

# Philips Supplier Sustainability Progress and Goals

## Supplier sustainability audit program (Assessment)

<p><b>Most frequent areas of non-compliance in 2014</b></p> <ul style="list-style-type: none"> <li>• Certified Management System (ISO9001, ISO14001, and OHSAS18001)</li> <li>• Emergency Preparedness</li> <li>• Working Hours</li> </ul>	<p><b>Positive trends compared to last year</b></p> <ul style="list-style-type: none"> <li>• Working Hours (10% less NCs)</li> <li>• EICC Code: understanding and commitment of Code and requirements (5% less NCs)</li> <li>• Wages and Benefits (5% less NCs)</li> </ul>	<p><b>Negative trends compared to last year</b></p> <p>We see an increase of 5% in the NCs for the following areas:</p> <ul style="list-style-type: none"> <li>• Protection of Identity</li> <li>• Food, Sanitation and Housing</li> <li>• Occupational Injury and Illness</li> </ul>
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## Audit progress and targets

<p><b>2014 Goals</b></p> <p>75% of corrective actions implemented within 90 days (for major NCs found in 2014 audits)</p>	<p><b>Progress</b></p> <p>Average NC closure time was around 6 months, mainly due to longer resolution times for working hour issues. Before closing working hours NCs Philips requires at least 3 months' time records</p>	<p><b>2015 Goals</b></p> <p>Improve H&amp;S performance of suppliers with 10%</p>
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## Supplier training and capacity training

<p><b>2014 Goals</b></p> <p>Roll-out best practices and learnings from IDH electronics program to Chinese suppliers included in audit program</p> <p>Start dedicated 3-year program to improve Health &amp; Safety conditions in supplier factories. Start roll-out to 20% of the Chinese suppliers in 2014</p>	<p><b>Progress</b></p> <p>During the supplier classroom trainings we included insights from the IDH program. We paid special attention to the relation between worker satisfaction and worker turnover rates, and how factory management can improve these by establishing a communication bridge with workers</p> <p>57 out of 410 Chinese suppliers now in the program (14%)</p>	<p><b>2015 Goals</b></p> <p>Train 150 suppliers during at least 8 two-day sustainability training sessions to address top sustainability issues from 2014 audits</p> <p>Implement corrective actions to close all major NCs identified at supplier sites during 2014. Provide tailor made and on-site capacity building for 90% of the related suppliers in China</p>
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## IDH electronics program

### 2014 Goals

Increase number of participating suppliers to 20

All participating suppliers identify their top 3 improvement actions and develop their work plans

70% of all identified top 3 improvement actions implemented by end 2014

### Progress

21 Philips suppliers are now participating

Completed for all 21 suppliers

90% implemented by year-end 2014

### 2015 Goals

3 out of 4 top improvement actions identified for each IDH supplier implemented by end 2015

## Conflict minerals program

### 2014 Goals

Publish a Philips Conflict Minerals Report validated by external auditors

Implement augmented expectations for supply chain investigations, including stricter criteria for data collection from priority suppliers

Collect Conflict Minerals Reporting Templates from at least 80% of priority suppliers, applying stricter criteria on data quality and completeness than previous year

Conflict Free Tin Initiative: include DRC tin in mainstream solder supply (move from pilot to normal business)

### Progress

First Conflict Minerals Report was published and Philips was one of the only 4 companies that had their report audited

In 2014 we worked with suppliers to implement and roll-out a CM policy, collect more information from their next-tier suppliers and disclose additional smelters

98% of the priority suppliers filled out the template questionnaire. 86% were meeting or exceeding the Philips minimum criteria

CFTI tin is now part of the regular supply of solder and used in different Philips products

### 2015 Goals

Request direct suppliers to steer their supply chain towards using only smelters verified as conflict-free by third-party auditors

Confirm that all active, identified tantalum smelters in our supply chain are verified as conflict-free by third-party auditors

Initiate a project together with our industry peers to help small and medium-size companies from our supply chain with their due diligence and supply chain investigations

## Carbon footprint in our supply chain

Extend the CDP Supply Chain invitations to cover top 80% spend from manufacturing and transportation suppliers

Based on CDP Supply Chain results, offer CDP Action Exchange to top 100 suppliers with highest CO2 reduction potential

## Circular procurement

Start 2 circular procurement projects

Train 40% of procurement commodity teams on circular procurement