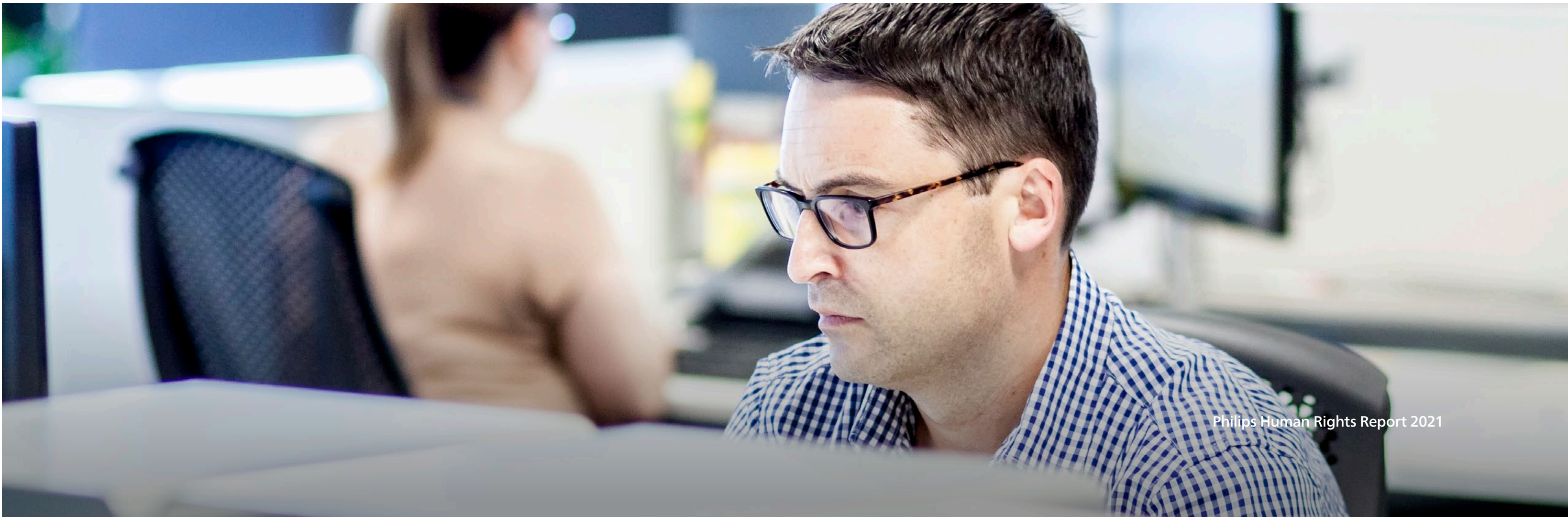


Table: interviewed stakeholders divided by gender and position.

In the first quarter of 2021, additional validation activities took place, followed by the creation of an action plan by local management. From this analysis, Philips identified challenges comparable to Batam, where temporary workers hired through external labor agencies were often insufficiently aware of Philips policies as well as their worker rights. With this insight, and building on best practices shared by Batam, the global team created a toolkit to support local stakeholders manage third-party labor providers, ensuring awareness of worker rights and Philips' policies, and they deployed it globally. Available in six languages, the toolkit details best practices that can be applied at a local level, strengthening the management approach to human rights risks. While no non-compliances were found, ways to reduce the risks of privacy violations and discrimination were identified. Continuous support during the implementation of the action plan has been put in place.

Although the Human Rights Impact Assessment of selected sites did not cover the supply chain, learnings from these site assessments were used to develop and launch a new deep-dive approach for certain suppliers. This has been piloted in Q4 2021, with a focused assessment on human rights, compared with the broader [Supplier Sustainability Performance program](#) assessment approach which covers sustainability more holistically (see overleaf for further details).



Human rights in Research & Development

Philips works with a large number of research participants every year, from donors, doctors, patients to test participants. When dealing with people, a number of core principles guide its decisions. For instance, the company respects human dignity and autonomy, as well as the need to protect the vulnerable. Questions or grievances can be shared with the responsible researcher for investigation and, if necessary, remediation. For some projects, external grievances mechanisms are also established.

At Philips, with the General Business Principles, human rights and integrity always need to be respected with every decision and action. In Philips Research, this means an Internal Committee for Biomedical Experiments reviews and approves all research projects. The Internal Committee meets each week and is composed of 20 members from a variety of nationalities and professional backgrounds. The Internal Committee has several responsibilities: 1) to protect the rights of research participants, researchers, sponsors, and partnerships; 2) to facilitate the research process, quality, and compliance to regulations, and 3) to ensure excellence through ethics & research integrity.

Philips offers a range of online and classroom trainings for people involved in conducting research. This includes mandatory research ethics courses that facilitate understanding of ethical requirements and how to apply them. This ensures that studies are conducted in a safe, ethical, humane, and efficient manner while helping ensure compliance with applicable regulations and standards worldwide. As such, due consideration is given to the principles of diversity, inclusivity, sustainability, and scientific integrity.

For more information on Philips Research & Development, please visit www.philips.com/research.

Philips' commitment to suppliers

As part of its purpose to improve people's lives, Philips has made a [public commitment](#) to improve the lives of one million workers in the supply chain by 2025.

The [General Business Principles](#) and Supplier Sustainability Declaration form part of suppliers' contracts. [The Supplier Sustainability Declaration](#) also embeds requirements from the [Responsible Business Alliance Code of Conduct](#).

In 2016, Philips implemented the [Supplier Sustainability Performance](#) program to selected first-tier suppliers. Replacing the traditional approach of auditing, it aims for structural, proactive and sustained improvement rather than simply reacting to issues that arise. The program focuses specifically on five severe human rights impact areas: child and forced labor, threats to worker health and safety, fair wages, and environmental impact. These are considered Zero Tolerances and, if identified, immediate action is taken. The supplier is then required to:

- propose a plan to mitigate and/or resolve the identified Zero Tolerance(s)
- commit to structurally resolving the Zero Tolerance
- provide regular updates and evidence
- avoid 'quick fixing'

For workers covered by the Supplier Sustainability Performance program, labor conditions have improved, the risk of serious injury has been reduced, and the negative environmental impact of suppliers has been brought down. The results of the assessment are shared in the Philips Annual Report, including a break-down of risks found per category and status of implementation of mitigation measures.



Case Study

Improving lives in the supply chain

The Philips Supplier Sustainability Performance program focuses on ensuring structural, proactive improvement rather than simply reacting to issues that arise, highlighting our desire to invest in relationships with suppliers who provide a safe working environment, treat workers with respect, and work in an environmentally sound way.

Each year, Philips identifies suppliers in scope and measures their performance, ultimately reaching a supplier sustainability score ranging from 0 to 100. Based on this score, we develop a tailor-made approach that supports continuous improvements through training and sharing of best practices. In addition to capability building, suppliers are supported in branding their sustainability performance to the wider market. Finally, financial incentives are offered through improved payment terms.

There are currently more than 200 suppliers actively participating in the Supplier Sustainability Performance program and additional suppliers are added to the program annually. Philips measures and monitors the impact of the Supplier Sustainability Performance engagements through a year-on-year improvement rate. Suppliers joining the program in 2019 showed an average improvement rate of 36% after one year. In 2021, approximately 400,000 workers were impacted through the program as labor conditions improved, the risk of serious injury was reduced, and the negative environmental impact of suppliers brought down.



Human rights areas of severe impact

Since 2018, Philips has engaged in a project to better identify potential and actual human rights impacts throughout its operations and value chain. It has listed its human rights areas of severe impact, based on its understanding of emerging issues, common risks in its sector, and experience from other industries (see list in appendix). Furthermore, it has engaged experts from various functions and obtained relevant inputs from external stakeholders.

This process has helped the company to better understand its impact and the need to develop additional mitigating and remediating measures, following the [UNGP Reporting Framework](#).

Philips' human rights areas of severe impact are part of its due diligence commitment. The topics listed below represent, in no particular order, the current focus areas. It is not an exhaustive list of all human rights issues that the company addresses. It highlights specific policies and programs in place, which are also supported by the [General Business Principles](#). It is important to note that some approaches are more mature and, therefore, offer more material on which to report. Others are more complex and require more time to address. Therefore, some of the human rights areas of severe impact not included in the overview below will be addressed in the Philips 2021 Annual Report, to be published in Q1 2022.

Freedom from child, bonded and forced labor

As stated in its [Fair Employment Policy](#), Philips prohibits the use of child, bonded, or forced labor. The company addresses the issue of modern slavery through its [Supplier Sustainability Performance – 'Beyond Auditing' program](#). Philips employees are not required to lodge financial deposits or give away original government-issued identification, passports or work permits as a condition of employment.

Every year, Philips publicly explains the steps it has taken to identify, assess and manage the risks of modern slavery and human trafficking in its product supply chain. The Philips Modern Slavery and Human Trafficking Statement is available [online](#).

As a result of its participation in the Dutch Responsible Gold Agreement, Philips co-developed a project with several other parties, including civil society actors, to facilitate responsible sourcing of gold from Uganda. Aimed specifically at artisanal and small-scale mines, the project works to establish a sustainable, traceable gold supply chain with improved working conditions for miners and free from child labor. The approach is designed to be scaled up and serves as a potential blueprint for mines in other regions.

To fully understand and meet customer and patient needs, Philips' workforce should reflect the societies in which it operates and the markets it serves.

Non-discrimination

To fully understand and meet customer and patient needs, Philips' workforce should reflect the societies in which it operates and the markets it serves. Its inclusion and diversity ambitions are firmly embedded in the global Human Resources strategy and underlying systems, processes, and plans.

For example, Philips transparently shares open positions and endeavors to attract candidates from a diverse range of backgrounds. Diverse interview panels are used for recruitment of all leadership positions, which supports the ambition for a 50/50 hiring ratio when the company recruits externally. It has set a new goal of 35% gender diversity in senior leadership positions (a subset of Management and Executive positions) by the end of 2025, up from the 2020 target of 25% that was reached before the end of that year. It increased the number of women in senior positions for the third consecutive year. Finally, a company-wide training on unconscious bias awareness is part of Philips' long-term program to change behaviors and encourage ongoing dialogue that will help build and nurture an inclusive environment.

Philips closely monitors the execution of this strategy on a monthly basis through dashboards providing insights on in- and outflow of talent. Overviews are shared at board level, enabling customized goals and support to keep progressing globally.



Respectful, equal and fair treatment

As stated in its renewed [Fair Employment Policy](#), Philips promotes a workplace that is free from physical and verbal harassment. It does not tolerate any conduct that creates, encourages or permits an offensive, humiliating or intimidating work environment. To ensure constant awareness and to empower its employees to speak up, an integrated communication approach and various training programs are in place. This is in addition to the General Business Principles, which include standards regarding respectful, equal and fair treatment.

In 2020, Philips took a stand against racism after increased racial tensions in the United States and globally. The newly founded Black Employees Resource Group helped individuals step up and raise awareness. At the same time, education on topics like privilege and allyship helped employees to understand how to be and do better. Globally, employee networks have been on the rise, including a Veterans' and Latinx network in North America. Recognizing Veterans' Day and Martin Luther King Day as paid US holidays as of 2021 has been another small but significant step, acknowledging and sparking dialogues around different backgrounds and the strengths that each employee brings.

Remuneration

Philips can only achieve its purpose to improve the lives of 2.5 billion people per year by 2030 if it supports and empowers its people, so they can feel and be at their best and perform effectively. All employees deserve a living wage: fair remuneration that allows them and their families to afford necessities like food and housing, pay for education, and have some disposable income. Insufficient remuneration can lead to constant overtime work, which could negatively impact work/life balance, social life, and health and safety. Philips' commitment, part of its [Fair Employment Policy](#), is to ensure that all employees receive a living wage, calculated in accordance with best practices and with external experts.

To develop living wage standards that are complete and have a reliable geographic scope, Philips joined forces with [Valuing Nature](#), several local NGOs, [WageIndicator](#), and other global corporates that are dedicated to the issue of the living wage. Its most recent analysis of updated living wage data found that all wages and benefits in all 78 countries in which it is present are above the defined living wage levels.

Philips is committed to ensuring equal pay for equal work without regard to gender or any other prohibited basis. In 2021, Philips Netherlands completed and was certified for Gender Equality by [Economic Dividends for Gender Equality](#) (EDGE). The study did not

find a gender pay gap that exceeds the threshold as set by EDGE. Philips continues to study gender pay parity using the EDGE methodology and plans to scale this application to cover 80% of Philips' global country presence by the end of 2022.

Many countries in which Philips operates have already undertaken pay equity reviews, for example in Australia, UK, Sweden, India and certain U.S. states. Philips USA will be executing a Nationwide Pay Equity Project during 2022, building on U.S. state-level work completed.

Philips' commitment to having women holding 30% of leadership positions by end of 2025 is on track with a current figure of 28%.

Working hours

Philips' [Fair Employment Policy](#) determines that in any given week, working time should not exceed 60 hours, including overtime, except in emergency or exceptional circumstances with the employee's consent to meet short-term business demand. Philips recognizes the risks of excessive working hours on its employees' physical and mental health. Thus, working hours are monitored at country level and regularly reported. In the case of overtime, Philips Market Leaders are responsible for taking action, understanding and mitigating the cause.

Case Study

Inclusion and Diversity

“Why inclusion starts with I ”

Astrid Balsink, Global Head of Inclusion and Diversity, Philips

My role is essentially about connecting the Inclusion and Diversity initiatives that we have in place in a way that makes sense to people and gives them an understanding of what it's all about. Inclusion and diversity have long been important to Philips. We know that it is only in a truly inclusive culture that people feel safe to speak up and share their story.

The COVID-19 pandemic highlighted the importance of our commitment to inclusion and diversity, as well as the health and wellbeing of our people. Mindfulness and resilience training proved particularly popular for example and, by sharing how we felt, a lot of recognition and relief was created resulting in a stronger sense of belonging. It also led to a global Employee Assistance Program (EAP) offering. Employee Resource Groups that facilitate peer-to-peer connections are growing in number. Covering a broad range of intersectional characteristics and life experiences, these groups are empowering our people to care for themselves, and for each other. Governance and a global ERG center were launched in 2021.

As the bottom-up involvement is growing and well connected, leadership is more actively involved as a sponsor but also bringing our most senior women together to support others. We also have a Diversity Council in which some of our most credible role models take accountability to evolve our strategy and accelerate.



Right to organize and collective bargaining

Respect for freedom of association and collective bargaining is part of Philips' [Fair Employment Policy](#) as well as its Supplier Sustainability Declaration and is monitored through the General Business Principles Self-Assessment Questionnaire and Supplier Sustainability Performance program respectively.

Philips recognizes and respects the freedom of its employees to associate with any employee organization of their own choosing under local law without fear of reprisal, intimidation or harassment. Where employees are represented by a legally recognized union, it establishes a constructive dialogue and engages in negotiations or consultation as required with their freely chosen representative.

Workplace health and safety

Philips strives to create a healthy, safe and productive work environment, which means safeguarding employees around the globe from immediate and long-term harm to their physical and mental health. In 2021, the company continued to focus on two critical occupational health issues – mental health and well-being, and ergonomics.

Mental health and well-being encompass multiple dimensions – for example, feeling content, healthy, socially connected, having a sense of purpose and enjoying a fulfilling life. To support its employees across all these dimensions, Philips' cross-functional Stress Management Team, in close collaboration with the Inclusion and Diversity Team, has developed a strategy centered on prevention, support systems, and treatment/return-to-work. There are several ongoing initiatives, including psychosocial risk assessment, medical checks, Mental Health Champions and stress management training as part of the Philips University learning platform.

Philips launched a physical well-being and ergonomics campaign that highlights the importance of proper ergonomics. As part of this, company sites, regional and country organizations are able to deploy trainings and other related activities as well as share internal/external references to convey the importance, and mitigate the risk, of potential ergonomic-related injuries.

In 2021, Philips launched an Annual Self-Assessment across all its manufacturing sites and office premises, with reporting at Executive Committee level. Philips' location leaders are required to review safety performance and confirm compliance with a signed declaration to next-level management.

Philips reports on consolidated numbers and highlights in its Annual Report.

Privacy and data protection

The processing of personal data (relating to employees, customers, suppliers, and business partners) is key for operating and managing Philips' business. Wrongful exposure of such data is a serious risk to the rights to privacy and data protection of individuals.

Guided by the [Philips Privacy Rules](#), the company is committed to respecting the privacy of its customers, employees, business partners and other relevant individuals, and to processing their personal data in compliance with applicable privacy laws and regulations. This includes, for example, processing personal data for legitimate business purposes, giving individuals the right to request access to their personal data, and being fair and transparent in the processing of personal data. Philips has established a Privacy Framework, which includes policies, standards and procedures (such as [Binding Corporate Rules](#)), with the aim of ensuring compliance with applicable data protection laws and regulations and ensuring 'privacy by design' in all its services and solutions.

Please visit www.philips.com/privacy for more information on how we deal with personal data.

Mental health and well-being encompass multiple dimensions.



Case Study

Our approach to Artificial Intelligence (AI)

“Our guiding principles help inform the responsible use of AI in healthcare”

Henk van Houten, Chief Technology Officer and Head of Research, Royal Philips

With artificial intelligence (AI) having a growing impact on healthcare, we need to ensure it is applied in an ethical and responsible way. This led Philips to develop a set of five guiding principles:

Well-being:

AI-enabled solutions should benefit the health and well-being of individuals and contribute to the sustainable development of society.

Oversight:

AI-enabled solutions should augment and empower people, with appropriate supervision.

Robustness:

AI-enabled solutions should not do harm and should have appropriate protection against deliberate or inadvertent misuse.

Fairness:

AI-enabled solutions should be developed and validated using data that is representative of the target group for the intended use, while avoiding bias and discrimination.

Transparency:

AI-enabled solutions require disclosure on which functions and features are AI-enabled, the validation process, and the responsibility for ultimate decision-taking.

While nobody has all the answers, and new questions will continue to arise, we believe that these principles can help pave the way towards responsible use of AI in healthcare and personal health applications.



Partnering for impact

Real impact never happens in isolation. That is why working with public and private partners plays such an important role in delivering on Philips' purpose and ESG commitments. In alignment with the [United Nations Sustainable Development Goal 17](#), Philips is engaging with relevant stakeholders on an ongoing basis to exchange information and explore potential collaborations. Such partnerships can address shared challenges in the promotion of human rights across Philips' own operations and across its supply chain.

Access to care

Quality healthcare is a fundamental human right, yet, according to the [World Health Organization](#), half the world's population lacks access to essential health services.

COVID-19 has intensified the situation, overwhelming health systems in many countries and stalling progress towards achieving [universal health coverage by 2030](#), the commitment made by all United Nations member states.

As part of its company purpose to improve 2.5 billion lives a year by 2030, Philips is committed to improving the lives of 400 million people a year in underserved communities by 2030, with a focus on primary care.

Over the past year, Philips has continued its journey to improve access to care in underserved communities, both in high- and low-income countries, by supporting initiatives to strengthen health systems and local treatment, for example through its collaboration with, among others, [Amref Health Africa](#), the [Digital Connected Care Coalition \(DCCC\)](#) and [Philips Foundation](#).

Philips is committed to improving the lives of 400 million people a year in underserved communities by 2030, with a focus on primary care.

Responsible sourcing of minerals

Philips is committed to not purchasing raw materials, subassemblies or supplies found to contain conflict minerals. A multi-stakeholder collaboration in the [responsible sourcing of minerals](#) is the most viable approach for addressing the complexities of minerals value chains.

This is why Philips is a strategic, founding partner and board member of the [European Partnership for Responsible Minerals \(EPRM\)](#). A five-year multi-stakeholder partnership between governments, companies, and civil society actors, EPRM works toward more sustainable minerals supply chains. It does so by actively increasing the availability of responsibly produced minerals, while improving the practice of responsible sourcing of these same minerals. In June 2017, Philips signed the [Responsible Gold Agreement](#), joining a coalition to work on improving international responsible business conduct across the gold value chain. This partnership intends to bring about cooperation between companies, government, trade unions and NGOs to prevent abuses within gold production chains.

Philips also addresses the complexities of the minerals supply chains through a continuous due diligence process combined with multi-stakeholder initiatives to promote the responsible sourcing of minerals. The company annually investigates its supply chain to identify smelters or refiners of cobalt, as well as tin, tantalum, tungsten and gold. It has also invested in dedicated projects focused on improving the conditions in artisanal small-scale mines in Uganda (gold) and India (mica). In 2021, Philips joined the initiative by WWF against deep seabed mining. Spanning across sectors, it supports responsible sourcing of [deep seabed mining](#), undersigning that deep sea extraction must stop until the environmental, social and economic risks are understood, and all alternatives to deep sea minerals have been explored. Spanning across sectors, it supports responsible sourcing of materials, and investment in circular innovation, recycling and reparability of goods, to reduce our shared global environmental footprint.

Appendix

Table: Human rights areas of severe impact of severe impact

Human rights areas of severe impact, in no particular order, as published in Philips’ Human Rights Report and Philips Annual Report, linking them to the corresponding internationally recognized human rights, its activities, affected stakeholders and most vulnerable groups.

Human rights areas of severe impact at Philips	Internationally recognized human rights	Activities (affected stakeholders) Possible impacts	Most vulnerable groups Possible impacts
Non-discrimination	Freedom from discrimination (UDHR art 1 and 2) / Equal pay for equal work (UDHR art 23.2) / Freedom of belief and religion (UDHR art. 18) / Rights of minorities (ICCPR art 27)	Operations/Supply chain/Other activities (Employees/workers and local communities)	Women, LGBTI, minorities, persons with disabilities, local communities (including indigenous peoples)
Respectful treatment	Freedom from degrading treatment (UDHR art 5) / Right to just and favorable working conditions (UDHR art 23.1) / Right to equal treatment (UDHR art 1 and 2) / Freedom of expression (UDHR art 19)	Operations/Supply chain (Employees/workers)	Women, LGBTI, minorities, persons with disabilities
Freedom from child labor	Freedom from child labor (ICCPR 24 – ICESCR 10.3) / Right to education (UDHR art 26) / Right to a family life (UDHR art 16.3)	Operations/Supply chain/Other activities (Employees/workers, local communities)	Children
Freedom from forced and bonded labor	Right not to be subjected to slavery, servitude or forced labor (UDHR art 4 and 5) / Freedom of movement (UDHR art 13)	Operations/Supply chain/Other activities (Employees/workers)	Migrant and temporary employees/workers
Equal and fair treatment	Equal pay for equal work (UDHR art 23.2) / Right to just and favorable working conditions (UDHR art 23.1)	Operations/Supply chain (Employees/workers)	Women, LGBTI, minorities, persons with disabilities
Remuneration	Right to a just remuneration (UDHR art 23.3)	Operations/Supply chain (Employees/workers)	Women, Migrant employees/workers
Working hours	Right to just and favorable working conditions (UDHR art 23.1)	Operations/Supply chain (Employees/workers)	Migrant employees/workers
Right to organize and collective bargaining	Right to belong to a trade union and bargain collectively (UDHR art 23.4) / Freedom of association (UDHR art 23.1) / Right to strike (ICESCR art 8.1 [d])	Operations/Supply chain (Employees/workers)	Employees/workers (in general)
Workplace health and safety	Right to health (ICESCR art 12.1) / Right to life (UDHR art 3)	Operations/Supply chain (Employees/workers)	Pregnant women, night workers, workers in dormitories and young workers
Privacy and data protection	Right to privacy (UDHR art 12)	Operations/Other activities (Employees/workers, consumers/customers)	Employees/workers, consumers/customers (in general)
Product safety (addressed in Philips Annual Report)	Right to health (ICESCR art 12.1) / Right to life (UDHR art 3)	Throughout the product lifecycle (Consumers/customers)	Consumers/customers (in general)
Business integrity (addressed in Philips Annual Report)	Right to protection by the rule of law (UDHR art 7) / Right to fair public hearing (UDHR art 10) / Right to remedy by a competent tribunal (UDHR art 8) / Right to meeting the just requirements of morality, public order and general welfare in a democratic society (UDHR art 29)	Operations/Other activities (Local communities)	Local communities (in general)
Environmental impacts (addressed in Philips Annual Report)	Right to self-determination, right to natural resources, right to subsistence (ICCPR 1 – ICESCR 1) / Right to an adequate standard of living (UDHR art 25.1) / Right to health (ICESCR art 12.1) / Right to life (UDHR art 3) / Right to access to sufficient water supply and sanitation (Resolution A/RES/64/292. United Nations General Assembly, July 2010)	Operations/Supply chain/Other activities (Local communities)	Local communities (in general)



More information and figures about Philips ESG commitments and strategy to doing business responsibly and sustainably can be found in its [Annual Report](#) and on the Philips website.

Feedback and suggestions can be sent to human.rights@philips.com or philips.sustainability@philips.com

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