

PHILIPS

General
Business Principles

**Doing
the right
thing**

**Starts with
reading the
right thing**

Philips General
Business Principles,
your guide to **acting
with integrity**

pww.gbp.philips.com | June 2014

**We're on a mission
to improve the lives
of billions through
meaningful innovation**

**The Philips
Business System
is how we work**

**Philips Excellence
shows us how we go
from good to great!**

**Our culture is defined
by doing the right thing**

**Our General
Business Principles
guide us how to
act with integrity**

We are on an exciting mission to improve people's lives. Together, we will make the world healthier and more sustainable through meaningful innovation.

Our Philips Business System (PBS), which defines how we work as a company, will enable us to succeed in delivering superior results to our customers and shareholders.

Within the framework of the PBS, we practice Philips Excellence to become a truly great company. Philips Excellence consists of our five operating principles, which reinforce each other. The principle of People and Culture is underpinned by our behaviors: eager to win, team up to excel and take ownership, always acting with integrity. How do we define integrity? Through our General Business Principles.

Our standard of integrity

The General Business Principles set the standard for acting with integrity at Philips. They govern all our decisions and actions throughout the world and apply equally to our group actions and to our conduct as individuals.

Our shared responsibility

I expect everyone at Philips to act with integrity – at all times and in all situations. There is no opt-out. We not only need to know and understand our business principles, we need to live them every day – and speak up when we are in doubt. Daily pressures should never stop us from making the right decisions or holding each other accountable when we feel that we are not acting in line with the General Business Principles.

I am counting on you to put the General Business Principles at the heart of our business. Only then will we be able to create a healthier, more sustainable world and maintain the strong Philips brand for which we can all be proud to work.



Frans van Houten
Chief Executive Officer

Our commitment to **always act with integrity**

While pursuing our business objectives, we aim to be a responsible partner in society, acting with integrity towards our employees, customers, business partners and shareholders, as well as the wider community in which we operate.

To our employees

We value our employees and we encourage them to further their own personal development and make full use of their talents. We foster a healthy, safe and productive work environment and an open and inclusive atmosphere in which fair employment practices extend to every member of the diverse Philips community. We hold each other accountable to always act with integrity.

To our customers

We are committed to improving people's lives through meaningful innovation. We seek to maintain an ongoing dialogue with our customers as partners. We are committed to listening to and learning from them, so that we can design and deliver the solutions they really want and need with speed, quality, fairness and integrity.

To our business partners

We pursue mutually beneficial long-term relationships with our business partners. We award business to partners who are committed to acting fairly and with integrity, observe applicable laws, and respect human rights.

To our shareholders

We are committed to conducting our business in accordance with internationally accepted standards of good corporate governance and to providing timely, regular and reliable information on our activities, structure, financial position and performance. We aim to achieve a satisfactory return on equity, while at the same time retaining sufficient funds in the company to generate sustainable growth.

To the wider community in which we operate

We support and respect human rights and strive to ensure that our activities do not cause or contribute to the infringement of these rights. Consistent with our commitment to sustainable development, we do all that is reasonable and practicable to minimize any adverse effects of our activities on the environment.

Each of us has a responsibility to comply with the laws of the countries in which we operate. Where there is a difference between a legal requirement and our Philips General Business Principles, we apply the stricter standard.

Integrity at work

1.1 Fair employment practices

We believe a diverse workforce and an inclusive work environment are essential to a thriving innovative business. We strive to attract employees from a wide range of backgrounds. 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.

We 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 or intimidating work environment.

We do not make use of child labor or forced labor.

We recognize and respect the freedom of our employees to associate with any employee organization of their own choosing under local law without fear of reprisal, intimidation or harassment. Where employees are represented by a legally recognized union, we establish a constructive dialogue and engage in negotiations or consultation as required with their freely chosen representatives.

We aim to maintain a healthy, safe and productive work environment.



1.2 **Protection of Philips' assets and intellectual property**

We protect Philips' assets and resources, including trade secrets and proprietary information, against illegal, unauthorized or irresponsible use.

We treat third-party assets which are in our possession and confidential information disclosed to us by a third party with the same level of care.

We safeguard our patents, trademarks, copyrights, trade secrets and other forms of intellectual property against unauthorized use or improper disclosure.

1.3 **Privacy and data protection**

We respect the privacy of our customers, employees, business partners and other relevant individuals, and we protect their personally identifiable information from abuse.

We process the personal data of individuals only where there is a legitimate business purpose. Any processing of personal data shall be relevant to such business purpose and it shall be fair, accurate, transparent and in no way excessive.

1.4 **Accurate business and financial records and reports**

We record and report information accurately, completely and honestly. We do not make misrepresentations or false statements.

We keep records of transactions in a transparent, accurate, complete and timely manner in accordance with Philips' accounting principles. We record all payments properly and fairly in appropriate books of account. We have no unrecorded funds or assets, nor do we have 'off the books' or secret accounts.

1.5 **Product safety**

We attach prime importance to our customers' safety. We design, produce and supply products and services in compliance with internal and external process, quality and safety regulations and standards.

Integrity in the market

2.1 Fair and vigorous competition

We are committed to competing vigorously and fairly in a free market in order to give customers the widest possible choice of products and services at competitive prices.

We avoid contact with competitors, unless there is a clear justification for such contact, and such contact is in compliance with antitrust law.

We do not restrict our customers' freedom to set their resale prices in cases where such a restriction would violate antitrust law.



2.2 Business intelligence

We obtain information about our competitors in a fair manner. We do not make use of confidential information disclosed to us by a third party if we suspect that in so doing the discloser is violating an obligation of antitrust law or confidentiality.

2.3 Conducting business with honesty and integrity

We are open, honest and ethical in all our dealings and operations, and do not employ corrupt practices or commit acts of bribery. We do not give or receive – either directly or indirectly – anything of value (including any payment, benefit, gift or hospitality) in order to obtain or retain business, influence business decisions, or secure an improper advantage in the conduct of our business.

We do not offer or accept gifts or hospitality that may influence a business decision, lead to a relationship of dependency, or create the appearance of an impropriety. We may, however, offer and accept gifts and hospitality when reasonable, proportionate and intended to strengthen or build legitimate business relationships.

We do not engage in the practice of facilitation payments to speed up or secure the performance of a routine government action.

2.4 Dealing fairly with business partners

We follow a thorough process to select and award business to business partners who are committed to, and demonstrate, responsible business conduct.

Any commission payment to a business partner must be justified by clear and demonstrable services rendered by that business partner to Philips. We do not make cash payments.

2.5 **Dealing responsibly with government, political parties and politicians**

We comply with public procurement rules that apply to government projects or contracts.

We do not make any contribution, in money or in kind, to political parties or organizations, or to individuals engaged in politics.

2.6 **Prevention of money laundering**

We do not engage in money laundering – the process by which persons or groups try to conceal the proceeds of illegal activities, such as crime and terrorism, or try to make the sources of their illegal funds appear legitimate.

We take appropriate measures to prevent money laundering by reporting suspicious transactions, such as payments between unknown entities through an excessive number of intermediaries, high-value cash transactions, or payments made or received by suspicious entities or involving high-risk countries.

2.7 **Export controls and sanctions regulations**

We transfer, sell and purchase goods, software, technologies and services in compliance with all applicable export controls and sanction laws and regulations.

We adhere to these laws and regulations by implementing the restrictions applicable to countries, business partners and persons, and by classifying all goods, software, technologies and services in order to identify controlled status and possible restrictions on the export or transfer of these goods, software, technologies and services.

Before entering into any business relationship or transaction, we review and assess the applicable export controls and sanctions and determine if the relationship/transaction is allowed, or if an export authorization or approval is required from the relevant government agencies.

2.8 Environmental protection

We do all that is reasonable and practicable to minimize any adverse effects of our activities on the environment.

2.9 Advertising

We ensure that all advertising, packaging and promotional materials are fact-based, not misleading, and in compliance with applicable laws.

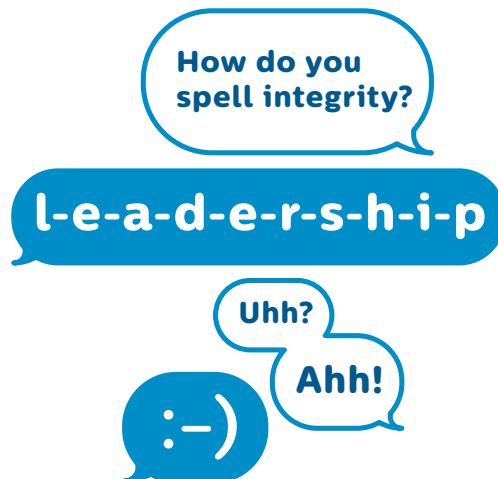


Professional integrity **outside work**

3.1 **Avoiding conflicts of interests**

We avoid all potential conflicts of interest between work and personal affairs. Where this is not possible, or in cases of doubt, we proactively address any engagement outside Philips or financial interest (direct or indirect via a family member or acquaintance) which could give rise to a conflict of interest by talking to our manager or GBP Compliance Officer in order to resolve the issue or to register the concern.

We use Philips' assets solely to pursue and achieve Philips' goals and not for personal gain.



3.2 Political engagement

We do not allow our personal political opinions to influence us in the performance of our job. We do not use Philips' assets, including our time at work, to further our own political activities or interests.

3.3 Inside information

We do not trade on or disclose non-public information, the publication of which would be likely to have a significant influence on the trading price of Philips securities ('inside information'). We hold inside information in strict confidence until such time as it is released into the public domain by authorized management.

Philips employees with access to inside information refrain from executing transactions in Philips securities directly or indirectly and are prohibited from advising or encouraging other persons to do so.

3.4 Social media

We use social media for internal and external communications in a responsible manner. We identify ourselves as Philips employees and are respectful to our audience. We remain professional in our conduct, do not publish other parties' content without their permission, and do not use offensive or demeaning language.

We do not comment on or discuss confidential information (including Philips financial information, Philips intellectual property and any undisclosed or otherwise confidential information), business plans, or information about employees or upcoming product-related announcements.

Living the Philips General Business Principles

Be accountable

Through leadership at all levels, we aim to sustain a culture in which ethical conduct is recognized, valued and exemplified by all employees, and in which we hold each other accountable. In our decision-making, our commitment to conduct business in a responsible way takes priority over short-term gain.

Consider your actions, seek support

We all have an obligation to uphold the Philips General Business Principles (GBP). If you are ever in doubt about a course of action, ask yourself the following questions:

- Is it consistent with the GBP?
- Is it ethical?
- Is it legal?
- Will it reflect well on Philips and myself?
- Would I want to be treated this way?
- Would I want to read about this in the newspaper?

If the answer to any of these questions is 'no', do not take this course of action. If you are still uncertain, discuss the matter with your colleagues or seek guidance from either your manager or your local GBP Compliance Officer.

Raise concerns

If you suspect a violation of the GBP you are urged to report your concerns to your GBP Compliance Officer or the Philips Ethics Line. Doing so will allow Philips to address and resolve the issue, ideally before it becomes a violation of law or a risk to health, security or safety.

Sanctions

Failure to act in line with the General Business Principles can have serious consequences for Philips as well as the individuals involved. Violations of the General Business Principles will result in disciplinary action, up to and including dismissal. Such violations may also lead to fines and imprisonment for the individuals concerned.

Scope and deployment

The Philips General Business Principles (GBP) apply to all employees of Koninklijke Philips N.V. ('Royal Philips') and its controlled subsidiaries.

The GBP are not all-encompassing, but formulate minimum standards of behavior. The underlying policies form an integral part of the GBP. Function, sector and country management are free to specify further rules of business conduct.

The GBP have been adopted by the Executive Committee and approved by the Supervisory Board. They are reviewed on a regular basis and revised where necessary.

Failure to act in line with the General Business Principles can have serious consequences for Philips as well as the individuals involved. In order to ensure that business integrity is an issue that is alive throughout the company, a worldwide communication and training program, including mandatory sign-off on the GBP, has been put in place to heighten awareness of the need for compliance with the GBP.

Compliance with the GBP is monitored via a worldwide network of market, country and sector Compliance Officers, who regularly report to the GBP Review Committee, which advises the Executive Committee on the deployment of the GBP and on ethical issues in general.

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

For more information go to pww.gbp.philips.com



On the General Business Principles intranet site you have access to translated versions, underlying policies, cases, red flags, questions & answers, glossary, references and further guidance. Here you can also find the GBP Compliance Officers and information on the Philips Ethics Line.

Find our Philips General Business Principles at
www.gbp.philips.com