

Annual Report 2024
Remuneration
Report

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Letter from the Remuneration Committee Chair

Dear Stakeholder,

On behalf of the Remuneration Committee, I am pleased to present the 2024 Remuneration Report, providing a comprehensive overview of the remuneration paid and owed to the individual members of the Board of Management and the Supervisory Board, respectively, in the financial year 2024. Charlotte Hanneman succeeded Abhijit Bhattacharya as CFO as of October 1, 2024, after having joined Philips on June 1, 2024, as a member of the Executive Committee, to start her introduction into the role. This Remuneration Report includes their respective remunerations in their capacity as members of the Board of Management.

Company performance in 2024 and incentive plan realization

Despite declines in demand in both consumer and health systems in China we returned to positive order growth and continued to drive margin expansion and cash-flow generation. Nearing the end of the second year of the three-year plan to create value with sustainable impact, Philips has made solid progress on its execution priorities, returned to order intake growth, and delivered strong margin and good cash performance, although sales growth was slower. Philips reached important milestones in the Respironics litigation, resolving the personal injury litigation and the medical monitoring class action. We believe this progress is being acknowledged, where long-term investor Exor increased its stake in Philips, along with some other significant investors.

For the awards granted under our Long-Term Incentive Plan in 2022, the company performance resulted in a realization above target for the sustainability objectives. For the relative Total Shareholder Return (TSR) and adjusted Earnings Per Share (EPS) metrics in our Long-Term Incentive Plan, however, there was a below-threshold performance since the start of the performance period in 2022. With respect to the financial metrics of the 2024 Annual Incentive, performance was at target for the Adjusted EBITA metric, below target for the free cash flow* metric, and below threshold for the comparable sales growth* metric. Please refer to our 2024 Remuneration Report for more details.

Other remuneration matters prepared by the Remuneration Committee

In 2024, we successfully introduced new remuneration policies for the Board of Management and the Supervisory Board, respectively. This process commenced in October 2023 with extensive engagement with stakeholders, including shareholders representing approximately 55% of the issued share capital, institutional advisory organizations, employees, and employee representative bodies. Their feedback was carefully incorporated to design policies that are competitive in the market and aligned with our strategic priorities and societal responsibilities. The 2024 Remuneration Policy for the Board of Management enhances the alignment between performance and remuneration, emphasizing both financial and non-financial outcomes, with an increased focus on patient safety and quality.

Looking ahead

The 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 noted in the 2024 Remuneration Policy for the Board of Management, the Supervisory Board applied unchanged target levels for 2024, but it could (gradually) increase the Annual Incentive target levels as of 2025, subject to a performance trajectory by 2024 that gives the company a clear outlook to deliver on its 2025 targets. The Supervisory Board notes that in 2024, the company delivered on its commitments regarding profitability, free cash flow and ESG. Nevertheless, the Supervisory Board decided to maintain the current target levels for the Annual Incentives 2025 as well. The Supervisory Board notes that it intends to increase the Annual Incentive target levels towards the policy target maximum as of 2026.

I look forward to presenting our Remuneration report 2024 at our upcoming Annual General Meeting of Shareholders.

On behalf of the Remuneration Committee,

Paul Stoffels

Chairman of the Remuneration Committee

Introduction

In this Remuneration Report, the Supervisory Board provides a comprehensive overview, in accordance with article 2:135b of the Dutch Civil Code, of the remuneration paid and owed to the individual members of the Board of Management and the Supervisory Board, respectively, in the financial year 2024. This Remuneration Report was included in the company's [Annual Report 2024](#), and was also published as a stand-alone document on the company's website after the 2025 Annual General Meeting of Shareholders, at which a majority of our shareholders voted to approve it (advisory vote).

Board of Management

Summary of the 2024 Remuneration Policy

The Remuneration Policy, which includes a Long-Term Incentive Plan, for the Board of Management (BoM) has been adopted at the Annual General Meeting of Shareholders held on May 7, 2024.

The objectives of the Remuneration Policy for members of the Board of Management are in line with those for Philips Executives throughout the Philips group: to focus them on pursuing our purpose to improve people's health and well-being through meaningful innovation, and on delivering on our strategy, to motivate and retain them to create superior, long-term stakeholder value.

Main elements of the Remuneration Policy

| Compensation element | Purpose and link to strategy | Operation | Policy Level |
|--|---|---|--|
| Total Direct Compensation | To support the Remuneration Policy's objectives, the Total Direct Compensation includes a significant variable part in the form of an Annual Incentive (cash bonus) and Long-Term Incentive in the form of performance shares. As a result, a significant proportion of pay is 'at risk'. | The Supervisory Board ensures that a competitive remuneration package for Board-level executive talent is maintained and benchmarked. The positioning of Total Direct Compensation is reviewed against benchmark data on an annual basis and is recalibrated if and when required. To establish this benchmark, data research is carried out each year on the compensation levels in the Quantum Peer Group. | Total direct remuneration is aimed at or close to, the median of the Quantum Peer Group. |
| Annual Base Compensation | Fixed cash payments intended to attract and retain executives of the highest caliber and to reflect their experience and scope of responsibilities. | Annual Base Compensation levels and any adjustments made by the Supervisory Board are based on factors including the median of Quantum Peer Group data and performance and experience of the individual member. The annual review date for the base salary is typically before April 1. | The individual salary levels are shown in this Remuneration Report. |
| Annual Incentive | Variable cash incentive of which achievement is tied to specific financial and non-financial targets derived from the company's annual strategic plan. | The payout in any year relates to the achievements of the preceding year. Metrics and their weighting are disclosed ex-ante in the Remuneration Report and there will be no retroactive changes to the selection of metrics used in any given year once approved by the Supervisory Board and disclosed. | Policy (maximum) level: President & CEO On-target: 120% Maximum: 240% of Annual Base Compensation. Other BoM members On-target: 100% Maximum: 200% of Annual Base Compensation. |
| Long-Term Incentive | Variable equity incentive of achievement is tied to targets reflecting long-term stakeholder value creation and delivered in the form of performance shares. | The annual award size is set by reference to a multiple of base salary. The actual number of performance shares to be awarded is determined by reference to the average closing price of the Royal Philips share measured over the last month of the quarter preceding the actual grant of performance shares (the day of publication of the relevant quarterly results). Dependent upon the achievement of the performance conditions, cliff-vesting applies three years after the date of grant. During the vesting period, the value of dividends will be added to the performance shares in the form of shares. These dividend-equivalent shares will only be delivered to the extent that the award actually vests. | President & CEO Annual grant size: 200% of Annual Base Compensation. Other BoM members Annual grant size: 150% of Annual Base Compensation. Maximum vesting opportunity is 200% of the number of performance shares granted. |
| Mandatory share ownership and holding requirement | To further align the interests of executives to those of stakeholders and to motivate the achievement of sustained performance. | The guideline for members of the Board of Management is to hold at least a minimum shareholding in the company. Until this level has been reached the members of the Board of Management are required to retain all after-tax shares derived from any Long-Term Incentive Plan. The shares granted under the Long-Term Incentive Plan shall be retained for a period of at least 5 years or until at least the end of their contract period if this period is shorter. The guideline does not require members of the Board of Management to purchase shares in order to reach the required share ownership level. | The minimum shareholding requirement is 400% of Annual Base Compensation for the CEO and 300% for other members of the Board of Management. |
| Pension | Participation in the Philips Flex ES pension plan in the Netherlands (applicable for all executives) combined with a fixed pension contribution intended to result into an appropriate level at retirement. | Defined Contribution plan with fixed contribution (applicable to all executives in the Netherlands – capped at EUR 137,800). Gross allowance of 25% of Annual Base Compensation exceeding EUR 137,800. | |
| Additional arrangements | To aid retention and remain competitive within the marketplace | Additional arrangements include expense and relocation allowances, medical insurance, accident insurance, Philips product arrangements and company car arrangements. The members of the Board of Management also benefit from coverage under the company's Directors & Officers (D&O) liability insurance. The company does not grant personal loans to members of the Board of Management. | Cash value (grossed up) of the benefits received, which are in line with other Philips executives in the Netherlands. |

Peer Groups

We use a Quantum Peer Group for remuneration benchmarking purposes, and therefore we aim to ensure that it includes business competitors, with an emphasis on companies in the healthcare, technology-related or consumer products area, and other companies we compete with for executive talent. The Quantum Peer Group consists of predominantly Dutch and other European companies, plus a minority (up to 25%) of US-based global companies, of comparable size, complexity and international scope.

Philips Group

Quantum Peer Group 2024

| European companies | | Dutch companies | US companies |
|------------------------|----------------------|-----------------|-------------------|
| Alcon | Lonza | Ahold Delhaize | Baxter |
| BAE Systems | Nokia | AkzoNobel | Becton Dickinson |
| Dräger | Reckitt Benckiser | ASML | Boston Scientific |
| Ericsson | Roche | Heineken | GE Healthcare |
| Fresenius Medical Care | Siemens Healthineers | | Medtronic |
| Getinge | Smith & Nephew | | Stryker |
| GSK | Thales | | |

In addition, we use a TSR Performance Peer Group to benchmark our relative Total Shareholder Return performance for LTI purposes and against our business peers in the health technology market and other markets in which we compete. The companies we have selected for this peer group include predominantly US-based healthcare companies. Given that a substantial number of relevant competitors are US-headquartered, the weighting of US-based healthcare companies is more notable than for the Quantum Peer Group.

Philips Group

TSR Performance Peer Group 2024

| US companies | European companies | Japanese companies |
|-------------------|------------------------|--------------------|
| Baxter | Alcon | Canon |
| Becton Dickinson | Elekta | Terumo |
| Boston Scientific | Fresenius Medical Care | |
| Danaher | Getinge | |
| GE Healthcare | Reckitt Benckiser | |
| Hologic | Siemens Healthineers | |
| Johnson & Johnson | Smith & Nephew | |
| Medtronic | | |
| Resmed | | |
| Stryker | | |

The Remuneration Policy and the LTI Plan allow changes to the peer groups to be made by the Supervisory Board without further approval from the General Meeting of Shareholders in respect of up to three companies on an annual basis (for instance: following a delisting of a company or a merger of two peer companies), or six companies in total during the four years following adoption and approval of the Remuneration Policy and the LTI Plan respectively (or, if earlier, until the adoption or approval of a revised Remuneration Policy or revised LTI Plan).

Services agreements

The members of the Board of Management are engaged by means of a services agreement (*overeenkomst van opdracht*). Termination of the contract by either party is subject to six months' notice period. The severance payment is set at a maximum of one year's Annual Base Compensation. No severance payment is due if the agreement is terminated early on behalf of the Board of Management member or in the case of urgent cause (*dringende reden*) as defined in article 7:678 and further of the Dutch Civil Code. The term of the services agreement is aligned with the term for which the relevant member has been appointed by the General Meeting of Shareholders (which is a maximum period of four years, it being understood that this period expires no later than at the end of the Annual General Meeting of Shareholders (AGM) held in the fourth year after the year of appointment).

Philips Group

Contract terms for current members 2024

| | end of term |
|---------------------|-------------|
| Roy Jakobs | AGM 2026 |
| Charlotte Hanneman | AGM 2028 |
| Marnix van Ginneken | AGM 2025 |

Remuneration of the Board of Management in 2024

The Supervisory Board has determined the 2024 pay-outs to the members of the Board of Management, upon the proposal of the Remuneration Committee, in accordance with the 2024 Remuneration Policy.

The Remuneration Committee annually conducts a scenario analysis. This includes the calculation of remuneration under different scenarios, whereby different Philips performance assumptions and corporate actions are examined. The Supervisory Board concluded that the relationship between the strategic objectives and the chosen performance criteria for the 2024 Annual Incentive, as well as for the 2022 LTI grants, were adequate.

Annual Base Compensation

As part of the regular remuneration review, Annual Base Compensation for the members of the Board of Management is being reviewed every year. No increase was applied in 2023. This year, however, the Annual Base Compensation has been increased per April 1, 2024: for Roy Jakobs from EUR 1,200,000 to EUR 1,250,000, for former CFO Abhijit Bhattacharya from EUR 810,000 to EUR 840,000 and for Marnix van Ginneken from EUR 630,000 to EUR 660,000, respectively. This increase was made to move the total compensation level closer to the market median level, as well as to reflect internal relativities. The Annual Base Compensation of Charlotte Hanneman as new CFO was set at EUR 700,000.

2024 Annual Incentive

The Annual Incentive performance has been assessed based on company financial results as well as non-financial results. Details are as follows:

Financial element (70% weighting)

In line with the 2024 Remuneration Policy, the company sets financial performance metrics and targets in advance of the year for all members of the Board of Management. For the year 2024, the financial targets set at Group level cover Comparable Sales Growth*, Adjusted EBITA* and Free Cash Flow*. For the Comparable Sales Growth metric, the realized performance was below threshold performance level, which resulted in a 0% payout for this metric. For the adjusted EBITA metric, the realized performance was at target performance level, which resulted in a 100% payout for this metric. For the Free Cash Flow metric, the realized performance of 906 million EUR results in a 177.0% payout for this metric. The Supervisory Board and Board of Management have jointly decided to adjust for insurance reimbursements received and to lower the payout from 177.0% to 73.6% of target.

| Financial performance metric | Weighting as % of target Annual Incentive | Assessment of performance | | | | resulting payout as % of target | Weighted pay-out as % of target Annual Incentive |
|--------------------------------------|---|---------------------------|--------------------|---------------------|----------------------|---------------------------------|--|
| | | threshold performance | target performance | maximum performance | realized performance | | |
| Comparable Sales Growth ¹ | 25% | 2.0% | 4.0% | 6.0% | 1.2% | 0.0% | 0.0% |
| Adjusted EBITA margin ¹ | 25% | 10.5% | 11.5% | 13.5% | 11.5% | 100.0% | 25.0% |
| Free Cash Flow ¹ | 20 % | 375 | 675 | 975 | 906 | 73.6 % | 14.7 % |
| Total | 70% | | | | | | 39.7% |

¹ Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measure, refer to chapter 9.9, Reconciliation of non-IFRS information, of the [Annual Report 2024](#).

Non-financial element (30% weighting)

The non-financial performance categories and objectives were set at the beginning of the year and disclosed in the 2023 remuneration report. As per remuneration policy, each selected performance category received an equal weighting. The Supervisory Board has assessed performance and granted a pay-out between 0% and 200% per selected category.

| Member of Board of Management | Performance category | Performance objective | Assessment of performance | Weighted pay-out as % of target Annual Incentive |
|-------------------------------|----------------------------|---|---|--|
| Roy Jakobs | Patient Safety & Quality | Drive Patient Safety & Quality as highest priority in the organization | Further strengthened our Patient Safety & Quality culture, capabilities and performance. Significant progress made on managing the recall, and addressing consent decree requirements. | 34.5% |
| | Customer | Improve customer experience | Customer NPS significantly improved. | |
| | | Improve supply chain reliability | On-time delivery of orders as per customer expectations significantly improved. | |
| | Strategy and Execution | Drive focused strategy to win in the market | Market share gains achieved in some Businesses. Solid progress on execution priorities, with opportunities to accelerate growth strategies. | |
| | | Establish simplified, more agile operating model | Targets for operating model simplification and the headcount reduction plan were responsibly achieved. | |
| ESG | Deliver on ESG Commitments | ESG index realization significantly ahead of target. Employee engagement significantly up ahead of target. Succession plans and talent development as per plan. | | |
| Charlotte Hanneman | Patient Safety & Quality | Drive Patient Safety & Quality as highest priority in the organization | Further strengthened our Patient Safety & Quality culture, capabilities and performance. Significant progress made on managing the recall, and addressing consent decree requirements. | 30.3% |
| | Customer | Improve customer experience | Customer NPS significantly improved. | |
| | | Improve financial forecasting | n/a | |
| | Strategy and Execution | Drive focused strategy to win in the market | Delivered on Cash- and Productivity programs as per plan | |
| | | Establish simplified, more agile operating model | Targets for operating model simplification and the headcount reduction plan were responsibly achieved. | |
| ESG | Deliver on ESG Commitments | ESG index realization significantly ahead of target. Employee engagement significantly up ahead of target. Succession plans and talent development as per plan. | | |
| Abhijit Bhattacharya | Patient Safety & Quality | Drive Patient Safety & Quality as highest priority in the organization | Further strengthened our Patient Safety & Quality culture, capabilities and performance. Significant progress made on managing the recall, and addressing consent decree requirements. | 30.3% |
| | Customer | Improve customer experience | Customer NPS significantly improved. | |
| | | Improve financial forecasting | Accuracy of sales forecast was insufficient. | |
| | Strategy and Execution | Drive focused strategy to win in the market | Delivered on Cash- and Productivity programs as per plan | |
| | | Establish simplified, more agile operating model | Targets for operating model simplification and the headcount reduction plan were responsibly achieved. | |
| ESG | Deliver on ESG Commitments | ESG index realization significantly ahead of target. Employee engagement significantly up ahead of target. Succession plans and talent development as per plan. | | |
| Marnix van Ginneken | Patient Safety & Quality | Drive Patient Safety & Quality as highest priority in the organization | Further strengthened our Patient Safety & Quality culture, capabilities and performance. Significant progress made on managing the recall, and addressing consent decree requirements. | 40.3% |
| | Customer | Manage legal issues | Significant milestones achieved, such as the economic loss settlement and the resolution of the personal injury and medical monitoring litigation in the US related to the Respiroics recall. | |
| | Strategy and Execution | Drive focused strategy to win in the market | Delivery on our value creation plan and legal & compliance commitments ahead of target. | |
| | | Establish simplified, more agile operating model | Targets for operating model simplification and the headcount reduction plan were responsibly achieved. | |
| ESG | Deliver on ESG Commitments | ESG index realization significantly ahead of target. Employee engagement significantly up ahead of target. Succession plans and talent development as per plan. | | |

Overall, this leads to the following total Annual Incentive realization:

Annual Incentive realization 2024

in EUR unless otherwise stated

| | Annual incentive opportunity | | Realized annual incentive | | | | |
|----------------------|------------------------------------|-------------------------|--|---|---|---------------------------|--|
| | Target as a % of base compensation | Target Annual Incentive | Financial performance (weighted pay-out %) | Individual performance (weighted pay-out %) | Payout as % of target Annual Incentive ¹ | Realized annual incentive | |
| Roy Jakobs | 100% | 1,250,000 | 39.7% | 34.5% | 74.2% | 927,750 | |
| Charlotte Hanneman | 80% | 140,491 | 39.7% | 30.3% | 70.0% | 98,372 | |
| Abhijit Bhattacharya | 80% | 502,619 | 39.7% | 30.3% | 70.0% | 351,934 | |
| Marnix van Ginneken | 80% | 528,000 | 39.7% | 40.3% | 80.0% | 422,374 | |

¹ Note that figures may not add up due to rounding.

* Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measure, refer to chapter 9.9, Reconciliation of non-IFRS information, of the [Annual Report 2024](#).

2025 Annual Incentive

Financial element (70% weighting):

For the year 2025, the following financial performance metrics are selected to ensure alignment with the key (strategic) priorities in the year:

- 35% weighting: Comparable Sales Growth*
- 20% weighting: Adjusted EBITA* margin
- 15% weighting: Free Cash Flow*

Non-Financial element (30% weighting):

At the start of each year, two to four performance categories are selected from the following list, whereby each selected category receives an equal weighting:

- Patient Safety & Quality
- Customer
- Strategy and Execution
- ESG

For each selected category, one or more performance objectives are determined at the start of the year for each of the members of the Board of Management.

For the year 2025, the following categories and objectives were selected to ensure alignment with the key (strategic) priorities in the year:

| Performance category | Performance objective | Applicable for | Weighting | Measurement description |
|--------------------------|--|------------------------------------|-----------|--|
| Patient Safety & Quality | Drive Patient Safety & Quality as highest priority in the organization | All members of Board of Management | 7.50% | This objective measures delivery on our company-wide program to strengthen our Patient Safety & Quality culture, capabilities and performance. Additionally, we measure the progress on the Respiroics recall and delivery of the proposed consent decree commitments. |
| Customer | Improve market share and customer experience | Roy Jakobs | 7.50% | This objective is measured by the market share gain and by the on-time delivery of orders as per customer expectations. |
| | Improve market share and customer experience | Charlotte Hanneman | | This objective is measured by the market share gain and by a reliable forecast as per plan. |
| | Manage legal issues | Marnix van Ginneken | | Develop and manage litigation strategy and potential liabilities. |
| Strategy and Execution | Drive focused strategy to win in the market and simplify the operating model | All members of Board of Management | 7.50% | This objective measures delivery on our value creation plan and delivery on our operating model simplification plan. |
| ESG | Deliver on ESG Commitments | All members of Board of Management | 7.50% | This objective measures: - Performance on our ESG index (which includes various elements such as emission- and diversity targets) - Our capacity to grow talent and further improve employee engagement |

* Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measure, refer to chapter 9.9, Reconciliation of non-IFRS information, of the [Annual Report 2024](#).

2022 Long-Term Incentive

The 3-year performance period of the 2022 LTI grant, consisting of performance shares, ended on December 31, 2024. The realization of this grant is based on TSR achievement, adjusted EPS growth and sustainability objectives. The following performance achievement and vesting levels have been determined by the Supervisory Board in respect of the 2022 grant of performance shares:

Philips Group

Performance achievement and vesting levels

| | achievement | weighting | vesting level |
|---------------------------|-------------|-----------|---------------|
| TSR | 0% | 50% | 0% |
| EPS | 0% | 40% | 0% |
| Sustainability objectives | 150% | 10% | 15% |
| Total | | | 15% |

TSR (50% weighting)

A ranking approach to TSR applies with Philips itself included in the TSR Performance Peer Group. TSR scores are calculated based on a local currency approach and by taking a 3-month averaging period prior to the start and end of the 3-year performance period. The performance incentive pay-out zone is outlined in the following table, which results in zero vesting for performance below the 40th percentile and 200% vesting for performance levels above the 75th percentile. The incentive zone range has been constructed such that the average pay-out over time is expected to be approximately 100%.

Philips Group

Performance-incentive zone for TSR in %

| Position | 20-14 | 13 | 12 | 11 | 10 | 9 | 8 | 7 | 6 | 5-1 |
|-----------|-------|----|----|----|-----|-----|-----|-----|-----|-----|
| Vesting % | 0 | 60 | 80 | 90 | 100 | 120 | 140 | 160 | 180 | 200 |

The TSR achieved by Philips during the performance period was (18.07%), using a start date of October 2021 and end date of December 2024. This resulted in Philips being positioned at rank 17 in the TSR performance peer group shown in the following table, resulting in a TSR achievement of 0%.

Following Oracle's acquisition of Cerner (completed June 2022), the Supervisory Board adopted the approach of recognizing Cerner's performance through the delisting date. As a proxy for future performance, reinvestment in an index of the remaining 19 peer companies was assumed (effectively retaining a peer group of 20 companies).

LTI Plan TSR realization 2022 grant: (18.07%)

| | total return | rank number |
|------------------------|--------------|-------------|
| General Electric | 188.13% | 1 |
| Canon | 109.69% | 2 |
| Boston Scientific | 109.49% | 3 |
| Stryker | 45.83% | 4 |
| Terumo | 25.61% | 5 |
| Cerner | 16.03% | 6 |
| Hologic | 6.28% | 7 |
| Alcon | 5.30% | 8 |
| Johnson & Johnson | 3.09% | 9 |
| Becton Dickinson | 0.82% | 10 |
| ResMed | (4.69%) | 11 |
| Danaher | (9.68%) | 12 |
| Reckitt Benckiser | (11.29%) | 13 |
| Siemens Healthineers | (12.07%) | 14 |
| Smith & Nephew | (12.55%) | 15 |
| Medtronic | (17.81%) | 16 |
| Philips | (18.07%) | 17 |
| Fresenius Medical Care | (23.62%) | 18 |
| Elekta | (30.87%) | 19 |
| Getinge | (49.05%) | 20 |

Adjusted EPS growth (40% weighting)

The LTI Plan EPS payouts and targets set at the beginning of the performance period were as follows:

Philips Group

LTI Plan EPS payouts

| | Below threshold | Threshold | Target | Maximum | Actual |
|---------------------|-----------------|-----------|--------|---------|--------|
| LTI plan EPS (euro) | <1.19 | 1.19 | 1.47 | 1.69 | (0.26) |
| Vesting % | 0% | 40% | 100% | 200% | 0% |

In respect of the 2022 LTI grant, the LTI plan EPS is calculated based on a reported net income attributable to shareholders divided by the number of common shares outstanding (after deduction of treasury shares) on the day prior to the beginning of the performance period (to eliminate the impact of any share buyback, stock dividend, etc.), resulting in an EPS of EUR (0.97). Furthermore, as per the 2020 LTI Plan, the LTI Plan EPS includes adjustments to account for events that were not planned when targets were set or were outside management's control such as the profit and loss impact of acquisitions and divestments (balance is neutral), the profit and loss impact of unhedged foreign exchange variations versus plan (positive adjustment), the profit and loss impact of legacy legal proceedings (positive impact) and the profit and loss impact of Respiroics related charges (positive impact). Overall, this resulted in an LTI Plan EPS of EUR (0.26) based on adjusted net income from continuing operations, leading to a realization of 0% of target.

Philips Group

LTI Plan EPS realization in millions of EUR unless otherwise stated

| | Net income | EPS (euro) |
|--|--------------|---------------|
| Income from continuing operations attributable to shareholders | (843) | (0.97) |
| Profit and loss impact of: | | |
| - Acquisitions and divestitures ¹ | 1 | 0.00 |
| - Foreign exchange variations versus plan ² | 108 | 0.12 |
| - Legacy legal proceedings ³ | 327 | 0.38 |
| - Respiroics related charges ⁴ | 180 | 0.21 |
| Adjusted net income from continuing operations | (226) | (0.26) |

¹ Profit and loss impact of acquisitions and divestments made after the start of the performance period is excluded.

² Impact of variations of unhedged volatile currencies compared to the performance period plan.

³ Impact of Respiroics litigation provision and Respiroics legal insurance proceeds.

⁴ Impact of Respiroics field-action running costs and consent decree charges.

Sustainability objectives (10% weighting)

In order to further align the remuneration package for the Board of Management with our purpose and our ESG commitment, a sustainability criterion was introduced in the 2020 LTI Plan. Philips believes that ESG performance will improve the company's performance as a whole and, therefore, that it should be explicitly linked to (long-term) remuneration. The criteria are based on three Sustainable Development Goals (SDGs) as defined by the United Nations that are included in Philips' strategy on sustainability (no. 3, 12 and 13). These three SDGs are translated in five underlying objectives, which are measured against a specific target range.

At the beginning of the performance period, challenging target ranges are set for each of the five objectives. Based on a point-to-point method, performance achievement is measured at the end of the performance period (i.e., 3 years) versus the beginning of the performance period. The vesting level is determined based on the following scheme:

| No. of measures achieved on or above target | Vesting % |
|---|-----------|
| 1 | 0% |
| 2 | 0% |
| 3 | 50%-100% |
| 4 | 100%-150% |
| 5 | 150%-200% |

The realized performance is described in the following table. As four out of five objectives are achieved within or better than target range, the vesting % lies between 100% and 150% of target. Based on the outperformance of the four objectives, the Supervisory Board has assessed that a vesting level of 150% would reflect an appropriate position within the vesting range.

For more information on the realized performance on all five objectives please refer to chapter 4, Environmental, Social and Governance, of the [Annual Report 2024](#).

| Sustainability category | Underlying objective | Target range | Realized performance |
|---|---|--|--|
| Ensure healthy lives and promote well-being for all at all ages (SDG3) Lives Improved | Targeted # of Lives Improved in year 3¹ | 1.75 – 1.91 million | 1.96 million Better than target range |
| Ensure sustainable consumption and production patterns (SDG12) Circularity | Targeted circular revenue in year 3 ² | 16.0% – 21.0% | 24.4% Better than target range |
| | Targeted waste to landfill in year 3 ³ | 3.5% – 0.1% | <0.01% Better than target range |
| | Targeted closing the loop in year 3 ⁴ | 28.0% – 36.0% | 19.5% Below target range |
| Take urgent action to combat climate change and its impacts (SDG13) Carbon footprint | Targeted CO₂-equivalent (in kilotonnes) in year 3 | 612 – 549 kilotonnes CO₂ | 474 kilotonnes CO₂ Better than target range |

¹ Lives Improved by Philips products, solutions and services and care to those in underserved markets.

² Revenue from products, services and solutions contributing to circularity (e.g. optimizing and re-using materials)

³ Avoiding production of waste materials.

⁴ Taking back healthcare equipment.

2025 Long-Term Incentive

The 2025 Long-Term Incentive grant consists of 100% performance shares of which vesting is subject to performance over a period of 3 years, whereby performance is measured based on the following performance metrics and weighting:

- 40% weighting: Relative Total Shareholder Return ('TSR')
- 40% weighting: Adjusted Earnings per Share growth* ('EPS')
- 20% weighting: ESG performance

ESG Performance (20% weighting)

At the start of each performance year, we select four ESG objectives in line with our long-term strategic priorities. There is no exhaustive list of objectives that can be selected. To ensure that all objectives are material, auditable and measurable, we only select objectives which are reported in our Annual Report (in preparation for the Corporate Sustainability Reporting Directive) and therefore are subject to assurance from our external provider of assurance with respect to the company's sustainability reporting. Furthermore, we make sure that in any measurement year, the ESG objectives do not overlap with our non-financial performance objectives for the Annual Incentive.

The objectives selected for the 2025 LTI grant are shown in the following table, including the rationale for selecting these objectives and more details on the measurement approach.

2025-2027

| ESG objective | Rationale | Measurement approach |
|---|---|--|
| Targeted # of Lives Improved in year 3 ¹ | Ensure healthy lives and promote well-being for all at all ages (SDG3) Lives Improved | Please refer to chapter 4.2.1, Improving people's lives, of the Annual Report 2024 for more details. |
| Targeted circular revenue in year 3 ² | Ensure sustainable consumption and production patterns (SDG12) Circularity | Please refer to chapter 4.1.3, Resource use and circular economy, of the Annual Report 2024 for more details. |
| Targeted full value chain CO ₂ -equivalent (in kilotonnes) in year 3 | Take urgent action to combat climate change and its impacts (SDG13) Carbon footprint | Please refer to chapter 4.1.2, Climate Change, of the Annual Report 2024 for more details. |
| Targeted People Engagement Score in year 3 | Retain an engaged workforce People Engagement Score | The People Engagement Score is the single measure of the overall level of employee engagement at Philips, measured on a bi-yearly basis. |

¹ Lives Improved by Philips products, solutions and services and care to those in underserved markets.

² Revenue from products, services and solutions contributing to circularity (e.g. optimizing and re-using materials)

* Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measure, refer to chapter 9.9, Reconciliation of non-IFRS information, of the [Annual Report 2024](#).

Pension

The following pension arrangement is in place for the members of the Board of Management working under a services agreement governed by Dutch law:

- Flex ES Pension Plan in the Netherlands, which is a Collective Defined Contribution plan with a fixed contribution of (currently) 30.3% (including an own contribution of 2% - this was changed to 8% as of October 1, 2024) of the maximum pensionable salary of EUR 137,800 (effective January 1, 2024) minus the offset. The Flex ES Plan has a target retirement age of 68 and a target accrual rate of 1.85%;
- A gross Pension Allowance equal to 25% of the base compensation exceeding EUR 137,800.

Total remuneration costs in 2024

The following table gives an overview of the costs incurred by the company in 2024 and 2023 in relation to the remuneration of the Board of Management. Costs related to performance shares are based on accounting standards (IFRS), which prescribe that costs for each LTI grant are recognized over the full (multi-year) vesting period, proportionate to the relevant fiscal year. Therefore, the costs for any year reflect costs of multiple LTI grants, as opposed to the actual value for the holder of an LTI grant at the vesting date. Please refer to section [2022 Long-Term Incentive](#) for more details on the actual vesting of the performance shares.

Philips Group

Remuneration Board of Management¹ in EUR

| | reported year | annual base compensation ² | Accounting costs in the year | | | | | | total cost | Fixed-variable remuneration ⁶ |
|----------------------|---------------|---------------------------------------|------------------------------|---------------------------|---------------------------------|---------------------------------|----------------------|---------------------------------|-------------------|--|
| | | | base compensation | realized annual incentive | performance shares ³ | pension allowances ⁴ | pension scheme costs | other compensation ⁵ | | |
| R. Jakobs | 2024 | 1,250,000 | 1,237,500 | 927,750 | 1,692,087 | 274,925 | 32,218 | 83,870 | 4,248,350 | 38%-62% |
| | 2023 | 1,200,000 | 1,200,000 | 2,004,480 | 968,922 | 267,798 | 31,891 | 109,256 | 4,582,347 | 35%-65% |
| Charlotte Hanneman | 2024 | 700,000 | 175,545 | 98,372 | 104,606 | 35,247 | 7,775 | 23,089 | 444,633 | 54%-46% |
| Abhijit Bhattacharya | 2024 | 840,000 | 622,500 | 351,934 | 1,424,219 ⁶ | 129,788 | 25,478 | 963,596 ⁷ | 3,517,514 | 50%-50% |
| | 2023 | 810,000 | 810,000 | 1,075,939 | 793,429 | 197,133 | 31,891 | 94,516 | 3,002,907 | 38%-62% |
| Marnix van Ginneken | 2024 | 660,000 | 652,500 | 422,374 | 740,101 | 128,675 | 32,218 | 74,227 | 2,050,095 | 43%-57% |
| | 2023 | 630,000 | 630,000 | 846,922 | 614,840 | 125,298 | 31,891 | 53,446 | 2,302,397 | 37%-63% |
| Total | 2024 | | 2,688,045 | 1,800,429 | 3,961,013 | 568,635 | 97,689 | 1,144,781 | 10,260,593 | 44%-56% |
| | 2023 | | 2,640,000 | 3,927,341 | 2,377,191 | 590,228 | 95,673 | 257,218 | 9,887,650 | 36%-64% |

¹ Reference date for board membership is December 31, 2024.

² Annual Base Compensation as incurred in the year, base compensation increases are reflected proportionally.

³ Costs of performance shares are based on accounting standards (IFRS) and do not reflect the value of performance shares at the vesting/release date.

⁴ The stated amounts mainly concern (share of) allowances to members of the Board of Management that can be considered as remuneration. In a situation where such a share of an allowance can be considered as (indirect) remuneration (for example, private use of the company car), then the share is both valued and accounted for here. The method employed by the fiscal authorities is the starting point for the value stated.

⁵ Fixed remuneration is determined as the sum of base compensation, pension allowances, pension scheme costs and other compensation. Variable remuneration is determined as the sum of realized annual incentive and performance shares.

⁶ Accounting costs for 2024 include the additional costs for the accelerated accrual of the 2022 and 2023 LTI grant.

⁷ Other compensation costs include the one-time severance payment of €840,000, which Abhijit Bhattacharya received in accordance with his employment agreement.

5-year development of CEO and Board of Management versus average employee remuneration costs compared to company performance

Internal pay ratios are a relevant input factor for determining the appropriateness of the implementation of the Remuneration Policy, as recognized in the Dutch Corporate Governance Code. Following the European Sustainability Reporting Standards (ESRS), this disclosure enhances transparency in income distribution and aligns with our commitment to fair remuneration practices. For the 2024 financial year, the ratio between the annual total compensation for the CEO, which is

the highest paid individual, and the average annual total remuneration for an employee was 43:1. The ratio decreased from 46:1 in 2023. Furthermore, the ratio between the CEO and median annual total remuneration for all employees (excluding the highest-paid individual) was 48:1. Further details on the development of these amounts and ratios over time can be found in the following table. Please note that the amounts presented in the table reflect total remuneration costs to the company which differ from the actual payouts to the members of the Board of Management.

Philips Group Remuneration costs in EUR

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|-----------|-----------|-----------|-----------|-----------|
| Remuneration | | | | | |
| CEO Total Remuneration Costs (A) ¹ | 6,153,067 | 5,452,299 | 5,133,659 | 4,582,347 | 4,248,350 |
| CFO Total Remuneration Costs | 3,007,990 | 2,652,864 | 1,896,081 | 3,002,907 | 3,517,514 |
| CLO Total Remuneration Costs | 2,203,160 | 2,029,054 | 1,416,837 | 2,302,397 | 2,050,095 |
| Average Employee (FTE) Total Remuneration Costs (B) ² | 91,455 | 86,853 | 93,373 | 99,866 | 99,091 |
| Ratio A versus B ⁴ | 67:1 | 63:1 | 55:1 | 46:1 | 43:1 |
| Median Employee Total Remuneration Costs (C) ³ | | | | | 89,103 |
| Ratio A versus C ⁴ | | | | | 48:1 |
| Company performance | | | | | |
| Annual TSR ⁵ | 6.2% | (14.5)% | (60.0)% | 42.9% | 43.3% |
| Comparable Sales Growth ⁶ | 2.9% | (1.2)% | (2.8)% | 6.0% | 1.2% |
| Adjusted EBITA ⁶ | 13.2% | 12.0% | 7.4% | 10.6% | 11.5% |
| Free Cash Flow ⁶ | 1,635 | 900 | (961) | 1,582 | 906 |

¹ For 2022, CEO refers to Frans van Houten for the period up to October 15, 2022, and to Roy Jakobs for the period from October 15, 2022, onwards. For 2020 and 2021, CEO refers to Frans van Houten.

² Based on Employee benefit expenses (EUR 6.6 billion) divided by the average number of employees (67,014 FTE) as reported in Income from operations. This results in an average annual total compensation cost of EUR 99,091 per employee.

³ Median Employee Total Remuneration Costs are based on the full salary & wage expenses to the company, including base salary, social security, benefits in cash, benefits in kind, Annual Incentive and Long Term Incentives.

⁴ A consideration when interpreting the ratios between CEO (i.e., highest paid individual) and average- and median employee remuneration is that the remuneration of the CEO is more heavily dependent on variable compensation than the remuneration of the typical employee at Philips. Furthermore, the costs of performance shares are based on accounting standards (IFRS) and the specific allocation of these costs to the year. As such, the total remuneration level and costs applicable to the CEO will vary more with Philips' financial performance than the remuneration level and costs applicable to the typical employee. As a consequence, the ratio will increase when financial performance is strong and conversely decrease when financial performance is not as strong.

⁵ Annual TSR was calculated in line with the method used for the LTI plan (i.e., based on reinvested dividends and 3-month averaging)

⁶ Non-IFRS financial measure. For the definition and reconciliation of the most directly comparable IFRS measure, refer to chapter 9.9, Reconciliation of non-IFRS information, of the [Annual Report 2024](#).

Historical LTI grants and holdings

Number of performance shares (holdings)

Under the LTI Plan the current members of the Board of Management were granted 246,822 performance shares in 2024. The following table provides an overview at end December 2024 of performance share grants.

Philips Group

Number of performance shares (holdings) in number of shares unless otherwise stated

| | grant date | number of shares originally granted | value at grant date | vesting date | end of holding period | unvested opening balance at Jan. 1, 2024 | number of shares awarded in 2024 | (dividend) shares awarded | number of shares vested in 2024 ¹ | value at vesting date in 2024 | unvested closing balance at Dec. 31, 2024 |
|----------------------|------------|-------------------------------------|---------------------|--------------|-----------------------|--|----------------------------------|---------------------------|--|-------------------------------|---|
| Roy Jakobs | 4/30/2021 | 15,812 ² | 750,000 | 4/30/2024 | 4/30/2026 | 17,443 | - | 0 | 3,052 | 77,227 | 0 |
| | 4/29/2022 | 37,630 ² | 930,000 | 4/29/2025 | 4/29/2027 | 40,754 | - | 1,394 | - | - | 42,148 |
| | 10/28/2022 | 24,279 | 314,137 | 10/28/2025 | 10/28/2027 | 25,365 | - | 868 | - | - | 26,233 |
| | 4/28/2023 | 124,538 | 2,400,000 | 4/28/2026 | 4/28/2028 | 130,109 | - | 4,451 | - | - | 134,560 |
| | 7/5/2024 | 131,443 | 2,500,000 | 7/5/2027 | 7/5/2029 | - | 131,443 | 4,496 | 0 | 0 | 135,939 |
| Charlotte Hanneman | 7/29/2024 | 25,346 | 613,934 | 7/29/2027 | 7/29/2029 | - | 25,346 | 0 | - | 0 | 25,346 |
| | 7/29/2024 | 37,982 | 920,000 | 7/29/2027 | 7/29/2029 | - | 37,982 | 0 | - | 0 | 37,982 |
| Abhijit Bhattacharya | 4/30/2021 | 25,141 | 1,192,500 | 4/30/2024 | 4/30/2026 | 27,734 | 0 | 0 | 4,853 | 122,790 | - |
| | 4/29/2022 | 49,162 | 1,215,000 | 4/29/2025 | 4/29/2027 | 53,244 | 0 | 1,821 | - | - | 55,065 |
| | 4/28/2023 | 63,047 | 1,215,000 | 4/28/2026 | 4/28/2028 | 65,867 | 0 | 2,253 | - | - | 68,120 |
| Marnix van Ginneken | 4/30/2021 | 19,448 | 922,500 | 4/30/2024 | 4/30/2026 | 21,454 | 0 | 0 | 3,754 | 94,985 | - |
| | 4/29/2022 | 38,237 | 945,000 | 4/29/2025 | 4/29/2027 | 41,412 | 0 | 1,417 | - | - | 42,828 |
| | 4/28/2023 | 49,037 | 945,000 | 4/28/2026 | 4/28/2028 | 51,231 | 0 | 1,752 | - | - | 52,983 |
| | 7/5/2024 | 52,051 | 990,000 | 7/5/2027 | 7/5/2029 | - | 52,051 | 1,781 | 0 | 0 | 53,832 |

¹ The shares vested in 2024 are subject to a 2-year holding period.

² Awarded before date of appointment as a member of the Board of Management

Share ownership guidelines

To further align the interests to those of stakeholders and to motivate the achievement of sustained performance, the members of the Board of Management are bound to a minimum shareholding requirement. The following table shows the minimum shareholding requirement, Annual Base Compensation, (vested) shares held and share ownership ratio of each Board of Management member as per December 31, 2024. Until the minimum shareholding requirement is reached, the members of the Board of Management are required to retain all after-tax performance shares that have vested, but they are not required to make additional share purchases.

Philips Group

Share ownership Board of Management

| | Minimum shareholding requirement ¹ | Annual Base Compensation | (Vested) shares held | Ownership ratio ² |
|---------------------|---|--------------------------|----------------------|------------------------------|
| Roy Jakobs | 4.0x | 1,250,000 | 134,298 | 2.6x |
| Charlotte Hanneman | 3.0x | 700,000 | 0 | 0x |
| Marnix van Ginneken | 3.0x | 660,000 | 137,753 | 5.1x |

¹ As ratio of Annual Base Compensation

² The Ownership ratio is calculated by multiplying the total shares held by the share price of EUR 24.40 (based on the closing share price of December 31, 2024) and dividing this by the base compensation.

Remuneration of the Supervisory Board in 2024

Summary of the 2024 Remuneration Policy

Also the Remuneration Policy for the Supervisory Board has been adopted at the Annual General Meeting of Shareholders held on May 7, 2024.

The overarching objective of the 2024 Remuneration Policy for the Supervisory Board is to enable its members to fulfill their duties, acting independently: supervising the policies and management and the general affairs of Philips, and supporting the Board of Management and the Executive Committee with advice. Also the members of the Supervisory Board are guided by the company's long-term interests, with due observance of the company's mission, vision and strategy, taking into account the interests of shareholders and all other stakeholders.

As reflected in the profile of the Supervisory Board (as updated early 2024 and included in the Rules of Procedure of the Supervisory Board), the selection of candidates for appointment to the Supervisory Board will be based on merit. The profile aims for an appropriate combination of knowledge and experience among its members, encompassing a wide range of proficiencies and capabilities, all in relation to the global character of Philips' Businesses. The Supervisory Board furthermore aims to have members with a diverse set of qualities, including different nationalities and (cultural) backgrounds.

To support the objectives mentioned above, the 2024 Remuneration Policy is aimed at attracting and retaining Supervisory Board members internationally, of the highest caliber and with experience and expertise relevant to our health technology Businesses.

To enable more gradual increases in the future, the 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.

The following table provides an overview of the current remuneration structure. The fee levels were set below median market levels (and below the 25th percentile market level for the Chairman) paid in the Quantum Peer Group used in the 2024 Remuneration Policy for the Board of Management.

Philips Group Remuneration Supervisory Board in EUR

| Fee type (amounts in EUR) | Chairman | | Vice Chair | | Member | |
|---|----------|------------|------------|------------|---------|------------|
| | 2024 | As of 2025 | 2024 | As of 2025 | 2024 | As of 2025 |
| Supervisory Board (annual fee) | 166,500 | 175,000 | 123,500 | 130,000 | 107,500 | 113,000 |
| Audit Committee | 29,000 | 30,500 | n.a. | | 19,250 | 20,250 |
| Remuneration Committee | 22,500 | 23,750 | n.a. | | 15,000 | 15,750 |
| Corporate Governance and Nomination & Selection Committee | 22,500 | 23,750 | n.a. | | 15,000 | 15,750 |
| Quality and Regulatory Committee | 22,500 | 23,750 | n.a. | | 15,000 | 15,750 |

In accordance with the Dutch Corporate Governance Code, 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). Nevertheless, members of the Supervisory Board are 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. The company does not grant personal loans to members of the Supervisory Board.

Attendance fees, entitlement to Philips product arrangements and fixed net expense allowances are as follows:

| Fee and reimbursement type (amounts in EUR) | Chairman | All members |
|---|----------|------------------------|
| Attendance fee per inter-European trip | 2,750 | 2,750 |
| Attendance fee per intercontinental trip | 5,500 | 5,500 |
| Entitlement to Philips product arrangement | 2,000 | 2,000 |
| Annual fixed net expense allowance | 11,345 | 2,269 |
| Other travel expenses | | As reasonably incurred |

The members of the Supervisory Board benefit from coverage under the company's Directors and Officers (D&O) liability insurance.

Remuneration of the Supervisory Board in 2024

The individual members of the Supervisory Board received, by virtue of the positions they held, the following remuneration in 2024:

Philips Group

Remuneration of the Supervisory Board in EUR

| | membership | committees | other compensation ¹ | total |
|-------------------|------------------|----------------|------------------------------------|------------------|
| F. Sijbesma | 166,500 | 37,500 | 28,945 | 232,945 |
| P.A. Stoffels | 123,500 | 37,500 | 13,269 | 174,269 |
| S.K. Chua | 107,500 | 19,250 | 26,107 | 152,857 |
| M.E. Doherty | 107,500 | 29,000 | 20,289 | 156,789 |
| A.M. Harrison | 107,500 | 15,000 | 7,769 | 130,269 |
| P. Löscher | 107,500 | 34,250 | 18,769 | 160,519 |
| I. Nooyi | 107,500 | 15,000 | 20,154 | 142,654 |
| S. Poonen | 107,500 | 16,771 | 19,267 | 143,538 |
| D. Pyott | 107,500 | 28,750 | 18,769 | 155,019 |
| B. Ribadeau-Dumas | 70,390 | 9,822 | 17,986 | 98,198 |
| H. Verhagen | 107,500 | 26,229 | 16,267 | 149,996 |
| Total | 1,220,390 | 269,072 | 207,592 | 1,697,054 |

¹ The amounts mentioned under other compensation relate to the fee for intercontinental travel, inter-European travel, the Philips product arrangement and the annual fixed net expense allowance.

