

Remuneration report 2019

Introduction

In this Remuneration Report, the Supervisory Board provides a comprehensive overview, in accordance with article 2:135b of the Dutch Civil Code, of the remuneration paid and owed to the individual members of the Board of Management and the Supervisory Board, respectively, in the financial year 2019.

Board of Management

The Supervisory Board has determined the 2019 pay-outs and awards to the members of the Board of Management, upon the proposal of the Remuneration Committee, in accordance with the Remuneration Policy and the Long-Term Incentive Plan as separately adopted and approved, respectively, by our shareholders during the 2017 Annual General Meeting of Shareholders.

2017 Remuneration Policy and Long-Term Incentive Plan

The objectives of the Remuneration Policy for members of the Board of Management are in line with that for Philips Executives throughout the Philips group: to focus them on improving the performance of the company and enhancing the value of the Philips group, to motivate and retain them, and to be able to attract other highly qualified executives when required.

In determining the Remuneration Policy, the Supervisory Board ensures that a competitive remuneration package for Board-level executive talent is maintained and benchmarked. Total direct remuneration and each main component, such as base salary, Annual Incentive target and Long-Term Incentive target is aimed at or close to, the median of our Quantum Peer Group (see below). To establish this benchmark, data research is carried out each year on the peer companies' remuneration practices.

The Remuneration Committee conducts a scenario analysis annually. This includes the calculation of remuneration under different scenarios, whereby different Philips performance assumptions and corporate actions are examined. The Supervisory Board concluded that the relationship between the strategic objectives and the chosen performance criteria for the 2019 Annual Incentive, as well as 2017 Long-Term Incentive performance criteria were adequate.

Quantum Peer Group versus TSR Performance Peer Group

We use a Quantum Peer Group for remuneration benchmarking purposes, and therefore we aim to ensure that it includes either business competitors, with an emphasis on companies in the healthcare, technology related or consumer products area and other companies we compete with for executive talent. The Quantum Peer Group consists of predominantly

Dutch and other European companies, plus a minority-number (up to 25%) of US based global companies, of comparable size, complexity and international scope.

Philips Group Quantum Peer Group ¹⁾ 2019

European companies	
Atos	Reckitt Benckiser
BAE Systems	Roche
Capgemini	Rolls-Royce
Electrolux	Safran
Ericsson	Siemens Healthineers
Essity	Smith & Nephew
Fresenius Medical Care	Thales
Henkel & Co	
Nokia	
Dutch companies	US companies
Ahold Delhaize	Becton Dickinson
AkzoNobel	Boston Scientific
ASML	Danaher
Heineken	

¹⁾ Alcatel Lucent was excluded as it was acquired by Nokia. Essilor International was excluded following their merger. This peer group differs from the TSR Performance Peer Group.

In addition, we use a TSR Performance Peer Group to benchmark our relative Total Shareholder Return performance for Long-Term Incentive purposes and against our business peers in the health technology market and other markets in which we compete. The companies we have selected for this peer group include predominantly US based healthcare companies.

Philips Group TSR Performance Peer Group 2019

US companies	European companies	Japanese companies
Becton Dickinson	De Longhi	Hitachi
Boston Scientific	Elekta	Terumo
Cerner	Fresenius Medical Care	
Danaher	Getinge	
General Electric	Groupe SEV	
Hologic	Siemens Healthineers	
Johnson & Johnson	Smith & Nephew	
Medtronic		
Resmed		
Stryker		

The Remuneration Policy allows certain changes to these peer groups to be made by the Supervisory Board, for example for reasons of changes in business or competitive nature of the companies involved. Such change will be disclosed if it has a substantial impact on peer group composition. No changes were made to the peer groups during 2019.

Remuneration structure

In line with market practice, the remuneration structure for the members of the board of management includes the following remuneration elements: Annual Base Compensation, Annual Incentive, Long-Term Incentive and certain customary benefits and arrangements.

Total direct remuneration and each main component, being Annual Base Compensation, the on-target

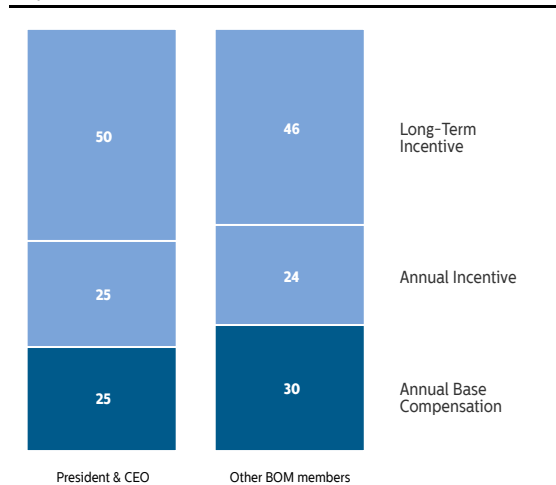
Annual Incentive and the on-target Long-Term Incentive is aimed at or close to, the median of the Quantum Peer Group. The positioning of total direct remuneration and its main components is reviewed against benchmark data on an annual basis and is recalibrated if and when required. To establish this benchmark, data research is carried out each year on the peer companies' remuneration practices.

	Definition	Policy level	
Annual Base Compensation ("ABC")	Fixed cash payments intended to attract and retain executive of the highest caliber and to reflect their experience and scope of responsibilities	Annual Base Compensation levels and any adjustments made by the Supervisory Board are based on factors including the median of Quantum Peer Group data and performance and experience of the individual member. The annual review date for the base salary is typically April 1.	
Annual Incentive ("AI")	Variable cash bonus incentive of which achievement is tied to specific financial and non-financial targets derived from the company's annual strategic plan	President & CEO On-target: 100% Maximum: 200% of Annual Base Compensation	Other BoM members On-target: 80% Maximum: 160% of Annual Base Compensation
Long-Term Incentive ("LTI")	Variable equity incentive of achievement is tied to targets reflecting long-term stakeholder value creation and delivered in the form of performance shares	President & CEO Annual grant size: 200% of Annual Base Compensation	Other BoM members Annual grant size: 150% of Annual Base Compensation
Pensions	Participation in the Philips Flex ES pension plan in the Netherlands (applicable for all executives) combined with a fixed pension contribution intended to result into an appropriate level at retirement		
Additional benefits	Cash value (grossed up) of the benefits received, which are in line with other Philips executives in the Netherlands	Additional arrangements include expense and relocation allowances, medical insurance, accident insurance and company car arrangements.	

Mix of remuneration elements

To support the Remuneration Policy's objectives, the Policy includes a significant variable part in the form of an Annual Incentive (cash bonus) and Long-Term Incentive in the form of performance shares. As a result, a significant proportion of pay is 'at risk' through incentives. The chart below shows the relative on-target value of fixed versus variable compensation with 70-75% of compensation being variable.

Remuneration elements in %



Base salary

Base salary levels and any adjustments made by the Supervisory Board are based on factors including the median Quantum Peer Group data, performance and

experience of the individual member and internal relativities. The annual review date for the base salary is typically April 1, and the individual salary levels are shown in the annual report of the company.

Annual Incentive

Each year, a variable Annual Incentive (cash bonus) can be earned based on the achievement of specific targets against criteria as determined at the beginning of the year by the Remuneration Committee on behalf of the Supervisory Board. These targets are set at challenging levels and are partly linked to the results of the company (80% weighting) and partly to the contribution of the individual member (20% weighting).

The Annual Incentive criteria and targets consists of:

- two to four key financial indicators of the company, selected from the following list: profit/margin, revenue/growth, cash flow, shareholder/capital return measures, such as ROA, ROE, ROIC and economic/market value added measures; and
- individual targets based on area of responsibility. As part of this element, the Remuneration Committee will also consider including non-financial targets, as appropriate, that are linked to strategic objectives, such as sustainability, quality and compliance.

The Annual Incentive pay-out in any year relates to the achievements of the preceding financial year versus agreed targets. Metrics will be disclosed ex-ante in the annual report and there will be no retroactive changes

to the selection of metrics used in any given year once approved by the Supervisory Board and disclosed.

Long-Term Incentive

Members of the Board of Management are eligible for grants under the company's 2017 Long-Term Incentive (LTI) Plan. The 2017 LTI Plan consists of performance shares only.

Grant size

The annual award size is set by reference to a multiple of base salary. For the President/CEO the annual award size is set at 200% of base salary. For the other members of the Board of Management the annual award size is set at 150% of base salary. The actual number of performance shares to be awarded is determined by reference to the average of the closing price of the Royal Philips share on the day of publication of the first quarterly results and the four subsequent trading days.

Vesting schedule

Dependent upon the achievement of the performance conditions, cliff-vesting applies three years after the date of grant. During the vesting period, the value of dividends will be added to the performance shares in the form of shares. These dividend-equivalent shares will only be delivered to the extent that the award actually vests.

Performance conditions

Vesting of the performance shares is based on two equally weighted performance conditions:

- 50% Adjusted Earnings per Share (EPS) growth; and
- 50% Relative Total Shareholder Return (TSR)

EPS

EPS growth is calculated by applying a simple point-to-point method at year end. Earnings are the income from continued operations attributable to shareholders, as reported in the Annual Report. To eliminate the impact of any share buyback, stock dividend etcetera, the number of shares to be used for the purpose of the LTI Plan EPS realization will be the number of common shares outstanding (after deduction of treasury shares) on the day prior to the beginning of the performance period.

Earnings are adjusted for changes in accounting principles during the performance period. The Supervisory Board has discretion to include other adjustments, for example, to account for events that were not planned when targets were set or were outside management's control (e.g., impairments, restructuring activities, pension items, M&A transactions and costs and currency fluctuations).

The following performance-incentive zone applies for the LTI Plan EPS:

Philips Group
Performance-incentive zone for LTI Plan EPS in %
2019

	Below threshold	Threshold	Target	Maximum
Payout	0	40	100	200

The LTI Plan EPS targets are set annually by the Supervisory Board upon the proposal of the Remuneration Committee. Given that these targets are considered to be company sensitive, LTI Plan EPS targets and the achieved performance are published in the Annual Report after the relevant performance period.

TSR

A ranking approach to TSR applies with Philips itself included in the TSR Performance Peer Group. TSR scores are calculated based on a local currency approach and by taking an averaging period prior to the start and end of the 3-year performance period. The performance incentive pay-out zone is outlined in the following table, which results in zero vesting for performance below the 40th percentile and 200% vesting for performance levels above the 75th percentile. The incentive zone range has been constructed such that the average pay-out over time is expected to be approximately 100%.

Philips Group
Performance-incentive zone for TSR in %
2019

Position	20-14	13	12	11	10	9	8	7	6	5-1
Payout	0	60	80	100	120	140	160	180	190	200

Mandatory share ownership and holding requirement

Simultaneously with the approval of the revised LTI Plan in 2017, the guideline for members of the Board of Management to hold a certain number of shares in the Company was increased to the level of at least 300% of annual base compensation (400% for the CEO). Until this level has been reached the members of the Board of Management are required to retain all after-tax shares derived from any long-term incentive plan. The guideline does not require own purchases. All Board of Management members have reached the required share ownership level.

The shares granted under the Long-Term Incentive Plan shall be retained for a period of at least 5 years or until at least the end of their contract period if this period is shorter.

Pensions

Effective January 1, 2015 pension plans which allow pension accrual based on a pensionable salary exceeding an amount in 2019 of EUR 107,593 are, for fiscal purposes, considered to be non-qualifying schemes. For this reason the Executive Pension Plan in the Netherlands was terminated.

The following pension arrangement is in place for the current members of the Board of Management working under a Dutch contract:

- Flex ES Pension Plan in the Netherlands, which is a Collective Defined Contribution plan with a fixed contribution of (currently) 30.3% (including an own contribution of 2%) of the maximum pensionable salary of EUR 107,593 (effective January 1, 2019) minus the offset. The Flex ES Plan has a target retirement age of 67 and a target accrual rate of 1.85%;
- A gross Pension Allowance equal to 25% of the base compensation exceeding EUR 107,593;
- A temporary gross Transition Allowance, for a maximum period of 8 years (first 5 years in full; year 6: 75%; year 7: 50%, year 8: 25%) for members of the Board who were participants of the former Executive Pension Plan. The level of the allowance is based on the age and salary of the Board member on December 31, 2014.

Services agreements

The members of the Board of Management are engaged by means of a services agreement (*overeenkomst van opdracht*). Termination of the contract by either party is subject to six months' notice period. The severance payment is set at a maximum of one year's annual base compensation. No severance payment is due in case the agreement is terminated early on behalf of the Board of Management member or in case of urgent cause (*dringende reden*) as defined in article 7:678 DCC and further. The term of the services agreement is aligned with the term for which the

relevant member has been appointed by the General Meeting of Shareholders (which is maximum period of four years, it being understood that this period expires no later than at the end of the AGM held in the fourth year after the year of appointment).

Philips Group Contract terms for current members 2019

	end of term
F.A. van Houten	AGM 2023
A. Bhattacharya	AGM 2023
M.J. van Ginneken	AGM 2021

Additional arrangements

In addition to the main conditions as stipulated in the services agreements, a number of additional arrangements apply to members of the Board of Management.

Unless the law provides otherwise, the members of the Board of Management 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 action or failure to act by a member of the Board of Management 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.

Remuneration of the Board of Management in 2019

Annual Base Compensation changes

The annual compensation of the members of the Board of Management has been reviewed as part of the regular remuneration review. In the case of Frans van Houten and Abhijit Bhattacharya, the annual compensation was included in the services contracts as published in advance of the 2019 Annual General Meeting of Shareholders. As a result, the annual compensation of Frans van Houten, Abhijit Bhattacharya and Marnix van Ginneken has been increased per April 1, 2019, from EUR 1,205,000 to EUR 1,325,000, from EUR 725,000 to EUR 785,000 and from EUR 560,000 to EUR 575,000 respectively. The increases were made to move the total compensation levels closer to market levels, as well as to reflect internal relativities.

2019 Annual Incentive

Company financial results (80% weighting)

To support the performance culture, the financial targets we set are at group level for all members of the Board of Management. The 2019 realizations, shown in the following table, reflect the performance on the criteria at Group level that apply to the Board of Management. The performance on the comparable sales growth¹⁾ criterion was at target, whereas the performance on the EBITA¹⁾ and free cash flow¹⁾ based criteria were below target.

Philips Group
Annual Incentive - Financial targets in %
2019

Metric definition	weighting	threshold performance	target performance	maximum performance	realized performance	resulting payout as % of target
Comparable Sales Growth ¹⁾	37.5%	2.5%	4.5%	6.5%	100.0%	37.5%
EBITA ¹⁾	37.5%	10.5%	12.5%	14.5%	67.5%	25.3%
Free Cash Flow ¹⁾	25.0%	672	1,050	1,428	70.9%	17.7%
Total						80.5%

¹⁾ Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measure, refer to [Reconciliation of non-IFRS information, starting on page 0](#).

Individual targets based on area of responsibility (20% weighting)

The individual targets set for the members of the Board of Management reflect their area of responsibility and are tied to, among others, customer focus, quality, strategy execution, sustainability and people. Based on a holistic assessment of all targets by the Supervisory Board, the following resulting payouts have been determined:

Philips Group
Annual Incentive - Individual targets in %
2019

	resulting payout as % of target
F.A. van Houten	90.0%
A. Bhattacharya	90.0%
M.J. van Ginneken	95.0%

When applying the 80% and 20% weightings to the resulting payout as % of target for the financial and individual targets, respectively, this leads to the following total Annual Incentive realization and payout:

Philips Group
Annual Incentive realization in EUR
2019 (payout in 2020)

	realized annual incentive	total payout as % of target	as a % of base compensation (2019)
F.A. van Houten	1,091,800	82.40%	82.40%
A. Bhattacharya	517,472	82.40%	65.90%
M.J. van Ginneken	335,685	83.40%	58.40%

¹⁾ Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measure, refer to [Reconciliation of non-IFRS information, starting on page 0](#).

2017 Long-Term Incentive

The 3-year performance period of the 2017 performance share grant ended on December 31, 2019. The payout results are explained below.

TSR (50% weighting)

The TSR achieved by Philips during the performance period was 60.89%. This resulted in Philips being positioned at rank 7 in the TSR performance peer group shown in the following table, resulting in a LTI Plan TSR achievement of 180%.

TSR results LTI Plan 2017 grant: 60.89%

Total Shareholder Return ranking per December 31, 2019

Start date: October 2016

End date: December 2019

Company	total return	rank number
ResMed	146.69%	1
Boston Scientific	91.77%	2
Terumo	88.15%	3
Stryker	86.87%	4
Danaher	85.31%	5
Elekta	64.60%	6
Philips	60.89%	7
Smith & Nephew	58.31%	8
Becton Dickinson	56.49%	9
Hitachi	54.59%	10
Medtronic	49.20%	11
Getinge	33.59%	12
Cerner	30.97%	13
Hologic	29.02%	14
Johnson & Johnson	27.15%	15
Siemens	12.11%	16
Groupe SEB	9.57%	17
De Longhi	(8.83)%	18
Fresenius Medical	(11.83)%	19
General Electric	(61.84)%	20

Adjusted EPS growth (50% weighting)

The LTI Plan EPS payouts and targets set at the beginning of the performance period were as follows:

Philips Group LTI Plan EPS payouts 2019

	Below threshold	Threshold	Target	Maximum
EPS (euro)	<1.05	1.05	1.20	1.35
Payout	0%	40%	100%	200%

LTI Plan EPS is based on the underlying income from continuing operations attributable to shareholders, as included in the Annual Report, adjusted for changes in accounting principles. Furthermore, the Supervisory Board has also deemed it appropriate to make adjustments relating to certain other items that were not contemplated when the targets were set in 2017. These relate to the profit and loss impact of acquisitions and divestitures, impact of foreign exchange variations versus plan and non-recurring tax impacts. The sum of these adjustments reduced the achieved LTI Plan EPS by EUR 0.30.

The resulting LTI Plan EPS achievement was determined by the Supervisory Board as 64%.

In view of the above, the following performance achievement and vesting levels have been determined by the Supervisory Board in respect of the 2017 grant of performance shares:

Philips Group Performance achievement and vesting levels 2019

	achievement	weighting	vesting level
TSR	180%	50%	90%
EPS	64%	50%	32%
total			122%

Total remuneration costs in 2019

The following table gives an overview of the costs incurred by the company in 2019 in relation to the remuneration of the Board of Management. Costs related to performance shares and restricted share right grants are taken by the company over a number of years. Therefore, the costs mentioned below in the performance shares and restricted share rights columns are the accounting cost of multi-year Long-Term Incentive grants to members of the Board of Management.

Philips Group
Remuneration Board of Management ¹⁾ in EUR
2019

	annual base compensation ²⁾	Costs in the year							total cost
		base compensation	realized annual incentive	performance shares ³⁾	restricted share rights	pension allowances ⁴⁾	pension scheme costs	other compensation ⁵⁾	
F.A. van Houten	1,325,000	1,295,000	1,091,800	2,235,166	-	559,052	26,380	52,713	5,260,111
A. Bhattacharya	785,000	770,000	517,472	995,483	-	230,006	26,380	63,265	2,602,606
M.J. van Ginneken	575,000	571,250	335,685	713,815	-	171,018	26,380	38,278	1,856,426
		2,636,250	1,944,957	3,944,464	-	960,076	79,140	154,256	9,719,143

¹⁾ Reference date for board membership is December 31, 2019.

²⁾ Annual base compensation as of April 1, 2019.

³⁾ Costs of performance shares are based on accounting standards (IFRS) and do not reflect the value of stock options at the end of the lock up period and the value of performance shares and restricted share rights at the vesting/release date.

⁴⁾ The Pension Transition Allowances were maintained at the current level for Messrs van Houten and Bhattacharya for the term of their services agreements. The total pension cost of the Company related to the pension arrangement (including the aforementioned Transition Allowance) is at a comparable level over a period of time to the pension costs under the former Executive Pension Plan.

⁵⁾ The stated amounts mainly concern (share of) allowances to members of the Board of Management that can be considered as remuneration. In a situation where such a share of an allowance can be considered as (indirect) remuneration (for example, private use of the company car), then the share is both valued and accounted for here. The method employed by the fiscal authorities is the starting point for the value stated.

For further details on the pension allowances and pension scheme costs see [Pensions, starting on page 0](#).

Further details on historical LTI grants and holdings

Number of performance shares (holdings)

Under the LTI Plan the current members of the Board of Management were granted 125,019 performance shares in 2019.

The following table provides an overview at end December 2019 of performance share grants. The reference date for board membership is December 31, 2019.

Philips Group
Number of performance shares (holdings) in number of shares unless otherwise stated
2019

	grant date	number of shares originally granted	value at grant date	vesting date	end of holding period	invested opening balance at Jan. 1, 2019	number of shares awarded in 2019	(dividend shares awarded)	number of shares vested in 2019 ¹⁾	value at vesting date in 2019	invested closing balance at Dec. 31, 2019
F.A. van Houten	4/29/2016	59,287	1,446,000	4/29/2019	4/29/2021	64,303	-	-	92,596	3,435,312	-
	5/11/2017	73,039	2,410,000	5/11/2020	5/11/2022	76,571	-	1,841	-	-	78,413
	4/27/2018	69,005	2,410,000	4/27/2021	4/27/2023	70,566	-	1,697	-	-	72,262
	5/6/2019	70,640	2,650,000	5/6/2022	5/6/2024	-	70,640	1,699	-	-	72,339
A. Bhattacharya	4/29/2016	26,650 ²⁾	650,000	4/29/2019	4/29/2021	28,905	-	-	41,623	1,544,213	-
	5/11/2017	31,822	1,050,000	5/11/2020	5/11/2022	33,361	-	802	-	-	34,163
	4/27/2018	31,138	1,087,500	4/27/2021	4/27/2023	31,842	-	766	-	-	32,608
	5/6/2019	31,388	1,177,500	5/6/2022	5/6/2024	-	31,388	755	-	-	32,143
M.J. van Ginneken	4/29/2016	20,972 ²⁾	511,500	4/29/2019	4/29/2021	22,746	-	-	32,755	1,215,211	-
	5/11/2017	18,563 ²⁾	612,500	5/11/2020	5/11/2022	19,461	-	468	-	-	19,929
	4/27/2018	24,052	840,000	4/27/2021	4/27/2023	24,596	-	591	-	-	25,187
	5/6/2019	22,991	862,500	5/6/2022	5/6/2024	-	22,991	553	-	-	23,544

¹⁾ The shares vested in 2019 are subject to a 2-year holding period

²⁾ Awarded before date of appointment as a member of the Board of Management

Number of stock options (holdings)

The tables below give an overview of the stock options held by the members of the Board of Management.

Philips Group
Stock options (holdings) in number of shares unless otherwise stated
 2019

	grant date	vesting date	exercise price (in EUR)	expiry date	opening balance at January 1, 2019	number of stock options awarded in 2019	number of stock options exercised in 2019	share (closing) price on exercise date	number of stock options expired in 2019	closing balance at December 31, 2019
F.A. van Houten	10/18/2010	10/18/2013	22.88	10/18/2020	20,400	-	20,400	42.17	-	-
	4/18/2011	4/18/2014	20.90	4/18/2021	75,000	-	-	-	-	75,000
	4/23/2012	4/23/2015	14.82	4/23/2022	75,000	-	-	-	-	75,000
	1/29/2013	1/29/2014	22.43	1/29/2023	55,000	-	-	-	-	55,000
A. Bhattacharya	10/18/2010	10/18/2013	22.88	10/18/2020	16,500	-	16,500	42.20	-	-
	4/18/2011	4/18/2014	20.90	4/18/2021	16,500	-	-	-	-	16,500
	1/30/2012	1/30/2014	15.24	1/30/2022	20,000	-	-	-	-	20,000
	4/23/2012	4/23/2015	14.82	4/23/2022	16,500	-	-	-	-	16,500
M.J. van Ginneken	4/14/2009	4/14/2012	12.63	4/14/2019	5,250	-	5,250	33.24	-	-
	4/19/2010	4/19/2013	24.90	4/19/2020	6,720	-	-	-	-	6,720
	4/18/2011	4/18/2014	20.90	4/18/2021	8,400	-	-	-	-	8,400
	1/30/2012	1/30/2014	15.24	1/30/2022	10,000	-	-	-	-	10,000
	4/23/2012	4/23/2015	14.82	4/23/2022	8,400	-	-	-	-	8,400

Comparison of change in CEO and BoM versus average employee remuneration costs and company performance

In line with the Dutch Corporate Governance Code and Dutch law, internal pay ratios are an important input for determining the Remuneration Policy for the Board of Management. For the 2019 financial year, the ratio between the annual total compensation for the CEO and the average annual total compensation for an employee was 60:1. The ratio increased/decreased from 63:1 in 2018. Further details on the development of these amounts and ratios over time can be found in the table below.

Philips Group
Remuneration cost in EUR
 2019

	2015	2016	2017	2018	2019
CEO Total Remuneration Costs (A) ¹⁾	3,890,265	4,675,042	5,101,429	5,391,265	5,260,111
CFO Total Remuneration Cost	²⁾	1,856,175	2,247,822	2,595,688	2,602,606
CLO Total Remuneration Cost			²⁾	1,861,200	1,856,426
Chief Business Leader Personal Health Total Remuneration Cost	2,097,119	2,373,642	³⁾		
Average Employee (FTE) Total Remuneration Costs (B) ⁴⁾	97,237	86,074	91,288	86,136	87,321
Ratio A versus B ⁵⁾	40:1	54:1	56:1	63:1	60:1
Company performance [annual TSR] ⁶⁾	7.12%	18.38%	26.51%	1.22%	25.62%

¹⁾ Based on total CEO compensation costs (EUR 5,260,111) as reported in section [Total remuneration costs in 2019, starting on page 7](#)

²⁾ Year of appointment in which partial annual remuneration was received.

³⁾ Year in which service ended and as such partial annual remuneration was received.

⁴⁾ Based on Employee benefit expenses (EUR 6.3 billion) divided by the average number of employees (72,228 FTE) as reported in the Income from operations. This results in an average annual total compensation cost of EUR 87,321 per employee

⁵⁾ A consideration when interpreting the ratios between CEO and average employee remuneration is that the remuneration of the CEO is more heavily dependent on variable compensation than the remuneration of the average employee at Philips. As such the total remuneration level of the CEO and associated costs will vary more with Philips' (financial) performance than the remuneration level and costs of the average employee. As a consequence the ratio will increase when performance is strong and conversely decrease when performance is not as strong.

⁶⁾ Annual TSR was calculated in line with the method as used for the LTI plan (i.e. based on reinvested dividends and 3 month averaging)

Remuneration of the Supervisory Board in 2019

The remuneration levels for the Supervisory Board were determined by our shareholders during the 2018 Extraordinary General Meeting of Shareholders, upon the proposal of the Supervisory Board.

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

The table below provides an overview of the current remuneration structure:

Philips Group
Remuneration Supervisory Board in EUR
2019

	Chair	Vice Chair	Member
Supervisory Board	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 & Regulatory Committee	21,000	n.a.	14,000
Attendance fee per inter-European trip	2,500	2,500	2,500
Attendance fee per intercontinental trip	5,000	5,000	5,000
Entitlement to Philips product arrangement	2,000	2,000	2,000

The individual members of the Supervisory Board received, by virtue of the positions they held, the following remuneration in 2019:

Philips Group
Remuneration of the Supervisory Board ¹⁾ in EUR
2019

	membership	committees	other compensation ²⁾	total
2019 ³⁾				
J. van der Veer	155,000	35,000	7,000	197,000
C.A. Poon	115,000	50,167	22,000	187,167
H.N.F.M. von Prondzynski	33,333	16,333	5,667	55,333
J.P. Tai	25,000	10,250	5,500	40,750
N. Dhawan	100,000	18,000	27,000	145,000
O. Gadiesh	100,000	19,833	12,000	131,833
D.E.I. Pyott	100,000	41,500	17,000	158,500
P.A.M. Stoffels	100,000	-	14,500	114,500
A.M. Harrison	100,000	9,333	12,000	121,333
M.E. Doherty	41,667	1,500	8,333	51,500
	870,000	201,917	131,000	1,202,917

¹⁾ The Supervisory Board fee levels have been reviewed and updated as per 2015. After that they have been reviewed once in the past 5 years, being in 2018, increasing the Chair fee from EUR 135,000 to EUR 155,000, the Vice Chair fee from EUR 90,000 to EUR 115,000 and the Member fee from EUR 80,000 to EUR 100,000. The Audit Committee Chair fee was increased from EUR 22,500 to EUR 27,000 while the Audit Committee Member fee was increased from EUR 13,000 to EUR 18,000. For the Remuneration Committee and the Quality & Regulatory Committee, the Chair fee was increased from EUR 15,000 to EUR 21,000 and the Member fee was increased from EUR 10,000 to EUR 14,000. For the Corporate Governance and Nomination & Selection Committee, the Chair fee was increased from EUR 15,000 to EUR 21,000 and the Member fee was increased from EUR 7,500 to EUR 14,000.

²⁾ The amounts mentioned under other compensation relate to the fee for intercontinental travel, inter-European travel (effective 2015) and the entitlement of EUR 2,000 under the Philips product arrangement

³⁾ As of 2013, part of the remuneration of members of the Supervisory Board living in the Netherlands is subject to VAT. The amounts mentioned in this table are excluding VAT

