Philips supports initiatives* promoting tax transparency and responsible tax management. Philips maintains an open dialogue with its stakeholders, tax authorities, shareholders, communities in which it operates, and NGOs.

The *Responsibility* for tax management ultimately rests at Executive Committee level with the Group CFO. A globally organized tax function is in place.

Philips' *Tax Strategy* ensures compliance with local and international tax laws and regulations. Equally important, the tax strategy focuses on value creation, e.g. by utilizing tax assets and applying tax incentives as per local laws. In its tax strategy, Philips takes stakeholders interests into account.

Philips has a *Tax Control Framework* in place, which provides awareness and assurance of adherence to up-to-date tax policies. The Audit Committee of the Supervisory Board and the external auditor regularly review the tax strategy, controls and key positions.

Philips' *Transfer Pricing* policies target an appropriate (at arm's length) remuneration of the activities amongst related parties. These policies are global policies consistently applied across all countries, whereby the remuneration received corresponds with the local value creation.

Group Tax staff regularly complete *General Business Principles* training and management actively promotes these principles.

Tax Principles

- ✓ *Philips acts in accordance with tax laws and regulations.*
- ✓ *Philips seeks an open and constructive dialogue with the tax authorities.*
- ✓ *Philips reports income in the countries where the value is created in accordance with internationally accepted standards, applying the arm's length principle.*
- ✓ *Philips does not use legal entities in countries that do not share tax information** and does not use legal entities without commercial and/or economic activities solely for tax avoidance.*
- ✓ *Philips recognizes the importance of tax in advancing local and global economic development.*
- ✓ *Philips makes disclosures in accordance with reporting requirements (IFRS). Philips is open to further disclosures, such as country-by-country-reporting, provided these do not harm its competitive position.*

* Such as from the OECD (Organization for Economic Cooperation and Development) / UN (United Nations)

**Countries that do not participate in Tax Information Exchange Agreements (TIEA)