

Rules of Procedure Board of Management and Executive Committee Koninklijke Philips N.V.

Responsibilities of the Board of Management and of the Executive Committee

Article 1

1. The Board of Management (the “Board of Management”) is entrusted with the management of Koninklijke Philips N.V. (the “Company”).
2. The responsibilities of the Board of Management shall include:
 - a. driving the Company’s management agenda;
 - b. the Philips group’s performance;
 - c. the Philips group’s view on long term value creation;
 - d. the Philips group’s culture aimed at long-term value creation;
 - e. the Philips group’s general strategy aimed at long-term value creation and the risks connected to its business activities;
 - f. operational and financial objectives;
 - g. structure and management of systems of internal business controls and risk management;
 - h. financial reporting process;
 - i. compliance with applicable laws and regulations;
 - j. compliance with and maintaining the corporate governance structure of the Company;
 - k. publication of any information required by applicable laws and regulations, also including the internal reporting systems on such compliance and the adequate follow-up thereof;
 - l. preparation of the annual accounts, the annual budget and significant capital expenditures;
 - m. corporate social responsibility issues;
 - n. advice in connection with the nomination of the external accountant of the Company.

3. Certain key officers have been appointed to support the Board of Management in the fulfilment of its managerial duties. The members of the Board of Management and these key officers together constitute the Executive Committee (the “Executive Committee”).
4. In fulfilling their duties, the Board of Management and the Executive Committee shall be guided by the interests of the Company and its affiliated enterprise, taking into consideration the interests of the Company’s stakeholders.
5. Notwithstanding the foregoing, the rights and obligations of the Board of Management under Dutch law, the Articles of Association of the Company (the “Articles of Association”) and the Dutch Corporate Governance Code, remain in full force and effect with respect to the Board of Management exclusively in such capacity. The Board of Management shall therefore remain accountable for the actions and decisions of the Executive Committee and have ultimate responsibility for the Company’s external reporting and reporting to the shareholders of the Company, including providing the General Meeting of Shareholders with information. The members of the Board of Management have been identified as the persons responsible within the Company for providing the statements referred to in section 5:25c subsection 2c and section 5:25d subsection 2c of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

Chairman; Vice-Chairman; Composition

Article 2

1. The Chairman of the Board of Management is appointed by the General Meeting of Shareholders as provided in the Articles of Association. The Chairman of the Board of Management is President of the Company and shall have the title Chief Executive Officer or CEO. He is also Chairman of the Executive Committee.
2. At the proposal of the Chairman, who shall consult the Board of Management before making such a proposal, the Supervisory Board may appoint one member of the Board of Management to serve as Vice-Chairman of the Board of Management and the Executive Committee.
3. The members of the Board of Management are appointed and dismissed by the General Meeting of Shareholders. The other members of the Executive Committee are appointed, suspended and dismissed by the CEO, subject to approval by the Supervisory Board. The members of the Board of Management and of the Executive Committee can (also) be suspended by the Supervisory Board.
4. With the approval of the Supervisory Board, the Board of Management shall divide its tasks among its members. The Supervisory Board shall appoint one of the members of the Board of Management (and who may be referred to as the Chief Financial Officer, or CFO), to specifically overlook the Company’s financial affairs.

Delegation

Article 3

The Board of Management may delegate certain tasks and authorities to members of the Executive Committee or to certain committees consisting of one or more Executive Committee members assisted by staff officers.

Meetings and adoption of resolutions

Article 4

1. Resolutions of the Board of Management are adopted by majority vote comprising the vote of the Chairman. Resolutions can only be adopted in a meeting of the Board of Management where at least the majority of its members is present or represented. Each member of the Board of Management shall have one vote. If there is a tie, the Chairman shall have the casting vote.
2. Resolutions of the Executive Committee are adopted by majority vote comprising the majority of the members of the Board of Management present or represented, such majority comprising the vote of the Chairman. Resolutions can only be adopted in a meeting of the Executive Committee where at least one third of the members of the Board of Management (with a minimum of two members, amongst whom the Chairman) is present or represented. Each member of the Executive Committee shall have one vote. If there is a tie, the Chairman shall have the casting vote.
3. Upon a proposal by or on behalf of the Chairman or the Vice-Chairman, resolutions of the Board of Management or the Executive Committee, respectively, can also be taken in writing if (a) such proposal has been sent to all members, (b) no one member has objected to resolving in writing and (c) more than half of the members of the Board of Management (including the Chairman) have voted in favour of the proposed resolution. In such case the (Deputy) Secretary of the Executive Committee will record in writing such resolution of the Board of Management or the Executive Committee and have this document signed by at least two members of the Board of Management.
4. In case of a conflict of interests as referred to in article 8 of these Rules of Procedure with respect to a member of the Board of Management, the requirements set in paragraphs 1 or 2, respectively, and 3 shall as far as possible remain applicable to the non-conflicted members. A conflicted member shall not be taken into account when calculating a quorum. When the conflict relates to the Chairman, the relevant resolution can be adopted without his vote. In the event the Chairman is prevented from acting or reasonably unavailable or unreachable, the requirements set forth in paragraphs 1 or 2, respectively, and 3 shall as far as possible remain applicable to the available members.
5. Each of the Board of Management and the Executive Committee shall meet in accordance with a schedule for its meetings adopted each year at the latest in the last meeting of the preceding year. Furthermore each of the Board of Management and the Executive Committee shall meet whenever the Chairman (or, in his absence, the Vice-Chairman) has requested a meeting. The meetings shall generally be held at the offices of the Company in Amsterdam or Eindhoven, but may also take place elsewhere. In addition, one or more members may participate by telephone, videoconference or other electronic forms of direct communication.
6. Meetings of the Board of Management and of the Executive Committee shall be chaired by the Chairman or in his absence by the Vice-Chairman. None of these being present, the meetings will be chaired by one of the members of the Board of Management designated by the Chairman, or, in the absence of such designation, by one of the members of the Board of Management in order of the date of appointment as member of the Board of Management.
7. If a member of the Board of Management or the Executive Committee cannot attend a meeting, he can give a proxy to a member of the Board of Management.
8. The minutes of a Board of Management meeting or an Executive Committee meeting shall be adopted in the next meeting of the Board of Management or the Executive Committee, respectively. Adopted minutes shall be evidence of the proceedings. Extracts of minutes can be sent to the relevant committees, business units, departments, staff and third parties.

9. The Board of Management shall appoint one or more (Deputy) Secretaries of the Executive Committee, who may but need not be members of the Executive Committee.
10. The Secretary of the Executive Committee keeps on record minutes of meetings of the Board of Management and of the Executive Committee for as long as determined by the Board of Management from time to time while observing the minimum statutory period. The minutes, in the wording in which they have been adopted, or extracts shall be certified by the (Deputy) Secretary to the Executive Committee.

Resolutions validly adopted by the Executive Committee in accordance with these Rules of Procedure shall be deemed resolutions adopted by the Board of Management. For the avoidance of doubt, the Board of Management retains the authority to, at all times and in all circumstances, adopt resolutions without the participation of the other members of the Executive Committee.

Relationship with Supervisory Board

Article 5

1. Members of the Board of Management and the Executive Committee will be present in the meetings of the Supervisory Board if so invited.
2. The Board of Management and the Executive Committee will provide the Supervisory Board with all the information which the Supervisory Board needs, including the information stated in the Rules of Procedure of the Supervisory Board. Additional information will be provided at the request of the Supervisory Board or its Chairman on behalf of the Supervisory Board.
3. The Chairman of the Board of Management, and if and when required other members of the Board of Management or the Executive Committee, will have regular contacts with the Supervisory Board and/or its Chairman.
4. When the Supervisory Board has to adopt a resolution in respect of (the approval of or proposal for) the appointment, dismissal, suspension or remuneration of a member of the Board of Management or the Executive Committee, the Supervisory Board may from time to time delegate (part of) its task to one or more of its permanent Committees in accordance with the Supervisory Board's Rules of Procedure.

Trading in securities

Article 6

1. Should any member of the Board of Management or the Executive Committee hold shares in the share capital of the Company, this will be for the purpose of long-term investment; members of the Executive Committee will refrain from short-term transactions in Philips securities.¹
2. With respect to Philips securities, members of the Board of Management and the Executive Committee are bound to the Philips' Rules of Conduct with respect to Inside Information (the "Rules of Conduct") and must at all times comply with all Dutch and foreign statutory provisions and regulations, including applicable notification requirements, applicable to the ownership of and transactions related to Philips securities.

¹ For the purpose of article 6 securities are 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 before mentioned, and with regard to Philips securities also convertible personnel debentures, employee stock options, performance shares and restricted share rights.

3. With respect to transactions (with the exception of any acquisition of securities issued by way of a stock dividend) related to securities in any of the peer companies (which together reflect the business portfolio of Philips) as determined by the Supervisory Board and published in the Company's annual report, members of the Executive Committee are prohibited from trading, directly or indirectly, during Blocked Periods - according to and as defined in the Rules of Conduct - preceding the disclosure of Philips' annual or quarterly figures. However, the prohibition referred to in the previous sentence does not apply if the relevant member of the Executive Committee has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement that meets the conditions set forth in the Philips Rules of Conduct with respect to Inside Information.

Absence or inability to act

Article 7

In the event one or more members of the Board of Management are prevented from acting, the remaining members or the only remaining member of the Board of Management shall be temporarily in charge of the management of the Company. In the event all members of the Board of Management are prevented from acting, the Supervisory Board may temporarily charge one or more persons, whether or not members of the Executive Committee, with the management of the Company.

Conflicts of interests

Article 8

1. Members of the Board of Management are alert to conflicts of interest and should in any case refrain from the following:
 - a. competing with the Company;
 - b. demanding or accepting substantial gifts from the Company for themselves or their spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree;
 - c. providing unjustified advantages to third parties at the Company's expense;
 - d. taking advantage of business opportunities to which the Company is entitled for themselves or for their spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree.
2. A conflict of interest may exist if the Company intends to enter into a transaction with a legal entity:
 - a. in which a member of the Board of Management personally has a material financial interest; or
 - b. which has a member of the management board or the supervisory board who is related under family law to a member of the Executive Committee .
3. Each member of the Board of Management shall immediately report any (potential) conflict of interest that is of material significance to the Company and/or to the respective member of the Board of Management, to the Chairman of the Supervisory Board and to the other members of the Board of Management. Such member with a (potential) conflict of interest must provide all information relevant thereto to the Chairman including the 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 Supervisory Board shall determine whether there is a conflict of interest.

4. All transactions in which there are conflicts of interest with members of the Board of Management should be agreed on terms that are customary in the market. Decisions to enter into such transactions which are of material significance to the company and/or to the relevant member(s) require the approval of the Supervisory Board.

Such transactions are mentioned in the Company's annual report for the financial year in question with a statement that the relevant provisions of the Dutch Corporate Governance Code have been complied with.

5. A member of the Board of Management shall not participate in the discussions and decisionmaking on a subject or transaction in relation to which he/she has a direct or indirect personal conflict of interest with the Company within the meaning of article 2:129 sub 6 of the Dutch Civil Code.

Status and contents of the Rules of Procedure

Article 9

1. These Rules of Procedure have been adopted by the Board of Management pursuant article 14 of the Articles of Association, and have been approved by the Supervisory Board.
2. These Rules of Procedure are complementary to the rules and regulations (from time to time) applicable to the Board of Management under Dutch law or the Articles of Association. Where these Rules of Procedure are inconsistent with Dutch law or the Articles of Association, the law or, as the case may be, the Articles of Association, shall prevail.
3. These Rules of Procedure can be supplemented and modified by the Board of Management at any time, subject to the approval by the Supervisory Board.
4. Save as otherwise provided in the Articles of Association or by law, the Board of Management may in special cases, as the circumstances may require, at its discretion decide to deviate from these Rules of Procedure.

Governing law

Article 10

These Rules of Procedure shall be governed by and construed in accordance with the law of the Netherlands (meaning the law directly applicable in the Netherlands, meaning the part of the Kingdom of the Netherlands located in Europe).

