



Signify N.V. – Remuneration policy

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

- base salary;
- annual cash incentive;
- long-term equity-based incentive; and
- pensions and other benefits.

The targeted total direct compensation (base salary, annual cash incentive and long-term equity-based incentive) is around the median level of various reference groups, indices and markets and takes the internal pay ratios within the company into account. The reference groups are established based on industry, ownership type, geographical presence, business characteristics and scope parameters.

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. The base salary of each member of the Board of Management is a fixed cash compensation paid on a monthly basis. The base salary can be adjusted by the Supervisory Board in accordance with the remuneration policy following the results of benchmark studies.

Annual cash incentive

Members of the Board of Management are eligible to an annual cash incentive. The objective of the annual cash incentive is to create focus and drive performance.

The CEO is eligible for an at target annual incentive of 80% of his base salary, while the other members of the Board of Management are eligible for an at target annual incentive of 60% of their base salary. For each member, the maximum cash incentive is capped at twice the target amount. 80% of the annual cash incentive will be related to financial performance measures and 20% to team and individual non-financial performance measures.

The Supervisory Board can select annually two or three financial performance measures (and determine the relative weightings) from the following list:

- Comparable Sales Growth (CSG)
- Adjusted Earnings before Interest Taxes and Amortizations (Adj. EBITA)
- Average Working Capital (AWoCa)
- Free Cash Flow (FCF)
- Return on Capital Employed (RoCE)
- Net Income

all as used or defined in the company's annual report, subject to minor adjustments if required in order to provide a better indicator of the performance of the Board of Management. Adj. EBITA, AWoCa and Net Income are measured as a percentage of sales.

The financial performance measures will link remuneration with focus on the company's financial priorities and will, together with the weighting, be published in the annual report. Annual targets and intervals are considered as sensitive information and will, therefore, not be published.

Annual cash incentives are subject to claw back provisions pursuant to Dutch law.



Long-term equity-based incentive

Members of the Board of Management are eligible for a long-term equity-based incentive under the company's long-term incentive plan (LTI Plan). The main rationale of this particular element of the Board of Management's total direct compensation is the desire to link pay with long-term value creation more closely. The LTI Plan aligns with the overall Signify strategy, market practice in the, for Signify, relevant markets and the Signify pay for performance philosophy.

For the members of the Board of Management, the LTI Plan consist of performance shares only. Shares are conditionally granted each year. The annual at target value is a percentage of the base salary. For the CEO this percentage is set at 100% of his annual base salary, while for the other members of the Board of Management this percentage is set at 80% of their annual base salary.

Vesting of the performance shares is conditional on the achievement of performance conditions measured over a period of three financial years. The three performance measures are Relative Total Shareholder Return (TSR) (40%), Free Cash Flow (40%) and Sustainability (20%). Vesting can vary between 0 and two times the number of performance shares initially granted.

The Supervisory Board will determine the extent to which the performance targets are met and the number of performance shares that vest at the end of the performance period.

Long-term equity-based incentives are subject to claw-back provisions pursuant to Dutch law.

In the event of a change of control of the company, the Supervisory Board, at its sole discretion, can decide to accelerate the vesting of any unvested awards, subject to the achievement of the performance conditions up to the date of the completion of the change of control.

Prior to the listing of the company in 2016, certain members of the Board of Management have been awarded performance shares and certain restricted share rights of Koninklijke Philips N.V. pursuant to the then 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.