



## Philips Modern Slavery and Human Trafficking Statement 2020

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Pursuant to Section 3 of the California Transparency in Supply Chains Act of 2010, the United Kingdom (UK) Modern Slavery Act 2015, Chapter 30, Part 6, Provision 54, and the Australian Modern Slavery Act 2018 (Commonwealth), Philips declares its efforts in identifying, assessing and managing the risks of modern slavery and human trafficking within its operations and product supply chain. This statement is in relation to the financial year ending 31 December 2020 and is made on behalf of the Philips Group, which comprises Koninklijke Philips N.V. and our covered subsidiaries:

- Philips Electronics UK Limited;
  - Philips Electronics Australia Limited; and
  - Philips Saeco Australia Pty. Limited
- (hereafter “Royal Philips”, “Philips”, or “our”).

Philips Electronics UK Limited and Remote Diagnostic Technologies Limited are required to publish an annual modern slavery statement in accordance with Section 54 (Transparency in Supply Chains) of the Modern Slavery Act 2015 (referred to in this statement as the **UK Reporting Entities**).

Philips Electronics Australia Limited and Philips Saeco Australia Pty Limited are reporting entities under the Modern Slavery Act 2018 (Cth) (referred to in this statement as the **Australian Reporting Entities**).

This joint statement has been made on behalf of the above entities of the Philips Group.

In recent years, Philips has made the decision to regroup its multiple – business-specific – supply chains into the Integrated Supply Chain under the leadership of the Chief Operations Officer. This encompasses supplier selection and management through procurement, manufacturing across all the industrial sites, logistics, and warehousing operations, as well as demand/supply orchestration across the businesses and markets. Philips global organization and its subsidiaries use many of the same policies and processes and have many shared suppliers. Therefore, Philips opts for submitting a joint Statement on their behalf, after internal consultation and revision by representatives from covered organizations.

For more information on the company’s organizational structure, the approach to sustainability, and human rights, please refer to the [2020 Philips Annual Report](#).

### 1. Structure, operations and supply chains

Royal Philips (NYSE: PHG, AEX: PHIA) is a leading health technology company focused on improving people’s health and enabling better outcomes across the health continuum from healthy living and prevention, to diagnosis, treatment, and home care. Headquartered in the Netherlands, the company is a leader in diagnostic imaging, image-guided therapy, patient monitoring and health informatics, as well as in consumer health and home care.

In relation to the UK Reporting Entities:

- Philips Electronics UK Limited is a private limited company registered in England (Company number: 446897); and
- Remote Diagnostic Technologies Limited is a private limited company registered in England (Company number: 3321782)

both of which have their registered office at Ascent 1, Aerospace Boulevard, Farnborough GU14 6XW

In relation to the Australian Reporting Entities:

- Philips Electronics Australia Limited is an Australian public limited company; and
- Philips Saeco Australia Pty Limited is an Australian proprietary limited company, both of which are incorporated in Australia, with headquarters in North Ryde, NSW.

Philips leverages advanced technology, and deep clinical and consumer insights to deliver integrated

solutions. Philips employs approximately 80,000 employees with sales and services in more than 100 countries. At Philips, we have a direct business relationship with approximately 3,300 product and component suppliers and 16,000 service providers.

Our strategy requires us to collaborate and apply a common way of working, to deliver with speed, excellence, quality and relevance to local market/customer needs, while leveraging global scale and synergies across the company. In order to meet the needs of our customers and consumers, we operate through four business clusters focused on specific domains – Personal Health, Precision Diagnosis, Image-Guided Therapy, and Connected Care – with 17 market teams in three market groups (North America, Greater China, and International markets), supported by Functions (e.g. Innovation & Strategy, Integrated Supply Chain, Legal, Sustainability etc). On January 28, 2020, Philips announced that it will review options for future ownership of the Domestic Appliances business, and start the process of creating a separate legal structure for this business.

### **Risks of Modern slavery**

Electronic products have been recognized in the Global Slavery Index as a high-risk industry. If Philips suppliers or manufacturers who provide electronics or electronics parts are based in high-risk countries, such as Malaysia or China, we include the suppliers into our Supplier Sustainability Performance program, through which thorough risk assessments are conducted and remediation is sought. Refer to section 4 of this statement for more details on our risk response.

### **Process of consultation**

The Philips Group takes a global, company wide approach to our modern slavery compliance. The policies and procedures mentioned in this Statement, including the Supplier Sustainability Declaration, Fair Employment Policy and General Business Principles apply to all entities in the Philips Group.

The Australian Reporting Entities consulted with various relevant internal stakeholders from the procurement, sustainability and legal teams to ensure that modern slavery risks are being sufficiently identified and any agreed actions can be overseen by the relevant team.

## **2. Organizational policies in relation to modern slavery and human trafficking**

Philips' respect for human rights is expressed in our Human Rights Policy, supported by our General Business Principles (GBP), and supported by several other domain-specific policies. In 2018, Philips launched a new program to identify potential and actual human rights impacts throughout our operations and value chain. We have listed our human rights areas of severe impact, based on our understanding of emerging issues, risks that are common in our sector, and experience from other industries. Furthermore, we have engaged our relevant functions and obtained relevant inputs from external stakeholders. Freedom from child-, forced-, and bonded labor were identified as focus areas, while recognizing it might take different forms in different contexts, geographies, and section of our value chain. Therefore, Philips policies and due diligence efforts are tailored accordingly and will be detailed below.

In accordance with conventions of the International Labor Organization (ILO), we do not make use of forced, bonded or child labor. Acting with integrity is at the heart of Philips' culture and is part of our company's mission and vision. We live up to the highest standards of ethics and governance in our culture and practices. Our integrated approach to doing business responsibly and sustainably links our Environmental, Social and Governance (ESG) performance to business strategy, and financial and operational performance, reflecting our commitment to the United Nations' Sustainable Development Goals (SDGs), especially SDGs 3, 12, 13 and 17.

Our Fair Employment Policy explicitly acknowledges that all work must be voluntary. Employees receive a written document that details terms and conditions of employment. This document is in a language accessible to them and is provided prior to beginning work at Philips. Unless required by local law, Philips employees shall not be required to deposit original government-issued identification, passports or work permits as a condition of employment. Likewise, (prospective) employees will not bear any fees or other unreasonable related costs for their recruitment or employment. If any such fees are found to have been paid by an employee, such fees shall be repaid to the employee.

The General Business Principles set the standard for acting with integrity at Philips. They govern all our decisions and actions throughout the world and apply equally to our group actions and to our conduct as

individuals. The principles of fair employment practices are defined in paragraph 1.1:

### *1.1 Fair employment practices*

*We believe a diverse workforce and an inclusive work environment are essential to a thriving innovative business. We strive to attract employees from a wide range of backgrounds. We do not discriminate on the basis of race, color, age, gender, gender identity or expression, sexual orientation, language, religion, political or other opinions, disability, national or social origin or birth.*

*We promote a workplace that is free from physical and verbal harassment. We do not tolerate any conduct that creates, encourages or permits an offensive, humiliating or intimidating work environment. We do not make use of child labor or forced labor.*

*We recognize and respect the freedom of our 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, we establish a constructive dialogue and engage in negotiations or consultation as required with their freely chosen representatives.*

*We aim to maintain a healthy, safe and productive work environment.*

The General Business Principles are an integral part of Philips' labor contracts, which are available in 32 languages in virtually all countries where Philips operates. The full text of the Philips General Business Principles can be found [here](#).

Philips engages in verification activities to identify, assess and manage the risks of modern slavery and human trafficking in its product supply chain in order to focus our efforts where we can have the highest impact. Philips is a member of the Responsible Business Alliance (RBA), a non-profit coalition of electronics companies committed to: (1) supporting the rights and well-being of workers and communities engaged in the global electronics supply chain, and (2) environmental and social responsibility. Philips adopted the RBA Code of Conduct and included the requirements of the code as part of our supplier contracts within the Philips Supplier Sustainability Declaration (Declaration). Philips suppliers must adhere to the Declaration and deploy it to their suppliers. The full version of the Declaration is available [here](#). Philips monitors compliance with the Declaration through its Supplier Sustainability Performance (SSP) program.

### **2.1. Governance and internal accountability**

Our commitment to respect human rights is led from the top. Philips' Sustainability Board, composed of Executive Committee members, business segment- and function executives, leads our efforts to respect human rights. This is the highest governing sustainability body within Philips and convenes four times per year. It defines Philips' Environmental, Social and Governance (ESG) strategy, programs and policies, including human rights. It also monitors progress and takes corrective action where needed.

Furthermore, responsibility for compliance with the General Business Principles rests principally with the management of each business. Every market organization and each main production site has a GBP Compliance Officer. Confirmation of compliance with the General Business Principles is an integral part of the annual Statement on Business Controls. The management of each business unit is required to issue such a Statement as part of a cascading process leading to CEO/CFO certification of the company's annual accounts.

### **3. Due diligence**

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

#### **3.1. GBP Self-Assessment**

The GBP Self-Assessment validates the implementation of the GBP and related policies worldwide. This assessment includes a number of human rights areas of severe impact, including: business integrity,

freedom from child-, forced & bonded labor, working hours, non-discrimination, respectful-, equal and fair treatment, right to organize, collective bargaining, and remuneration.

### 3.2. Human Rights Impact Assessment (HRIA)

To further align our approach with the United Nations Guiding Principles (UNGP) as well as OECD guidance, Philips initiated its first country-specific Human Rights Impact Assessment (HRIA) in 2018, deepening the human rights due diligence process by engaging with internal and external stakeholders to identify human rights areas of severe impact and most vulnerable groups. In 2020, a new country risk assessment was performed to identify locations that 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 that include, for instance, the number of FTE at manufacturing sites, and the number of reported GBP complaints, to indicate the usage of grievance mechanisms. Based on this analysis, Philips rolled out a revised HRIA approach to five of its manufacturing sites in China, covering 4,000 FTE. The methodology was enhanced to enable assessments at a greater scale, focusing on human rights of our direct and indirect workers. With the assessments of 2020, 60% of the identified sites received a dedicated Human Rights Impact Assessment in the past three years. By 2023, we target to perform Human Rights Impact Assessments at 100% of identified sites, which will be repeated every three years. In the first quarter of 2021, additional validation activities will take place, together with the creation of an action plan by local management. Follow-up to the agreed action plan will be monitored and supported by the global organization. Philips' Human Rights Report contains detailed information regarding the progress and can be found [here](#).

## 4. Supplier assessments

Managing our large and complex supply chain in a socially and environmentally responsible way requires a structured and innovative approach, while being transparent and engaging with a wide variety of stakeholders. Suppliers are expected to implement internal controls to ensure they comply with the requirements of the Supplier Sustainability Declaration (Declaration). Philips performs assessments to evaluate their compliance with Philips' requirements concerning trafficking and slavery. At-risk suppliers are identified using the following criteria:

- Materials used in the product- and manufacturing process
- Commercial interests: Philips' spend with Supplier
- Incidents reported to Philips directly or indirectly (e.g. via the media)
- Types of products or services delivered to Philips

### 4.1. Supplier Sustainability Performance (SSP) program

The Supplier Sustainability Performance (SSP) approach, first piloted in 2016, focuses on:

- a systematic way to improve the sustainability performance of our supply chain
- continuous improvement against a set of recognized and global references
- collaboration, increased transparency, clear commitments, and ensuring suppliers meet the agreed targets

The assessments are planned together with the supplier and Philips publishes the end-of-year results in the Annual Report. More information about the Philips Supplier Sustainability Performance program, which is focused on improving the sustainability practices of suppliers, can be found [here](#).

The SSP process is monitored through continuous feedback loops. The outcome of the SSP assessment is a supplier sustainability score ranging from 0 to 100. This score is based on supplier performance in environmental management, health & safety, business ethics, and human capital. Based on their scores, suppliers are categorized on the basis of supplier maturity, resulting in supplier specific proposals for improvement. In 2020, 20 suppliers were added to the SSP program. Out of the population of suppliers that entered the program in the years before 2020, 237 suppliers were still active in 2020.

In 2020, eight zero tolerances were found across the following categories: health and safety, remuneration, and environmental impact. Most cases related to fire safety risks at our suppliers. Four of the eight cases were successfully closed in 2020. The remaining are still pending closure, while having active mitigation plans in place.

Philips measures the impact of SSP engagements through the number of lives improved in the supply chain. This is derived from the improvements that suppliers make in their performance. To determine improvements, we calculate the pro-rata change in performance from one year to the next. In 2020, the overall year-on-year improvement in performance is 36% for suppliers that entered the program in 2019. The number of employees impacted at suppliers participating in the SSP program was approximately 302,000. For those workers, labor conditions improved, the risk of serious injury reduced, and the negative environmental impact of suppliers was brought down.

#### 4.2. Responsible sourcing of minerals

Philips' commitment to sustainable development requires us to address issues in the extractives sector, even though Philips does not directly source minerals from mines. Before reaching Philips' direct suppliers, in general, minerals will go from mines to traders, exporters, smelters or refiners (collectively referred to in this report as smelters), alloy producers and component manufacturers, and sometimes intermediate suppliers. Nevertheless, Philips recognizes the need to systematically address all extractives related issues worldwide, e.g. human rights abuses incl. forced-, bonded-, and child labor while making sure not to create de facto embargoes by enabling responsible sourcing in the affected regions.

Each year, Philips investigates its supply chain to identify smelters of cobalt, tin, tantalum, tungsten, and gold in its supply chain and we have committed to not purchasing raw materials, subassemblies, or supplies found to contain conflict minerals. Philips applies collective cross-industry leverage through active engagement via the Responsible Minerals Initiative (RMI). RMI identifies smelters that can demonstrate through an independent third-party audit that the minerals they procure are conflict-free. In 2020, Philips continued to actively direct its supply chain towards these smelters. The data on which certain statements in this report are based were obtained through Philips' membership in the RMI, using the RMI Reasonable Country of Origin Inquiry report. In addition, Philips uses the tools and supports the initiatives developed by the RMI, especially the Conflict Minerals Reporting Template (CMRT) and Responsible Minerals Assurance Process (RMAP).

The Philips Conflict Minerals due diligence framework, measures and outcomes are described in the Conflict Minerals Report that we file annually to the U.S. Securities and Exchange Commission (SEC). The conflict minerals report is also publicly available on Philips' [website](#).

In 2020, Philips expanded the scope of its due diligence program to include cobalt as a new material. We use cobalt predominantly in lithium-ion batteries. As part of this expansion, we engaged suppliers that provide materials containing cobalt. In 2020, we reached a 100% response rate. In addition, we performed smelter outreach on several occasions. Where appropriate, we worked with direct suppliers to facilitate alternative sourcing.

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

#### 4.3. Certification

Philips suppliers certify conformance to the RBA requirements embedded within the Philips Supplier Sustainability Declaration (Declaration), which is part of the Philips supplier contracts. The Declaration includes five chapters covering labor, employee health & safety, environment, ethics, and management systems. Chapter A of the Declaration focuses on the labor rights of workers. The labor standards comprise rules relating to freely chosen employment, child labor avoidance, working hours, wages and benefits, humane treatment, non-discrimination, and freedom of association. This latter aspect is elaborated in the Annex to the Declaration, which sets employees' rights relating to freedom of association and collective bargaining in accordance with the relevant ILO conventions on fundamental principles and rights at work. It also outlines the necessary measures and management system requirements to ensure workers' rights are protected. Modern Slavery and Human Trafficking is captured under the first paragraph of this chapter, Freely Chosen Employment:

*"Forced, bonded (including debt bondage) or indentured labor, involuntary prison labor, slavery or*

*trafficking of persons shall not be used. This includes transporting, harboring, recruiting, transferring or receiving persons by means of threat, force, coercion, abduction or fraud for labor or services. There shall be no unreasonable restrictions on workers' freedom of movement in the facility in addition to unreasonable restrictions on entering or exiting company-provided facilities. As part of the hiring process, workers must be provided with a written employment agreement in their native language that contains a description of terms and conditions of employment prior to the worker departing from his or her country of origin. All work must be voluntary and workers shall be free to leave work at any time or terminate their employment. Employers and agents may not hold or otherwise destroy, conceal, confiscate or deny access by employees to employees' identity or immigration documents, such as government-issued identification, passports or work permits, unless the holding of work permits is required by law. Workers shall not be required to pay employers or agent recruitment fees or other aggregate fees in excess of one month's salary. All fees charged to workers must be disclosed and fees in excess of one month's salary must be returned to the worker."*

Non-compliance with the RBA Code on slavery and/or trafficking is taken very seriously. It is considered one of the most severe types of supplier non-conformances, requiring immediate corrective action plans to remediate identified non-conformance. Philips works with suppliers until the noncompliance is resolved, which is confirmed by a follow-up assessment. After failing to resolve the noncompliance after two follow-up assessments, the supplier enters a phase-out process.

## **5. Training**

In order to ensure constant awareness throughout the company of the need to act with integrity, a worldwide communication and training program, including mandatory sign-off on the General Business Principles (GBP), is in place. On an annual basis, global internal communications programs are rolled out with the participation of the Executive Committee and the respective Sector, Area and Market management.

A web-based GBP training tool is available to all employees with online access in 23 different languages. This tool is regularly updated. Also, dedicated training courses, both web and classroom-based, are offered to specific audiences and functional areas. GBP Compliance Officers are regularly enrolled in dedicated e-training programs that include complaint-handling procedures and dilemma training. Furthermore, a regular two-day train-the-trainer program for compliance awareness is mandatory for all Philips GBP Compliance Officers.

### **5.1. Philips RBA training sessions:**

Philips has implemented training and a variety of capability-building initiatives to help its suppliers comply with the Philips modern slavery and human trafficking requirements.

All Philips suppliers are encouraged to take part in training sessions on the RBA Code of Conduct that are held on a regular basis. Philips organizes these training sessions, covering various topics relating to the requirements of the RBA Code of Conduct, and can help to further develop supplier sustainability competences. Philips also proactively informs suppliers of training opportunities offered by RBA (e.g. worker management training, health and safety training), and encourages suppliers to take part.

## **6. Supplier Days**

Sustainability is an integral part of the Supplier Day events Philips Procurement organizes annually in different regions. High-level directions and changes are communicated during these days by top management to the suppliers.

Our supply chain sustainability strategy is updated annually through a structured process, combined with dedicated multi-stakeholder dialogues. Our most recent stakeholder dialogue took place in June 2019. From this, we have developed multiple programs aimed at driving sustainable improvement. These programs cover compliance with our policies, improvement of our suppliers' sustainability performance, our approach towards responsible sourcing of minerals, and reducing the environmental impact of our supply base.

## **7. Grievance mechanisms**

Grievance mechanisms represent an important pillar to the United Nations Guiding Principles on Business



and Human Rights (UNGP). Philips *Speak Up* Policy and underlying *Speak Up* mechanism enable our stakeholders (including third parties) to inform Philips of any concerns (including human rights) they may have. This enables Philips to take appropriate corrective action in accordance with principles 29 and 31 of the UNGP.

As established in Philips *Speak Up* Policy, we have three reporting channels: 1) directly to the GBP Compliance Officer, 2) via Philips *Speak Up* (Ethics line) using the hotline, or 3) via a web intake form. Third parties can file a complaint in Philips *Speak Up* (Ethics line) 1) via [telephone](#) or 2) via a [web intake form](#). In all countries where it is permitted by law, the 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 we operate. 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 GBP [website](#).

In addition, stakeholders can use the email address [Conflict\\_Free\\_Minerals@Philips.com](mailto:Conflict_Free_Minerals@Philips.com) or existing industry grievance mechanisms like RMI and ITRI's Tin Supply Chain Initiative (iTSCi) to file complaints related to Tin, Tungsten, Tantalum, or Gold.

## 8. Continuous improvements

For reporting year 2021, Philips is committed to continuously improve our efforts in identifying, assessing and managing the risks of modern slavery and human trafficking within our operations and product supply chain. Accordingly, Philips plans to:

- Continue to roll-out the Human Rights Impact Assessment methodology in order to achieve our 2023 target of covering 100% of at-risk sites every three years.
- Continue to leverage its position as a strategic partner in the European Partnership for Responsible Minerals (EPRM), a public-private cooperation that supports and complements the EU conflict minerals legislation. As a strategic partner, Philips will engage in responsible sourcing projects (with a scope broadened to other conflict and high-risk areas world-wide as well as a wider array of human rights and environmental issues addressed) in order to increase the supply and demand for responsibly sourced minerals. Furthermore, Philips will act as a liaison between EPRM and other responsible sourcing initiatives in which Philips participates (e.g., the Dutch Covenant on Gold).
- Continue engagement with existing industry programs and groups, such as responsible sourcing and upstream impact programs and workgroups initiated under the Responsible Minerals Initiative (RMI), to encourage further adoption, improvement, and reliability in relevant programs, tools and standards.
- Continue to reach out to smelters to encourage their participation in relevant responsible sourcing initiatives.
- Continue to work with priority suppliers to:
  - help them understand and satisfy Philips' responsible sourcing expectations
  - help them implement or further improve their due diligence process
  - investigate their supply chain and identify smelters
  - confirm the conflict-free status of identified smelters
- Communicate to priority suppliers Philips' expectation that they steer their supply chain towards smelters audited as conformant to the Responsible Minerals Assurance Process (RMAP) or other equivalent programs.
- Continue exploring its supply chain for cobalt and expand minerals due diligence to include cobalt, which is not included in the definition of "conflict minerals" but has been linked to human rights risks in the Democratic Republic of Congo. Philips will continue to investigate the use of cobalt in the batteries that it purchases and question suppliers about their due diligence.


## 9. Approvals

This Statement has been approved by the board of Directors of Royal Philips (as the principal governing body of the Australian Reporting Entities in relation to modern slavery) with respect to the financial year ending on 31 December 2020 and is signed on behalf of the board by its Chief Operations Officer.



Sophie Bechu  
Chief Operations Officer

This Statement has been approved by the UK Reporting Entities, with respect to the financial year ending on 31 December 2020.



**Neil Mesher**  
Director  
Philips Electronics UK Limited  
Remote Diagnostic Technologies Limited  
Date : 30 June 2021