

Philips Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Report (2023)

ABOUT THIS REPORT

Philips Electronics Ltd. doing business as "Philips Canada" ("**Philips Canada**", "**we**", "**our**" or "**us**") has prepared this report (the "**Report**") being submitted pursuant to Section 11 of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "**Act**") for the financial year ended December 31, 2023 (the "**Reporting Period**").

This Report describes the steps taken during the 2023 financial year to help prevent and reduce the risk that forced labour or child labour ("**Modern Slavery**") is used at any step of the production of goods in Canada or elsewhere, or of goods imported into Canada. This Report has been prepared in accordance with the mandatory reporting criteria outlined in Sections 11(1) and 11(3) of the Act.

In particular, this Report describes our approach to doing business in a way that prevents and reduces the risk of Modern Slavery in our supply chains and operations and provides a summary of our:

- Structure, Activities and Supply Chains;
- Policies and Due Diligence Measures;
- Assessment of the Potential Risk of Modern Slavery in our Supply Chains and Operations;
- Training; and
- Processes to Assess our Effectiveness.

Philips Canada does not report under similar legislation in any other jurisdiction. However, certain of our affiliates report in California, the United Kingdom, and Australia. Their most recent published Modern Slavery and Human Trafficking Statement can be found online, [here](#).

COMPANY STRUCTURE, ACTIVITIES AND SUPPLY CHAIN

Company Structure

Koninklijke Philips N.V. ("**Royal Philips**" or "**Philips**") (NYSE: PHG, AEX: PHIA), headquartered in the Netherlands and operating through its various subsidiaries around the world, is a health technology company focused on improving people's health and well-being. Philips' patient and people-centric innovation leverages advanced technology and deep clinical and consumer insights to deliver personal health solutions for consumers and professional health solutions for healthcare providers and their patients in the hospital and the home. Globally headquartered in the Netherlands, the company provides goods and services in diagnostic imaging, ultrasound, image-guided therapy, monitoring and enterprise informatics (collectively referred to as the "**Health Systems Business**"), as well as consumer products supporting personal health (the "**Personal Health Business**"). Philips employs approximately 69,100 employees worldwide, with sales and services in more than 100 countries. News about Philips can be found at www.philips.com/newscenter.

Philips Canada is Royal Philips' sole Canadian subsidiary and is incorporated under the *Canada Business Corporations Act*. It maintains a head office in Mississauga, Ontario and employs approximately 555 employees across Canada.

Philips Canada's employees include sales and customer service employees, as well as supporting functions such as human resources, finance and legal and compliance employees. Our employees are skilled laborers and professionals, located in Canada, and subject to Canadian employment laws and standards.

Activities

Royal Philips provides goods and services in the fields of diagnostic imaging, ultrasound, image-guided therapy, patient monitoring, and health informatics (the "**Health Systems Business**"), as well as in consumer personal health (the "**Personal Health Business**").

Philips Canada is the Canadian marketing, sales and service channel for certain Philips products. It imports, advertises, sells, and services goods manufactured by Royal Philips or its affiliates around the world.

Philips Canada's role is limited to sales, marketing and after-sales service. We do *not* manufacture or produce any goods in Canada. Philips Canada's sales channels include direct sales to healthcare institution and consumers, as well as sales through distributors and retailers.

Supply Chains

As a part of the Philips group, Philips Canada benefits and leverages from Royal Philips' broad supplier base. Royal Philips sources products and components from approximately 4,900 first-tier product and component suppliers and 16,100 service providers globally.

Of note, Philips Canada does not import, sell, or distribute *every* product that is manufactured by Royal Philips or its affiliates. Rather, Philips Canada only imports, distributes, and sells a subset of goods that are manufactured using inputs sourced from Royal Philips' global supplier base.

For our Personal Health Business in 2023, Philips Canada imported 360 products from 17 Philips suppliers based in 10 countries. Of those products, approximately 63% were sourced from Philips' affiliates in the United States, approximately 27% from Philips' affiliates in Asia, and the remaining 10% from Philips' affiliates in Europe.

For our Health Systems Business in 2023, Philips Canada imported goods from 15 Philips' factories around the globe, 53% of which were located in the United States, 33% located in Europe, and 14% in Asia.

POLICIES AND DUE DILIGENCE

Philips Canada follows a global, company-wide approach to its modern slavery compliance. The policies and procedures mentioned in this report apply to all subsidiaries of Royal Philips, including Philips Canada (collectively, the "**Philips Group**"). All applicable policies and procedures are publicly available on Royal Philips' website and hyperlinked throughout this session.

The main **policies** put in place by Royal Philips and followed by Philips Canada are as follows:

- **Philips' Human Rights Policy**, which ratifies our commitment to identify, prevent, and mitigate any adverse human rights impacts we might cause by our activities or business relations with our employees, business partners, suppliers, and the wider community in which we operate. A link to Philips' Human Rights Policy can be found [here](#).
- **General Business Principles ("GBP")** in which Philips sets the standard for acting with integrity within the Philips Group. A link to the GBP can be found [here](#).
- **Philips' Fair Employment Policy** in which Philips affirms its commitment to not make use of forced, bonded or child labor. A link to Philips' Fair Employment Policy can be found [here](#).

In addition to the core policies above, Philips Canada follows rigorous processes to hold suppliers to the highest standards and drive continuous improvement in Philips' supply chain. These **due diligence processes** are established in the following documents:

- **Philips' Supplier Sustainability Declaration ("SSD")**: Philips follows a thorough selection process and awards business to partners who are committed to, and demonstrate, responsible business conduct. The SSD sets out the standards and behaviors that Philips requires from all its suppliers and their suppliers to structurally improve conditions for workers and promote a cleaner environment for local communities. More details about Philips' SSD can be found [here](#).
- **Supplier Sustainability Performance Program ("SSP")**: Through this program, Philips conducts thorough risk assessments on suppliers, and implements a remediation plan when needed. More details about Philips' SSP can be found [here](#).

Royal Philips has also issued several rules and declarations about responsible sourcing of minerals in its supply chain, which are incorporated into all Philips' due diligence processes. Links to the relevant rules and declarations regarding responsible sourcing or minerals can be found [here](#).

Policies

General Business Principles

The GBP sets the standard for acting with integrity within the Philips Group. They govern all decisions and actions throughout the Philips Group and apply to actions and to conduct of all individuals employed by Philips. The principles of fair employment practices are defined at paragraph 1.1 of the GBP:

1.1 Fair employment practices

We maintain a healthy, safe and productive work environment and 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, hostile or intimidating work environment. 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.

The full text of the GBP can be found [here](#).

Accountability for compliance with the GBP rests with the management of each business. Every Philips market organization, including Philips Canada, have a GBP Compliance Officer. Confirmation of compliance with the GBP is also an integral part of Philips' annual Statement on Business Controls. As part of this annual certification process, the management of each Philips business unit is required to assert a statement of compliance with the GBP as part of a cascading certification process leading to Chief Executive Officer / Chief Financial Officer certification of the company's annual financial statement and report.

In addition, Philips keeps a *General Business Principles Monitoring and Reporting Program* to provide an ongoing monitoring and reporting to key stakeholders on the implementation and respect of the GBP and related policies worldwide. This program includes several human rights areas of severe impact, including freedom from child labor, forced labor and bonded labor, working hours, remuneration, etc.

Human Rights Policy

The Philips' Human Rights Policy ratifies its commitment to identifying, preventing, and mitigating and adverse human rights impacts that it may cause by its activities or business relations with its employees, business partners, suppliers, and the wider community in which the Philips Group operates. Philips' Human Rights Policy's reach extends to issues further down Philips' supply chains, for instance to prevent human rights abuses in the extractives sector, especially related to conflict minerals. Philips' Human Rights Policy should be read in conjunction with the Philips Fair Employment Policy and General Business Principles.

Fair Employment Policy

The Philips Fair Employment Policy explicitly acknowledges that all work must be voluntary. Employees receive a written document that details the 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. Finally, all Philips employees are free to leave the company premises during breaks and at the end of their shift (except for safety and security reasons) and they may terminate their employment with Philips at any time upon reasonable notice.

Philips employees are entitled to remuneration consistent with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. Philips also retains external experts to monitor whether its employees receive at minimum a living wage.

Other policies and measures

In addition to the policies outlined above, Philips observes other rules and international standards, and implements mechanisms to mitigate the risk of forced and child labor in its supply chain. These measures are outlined as follows:

I. Responsible Business Alliance

Our supply chains benefit from Philips' engagement 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 it can have the highest impact. Philips benefits from its membership in the Responsible Business Alliance (“**RBA**”), world’s largest industry coalition dedicated to responsible business conducts in global supply chains. RBA is a nonprofit comprised of electronics, retail, auto and toy companies committed to: (i) supporting the rights and well-being of workers and communities, and (ii) environmental and social responsibility. Philips adopted the RBA Code of Conduct and included the requirements of the Code as part of its supplier contracts within the SSD, as defined and described herein.

II. Environmental, Social and Governance

Philips’ Board of Management is responsible for strategy and oversight of all company activities across the three ESG dimensions, including human rights. The Board of Management also monitors progress and takes corrective action where needed. Member of the Board of Management include the Chief Executive Officer, Chief Financial Officer and Chief of Environmental and Social Governance & Legal Officer. In addition, a cross-functional project team, comprised of a Human Rights Manager and professionals from several business functions, is in place to drive several human rights initiatives. The project team is overseen by the Human Rights Steering Committee, consisting of senior leaders from Operations, Legal, Human Resources and Sustainability.

III. Philips Speak Up Policy (Grievance Mechanism)

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

Third parties and Philips employees can file a concern in Philips' SpeakUp ethics line (i) by telephone or (ii) through a web intake form. In all countries where it is permitted by law (including in Canada), Philips' SpeakUp ethics line is available 24 hours a day, 7 days a week, and 365 days a year. In most instances (including in Canada), if not legally prohibited, concerns can be raised anonymously. Reports filed through Philips’ SpeakUp ethics line are treated as strictly confidential, are investigated, and findings are only shared with those responsible for handling the concern or otherwise have a need to know. For more information, refer to the Philips SpeakUp Policy found online, [here](#).

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 to file any concerns related to Tin, Tungsten, Tantalum, or Gold.

IV. Philips’ Human Rights Report 2023

Philips published its Human Rights Report 2023 which details its efforts to uphold human rights both within the Philips organization and throughout our value chain, and highlights key successful initiatives and milestones reached over the last year.

Philips' 2023 Human Rights Report can be found [here](#).

Due Diligence

Philips Canada supports Philips' commitment to do all that is reasonable and practicable to proactively identify and mitigate any potential adverse human rights impact in our operations and value chain using various due diligence mechanisms. Some of these due diligence mechanisms include those set out below.

Supplier Sustainability Declaration (SSD)

Managing a 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. Philips' suppliers are expected to implement internal controls to be in compliance with the requirements of the Supplier Sustainability Declaration, or SSD. Suppliers are subject to assessments for compliance with the Philips Group's expectations relating to trafficking and slavery. Suppliers that present a risk are identified using the following criteria:

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

Philips Canada's goods are subject to certification through Philips certifying conformance to the RBA requirements embedded within the SSD, which forms part of the Philips supplier contracts. The SSD is based on the RBA Code of Conduct, in alignment with the UN Guiding Principles on Business and Human Rights and key international human rights standards, including the ILO Declaration on Fundamental Principles and Rights at Work and the UN Universal Declaration of Human Rights. It covers topics such as Labor, Health & Safety, Environment, Ethics, and Management Systems. This year, Philips made several changes to the SSD, adding multiple expected behaviors that go beyond the RBA Code of Conduct. The RBA is the world's largest industry coalition dedicated to responsible business conduct in global supply chains.

Philips suppliers must adhere to the SSD and deploy it to their suppliers. Compliance with the SSD is monitored and remediated through the SSP, as described below.

Sustainability Performance Program (SSP)

At Royal Philips, the Supplier Sustainability Performance, or 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; and
- Encouraging our suppliers, industry peers and cross-industry peers to adopt our approach.

The assessments are planned together with the supplier and Royal Philips publishes the end-of-year results in the Annual Report. More information about the Philips SSP program can be found online, [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.

Responsible Sourcing of Minerals

The goods in our supply chains do not rely on minerals sourced directly from mines as there are typically 7+ tiers between end-user companies like Philips and the mines where the minerals are extracted.

However, Philips acknowledges the issues concerning working conditions at the base of the supply chain. As a downstream company, Philips approaches the topic of responsible sourcing of minerals through due diligence, leveraging its influence on our supply chain, and participating as a member in the Responsible Minerals Initiative (RMI) and other multistakeholder initiatives. Philips also participates in industry-wide initiatives such as the RBA, as described above.

Philips' approach to Responsible Sourcing of Minerals can be found [here](#), and Philips' latest Conflict Minerals Report is publicly available [here](#).

Human Rights Impact Assessment

Philips is committed to doing 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 research projects by the Internal Committee for Biomedical Experiments, and implementing multi-tier supplier sustainability programs.

Philips' 2023 Human Rights Report contains detailed information regarding Philips' approach to Human Rights Impact Assessment in its due diligence, [here](#).

POTENTIAL RISKS OF MODERN SLAVERY IN OUR OPERATIONS AND SUPPLY CHAINS

Potential Risks in Our Operations

We consider the risk of Modern Slavery occurring within Philips Canada's operations to be extremely low because our workforce is entirely domestic and we have in-depth policies and procedures that govern our day-to-day operations and employment relationships.

From a geographical risk perspective, our employees are limited to Canada, which has a low prevalence of child and forced labour, a low risk of vulnerability to child and forced labour, and a fairly robust governmental response addressing child and forced labour.¹

At a company-wide level, and in accordance with conventions of the International Labor Organization ("ILO"), Philips does not make use of forced, bonded, or child labor. While pursuing its business objectives, Philips aims to be a responsible partner in society, acting with integrity

¹ See Walk Free, Global Slavery Index 2023, available here: <https://www.walkfree.org/global-slavery-index/map>.

towards our employees, customers, business partners and shareholders, as well as the wider community in which it operates. Everyone at Philips is expected to always act with integrity, and Philips rigorously enforces compliance of its GBP throughout the company. Philips' integrated approach to doing business responsibly and sustainably links our ESG performance to business strategy, and financial and operational performance, reflecting its commitment to the United Nations' Sustainable Development Goals, especially #3, #12, #13 and #17.

Potential Risks in Our Supply Chain

As a subsidiary of Royal Philips, Philips Canada's supply chains directly benefit from the policies and due diligence implemented by Royal Philips and throughout its supply chains around the world.

Philips Canada recognizes that the risks of Modern Slavery are inherent to all supply chains. Philips Canada relies on Royal Philips' extensive policies and procedures implemented worldwide to identify and reduce these risks.

Through our assessment of Philips Canada's operations, we did not identify any risks of Modern Slavery relating to our operations or supply chains. Further, we did not identify any instances of Modern Slavery in our operations or supply chains. Accordingly, no steps were required to be taken by Philips Canada in 2023 to remediate child or forced labour, or the loss of income associated with remediation efforts in Canada.

TRAINING

Philips Canada benefits from the company-wide training provided as part of Philips' broader compliance and communication programs and also delivers local GBP compliance training.

To seek to maintain constant awareness of the need to act with integrity, a worldwide communication and annual training program, including mandatory sign-off on the GBP by every employee, 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 also available to all Philips employees with online access in 11 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 (including Philips Canada's GBP Compliance Officer) are regularly enrolled in dedicated e-training programs that include complaint-handling procedures and dilemma training.

As part of the SSP program and based on identified needs of a particular supplier, Philips implements a variety of capability-building initiatives, from trainings to sharing of best practices. These engagements aim to help its suppliers comply with overall Philips requirements as needed, including on modern slavery and human trafficking.

ASSESSING EFFECTIVENESS

As we continue to evaluate Philips Canada's compliance measures that are designed to prevent and reduce the risk of Modern Slavery, we intend to consider, where appropriate, implementing measures to assess the effectiveness of any of our processes.

Philips, at a macro level, has indicated that it presently intends to do the following:

- Continue to leverage its position as a strategic partner in the European Partnership for Responsible Minerals, a public-private cooperation that supports and complements the European Union 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 worldwide 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.
- Continue engagement with existing industry programs and groups, such as responsible sourcing and upstream impact programs and workgroups initiated under the Responsible Minerals initiative, 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:
 - o Help them understand and satisfy Philips' responsible sourcing expectations;
 - o Help them implement or further improve their due diligence process;
 - o Investigate their supply chain and identify smelters; and
 - o 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 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.

BOARD OF DIRECTORS APPROVAL AND ATTESTATION

This Report was Approved by the Board of Directors of Philips Electronics Ltd. (doing business as Philips Canada), pursuant to section 11(4)(a) of the Act.

In accordance with the requirements of the Act, and in particular section 11 thereof, the below listed Philips Canada's Board of Directors attest that they have reviewed the information contained in the report for Philips Canada. Based on their knowledge, and having exercised reasonable diligence, each member of the Board hereby attests that the information in the report is to their knowledge true, accurate and complete in all material respects for the purposes of the Act, for the 2023 reporting year.

Danielle Lavallee

Electronically signed by: Danielle
Lavallee
Reason: "I Approve"
Date: May 29, 2024 09:45 EDT

I have the authority to bind Philips Electronics Ltd.

Danielle Lavallee

Corporate Director and Head of Legal & Compliance, Philips Electronics Ltd.

Stacey Shainline

Electronically signed by: Stacey
Shainline
Reason: "I Approve"
Date: May 29, 2024 15:56 EDT

I have the authority to bind Philips Electronics Ltd.

Stacey Shainline

Corporate Director and Head of Human Resources, Philips Electronics Ltd.

Darran Fischer

Electronically signed by: Darran
Fischer
Reason: "I Approve"
Date: May 29, 2024 15:52 EDT

I have the authority to bind Philips Electronics Ltd.

Darran Fischer

Corporate Director, Vice President and Managing Director, Philips Electronics Ltd.

Juan Tosto Valenzuela

Electronically signed by: Juan Tosto
Valenzuela
Reason: "I Approve"
Date: May 29, 2024 15:53 EDT

I have the authority to bind Philips Electronics Ltd.

Juan Tosto Valenzuela

Corporate Director and Head of Finance, Philips Electronics Ltd.