

Remuneration Policy for the Supervisory Board

Please find below the Remuneration Policy for the Supervisory Board, as adopted at the Annual General Meeting of Shareholders 2020. The fee levels in this Remuneration Policy are the same as the previous Supervisory Board fee levels, determined by our shareholders at the 2018 Extraordinary General Meeting of Shareholders.

Objectives and principles

The overarching objective of the 2020 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.

Furthermore, the considerations of the Supervisory Board when proposing the previous fee levels determined at the 2018 EGM, remain valid. Over the past years, Philips has been transforming itself into a leading, solutions-driven health technology company. This transformation involved fundamental changes in the nature and complexity of our business as well as our competitive landscape and has led to an improved growth and profitability profile. The Supervisory Board still has the expectation that during the coming years the company will continue to transform itself, and may actively investigate and/or pursue mergers, acquisitions and alliances in complex technology areas which requires knowledge and experience that is in limited supply and requires a global approach to resource.

Given the expiring terms of some Supervisory Board members over the next few years and the importance to strengthen our Supervisory Board with talent from the healthcare technology sector, we view this as important context to review fee levels and position them at a level to compete in the global market. When this Remuneration Policy was adopted, the Supervisory Board composition (seven of the eight members are non-Dutch) showed the prevalence of Philips to hire globally. 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 support the objectives mentioned above, the 2020 Remuneration Policy is aimed at attracting and retaining international Supervisory Board members of the highest caliber and with experience and expertise relevant to our health technology businesses.

In compliance 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 may only hold shares in the company for the purpose of long-term investment and must refrain from short-term transactions in Philips securities. The company does not grant personal loans to members of the Supervisory Board.

Fixed fee levels

The fixed fee levels shown in the table below are equal to the previous fee levels, as determined by the General Meeting of Shareholders during the 2018 EGM. The levels were set at broadly median market levels (and around the 25th percentile market level for the Chairman) paid in the Quantum Peer Group used in the context of the 2017 Remuneration Policy for the Board of Management.

In this Remuneration Policy, the fee levels remained unchanged, also in view of its intention expressed in the previously adopted 2018 proposal, to review fee levels in principle every three years in order to monitor and take account of market developments and manage expectations from our key stakeholders. In future reviews we will in principle apply a consistent company-wide approach and thus use the same Quantum Peer Group for our Supervisory Board as is used for the Board of Management.

Fee type (amounts in EUR)	Chairman	Vice Chair	Member
Supervisory Board (annual fee)	155,000	115,000	100,000
Audit Committee	27,000	n.a.	18,000
Remuneration Committee	21,000	n.a.	14,000
Corporate Governance and Nomination & Selection Committee	21,000	n.a.	14,000
Quality and Regulatory Committee	21,000	n.a.	14,000

The remuneration of the Supervisory Board is not tied to the performance of the company in any way (fixed fees only), which serves the company through guaranteeing independent supervision and is in line with the Dutch Corporate Governance Code.

Other fees and reimbursements

All other current fees and reimbursements remain unchanged.

Fee and reimbursement type (amounts in EUR)	Chairman	All members
Attendance fee per inter-European trip	2,500	2,500
Attendance fee per intercontinental trip	5,000	5,000
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).

Process and stakeholder engagement

Roles

The Supervisory Board is responsible for proposing the Remuneration Policy for the Supervisory Board, including fee levels, for the members of the Supervisory Board, in accordance with Dutch law and the Dutch Corporate Governance Code, for adoption by the General Meeting of Shareholders.

The Remuneration Committee of the Supervisory Board is responsible for reviewing and preparing proposals for the Supervisory Board on the Remuneration Policy for the Supervisory Board. It also reviews the implementation of such policy and prepares proposals for the Supervisory Board in relation hereto. More information about the role, responsibilities and functioning of the Remuneration Committee can be found in its charter, as included in the Rules of Procedure for the Supervisory Board published on the company's website.

Process and stakeholder engagement

The previous remuneration structure for the Supervisory Board was determined by our shareholders during the 2018 Extraordinary General Meeting of Shareholders (2018 EGM). The relevant proposal followed discussions with shareholders in multiple countries, including the Netherlands, the United Kingdom, France and North America. In addition, the Supervisory Board met with institutional advisory organizations. The positive feedback from these meetings resulted in the Supervisory Board submitting the proposal to the 2018 EGM.

During (part of) 2019 and 2020, the Remuneration Committee conducted a review of the 2018 remuneration structure to ensure alignment with the implementation of the revised EU Shareholders Rights Directive (2017/828) into Dutch law. The new statutory regime requires that a Remuneration Policy be adopted for the Supervisory Board. The Remuneration Committee was assisted by the company's in-house remuneration expert and an external consultant advisor from Willis Towers Watson.

Through a dedicated remuneration roadshow and other interactions, the Remuneration Committee has been engaging with a number of the company's shareholders (in aggregate representing approximately 35% of the issued share capital) and institutional advisory organizations, to solicit their feedback on, and support for the then proposed 2020 Remuneration Policy for the Supervisory Board (as well as the then proposed 2020 Remuneration Policy and Long-Term Incentive Plan for the Board of Management). Although no material topics around our Supervisory Board remuneration emerged during these engagements, feedback received has been taken into consideration in this Remuneration Policy.

The company also consulted with employees and employee representative bodies using regular contact moments and internal pay ratios were taken into account when drafting this 2020 Remuneration Policy for the Supervisory Board.

