

General Business Principles



PHILIPS

Introduction

Underpinning Philips' commitment to responsible corporate citizenship and the pursuit of a sustainable future – economic, social and environmental – the General Business Principles set out guiding principles on integrity and ethics in business conduct. They 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.

The General Business Principles are not all-encompassing, but formulate minimum requirements of behavior. They leave product divisions and country management free to specify further local rules of business conduct. To drive the practical deployment of the General Business Principles, a set of GBP Directives have been published, which are applicable to all employees. There are also separate Directives, which apply to specific categories of employees, such as the Financial Code of Ethics and the Purchasing Code of Ethics. The GBP Directives and the category-specific Directives form an integral part of the General Business Principles (jointly referred to as 'GBP'). The General Business Principles, which have been adopted by the Board of Management and approved by the Supervisory Board, are reviewed on a regular basis and revised if necessary.

In order to ensure that business ethics are a living issue throughout the company, a worldwide training program is in place to heighten awareness of the absolute need for strict compliance with the General Business Principles.

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* In these General Business Principles the expressions "Philips" and "Philips companies" are used for convenience and refer to the Philips group of companies comprising Koninklijke Philips Electronics N.V. and its subsidiary companies.

1 General commitment

Philips' mission is to improve the quality of people's lives through the timely introduction of meaningful technological innovations. In a world where technology increasingly touches every aspect of our daily lives, Philips aspires to be a leading solutions provider in the areas of healthcare, lifestyle and enabling technology, delighting its customers with products and services that meet and even exceed their expectations.

Philips wishes to be a responsible partner in society, acting with integrity towards its shareholders, customers, employees, suppliers and business partners, competitors, governments and their agencies, and others who can be affected by its activities. Philips duly observes the applicable rules of the law of the countries in which it operates and regularly reviews its interests and those of affected persons or entities in order to ensure a healthy, long-term relationship with them. Philips endeavors to adapt to local situations in order to take the most appropriate approach to possible problems within the bounds of applicable law and responsible conduct. In this respect Philips supports the principle of dialogue and cooperation with all parties involved.

1.1 Human rights

With due regard to the Universal Declaration of Human Rights, which states that all parties in society, including corporate persons, have a duty to respect and safeguard human rights, and within the framework of the legitimate role of business, Philips supports and respects human rights and strives to ensure that its activities do not make it an accessory to infringements of human rights.

1.2 Child, bonded and forced labor

Under no circumstances will Philips make use of forced or bonded labor, nor will it employ children in violation of Conventions no. 138 and no. 182 of the International Labour Organization.

1.3 Free market competition

Philips supports the principle of free market competition as a basis for conducting its business and observes applicable competition laws and regulations.

1.4 Product safety

Philips aims, at all times, to supply safe products and services.

1.5 Privacy

The privacy of personally identifiable information about customers, employees, business partners and other individuals will be protected.

1.6 Environmental protection

Consistent with its commitment to sustainable development, Philips will do all that is reasonable and practicable to minimize any adverse effects of its activities on the environment.

2 Commitment towards customers

Philips is driven to improve people's lives. Its goal is to constantly delight each customer with breakthroughs both large and small. To this end, the company seeks to maintain an ongoing dialogue with its customers. Philips is committed to listen to and learn from them, so that it is able to design and deliver the solutions they really want and need. Philips will always deal with its customers in a fair and forthright manner, maintaining the highest levels of integrity.

3 Commitment towards shareholders

It is of central importance to Philips to conduct its operations in accordance with the highest standards of internationally accepted principles of good corporate governance. Philips aims to achieve a satisfactory return on equity, with the intention of maintaining a sustainable dividend payment to shareholders, while at the same time retaining sufficient funds in the company to generate profitable growth. Philips attaches great value to its relations with its shareholders and the financial markets and provides timely, regular and reliable information on its activities, structure, financial position and performance.

4 Commitment towards employees

Philips values its employees as a key resource. An atmosphere of good employee communication, involvement and responsibility is of central importance, and an employee's personal development and optimum use of talents is encouraged.

4.1 Right to organize

Philips recognizes and respects the freedom of employees to choose whether or not to establish, or to associate with, any organization. Philips respects – within the framework of (local) law, regulations and prevailing labor relations and employment practices – the right of its employees to be represented by labor unions and other employee organizations, and Philips will engage in negotiations, either on its own behalf or through employers' associations, with a view to reaching agreement on employment conditions.

4.2 Health and safety

Philips will do all that is reasonable and practicable to protect the health and safety of its employees.

4.3 Equal and fair treatment

Every employee has equal opportunities and will be treated equally in employment and occupation regardless of personal background, race, gender, nationality, age, sexual preference or religious belief. The same applies to the recruitment of employees. Philips strives to offer equal pay for equal work performed at equal levels at similar locations. No form of harassment or discrimination will be tolerated.

4.4 Wages and payment

Remuneration and working hours shall comply with local labor laws and shall at least be in line with prevailing industry norms.

5 Commitment towards suppliers and business partners

Philips pursues mutually beneficial relationships with its suppliers and business partners. It seeks to award business to suppliers and business partners who are committed to act fairly and with integrity towards their stakeholders and who observe the applicable laws of the countries in which they operate.

6 Assets and information

6.1 Use and protection of assets

Each employee is responsible for the proper use, protection and conservation of Philips' assets and resources as well as confidential information disclosed to Philips by its business partners. Philips' assets and resources, as well as any opportunities arising by virtue of one's position, are to be used solely to pursue and achieve Philips' goals and not for personal benefit.

6.2 Improper disclosure

Philips regards information for the purpose of its business as a corporate asset that must be protected against loss, infringement and improper use and disclosure.

Philips is committed not to make use of information disclosed to it by a third party if it is suspected that the discloser thereby violates an obligation of confidentiality, unless the information:

- a) is generally available to the public other than as a result of disclosure by Philips;
- b) has been developed independently by Philips; or
- c) becomes available to Philips either on a non-confidential basis from a third party who is not bound by any confidentiality obligations or by operation of law.

6.3 Insider trading

All employees shall comply with Philips' insider trading rules. This means that non-public information which might influence the market price of Philips shares shall be kept in strict confidence until publicly released by authorized management. Furthermore, employees who have sensitive information which could influence the price of Philips shares and related rights, must refrain from directly or indirectly executing transactions in Philips shares and related rights. Additionally, employees have to comply with statutory rules and regulations concerning insider trading with respect to securities of other listed companies.

7 Business integrity

7.1 Bribery; records of transactions

Philips insists on honesty, integrity and fairness in all aspects of its business. Bribes in any form are unacceptable; commission payments and personal gifts or favors may only be made or accepted in strict accordance with the GBP Directives. Philips strives to comply with the highest levels of transparency and accountability throughout the company. Records of transactions should be maintained in an accurate, complete and timely manner in accordance with Philips accounting principles. No unrecorded funds or assets should be established or maintained.

7.2 Third-party interests

Employees are not allowed to have any direct or indirect financial interest in a supplier or competing company with the exception of a financial interest in a publicly traded company.

7.3 Political payments

Philips companies shall not make payments or donations, in money or in kind, to political parties, political organizations or individual politicians, unless such payments are made in strict accordance with the GBP Directives.

8 Observance of the General Business Principles

8.1 Sanctions

All Philips employees must comply with the General Business Principles. Violation may lead to disciplinary action, including dismissal, notwithstanding any further civil or criminal action that may be taken.

8.2 Whistleblower policy

In order to promote the reporting of violations of the General Business Principles, a whistleblower policy is in place, enabling employees to submit complaints on an anonymous basis without fear of the complaints leading to disciplinary action.

8.3 Compliance

Compliance with the General Business Principles is monitored via a worldwide network of country and product division compliance officers, who regularly report to the Corporate Review Committee GBP, which advises the Board of Management on the deployment of the General Business Principles and on ethical issues in general.

Reporting on compliance with the General Business Principles is also an integral part of the Statement on Business Controls issued annually by the management of each business unit/department as part of a cascade process leading to CEO/CFO certification of the company's annual accounts. Compliance processes and procedures are audited by Philips' Corporate Internal Audit department.

