



# Supplier Sustainability Program Manual

## Colophon

This Supplier Sustainability Program Manual has been developed by the Philips Supply Sustainability Platform in close cooperation with the Philips Business Ethics Office.

We are continually looking for relevant examples from business practice to enhance the content of this Manual and ensure that all relevant issues are covered.

If you need further information or have any comments or questions about the content of this Manual, please do not hesitate to contact the Supplier Development & Sustainability representatives at the Supply Management Office: Ginny Fan ([ginny.fan@philips.com](mailto:ginny.fan@philips.com)) or Jan Roodenburg ([jan.roodenburg@philips.com](mailto:jan.roodenburg@philips.com))

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Dear Stakeholder,

This Supplier Sustainability Program Manual aims to provide transparency to our Supply Management team members, Suppliers, business partners and other stakeholders about the Royal Philips Electronics Supplier Sustainability Program and its contents, related tools, processes and procedures.

You will find that many elements of our program are derived from the Electronics Industry Citizenship Coalition (EICC) initiative, since we believe that joining forces with our industry peers will create a better impetus for social and environmental change within our sector. Working with other EICC member companies enables us to develop a common approach as well as standardized tools and processes so that we can increase efficiency, productivity and simplicity for our Suppliers and ourselves. For example, EICC member companies can perform combined audits for shared Suppliers. This combined effort leads to a reduction in the total number of audits required by Suppliers and therefore lowers the time and cost required for audit procedures.

I firmly believe that the way forward is to adopt a sustainable way of operating our business, as this will improve the efficiency, productivity and product quality whilst also reducing waste-related costs, health and safety concerns, crisis management, etc. Moreover, in a world where sustainability is a baseline global requirement, a sustainable business approach is one way to ensure business continuity and create business opportunities.

I trust that this Supplier Sustainability Program Manual proves a useful tool in helping you to contribute to the creation of a sustainable Philips supply chain.

We invite you to learn more by reading about our programs and results in our Sustainability Report website:  
[www.philips.com/about/sustainability/sustainabilityreports/index.page](http://www.philips.com/about/sustainability/sustainabilityreports/index.page).

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## Definitions

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## Chapter 1 Introduction

### **Philips' Suppliers and the Philips General Business Principles**

Philips' commitment to responsible corporate citizenship and the pursuit of a sustainable future – economic, social and environmental – is reflected in the Philips General Business Principles and the related GBP Directives<sup>1</sup>(GBP) . The Philips GBP set out guiding principles on integrity and ethics in business conduct, including those that help create a sustainable supply chain.

In short, Philips pursues mutually beneficial relationships with its Suppliers and seeks to award business to those Suppliers who are committed to acting fairly and with integrity towards their stakeholders, to observing the applicable rules of law and to supporting and respecting internationally proclaimed human rights.

### **The Supplier Sustainability Program**

As laid out in the Philips General Business Principles and the Philips Supply Management Code of Ethics<sup>2</sup> , our supply managers must select Suppliers and business partners in accordance with these principles and the Philips Supplier Sustainability Code. A Supplier Sustainability Program (Program) has been put in place for this purpose.

The Program is based on the Philips Supplier Sustainability Code, as set out in two documents: the Royal Philips Electronics Supplier Sustainability Declaration and the Royal Philips Electronics List of Restricted Substances (the Code). The Code constitutes an integral part of our Purchase Agreements and Purchase Orders.

The Code incorporates the Electronic Industry Code of Conduct, which has been adopted by 25 of the largest corporations in the electronics industry<sup>3</sup>, and will be updated on a regular basis.

The Program consists of activities to educate and raise awareness, self-assessment activities and (third party) audits based on the tools developed by the EICC. Audits will be conducted by either Philips in-house auditors or external EICC-certified auditors.

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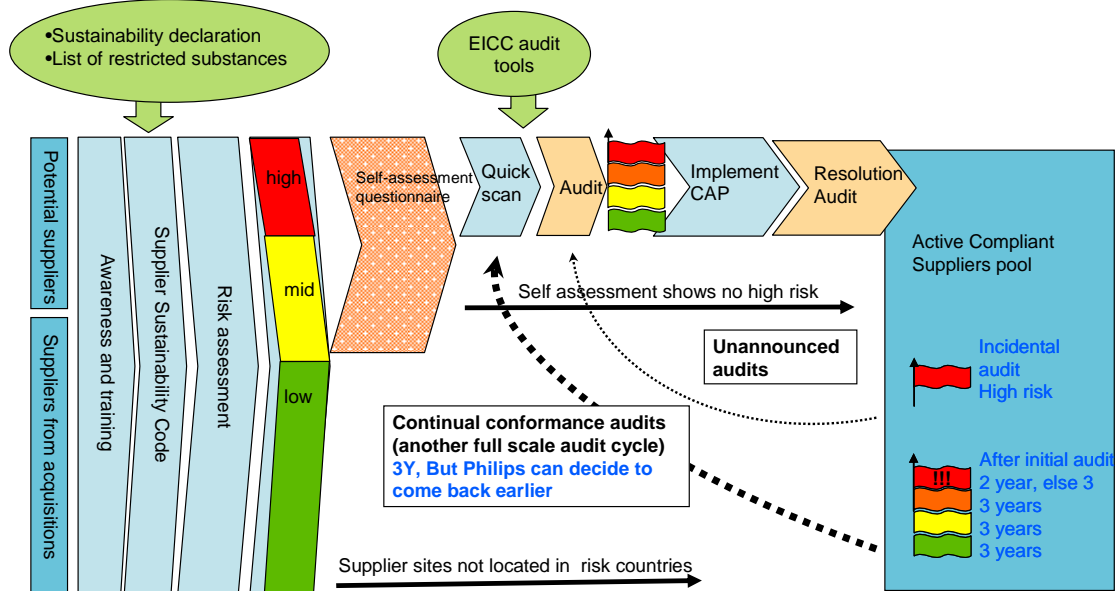
<sup>1</sup> <http://www.philips.com/about/investor/businessprinciples/generalbusinessprinciples/index.page> or <http://pww.ethics.philips.com>

<sup>2</sup> <http://www.philips.com/about/investor/businessprinciples/supplymanagementcodeofethics/index.page>

<sup>3</sup> For current member list please see: <http://www.eicc.info/membership.html>

## Philips supply sustainability Way of Working

### Philips Supply Sustainability Program Process Overview



### The Philips organization

The Philips Supply Sustainability Platform (PSSP) drives the execution of the Program with the goal of developing a sustainable supply base that is compliant with all sustainability requirements. The PSSP is chaired by the Senior Vice President Supplier Development and Sustainability and comprises the Supply Sustainability Officers (SSOs) from different parts of the Philips organization, as well as representatives from Philips' Business Ethics Office and Internal Audit. From a Supplier point of view, the Lead Buyer is the most important link with Philips as he or she plays a pivotal role in the implementation and monitoring of individual Supplier sustainability activities.

## Chapter 2 Philips' Sustainability Training

### **Raising awareness**

Awareness and engagement are keys to building a sustainable electronics industry. To this end, Philips holds training sessions, Supplier day events and specific briefings to raise awareness, create engagement and promote sustainable business conduct. We aim to strengthen our activities in this area through participation in the EICC capacity-building program. We will also continue to hold training sessions on the Program for our employees, including internal auditors, HR, quality management, site management, business groups, supply managers and other stakeholders.

### **Philips training**

Training is primarily aimed at creating knowledge about the need for a sustainable way of conducting our business. Within this framework, attention is devoted to the background, rationale and content of the EICC including information on the organization, the Electronic Industry Code of Conduct, tools, and best practices. All Suppliers are encouraged to take part in these training sessions, and very often Sustainability training elements are incorporated into Supplier Days that are held worldwide. These events assist Philips in its efforts to fulfill global expectations and establish a sustainable supply chain; and help Suppliers to invest in their international reputation as sustainable business partners.

### **Self-training**

Philips sees the EICC Supplier Self-Assessment Questionnaire (ref Chapter 5) as a valuable training instrument to build sustainability awareness among Suppliers. We encourage Suppliers to use the Questionnaire for training purposes as it provides a clear interpretation of the Electronic Industry Code of Conduct and gives Suppliers the opportunity and the means to resolve issues internally.

### **EICC initiatives**

Philips encourages Suppliers to take part in EICC capacity- and capability-building initiatives as and when they are offered or available.

## Chapter 3 Philips Supplier Sustainability Code

The Philips Supplier Sustainability Code is laid down in two documents:

- The Royal Philips Electronics Supplier Sustainability Declaration, (Declaration)
- The Royal Philips Electronics List of Restricted Substances.

The code incorporates the current Electronic Industry Code of Conduct - see Attachment A.

### 3.1 Scope

Every Supplier with an annual Philips spend of over € 1000 is required to sign and adhere to the Code, which constitutes an integral part of our Purchase Agreements, and the terms and conditions of our Purchase Orders.

### 3.2 Content

#### **The Royal Philips Electronics Supplier Sustainability Declaration (Declaration)**

The Royal Philips Electronics Supplier Sustainability Declaration consists of five chapters and an Annex.

Chapter A formulates the human rights of workers. The labor standards comprise rules relating to employment that is chosen freely, prevention of child labor, working hours, wages and benefits, humane treatment, non-discrimination, and freedom of association. The Annex elaborates upon the right of association and the right to collective bargaining as additional rules to freedom of association.

Chapter B defines the workers' right to a safe and healthy working environment. The health and safety standards comprise rules regarding occupational safety, provisions for an emergency, occupational injury and illness, industrial hygiene, physically demanding work, machine safety, dormitories and canteens.

Chapter C reflects the environmental responsibility of EICC member companies. The environmental standards consist of rules relating to environmental permits and reporting, pollution prevention and resource reduction, hazardous substances, waste water and solid waste, air emissions, and restrictions on product content.

Chapter D imposes upon Suppliers a management system designed to ensure:

- (a) conformance with the applicable laws, regulations and customer requirements relating to the participant's operations and products;
- (b) conformance with the Electronic Industry Code of Conduct; and
- (c) identification and mitigation of operational risks relating to the Electronic Industry Code of Conduct .

The Management System should also facilitate continual improvement and contain the following elements: company commitment, management accountability and responsibility, legal and customer requirements, risk assessment and risk management, performance objectives with an implementation plan and measures, training, communication, worker feedback and participation, audits and assessments, corrective action process, and documentation and records.

Chapter E defines standards of ethics that are required to meet social responsibilities, including rules relating to business integrity, unfair advantage, disclosure of information, intellectual property, fair business, advertising and competition, protection of identity, and community engagement.

### **The Royal Philips Electronics List of Restricted Substances**

The Royal Philips Electronics List of Restricted Substances specifies those substances that are not permitted in products and manufacturing processes at levels above our established threshold to ensure that no Philips products put on the market contain levels of substances that are restricted by law or other regulations, including the European Union's Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment (commonly known as RoHS).

While most substances on this list are not permitted by law, a small number of them are not permitted by Philips in view of upcoming European Union legislation. These substances have been put on the list to encourage Suppliers to start looking for and using alternatives in order to ensure a compliant supply chain once the upcoming European Union legislation comes into force.

Full information on the latest Royal Philips Electronics List of Restricted Substances can be found at

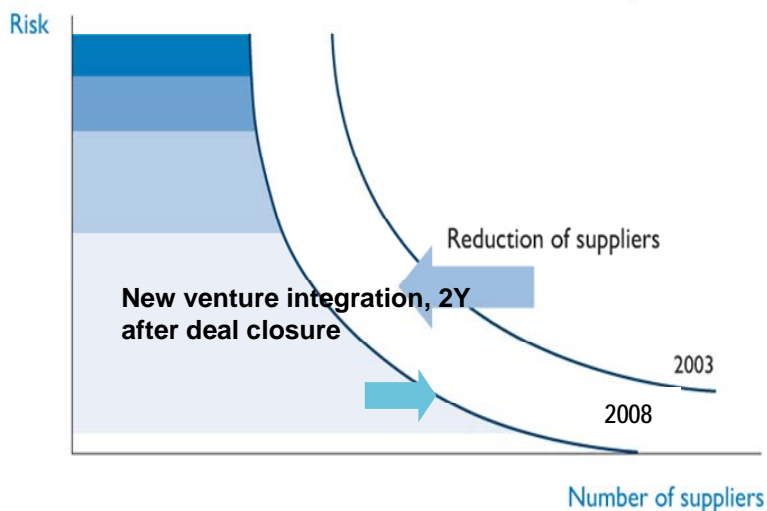
<http://www.philips.com/about/sustainability/environmentalresponsibility/chemicalmanagement.page>.

## Chapter 4 Supplier sustainability risk assessment

To enhance the effectiveness of our Supplier Sustainability Program, Philips performs a sustainability risk assessment on every Supplier. Suppliers can be required to fill out a Supplier Self-Assessment Questionnaire (ref chapter 5) and/or Suppliers can be incorporated into the audit program, with the audits to be conducted either by Philips or an external EICC-accredited auditing body.

### Managing sustainability risk in the supply chain

■ Issues resolution ■ Audits ■ Self-assessments ■ Sustainability Declarations



#### 4.1 Risk profile

A Supplier's risk profile is determined by criteria relating to:

- Philips' spend with Supplier,
- Country of Production site,
- Risk criteria specific to the Philips organization,
- Product-specific risk criteria,
- Risk criteria specific to the (manufacturing) process, or
- Materials group

These criteria are based on Supplier-specific data such as:

- Business parameters, e.g. the number of people the Supplier employs, the Supplier's annual sales revenue, their products and services, the countries in which the Supplier operates and/or manufactures, the availability of public reports relating to the Supplier's business conduct, etc.
- External sources (e.g. Human rights risk index of the Maplecroft organisation),
- Philips' sources (Lead Buyers' assessments),
- Outcome of the EICC Supplier Self-Assessment Questionnaire (ref Chapter 5). and

- EICC audit report (where available).

The criteria determining the Supplier's risk profile are under continuous review.

## 4.2 Audit threshold

Philips has determined an auditing threshold based on an annual spend of € 100,000 in a number of specific risk countries. Any Supplier in these countries with a Philips spend higher than the amount indicated will automatically be incorporated in the audit program. However, the PSSP will review the risk threshold annually. Audit prioritization will be based on the individual Supplier's risk profile. Those Suppliers with a high-risk profile outside of this threshold or Suppliers who express a desire to be audited in order to have external confirmation of their sustainability status may be incorporated in the audit program.

Audits for EICC member sites are assumed to be self driven. Philips will refer to their sites self-assessment questionnaires for audit results.

## 4.3 Risk countries

Risk countries are defined as those:

- In the extreme high or high risk categories of Maplecroft assessment, and
- Where Philips currently has a supply base presence.

In 2009, risk countries are:

Belarus, Brazil, China, India, Indonesia, Mexico, Pakistan, the Philippines, Russia, Thailand, Vietnam, Ukraine

The PSSP reviews the list of risk countries annually.

In the case of Philips sourcing from new countries, the first five supplier sites with a spend exceeding € 100,000 will be audited. Audit results will be reviewed as a reference for the defining of risk countries in the next year.

## 4.4 Prospective Suppliers, and new Suppliers from New Ventures Integration (NVI)

With respect to prospective suppliers, new sites or new management, Philips performs strategic supplier sustainability risk assessments for projected spends of over € 100,000 as part of the supplier approval

process. This assessment includes an audit of the Supplier's sustainability performance.

Philips will include new Suppliers from New Venture Integration activities into the Supplier Sustainability Program within two years after closure of the merger or acquisition.

## Chapter 5 Supplier sustainability self-assessment

### 5.1 Scope

Philips uses the EICC Supplier Self-Assessment Questionnaire and encourages Suppliers to also do so. The Questionnaire is intended to promote Supplier awareness of social and environmental responsibilities and to enable Suppliers to assess their conformance levels with respect to the Electronic Industry Code of Conduct. Philips uses the Questionnaire to monitor Suppliers' performance against the code. The Questionnaire can be downloaded from [http://www.eicc.info/implem\\_tool.html](http://www.eicc.info/implem_tool.html) and used by Suppliers for their own evaluation or educational purposes, e.g. prior to final commitment to the code.

Philips may require Suppliers with a spend of over €10,000 to provide a completed Questionnaire and all supporting evidence.

## Chapter 6 Supplier sustainability audits

### 6.1 Audit content, process and tool

The Supplier Sustainability Program includes an audit cycle in order to provide both Philips and Suppliers with a regular status overview of conformance with the Declaration.

The audit is an evaluation process conducted by a Philips in-house or external EICC-certified auditing body in order to determine the Supplier's level of conformance and critical areas for improvement. Philips auditors are qualified auditors who operate at arm's length, without any direct involvement or interest in the business. In order to give a representative picture of a Supplier's overall sustainability performance, audits are not restricted to production lines which are set up exclusively for Philips products but cover an entire Supplier site.

Audits are based on the EICC audit tool. Non-conformances are categorized into three colors – Red, Orange and Yellow- denoting different levels of severity and urgency:

Red non-conformance: critical major issue, an example of a Red non-conformance is: Workers are **not** provided with at least one (1) day off per every seven (7) days on average.

Orange non-conformance: critical issue, an example of an Orange non-conformance is: The facility **does not** keep reliable records of workers' standard and overtime hours.

Yellow non-conformance: minor issue, an example of a Yellow non-conformance is: Legal working hours and facility working hours **are not** communicated to all workers.

For current audit tool and categorization refer to Attachment B.

### 6.2 Audit selection

The Suppliers to be included in the audit program are determined centrally within each Philips organization by the SSO, based on the individual Supplier's risk profile (ref Chapter 4).

### 6.3 Audit preparations

The Supplier is encouraged to use both the EICC Supplier Self-Assessment Questionnaire as well as the EICC audit tool to prepare for audits. This

allows the Supplier to prepare the audit properly, to have the necessary documentation and relevant information available, and to take corrective action where necessary before the actual audit takes place.

The audit process may be aborted if the information required is not available on site. Philips will treat such absence as a major non-conformance.

## **6.4 Quick Scan (pre-audit)**

To increase Suppliers' awareness on a number of key issues, and to allow Suppliers to correct identified non-conformances prior to the initial audit, Philips will assign internal or external auditors to scan the Suppliers' site for Red and Orange non-conformances before the full scale audit takes place ('Quick Scan'). Philips expects that these Quick Scan results can provide a primary risk profile of high-concern Suppliers and facilitate the understanding of Philips' requirement and standards.

## **6.5 Audit scheduling and payment**

Suppliers will be informed by their Philips Lead Buyer when an audit is required, including the related timeline within which an audit is to take place.

The audits are scheduled by the auditing body in consultation with the Supplier within the timelines indicated by Philips. The audits are to be paid for by the Supplier. The Supplier is obliged to pay the relevant audit fee in advance of the audit. The planned audit date will only be confirmed after payment has been received. Alternative audit arrangements are subject to agreement between Philips and the Supplier.

Audit fees vary per region/country and are exclusive of travel expenses. Audit fees do not include any Resolution Audits that may be necessary (ref Chapter 7.4). Audit fees for Resolution Audits depend the amount and type of non-conformances found during the Initial Audit.

The current audit fees are communicated to the Supplier by Philips local contacts after the audit schedule is confirmed. The payment method is to be agreed between the auditing body and the Supplier.

## **6.6 Audit procedure**

Each audit will include the following standard elements:

- Introductory meeting

- Management interviews
- Evaluation of documentation
- Factory tour
- Worker interviews
- Feedback session.

This feedback session provides the Supplier with the basis for the Corrective Action Plan (CAP) should any non-conformances be identified (ref Chapter 7.3).

For the purpose of confidentiality, results of audits performed by Philips auditors are shared with the Supplier but are not disclosed to the public.

In principle, Suppliers who do business with more than one EICC member will be audited by EICC-certified third-party audit firms in line with the EICC audit methodology. In this way, Suppliers can share audit reports with the EICC organization and likewise with other EICC members.

As EICC is currently in the early stage of conducting audits, Philips has established as an interim measure a working relationship with an EICC certified external auditor that performs audits using a pragmatic approach based on the current EICC audit tool.

## 6.7 Continuing Conformance Audit

Continuing Conformance Audits are conducted to ensure continuous Supplier compliance following initial audits. Continuing Conformance audits are full audits carried out within the following timelines:

### **24 months**

If the Initial Audit has shown Red non-conformances, the Continuing Conformance Audit is to be conducted within 24 months of the initial audit date.

### **36 months**

If the Initial Audit has raised only Orange or Yellow non-conformances, no or low-risk violations, the Continuing Conformance Audit is to be conducted within 36 months of the initial audit date.

## 6.8 Announced versus unannounced audits

In general, audits are announced to the relevant Suppliers beforehand. However, Philips reserves the right to conduct unannounced audits, or have such audits conducted on its behalf. In particular, Philips may conduct unannounced audits to substantiate specific Supplier-related

allegations concerning unsustainable practices, or to verify sustained improvement following the Resolution Audit (ref. Chapter 7.4).

## Chapter 7 Resolving non-conformances

The Philips Supplier Sustainability Program is based on a continuous process of monitoring and supporting the implementation of corrective actions at the Suppliers' manufacturing sites.

Non-conformances are categorized into Red, Orange and Yellow to provide structure and focus in the resolution approach. This categorization determines the period in which the Supplier should complete corrective action.

### 7.1 Resolution time per category

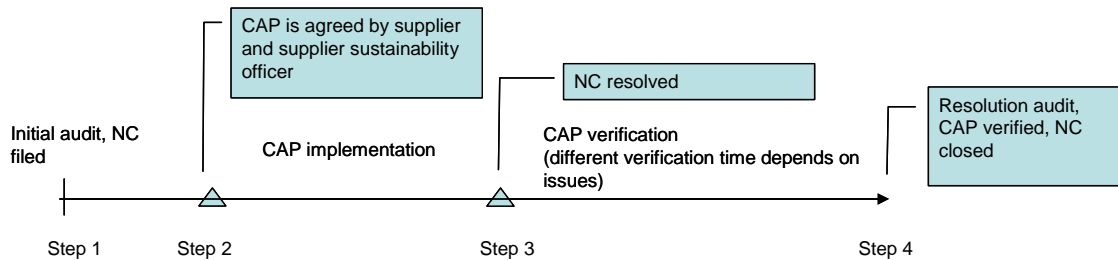
Philips expects Suppliers to take relevant steps to correct any Red, Orange or Yellow non-conformances within the following lead times:

- Red non-conformance: Corrective action needs to be implemented within three months (90 days) after the audit date. Where the prescribed timeline is not feasible due to the nature of the non-conformance, the resolution timeline is to be negotiated and documented in the Corrective Action Plan.
- Orange non-conformance: Corrective action needs to be implemented within six months (180 days) after the audit date. Where the prescribed timeline is not feasible due to the nature of the non-conformance, the resolution timeline is to be negotiated and documented in the Corrective Action Plan.
- Yellow non-conformance: Corrective action needs to be implemented in the course of business, with a resolution period agreed between Philips and the Supplier.

	Lead time to resolution	Resolution Audits	Continuing Conformance Audits
<b>Red NC</b>	CAP implemented within 90 days <u>after the audit date</u> , if not applicable, then according to milestones determined in CAP	1 months after the longest resolution time laid down in the CAP	In case of incidental high risk, <u>24 months</u> after the initial audit date. Otherwise, 36 months after initial audit.
<b>Orange NC</b>	CAP implemented within 180 days <u>after the audit date</u> , if not applicable, then according to milestones determined in CAP	1 months after the longest resolution time laid down in the CAP	36 months after the initial audit date.
<b>Yellow NC</b>	Corrective action needs to be implemented in the course of business, with a resolution period agreed between Philips and the Supplier.	No Resolution Audit, monitoring takes place in QBRs.	36 months after the initial audit date.

## 7.2 Resolution flow

The resolution of non-conformances in Philips Supplier Sustainability Program involves four steps:



Step 1: Red or Orange Non-conformance(s) found in Initial Audit: issue(s) opened

Step 2: Corrective Action Plan is agreed by sector SSO and Supplier within one month following the audit date

Step 3: Corrective Action Plan is fully implemented, issue(s) resolution waiting for verified

Step 4: Resolution Audit after defined period of implementation, which period will depend on non-conformances encountered: issue(s) closed

## 7.3 Corrective Action Plan (CAP)

Philips requires a written Corrective Action Plan (CAP) for each Red or Orange non-conformance from the Supplier. The CAP is to be agreed between Philips and Supplier within one month of the audit date. It must include the following elements:

- A description of the non-conformance(s)
- The planned corrective action
- Progress milestones – including deliverables such as documentation, or other forms of underlying evidence
- The person(s) responsible for implementation
- Resolution period for each non-conformance. Where the prescribed resolution periods (ref Chapter 7.1) are not feasible due to the nature of the non-conformance, the CAP will document the agreement reached between Philips and Supplier concerning an alternative resolution period.

A template of the Corrective Action Plan is attached to this document as Attachment C.

In consultation with the Philips Lead Buyer, the Supplier Sustainability Officer (SSO) will review the CAP received from the Supplier and indicate acceptance by Philips by approving the CAP within one month of the audit date.

Philips will interpret lack of progress in the drafting, submission and implementation of the CAP as a 'red' rating in audit results, as set out below.

## 7.4 Resolution Audit

A Resolution Audit is performed to formally review and close any Red and Orange non-conformances that are raised in the Initial Audit. The Resolution Audit is a focused audit that specifically targets non-conformances found during the Initial Audit.

In the case of one or more Red or Orange non-conformances, the Resolution Audit will be performed within approximately 1 month of the agreed resolution time documented in the CAP. In the event of more than one non-conformance, the longest resolution time will be used to determine the Resolution Audit date.

In the event of Yellow non-conformances, resolution will be monitored in the quarterly business review meetings (QBRs). No Resolution Audit is required.

## 7.5 Audit evaluation and business consequences

The audit results are rated from Red to Green based on three criteria: audit program cooperation, audit findings and progress in resolution of non-conformances.

The business consequences of each rating are set out below:

Rating	Criterion	Business consequence/ During the resolution time	Lack of progress after resolution time...
<b>Green</b>	<ul style="list-style-type: none"> <li>• No NC found</li> <li>• new Suppliers must have a green audit status in order to be certified as a Philips Supplier</li> </ul>	<ul style="list-style-type: none"> <li>• Orders may be shipped</li> <li>• Future orders may be placed</li> </ul>	
<b>Yellow</b>	<ul style="list-style-type: none"> <li>• Supplier has one or more yellow NC</li> <li>• Prospective suppliers must at least have an Yellow rating in order to be certified as a Philips Supplier</li> </ul>	<ul style="list-style-type: none"> <li>• Business as usual.</li> <li>• Non-conformances and implementation of corrective actions are discussed and reviewed periodically in quarterly business reviews</li> </ul>	Review new project allocation.
<b>Orange</b>	<ul style="list-style-type: none"> <li>• Supplier has one or more orange NC</li> </ul>	<ul style="list-style-type: none"> <li>• Non-conformances are expected to be solved within 6 months after initial audit date</li> </ul>	Prepare a contingency plan. Supplier will ultimately be phased out.
<b>Red</b>	<ul style="list-style-type: none"> <li>• Supplier obstruct the audit and resolution process</li> <li>• Supplier has one or more red NC</li> <li>• Lack of progress in realization of CAP</li> </ul>	<ul style="list-style-type: none"> <li>• No new projects allocated.</li> <li>• Prepare and start implementing a contingency plan.</li> </ul>	Stop shipments, cancel all orders, Supplier will ultimately be phased out

## Definitions

Definitions of terms used throughout the Supplier Sustainability Program Manual.

### Code

The Philips Supplier Sustainability Code, as set out in the Royal Philips Electronics Supplier Sustainability Declaration and the Royal Philips Electronics List of Restricted Substances. The Code constitutes an integral part of Philips' Purchase Agreements and Purchase Orders.

### Continuing Conformance Audit

Continuing Conformance Audits are conducted at regular intervals to verify Suppliers' conformance status with the Declaration.

### Corrective Action Plan or CAP

A corrective action plan, as set out in Chapter 7.3.

### Declaration

The Royal Philips Electronics Supplier Sustainability Declaration, latest version.

### EICC

The Electronics Industry Code of Conduct - a code of best practices adopted and implemented by some of the world's major electronics brands and their Suppliers<sup>4</sup> In order to improve conditions in the electronics supply chain. Development of the code was a multi-stakeholder effort, influenced by internationally-recognized standards.

### Initial Audit

The evaluation process conducted by an auditing body in order to determine the Supplier's level of conformance to the Electronics Industry Code of Conduct.

### Lead Buyer

The Philips representative responsible for managing the relationship with Supplier, also known as "Supplier Account Manager".

### Philips organization

The Philips sectors, which include Philips Lighting, Philips Consumer Lifestyle, Philips Healthcare, Philips General Purchasing or any other part of the Philips organization.

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<sup>4</sup> Current member list, please refer to: [http://www.eicc.info/EICC\\_SPONSOR.html](http://www.eicc.info/EICC_SPONSOR.html)).

## **Philips' General Business Principles or GBP**

The General Business Principles set out guiding principles on integrity and ethics in business conduct. These minimum requirements of behavior govern Philips' business decisions and actions throughout the world and apply equally to corporate actions and to the behavior of individual employees in conducting Philips' business. They are subject to applicable laws. Conformance to the General Business Principles and GBP Directives is extremely important for the protection of the Philips brand. The Philips GBP can be found at:

<http://www.philips.com/about/investor/businessprinciples/policies/index.page>

## **Program**

The Philips Supplier Sustainability Program, as set out in this Manual.

## **PSSP**

Philips Supply Sustainability Platform.

## **QBR**

Quarterly Business Review meetings held between Philips and Supplier.

## **Resolution Audit**

A Resolution Audit is performed to officially close a case of non-conformance. The Resolution Audit is a focused audit, which means that this audit only measures whether the non-conformances that were found during the Initial Audit have been resolved by the Supplier. The Resolution Audit evaluates the implementation of the corrective action plan by the Supplier. During this Resolution Audit the audit team considers whether or not the Supplier has achieved sustained improvement on the non-conformance issues.

## **Supplier Sustainability Officer (SSO)**

The Supplier Sustainability Officer is responsible for the implementation of the Philips Supplier Sustainability Program at Philips organization or site level.

## **Supplier**

All first-tier Philips Suppliers who produce and deliver Philips products, as well as a number of second tier Suppliers who have been identified by Philips as key Suppliers and who are effectively managed by Philips. Prospective Suppliers are excluded from this definition.