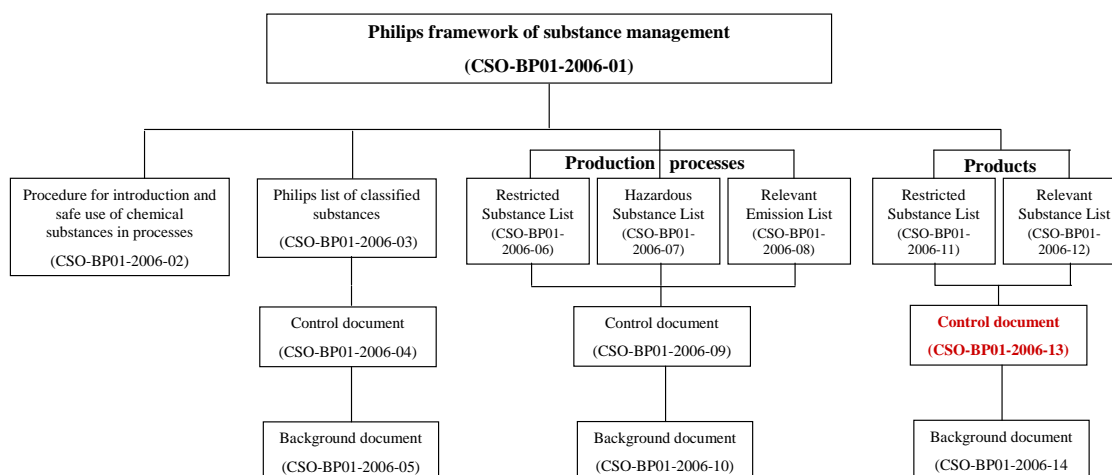


Authorisation: Extended Sustainability Board
Dispensation authority: PD/BU/BL (Business) management
Drafting and maintenance: PSSM, TFCS

Keywords: Mandatory Corporate Standard, Mandatory,
 Restricted Substances, Environmentally
 Relevant Substances, Environment,
 Greening of supply chain

1. Introduction

As an environmentally conscious company, Philips is committed to comply with all environmental laws and regulations. Philips has established this policy in order to ensure that all products put on the market do not contain substances, which are restricted by law and regulations. In addition, Philips is committed to reduce the use of other (not-restricted) environmentally relevant substances in its products. This document establishes Philips chemical substances policy for products and describes procedures for applying and maintaining the Restricted and Relevant Substances Lists for products and for requesting dispensation for deviations from the Restricted Substances List, as needed. Royal Philips Task Force Chemical Substances monitors the contents of the Lists as well as this process for all Philips Product Divisions (PD). This document is part of the Philips framework of substance management



2. Scope

This document is mandatory Philips-wide. It includes the Philips policy with respect to Restricted and Environmentally Relevant Substances in products, as determined in the Corporate EcoVision program. This document applies to all products put on the market by Philips, either produced in Philips production sites or (partly) sourced from outside suppliers.

3. Objective

The objective of this document is to:

- Give guidance on the content and maintenance of the Restricted and Environmentally Relevant Substance list
- Explain criteria for updating the Restricted and Environmentally Relevant Substances Lists,
- Provide a generic approach for dispensation,
- Avoid future risks wrt chemical content in products designed in-house and those procured from our Suppliers,
- Help Philips to be environmentally proactive and responsible in the market, anticipating future legislation.

4. Definitions

Articles:

Article means an object, which during production is given a special shape, surface or design, which determines its function to a greater degree than does its chemical composition.

Component:

All (purchased) electronic, electromechanical and mechanical parts intended to be used in a Philips product.

Environmentally relevant substance in a product:

Environmentally relevant substances are substances the use of which needs to be monitored in Philips because of one or more of the following reasons:

- Health risks in their use and/or processing (e.g., Beryllium)
- Limitation in the recycling of other materials (e.g., Beryllium, Magnesium)
- Scarcity (e.g. Indium and precious metals)
- Important drivers for recycling (e.g., precious metals)
- High environmental impact in mining (e.g., precious metals)
- Persistence in the environment.

Use of these substances is permitted, but must be reported above the declaration threshold as specified in the Royal Philips Electronic List of Relevant Substances.

Materials:

Raw materials and chemical substances intended to be used in a Philips product or process.

Packaging:

Materials used for packaging and transportation of the product

Product:

A product is defined as any non-software, consumer or business to business product, manufactured or purchased and sold branded under Philips or its affiliated brands, including the packaging thereof.

Restricted substance in a product:

Restricted substances are those substances, which shall not be allowed in products above the threshold identified in the Royal Philips Electronic List of Restricted Substances. Royal Philips Electronics accepts that some materials contain a certain amount of naturally occurring restricted substances.

Subassemblies:

Multiple component, parts or functional units to be used in a Philips product.

Substance:

Substance means a chemical element and its compounds in the natural state or obtained by any manufacturing process, including any additive necessary to preserve its stability and any impurity deriving from the process used, but excluding any solvent which may be separated without affecting the stability of the substance or changing its composition. They are commonly registered and identified by the Chemical Abstract Service (CAS) with an assigned number.

Threshold:

Thresholds used represent legal limits, Philips internal levels or refer to accepted, analytical thresholds. Substances are measured in homogeneous materials.

Homogeneous material:

Homogeneous material means a material that cannot be mechanically disjointed into different materials. The term "homogeneous": means of "uniform composition throughout". The term "mechanically disjointed" means that the materials can, in principle, be separated by mechanical actions such as: unscrewing, cutting, crushing, grinding and abrasive processes.

5. Philips Policy on substances

The use of substances in excess of the thresholds identified in the Royal Philips Electronic List of Restricted Substances is prohibited in all Philips products delivered to the market.

6. Responsibilities

- TFCS is the owner of the Royal Philips Electronic Lists of Restricted and Environmentally Relevant Substances and is responsible for their maintenance.
- TFCS will propose additions and changes to the Lists to the PSSM.
- PSSM decides on content and frequency of review (minimum review once per year), unless legislative changes necessitate more frequent review.
- PSSM members are responsible for internal PD alignment and approval.
- The Philips Extended Sustainability Board gives final approval.
- Businesses (PDs / BUs / BLs, etc) are responsible for implementation of this Standard without changing its content, via
 - individual quality system and design requirements (PD EcoDesign procedures)
 - supplier requirements
- PD management is responsible for monitoring compliance to this mandatory Standard.
- Business management is responsible for evaluating / granting Requests for Dispensation (see Paragraph 9 of this Standard)
- All PD's and CSO have authority to review a specific PD dispensations (as each dispensation is notified obligatory in EcoVision monitoring system.
- In case other PD's or CSO has conflict of interest with a PD's decision on dispensation, they have authority to place this on TFPC or TFCS agenda to solve the issue. If needed other PD's or CSO can escalate to PSSM or Sustainability Board Meeting.

7. Maintenance of the lists

The application form used to request a substance be added to the Restricted or Environmentally Relevant List is provided in Annex 1 of this Standard. The PD representatives should send the completed application to the TFCS for information. Only substances with a real chance to be present in Philips products shall be placed on the Restricted and Relevant Lists. The decision to add new substances to the lists is solely made by TFCS.

7.1 Restricted List

Decision criteria for the content of the Restricted List are as follows:

- If a substance is subject of environmentally relevant product legislation (external legislation) in a major market or geography (e.g., Europe, USA, Japan and China) and is restricted or will be restricted within 3 years it must be added to this List.
- If for other business reasons substances (market demand, Philips environmental Policy) need to be restricted these will be considered for adding to the list, balancing business and environmental risks,.
- If a substance is only restricted in certain applications, these applications are mentioned and apply in the Philips List (e.g., direct and prolonged skin contact for Ni) in the category: "Restricted for specific applications."
- If a substance is listed in the Philips List of Restricted Substances in Processes (CSO-BP01-2006-06), it must be placed on the Restricted List for Products if the substance may be contained in Philips' products,
- If substance is a known human carcinogen, teratogen, mutagen or reproductive toxin. As listed by IARC (group 1 and 2A), EU legislative Appendix to points 29, 30, 31 and 43 of Annex I to EU Directive 76/769/EEC, NTP 11th report on Carcinogens (group A and B) and other listings,
- If a substance is confirmed as PBT or vPvB substances in the EU (PBT: persistent, bioaccumulating and toxic; vPvB: very Persistent and very Bioaccumulating).

Future restricted substances (meeting above criteria) will be placed on the Restricted Substances List with the remark: "future date restriction dd/mm/year". The threshold levels are based on those mentioned in the relevant legislation. If several different legislative documents apply, the lowest threshold will be used. Where no threshold is given in legislation, or when Philips wants to be more stringent than the current legislation, Philips will establish a threshold considering the business impact and risks. In the background document, clarification on the final threshold levels is given. Spare parts for the repair, or to the reuse, of electrical and electronic equipment are excluded from the restriction, when a waiver has been requested for the original product and when no violation of legislation occurs.

7.2 Relevant List

In line with Philips general philosophy on use of certain chemicals to apply the precautionary principle, ie that prevention is better than cure, Philips maintains a List of Relevant Substances. A substance can be placed on the Environmentally Relevant Substance List based on the following criteria:

- Health risks in their use and/or processing (Arsenic and Arsenic Compounds),
- Limitation in the recycling of other materials (e.g., Magnesium in Copper recycling),
- Scarcity (e.g. In and precious metals),
- Important drivers for recycling (e.g., precious metals),
- High environmental impact in mining (e.g., precious metals),
- Persistence in the environment – inability to biodegrade,
- Substance that will be restricted in a major market or geography in more than 3 years,
- Occurrence on the Philips Hazardous Substances List for processes (CSO-BP01-2006-07), if the substance may be contained in Philips' products,
- Substances that contribute to air pollution or ozone layer depletion (e.g., at suppliers or at end-of-life processing of the product).

Sources of Information used for placing substances on the Relevant list are:

- Valid scientific reports,
- List made by inter-governmental organizations (e.g., OSPAR Commission, Stockholm Convention and Montreal protocol) and non-governmental organizations, trade organizations and other organizations.
- Information that a substance will be restricted in major market or geography in future.

7.3: Criteria for moving a substance from the Relevant to the Restricted List.

A substance shall be moved from the Relevant List to the Restricted List due to the following criteria:

- A substance will be restricted in a major market or geography within 3 years,
- Business reasons (e.g., market demand, Philips Sustainability Policy),
- As soon as a substance fulfils the restricted criteria as mentioned in section 7.1.

Note: A single PD is not allowed to change the format or the content of either the Restricted and Environmentally Relevant Substances Lists.

8. Dispensation procedure

- Dispensation for a restricted substance in excess of the threshold shall be requested if the Philips threshold is actually more stringent than the legal threshold and there is no technically or economically feasible alternative or substitute.
- Requests for dispensation (waiver) from this mandatory Corporate standard shall be submitted to the Business Management and will be reviewed by the PD Sustainability Officer. (For Form see Annex 2 of this Standard).
- Dispensation requests that lead to legal non-compliances cannot be granted by PD Management
- In case of exemptions for the use of substances in certain applications in current and future external regulations, these exemptions will be mentioned in the list of restricted substances in products, no specific dispensation requests are required
- Business Management grants dispensations, only if the form "Request for Dispensation" is well documented, provides strong convincing reasons and includes a corrective action plan.
- A dispensation will be granted for a maximum of 3 years (For PCE a maximum of 1 year). After the granted period a new request is required.
- Within 7 days after a dispensation is granted the PD Sustainability Officer must notify the dispensation (with documentation on number, type application, period and evidence documents) in EcoVision monitoring system.
- The overview of current dispensations is available in EcoVision monitoring software for all TFPC and TFCS members.

9. History

Version	Date	Author	CSO-Number	Description of changes
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1.0	Draft 25-12-2005	H. van der Wel	CSO-BP01-2005-7	First version
1.0	Final 01-01-2006	H. van der Wel	CSO-BP01-2006-13	First version
2.0	1-1-2007	H. van der Wel	CSO-BP01-2006-13	Second version
3.0	12-11-2007	H. van der Wel	CSO-BP01-2006-13	Third version

11. List of abbreviations:

BL:	Business Line
BU:	Business Unit
CSO:	Corporate Sustainability Office
PD:	Product Division
PSSM:	Philips Sustainability Support Managers meeting
TFCS:	Task force chemical substances. Team composed by chemical experts of each PD representing the PD interest.
ppm:	parts per million (= is equal to a certain percentage)
CAS:	Unique chemical identification numbers
NGO:	Non Governmental Organisation, e.g. Greenpeace. WWF or Oxfam
IARC:	International Agency for Research on Cancer
OSPAR:	Convention for the Protection of the Marine Environment of the North-East Atlantic

12. Annexes

Annex 1:	Application form for new Restricted or Environmentally Relevant Substances
Annex 2:	Request for dispensation form

