

2024 Remuneration Policy for the Supervisory Board

Please find below the 2024 Remuneration Policy for the Supervisory Board, that has been adopted by our shareholders at the 2024 Annual General Meeting of Shareholders. Please also refer to the explanatory note to the relevant agenda item (as included as an annex to this 2024 Remuneration policy), describing the process we followed, how we engaged with our stakeholders and the main changes following from the proposal. Those explanations are incorporated by reference and constitute an integral part of the 2024 Remuneration Policy.

Objectives and principles

The overarching objective of the 2024 Remuneration Policy for the Supervisory Board is to enable its members to fulfill their duties, acting independently: supervising the policies and management and the general affairs of Philips, and supporting the Board of Management and the Executive Committee with advice. Also the members of the Supervisory Board are guided by the company's long-term interests, with due observance of the company's mission, vision and strategy, taking into account the interests of shareholders and all other stakeholders.

As also reflected in the profile of the Supervisory Board (as updated early 2024 and included in the Rules of Procedure of the Supervisory Board), it aims for an appropriate combination of knowledge and experience among the members of the Supervisory Board, encompassing a wide range of proficiencies and capabilities, all in relation to the global character of Philips' businesses. The Supervisory Board furthermore aims to have members with diverse set of qualities, including different nationalities and (cultural) backgrounds.

To support the objectives mentioned above, the 2024 Remuneration Policy is aimed at attracting and retaining Supervisory Board members internationally, of the highest caliber and with experience and expertise relevant to our health technology businesses.

Fixed fee levels

The fixed fee levels shown in the table below are aligned internally (with the wider workforce) and externally (observing the fee levels in the Quantum Peer Group). The fee levels were set below median market levels (and below the 25th percentile market level for the Chairman) paid in the Quantum Peer Group used in the 2024 Remuneration Policy for the Board of Management.

To enable more gradual increases in the future, it is intended to review the fee levels in principle every two years to monitor and take account of market developments and manage expectations from our key stakeholders. In these reviews the Supervisory Board will in principle apply a consistent company-wide approach and thus use the same Quantum Peer Group for the Supervisory Board as is used for the Board of Management.

Fee type (amounts in EUR)	Chairman		Vice Chair		Member	
	2024	As of 2025	2024	As of 2025	2024	As of 2025
Supervisory Board (annual fee)	166,500	175,000	123,500	130,000	107,500	113,000
Audit Committee	29,000	30,500	–	–	19,250	20,250
Remuneration Committee	22,500	23,750	–	–	15,000	15,750
Corporate Governance and Nomination & Selection Committee	22,500	23,750	–	–	15,000	15,750
Quality and Regulatory Committee	22,500	23,750	–	–	15,000	15,750

In accordance with the Dutch Corporate Governance Code, the remuneration for the members of the Supervisory Board is not dependent on the results of the company and does not include any shares (or rights to shares). Members of the Supervisory Board must refrain from short-term transactions in Philips securities. The company does not grant personal loans to members of the Supervisory Board.

Other fees and reimbursements

Attendance fees, entitlement to Philips product arrangements and fixed net expense allowances are as follows:

Fee and reimbursement type (amounts in EUR)	Chairman	All members
Attendance fee per inter-European trip	2,750	2,750
Attendance fee per intercontinental trip	5,500	5,500
Entitlement to Philips product arrangement	2,000	2,000
Annual fixed net expense allowance	11,345	2,269
Other travel expenses	As reasonably incurred	

Additional arrangements

The members of the Supervisory Board benefit from coverage under the company's Directors and Officers (D&O) liability insurance.

Ad-hoc committee

When the activities of the Supervisory Board or other circumstances so require, the Supervisory Board may establish an ad hoc committee formed from among its members and assign certain tasks to such committee. In such event, the Supervisory Board may determine additional fees to be paid to the members of the ad hoc committee, provided that such fees shall not exceed the fee levels of each of the current Committees of the Supervisory Board (other than the Audit Committee).

Annex

Explanatory note to item 5 on the agenda for the Annual General Meeting of Shareholders held on May 7, 2024.

Remuneration of the Board of Management and the Supervisory Board

Under items 5.a and 5.b, it is proposed to adopt an amended 2024 Remuneration Policy for the Board of Management and an amended 2024 Remuneration Policy for the Supervisory Board, respectively. This explanatory note describes the process we followed, how we engaged with our stakeholders and the main changes following from the proposals. These explanations are incorporated by reference into the proposed 2024 Remuneration Policies, which have been published on our website, and constitute an integral part of the proposals.

Subject to their adoption by the General Meeting of Shareholders, the 2024 Remuneration Policies will have retrospective effect for the full year 2024 and will replace the 2020 Remuneration Policy and the 2020 Long-Term Incentive Plan for the Board of Management (which have been combined in the 2024 proposal), and the 2020 Remuneration Policy for the Supervisory Board. The proposals are made in compliance with the Dutch statutory requirement that a company's remuneration policy be adopted by the company's General Meeting of Shareholders at least once every four years.

The proposed 2024 Remuneration Policies have been prepared by the Remuneration Committee. Starting October 2023, the Chairman of the Remuneration Committee engaged with stakeholders through a dedicated remuneration roadshow and other interactions to solicit their feedback on, and support for the proposals. The discussions were held with several of our larger shareholders (in aggregate representing approximately 55% of the issued share capital) and with three of the most representative institutional advisory organizations.

The company also discussed the proposed 2024 Remuneration Policies with employees and employee representative bodies, whereby the proposed changes were received well. In addition, specifically when drafting the 2024 Remuneration Policy for the Board of Management, the wages and other labor conditions of employees (including internal pay ratios) were taken into account. Many of the remuneration and benefit arrangements applicable to the Board of Management members also apply to the broader executive and/or employee population in the Netherlands (for example: the Annual and Long-Term Incentives, the pension plan, and additional arrangements, such as expense and relocation allowances, medical insurance, accident insurance, Philips product arrangements and company car arrangements). In terms of the internal pay ratios, the Supervisory Board considers the current ratios appropriate for Philips given its size, complexity, global footprint and industry.

The Supervisory Board highly values and appreciates the views that are shared by its stakeholders, and relevant feedback will be mentioned where we address the main changes. The Supervisory Board is obviously aware of sensitivities within Philips and in society regarding Board of Management and Supervisory Board remuneration. As part of its review process and in preparing the new remuneration proposal, the Supervisory Board has also been mindful of the discussions around the implementation of our current 2020 Remuneration Policy for the Board of Management in 2021 and 2022, as also referred to in the Letter from the Remuneration Committee Chair included in the Committee's 2022 Remuneration Report.

Main changes to the Remuneration Policy for the Supervisory Board

The fee levels in the current 2020 Remuneration Policy for the Supervisory Board have been set in 2018. The Supervisory Board's continuous succession planning requires fee levels that enable us to compete in the global market. For that reason, the Supervisory Board proposes to increase its fee levels to move towards the median fee levels as observed in the Quantum Peer Group (and the 25th percentile fee level for the Supervisory Board Chairman position). The proposed 2024 Remuneration Policy for the Supervisory Board includes a two-step increase, the first taking effect for the full year 2024 and the second becoming effective in 2025, as further detailed in the table included in the proposed 2024 Remuneration Policy.

Compared to the current levels, the proposed fees after the two-step increase will reflect an incremental annual increase of 1.8%. This increase remains considerably lower than the increase of compensation levels of our wider workforce over the period since we last revised our fee levels (in 2018). The proposed attendance fees have also increased compared to the previous fee levels. Entitlement to Philips product arrangements and fixed net expense allowances remain unchanged.

The proposed higher fee levels support the objectives set forth in the proposed 2024 Remuneration Policy, as they are meant to accommodate attracting and retaining Supervisory Board members internationally, of the highest caliber and with experience and expertise relevant to our health technology businesses. As a health technology company, we are active in complex technology areas which requires knowledge and experience that is in limited supply and requires a global approach to resource.

The prevalence of Philips to hire globally is reflected in the composition of the Supervisory Board, which currently consists of ten members with seven nationalities (eight of them being non-Dutch). Furthermore, based on the specific role requirements of Supervisory Board members and the experiences of our current members who also sit on single and dual-tier boards of other companies, we believe the recruitment market is the same for single and dual tier directors. This is also recognized by governance rules and limitations on single and dual-tier board memberships in various countries, which do not distinguish between the two board structure types.

To enable more gradual increases in the future, the proposed 2024 Remuneration Policy includes the Supervisory Board's intention to review the fee levels in principle every two years to monitor and take account of market developments and manage expectations from our key stakeholders. In these reviews we will in principle apply a consistent approach using the same Quantum Peer Group for our Supervisory Board as is used for the Board of Management.

In accordance with the Dutch Corporate Governance Code, we have maintained the explicit provision that the remuneration for the members of the Supervisory Board is not dependent on the results of the company and does not include any shares (or rights to shares). However, it is noted that members of the Supervisory Board are nevertheless encouraged to hold shares in the company for the purpose of long-term investment to reflect their confidence in the future course of the company.

We generally received positive feedback on the proposed 2024 Remuneration Policy for the Supervisory Board from the shareholders and institutional advisory organizations we consulted during our preparatory engagements.

