



# **Supplier Sustainability Audit Program Manual**

**This guide is intended to help Suppliers understand Signify's expectations with respect to their performance in the field of social, ethical, health, safety, and environmental management.**

## Colophon

This Supplier Sustainability Audit Program Manual has been developed by the Signify Supplier Sustainability and Audit team.

We are continuously looking for relevant examples from business practice to enhance the content of the manual and to ensure all relevant issues are covered. If you can provide us with such examples or if you need further information or have any comments or questions about the content of this manual, please do not hesitate to contact Signify.

To find out more about our audit programs and results visit our Sustainability website at:

<https://www.signify.com/global/contact/suppliers/sustainability/our-programs>

Signify N.V. Eindhoven, Netherlands

All rights reserved. Reproduction in whole or in part is prohibited without the written consent of the copyright owner.

Dear Stakeholder,

At Signify, we are on a mission towards brighter lives and a better world. This goal extends beyond our innovative products, systems, and services to our supply chain. We invest in relationships with suppliers who provide a safe working environment, treat workers with respect, and work in an environmentally sound way.

The journey towards supply chain sustainability is a challenging one, often requiring an industry-wide effort in collaboration with other stakeholders. That's why we are a member of Responsible Business Alliance (RBA) and encourage our strategic suppliers to join the RBA too.

The RBA provides the electronics and other industry with a platform from which to develop standardized tools and processes, helping to develop a uniform standard as well as to measure performance against this standard. Using this platform as a basis, Signify has created the Supplier Sustainability Program. As explained in this manual, this program defines what we expect of our Suppliers.

In search of mutually beneficial relationships, we will award business to those Suppliers who are committed to living up to these expectations. As part of this joint approach, we will be there to support our suppliers in cases where they need to improve their performance. Together we will strive for continued improvement.


This Supplier Sustainability Audit Program Manual aims to provide transparency to our suppliers, business partners and other stakeholders about the Signify Supplier Sustainability Audit Program, its contents and the related tools, processes, and procedures.

I trust that this Supplier Sustainability Audit Program Manual will prove a useful tool in helping you to contribute to the creation of a sustainable, Signify supply chain.

Kind regards,



Jaap Borstrok  
Head of Supplier Sustainability  
Signify



Luc Broussaud  
Head of Procurement  
Signify

## Contents

|        |   |    |
|--------|---|----|
| 1.     | Introduction .....  | 5  |
| 2.     | Declaration of Commitment .....                           | 5  |
| 2.1.   | The Signify Supplier Sustainability Declaration .....     | 5  |
| 2.2.   | The Signify Regulated Substances List .....               | 6  |
| 3.     | Selective Monitoring .....                                | 7  |
| 3.1.   | Audit program .....                                       | 7  |
| 3.2.   | Audit program coverage .....                              | 7  |
| 3.3.   | Recognition of other scheme / program audit reports ..... | 7  |
| 3.4.   | Third-party audit process .....                           | 8  |
| 3.5.   | Announced versus unannounced audits .....                 | 8  |
| 3.6.   | Customer social audit request .....                       | 8  |
| 3.7.   | Resolving Non-Conformances .....                          | 8  |
| 3.7.1. | Zero Tolerance non-conformances .....                     | 8  |
| 3.7.2. | Critical and Major non-conformances .....                 | 8  |
| 3.7.3. | Corrective Action Plan (CAP) .....                        | 9  |
| 3.7.4. | Consequence management .....                              | 9  |
| 4.     | Improving sustainability in Signify's supply base .....   | 9  |
| 4.1.   | Signify RBA training .....                                | 9  |
| 4.2.   | Sustainability Improvement Program (SIP) .....            | 10 |
| 4.3.   | Supplier rating (Tritium) .....                           | 10 |
| 4.4.   | Supplier sustainability performance indicators .....      | 10 |
|        | References .....  | 12 |
|        | Definitions .....   | 13 |

# 1. Introduction

## Our Purpose

Signify is committed to create brighter lives and a better world. This is what drives Signify in the development and manufacturing of its products. Promoting acceptable working conditions, environmentally responsible management and ethical behavior are part of this commitment.

Signify's commitment to responsible corporate citizenship and the pursuit of a sustainable future – in economic, social, and environmental terms – is reflected in its purpose as well as in the Integrity code. The Signify Integrity code sets out guiding principles on integrity and ethics in business conduct, including those that help create a sustainable supply chain.

In short, Signify 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.

In our Supplier Sustainability Audit program, we work according to the approach pictured below, in which we start with creating commitment and building understanding with suppliers towards monitoring and managing identified risks, in cooperation with relevant stakeholders.

## 2. Declaration of Commitment

Signify requires every supplier to share its commitment to promoting acceptable working conditions, environmentally responsible management, and ethical behavior. The basis for this is laid down in two documents:

- Signify Supplier Sustainability Declaration ('Declaration' or 'SSD'), and
- Signify List of Regulated Substances in Products, Product Packaging and Transport Material ('RSL').

Both the Declaration and the RSL will therefore constitute an integral part of any purchasing agreement between the Supplier and Signify and Signify expects Suppliers to integrate the content of both documents into their internal policies, processes, and procedures, and to roll out both the Declaration and the RSL to their next-tier suppliers.

The Declaration incorporates the Responsible Business Alliance Code of Conduct (RBA Code) a code developed within the electronics and other industry as convened in the Responsible Business Alliance<sup>1</sup>. The Declaration contains an annex covering freedom of association and the right of collective bargaining in accordance with the relevant ILO Core Conventions. The Declaration will be updated on a regular basis. For the latest version please visit our website (<https://www.signify.com/global/contact/suppliers/sustainability/our-programs/supplier-sustainability-management>).

### 2.1. The Signify Supplier Sustainability Declaration

The Signify Supplier Sustainability Declaration consists of **five chapters** and an Annex that provides extra sources of information.

---

<sup>1</sup> <http://www.responsiblebusiness.org/>

**Chapter A** formulates the human 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.

**Chapter B** defines the workers' right to a safe and healthy working environment. The health and safety standards comprise rules regarding occupational safety, emergency preparedness, occupational injury and illness, industrial hygiene, physically demanding work, machine safeguarding, sanitation food and housing, health and safety communication.

**Chapter C** reflects the environmental responsibility of RBA member companies. The environmental standards consist of rules relating to environmental permits and reporting, pollution prevention and resource reduction, hazardous substances, solid waste, air emissions, materials restrictions, water management, energy consumption and greenhouse gas emissions.

**Chapter D** defines the standards of ethics that are required to meet social responsibilities, including rules relating to business integrity, no improper advantage, disclosure of information, intellectual property, fair business, advertising and competition, protection of identity and non-retaliation, responsible sourcing of minerals, and privacy.

**Chapter E** defines 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 Declaration; and (c) identification and mitigation of operational risks related to the Declaration. It also aims to facilitate continuous improvement. The management system must contain the following elements: company commitment, management accountability and responsibility, legal and customer requirements, risk assessment and risk management, improvement objectives, training, communication, worker feedback and participation, audits and assessments, corrective action process, documentation and records, supplier responsibility.

## 2.2. The Signify Regulated Substances List

As part of Signify's commitment to health, safety and the environment, all products or parts, product packaging and transport material delivered to Signify as well as certain defined manufacturing processes that are used to make Signify parts must comply with all applicable requirements in the Signify List of Regulated Substances in Products, Product Packaging and Transport Material (RSL). The RSL contains minimum requirements relating to:

- Federal, state, county or municipal laws, regulations, ordinances, or codes, and
- Signify's own requirements.

The RSL constitutes an integral part of the General Purchasing Agreement.

The RSL is updated regularly to ensure alignment with regulatory and industry developments. Compliance with the RSL is monitored in a tool called 'BOMcheck'. Signify and several other large electronics companies have developed BOMcheck as an industry-wide platform that standardizes the way in which companies collect chemical composition information from their suppliers. Signify requires suppliers to provide declarations of compliance with the RSL via BOMcheck. BOMcheck can be found at <http://www.bomcheck.net/>

The latest version of the RSL is available on the Signify [website](#).

### 3. Selective Monitoring

Suppliers are expected to implement internal controls to ensure they can live up to their commitment of compliance. The type of support Signify provides and the monitoring Signify carries out will depend on the risk profile of the Supplier.

#### 3.1. Audit program.

We run a periodic audit program with a 3-year cycle. It is selective as it focuses on suppliers in a risk profile. The Supplier's risk profile is determined by criteria relating to:

- Country in which production sites are located. The risk country list is based on the [SA8000 country risk list](#). Supplier locations out of this list are exempted from the audit program.
- Type of product or service delivered to Signify. Our program focuses on Finished Product and BOM suppliers as listed in the Approved Vender List and not being phased out. We exclude distributors/agents and System & Service providers from our audit program.
- Previous track record. If a supplier did score >90 points in its previous audit, it will be exempted from the periodic audit program. If a supplier scores less than 70 points, the audit frequency will be increased from 3-yearly to yearly.
- Signify spend with Supplier. Basic threshold for the audit scope is 1 M€ spend in previous year. If a supplier has multiple production locations and spend in one of these locations is less than 1 M€ then this location can be excluded.
- Other relevant inputs. For example, incidents reported to Signify, directly or indirectly, e.g., via the media.

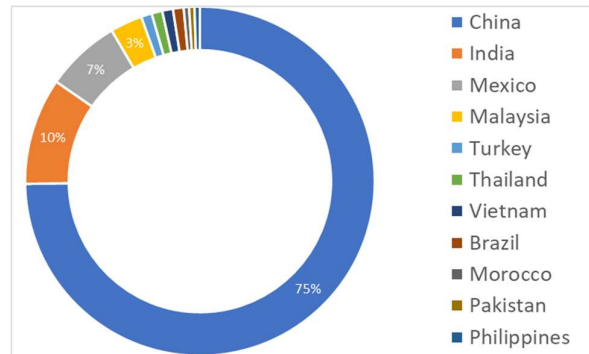
If a supplier will relocate to a new site, or add a new site, the new site will be classified as a potential supplier, and it will undergo a qualification process including sustainability audit.

#### 3.2. Audit program coverage

We define critical suppliers as suppliers with high spend and we consider high-risk suppliers as suppliers with production locations in risk countries. Our audit program is focused on these critical & high-risk suppliers and currently includes 203 suppliers and 84% of the high-risk spend.

Some of the 203 suppliers in our audit scope are also used by our Tier 1 partners. We have identified 96 suppliers (47%) in our audit program that are also being used by our Tier 1.

The majority of the critical and high-risk suppliers are in China, India and Mexico.



#### 3.3. Recognition of other scheme / program audit reports

If a supplier is certified to SA8000 (Labor, Health & Safety) and ISO14001 (Environment) and ISO45001 (Health & Safety) certificates, then the supplier will be exempted from Signify's audit scope.

Signify also can accept audit reports by world-wide well-known 3<sup>rd</sup> party (auditing firms) of recent date. At this stage (but subject to change) Signify accepts audit reports of RBA, TFS, Amazon, IWAY, Royal Philips, Lumileds, Apple and reviews the results with respect to Signify's criteria.

### **3.4. Third-party audit process**

Supplier Sustainability audits are executed by a 3<sup>rd</sup> party. Support is specified in a Statement of Work (SoW) between Signify and a 3<sup>rd</sup> party. The composition and qualifications of the audit team are to be determined by the 3<sup>rd</sup> party audit firm.

To respect confidentiality, the results of audits are only shared with Signify and the Supplier. The audit results are not made public or shared with customers of Signify, unless with the Supplier's consent.

For privacy protection, we follow Signify's Integrity code and no individuals at supplier side will be able to retrieve the audit report contents.

Costs of the audit will be borne by Supplier.

### **3.5. Announced versus unannounced audits**

As a rule, audits are announced to the relevant Suppliers beforehand. However, Signify reserves the right to conduct unannounced audits or to have these conducted on its behalf. Signify may conduct unannounced audits particularly to substantiate specific Supplier-related allegations concerning unsustainable practices.

### **3.6. Customer social audit request**

Also, our customers may request an audit at our suppliers on social/sustainability aspects. In such cases we review the customer's code of conduct, identify gaps to our RBA checklist and try to convince the customer to use Signify's audit reporting. Customer auditing at our suppliers requires approval by the Head of Supply Chain Sustainability.

### **3.7. Resolving Non-Conformances**

Non-conformances have been categorized into Zero Tolerance, Critical, Major and Minor non-conformances to help provide structure and focus on the resolution approach (Corrective Action Plan or CAP).

#### *3.7.1. Zero Tolerance non-conformances*

Zero-tolerance non-conformances (NCs) are the most serious and zero tolerant NCs, including below observations:

- Falsified and non-transparent information, documents, records (including dishonest attitude, obstruct the audit, etc.)
- Child labor
- Forced and bonded labor
- Severe environmental pollution
- Severe health and safety issues

A zero-tolerance non-conformance must be resolved immediately, given that the non-conformance relates to an urgent life-threatening situation or a severe violation of human rights which requires immediate attention. Signify and the Supplier will agree a feasible resolution period to be documented in the Corrective Action Plan (CAP), with defined progress milestones.

#### *3.7.2. Critical and Major non-conformances*

Critical non-conformances are serious health & safety, environmental, ethic and labor issues, which will cause serious impacts to people's safe working conditions and environment containment.

Major non-conformances are limited tolerated non-conformances that influence workers' safety, environmental protection, and people's welfare to a certain extent.



Critical and Major non-conformances must be resolved as soon as is reasonably possible. Signify and the Supplier will agree on a feasible resolution period to be documented in the CAP with defined progress milestones.

### *3.7.3. Corrective Action Plan (CAP)*

In the event of Zero-Tolerance, Critical and Major non-conformances, Signify requires from the Supplier a written CAP, based on the recommendations of the external audit firm. This CAP is to be agreed with Signify or the 3<sup>rd</sup> party audit firm within 1 month of the audit date. The final CAP must include the following elements:

1. *A description of the non-conformance,*
2. *The planned corrective action,*
3. *Progress milestones – including deliverables, such as documentation or other forms of underlying evidence,*
4. *The person(s) responsible for implementation as agreed by the General Manager,*
5. *The resolution period for each non-conformance to be resolved,*
6. *A timing of Resolution Audit.*

A Signify sustainability expert or the 3<sup>rd</sup> party audit firm will review and approve the CAP received from the Supplier.

The Supplier is responsible for realization of the CAP within the deadlines and will inform Signify or the 3<sup>rd</sup> party audit firm in the event of any delay. Where necessary, the Supplier can consult the Signify sustainability expert or the 3<sup>rd</sup> party audit firm about the resolution of NCs.

### *3.7.4. Consequence management*

An escalation process will be initiated in case a supplier is not able or willing to follow-up on the CAP or in case recurrent non-conformances are found in subsequent audits and in case of zero-tolerance findings.

In such cases a warning letter will be issued, informing the Supplier about the consequences of not following up on the corrective action plan. Consequences can range from “management escalation”, to “hold new business” and even “phase out”.

## **4. Improving sustainability in Signify’s supply base**

Signify drives continuous improvement on sustainability aspects in the supply base. It starts with the onboarding of potential suppliers where the initial scoring will be used to select mature suppliers and to reject suppliers with a big gap to the SSD/RBA Code of Conduct.

The audit program is focusing on low maturity (risk country, low initial audit scores). Audit frequency will be increased if the initial scores are <70p. Suppliers that show high maturity and compliance to the SSD/RBA Code of Conduct can be exempted from the audit scope.

Signify awards Supplier improvement initiatives in the Tritium program. Signify seeks cooperation with existing suppliers on selected topics and themes. For example, on carbon emission reduction, building fire safety, chemical management.

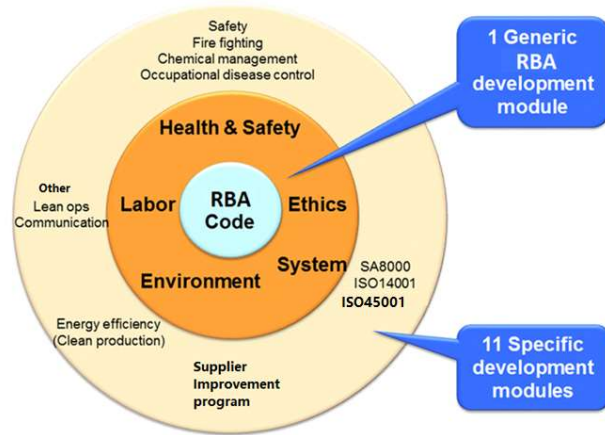
### **4.1. Signify RBA training**

Suppliers are encouraged to take part in the training sessions on the RBA Code of Conduct that are held on a regular basis in the key risk countries. These Signify RBA\_training sessions are organized by Signify or a 3<sup>rd</sup> party. Signify sustainability experts or a 3<sup>rd</sup> party provide trainings to our suppliers, which cover various topics relating to the requirements of the RBA Code of Conduct and can help to further develop supplier sustainability competences. Persons in key positions at the Supplier's site, e.g., the HR manager, the health and safety officer, the environmental manager and the general management, are expected to attend one of these training sessions when invited to do so by Signify.

In these training sessions suppliers learn about the need for a sustainable way of conducting business, as well as about how they are expected to address the social, health and safety, environmental, and ethical aspects of running a business. Attention will be devoted to the background, the rationale, and the content of the Declaration and the RSL, and information will also be given on the auditing processes, tools, and best practices in general.

**4.2. Sustainability Improvement Program (SIP)**

The success of the Signify Supplier Sustainability Audit Program will be largely determined by our Suppliers' ability to conduct business in a way that secures a healthy and safe working environment for their workers, recognizes workers' rights as well as the rights of others, and protects the environment.



**4.3. Supplier rating (Tritium)**

Signify seeks Supplier initiatives and cooperation to improve working conditions for workers, to protect the environment and to enhance a culture of responsible business management. Such initiatives, if successful, will be rewarded in the Tritium program.

| Scoring criteria  | Points | Remarks   |
|---|--------|---|
| No risk / >90p initial score / participate in SIP                     | +5     |   |
| >90p after CAP deadline & no pending critical NC's                    | 0      | Bonus for suppliers with a recognized sustainability policy (low-risk country, external standards, RBA >90p initial score). |
| <90p after audit before CAP recovery deadline                         | -5     | Bonus for suppliers that drive improvement (SIP).   |
| <70p after audit before CAP recovery deadline                         | -10    | Penalize if fail RBA audit but accept recovery by CAP within 6 months.  |
| Zero Tolerance finding unresolved or <90p after CAP recovery deadline | NC     |   |

**4.4. Supplier sustainability performance indicators**

The key performance indicator of Signify's supplier sustainability program is the overall compliance rate; that is the percentage of suppliers that score > 90 points after closure of the corrective actions. Target for the overall compliance rate is at least 95%; the calculation is based on the suppliers in the audit scope.

Next to that we also consider the overall maturity of the supply base. We take all suppliers with spend > 1 M€ and calculate the percentage of suppliers that can be considered mature with respect to sustainability (either from low-risk counties or with an initial audit score >70 points).

| <b>KPI</b>                  | <b>Rationale</b>  | <b>Target</b> | <b>Comments</b>   |
|-----------------------------|---|---------------|---|
| <b>RBA compliance</b>       | Content KPI. Supplier's CAP follow-up on RBA audit.                             | > 95%         | % Suppliers RBA score >90p and no critical NC open after CAP recovery deadline.<br>Scope: suppliers on risk country list and > 1M€ spend. |
| <b>Supply base maturity</b> | Contents KPI. The maturity level of current supply base on RBA code of conduct. | > 85%         | % Suppliers RBA initial score >70p or "low risk".<br>Scope: suppliers > 1M€ spend.  |

## References

The documents listed below are available via the following link:

<https://www.signify.com/global/contact/suppliers/sustainability/our-programs/supplier-sustainability-management>

- The Signify Supplier Sustainability Declaration (SSD)
- Corrective Action Plan (CAP)
- Child Labor Policy
- Risk Country List

The Signify List of Regulated Substances is available via the following link:

<https://www.signify.com/global/contact/suppliers/sustainability/our-programs/substance-management>

The Integrity code set out guiding principles on integrity and ethics in business conduct. These minimum requirements of behavior govern Signify business decisions and actions throughout the world and apply equally to corporate actions and to the behavior of individual employees when conducting Signify business. The Signify Integrity code can be found at:

<https://www.signify.com/global/contact/suppliers/working-with-signify>

## Definitions

Definitions of terms used in the Supplier Sustainability Audit Program Manual.

**Audit Frequency.** Refers to an audit cycle and depends on the number and type of non-conformances and the number of Resolution Audits necessary.

**Corrective Action Plan or CAP.** A corrective action plan, as set out in Section 6.2, which serves to resolve the non-conformances found in an audit.

**Declaration.** The Signify Supplier Sustainability Declaration, latest version.

**RBA.** Responsible Business Alliance (RBA) is a non-profit comprised of electronics, retail, auto and toy companies committed to supporting the rights and wellbeing of workers and communities worldwide affected by the global electronics supply chain. RBA members commit and are held accountable to a common Code of Conduct and utilize a range of RBA training and assessment tools to support continuous improvement in the social, environmental, and ethical responsibility of their supply chains.

**Full-Scope Audit.** The evaluation process conducted by a Signify-approved audit firm to determine the Supplier's level of conformance to the Declaration.

**Zero Tolerance non-conformance.** Zero-tolerance non-conformances are the most serious and zero tolerant non-conformities.

**Critical non-conformance.** Critical non-conformances are serious health & safety, environmental, ethic and labor issues, which will cause serious impacts to people's safe working condition and environment containment.

**Major non-conformance.** Major non-conformances are limit tolerant non-conformances that influence workers' safety, environmental protection, and people's welfare to certain extent

**Minor non-conformance.** A case of minor non-conformance with the Declaration.

**NC.** Non-conformance

**Signify Sustainability Expert.** The Signify Sustainability Expert has extensive knowledge of sustainability issues in the supply chain and is engaged to provide training and support to identified Suppliers or to other Suppliers upon request.

**Program.** The Signify Supplier Sustainability Audit Program, as set out in this manual.

**Purchasing Agreements.** Purchasing agreements with Signify appear under a variety of different titles, e.g. General Purchasing Agreement (GPA) or Umbrella agreement, and also as Purchase Orders that relate to the General Conditions of Purchase.

**Resolution Audit.** The Resolution Audit is performed by a Signify-approved audit firm or a Signify Sustainability Expert. It is a focused audit, which means that it only verifies whether the non-conformances that were found during the Full-Scope Audit have been resolved by the Supplier.

**RSL.** Signify Electronics List of Regulated Substances in Products, Product Packaging and Transport Material

**Supplier.** A first tier Signify Supplier who produces and delivers Signify products or components, or any of a number of second-tier Suppliers who have been identified by Signify as key Suppliers and who are effectively managed by Signify.