

**SAMENVATTING VAN DE DISCUSSIE IN DE
ALGEMENE VERGADERING VAN AANDEELHOUDERS**

VAN

KONINKLIJKE PHILIPS N.V.

**GEHOUDEN OP 6 MEI 2021
TE AMSTERDAM**

Aanvang van de vergadering: 14:00 uur

Voorzitter: Jeroen van der Veer

Opening

De *voorzitter* opent de Algemene Vergadering van Aandeelhouders van Koninklijke Philips N.V. en meldt dat vanwege de uitbraak van het coronavirus, en om de gezondheid en veiligheid van alle deelnemers aan de vergadering te beschermen, besloten is om virtueel te vergaderen.

De *voorzitter* stelt de op het podium aanwezige leden van de Raad van Bestuur voor, alsmede de heer Sijbesma, lid van de Raad van Commissarissen. Verder meldt hij dat mevrouw Poon, voorzitter van de Remuneration Committee, en mevrouw Doherty, voorzitter van de Audit Committee, via een audiovisuele verbinding actief deelnemen aan de vergadering. Vanwege de omstandigheden nemen de overige leden van de Raad van Commissarissen via de webcast deel aan de vergadering. Namens de externe accountant, Ernst & Young Accountants LLP (EY), is mevrouw Overbeek-Goeseije aanwezig.

De *voorzitter* licht toe dat een aantal aandeelhouders gehoor heeft gegeven aan de oproep om voorafgaand aan de vergadering vragen in te dienen. De vragen zullen tijdens de behandeling van de relevante agendapunten worden beantwoord. De aandeelhouders die voorafgaand aan de vergadering vragen hebben gesteld, zijn in de gelegenheid om via een audiovisuele verbinding vervolgvragen te stellen (om praktische redenen aan het einde van de agendapunten 2, 4 en 8).

De *voorzitter* opent de stemprocedure, zodat tijdens de vergadering online op de voorstellen kan worden gestemd door de aandeelhouders die zich daarvoor hebben aangemeld.

1. Toespraak van de President

De *voorzitter* nodigt de heer Van Houten uit om zijn toespraak als President van Philips te houden.¹

2. Jaarverslag 2020

De *voorzitter* maakt enkele opmerkingen over het voorstel tot uitkering van dividend.

De *voorzitter* merkt op dat een (adviserende) stem kan worden uitgebracht op het voorstel tot goedkeuring van het Bezoldigingsverslag 2020, en geeft het woord aan mevrouw Poon, voorzitter van de Remuneration Committee, voor een toelichting op dat verslag.

Mevrouw *Poon* gaat in op de implementatie van het in 2020 vastgestelde Beloningsbeleid en bespreekt de voornaamste elementen van dat beleid. Vervolgens rapporteert zij over de beslissingen die de Raad van Commissarissen in 2020 nam ten aanzien van de beloning van de leden van de Raad van Bestuur. Achtereenvolgens bespreekt zij de herziening van de basissalarisniveaus, de Annual Incentive betalingen en de begin 2021 goedgekeurde 'vesting' van de in 2018 toegekende performance shares.

De *voorzitter* wijst erop dat de jaarcijfers zijn gecontroleerd door EY.

¹ De Engelse tekst van de door de heer Van Houten gehouden toespraak is gepubliceerd op de Philips-website: www.philips.com/agm.

De *voorzitter* meldt dat voorafgaand aan de vergadering vragen zijn ingediend door Eumedion/NN Investment Partners (NNIP), de Beleggersvereniging VEB, de Vereniging van Beleggers voor Duurzame Ontwikkeling (VBDO), en GVC Gaesco (een Spaanse sustainability asset manager).

Achtereenvolgens voeren de heer *Van Houten* en mevrouw *Poon* het woord, om antwoord te geven op schriftelijke vragen van Eumedion/NNIP, de VEB, de VBDO en GVC Gaesco.²

De *voorzitter* opent de mogelijkheid om vervolgvragen te stellen.

De heer *Keyner* (VEB) vraagt of Philips rekening houdt met risico's van cybercriminaliteit die zich bij de klanten van de onderneming zouden kunnen voordoen. De heer *Van Houten* antwoordt dat Philips zich bewust is van de kwetsbaarheden van, bijvoorbeeld, IT-systemen van ziekenhuizen, en klanten aanbiedt om hen te helpen bij de bescherming tegen cybercriminaliteit.

Mevrouw *Reike* (VBDO) refereert aan de recente verkoop door Philips van haar bedrijfsonderdeel Domestic Appliances, en zij vraagt hoe Philips ervoor zorgt dat ook de koper zal streven naar circulariteit en andere duurzaamheidsdoelstellingen. De heer *Van Houten* antwoordt dat er met de koper een licentieovereenkomst is gesloten op grond waarvan deze de merknaam 'Philips' mag gebruiken. In die overeenkomst is opgenomen dat ook de koper zich moet houden aan bepaalde duurzaamheidsstandaarden die Philips zelf hanteert.

3. Samenstelling van de Raad van Bestuur

De *voorzitter* geeft een korte toelichting op stempunt 3.

4. Samenstelling van de Raad van Commissarissen

De *voorzitter* geeft een korte toelichting op stempunten 4a en 4b.

De *voorzitter* constateert dat er geen vervolgvragen worden gesteld over de agendapunten 3 en 4.

5. Machtiging van de Raad van Bestuur tot (i) uitgifte van aandelen of toekenning van rechten op het verwerven daarvan en (ii) het beperken of uitsluiten van voorkeursrechten

De *voorzitter* geeft een korte toelichting op stempunten 5a en 5b.

6. Machtiging van de Raad van Bestuur om eigen aandelen in te kopen

De *voorzitter* geeft een korte toelichting op stempunt 6.

7. Intrekking van aandelen

De *voorzitter* geeft een korte toelichting op stempunt 7.

8. Rondvraag

De *voorzitter* constateert dat er geen vervolgvragen worden gesteld over de agendapunten 5 tot en met 8.

² De Engelse tekst van de tijdens de vergadering behandelde vragen en antwoorden is een bijlage van deze samenvatting.

Formele constatering en stemresultaten

De *voorzitter* geeft de formele constatering van de notaris door. Zo is uit de voorbereiding op de vergadering gebleken dat de wettelijke en statutaire eisen in acht zijn genomen, zodat de algemene vergadering wettig bijeengeroepen is en bevoegd is rechtsgeldig te besluiten over alle in de agenda vermelde onderwerpen.

Voorts is uit de telling van de notaris gebleken dat bij aanvang van de vergadering een kapitaal van afgerond 126.897.000 euro vertegenwoordigd was, rechtgevend op afgerond 634.485.000 stemmen. Gelet op het aantal uitstaande aandelen van de vennootschap dat uitstond op de registratiedatum, is hiermee afgerond 70% van het stemgerechtigde geplaatste kapitaal vertegenwoordigd.

Tot slot, de Raad van Bestuur en de Raad van Commissarissen hebben geen voorstellen ontvangen van aandeelhouders tot het plaatsen van andere onderwerpen op de agenda.

De *voorzitter* sluit de stemprocedure, gaat over tot het tonen van de stemresultaten en stelt vast welke besluiten zijn genomen (overeenkomstig de voorstellen blijkend uit de agenda en de toelichting daarop).

Agendapunt 2b: Voorstel tot vaststelling van de jaarrekening

Voor:	632.746.804	99,96%
Tegen:	233.401	0,04%
Onthoudingen:	1.505.177	

De voorzitter stelt vast dat het voorstel is aangenomen.

Agendapunt 2c: Voorstel tot uitkering van dividend 2020

Voor:	630.916.010	99,47%
Tegen:	3.363.637	0,53%
Onthoudingen:	205.735	

De voorzitter stelt vast dat het voorstel is aangenomen.

Agendapunt 2d: Voorstel tot goedkeuring van het Bezoldigingsverslag 2020 (adviserende stemming)

Voor:	525.535.782	83,96%
Tegen:	100.403.008	16,04%
Onthoudingen:	8.546.592	

De voorzitter stelt vast dat het voorstel is aangenomen.

Agendapunt 2e: Voorstel tot decharge van de leden van de Raad van Bestuur

Voor:	614.783.374	97,37%
Tegen:	16.619.181	2,63%
Onthoudingen:	3.082.827	

De voorzitter stelt vast dat het voorstel is aangenomen.

Agendapunt 2f: Voorstel tot decharge van de leden van de Raad van Commissarissen

Voor:	614.777.250	97,37%
Tegen:	16.621.393	2,63%
Onthoudingen:	3.086.739	

De voorzitter stelt vast dat het voorstel is aangenomen.

Agendapunt 3: Voorstel tot herbenoeming van de heer M.J. van Ginneken als lid van de Raad van Bestuur

Voor:	630.264.347	99,84%
Tegen:	985.968	0,16%
Onthoudingen:	3.235.067	

De voorzitter stelt vast dat het voorstel is aangenomen.

Agendapunt 4a: Voorstel tot benoeming van mevrouw S.K. Chua als lid van de Raad van Commissarissen

Voor:	629.007.782	99,65%
Tegen:	2.218.843	0,35%
Onthoudingen:	3.258.757	

De voorzitter stelt vast dat het voorstel is aangenomen.

Agendapunt 4b: Voorstel tot benoeming van mevrouw I.K. Nooyi als lid van de Raad van Commissarissen

Voor:	628.741.492	99,60%
Tegen:	2.521.863	0,40%
Onthoudingen:	3.222.027	

De voorzitter stelt vast dat het voorstel is aangenomen.

Agendapunt 5a: Voorstel tot machtiging van de Raad van Bestuur tot uitgifte van aandelen of toekenning van rechten op het verwerven daarvan

Voor:	619.672.247	97,71%
Tegen:	14.534.122	2,29%
Onthoudingen:	279.013	

De voorzitter stelt vast dat het voorstel is aangenomen.

Agendapunt 5b: Voorstel tot machtiging van de Raad van Bestuur tot het beperken of uitsluiten van voorkeursrechten

Voor:	599.417.572	94,54%
Tegen:	34.620.940	5,46%
Onthoudingen:	446.870	

De voorzitter stelt vast dat het voorstel is aangenomen.

Agendapunt 6: Voorstel tot machtiging van de Raad van Bestuur om eigen aandelen in te kopen

Voor:	616.012.705	97,40%
Tegen:	16.451.368	2,60%
Onthoudingen:	2.021.309	

De voorzitter stelt vast dat het voorstel is aangenomen.

Agendapunt 7: Voorstel tot intrekking van aandelen

Voor:	633.512.847	99,92%
Tegen:	521.830	0,08%
Onthoudingen:	450.705	

De voorzitter stelt vast dat het voorstel is aangenomen.

Na de vaststelling van de genomen besluiten besteedt de *voorzitter* aandacht aan de personele mutaties binnen de Raad van Commissarissen, te weten het vertrek van de heer Van der Veer (die als voorzitter wordt opgevolgd door de heer Sijbesma), mevrouw Poon en mevrouw Gadiesh. Daarover voeren achtereenvolgens de heer *Van Houten*, de voorzitter zelf en de heer *Sijbesma* kort het woord.

De *voorzitter* sluit de vergadering.

Questions & Answers submitted for the Annual General Meeting of Shareholders 2021

Eumedion

<p>Q1</p>	<p>Recently, an article was published on Hillhouse Capital, and the fact that they may be related to the exploitation of Uyghurs in Xinjiang. Could you please indicate whether any due diligence was done regarding the buyer of DA, and whether human rights have been part of such due diligence? Has there been any contact with Hillhouse Capital, and what have been your findings?</p>
<p>A1</p>	<p>We have of course performed due diligence, and Hillhouse Capital has no investments in the referenced company that is associated with the situation in the Xinjiang province.</p> <p>I would like to add that Hillhouse Capital is a renowned, international investment fund with a long-term focus on growth. Their capital comes from 'Ivy League' universities such as Yale, Princeton and the University of Pennsylvania, among others. They have deep expertise in online sales channels and digital transformation of which Domestic Appliances will definitely be able to benefit.</p>
<p>Q2</p>	<p>Over recent years, we discussed diversity within the company, in particular gender diversity. Which specific actions were taken during the past year to promote the flow of women to managerial positions? Did you also look into your hiring policies/practices?</p>
<p>A2</p>	<p>Philips is making good progress on gender diversity, especially at higher corporate grades in the organization – at lower grades we already had a quite diverse workforce. We have various programs and trainings in place, which start with the hiring of new staff (unconscious bias training). We are also better able to hire and retain female talent. We also would like to stress that gender is just one dimension of diversity.</p> <p>Gender diversity in senior positions increased to 27% in 2020. This is more than the 25% goal for 2020, and indicates that we are on the right track, but we realize quite well that we are not there yet, and thus need to continue to reach a much higher percentage.</p>

Q3	The RemCo decided to adjust the EPS targets. Can you explain why these adjustments have been made?
A3	<p>Our Remuneration Policy and LTI Plan allows us to use Adjusted Earnings per Share (EPS) as part of our measurements. The adjustments that we make to EPS include changes due to accounting principles, non-recurring events that were not foreseen at time of target setting, and generally events that were deemed to be outside the control of management. In 2018 and 2019 these principles led to downward adjustments to EPS of 16 and 30 cents respectively, while in 2020 it led to an upward adjustment of 16 cents.</p> <p>In 2020, the vast majority of our adjustments were related to the impact of divestments and acquisitions. The Remuneration Committee and the Supervisory board make highly disciplined decisions around these adjustments, and for example, we did not include any adjustments relating to the pandemic.</p>

Beleggersvereniging VEB

Q4	<p>It is conceivable that protectionism could turn out to be a structural development, initiating a process of deglobalization. For a multinational company like Philips, it is important to guard against this scenario.</p> <p>a. To what extent does this cause Philips to build more (local) factories, hold more stocks or work with more suppliers?</p> <p>b. If Philips is going to increase buffers, to what extent will such inefficiencies weigh on adjusted EBITA margin and ROIC over time?</p>
A4	<p>We also see geopolitical tensions and expect they will stay with us for some time and, to the extent possible, have catered to that in our manufacturing and supply chain strategy. We have moved to a more regional manufacturing set-up, with about 30 factories spread across North America, China/APAC, Europe and to a certain extent Latin America.</p> <p>I would like note that our network of suppliers still is a worldwide network. And we can see with the semiconductor situation, a shortage is arising.</p> <p>There is no impact on EBITA margin and ROIC.</p>

<p>Q5</p>	<p>The financial markets assign significantly higher valuations to companies where a large portion of revenue is recurring annually ("recurring revenue").</p> <p>a. What can Philips do to boost growth in the proportion of recurring revenue? b. The share of "sales over time" as a percentage of sales has been increasing in recent Years at both Diagnosis & Treatment and Connected Care. Where does Philips expect this percentage to end up in five years for both units?</p>
<p>A5</p>	<p>We expect the sales from solutions and recurring revenue streams to continue to grow double-digits, to reach at least 50% of Group revenues by 2025 (currently already above 40% in 2020). We do that through increasing focus on solutions that combine systems, AI & Software, Services and Smart devices, with long-term contracts. One example I can mention are integrated suites hospitals use to perform minimally invasive operations.</p>
<p>Q6</p>	<p>Philips will sell its home appliances branch to Chinese investment firm Hillhouse.</p> <p>a. Does Philips see opportunities to make larger acquisitions with these proceeds? b. To what extent would Philips like to expand its position in medical devices (particularly radiotherapy)?</p>
<p>A6</p>	<p>We have already allocated a large part of those proceeds. In recent months, we strengthened our Image-Guided Therapy business with the acquisition of Intact Vascular, and our Connected Care business with the acquisitions of BioTelemetry and Capsule Technologies. These acquisitions represented a total of more than 3 billion euros. And we have a EUR 1.5 billion share buyback program underway, which will result in approximately EUR 750 million cash-out by 2021.</p> <p>Philips is first and foremost an organic growth company. The higher growth expectation is the result of our investments in R&D. If good acquisition candidates come along, we are ready.</p>

<p>Q7</p>	<p>In the goodwill section of the annual report, at the Image-Guided Therapy CGU, the growth assumptions for both the initial and extrapolation forecast periods have been revised downward.</p> <p>a. Why have the expectations for Image-Guided Therapy been adjusted downward?</p> <p>b. Have expectations for Spectranetics and/or Volcano changed negatively from the time of acquisition?</p>
<p>A7</p>	<p>This is due to a change in the method of calculating growth forecasts, over a four-year period instead of a three-year period. Without that changed methodology, the growth forecast would have remained the same. As we indicated at our most recent Capital Markets Day last year, we expect our IGT sales to have high-single-digit growth by 2025, and to achieve an Adjusted EBITA margin in excess of 20%.</p> <p>Our IGT business is doing very well, and this business was already growing at double-digit rates in Q1 2021. And this is all driven by the acquisitions of Volcano and Spectranetics. Furthermore, it is important to note that this business currently has a mid-teens Adjusted EBITA margin, whereas Volcano and Spectranetics were making losses when we acquired them. They exemplify outstanding acquisitions.</p>
<p>Q8</p>	<p>Last year, Philips acquired US-based BioTelemetry for \$2.8 billion (or 6.4 times sales).</p> <p>a. How does Philips define "value creation" when making acquisitions and when do you expect BioTelemetry's ROIC to be above the cost of capital?</p> <p>b. How does BioTelemetry's value creation potential compare to its ambition to achieve a mid to high teens ROIC by 2025?</p>
<p>A8</p>	<p>We believe the acquisition of BioTelemetry fits very well with our business strategy. BioTelemetry is growing strongly with a very attractive profitability profile. The remote patient monitoring market segment is growing fast and will continue to grow fast. BioTelemetry is the market leader and the only profitable player in this market.</p> <p>BioTelemetry has a leading services platform for patients with heart rhythm disorders. We are now going to roll that out outside the U.S., and expand the application to other diseases and conditions. We expect the BioTelemetry business to continue to grow at double-digit rates and the Adjusted EBITA margin to further improve in 2021 and to be more than 20% by 2025. Within 5 years, ROIC will exceed WACC.</p>

Vereniging van Beleggers voor Duurzame Ontwikkeling Q&A

<p>Q9</p>	<p>VBDO wants to compliment Philips on its circularity policy and the leadership role that it takes. Philips has set clear objectives and makes a distinction between more and less valuable circular processes (reuse and recycling, respectively), a distinction that not many companies report on as of yet. This year, VBDO is particularly curious about Philips' critical raw materials use and policy. Critical raw materials are often processed into products with a longer lifespan, which lowers the recycle and reuse percentages, among others emphasized by the European Raw Materials Alliance (ERMA). This initiative of the European Commission advocates the reduction and recycling of critical raw materials. Does Philips track the use of critical raw materials in its products? If not, does the company have the ambition to do so in the coming years?</p>
<p>A9</p>	<p>Philips aims to “Close the Loop” for all healthcare equipment offered to us by 2025. We are also a founding partner of the European Partnership for Responsible Minerals. At the same time, our EcoDesign efforts focus sustainable material usage.</p> <p>Today, we do not yet monitor Critical Raw Materials in our products. We do plan to investigate the Critical Raw Materials further and specify as part of the EcoDesign program.</p>
<p>Q10</p>	<p>Philips has been taking responsibility for working conditions in its supply chain for many years through its "Beyond Auditing" program. VBDO is curious to learn more about the overall results of the Beyond Auditing program that has been running since 2016. In the coming years, could Philips report on how successful the program has been so far? For example, by anonymously reporting on suppliers who have been in the program since the beginning, and how their supplier score or number of code violations has decreased? Or about suppliers categorized in the zero-tolerance category, that after mitigation measures actually reported a lower percentage of such events through the program? In addition, in the next annual report, could Philips share anonymous case studies to illustrate how it achieves impact with zero tolerance suppliers that fall short of expectations?</p>
<p>A10</p>	<p>In the Annual Report 2020 (p.265), we included a new table that already shows a break-down of year on year improvements of suppliers active in the program, including details on the categories with biggest improvements.</p> <p>For the first time in 2020, we disclosed the number of Zero Tolerances found, including to which categories they belong and how many have been resolved in the same year (p.264).</p> <p>We will consider the suggestions from VBDO to heart and will also consider the case study, on an anonymous basis, on how certain Zero Tolerances have been resolved and how specific suppliers improved their performance.</p>

<p>Q11</p>	<p>Inequality in gender, ethnicity and other factors is not only a risk in the work environment, but also a risk in medical treatments. This is demonstrated, for example, by the fact that women (and other minorities) have historically been significantly underrepresented in cardiovascular disease clinical research and clinical trials, which still has an effect on the diagnosis and treatment of these diseases in the respective groups. VBDO appreciates the fact that Philips is aware of this problem. Does Philips have a policy related to equality in medical practices, in its own product development and in its value chain, and how is the company pursuing its advocacy role to raise awareness of discrimination in healthcare?</p>
<p>A11</p>	<p>We are certainly aware of this. We believe that our products until now have had no bias, but as we will increasingly use AI in the future, big data, it definitely is a relevant topic. We have therefore formulated and published our ‘ethical principles on Artificial Intelligence’ and to which we adhere to prevent that any bias or discrimination is integrated in these kinds of applications.</p>

GVC Gaesco Gestión

<p>Q12</p>	<p>Your CO₂ 4% reduction objective (2017-2025) for the entire value chain seems limited compared to your own operations CO₂ reduction objective. What are the challenges you see to accomplish a bigger reduction there?</p>
<p>A12</p>	<p>I would like to clarify that we have on the one hand an annual sales growth of 5%-6% in the coming years which in fact increases the CO₂ emission related to our products. On the other hand, we are reducing by creating more energy efficient products. The sum of those two factors results in a 4% reduction of the absolute CO₂ emission over our entire value chain by 2025 compared to 2017.</p> <p>We were the first Health technology company to have our emission targets approved by the Science Based Target initiative, a collaboration between the CDP, the United Nations Global Compact (UNGC), the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).</p> <p>We want to be completely transparent about it. Most of our footprint is in the use-phase of our products. And therefore our EcoDesign efforts will lead to energy efficiency in our products, which then results in a reduction of Scope 2 and 3 emissions.</p>

<p>Q13</p>	<p>Would it be possible to have more detail on the Sustainability objectives set up to determine the 10% remuneration for the CEO on the Long Term Incentive Plan?</p>
<p>A13</p>	<p>These 10% sustainability objective was first designed into the LTI plan beginning in 2020 for the three year period ending in 2023. Philips believes that sustainability performance will improve the company's performance as a whole.</p> <p>Therefore, it has included performance criteria based on three Sustainable Development Goals as defined by the United Nations (no. 3, 12 and 13) in the LTI Plan.</p> <p>Annually, we set targets for Lives Improved, the operational carbon footprint, and – to accelerate the transition to a circular economy – Circular revenues, zero waste to landfill and Closing the Loop.</p> <p>For the purpose of this target setting process, our sustainability strategy is transposed into 3-year targets based on our latest projections and insights. As there is a certain degree of uncertainty embedded in these numbers, we will use a 'target range' rather than a fixed target as we assess performance against these particular metrics.</p>