

## Agenda for the Annual General Meeting of Shareholders 2020

To be held at the **Hotel Okura Amsterdam**, Ferdinand Bolstraat 333, Amsterdam on **Thursday, April 30, 2020**, beginning at **14.00 hours CET**.

### 1. Speech of the President

### 2. Annual Report 2019

- 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 cash or in shares at the option of the shareholder, against the net income for 2019 \*
- d. Remuneration Report 2019 (advisory vote) \*
- e. Proposal to discharge the members of the Board of Management \*
- f. Proposal to discharge the members of the Supervisory Board \*

### 3. 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 approve a Long-Term Incentive Plan for the Board of Management \*
- c. Proposal to adopt a Remuneration Policy for the Supervisory Board \*

### 4. Composition of the Supervisory Board

- a. Proposal to re-appoint Ms N. Dhawan as member of the Supervisory Board with effect from April 30, 2020 \*
- b. Proposal to appoint Mr F. Sijbesma as member of the Supervisory Board with effect from April 30, 2020 \*
- c. Proposal to appoint Mr P. Löscher as member of the Supervisory Board with effect from April 30, 2020 \*

### 5. 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 April 30, 2020, 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 April 30, 2020, 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 April 30, 2020.

## **6. 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 April 30, 2020, within the limits of the 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 April 30, 2020, 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.

## **7. 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 \*

## **8. Any other business**

*Agenda items marked with an asterisk (\*) are voting items. This agenda with explanatory notes, the Annual Report 2019 (including the financial statements), the proposed Remuneration Policy and Long-Term Incentive Plan for the Board of Management and the proposed Remuneration Policy for the Supervisory Board, the binding nominations and other documents relevant for the Annual General Meeting 2020 have been published on the company's website ([www.philips.com/agm](http://www.philips.com/agm)). The meeting documents are also available, free of charge, at the offices of the company (Amstelplein 2, 1096 BC Amsterdam), at ABN AMRO Bank N.V., Corporate Broking (Gustav Mahlerlaan 10 (HQ 7212), 1082 PP Amsterdam, tel +31 20 344 2000 and email: [ava@nl.abnamro.com](mailto:ava@nl.abnamro.com)), and will be available at the meeting.*

## Explanatory notes to the agenda for the AGM 2020

### 1. Speech of the President

In his speech the President will look back on the financial year 2019, including the company's financial performance.

### 2. Annual Report 2019

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 2019 (as included in the Annual Report 2019), and item 2.c is a proposal to adopt an optional dividend in cash or shares (see below for more details).

Agenda item 2.d is a new item, following the implementation of the revised EU Shareholders Rights Directive (2017/828) into Dutch law (effective December 2019). Under this item, the Remuneration Report 2019 for the Board of Management and the Supervisory Board is submitted to the General Meeting of Shareholders for an advisory vote. The Remuneration Report 2019 was drawn up by the Supervisory Board (as prepared by its Remuneration Committee) and included in the Annual Report 2019 (Section 8.2.2, starting on page 66). It is proposed to approve the Remuneration Report 2019.

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 2019. 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.

It is proposed to distribute a dividend of EUR 0.85 per common share (up to EUR 761 million if all shareholders would elect cash), in cash or shares at the option of the shareholder, against the net income for 2019, 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 5, 2020 at the New York Stock Exchange and Euronext Amsterdam. In compliance with the listing requirements of the New York Stock Exchange and the stock market of Euronext Amsterdam, the dividend record date will be May 6, 2020. Shareholders will be given the opportunity to make their choice between cash and new shares between May 7 and 29, 2020. If no choice is made during this election period, the dividend will be paid in cash. On May 29, 2020 after close of trading on Euronext Amsterdam, 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 27, 28 and 29, 2020. 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 the gross dividend in cash. The ratio and the number of shares to be issued will be announced on June 3, 2020. Payment of the dividend in cash and delivery of new common shares, with settlement of fractions in cash, if required, will take place from June 4, 2020. The distribution of dividend in cash to holders of New York Registry shares will be made in USD at the USD/ EUR rate as per WM/ Reuters FX Benchmark 2 PM CET fixing of June 2, 2020.

The newly issued common shares will rank for the dividend for the 2020 financial year and following financial years.

Dividend in cash is in principle subject to 15% Dutch dividend withholding tax, which will be deducted from the dividend in cash paid to the shareholders. Dividend in shares paid out of net income 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. Remuneration of the Board of Management and the Supervisory Board

The proposals referred to below aim to implement a number of changes to the remuneration for the Board of Management, compared to the current remuneration structure: an adjustment of the Quantum Peer Group for compensation benchmarking purposes; the definition of performance categories for the individual element of the Annual Incentive; and the introduction of a sustainability criterion in the Long-Term Incentive. The proposals are furthermore aligned with new Dutch law, following the implementation of the revised EU Shareholders Rights Directive. The new statutory regime also requires that a Remuneration Policy be adopted for the Supervisory Board.

Under item 3.a, it is proposed to adopt an amended Remuneration Policy for the Board of Management. Subject to its adoption by the General Meeting of Shareholders, the proposed 2020 Remuneration Policy will replace the current Remuneration Policy, adopted by our shareholders during the 2017 Annual General Meeting of Shareholders.

Item 3.b is a proposal to approve an amended Long-Term Incentive Plan for the Board of Management. Subject to its approval by the General Meeting of Shareholders, the proposed 2020 Long-Term Incentive Plan will replace the current Long-Term Incentive Plan, approved by our shareholders during the 2017 Annual General Meeting of Shareholders.<sup>1</sup>

As agenda item 3.c, a proposal is included to adopt a Remuneration Policy for the Supervisory Board. The fee levels in this proposed Remuneration Policy are the same as the current Supervisory Board fee levels, determined by our shareholders during the 2018 Extraordinary General Meeting of Shareholders.

All proposals have been published on the company's website ([www.philips.com/aggm](http://www.philips.com/aggm)). The proposals were prepared by the Remuneration Committee, which has been engaging proactively with our stakeholders, including a number of the company's shareholders and institutional advisory organizations, to solicit their feedback on, and support for the proposals. For more information on our stakeholder engagements, please refer to the section 'Process and stakeholder engagement' of each of the proposed Remuneration Policies.

### 4. Composition of the Supervisory Board

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

#### a. Ms N. Dhawan (1959, Indian)

Neelam Dhawan has been a member of the Supervisory Board since 2012. She is Head of the India Advisory Board of IBM, Non-Executive Board Member of ICICI Bank Limited and Yatra Online Inc., and former Vice President, Global Sales and Alliance - Asia Pacific & Japan, of Hewlett Packard Enterprise.

<sup>1</sup> In the event that the proposed 2020 Remuneration Policy for the Board of Management is adopted, but the proposed 2020 LTI Plan is not approved during the 2020 AGM, the current 2017 LTI Plan will continue to apply and shall in case of conflicts prevail over the 2020 Remuneration Policy (in particular the included performance criteria).

Taking into account the desired profile of the Supervisory Board, including its diversity policy and the desired competencies and experiences, the Supervisory Board proposes the re-appointment of Ms Dhawan (in accordance with the Dutch Corporate Governance Code) for an additional period of two years on the basis of her in-depth knowledge of the IT industry, including software engineering, research and IT and her overall qualities as a Supervisory Board member, as demonstrated during her past period as member of the Supervisory Board.

Ms Dhawan holds no shares in Royal Philips and is considered an independent member of the Supervisory Board under the Dutch Corporate Governance Code and, in view of her membership of the Audit Committee, under the applicable US Securities and Exchange Commission standards.

**b. Mr F. Sijbesma (1959, Dutch)**

Feike Sijbesma is a recognized global business and sustainability leader. He was a member of the Managing Board of Royal DSM for 20 years, of which almost 13 years as CEO. Under his leadership, DSM has gone through a significant transformation and repositioned itself from a chemical company into an innovative science based company, focused on nutrition, health and sustainable living. Mr Sijbesma will leave DSM per May 1, 2020, although he will continue to act as an ambassador to the company as its Honorary Chairman.

Mr Sijbesma is a member of the Supervisory Board of the Dutch Central Bank (DNB), 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 holds no shares in Royal Philips and is considered an independent member of the Supervisory Board under the Dutch Corporate Governance Code.

**c. Mr P. Löscher (1957, Austrian)**

Peter Löscher is a seasoned business leader in the medical technology and pharmaceutical industries. He has held various executive leadership positions, including as President and CEO of Siemens AG, President of Global Human Health and Member of the Executive Board of Merck & Co., President and CEO of GE Healthcare Bio-Sciences and member of GE's Corporate Executive Council, and CEO and Delegate of the Board of Directors at Renova Management AG.

Currently, Mr Löscher is the Chairman of the Board of Directors at Sulzer AG, member of the Board of Directors at Telefónica S.A. (and, effective April 1, 2020, member of the Supervisory Board of its (indirect) majority-owned subsidiary Telefónica Deutschland Holding AG), and Non-Executive Director at two privately held companies, Thyssen-Bornemisza Group AG and Doha Venture Capital LLC. He is furthermore, among others, Senior Advisor at Bain Capital Private Equity in the US.

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

In respect of the newly nominated Messrs Sijbesma and Löscher, the Supervisory Board also notes that their outstanding experience will be highly valuable to Philips, as the company is expanding its leadership in health technology solutions, on a mission to make the world healthier and more sustainable through innovation. Subject to his appointment, Mr Sijbesma will become Vice-Chairman alongside the current Vice-Chairwoman Christine Poon, whose third term will expire in 2021.

The Supervisory Board is therefore very pleased that Ms Dhawan remains, and Messrs Sijbesma and Löscher will be available as members of the Supervisory Board.

The Supervisory Board proposes to re-appoint Ms Dhawan for a period of two years and to appoint Messrs Sijbesma and Löscher for a period of four years. In line with the Dutch Corporate Governance Code and the Articles of Association, the term of appointment of Ms Dhawan will expire at the end of the Annual General Meeting to be held in 2022, and the term of appointment of each of Messrs Sijbesma and Löscher will expire at the end of the Annual General Meeting to be held in 2024.

In accordance with the Articles of Association of the company, the Supervisory Board has made binding nominations regarding the (re-)appointment of each of Ms Dhawan and Messrs Sijbesma and Löscher. Upon the proposed re-appointment and appointments, the Supervisory Board will consist of ten members, four women and six men, with eight nationalities.

## **5. 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, 2019.

## **6. 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 April 30, 2020. 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, 2019.

## 7. 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 April 30, 2020 or to be acquired by the company under the authorization referred to under agenda item 6 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 April 30, 2020 plus the number of shares that may be acquired in accordance with the authorization referred to under agenda item 6. 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 6, to the extent that such shares shall not be used to cover obligations under share-based remuneration or other obligations.

