Opening

1. Speech of the President

2. Annual Report 2023
   a. Explanation compliance with the Dutch Corporate Governance Code 2022
   b. Explanation of the policy on additions to reserves and dividends
   c. Proposal to adopt the financial statements *
   d. Proposal to adopt a dividend of EUR 0.85 per common share, in common shares, against retained earnings *
   e. Remuneration Report 2023 (advisory vote) *
   f. Proposal to discharge the members of the Board of Management *
   g. Proposal to discharge the members of the Supervisory Board *

3. Composition of the Board of Management
   Proposal to appoint Ms C.M. Hanneman as member of the Board of Management with effect from October 1, 2024 *

4. Composition of the Supervisory Board
   a. Proposal to re-appoint Mr F. Sijbesma as member of the Supervisory Board with effect from May 7, 2024 *
   b. Proposal to re-appoint Mr P. Löscher as member of the Supervisory Board with effect from May 7, 2024 *
   c. Proposal to appoint Mr B. Ribadeau-Dumas as member of the Supervisory Board with effect from May 7, 2024 *

Agenda items marked with an asterisk (*) are voting items.
5. Remuneration of the Board of Management and the Supervisory Board
   a. Proposal to adopt a Remuneration Policy for the Board of Management *
   b. Proposal to adopt a Remuneration Policy for the Supervisory Board *

6. 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 7, 2024, 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 7, 2024, 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 7, 2024.

7. 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 7, 2024, 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 7, 2024, 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.

8. 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 *

9. Any other business

Closing

Agenda items marked with an asterisk (*) are voting items.

This agenda with explanatory notes, the Annual Report 2023 (including the financial statements), the binding nominations, the proposed Remuneration Policies and other information relevant for the Annual General Meeting 2024 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 2024

1. Speech of the President

In his speech the President will look back on the financial year 2023, including the company’s financial results.

2. Annual Report 2023

With respect to agenda item 2.a it is noted that, in the Annual Report 2023, the company addressed its overall corporate governance structure and stated to what extent and how it applies the principles and best practice provisions of the Dutch Corporate Governance Code dated December 20, 2022 (replacing the former 2016 Dutch Corporate Governance Code). Where the principles or best practices of the current Code required changes to rules, policies, procedures or other written records, such changes have been implemented. This has not led to substantial changes to the corporate governance structure of the company.

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

Under agenda item 2.c it is proposed to adopt the financial statements 2023 (as included in the Annual Report 2023), and item 2.d is a proposal to adopt a dividend in shares. See below for more details on the proposed dividend.

Under agenda item 2.e, the Remuneration Report 2023 is submitted to the General Meeting of Shareholders for an advisory vote. It is proposed to cast a favorable advisory vote in respect of the Remuneration Report 2023, which was drawn up by the Supervisory Board (as prepared by its Remuneration Committee and included in the Report of the Remuneration Committee which has been published on the company’s website).

Agenda items 2.f and 2.g 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 2023. 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 9, 2024, 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 10, 2024. 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 9, 10 and 13, 2024. 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 15, 2024.

Distribution of the dividend (up to EUR 770 million) with delivery of new common shares and settlement of any fractions in cash, will take place from May 16, 2024. The distribution of fractions in cash to holders of New York Registry Securities will be made in USD at the USD/EUR rate as per WM/Reuters FX Benchmark 2 p.m. CET fixing of May 16, 2024. For the fractions price, the opening price of May 14, 2024, should be taken as a reference.

The newly issued common shares will rank for the dividend for the 2024 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.

3. Composition of the Board of Management

As announced on February 28, 2024, it is proposed to appoint as member of the Board of Management:

Ms C.M. Hanneman (Dutch, 1978)

Charlotte Hanneman will join Philips as a member of Philips’ Executive Committee on June 1, 2024, to start her induction and transition into the role of Chief Financial Officer (CFO) of Royal Philips. Subject to her appointment by the General Meeting of Shareholders, she will succeed the current CFO Abhijit Bhattacharya as member of the Board of Management (and CFO) as per October 1, 2024.

Ms Hanneman will join Philips with over 20 years’ experience in the MedTech and pharmaceutical industries, most recently as Controller and Head of Financial Planning & Analysis at global medical technology company Stryker, responsible for financial control, enterprise financial planning and analysis, and business development finance. She was also responsible for indirect procurement, and directly responsible for the finance teams across Europe, Middle East and Africa, Canada, and Latin America.

Prior to that, she held several international finance leadership roles at Stryker, and other multinational healthcare companies, including Merck, Schering-Plough and Organon.

Ms Hanneman has extensive experience working in the US and has lived in various countries across Asia and Europe. She holds a master’s degree in economics and an executive master of finance and control from Maastricht University, the Netherlands.

The Supervisory Board is very pleased that Ms Hanneman will be available as member of the Board of Management, broadening the diversity of the Board of Management while further deepening the industry expertise of the team to help drive the plan to create value with sustainable impact. In accordance with the Articles of Association of the company, the Supervisory Board has drawn up a binding nomination regarding her appointment as member of the Board of Management.

In line with the Dutch Corporate Governance Code, members of the Board of Management are (re-)appointed for a term of four years as also laid down in the Articles of Association. This effectively means that Ms Hanneman’s term of appointment will expire at the end of the Annual General Meeting to be held in 2028. The services agreement (overeenkomst van opdracht) between the company and Ms Hanneman, 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 F. Sijbesma (Dutch, 1959)
   Feike Sijbesma has been a member of the Supervisory Board since 2020 and Chairman of the Supervisory Board since May 2021. He is also the Chairman of the Corporate Governance and Nomination & Selection Committee, and member of the Remuneration Committee. Furthermore, he currently is Honorary Chairman of DSM, non-executive Director of Unilever NV, Co-Chair of the Global Climate Adaptation Center and Member of the Board of Trustees of the World Economic Forum.

   Mr Sijbesma is recommended to be re-appointed in view of his contributions to the Supervisory Board in the past four years and the way he fulfills his role as Chairman of the Supervisory Board and his role as Chairman of the Corporate Governance and Nomination & Selection Committee and more specifically recognizing his global business and sustainability leadership.

   Mr Sijbesma holds 25,000 shares in Royal Philips and is considered an independent member of the Supervisory Board under the Dutch Corporate Governance Code.

b. Mr P. Löscher (Austrian, 1957)
   Peter Löscher has been a member of the Supervisory Board since 2020. In the past four years, he has been a member of the Audit Committee and the Quality & Regulatory Committee. Furthermore, he currently is a member of the Board of Directors of Telefónica S.A. and CaixaBank S.A. and Chairman of the Supervisory Board of Telefónica Deutschland Holding AG, Non-Executive Director of Thyssen-Bornemisza Group AG and Doha Venture Capital LLC.

   Mr Löscher is recommended to be re-appointed in view of his contributions to the Supervisory Board in the past four years and the way he fulfills his role as member of the Audit Committee and the Quality & Regulatory Committee and more specifically in view of his experience as a seasoned business leader in the medical technology and pharmaceutical industries.

   Mr Löscher holds 21,658 shares in Royal Philips and is considered an independent member of the Supervisory Board under the Dutch Corporate Governance Code.

c. Mr B. Ribadeau-Dumas (French, 1972)
   As announced on August 14, 2023, Philips and Exor N.V. entered into a relationship agreement on August 13, 2023, as a result of which Exor bought a 15% shareholding in the company to support Philips’ plan to create value with sustainable impact. The relationship agreement with Exor has been published on the company’s website, and includes Exor’s commitment to be a long-term shareholder and it’s right to propose one member to the Supervisory Board. In accordance with the proposal that Exor has made, the Supervisory Board now proposes to appoint Benoît Ribadeau-Dumas as member of the Supervisory Board.

   Benoît Ribadeau-Dumas has been Managing Director at Exor since 2022. He leads Exor’s activities and investments related to the healthcare sector, leveraging his extensive experience with large and global industrial companies and the management of high technology businesses in the aerospace, defense, and energy sector. He currently also is a member of the board of directors of Institut Merieux, Stellantis and Welltec. Previously he was member of the board of management of ZodiacAerospace. Prior to that, Mr Ribadeau-Dumas was chief of staff for the French Prime Minister.

   Mr Ribadeau-Dumas holds no shares in Royal Philips and the independence exception of best practice provision 2.1.7(iii) of the Dutch Corporate Governance Code is deemed to apply to him subject to the continuation of Exor’s nomination right.
The Supervisory Board is very pleased that Messrs Sijbesma and Löscher remain available, and that Mr Ribadeau-Dumas will be available as members of the Supervisory Board. The Supervisory Board proposes to (re-)appoint Messrs Sijbesma, Löscher and Ribadeau-Dumas 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 each of them will expire at the end of the Annual General Meeting to be held in 2028.

In accordance with the Articles of Association of the company, the Supervisory Board has drawn up binding nominations regarding the (re-)appointment of each of Messrs Sijbesma, Löscher and Ribadeau-Dumas. Upon the proposed (re-)appointments, the Supervisory Board will consist of eleven members, four women and seven men, with eight nationalities. The proposed (re-)appointments will therefore be in accordance with the gender quota, as provided for under Dutch law.

5. 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 Board of Management

Quantum Peer Group

The Quantum Peer Group is used to benchmark total compensation levels, and consists of companies of comparable size, complexity and international scope that Philips competes with for executive talent.

In the current Quantum Peer Group (as included in the 2020 Remuneration Policy, and revised most recently in 2023), Philips positioned below the median in terms of size (measured through revenue, number of employees and market capitalization). However, a median positioning in terms of size relative to the peer group is preferred, as we also target the median total compensation level of the peer group. Furthermore, following the transformation that Philips underwent in recent years, certain peer companies became less relevant in terms of attracting talent.

We initiated a review to improve our relative positioning in terms of size and to better reflect our talent pool. As a first step of this review, we created a long list consisting of companies where we hire talent from and risk losing talent to. As a second step, we ranked the companies in the long list based on size, hiring relevance and business focus (in line with our past practice). As a third and final step, we selected the top ranked companies from the long list while making sure that the overall number of peer companies, and specifically the number peer companies from the Netherlands and the US, remained equal.

As a result of the review, we have replaced four companies (Capgemini, Danaher, Rolls-Royce and Safran) with four other companies (GE Healthcare, Dräger, Getinge and Lonza) with more hiring relevance and of which (the latter) three are smaller in size. The resulting new Quantum Peer Group consists of 24 peer companies of comparable size, complexity and international scope, and has the same geographical distribution among Europe (75%) and the US (25%) as the current Quantum Peer Group. The median CEO compensation level did not change compared to the current Quantum Peer Group.

The Supervisory Board believes that this international reference group is appropriate as its hiring market for Board of Management positions extending beyond Europe, and its hiring market competitors are also large global players active in both Europe and the US. At the same time, the Supervisory Board has taken into account feedback received during its preparatory engagements with shareholders and institutional advisory organizations that for companies headquartered in Europe, the share of US companies in its reference group should not be too dominant to reflect local market practice and societal context.

Annual Incentive opportunity

The proposed 2024 Remuneration Policy includes a potential increase of the Annual Incentive target to 120% (from 100%) for the CEO, and to 100% (from 80%) for the CFO and CLO enabling to reward at market median level for the Annual Incentive, as well as to increase the percentage of performance-based remuneration. It is noted that the Supervisory Board will apply unchanged target levels for 2024. Only as of 2025, the Supervisory Board may (gradually) increase the Annual Incentive target levels towards the policy target maximum. It is noted that, whilst this will also increase the Annual Incentive maximum, this maximum remains set to two times the on-target level (as is the case under the 2020 Remuneration Policy).

In response to feedback received during the preparatory engagements with shareholders and institutional advisory organizations, the Supervisory Board confirms its intention that any increase of Annual Incentive levels as of 2025 will be subject to a performance trajectory by 2024 that gives the company a clear outlook to deliver on the 2025 targets which have been defined in our plan to create value with sustainable impact (presented in January 2023), meaning that Comparable Sales Growth, Adjusted EBITA margin and Free Cash Flow performance should be broadly in line with external targets for 2024.
The Supervisory Board is aware of the sensitivity around increasing Board of Management target levels given the internal and external Philips environment. Nonetheless, the proposed increase of Annual Incentive opportunity levels provides the Supervisory Board with the ability to create a competitive executive remuneration package to attract the best talent in the context of succession planning. By making these changes (together with the explanations provided above), the Supervisory Board believes that it can retain market competitiveness, while at the same time taking into consideration the societal context. Please also refer to our considerations on our disciplined approach to adjustments provided below.

The financial element in our Annual Incentive structure

Listening to feedback received during our preparatory engagements, we propose to enhance transparency and create simplicity by setting three (default) categories for the financial element in the Annual Incentive: profit/margin; revenue/growth; and cash flow. For each of these categories, a financial performance metric aligned with the strategic priorities for the year will be selected and disclosed ex-ante, including its weighting. Please refer to our 2023 Remuneration Report for the performance metrics selected for 2024. The targeted performance levels for each metric (i.e., threshold, target and maximum) will be disclosed ex-post, together with the actual performance achieved.

Furthermore, the proposed 2024 Remuneration Policy retains the option to introduce a capital return metric (such as ROA, ROE, ROIC) if deemed appropriate by the Supervisory Board in the future. While reviewing our Remuneration Policy, we’ve prioritized maintaining consistency in our chosen financial performance metrics. Therefore, we have not yet added a fixed capital return metric at this time.

The non-financial element in our Annual Incentive structure

As is currently the case under the 2020 Remuneration Policy, the achievement/payout of the Annual Incentive is based on a financial element and a non-financial element. In the proposed 2024 Remuneration Policy, the weighting of the non-financial element will increase to 30% (from 20%) and, correspondingly, the weighting of the financial element will decrease to 70% (from 80%). This change reflects the increased relative importance of factors relating to the company’s priorities (patient safety and quality, strengthening supply chain reliability, and the simplification of our operating model), as well as our Environmental, Social and Governance (ESG) performance.

This change supports our policy objective: to incentivize management to deliver superior, long-term value to patients, customers and shareholders, while acting responsibly towards our planet and society. We received generally positive feedback about this change during our preparatory engagements with shareholders and institutional advisory organizations. With this change we stay aligned with relevant European market practices.

To simplify and enhance transparency and measurability, we have shortened the list of potential performance categories from five to four. At the start of each year, the Supervisory Board may select two to four categories, whereby each selected performance category will receive an equal weighting. For each selected performance category, one or more performance objectives will be determined at the start of the year for each of the members of the Board of Management. To enhance transparency, we will provide ex-ante disclosure in the remuneration report on the selected performance categories and performance objectives within each category, including how these objectives are measured. Please refer to our 2023 Remuneration Report for a description of the performance categories and objectives selected for 2024, and how they will be measured (subject to the adoption of the proposed 2024 Remuneration Policy for the Board of Management). For each performance objective, targeted performance levels (i.e., threshold, target and maximum) will be defined at the start of the performance period. As these performance levels contain detailed and company sensitive information, they will not be disclosed in the remuneration report. Instead, a qualitative description of the realized performance will be disclosed ex-post.
The annual LTI award size; reference period

The annual LTI award value is set by reference to a multiple of Annual Base Compensation and is unchanged from the 2020 policy. The actual number of performance shares awarded annually to the members of the Board of Management (for the avoidance of doubt: at the start of the performance period) is determined by dividing the award value (a multiple of Annual Base Compensation) by the market price of the Royal Philips shares. To capture realistic value and to limit fluctuation effects, we have extended the reference period by using the average closing price measured over the last month of the quarter preceding the actual grant of performance shares (instead of five trading days preceding the grant date) to determine the relevant market price.

The Relative TSR in our LTI structure

The Supervisory Board considers Relative TSR to be an appropriate performance metric to ensure continued focus on creating shareholder value and it will therefore remain as an LTI performance metric. To meet evolving best practices in Europe and shareholder feedback, we have removed the below-median vesting for the relative TSR metric. Additionally, corresponding with the increased weighting of the ESG performance metric (see below), the weighting of the relative TSR metric has been slightly reduced to 40% (from 50%) to keep a balanced weighting among the three LTI performance metrics.

ESG Performance in our LTI structure

Under the current 2020 Remuneration Policy, the achievement/vesting of the LTI is (partly) based on a 10% weighting of sustainability objectives. We have decided to broaden the sustainability perspective to the full ESG spectrum (instead of mainly environmental objectives), and to increase the weighting of ESG performance from 10% to 20%. By doing so, we aim to reflect the importance of ESG to our company and its increasing relevance to our stakeholders (as a strategic matter and in the context of our risk management), and to incentivize management’s focus on our policy objective to deliver superior, long-term value to our stakeholders, while acting responsibly towards our planet and society. We note that this change is aligned with relevant European market trends and practices, and that we received generally positive feedback during our preparatory engagements with shareholders and institutional advisory organizations.

Important investor feedback was that ESG objectives and their targeted performance levels should be sufficiently stretched, and that performance should be determined based on measurable metrics. The current 2020 Remuneration Policy includes five predetermined objectives for the full duration of the Policy. Going forward, we will select four objectives at the start of each performance year in line with our long-term strategic priorities and it is intended that these objectives do not overlap with our Annual Incentive non-financial performance objectives.

Furthermore, we aim to select objectives that are material, auditable and measurable, as included in our Annual Report (in compliance with the Corporate Sustainability Reporting Directive) and therefore subject to our external auditor’s reasonable assurance. Selected objectives and their measurement description will be disclosed ex-ante in the remuneration report, whereby each objective will have a 5% weighting. Please refer to the 2023 Remuneration Report for a description of the objectives selected for the 2024 LTI grant, and how they are measured (subject to the adoption of the proposed 2024 Remuneration Policy for the Board of Management). Actual target values and achievement will be disclosed ex-post in the relevant subsequent remuneration report.
Claw-back of variable pay

Following shareholders’ feedback received during earlier engagements, we performed an evaluation of the claw-back provisions typically included in the services contracts of the members of the Board of Management, benchmarking them against the companies in our Quantum Peer Group and other AEX companies. We concluded that our claw-back provisions are aligned with Dutch and international market practice. The proposed 2024 Remuneration Policy nevertheless includes changes relevant to our claw-back regime.

First, we extended the description of the claw-back in the proposed 2024 Remuneration Policy to better describe the claw-back provisions in the services contracts, in line with market practice.

Second, our evaluation led us to extend the Supervisory Board’s discretion to claw back variable remuneration in case of any Philips General Business Principles violation, not only in case of serious violations. Exercising such discretion will obviously still require a case-by-case assessment by the Supervisory Board. The change will furthermore only apply to future service contracts to be agreed upon any appointment or re-appointment of a member of the Board of Management.

Finally, the proposed 2024 Remuneration Policy refers to our compliance with certain new requirements of the New York Stock Exchange Listed Company Manual (Section 303A.14) through our adoption of a Policy on the Recovery of Erroneously Awarded Incentive-Based Compensation (as published on our website). In essence, compliance with this policy will require the Supervisory Board to exercise its powers to claw back excess incentive-based remuneration in the event of a mandatory accounting restatement.

Hiring policy

The hiring policy in the current 2020 Remuneration Policy allows certain cash or share-based awards to external hires. We have slightly revised the relevant wording in the proposed 2024 Remuneration Policy, referring to ‘buy-out’ instead of ‘sign-on’ awards, to reflect our practice to merely (partially) compensate incoming members of the Board of Management for forfeited variable pay at their previous employers. In principle, such buy-out awards will mostly be made in the form of performance shares, however as the intent is to replicate the structure of the forfeited compensation, a partial cash award may also be considered. As in the current 2020 Remuneration Policy, the value and structure of any ‘buy-out’ award shall be made public when the proposal to appoint the relevant nominee to the Board of Management is submitted to the General Meeting of Shareholders.

Services agreements

The services agreements that are entered into between the company and members of the Board of Management include, in accordance with the Dutch Corporate Governance Code, a severance payment which is limited to a maximum of one year’s Annual Base Compensation. The Supervisory Board has noted that certain institutional advisory organizations have started advocating that Dutch companies should not pay severance to members of their board of management upon the expiry of their term of appointment (i.e. without a subsequent re-appointment) and that remuneration due during any applicable notice period should in fact be deducted from the (maximum) severance payment. Nevertheless, the Supervisory Board has decided to retain our current severance payment regime as it is aligned with general Dutch practice.
The notice period arrangements in our services contracts are also generally aligned with current Dutch practice. If a Board of Management member’s term of appointment expires, no notice period applies, and the relevant services contract terminates automatically. If a board member resigns before the end of his/her term of appointment or if the engagement is terminated early at the initiative of the Company, the relevant services contract terminates taking into account a 6 months’ notice period. It is noted that, in all of these potential scenarios, a member of the Board of Management is expected to continue to work until the actual termination of his/her services agreement, and therefore also during any notice period. A (partial) period of garden leave will only be considered if in the view of the Supervisory Board an accelerated departure of a member of the Board of Management is in the best interest of the company and its stakeholders.

However, also acknowledging feedback received during our preparatory engagements, the Supervisory Board has decided to include in any services agreement to be concluded in the future, that members of the Board of Management will no longer be eligible for an Annual Incentive pay-out over a period of garden leave during any applicable notice period. This is aligned with the practice as it is currently also operated for the Dutch executive population.

**Disciplined approach to adjustments (financial element in Annual Incentive and EPS growth in LTI)**

As communicated earlier, the Supervisory Board has been mindful of the fact that, during the Annual General Meeting of Shareholders held in 2022, a majority of the advisory votes were cast against the 2021 Remuneration Report. Since then, the Supervisory Board has been considering its Annual Incentive and LTI adjustment methodology and it has been an important topic during all shareholder engagements. The waiver, in 2023, of the 2022 Annual Incentive and LTI for the Board of Management, already showed that the company no longer automatically applies a uniform Annual Incentive and LTI adjustment approach for the Board of Management on the one hand and for the broader workforce on the other hand.

During our preparations for the proposed 2024 Remuneration Policy, while shareholders raised obvious concerns that adjustments could distract members of the Board of Management from their primary responsibilities, most of them told us that they understand that adjustments can also help incentivize members of the Board of Management to make effective decisions in the best interests of the company and its stakeholders.

These considerations resulted in certain further changes to our adjustment methodology laid down in the proposed 2024 Remuneration Policy. First, in respect of adjusted Earnings Per Share growth (40% weighting in LTI performance), we have included an explicit reference to legal proceedings as potential significant events that were not planned when targets were set or that were outside of management’s control. The Supervisory Board notes that this may, under certain circumstances, allow for adjustments for significant one-off impacts that are directly related to the company’s efforts to drive resolution of and take away uncertainty around legal proceedings that have arisen from events prior to the performance period. Legal proceedings may include regulatory and other governmental proceedings, as reported on from time to time in the note on Contingencies to the company’s Group financial statements. As is the case for the inclusion of any adjustment, an adjustment for legal proceedings will only be made following a specific case-by-case assessment by the Supervisory Board and weighing the interest of the company and its stakeholders in resolving past issues, such as whether to seek a settlement instead of pursuing legal proceedings, and (if so) considering the size of and sentiment around such settlement. This change is specifically driven by our acknowledgement of our management’s current priority of resolving the consequences of the Respironics recall, and the importance of further steps which are expected to follow in respect of related legal proceedings. As also acknowledged by most of the shareholders we engaged with, it is in the interest of the company to uphold realistic but appropriate variable pay opportunities to incentivize management to make difficult decisions that may impact the company negatively in the short term, but that benefit the company and its stakeholders in the longer term. This will also enable us to retain sufficient market competitiveness supporting the effectiveness of our succession planning in line with our policy objective to attract, motivate and retain world-class talent.
Second, to continue to work to build trust and support from our investors, as well as broader society specifically in the Netherlands, we are explicitly committed to ensure that payout is aligned with company performance and stakeholder interest. With this commitment, we want to demonstrate our responsibility to ensure appropriate payouts, whether resulting from the selection of any externally reported adjusted metric or any adjustment for other financial metrics selected for our Annual Incentive, or any adjustment of reported Earnings Per Share (EPS) for LTI Plan EPS purposes. In all such cases, the Supervisory Board will weigh against company performance and stakeholder interest and clearly articulate the reasons for the adjustment. Through our remuneration reports we will continue to render accountability for our future decisions implementing the proposed 2024 Remuneration Policy.

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.

6. **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 9, 2023.

7. **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 7, 2024. 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 9, 2023.

8. **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 7, 2024, or to be acquired by the company under the authorization referred to under agenda item 7 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 7, 2024, plus the number of shares that may be acquired in accordance with the authorization referred to under agenda item 7. 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 7, to the extent that such shares shall not be used to cover obligations under share-based remuneration or other obligations.