

# 11 Supervisory Board report

## Introduction

### General

The supervision of the policies and actions of the executive management (the 'Board of Management') of Koninklijke Philips Electronics N.V. (the 'Company') is entrusted to the Supervisory Board, which, in the two-tier corporate structure under Dutch law, is a separate body and fully independent of the Board of Management. This independence is also reflected in the requirement that members of the Supervisory Board are not a member of the Board of Management or an employee of the Company. The Supervisory Board considers all its members to be independent pursuant to the Dutch Corporate Governance Code of December 2008 (the 'Dutch Corporate Governance Code') and the applicable US standards.

While retaining overall responsibility, the Supervisory Board assigns certain of its tasks to three permanent committees: the Corporate Governance and Nomination & Selection Committee, the Remuneration Committee and the Audit Committee. The separate reports of these committees are part of this report and are published below. The members (of the committees) of the Supervisory Board are listed in chapter 10, Supervisory Board, of this Annual Report.

For further information on the Company's corporate governance structure and a more detailed description of the duties and functioning of the Supervisory Board, see chapter 12, Corporate governance, of this Annual Report.

### Activities of the Supervisory Board

Six regular meetings were held in 2010. All members were frequently present at the regular meetings of the Supervisory Board. In addition to the regular meetings an ad hoc meeting took place in November to discuss the succession of the Chief Financial Officer of the Company. The Audit Committee met five times. The Corporate Governance and Nomination & Selection Committee had four regular meetings and several ad hoc meetings in connection with succession matters. The Remuneration Committee had four regular meetings.

During 2010 the Supervisory Board devoted considerable time to discuss the Company's strategy and discussed the performance and, more in particular, the strategy of the three Sectors. The discussions in respect of the Sectors

took place during visits of the Supervisory Board to each Sector, where in-depth discussions were held with the Sector management teams. Furthermore, the Supervisory Board discussed the performance and integration of acquisitions, the economic situation and impact thereof on Philips and the cost reduction and efficiency improvement measures taken to confront the recession, as well as the capital and financing structure of the Philips Group extensively throughout the year.

In January the Supervisory Board discussed the financial performance of the Philips Group in 2009, the management agenda 2010 of the Board of Management, the new strategy for BU Health & Wellness and the agenda for the 2010 General Meeting of Shareholders, including the proposed dividend to shareholders, the dividend policy and recommendations for (re)appointment of candidates for the Board of Management. Moreover, the Supervisory Board received an update on the M&A activities of the Company, and made amendments to the Rules of Procedure of the Supervisory Board.

In February the Supervisory Board discussed the report of the external auditor of the Company and approved the Annual Report 2009. Furthermore, the Supervisory Board approved revisions made to the General Business Principles and Directives of the Company.

In March the Supervisory Board received an update on the M&A activities and the sustainability policy of the Company. The Remuneration Committee gave an update to the full Supervisory Board on remuneration topics.

In June the Vision 2015 strategy of the Company and the Sectors, including risks and opportunities, and a variety of growth scenarios in mature and emerging markets, were discussed during a one and a half day meeting.

In August the Supervisory Board discussed the financial results and received an update with respect to the Company's M&A activities and ongoing legal proceedings. Further, the members of the Supervisory Board spent two days with the Philips India leadership team and major customers and business partners in New Delhi, India, where they discussed, among other things, the performance and set-up of the Company's activities in India and the local strategy going forward.

In October the Supervisory Board discussed the third quarter 2010 financial results, and pension developments and their effect on the Group.

In November the succession of the CFO of the Company was discussed by the Supervisory Board.

In December the Supervisory Board discussed the management agenda 2011, the Annual Operating Plan 2011, the operational performance of the TV business and received an update on supply management within the Company.

Other discussion topics included:

- financial performance of the Philips Group and the Sectors
- status of merger and acquisition projects
- management development and succession planning, especially with respect to the President/CEO and the CFO as well as the CEO of the Consumer Lifestyle Sector
- evaluation of the Board of Management and its members
- geographic performance and growth opportunities in emerging markets, including the shift of resources from mature to emerging markets
- the situation and improvement measures at some businesses that did not perform according to plan
- the results of the Employee Engagement Survey
- financial scenarios for 2011 and beyond
- legal proceedings, including antitrust proceedings
- the situation at the Philips Pension Fund in the Netherlands and the governance and financial position of the other major pension funds
- restructuring programs in all sectors

#### **Composition and evaluation of the Supervisory Board**

The Supervisory Board currently consists of eight members. The Supervisory Board aims for an appropriate combination of knowledge and experience among its members in relation to the global and multi-product character of Philips' businesses. Consequently, the Supervisory Board aims for an appropriate level of experience in marketing, technological, manufacturing, financial, economic, social and legal aspects of international business and government and public administration. The full profile is described in the section Corporate governance. Members are appointed for fixed terms of four years and may be reappointed for two additional four-year terms.

All members of the Supervisory Board completed a questionnaire to verify compliance in 2010 with applicable corporate governance rules and the Rules of Procedure of the Supervisory Board. Based on written feedback from each Supervisory Board member, the Chairman of the Supervisory Board discussed the functioning of the Supervisory Board and its members in private discussions. He shared common themes and conclusions in a private session of the Supervisory Board; items discussed include the follow-up to the evaluation regarding 2009, the composition and competencies of the Supervisory Board, and the set-up and content of meetings and meeting materials. In the same meeting the relationship with the Board of Management was discussed. The three committees of the Supervisory Board reviewed their charters and their functioning and reported thereon to the full Supervisory Board.

Mr Hessels, who joined the Supervisory Board in 1999 and has been Chairman since 2008, will resign as Chairman and as a member of the Supervisory Board at the 2011 General Meeting of Shareholders. We are thankful for his valuable contribution to Philips during his 12-year term as a member of our Board. The Supervisory Board has appointed Mr Van der Veer as its Chairman as from the closing of the 2011 General Meeting of Shareholders.

Further, we would like to express our sincere appreciation to Mr Kleisterlee and Mr Sivignon, who will resign as President/CEO and CFO respectively and as members of the Board of Management at the 2011 General Meeting of Shareholders. Our Board would like to thank them for their vision and outstanding leadership in driving both strategic change and operational improvement within Philips. We wish them both all the best for the future.

### Changes Supervisory Board and committees 2010

- Sir Richard Greenbury resigned as member of the Supervisory Board as from the closing of the 2010 General Meeting of Shareholders.
- Ms Poon became a member of the Audit Committee as from April 1, 2010.
- Mr Schiro relinquished his position as member of the Audit Committee and became a member of the Remuneration Committee as from April 1, 2010.
- Mr Van der Veer became a member of the Corporate Governance and Nomination & Selection Committee as from April 1, 2010.

### Changes and reappointments Supervisory Board 2011

- Mr Hessels will resign as Chairman and member of the Supervisory Board as from the closing of the 2011 General Meeting of Shareholders.
- The Supervisory Board has appointed Mr Van der Veer as its Chairman as from the closing of the 2011 General Meeting of Shareholders.
- It is proposed to reappoint Mr Thompson.\*
- It is proposed to reappoint Mr Van Lede.\*
- It is proposed to reappoint Mr Von Prondzynski.\*

\* Subject to approval by the General Meeting of Shareholders

### Changes Board of Management and Group Management Committee 2010

- On December 1, 2010 the Company received the sad news of the passing away of Mr Ruizendaal, member of the Group Management Committee and Chief Strategy Officer.
- Mr Provoost has been reappointed as member of the Board of Management.
- Mr Rusckowski has been reappointed as member of the Board of Management.
- Mr Dutiné has been reappointed as member of the Board of Management.
- Mr Ragnetti has relinquished his position as member of the Board of Management as from September 1, 2010.
- Mr Harwig has resigned as member of the Group Management Committee as from April 1, 2010, in connection with his retirement.
- Mr Nota has been appointed as member of the Group Management Committee as from August 1, 2010.
- Mr Van Houten has been appointed as member of the Group Management Committee as from October 1, 2010.

### Changes Board of Management and Group Management Committee 2011

- Mr Kleisterlee will retire as President/CEO and as member of the Board of Management as from the closing of the 2011 General Meeting of Shareholders.
- Mr Sivignon has decided to relinquish his position as CFO and as member of the Board of Management as from the closing of the 2011 General Meeting of Shareholders.
- It is proposed to appoint Mr Van Houten as President/CEO and as member of the Board of Management.\*
- It is proposed to appoint Mr Wirahadiraksa as member of the Board of Management.\*
- It is proposed to appoint Mr Nota as member of the Board of Management.\*

\* Subject to approval by the General Meeting of Shareholders

## 11.1 Report of the Corporate Governance and Nomination & Selection Committee

The Corporate Governance and Nomination & Selection Committee, currently consisting of four members, reviews the corporate governance principles applicable to the Company and the selection criteria and appointment procedures for the Board of Management, the Group Management Committee and the Supervisory Board and advises the Supervisory Board thereon. Furthermore, it supervises the policy of the Board of Management on the selection criteria and appointment procedures for Philips' senior management.

In 2010 the Committee discussed developments in the area of corporate governance and relevant legislative changes. It also discussed possible agenda items for the upcoming 2011 General Meeting of Shareholders.

The Committee consulted with the President/CEO and other members of the Board of Management on the appointment or reappointment of candidates to fill current and future vacancies on the Board of Management, the Group Management Committee and the Supervisory Board, and prepared decisions and advised the Supervisory Board on the candidates for appointment. The Committee devoted specific attention to the succession of Mr Kleisterlee, who will resign as CEO and President of the Company as per the closing of the 2011 General Meeting of Shareholders, the succession of Mr Sivignon who will resign as CFO and Executive Vice President as per the same date, and the succession of Mr Ragnetti who resigned per August 31, 2010.

For the succession of Mr Kleisterlee, the Committee recommended the procedure for the appointment of the successor. This procedure was initiated in 2009 and included the following steps: profiling the role and the

ideal candidate, identifying qualified and available candidates from inside the Company and externally, assessing and selecting the best suitable candidate, and communicating the recommendation. Following the recommendation of the Committee the Supervisory Board came to a consensus on the candidate to be proposed for appointment by the shareholders. The decision was communicated mid 2010.

## 11.2 Report of the Remuneration Committee

### Introduction

The Remuneration Committee, currently consisting of four members, is responsible for preparing decisions of the Supervisory Board on the remuneration of individual members of the Board of Management and the Group Management Committee. In performing its duties and responsibilities the Remuneration Committee is assisted by an in-house remuneration expert acting on the basis of a protocol which ensures that he acts on the instructions of the Remuneration Committee and maintains an independent position in which conflicts of interest are avoided. The Remuneration Committee's tasks are laid down in the Charter of the Remuneration Committee that forms part of the Rules of Procedure of the Supervisory Board. Currently, no member of the Remuneration Committee is a member of the management board of another listed company.

### 11.2.1 General remuneration policy

The objective of the remuneration policy for members of the Board of Management is in line with that for executives throughout the Philips Group: to attract, motivate and retain qualified senior executives of the highest caliber, with an international mindset and background essential for the successful leadership and effective management of a large global company. The Board of Management remuneration policy is benchmarked regularly against companies in the general industry and aims at the median market position.

One of the goals behind the policy is to focus on improving the performance of the company and enhance the value of the Philips Group. Consequently, the remuneration package includes a variable part in the form of an annual cash incentive and a long-term incentive consisting of restricted share rights and stock options. Philips has short-term and long-term incentives, the latter predominantly linked to Philips' long-term strategy. The policy does not encourage inappropriate risk-taking.

The performance targets for the members of the Board of Management are determined annually at the beginning of the year. The Supervisory Board determines whether performance conditions have been met and can adjust the

pay-out of the annual cash incentive and the long-term incentive grant upward or downward if the predetermined performance criteria were to produce an “unfair” result in extraordinary circumstances. The authority for such adjustments exists on the basis of the ultimatum remedium- and claw back clauses (in accordance with best practice provisions II.2.10 and II.2.11 of the Dutch Corporate Governance Code). Further information on the performance targets is given in the chapters on the Annual Incentive and the Long-Term Incentive Plan respectively.

### 11.2.2 Contracts of employment

The main elements of the contracts are made public no later than the date of the notice convening the General Meeting of Shareholders at which the appointment of the member of the Board of Management will be proposed.

#### Term of appointment

The members of the Board of Management are appointed for a period of 4 years.

#### Contract terms for current members<sup>1)</sup>

	end of term
G.J. Kleisterlee	April 1, 2011
P.-J. Sivignon	April 1, 2013
G.H.A. Dutiné	April 1, 2014
R.S. Provoost	April 1, 2014
S.H. Rusckowski	April 1, 2014

<sup>1)</sup> Reference date for board membership is December 31, 2010

#### Notice period

Termination of employment by a member of the Board of Management is subject to three months' notice. A notice period of six months will be applicable in the case of termination by the Company.

#### Severance payment

The severance payment is set at a maximum of one year's salary, or in case this is 'manifestly unreasonable' for a member of the Board of Management in his first appointment period, the amount is maximized at two times the annual salary.

### Share Ownership

To further align the interests of the members of the Board of Management and shareholders, restricted share rights granted to members of the Board of Management shall be retained for a period of at least five years or until at least the end of their employment, if this period is shorter.

### Scenario analysis

The Remuneration Committee annually conducts scenario analysis. This includes the calculation of remuneration under different scenarios, whereby different Philips performance assumptions and corporate actions are looked at.

### 11.2.3 Remuneration costs

The table below gives an overview of the costs incurred by the Company in the financial year in relation to the remuneration of the Board of Management. Costs related to stock option and restricted share right grants are taken by the Company over a number of years. As a consequence, the costs mentioned below in the columns stock options and restricted share rights are the accounting cost of multi-year grants given to members of the Board of Management during their board membership.

Information on the individual remuneration of the (former) members of the Board of Management is shown in the tables below as well as in the table in note 31.

The previously granted stock options and restricted share rights of Mr A. Ragnetti continue to vest in accordance with the terms and conditions of the Long-Term Incentive Plan.

**Remuneration costs Board of Management 2010<sup>1)</sup>**

in euros

	base salary	realized annual incentive <sup>2)</sup>	stock options	restricted share rights	pension costs	other compensation
G.J. Kleisterlee	1,100,000	962,720	328,485	444,005	(255,757) <sup>3)</sup>	321,778
P.-J. Sivignon	711,250	459,480	187,763	255,398	240,051	28,122
G.H.A. Dutiné	643,750	410,250	185,364	252,057	203,404	135,459
R.S. Provoost	646,250	416,814	185,364	251,225	193,194	30,919
S.H. Rusckowski	646,250	416,814	187,763	255,228	216,814	76,713

<sup>1)</sup> Reference date for board membership is December 31, 2010<sup>2)</sup> Annual incentive amount paid relates to performance in 2009<sup>3)</sup> No further accrual of pension benefits after having reached the age of 60 in September 2006, leading to a negative cost**11.2.4 Base salary**

The salaries of the members of the Board of Management have been increased in a moderate way on the yearly review date in April 2010, in line with the policy for other employees.

**11.2.5 Annual Incentive**

Each year, a variable cash incentive (Annual Incentive) can be earned, based on the achievement of specific and challenging targets. The Annual Incentive criteria are for 80% the financial indicators of the Company (net income, comparable sales growth and free cash flow). In 2010 the highest weighting was for comparable sales growth. The comparable sales growth calculation focuses on organic growth of the businesses and excludes currency translation effects and impact of acquisitions/divestments. The 20% team targets comprise the major elements of the management agenda, including sustainability elements such as Employee Engagement Score and Green Product sales.

The on-target Annual Incentive percentage is set at 60% of the base salary for members of the Board of Management and 80% of the base salary for the President/CEO, and the maximum Annual Incentive achievable is 120% of the annual base salary for members of the Board of Management and for the President/CEO it is 160% of the annual base salary.

The Annual Incentive pay-out in any year relates to the achievements of the preceding financial year in relation to agreed targets. As a result, Annual Incentives paid in 2011 relate to the salary levels and the performance in the year 2010. The amounts in the table below will be paid to the members of the Board of Management in April 2011.

**Pay-out in 2011<sup>1)</sup>**

in euros

	realized annual incentive	as a % of base salary (2010)
G.J. Kleisterlee	962,720	87.5%
P.-J. Sivignon	469,326	65.6%
G.H.A. Dutiné	426,660	65.6%
R.S. Provoost	426,660	65.6%
S.H. Rusckowski	426,660	65.6%

<sup>1)</sup> Reference date for board membership is December 31, 2010**11.2.6 Long-Term Incentive Plan**

The LTIP consists of a mix of stock options and restricted share rights. It aims to align the interests of the participating employees with the shareholders' interests and to attract, motivate and retain participating employees.

The stock option plan vests three years after grant, dependent upon employment on the vesting date. The exercise price is the share price upon grant, and the total option term is 10 years.

A restricted share right is a right to receive a share, subject to being employed with Philips on the vesting date. Vesting occurs in three equal tranches 1, 2 and 3 years respectively after grant. An additional 20% of the restricted share rights grant is deferred, subject to the condition that released shares are held for three years after vesting, and employment with Philips is continued during this period.

The actual number of stock options and restricted share rights to be granted to the board members is performance-related and depends on the ranking of Philips in the Total Shareholder Return (TSR) peer group and the realization of the team targets of the Board of Management. The peer group comprises the following companies: Electrolux, Emerson Electric, General

Electric, Hitachi, Honeywell International, Johnson & Johnson, Matsushita, Philips, Schneider, Siemens, Toshiba and 3M.

The TSR ranking is the basis for the two different multipliers that apply to the grant of stock options and restricted share rights. The multipliers are determined in line with the table below.

#### TSR multiplier

Philips' position ranking	1	2	3	4	5	6
restricted share rights	2.0	1.8	1.6	1.4	1.2	1.0
stock options	1.2	1.2	1.2	1.2	1.0	1.0

#### TSR multiplier

Philips' position ranking	7	8	9	10	11	12
restricted share rights	1.0	0.8	0.6	0.4	0.2	0.0
stock options	1.0	1.0	0.8	0.8	0.8	0.8

#### Stock options

in euros

	grant date	number of stock options	value at grant date	end of lock up period	value at end of lock up period
G.J. Kleisterlee	2007	73,926	644,635	2010	179,655
	2008	67,203	370,961	2011	n.a.
	2009	67,200	186,144	2012	n.a.
	2010	72,000	356,400	2013	n.a.
P.-J. Sivignon	2007	42,903	374,114	2010	104,263
	2008	38,403	211,985	2011	n.a.
	2009	38,400	106,368	2012	n.a.
	2010	40,800	201,960	2013	n.a.
G.H.A. Dutiné	2007	39,600	345,312	2010	96,236
	2008	38,403	211,985	2011	n.a.
	2009	38,400	106,368	2012	n.a.
	2010	40,800	201,960	2013	n.a.
R.S. Provoost	2007	39,600	345,312	2010	96,236
	2008	38,403	211,985	2011	n.a.
	2009	38,400	106,368	2012	n.a.
	2010	40,800	201,960	2013	n.a.
S.H. Rusckowski	2007	42,903	374,114	2010	104,263
	2008	38,403	211,985	2011	n.a.
	2009	38,400	106,368	2012	n.a.
	2010	40,800	201,960	2013	n.a.

Based on Philips' share performance over the period December 2006 - December 2009, Philips ranked 9<sup>th</sup> in its peer group.

In 2010, members of the Board of Management were granted 276,000 stock options and 69,000 restricted share rights under the LTIP (excluding 20% premium shares deferred for a three-year holding period).

The following tables provide an overview of stock option grants made, but not yet vested (locked up), and of restricted share rights granted but not yet released. The reference date for board membership is December 31, 2010.

**Restricted share rights**

in euros

	grant date	number of restricted share rights	value at grant date	number of restricted share rights released in 2010	value at release date in 2010
G.J. Kleisterlee	2007	24,642	762,916	8,214	203,954
	2008	22,401	517,687	7,467	185,331
	2009	17,922	226,355	5,974	148,275
	2010	18,000	448,200	n.a.	n.a.
P.-J. Sivignon	2007	14,301	442,759	4,767	118,365
	2008	12,801	295,831	4,267	105,907
	2009	10,242	129,356	3,414	84,735
	2010	10,200	253,980	n.a.	n.a.
G.H.A. Dutiné	2007	13,200	408,672	4,400	109,252
	2008	12,801	295,831	4,267	105,907
	2009	10,242	129,356	3,414	84,735
	2010	10,200	253,980	n.a.	n.a.
R.S. Provoost	2007	13,200	408,672	4,400	109,252
	2008	12,801	295,831	4,267	105,907
	2009	10,242	129,356	3,414	84,735
	2010	10,200	253,980	n.a.	n.a.
S.H. Rusckowski	2007	14,301	442,759	4,767	118,365
	2008	12,801	295,831	4,267	105,907
	2009	10,242	129,356	3,414	84,735
	2010	10,200	253,980	n.a.	n.a.

For more details of the LTIP, see note 29.

**11.2.7 Pensions**

Eligible members of the Board of Management participate in the Executives Pension Plan in the Netherlands consisting of a combination of a defined-benefit (career average) and defined-contribution plan. The target retirement age under the plan is 62.5. The plan does not require employee contributions.

**11.2.8 Additional arrangements**

In addition to the main conditions of employment, a number of additional arrangements apply to members of the Board of Management. These additional arrangements, such as expense and relocation allowances, medical insurance, accident insurance and company car arrangements, are broadly in line with those for Philips executives in the Netherlands. In the event of disablement, members of the Board of Management are entitled to benefits in line with those for other Philips executives in the Netherlands.

Unless the law provides otherwise, the members of the Board of Management and of the Supervisory Board shall be reimbursed by the Company for various costs and expenses, like reasonable costs of defending claims, as formalized in the articles of association. Under certain circumstances, described in the articles of association,

such as an act or failure to act by a member of the Board of Management or a member of the Supervisory Board that can be characterized as intentional (“opzettelijk”), intentionally reckless (“bewust roekeloos”) or seriously culpable (“ernstig verwijtbaar”), there will be no entitlement to this reimbursement. The Company has also taken out liability insurance (D&O - Directors & Officers) for the persons concerned.

**11.2.9 Remuneration Supervisory Board**

The table below gives an overview of the remuneration structure, which has remained unchanged since 2008.

**Remuneration 2010<sup>1)</sup>**

in euros per year

	Chairman	Member
Supervisory Board	110,000	65,000
Audit Committee	15,000	10,000
Remuneration Committee	12,500	8,000
Corporate Governance and Nomination & Selection Committee	12,500	6,000
Fee for intercontinental traveling per trip	3,000	3,000

<sup>1)</sup> For more details, see note 31

**11.2.10 2011**

The Remuneration Committee continues to monitor trends and changes in the market. It keeps a watching brief on the continuing alignment between Philips' strategic objectives and the remuneration policy for the Board of Management.

## 11.3 Report of the Audit Committee

The Audit Committee, currently consisting of four members, assists the Supervisory Board in fulfilling its supervisory responsibilities for the integrity of the Company's financial statements, the financial reporting process, the system of internal business controls and risk management, the internal and external audit process, the internal and external auditor's findings and recommendations, independence and performance, as well as the Company's process for monitoring compliance with laws and regulations and the General Business Principles (GBP). Moreover, the Audit Committee evaluates the performance of the external auditor every 3 years, in accordance with the Philips Policy on Auditor Independence.

The Audit Committee met five times in 2010 and reported its findings to the plenary Supervisory Board. The President/CEO, the CFO, the Internal Auditor, the Group Controller and the External Auditor attended all regular meetings. Furthermore, the Audit Committee met each quarter separately with each of the President/CEO, the Chief Financial Officer, the Internal Auditor and the External Auditor.

In accordance with its charter, which is part of the Rules of Procedure of the Supervisory Board, the Audit Committee in 2010 reviewed the Company's annual and interim financial statements, including non-financial information, prior to publication thereof. It also assessed in its quarterly meetings the adequacy and appropriateness of internal control policies and internal audit programs and their findings.

In its 2010 meetings, the Audit Committee periodically reviewed matters relating to accounting policies, financial risks and compliance with accounting standards. Compliance with statutory and legal requirements and regulations, particularly in the financial domain, was also reviewed. Important findings, identified risks and follow-up actions were examined thoroughly in order to allow appropriate measures to be taken.

With regard to the internal audit, the Audit Committee reviewed, and if required approved, the internal audit charter, audit plan, audit scope and its coverage in relation to the scope of the external audit, as well as the staffing, independence and organizational structure of the internal

audit function. With regard to the external audit, the Audit Committee reviewed the proposed audit scope, approach and fees, the independence of the external auditors, non-audit services provided by the external auditors in conformity with the Philips Policy on Auditor Independence, as well as any changes to this policy. The Audit Committee has assessed the performance of the External Auditor and advised to the Supervisory Board to re-appoint the External Auditor in 2011 for another period of three years.

#### Fees KPMG

in millions of euros

	2008	2009	2010
Audit fees	17.3	16.3	16.4
- consolidated financial statements	12.5	11.1	10.6
- statutory financial statements	4.8	5.2	5.8
Audit-related fees	4.4	1.2	2.3
- acquisitions and divestments	2.3	0.2	1.0
- other	2.1	1.0	1.3
Tax fees	1.2	0.9	0.4
- tax compliance services	1.2	0.9	0.4
Other fees	2.5	1.3	1.3
- royalty investigation	1.8	0.6	0.3
- sustainability and other services	0.7	0.7	1.0
Total	25.4	19.7	20.4

This table 'Fees KPMG' forms an integral part of the Company financial statements, please refer to note J.

In 2010, the Audit Committee periodically discussed the company's policy on business controls, the GBP including the deployment thereof and amendments thereto, and Philips' major areas of risk, including the internal auditor's reporting thereon. The Audit Committee was informed on, discussed and monitored closely the company's internal control certification processes, in particular compliance with section 404 of the US Sarbanes-Oxley Act and its requirements regarding assessment, review and monitoring of internal controls. It also discussed risk management, tax issues, IT strategy, litigation and related provisions, environmental exposures and financing and liquidity of the company, dividend, pensions (including the developments at the Philips Pension Fund in the Netherlands and the governance and financial position of other major pension funds), valuation and performance of financial holdings and recent acquisitions, developments in regulatory investigations, including several investigations into possible anticompetitive activities, as well as a financial evaluation of the investments made in 2007.

#### Financial statements 2010

The financial statements of Koninklijke Philips Electronics N.V. for 2010, as presented by the Board of Management, have been audited by KPMG Accountants N.V., independent auditors. Their reports have been included in the section Group financial statements; section 13.12, Independent auditor's report - Group, of this Annual Report and the section Company financial statement; section 14.5, Independent auditor's report - Company, of this Annual Report. We have approved these financial statements, and all individual members of the Supervisory Board (together with the members of the Board of Management) have signed these documents.

We recommend to shareholders that they adopt the 2010 financial statements. We likewise recommend to shareholders that they adopt the proposal of the Board of Management to pay a dividend of EUR 0.75 per common share (up to EUR 710 million), in cash or in shares at the option of the shareholder, against the net income for 2010.

Finally, we would like to express our thanks to the members of the Board of Management, the Group Management Committee and all other employees for their continued contribution during the year.

February 17, 2011

The Supervisory Board