

Agenda for the Annual General Meeting of Shareholders 2023

To be held at the Hotel Okura Amsterdam,
Ferdinand Bolstraat 333, Amsterdam on
Tuesday, May 9, 2023, beginning at 2.00 p.m. CET.

1. Speech of the President

2. Annual Report 2022

- a. Explanation of the policy on additions to reserves and dividends
- b. Proposal to adopt the financial statements *
- c. Proposal to adopt a dividend of EUR 0.85 per common share, in common shares, against retained earnings *
- d. Remuneration Report 2022 (advisory vote) *
- e. Proposal to discharge the members of the Board of Management *
- f. Proposal to discharge the members of the Supervisory Board *

3. Composition of the Board of Management

Proposal to re-appoint Mr A. Bhattacharya as member of the Board of Management with effect from May 9, 2023 *

4. Composition of the Supervisory Board

- a. Proposal to re-appoint Mr D.E.I. Pyott as member of the Supervisory Board with effect from May 9, 2023 *
- b. Proposal to re-appoint Ms M.E. Doherty as member of the Supervisory Board with effect from May 9, 2023 *

5. Proposal to re-appoint Ernst & Young Accountants LLP as the company's external auditor for the financial year 2024 *

6. Proposal to appoint PricewaterhouseCoopers Accountants N.V. as the company's external auditor for a term of four years starting the financial year 2025 *

7. Authorization of the Board of Management to (i) issue shares or grant rights to acquire shares and (ii) restrict or exclude pre-emption rights

- a. Proposal to authorize the Board of Management for a period of 18 months, effective May 9, 2023, as the body which is authorized, with the approval of the Supervisory Board, to issue shares or grant rights to acquire shares within the limits laid down in the Articles of Association *
- b. Proposal to authorize the Board of Management for a period of 18 months, effective May 9, 2023, as the body which is authorized, with the approval of the Supervisory Board, to restrict or exclude the pre-emption rights accruing to shareholders *

The authorization referred to above under a. will be limited to a maximum of 10% of the number of issued shares as of May 9, 2023.

8. Authorization of the Board of Management to acquire shares in the company

Proposal to authorize the Board of Management for a period of 18 months, effective May 9, 2023, within the limits of Dutch law and the Articles of Association, to acquire, with the approval of the Supervisory Board, for valuable consideration, on the stock exchange or otherwise, shares in the company at a price between, on the one hand, an amount equal to the par value of the shares and, on the other hand, an amount equal to 110% of the market price of these shares on Euronext Amsterdam; the market price being the average of the highest price on each of the five days of trading prior to the date on which the agreement to acquire the shares is entered into, as shown in the Official Price List of Euronext Amsterdam *

The maximum number of shares the company may acquire and hold, will not exceed 10% of the issued share capital as of May 9, 2023, which number may be increased by 10% of the issued capital as of that same date in connection with the execution of share repurchase programs for capital reduction purposes.

9. Cancellation of shares

Proposal to cancel common shares in the share capital of the company held or to be acquired by the company. The number of shares that will be cancelled shall be determined by the Board of Management *

10. Any other business

Agenda items marked with an asterisk (*) are voting items. This agenda with explanatory notes, the Annual Report 2022 (including the financial statements), the binding nominations and other information relevant for the Annual General Meeting 2023 have been published on the company's website (www.philips.com/agm). The meeting documents are also available free of charge at the offices of the company, Amstelplein 2, 1096 BC Amsterdam or at ABN AMRO Bank N.V., Corporate Broking via email: ava@nl.abnamro.com and on www.abnamro.com/evoting, and will be available at the meeting.

Explanatory notes to the agenda for the AGM 2023

1. Speech of the President

In his speech the President will look back on the financial year 2022, including the company's financial results.

2. Annual Report 2022

Agenda item 2.a is a recurring (non-voting) item: the explanation of the company's policy on additions to reserves and dividends.

Under agenda item 2.b it is proposed to adopt the financial statements 2022 (as included in the Annual Report 2022), and item 2.c is a proposal to adopt a dividend in shares. See below for more details on the proposed dividend.

Under agenda item 2.d, the Remuneration Report 2022 is submitted to the General Meeting of Shareholders for an advisory vote. See below for more details on remuneration.

Agenda items 2.e and 2.f are proposals to discharge the members of the Board of Management and the Supervisory Board, in accordance with Dutch law, for the performance of their respective duties in the financial year 2022. The proposed discharge will take place on the basis of information provided to the General Meeting of Shareholders and other information publicly available when the resolution to discharge is adopted.

Proposed dividend

It is proposed to adopt a dividend of EUR 0.85 per common share, in common shares, against retained earnings, as part of Philips' measures to further strengthen its liquidity position. The proposed dividend is in accordance with the company's present dividend policy.

If the above dividend proposal is adopted, the shares will be traded ex-dividend as of May 11, 2023, at Euronext Amsterdam and the New York Stock Exchange. In compliance with the listing requirements of Euronext Amsterdam and the New York Stock Exchange, the dividend record date will be May 12, 2023. The number of share dividend rights entitled to one new common share will be determined based on the volume-weighted average price of all traded common shares Koninklijke Philips N.V. at Euronext Amsterdam on May 11, 12 and 15, 2023. The company will calculate the number of share dividend rights entitled to one new common share (the ratio), such that the gross dividend in shares will be approximately equal to EUR 0.85. The ratio and the number of shares to be issued will be announced on May 17, 2023.

Distribution of the dividend (up to EUR 751 million) with delivery of new common shares and settlement of any fractions in cash, will take place from May 18, 2023. The distribution of fractions in cash to holders of New York Registry Securities will be made in USD at the USD/EUR as per WM/Reuters FX Benchmark 2 p.m. CET fixing of May 18, 2023. For the fractions price, the opening price of May 16, 2023, should be taken as a reference.

The newly issued common shares will rank for the dividend for the 2023 financial year and following financial years.

Dividend in shares distributed out of retained earnings is in principle subject to 15% dividend withholding tax, but only in respect of the par value of the shares (which value amounts to EUR 0.20 per share). Some shareholders may be eligible to claim a tax credit for or a refund of the tax withheld, if certain conditions are met. Shareholders are advised to consult their tax advisor on the applicable situation both with respect to withholding tax and the possibility to claim a tax credit for or a refund of the tax withheld, as well as the tax due (such as corporate income tax, personal income tax) on the dividend received.

Remuneration Report 2022 and further context

It is proposed to cast a favourable advisory vote in respect of the Remuneration Report 2022, which was drawn up by the Supervisory Board (as prepared by its Remuneration Committee). In his accompanying letter to Philips' stakeholders, the Chairman of the Remuneration Committee explains that the Committee has been very mindful of the shareholder sentiment and the advisory vote regarding the 2021 Remuneration Report cast at the AGM 2022. The Remuneration Committee reported on how it reached out to the company's shareholders immediately after the AGM 2022, and how the feedback received from shareholders in the second half of 2022 has been addressed. Please refer to the letter of the Chairman of the Remuneration Committee and the Remuneration Report 2022, starting on pages 116 and 117, respectively, of the Annual Report 2022.

Upon request and considering questions and comments the company received in connection with the CEO succession and the remuneration of the Board of Management and the former CEO, as described in the Remuneration Report 2022, some further context is given below.

Accelerated CEO succession in the best interest of the company and its stakeholders

On August 16, 2022, the company announced the accelerated CEO succession and promptly convened an Extraordinary General Meeting of Shareholders that took place on September 30, 2022, during which Roy Jakobs was appointed as successor of former CEO Frans van Houten, as per October 15, 2022.

The priority of the Supervisory Board was to propose a new CEO for an accelerated CEO transition. To facilitate the CEO succession which the Supervisory Board deemed in the best interest of the company and its stakeholders, the company entered into a termination of the service agreement with the former CEO as communicated on August 16, 2022.

Termination in line with the 2019 services agreement and Corporate Governance Code

The termination agreement is made in line with the conditions of the services agreement that was concluded with the former CEO in 2018 and has since been published on the company's website and endorsed by the Annual General Meeting of Shareholders in connection with the former CEO's re-appointment on May 9, 2019.

In line with the Dutch Corporate Governance Code, the services agreement stipulates that upon termination, the former CEO is entitled to one time his annual base salary. The services agreement further determines that it ends six months after the end of the month in which the former CEO steps down, which is April 30, 2023. Given that the company is required to continue to pay the former CEO until such date, it has been agreed that he remains available for advisory services, in particular to address potential inquiries relating to his tenure. Since he stepped down, the former CEO has not been involved in the management of the company.

Variable compensation: long term incentive

The long-term variable incentive grant of the former CEO over 2020 will vest in accordance with the company performance, which resulted in an 18% vesting based on the company's ESG performance over the 2020-2022 period. The financial targets (TSR and EPS) did not result in any vesting.

The former CEO's LTI grants with a vesting date after April 30, 2023 (granted in 2021 and 2022) will continue to vest at their regular vesting dates (April 30, 2024, and April 29, 2025, respectively) subject to the predetermined performance conditions. These LTI grants will continue to vest given that decisions made by the company and its CEO in the past, are still expected to influence performance of the company in the years that these LTI's will vest.

Variable compensation: Annual Incentive

In respect of the former CEO's Annual Incentive over 2022, for the termination agreement, the company had to assess the progress made against his personal targets for 2022 considering that he continued to be in his role until October 15, 2022, to determine a pay-out. The company concluded that the achievements made against these targets, which included Environmental, Social and Governance objectives, resulted in a pay-out of 100% on his personal targets, of a potential pay-out up to 200% as set forth in the remuneration policy. These personal targets make up 20% of the total Annual Incentive opportunity.

Given the company's performance, there was no pay-out of the Annual Incentive linked to financial performance, which makes up 80% of the total Annual Incentive opportunity.

Waiver of variable pay and incentives

In the beginning of 2023, the Supervisory Board and the Board of Management agreed that, in view of the disappointing company performance in 2022, the potential pay-out of the personal targets of the Annual Incentive, as well as the LTI vesting of the Board of Management would be waived.

For the former CEO, the company had to conclude that it is in the best interest of the company and its stakeholders to comply with its contractual and legal obligations from the termination agreement that facilitated the accelerated CEO succession.

Remuneration approach and remuneration policy review

As set forth in our Remuneration Report 2022, Philips will review its remuneration policy in 2023 and will propose a revised remuneration policy to the Annual General Meeting to be held in 2024. In reviewing the current policy, the company will address feedback received from shareholders, including but not limited to enhanced disclosures, pay-out principles and thresholds and an evaluation of our claw back conditions.

In the meantime, the Supervisory Board reconsidered the company's long-standing practice, and decided to no longer automatically apply a uniform AI and LTI adjustment methodology for the entire company and effectively de-couple the remuneration approaches for the members of the Board of Management and for the broader workforce. This changed approach was also applied in respect of the 2022 remuneration with the waiver of the Annual Incentive and Long-Term Incentive.

3. Composition of the Board of Management

The following person is proposed for re-appointment as member of the Board of Management:

Mr A. Bhattacharya (Indian, 1961)

Abhijit Bhattacharya has held the positions of Chief Financial Officer ('CFO') and member of the Board of Management since December 18, 2015. The Supervisory Board, endorsed by the Chief Executive Officer ('CEO'), recommends to the shareholders to re-appoint him as member of the Board of Management for an additional period of two years, with effect from May 9, 2023. Subject to his re-appointment, Mr Bhattacharya will continue to fulfill the role of CFO of Royal Philips.

Since the appointment of the new CEO in October 2022, Philips has made several changes to its organization as well as further improved the company's talent by appointing a new Chief Patient Safety & Quality Officer, a new Chief Market Leader of Philips North America, a new Chief Business Leader of the Connected Care businesses, and the company started a search for a new leader for its Precision Diagnosis businesses. Against this background, the Supervisory Board is pleased that Mr Bhattacharya is willing to add a two-year's term to his tenure as CFO that started in 2015, thereby ensuring continuity and enabling a smooth succession process in parallel.

In accordance with the Articles of Association of the company, the Supervisory Board has made a binding nomination regarding the re-appointment of Mr Bhattacharya. In line with the company's Articles of Association and the Dutch Corporate Governance Code, the term of appointment of Mr Bhattacharya will ultimately expire at the end of the Annual General Meeting to be held in 2025. The new services agreement (*overeenkomst van opdracht*) between the company and Mr Bhattacharya (which is subject to his re-appointment), has been published on the company's website.

4. Composition of the Supervisory Board

The following persons are proposed for re-appointment as members of the Supervisory Board:

a. Mr D.E.I. Pyott (British/American, 1953)

David Pyott has been a member of the Supervisory Board since 2015. He is a member of the Board of Directors of Alnylam Pharmaceuticals Inc., BioMarin Pharmaceutical Inc. and Pliant Therapeutics.

Taking into account the desired profile of the Supervisory Board, including the desired competencies and experiences, the Supervisory Board proposes the re-appointment of Mr Pyott (in accordance with the Dutch Corporate Governance Code) for an additional period of two years, in view of his contributions to the Supervisory Board in the past eight years and the way he fulfills his role as Chair of the Quality & Regulatory Committee. The Supervisory Board is of the opinion that Mr Pyott's background and experience will continue to be valuable to the company, in particular in respect of one of the company's current priorities, to further deepen the patient safety and quality capability across the company, which includes the completion of the Philips Respironics voluntary recall.

Mr Pyott holds 19,000 shares in Royal Philips and is considered an independent member of the Supervisory Board under the Dutch Corporate Governance Code.

b. Ms M.E. Doherty (British/Irish, 1957)

Liz Doherty has been a member of the Supervisory Board since 2019. She is a member of the Supervisory Board and Chairwoman of the audit committee of Novartis AG and of Corbion N.V.

Ms Doherty is recommended to be re-appointed in view of her extensive broad-based and international finance expertise and her contributions to the Supervisory Board over the past four years, including but not limited to the way she fulfills her role as Chair of the Audit Committee.

Ms Doherty holds no shares in Royal Philips and is considered an independent member of the Supervisory Board under the Dutch Corporate Governance Code.

The Supervisory Board is therefore very pleased that Mr Pyott and Ms Doherty remain available as members of the Supervisory Board. The Supervisory Board proposes to re-appoint Mr Pyott for a period of two years and Ms Doherty for a period of four years. In line with the Dutch Corporate Governance Code and the Articles of Association of the company, the term of appointment of Mr Pyott will expire at the end of the Annual General Meeting to be held in 2025, and the term of Ms Doherty will expire at the end of the Annual General Meeting to be held in 2027.

In accordance with the Articles of Association of the company, the Supervisory Board has made binding nominations regarding the re-appointment of each of Mr Pyott and Ms Doherty (which include extended biographies). Upon the proposed re-appointments, the Supervisory Board will consist of ten members, four women and six men, with seven nationalities. The proposed re-appointments will therefore be in accordance with the gender quota, as provided for under Dutch law.

5. Proposal to re-appoint Ernst & Young Accountants LLP as the company's external auditor

The company's current external auditor, Ernst & Young Accountants LLP, was appointed as the external auditor of the company at the Annual General Meeting of Shareholders 2015 for a term of four years starting January 1, 2016, re-appointed at the Annual General Meeting of Shareholders 2019 for a term of three years starting January 1, 2020 and re-appointed at the Annual General Meeting of Shareholders held on May 10, 2022 for a term of one year starting January 1, 2023. The third term of appointment of the external auditor will therefore expire at the end of the financial year 2023.

The Supervisory Board now proposes to re-appoint Ernst & Young Accountants LLP ('EY') for a term of one year starting January 1, 2024, also considering the importance of continuity during the next two years and an orderly rotation to the proposed new external auditor (agenda item 6). This proposal follows the recommendation of the Audit Committee of the Supervisory Board, after having assessed the functioning of, and the development in the relationship with the external auditor, whereby it gave due consideration to the observations of the Board of Management that supports this proposal.

6. Proposal to appoint PricewaterhouseCoopers Accountants N.V. as the company's external auditor for a term of four years starting the financial year 2025

With reference to the extensive tender process under leadership of the Audit Committee and the Audit Committee's recommendation to the Supervisory Board, whereby the Audit Committee gave due consideration to the Board of Management's observations, the Supervisory Board proposes to appoint PricewaterhouseCoopers Accountants N.V. ('PwC') as the company's new external auditor for a term of four years starting January 1, 2025.

At the start of the tender process, Philips defined a number of selection criteria, including: the proposed audit team and organization, the audit approach, access to technical knowhow, the ability to mobilize the audit firm's relevant domain expertise, including specific expertise in US regulatory affairs, the transition plan from the current external auditor to the new external auditor, adaptability to change, the fee proposal and qualification, reputation and credentials. PwC and KPMG participated in the selection process. The tender process included site visits to the most important markets and shared services locations as well as workshops with the Philips Group Functions, which provided the opportunity to evaluate who the next auditor should be. These impressions, together with a comparison of written tender offers, followed by presentations to members of the Audit Committee and members of the Board of Management, led to the Audit Committee's recommendation to the Supervisory Board.

The decisive factors to recommend the appointment of PwC were the extensive US regulatory expertise of the senior partners in the proposed audit team and the competitive fee proposal.

Philips' current auditor, EY, will remain in function until the conclusion of the audit for the financial year 2024 (subject to EY's re-appointment as proposed under agenda item 5).

7. Authorization of the Board of Management to (i) issue shares or grant rights to acquire shares and (ii) restrict or exclude pre-emption rights

The proposals to authorize the Board of Management to (i) issue shares or grant rights to acquire shares in the share capital of the company and (ii) restrict or exclude pre-emption rights, are intended to give the Board of Management flexibility: (a) in financing the company in the most efficient manner, (b) in covering the company's obligations related to share-based remuneration, such as those under the long-term incentive plans and any employee stock purchase plan under which employees may acquire Philips securities and (c)

in the context of mergers, acquisitions and/or strategic alliances.

Adoption of these proposals by the General Meeting of Shareholders will replace the current authorization of the Board of Management to (i) issue shares or grant rights to acquire shares in the share capital of the company and (ii) restrict or exclude pre-emption rights, which was granted by the General Meeting of Shareholders on May 10, 2022.

8. Authorization of the Board of Management to acquire shares in the company

The proposal to authorize the Board of Management (to the extent such authorization is required under Dutch law and the Articles of Association and without prejudice to article 2:98 paragraph 5 of the Dutch Civil Code) to repurchase shares in the share capital of the company intends to allow the Board of Management to cover the company's obligations related to share-based remuneration, such as those under the long-term incentive plans and any employee stock purchase plan under which employees may acquire Philips securities, and other obligations the company may have. Furthermore, the proposal intends to allow the Board of Management to repurchase shares for capital reduction purposes.

The maximum number of shares the company may acquire and hold, equals 10% of the issued share capital per May 9, 2023. In case of repurchase for capital reduction purposes, the number of shares that the company may acquire and hold, will be increased with an additional 10% of such issued share capital. This higher maximum of shares that may be held is intended to allow the Board of Management to execute such share repurchase programs in an efficient and expedited manner.

Adoption of this proposal by the General Meeting of Shareholders will replace the current authorization of the Board of Management to repurchase shares which was granted by the General Meeting of Shareholders on May 10, 2022.

9. Cancellation of shares

It is proposed to the General Meeting of Shareholders to cancel any or all common shares in the share capital of the company held on May 9, 2023, or to be acquired by the company under the authorization referred to under agenda item 8 resulting in a reduction of the company's issued common shares. The cancellation may be executed in one or more tranches.

The number of shares that will be cancelled (whether or not in several tranches) shall be determined by the Board of Management, with a maximum of the number of shares held by the company on May 9, 2023, plus the number of shares that may be acquired in accordance with the authorization referred to under agenda item 8. Pursuant to the relevant statutory provisions, cancellation may not be effected earlier than two months after a resolution to cancel shares is adopted and publicly announced; this will apply for each tranche.

The purpose of this proposal is cancellation of common shares held by the company or that will be acquired in accordance with the authorization referred to under agenda item 8, to the extent that such shares shall not be used to cover obligations under share-based remuneration or other obligations.

