**Statement from Philips regarding EU responsible sourcing regulation**

16 November 2015

From several years of the Conflict Minerals due diligence process Philips has learned that the most effective control point is at smelter level (upstream). This is due to limited number of the actors (smelters) and also because it becomes technically impossible to identify the origin of minerals after they’ve been smelted into metals. Up the stream between the mine and the smelter is also where all the red flags / potential issues are identified and therefore it requires most attention and resources. Supporting mechanisms are needed to drive the improvements on the ground (at the mine sites) enabling responsible sourcing of minerals, e.g. traceability schemes.

Studies have shown that downstream oriented approach of Dodd-Frank Act generated huge amount of cost for downstream companies to comply with the regulation, mainly administrative, whereas the change can only be issued up the stream improving the current situation on the ground. This is an important lesson learned from the Dodd Frank Act for the EU approach.

The goal Philips is pursuing via the Conflict Free Sourcing Initiative is to ensure that as many smelters as possible get validated in the industry-wide audit programs such as CFSI, LBMA, etc. That is the most effective way to ensure no conflict minerals enter the supply chain. Philips has already started to steer our supply chain towards sourcing from the validated smelters only.

Philips supports the most effective and workable solution, regardless whether a voluntary or a mandatory approach will eventually be chosen. Given the complexity of the mineral supply chains, Philips believes more technical discussion and impact assessment is needed to fully understand potential impact of each scenario and is happy to share our experience.

Please also refer to our position paper: <http://www.philips.com/shared/global/assets/Sustainability/Philips_position_on_conflict_minerals.pdf>