The compensation package for the members of the Board of Management will consist of the following fixed and variable components which are discussed in more detail below:

- base salary;
- annual cash bonus (short-term incentive);
- long-term incentive; and
- pensions and other benefits.

### Remuneration components

#### Base salary

The base salary of the members of the Board of Management aims to reflect the responsibility and scope of their role, taking into account level of seniority and experience. The base salary of each member of the Board of Management is a fixed cash compensation paid on a monthly basis and is based on benchmark research by independent external expert advisers. The total base salary is targeted to be at the median of various reference groups. These reference groups are established based on industry, ownership type, geographical business scope and size parameters. The base salary can be adjusted by the Supervisory Board in accordance with the remuneration policy.

#### Annual bonus (short-term incentive)

Each year, members of the Board of Management are eligible for a short-term incentive in the form of an annual cash bonus. The CEO is eligible for an at target annual bonus between 80% and 120% of his base salary, while the CFO is eligible for an at target annual bonus between 60% and 100% of his base salary. In both cases the maximum bonus is capped at twice the target amount. The objective of the annual bonus is to reward annual financial and non-financial, group and individual performance.

The total annual bonus depends on the achievement of specific targets. The targets are determined annually by the Supervisory Board and consist of a mix of financial and non-financial performance measures. Annual bonuses are subject to claw back provisions pursuant to the Dutch Corporate Governance Code and Dutch law.

#### Long-term incentive

The Company currently does not have any incentive plan in place for remuneration in the form of ordinary shares or rights to subscribe for ordinary shares for members of the Board of Management.

It is expected that a long-term incentive plan will be drawn up and submitted for approval by the General Meeting in 2017. Subject to the terms and conditions of such long-term incentive plan, the CEO shall be entitled to an on target long-term incentive grant equalling 100% of annual base salary, while the CFO shall be entitled to an on target long-term incentive grant equalling 80% of annual base salary.

Long-term incentives are subject to claw back provisions pursuant to the Dutch Corporate Governance Code and Dutch law.

The members of the Board of Management have been awarded performance shares and certain restricted share rights of Koninklijke Philips N.V. pursuant to the existing long-term incentive plans of Koninklijke Philips N.V. The costs related to the relevant awards will be charged by Koninklijke Philips N.V. to the Company.

#### Pensions and other benefits

Members of the Board of Management are eligible to receive post-employment benefits by participating in one of the Company’s pension plans. Members of the Board of Management are also entitled to other benefits, such as expense and relocation allowances, medical insurance, accident insurance and company car arrangements.

#### Severance arrangements

Contractual severance arrangements of members of the Board of Management comply with the Dutch Corporate Governance Code.