

# PHILIPS

## Supervisory Board Rules

### Philips Lighting N.V.

#### Definitions

<b>Articles of Association</b>	:	the articles of association of the Company;
<b>Audit Committee</b>	:	the audit committee of the Supervisory Board;
<b>Board of Management</b>	:	the board of management of the Company;
<b>Chairman</b>	:	the chairman of the Supervisory Board;
<b>Company</b>	:	Philips Lighting N.V.;
<b>Conflict of Interest</b>	:	a direct or indirect personal interest that conflicts with the interests of the Company in the meaning of 2:140 paragraph 5 of the Dutch Civil Code or a conflict of interest as described in the Dutch Corporate Governance Code;
<b>Corporate Governance and Nomination &amp; Selection Committee / CGNS Committee</b>	:	the corporate governance and nomination and selection committee of the Supervisory Board;
<b>Dutch Corporate Governance Code</b>	:	the code referred to in section 2:391 paragraph 5 of the Dutch Civil Code;
<b>General Meeting</b>	:	the corporate body that consists of shareholders and all other persons with meeting rights / the meeting in which the shareholders and all other persons with meeting rights assemble;
<b>General Secretary</b>	:	the general secretary appointed in accordance with article 2.6;
<b>Group</b>	:	the Company and the companies and enterprises that belong to the Company's group;
<b>Inside Information</b>	:	inside information as defined in the Company's rules of conduct;
<b>Related Party Transactions Policy</b>	:	the policy included in Annex II to these Rules;
<b>Remuneration Committee</b>	:	the remuneration committee of the Supervisory Board;
<b>Royal Philips</b>	:	Koninklijke Philips N.V.;
<b>Royal Philips Nominee</b>	:	a member of the Supervisory Board appointed following a nomination by Royal Philips in accordance with the relationship agreement entered into by the Company and Royal Philips;
<b>Rules</b>	:	these rules of the Supervisory Board;
<b>Securities</b>	:	amongst others shares, bonds, convertible bonds,

options, warrants and other derivative securities, share swaps and similar agreements, securities whose value is determined in whole or in part (e.g., more than 10%) by the value of securities mentioned above, and employee stock options, performance shares and restricted share rights;

**Supervisory Board** : the supervisory board of the Company; and  
**Vice-Chairman** : the vice-chairman of the Supervisory Board.

## Responsibilities of the Supervisory Board

### Article 1

- 1.1. The Supervisory Board supervises the policies, management and the general affairs of the Group. The members of the Supervisory Board assist the Board of Management with advice on general policies related to the activities of the Group.
- 1.2. In fulfilling their responsibilities, the members of the Supervisory Board act in the interest of the Group and give specific attention to the relevant interests of the Company's shareholders and of the employees, customers, suppliers and other stakeholders of the Group. In carrying out their supervisory function, the basic principles of responsible and reasonable entrepreneurship aiming for a satisfactory return on investment serve as guiding principles for the members of the Supervisory Board. The Supervisory Board must ensure that policies are at any rate in conformity with the law and the Articles of Association, and that the proper continuity of the Company and the Group is ensured. Criteria for this include considerations such as whether the decisions made or to be made by the members of the Board of Management are well founded, in the interest of the Group and whether they are arrived at with due care.
- 1.3. The Supervisory Board must act in a manner that is critical and constructive. Its supervisory function requires a certain restraint in respect of the actual policies and management and the general affairs of the Group, in order to facilitate an impartial supervision and, if necessary, intervention. In carrying out its supervisory function, the Supervisory Board must, in principle, not get involved with the day-to-day implementation of the Company's policies.
- 1.4. The responsibilities and tasks of the Supervisory Board include supervising and advising the Board of Management with respect to:
  - a. the Group's performance;
  - b. the Group's general strategy and the risks connected to its business activities and the operational and financial objectives;
  - c. the parameters to be approved in relation to the strategy;
  - d. corporate social responsibility issues;
  - e. the structure and management of the systems of internal business controls;
  - f. the financial reporting process;
  - g. compliance with applicable laws and regulations; and



employees of the Group as they consider necessary to fulfil their duties. If members of the Board of Management have been invited to the Supervisory Board meetings, the members shall attend and provide at those meetings all information required by the Supervisory Board.

## **Responsibilities of the Chairman, Vice-Chairman, secretary of the Supervisory Board and the General Secretary of the Company**

### **Article 2**

- 2.1. The Supervisory Board will appoint the Chairman, Vice-Chairman and the secretary of the Supervisory Board from among its members. The Chairman shall be independent in the meaning of the Dutch Corporate Governance Code.
- 2.2. Meetings of the Supervisory Board 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.
- 2.3. The Chairman ensures that the members of the Supervisory Board and the committees function properly in all respects and comply with these Rules. He in principle is available at all times for consultation by the other members of the Supervisory Board and the Board of Management. The Chairman will remain in close and frequent contact with the CEO (*chief executive officer*) and if and when required with the other members of the Board of Management and keeps the Supervisory Board informed of these contacts regularly.
- 2.4. The Vice-Chairman deputises for the Chairman when the occasion arises. The Vice-Chairman acts as contact of individual members of the Supervisory Board or the Board of Management concerning the functioning of the Chairman of the Supervisory Board.
- 2.5. The Company will have a General Secretary. The General Secretary, either on the recommendation of the Supervisory Board or otherwise, is appointed and dismissed by the Board of Management, after the approval of the Supervisory Board has been obtained.
- 2.6. The Supervisory Board is supported by the General Secretary. The General Secretary sees to it that correct procedures are followed and that the Supervisory Board acts in accordance with its obligations under the law, regulations and the Articles of Association. The General Secretary assists the Chairman in the actual organization of the affairs of the Supervisory Board – in respect of information, agenda, evaluation, training program – and is the contact person for interested parties who want to make concerns known to the Supervisory Board. The General Secretary, either on the recommendation of the Supervisory Board or otherwise, is appointed and dismissed by the Board of Management, after the approval of the Supervisory Board has been obtained.
- 2.7. The Chairman and the General Secretary monitor the information to be submitted by or on behalf of the Board of Management to the Supervisory Board and request any other information as they consider appropriate.

## **Committees of the Supervisory Board**

### **Article 3**

- 3.1. The Supervisory Board, though remaining responsible, may assign certain tasks to one or more permanent and/or ad hoc committees formed from among its members. The function of these committees is to prepare the decision-making of the Supervisory Board. These committees have no independent or assigned powers unless and to the extent explicitly assigned by these Rules or by the Supervisory Board. The committees, on a regular basis, report on their actions, reviews, proposals, and findings to the Supervisory Board.
- 3.2. The members of these committees are appointed by the Supervisory Board, which also appoints the committee's chairman and its secretary, who does not need to be a member of the Supervisory Board, and establish the form and frequency of reporting to the members of the Supervisory Board.
- 3.3. Three permanent committees assist the Supervisory Board: a Corporate Governance and Nomination & Selection Committee, an Audit Committee and a Remuneration Committee. The charters of each of these committees are laid down in separate documents.
- 3.4. Until the date on which Royal Philips holds thirty percent or less of the issued and outstanding ordinary shares in the share capital of the Company, both the Audit Committee and the Remuneration Committee shall comprise a Royal Philips Nominee.

### Meetings of the Supervisory Board

#### Article 4

- 4.1. The Supervisory Board meets at least six times per year. The schedule for its meetings in the next year will be adopted each year at the latest in the last scheduled meeting of the then current year. One meeting will be scheduled to approve the annual accounts to be submitted to the General Meeting.
- 4.2. Meetings of the Supervisory Board are called in writing by or on behalf of the Chairman or in his absence by the Vice-Chairman. 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.
- 4.3. Meetings of the Supervisory Board and the committees may be held, and members of the Supervisory Board may participate in meetings, by telephone or videoconference.
- 4.4. Unless the Supervisory Board decides otherwise, the meetings of the Supervisory Board must be attended by the CEO (*chief executive officer*) and, if practically possible, by the other members of the Board of Management and by the General Secretary. If a Conflict of Interest concerning a member of the Supervisory Board or the Board of Management is discussed, the relevant member may not be present during those discussions. The external auditor of the Company must attend any meeting or (part of a) meeting of the Supervisory Board in which the annual accounts of the Company are discussed and approved.
- 4.5. The Supervisory Board and/or its Chairman may request officers, external advisors of the Group or other parties to be present at a meeting of the Supervisory Board. Upon request by Royal Philips, the Supervisory Board will invite an individual nominated by Royal Philips to become a Royal Philips Nominee to attend the meetings of the Supervisory Board.

- 4.6. If a member of the Supervisory Board is frequently absent during meetings of the Supervisory Board, the Chairman will discuss this with that member. If the Chairman is frequently absent during meetings of the Supervisory Board, the Vice-Chairman will discuss this with the Chairman.
- 4.7. The minutes of the meetings of the Supervisory Board are prepared under the responsibility of the General Secretary or any other person designated by the Chairman. The minutes must be signed for adoption by the Chairman and the General Secretary.

### **Items to be discussed in the Supervisory Board**

#### **Article 5**

- 5.1. At least once a year the Supervisory Board – on the basis of a written report of the Board of Management – will discuss the general strategy of the Group, as well as the main risks associated with its business activities, and the results of the assessment by the Board of Management of the structure and operation of the systems of internal business controls and any significant changes in these systems. The Audit Committee advises the Supervisory Board on these issues.
- 5.2. At least once a year the Supervisory Board will discuss – without the members of the Board of Management being present – the:
  - a. functioning of the Supervisory Board (and its individual members);
  - b. profile and composition of the Supervisory Board;
  - c. relationship with the Board of Management;
  - d. composition and the functioning of the Board of Management and their individual members;
  - e. succession of members of the Board of Management, and
  - f. remuneration of members of the Board of Management.
- 5.3. The Supervisory Board in consultation with the Board of Management will resolve on the inclusion in the agenda of the General Meeting of any proposal from shareholder(s), made in accordance with article 8.3.3 of the Articles of Association.

### **Resolutions of the Supervisory Board**

#### **Article 6**

- 6.1. Resolutions of the Supervisory Board are adopted by majority vote. Resolutions can only be adopted if at least one third of the members are present or represented, such quorum including at least one Royal Philips Nominee (as long as a Royal Philips Nominee is in office). A Conflict of Interest of one or all Royal Philips Nominees does not affect the ability of the Supervisory Board to adopt a resolution. A conflicted member must not be taken into account when calculating a quorum or majority requirement. If no resolution can be adopted by the Supervisory Board as a consequence of a Conflict of Interest of all members of the Supervisory Board, the relevant resolution will be referred to the General Meeting. If all members are present and agree, the members of the Supervisory Board may resolve on issues not on the agenda.
- 6.2. Upon a proposal by or on behalf of the Chairman, resolutions of the members of the Supervisory Board can also be adopted in writing if:

- a. a proposal for that resolution has been sent to all members;
- b. no member has objected to adopting such resolution in writing, and
- c. more than half of the members entitled to vote have voted in favour of the proposed resolution.

Article 6.1 applies accordingly.

The resolution of the members of the Supervisory Board will be recorded in writing and signed by the Chairman and the General Secretary.

- 6.3. A declaration signed by two members of the Supervisory Board that a resolution has been adopted serves as evidence to third parties of that resolution.
- 6.4. Resolutions to enter into transactions in which there is a Conflict of Interest with a member of the Supervisory Board that is of material significance to the Company and/or to the relevant member(s) of the Supervisory Board require the approval of the Supervisory Board.
- 6.5. Resolutions to determine the remuneration of the members of the Board of Management, or to approve a resolution of the Board of Management to determine the remuneration of certain senior executives designated by the Supervisory Board, require the affirmative vote of the Royal Philips Nominee that is a member of the Remuneration Committee, as long as Royal Philips' shareholding in the Company equals or exceeds 30% of the ordinary shares issued and outstanding.
- 6.6. Resolutions to approve a resolution of the Board of Management regarding:
  - (i) an issue of shares (or grant of a right to subscribe for shares) or to restrict or exclude pre-emptive rights accruing to shareholders on the basis of a delegation of this authority, or
  - (ii) a proposal to the General Meeting to issue shares (or grant a right to subscribe for shares) or a proposal to the General Meeting to restrict or exclude pre-emptive rights,
 requires the affirmative vote of a Royal Philips Nominee as long as Royal Philips' shareholding in the Company equals or exceeds 50% of the ordinary shares issued and outstanding.  
 The affirmative vote of the Royal Philips Nominee shall not be required if it concerns:
  - (i) an issue of shares to a person exercising a right to subscribe for shares, or
  - (ii) an issue of shares or grant of a right to subscribe for shares to an employee of the Company or a group company under any applicable employee share incentive plan.

## **Period of appointment and re-election**

### **Article 7**

- 7.1. The members of the Supervisory Board resign in accordance with a rotation plan established by the Supervisory Board.
- 7.2. Resolutions to nominate a member for re-election to the Supervisory Board are dealt with in the same manner and with the same degree of diligence as resolutions to nominate a person for election to the Supervisory Board for the first time.
- 7.3. A member of the Supervisory Board must step down in the event of inadequate functioning, structural conflicts, structural conflicting interests, any other compelling reason or when this is otherwise considered necessary at the discretion of the Supervisory Board.

- 7.4. Members of the Supervisory Board who temporarily take on the management of the Company in the event any member of the Board of Management is absent or unable to perform his duties must resign as a member of the Supervisory Board or temporarily suspend their activities as member of the Supervisory Board for the period they are performing management duties.
- 7.5. Each member of the Supervisory Board must attend after his appointment an introductory programme, in which attention will be paid to:
- a. the general financial and legal affairs of the Group;
  - b. the financial reporting by the Group;
  - c. specific aspects unique to the Group and its business activities, and
  - d. the responsibilities of members of the Supervisory Board.

The Supervisory Board will review each year those aspects which merit further training and education of the members of the Supervisory Board on the basis of an annual evaluation.

### Composition and profile of the Supervisory Board

#### Article 8

- 8.1. The Supervisory Board will exercise its powers to recommend persons for election to the Supervisory Board in such a way that the Supervisory Board and its members can fulfil their supervisory and advisory tasks independently and critically.
- 8.2. The Supervisory Board's composition follows the profile, which aims for an appropriate combination of knowledge and experience among its members, encompassing marketing, manufacturing, technology, financial, economic, social and legal aspects of international business and government and public administration in relation to the global character of the Company's businesses. The Supervisory Board pays great value to diversity in its composition. More particular it aims for having members with a European and a non-European background (nationality, working experience or otherwise), at least 30% male and at least 30% female members and one or more members with an executive or similar position in business or society no longer than 5 years ago. Each member of the Supervisory Board must be capable of assessing the broad outline of the overall policy of the Company.
- The profile of the Supervisory Board must be made public through publication in the Company's management commentary or on the Company's website.
- 8.3. The members of the Supervisory Board will recommend those persons for election to the Supervisory Board as necessary to ensure that the combined composition of the Supervisory Board matches the profile of the Supervisory Board and that the Supervisory Board and its members are able to fulfil their supervisory and advisory tasks in an independent critical way from one another, independent of the members of the Board of Management and any particular interest and carry out their responsibilities in a proper manner.
- 8.4. Notwithstanding the arrangements with Royal Philips regarding the nomination of candidates for the positions of Royal Philips Nominee, the Supervisory Board, in exercising its powers to nominate persons for appointment to the Supervisory Board or the Board of Management, will



strive to nominate candidates that have the confidence of the General Meeting and that qualify as independent to the extent required under Dutch law and the Dutch Corporate Governance Code.

- 8.5. Members of the Supervisory Board may not hold in total more than five supervisory board memberships (including non-executive board memberships) of Dutch listed companies, the chairmanship of a supervisory board counting twice. In taking up other positions or interests other than those disclosed at the time of election, members must inform the Chairman and ensure that they will remain able to fulfil their tasks as a member of the Supervisory Board or its committees.
- 8.6. The Supervisory Board may appoint one of its members as delegate member. A delegated member is assigned a special task. Its delegated authority may not exceed the authority or tasks of the Supervisory Board itself and does not include the task of managing the Company. The delegation relates to a more intensive supervisory and advisory role of and more frequent consultation with the Board of Management with regard to the general affairs of the Company by the delegated Supervisory Board member. The delegation may be for a temporary period only and the term of the delegation must be stated in a resolution of the Supervisory Board. The delegated Supervisory Board member will remain a member of the Supervisory Board.

## Trading in Securities

### Article 9

- 9.1. If any Supervisory Board member holds shares in the share capital of the Company, this will be for the purpose of long-term investment; the Supervisory Board must refrain from short-term transactions in Securities.
- 9.2. With respect to Securities, the Supervisory Board members are bound to the rules with respect to Inside Information and must at all times comply with all applicable laws and regulations, including notification requirements, applicable to the ownership of and transactions related to Securities.
- 9.3. With respect to transactions related to securities in any of the companies belonging to the peer group of leading multinational lighting companies as determined by the Supervisory Board and published in the Company's management commentary, members of the Supervisory Board are prohibited from trading, directly or indirectly, during blocked periods – with respect to Inside Information – preceding the disclosure of the Company's figures. However, the prohibition referred to in the previous sentence does not apply if the relevant member of the Supervisory Board has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement.
- 9.4. Each member of the Supervisory Board shall provide such information to the Company as is necessary to enable the Company to comply with applicable laws and regulations (including the rules of any stock exchanges on which the Company may be listed).

## Conflicts of interests

### Article 10

- 10.1. A member of the Supervisory Board must not participate in the discussions and decision-making on a subject or transaction in relation to which such member has a Conflict of Interest.  
A transaction as referred to above must be concluded on terms at least customary in the sector concerned and must be approved by the Supervisory Board.
- 10.2. Each member of the Supervisory Board (other than the Chairman) must immediately report any (potential) Conflict of Interest to the Chairman of the Supervisory Board. That member of the Supervisory Board with a (potential) Conflict of Interest must provide all relevant information to the Chairman, including information concerning his/her spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree.  
The Chairman must immediately report any (potential) Conflict of Interest, to the Vice-Chairman of the Supervisory Board. The Chairman must provide the Vice-Chairman of the members of the Supervisory Board with all relevant information, including information concerning the spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree of the Chairman.
- 10.3. The Supervisory Board, without the relevant member of the Supervisory Board being present, determines whether a reported (potential) conflict of interest qualifies as a Conflict of Interest which article 10.1 of these Rules applies to or to which that article in its opinion should be applied in a similar way.
- 10.4. In the event of a possible Related Party Transaction (as defined in the Related Party Transactions Policy), the rules of procedure as set out in the Related Party Transactions Policy shall be applied.
- 10.5. Transactions as referred to in this article 10 must be mentioned in the Company's management commentary for the financial year in question.

## Relationship with shareholders

### Article 11

- 11.1. The Supervisory Board must provide the General Meeting with any information it requires, unless important interests (*zwaarwegende belangen*) of the Company or any law, rules or regulations applicable to the Company prevent it from doing so. The members of the Supervisory Board shall specify the reasons for invoking such important interests.
- 11.2. The Supervisory Board must treat shareholders who are in similar circumstances the same when providing information. The Supervisory Board must ensure that the Board of Management draws up the outline of a policy regarding bilateral contacts with shareholders and will publish this on the Company's website.

## Status and contents of the Rules

### Article 12

- 12.1. These Rules are complementary to the rules and regulations (from time to time) applicable to the members of the Supervisory Board under Dutch law or the Articles of Association. Where

these Rules are inconsistent with Dutch law or the Articles of Association these Rules shall not apply.

12.2. These Rules can be supplemented and modified by the Supervisory Board.

12.3. Save as otherwise provided in the Articles of Association or by law, the Supervisory Board may in exceptional cases, as the circumstances may require, at its discretion decide to deviate from these Rules.

### **Governing law**

#### **Article 13**

These Rules are governed by and to be construed in accordance with the laws of the Netherlands.

*July 2016*

**ANNEX I****LIST OF APPROVAL ITEMS SUPERVISORY BOARD**

Resolutions of the Board of Management concerning the following matters require the review and approval of the Supervisory Board:

- (i) the issue of shares or restricting or excluding the pre-emptive rights in the event of an issue of shares (including a proposal to the General Meeting concerning the aforementioned matters), the repurchase of shares, the disposal of shares, the issue of bonds and the repurchase of bonds;
- (ii) the cooperation in the issue of certificates of shares in the Company;
- (iii) application for quotation or for withdrawal of the quotation of securities referred to under (i) and (ii) of any stock exchange;
- (iv) a request for further payment on the preference shares;
- (v) a proposal to reduce the issued share capital;
- (vi) the formation of a non-distributable reserve as referred to in article 3.5.3. of the Articles of Association;
- (vii) an amendment of the terms of the implementation of the option right of the protective foundation as referred to in the Articles of Association;
- (viii) the implementation of reimbursement provisions in further detail as referred to in article 7.9.3. of the Articles of Association;
- (ix) the addition to the reserves of any amount remaining out of the profit after application of article 10.1.3. of the Articles of Association;
- (x) the distribution of dividend in the form of ordinary shares in the share capital of the Company or a proposal to make distributions to the debit of one or several reserves to the holders of ordinary shares;
- (xi) an interim distribution to the shareholders or to holders of shares of a particular class;
- (xii) an amendment of the Articles of Association;
- (xiii) a legal merger or split-off of the Company;
- (xiv) a petition for bankruptcy or for a moratorium of payments;
- (xv) the dissolution of the Company;
- (xvi) a significant change in the identity or nature of the Company or the enterprise as referred to in article 7.3.4. of the Articles of Association;
- (xvii) a division of tasks among the members of the Board of Management;
- (xviii) the appointment and dismissal of the General Secretary;
- (xix) the Group's annual budget and significant – capital – expenditures of the Group;
- (xx) the entering into a transaction in which there is a Conflict of Interest with a member of the Board of Management or Supervisory Board that is of material significance to the Company and/or to the relevant member of the Board of Management or Supervisory Board;
- (xxi) the adoption, supplement or modification of the Board of Management Rules;

**Supervisory Board Rules**

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- (xxii) the appointment of individuals in certain senior executive positions designated by the Supervisory Board and the removal of individuals from such senior executive positions;
- (xxiii) the determination of the remuneration of certain senior executives designated by the Supervisory Board; and
- (xxiv) such other resolutions as the Supervisory Board deems desirable and which are clearly specified and communicated in writing to the Board of Management.

## ANNEX II

### RELATED PARTY TRANSACTIONS POLICY

#### 1. SCOPE AND DEFINITIONS

##### 1.1. Scope

This policy implements best practices regarding transactions between the Company and legal or natural persons who hold at least 10% of the ordinary shares in the Company and that are of material significance for the Company and/or to such persons (a "**Related Party Transaction**"). This policy applies to each Related Party Transaction as well as any material amendment to an existing Related Party Transaction.

This policy is complementary to the provisions of the Dutch Corporate Governance Code (on a comply or explain basis), applicable law and regulations, the articles of association of the Company, the Supervisory Board Rules and the Board of Management Rules.

For the purposes of this policy a Transaction entered into by a Group Company of the Company shall be considered a Transaction entered into by the Company and a transaction entered into by a Group Company of a Related Party shall be considered a Transaction entered into by that Related Party.

##### 1.2. Definitions and construction

The definitions and provisions in the **Annex** shall apply throughout this policy.

#### 2. PROCEDURE

##### 2.1 Approval of Related Party Transactions

No Related Party Transaction shall be consummated without the approval of the Supervisory Board.

##### 2.2 Notification of Related Party Transactions

2.2.1 Each member of the Board of Management shall promptly notify the chairman of the Board of Management of any (potential) Related Party Transaction in respect of which he is an Interested Party or that he is otherwise aware of. The chairman of the Board of Management shall in turn notify the chairman of the Supervisory Board. The chairman of the Board of Management shall notify the chairman of the Supervisory Board directly in respect of any (potential) Related Party Transaction in respect of which he is an Interested Party or that he is otherwise aware of.

2.2.2 Each member of the Supervisory Board shall promptly notify the chairman of the Supervisory Board of any (potential) Related Party Transaction in respect of which he is an Interested Party or that he is otherwise aware of. If the chairman of the Supervisory Board is an Interested Party to any (potential) Related Party Transaction or becomes otherwise aware of any (potential) Related Party Transaction, he shall promptly notify the vice-chairman of the Supervisory Board.

2.2.3 The Supervisory Board shall decide whether the Transaction concerned qualifies as a Related Party Transaction.

##### 2.3 Review of Related Party Transactions

- 2.3.1 (Potential) Related Party Transactions shall be subject to review by the Supervisory Board.
- 2.3.2 Members of the Supervisory Board who qualify as Interested Party shall not participate in the discussion or decision making regarding the (potential) Related Party Transaction concerned.
- 2.3.3 The Supervisory Board shall review all relevant information available to it concerning the (potential) Related Party Transaction. The Supervisory Board may approve the Related Party Transaction only if it determines in good faith that the Related Party Transaction is fair as to the Company.
- 2.3.4 A Related Party Transaction that involves the delivery of goods or services shall only be approved if such Transaction is on terms that are customary for arm's-length Transactions.
- 2.3.5 Before approving the Related Party Transaction, the Supervisory Board shall review and consider:
- a. the Interested Party's interest in the Related Party Transaction;
  - b. the value of the Related Party Transaction;
  - c. the value (positive or negative) of the Interested Party's interest in the Related Party Transaction;
  - d. whether the Related Party Transaction is undertaken in the ordinary course of business of the Company;
  - e. whether the proposed terms of the Related Party Transaction are no less favourable to the Company than terms that could have been reached with an unrelated third party;
  - f. the purpose of, and the potential benefits to the Company of the Related Party Transaction;
  - g. required public disclosure, if any, and
  - h. any other information regarding the Related Party Transaction or the Interested Party in the context of the proposed Related Party Transaction that would be material to stakeholders of the Company in light of the circumstances of the Related Party Transaction.
- 2.3.6 In conducting its review, the Supervisory Board may obtain information from members of the Board of Management, employees and external advisors of the Company.
- 2.3.7 If a Transaction has a recurring nature or the Company enters into Transactions with a certain Related Party on a regular basis, the Supervisory Board may establish further guidelines or procedures to follow in its review of such Transactions.
- 2.3.8 If a Related Party Transaction has not been approved under this policy prior to its consummation (nor been rejected at an earlier stage), the Supervisory Board shall consider all relevant facts and circumstances regarding the Related Party transaction in accordance with clause **Error! Reference source not found.** through **Error! Reference source not found.** and shall on the basis thereof evaluate all options available to the Company, including ratification (*bekrachtiging*), revision (*wijziging*) or termination (*ontbinding*) of the Related Party Transaction. The Supervisory Board shall also examine the facts and circumstances pertaining to the failure of reporting of such Related Party Transaction under this policy and shall take any such action it deems appropriate.

2.3.9 The absence of the approval under this policy, shall not affect the representative authority of the Board of Management or its members.

### **3. PRE-APPROVED RELATED PARTY TRANSACTIONS**

3.1 The following Transactions shall be deemed to have been approved by the Supervisory Board if they qualify as a Related Party Transaction:

- (i) any Transaction that forms part of the set of Transactions entered into in connection with the Separation, or that implements the Separation, or that constitutes a claim under the indemnities included in the Separation agreements;
- (ii) any Transaction with the Royal Philips Group of which the aggregate amount involved will not exceed EUR 100,000 in any 12-month period;
- (iii) any Transaction where the Interested Party's interest arises solely from the ownership of the Company's ordinary shares and all holders of ordinary shares receive the same benefit on a pro rata basis (e.g. dividends), and
- (iv) any other Transaction designated as such by the Supervisory Board.

3.2 The Board of Management shall notify the chairman of the Supervisory Board of the consummation of pre-approved Related Party Transactions on a monthly basis. This notification shall include a description of the pre-approved Related Party Transactions, the value thereof and all other information that may be relevant.

### **4. DISCLOSURE**

Related Party Transactions shall be disclosed to the extent required under Dutch law, the Dutch Corporate Governance Code, applicable accounting standards or other applicable Dutch or foreign regulations including the requirements under the US federal securities laws (including the requirements of SEC Form 20-F). For the avoidance of doubt, the review or approval of a Transaction pursuant to this policy does not necessarily imply that such Transaction is required to be disclosed.



## Annex to Related Party Transactions Policy

### Definitions and interpretation

**Board of Management** means the board of management of the Company.

**Company** means Philips Lighting N.V.

**Dutch Corporate Governance Code** means the code referred to in section 2:391 paragraph 5 of the Dutch Civil Code.

**Group Company** means a group company within the meaning of section 2:24b of the Dutch Civil Code.

**Interested Party** means the Related Party and,

- (a) in case the counterparty is a legal entity, any officer, employee, executive director or supervisory director of such counterparty, or
- (b) in case the counterparty is a natural person, any relative of such counterparty,

that is also a member of the Supervisory Board or Board of Management.

**Related Party** means the counterparty to the Company in the Related Party Transaction.

**Related Party Transaction** has the meaning given to it in Clause 1.1

**Royal Philips** means Koninklijke Philips N.V.

**Royal Philips Group** means Royal Philips and each company within Royal Philips' group within the meaning of section 2:24b of the Dutch Civil Code.

**Separation** means the separation of the Company's businesses from the other businesses of Royal Philips.

**Supervisory Board** means the supervisory board of the Company.

**Transaction** means any kind of transaction, arrangement, legal proceeding or other kind of legal relationship, all in the broadest sense.