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## Summary of significant differences between Philips' corporate governance practices and the New York Stock Exchange (the "NYSE") corporate governance standards

### General

The corporate governance rules introduced by the New York Stock Exchange ('NYSE') allow foreign private issuers, like Koninklijke Philips Electronics N.V. ("Philips"), to follow home country practices on most corporate governance matters instead of those that apply to US domestic issuers, provided that they disclose any significant ways in which their corporate governance practices differ from those applying to listed domestic U.S. companies under the NYSE listing standards. Set forth below is a summary of the significant differences between corporate governance practices of Philips and NYSE corporate governance rules applicable to US companies.

### Dutch corporate governance provisions

Philips is a listed company organised under Dutch law and as such subject to the Dutch corporate governance code of December 9, 2003 (the "Code"). The overall corporate governance structure of Philips is addressed in a separate chapter of Philips' Annual Report which includes to what extent Philips applies with the principles and the best practices of the Code.

### Board structure

Philips has a two-tier corporate structure consisting of a Board of Management consisting of executive directors under the supervision of a Supervisory Board consisting exclusively of non-executive directors. Members of the Board of Management and other officers and employees cannot simultaneously act as member of the Supervisory Board. The Supervisory Board must approve specified decisions of the Board of Management.



## Independence of members of our Supervisory Board

Under the Code all members of the Supervisory with the exception of not more than one person, must be independent. The present members of our Supervisory Board are all independent within the meaning of the Code. The definitions of independence under the Code however, differ in their details from the definitions of independence under the NYSE listing standards. In some cases the Dutch requirements are stricter and in other cases the NYSE listing standards are the stricter of the two.

## Committees of our Supervisory Board

We have established an Audit Committee, a Remuneration Committee and a Corporate Governance and Nomination & Selection Committee, consisting of members of the Supervisory Board only. The role of each committee is to advise the Supervisory Board and to prepare the decision-making of the Supervisory Board. In principle, the (entire) Supervisory Board remains responsible for its decisions even if they were prepared by one of the Supervisory Board's committees.

## Equity compensation plans

Philips complies with Dutch legal requirements regarding shareholder approval of equity compensation plans. Although Philips is only subject to a requirement to seek shareholder approval for equity compensation-plans for its members of the Board of Management, the General Meeting of Shareholders of Philips adopted in 2003 a Long-Term Incentive Plan consisting of a mix of restricted shares and stock options for members of the Board of Management, the Group Management Committee, Philips Executives and other key employees.

## Code of business conduct

All Philips employees are subject to the Philips General Business Principles. Furthermore, all Philips employees performing an accounting or financial function have to comply with our Financial Code of Ethics. Waivers granted to Senior (Financial) Officers (as defined in our Financial Code of Ethics) will be disclosed.