

# PHILIPS

## Charter of the Remuneration Committee

### Philips Lighting N.V.

#### Definitions

<b>Board of Management</b>	:	the board of management of the Company;
<b>Company</b>	:	Philips Lighting N.V.;
<b>Remuneration Committee</b>	:	the remuneration committee of the Supervisory Board;
<b>Remuneration Committee Rules</b>	:	these rules of the Remuneration Committee;
<b>Supervisory Board</b>	:	the supervisory board of the Company; and
<b>Supervisory Board Rules</b>	:	the supervisory board rules of the Company.

#### Responsibilities of the Remuneration Committee

##### Article 1

- 1.1. The Remuneration Committee shall advise the Supervisory Board and prepare the decision-making of the Supervisory Board in relation to the committee's responsibilities.
- 1.2. The specific responsibilities of the Remuneration Committee are the following:
  - (a) reviewing and preparing – after consultation with the CEO (*chief executive officer*) and the head of corporate HRM/global reward of the Company – proposals for the Supervisory Board concerning the remuneration policies for the members of the Board of Management;
  - (b) reviewing and preparing proposals for the Supervisory Board concerning the individual remuneration of members of the Board of Management and certain senior executives designated by the Supervisory Board;
  - (c) reviewing and preparing proposals for the Supervisory Board concerning the corporate goals and objectives relevant to the annual incentive of members of the Board of Management;
  - (d) reviewing the performance of members of the Board of Management in light of those corporate goals and objectives and preparing proposals for the Supervisory Board on the compensation levels of the members of the Board of Management based on its review;
  - (e) preparing the Supervisory Board's report on the remuneration policies for the members of the Board of Management;
  - (f) exercising oversight over the development, implementation and administration of the Company's compensation programmes for members of the Board of Management; and
  - (g) reviewing and preparing proposals for the remuneration of the Supervisory Board.
- 1.3. In making any proposals relating to the long-term incentive component of the compensation of the members of the Board of Management, the Remuneration Committee must consider, among

other factors, the Company's performance, the enhancement of the value of the Company's group and the remuneration package for board-level executives of other multinational companies operating in global markets.

- 1.4. The CEO or the head of corporate HRM/global reward will provide the Remuneration Committee with all the information necessary to make a well-considered judgement on the remuneration of members of the Board of Management.
- 1.5. The Remuneration Committee has – at any time – the right to seek advice from internal and external experts and advisors on all kind of remuneration matters. If the Remuneration Committee makes use of the services of a remuneration consultant in carrying out its duties, it shall verify that the consultant concerned does not provide advice to the members of the Board of Management.
- 1.6. The Remuneration Committee shall prepare a report of its deliberations and findings and send this report to the Supervisory Board.

### **Composition of the Remuneration Committee**

#### **Article 2**

- 2.1. The Remuneration Committee consists of members of the Supervisory Board with a minimum of three. The members of the Remuneration Committee, its chairman, vice-chairman and secretary shall be appointed by the Supervisory Board. The secretary does not need to be a member of the Supervisory Board.
- 2.2. The chairman is primarily responsible for the proper functioning of the Remuneration Committee. He/she shall act as the spokesperson of the Remuneration Committee and shall be the main contact for the Supervisory Board.
- 2.3. Rules regarding the independence of members of the Remuneration Committee must be complied with, unless they apply on a comply or explain basis and the non-compliance is explained.
- 2.4. The following requirements must be observed in composing the Remuneration Committee:
  - (a) all of its members must be independent within the meaning of article 8.4 of the Supervisory Board Rules, with the exception of no more than one member;
  - (b) neither the chairman of the Supervisory Board nor any of the Company's former members of the Board of Management nor any member of the management board of any listed company other than the Company, may (simultaneously) be chairman of the Remuneration Committee; and
  - (c) none of its members, with the exception of no more than one person, are (simultaneously) member of the management board of any listed company other than the Company.
- 2.5. If a member of the Remuneration Committee is or becomes aware of any circumstance which may reasonably impair or affect his or her independence or the perception of his or her independence, that member will inform the Remuneration Committee promptly. The Remuneration Committee will then consult with the Supervisory Board to determine whether

there is sufficient cause for that member to resign from, or terminate his or her membership of the Remuneration Committee.

- 2.6. The vice-chairman deputises for the chairman when the occasion arises. The vice-chairman acts as contact of individual members of the Supervisory Board concerning the functioning of the chairman.

## Meetings

### Article 3

- 3.1. The Remuneration Committee meets whenever one or more of its members have requested such meeting and at least twice a year.
- 3.2. Meetings of the Remuneration Committee are called in writing by or on behalf of the chairman or in his absence or inability by the vice-chairman of the Remuneration Committee. The invitation to meetings must contain the agenda. Every member can suggest items for the agenda. The agenda and accompanying materials for the meeting must be sent to the members in good time before any meeting.
- 3.3. The Remuneration Committee and the chairman may request officers, external advisors of the Company's group or other parties to be present at a meeting of the Remuneration Committee.
- 3.4. Meetings of the Remuneration Committee are chaired by the chairman and in his absence by the vice-chairman. If both the chairman and the vice-chairman are not present at a meeting, the most senior member present will act as chairman.
- 3.5. If a member of the Remuneration Committee is frequently absent during meetings of the Remuneration Committee, the chairman of the Remuneration Committee will discuss this with that member. If the chairman of the Remuneration Committee is frequently absent during meetings, the vice-chairman of the Remuneration Committee will discuss this with the chairman.
- 3.6. The minutes of the meeting are prepared by the secretary of the Remuneration Committee or any other person designated by the chairman or in his absence or inability by the vice-chairman of the Remuneration Committee. The minutes must be signed for adoption by the chairman and the secretary of the relevant meeting.
- 3.7. The Remuneration Committee shall provide the Supervisory Board with a report of its deliberations and findings.

## Resolutions of the Remuneration Committee

### Article 4

- 4.1. The provisions of the Supervisory Board Rules regarding the adoption of resolutions by the Supervisory Board apply mutatis mutandis to the adoption of resolutions by the Remuneration Committee.
- 4.2. In deviation of article 4.1, if no resolution can be adopted by the Remuneration Committee as a consequence of a Conflict of Interest (as defined in the Supervisory Board Rules) of all members of the Remuneration Committee, the relevant resolution will be referred to the Supervisory Board.

## Status and contents of the Remuneration Committee Rules

### Article 5

- 5.1. The Remuneration Committee Rules have been adopted by the Supervisory Board pursuant to article 3.3 of the Supervisory Board Rules.
- 5.2. The Remuneration Committee Rules are complementary to the rules and regulations (from time to time) applicable to the members of the Supervisory Board under Dutch law, the articles of association of the Company and the Supervisory Board Rules. If and to the extent the Remuneration Committee Rules are inconsistent with Dutch law, the articles of association or the Supervisory Board Rules, the Remuneration Committee Rules shall not apply.
- 5.3. The Remuneration Committee may in exceptional cases, as the circumstances may require, at its discretion decide to deviate from the Remuneration Committee Rules.

### Governing law

#### Article 6

The Remuneration Committee Rules are governed by and to be construed in accordance with Dutch law.

*July 2016*