



RELATIONSHIP AGREEMENT

Between

Philips Lighting

And

Koninklijke Philips

Dated 26 May 2016

Contents

Clause	Page
1	DEFINITIONS AND CONSTRUCTION6
2	EFFECTIVENESS; DURATION AND TERMINATION6
2.1	Effectiveness.....6
2.2	Duration and termination.....6
2.3	Confidentiality7
3	GOVERNANCE7
3.1	Articles of Association7
3.2	Board rules7
3.3	Reserved matters.....7
3.4	Related party transactions policy.....8
3.5	Amendment8
3.6	Protective foundation.....8
4	BOARD OF MANAGEMENT COMPOSITION8
4.1	Appointment and dismissal.....8
4.2	Initial Board of Management composition9
5	SUPERVISORY BOARD COMPOSITION9
5.1	Appointment and dismissal.....9
5.2	Royal Philips Nominee.....9
5.3	Initial Supervisory Board composition10
5.4	Supervisory Board Committees.....10
5.5	Supervisory Board information.....10
6	COMPLIANCE10
6.1	Financial reporting10
6.2	Sustainability reporting; General Business Principles11
6.3	Risk and control.....11
6.4	Enforcement.....12
6.5	Further cooperation.....12
7	MATTERS CONCERNING AUDITORS.....12
7.1	Auditor appointment12
7.2	Auditor independence.....12
7.3	Auditor assistance.....13
8	RETAINED STAKE.....14
8.1	Disposal14
8.2	Fully marketed offerings.....14
8.3	Block trades.....15

	8.4	Communication.....	15
9		PRICE SENSITIVE INFORMATION	15
	9.1	Duty to disclose.....	15
	9.2	No selective disclosure	16
	9.3	Price sensitive information relating to the other party	16
10		MISCELLANEOUS	16
	10.1	Intragroup transfer of Shares	16
	10.2	Further assurances	17
	10.3	Entire agreement	17
	10.4	Assignment.....	17
	10.5	Invalidity.....	17
	10.6	Counterparts	17
	10.7	Waiver.....	17
	10.8	Amendment	18
	10.9	Third party rights.....	18
	10.10	No rescission	18
	10.11	Severability.....	18
	10.12	Costs	18
11		GOVERNING LAW AND DISPUTE RESOLUTION.....	18
	11.1	Governing law	18
	11.2	Dispute resolution	19

Schedules

- Schedule 1** Definitions and interpretation
- Schedule 2** Philips Lighting Articles of Association
- Schedule 3** Supervisory Board Rules and Supervisory Board Committee Charters
- Schedule 4** Board of Management Rules
- Schedule 5** Related Party Transactions Policy
- Schedule 6** Board of Management and Supervisory Board Composition
- Schedule 7** Information exchange

RELATIONSHIP AGREEMENT

THIS AGREEMENT IS DATED 26 MAY 2016 AND MADE BETWEEN:

(1) **Koninklijke Philips N.V.**, a public limited liability company incorporated under the laws of the Netherlands, with corporate seat in Eindhoven, the Netherlands, and registered address at High Tech Campus 5, 5656 AE, Eindhoven, the Netherlands, and registered with the Trade Register of the Dutch Chamber of Commerce with number 17001910 ("**Royal Philips**");

and

(2) **Philips Lighting NewCo B.V.**, a private limited liability company incorporated under the laws of the Netherlands, with corporate seat in Eindhoven, the Netherlands, and registered address at High Tech Campus 45, 5656 AE, Eindhoven, the Netherlands, and registered with the Trade Register of the Dutch Chamber of Commerce with number 65220692 ("**Philips Lighting**").

BACKGROUND:

(A) On 23 September 2014, Royal Philips announced its intention to separate the lighting businesses of Royal Philips from its other businesses (the "**Separation**").

(B) On 7 May 2015, the general meeting of Royal Philips approved the Separation, on conditions to be determined by the board of management of Royal Philips with the approval of the supervisory board of Royal Philips.

(C) On 1 February 2016, Royal Philips and Philips Lighting Holding B.V., entered into a master separation agreement relating to the Separation.

(D) On 26 May 2016, Royal Philips transferred its shareholding in Philips Lighting Holding B.V. to Philips Lighting (the "**Transfer of Lighting Holding**") and on Philips Lighting joined the master separation agreement.

(E) As a result of the Separation and the Transfer of Lighting Holding, Philips Lighting is currently a subsidiary of Royal Philips operating a stand-alone lighting business in a separate legal structure within the Royal Philips group, subject to the corporate and governance policies of Royal Philips.

(F) On 3 May 2016, Royal Philips and Philips Lighting publicly announced their intention to list the Shares on the regulated market of Euronext Amsterdam N.V. (the "**IPO**"). In connection with the IPO, Philips Lighting will be converted into a public limited liability company.

- (G) Royal Philips will retain a majority shareholding in Philips Lighting immediately following the IPO, and consequently will at least for some period be subject to Dutch, US and other regulatory and stock exchange requirements with respect to Philips Lighting. Royal Philips has also expressed the intention to fully divest its shares over time. Accordingly, Royal Philips should have the flexibility to reduce its shareholding in Philips Lighting, whilst maintaining an orderly market and satisfying its ongoing requirements in respect of that shareholding.
- (H) Royal Philips and Philips Lighting now wish to enter into this relationship agreement (the "**Agreement**") to establish the governance of Philips Lighting immediately following the IPO and to manage the relationship between Philips Lighting and Royal Philips as a large shareholder of Philips Lighting upon the IPO, all in accordance with the laws and regulations applicable to Philips Lighting as a company listed on the regulated market of Euronext Amsterdam N.V. and applicable to Royal Philips as a company listed on the regulated market of Euronext Amsterdam and the New York Stock Exchange and a reporting company under the US federal securities laws.

THE PARTIES AGREE AS FOLLOWS:

1 DEFINITIONS AND CONSTRUCTION

The definitions and provisions of Schedule 1 (*Definitions and interpretation*) shall apply throughout this Agreement.

2 EFFECTIVENESS; DURATION AND TERMINATION

2.1 Effectiveness

This Agreement is conditional upon the IPO occurring and shall take effect immediately upon the IPO having occurred, with the exception of Clause 2.3 which shall have immediate effect. Thereafter, this Agreement shall remain in force until terminated in accordance with Clause 2.2.

2.2 Duration and termination

2.2.1 This Agreement shall terminate automatically:

- (a) if the condition set out in Clause 2.1 is not satisfied, or shall have become incapable of being satisfied, on or before 31 December 2016 (or such other date as may be agreed between the Parties in writing); or
- (b) upon the first occurrence of Royal Philips holding less than 10% of the Shares, provided that this Clause 2, Clause 9, Clause 10 and Clause 11 shall survive termination of this Agreement.

2.2.2 Except as provided in Clause 2.2.1, this Agreement may only be terminated by mutual agreement of the Parties in writing.

2.3 **Confidentiality**

The Parties agree that until the condition set out in Clause 2.1 is satisfied, and in case of termination of this Agreement in accordance with Clause 2.2.1 (a) due to the IPO not having occurred, they shall keep the contents of this Agreement confidential and only disclose the contents thereof to the extent reasonably required in connection with the preparation of the IPO or required to comply with applicable law, or rules and regulations of any stock exchange or regulatory body (including the AFM and the SEC).

3 **GOVERNANCE**

3.1 **Articles of Association**

The Parties agree that the Articles of Association will, on or prior to the Closing Date, be amended into the agreed form, which is attached hereto as Schedule 2 (*Philips Lighting Articles of Association*).

3.2 **Board rules**

3.2.1 The Parties agree that the Supervisory Board Rules and the Supervisory Board Committee Charters will on the Closing Date read in accordance with Schedule 3 (*Supervisory Board Rules and Supervisory Board Committee Charters*).

3.2.2 The Parties agree that the Board of Management Rules will on Closing Date read in accordance with Schedule 4 (*Board of Management Rules*).

3.3 **Reserved matters**

The Parties agree that certain significant matters require approval by the Supervisory Board and that certain Supervisory Board resolutions require the affirmative vote of a Royal Philips Nominee. Accordingly, the Parties agree that the following provisions shall form part of the Supervisory Board Rules and the Board of Management Rules for as long as the Supervisory Board includes a Royal Philips Nominee in accordance with Clause 5.2 below:

- (a) Article 4.12 of the Board of Management Rules, and article 1.5 sub (h) to the Supervisory Board Rules (*Resolutions of the Board of Management that are subject to Supervisory Board approval*); and
- (b) Article 6.5 of the Supervisory Board Rules (*Resolutions of the Supervisory Board concerning remuneration of Board of Management members requiring an affirmative vote by a Royal Philips Nominee*).

- (c) Article 6.6 of the Supervisory Board Rules (*Resolutions of the Supervisory Board concerning the issue of shares requiring an affirmative vote by the Royal Philips Nominees*).

Philips Lighting shall procure that none of the matters referred to above shall be undertaken without the requisite approval of the Supervisory Board or the Royal Philips Nominee, as the case may be.

3.4 Related party transactions policy

The Parties acknowledge the importance of ensuring that related party transactions, including but not limited to transactions between Royal Philips and Philips Lighting, shall be at arms' length terms and shall be dealt with in accordance with the applicable legal framework. Accordingly, Philips Lighting shall on the Closing Date have a related party transactions policy that reads in accordance with Schedule 5 (*Related Party Transactions Policy*).

3.5 Amendment

An amendment of the Articles of Association, the Supervisory Board Rules or the Board of Management Rules can be made in accordance with the relevant law and as described in the relevant document, taking into account the restrictions set forth in this Agreement. Philips Lighting shall procure that no amendment will be proposed or implemented that would result in a violation of this Agreement. An amendment of the Related Party Transactions Policy can be made by Philips Lighting subject to approval by the Supervisory Board and prior consultation of Royal Philips.

3.6 Protective foundation

The Parties agree that on or prior to the Closing Date, Philips Lighting shall have granted a call-option to Stichting Continuïteit Philips Lighting to acquire, under certain circumstances as set out in the option agreement, preference shares up to 50% of the issued share capital of Philips Lighting minus one Share.

4 BOARD OF MANAGEMENT COMPOSITION

4.1 Appointment and dismissal

The members of the Board of Management shall be appointed, suspended and dismissed in accordance with the procedures set out in the Articles of Association.

4.2 **Initial Board of Management composition**

On the Closing Date, the composition of the Board of Management will be as per Paragraph 1 of Schedule 6 (*Board of Management and Supervisory Board*).

5 **SUPERVISORY BOARD COMPOSITION**

5.1 **Appointment and dismissal**

The Supervisory Board shall be appointed, suspended and dismissed in accordance with the procedures set out in the Articles of Association.

5.2 **Royal Philips Nominee**

5.2.1 Royal Philips shall be entitled to propose nominees for appointment as a member of the Supervisory Board (the "**Royal Philips Nominee**"), as follows:

- (a) if Royal Philips' shareholding in Philips Lighting equals or exceeds thirty percent (30%) of the Shares, there shall be two (2) Royal Philips Nominees;
- (b) subject to paragraph (a), if Royal Philips' shareholding in Philips Lighting equals or exceeds fifteen percent (15%) of the Shares, there shall be one (1) Royal Philips Nominee;
- (c) if Royal Philips' shareholding in Philips Lighting is below fifteen percent (15%) of the Shares, there shall not be any Royal Philips Nominee.

5.2.2 If so requested by Philips Lighting, with the approval of the Supervisory Board:

- (a) upon the occurrence referred to in Clause 5.2.1 (b), Royal Philips shall procure that one Royal Philips Nominee designated as such by Royal Philips shall resign from its position as member of the Supervisory Board with immediate effect; and
- (b) upon the occurrence referred to in Clause 5.2.1 (c), Royal Philips shall procure that any remaining Royal Philips Nominees shall resign from their position as member of the Supervisory Board with immediate effect.

5.2.3 As long as the Supervisory Board includes a Royal Philips Nominee, both the Supervisory Board's remuneration committee and, unless otherwise required by law, the Supervisory Board's audit committee, shall have a Philips Nominee as member.

5.2.4 If and when Royal Philips nominates a person in accordance with this Clause 5.2, Philips Lighting shall procure that the Supervisory Board shall make a

binding nomination of the Royal Philips Nominee for appointment as a member of the Supervisory Board in the first meeting of the general meeting that is convened after receiving Royal Philips' nomination, provided that if such general meeting is scheduled to take place more than three months after receiving Royal Philips' nomination, Philips Lighting shall convene an extraordinary general meeting for the purpose of appointing the Royal Philips Nominee as soon as reasonably practicable.

- 5.2.5 If and when Royal Philips nominates a person in accordance with this Clause 5.2, Philips Lighting shall, upon request of Royal Philips, procure that the Supervisory Board invites such Royal Philips Nominee for its meetings and any of its committee meetings, as an observer until such person has been appointed as member of the Supervisory Board and the relevant committees.

5.3 **Initial Supervisory Board composition**

On the Closing Date, the composition of the Supervisory Board will be as per Paragraph 2 of Schedule 6 (*Board of Management and Supervisory Board Composition*).

5.4 **Supervisory Board Committees**

The Supervisory Board shall have at least the following committees: (i) an Audit Committee; (ii) a Nomination and Corporate Governance Committee; and (iii) a Remuneration Committee. As long as the Supervisory Board includes a Royal Philips Nominee, Philips Lighting shall procure that a Royal Philips Nominee shall be a member of the Audit Committee and the Remuneration Committee.

5.5 **Supervisory Board information**

Royal Philips Nominees shall be allowed, to the extent reasonably needed to form a reasoned opinion on the matters submitted to the Supervisory Board, to share information of a confidential nature regarding Philips Lighting that comes to their knowledge in their capacity as Supervisory Board member with the board of management of Royal Philips, the supervisory board of Royal Philips and the staff departments of Royal Philips, provided that Paragraph 2 of Schedule 7 (*Information exchange*) shall apply *mutatis mutandis* to such sharing of information.

6 **COMPLIANCE**

6.1 **Financial reporting**

- 6.1.1 Until the date on which Royal Philips is both: (i) no longer required under IFRS to account for its investment in Philips Lighting under the equity method of

accounting and (ii) holding twenty percent (20%) or less of the Shares (the "**Threshold Date**"), Philips Lighting shall provide to Royal Philips information and data relating to the business, including financial results, of Philips Lighting, in accordance with Schedule 7 (Information exchange), so as to enable Royal Philips to satisfy its ongoing financial reporting, audit and other legal and regulatory requirements (including Royal Philips' tax, risk management and control procedures and Royal Philips' obligations pursuant to US federal securities laws, including those under the US Exchange Act of 1934, as amended), as these requirements may apply to Royal Philips from time to time.

6.1.2 Until the Threshold date, Royal Philips shall provide to Philips Lighting information in accordance with Schedule 7 (Information exchange), so as to enable Philips Lighting to satisfy its ongoing financial reporting, audit and other legal and regulatory requirements, as these requirements may apply to Philips Lighting from time to time, but only to the extent these requirements follow from Royal Philips' position as a major shareholder or related party of Philips Lighting.

6.2 **Sustainability reporting; General Business Principles**

Until the date on which Royal Philips is both: (i) no longer required under IFRS to consolidate Philips Lighting's financial statements with its financial statements and (ii) holding fifty percent (50%) or less of the Shares (such date hereinafter referred to as "**Deconsolidation**"), Philips Lighting shall:

- (a) apply Royal Philips' General Business Principles and the underlying policies (including but not limited to legal compliance manuals and enforcements procedures);
- (b) provide all information, data and access to relevant officers and staff members to enable Royal Philips to publish integrated financial, social and environmental annual reports, in line with the Integrated Reporting (IR) framework of the International Integrated Reporting Council (IIRC), as amended from time to time, or any other applicable framework or regulations; and
- (c) maintain policies and programs aimed at supply chain sustainability, including a commitment on the responsible sourcing of minerals, materially in line with such policies of Royal Philips, and provide all information, data and access to relevant officers and staff members to enable Royal Philips to publish its SEC Conflict Minerals Reports and to enable Royal Philips' external auditor to audit such rapport.

6.3 **Risk and control**

6.3.1 Until the Threshold Date, Philips Lighting shall:

- (a) maintain Disclosure Controls and Procedures;
- (b) maintain Internal Control Over Financial Reporting;
- (c) provide to Royal Philips or persons designated by Royal Philips certifications from its relevant officers and employees regarding Disclosure Controls and Procedures and Internal Control Over Financial Reporting (including any change in Internal Control Over Financial Reporting), in accordance with Royal Philips' internal standards, and so as to enable Royal Philips and its management to satisfy requirements on external reporting on internal control as required under IFRS, the Sarbanes-Oxley Act of 2002, US federal securities laws or SEC rules, the Dutch Corporate Governance Code or any other applicable rule or best practice that may apply to Royal Philips from time to time; and
- (d) maintain Books and Records.

6.4 Enforcement

Philips Lighting shall meet reasonable requests of Royal Philips made in connection with cooperation by Royal Philips with governmental authorities or regulators in respect of alleged violations of policies or regulations or with a view to mitigate possible sanctions against Royal Philips or any of its subsidiaries, all subject to applicable law.

6.5 Further cooperation

To enable Royal Philips to satisfy its ongoing financial reporting, audit and other legal and regulatory requirements, as these requirements may apply to Royal Philips from time to time, Philips Lighting shall provide such other assistance and cooperation as Royal Philips may reasonably request for such compliance purposes.

7 MATTERS CONCERNING AUDITORS

7.1 Auditor appointment

Until Deconsolidation, Philips Lighting shall in the event of an (re-)appointment of its external auditor, make such a proposal as required to ensure that Philips Lighting shall continue to have the same external auditor as Royal Philips.

7.2 Auditor independence

Until the Threshold Date, no Party shall engage the external auditor of the other Party for any services that would impair the independence of such auditor with respect to the other Party and shall, in engaging the other Party's external auditor

for any such services, obtain assurances from such auditor that the engagement will not impair the independence of such auditor and that the engagement of the auditor for such services shall have received such approvals by the other Party, including the audit committee of the supervisory board of the Other Party, as are required under any applicable law or regulation.

7.3 **Auditor assistance**

Until the Threshold Date, Philips Lighting shall:

- (a) grant Royal Philips adequate access, during usual business hours, to Philips Lighting's external auditor and to Philips Lighting's internal audit function (through Philips Lighting's head of internal audit), including access to work papers and the personnel responsible for conducting Philips Lighting's quarterly reviews and annual audit, and provide Royal Philips with copies of all material correspondence between Philips Lighting and Philips Lighting's external auditor;
- (b) use its reasonable best efforts to enable Philips Lighting's external auditor to complete its quarterly review and annual audit such that it shall date its report on such quarterly review or opinion on Philips Lighting's audited annual financial statements on or before the date that Royal Philips' external auditor date their report or opinion on Royal Philips' financial statements, and to enable Royal Philips to meet its timetable for the printing, filing and public dissemination of its financial statements. Philips Lighting shall instruct Philips Lighting's external auditor to perform the work requested by Royal Philips' external auditor pursuant to this Agreement and Philips Lighting shall use its reasonable best efforts to enable Philips Lighting's external auditor to comply with the instruction received;
- (c) upon reasonable notice, authorise Philips Lighting's external auditor to make available to Royal Philips' external auditor both the personnel responsible for conducting Philips Lighting's quarterly reviews and annual audit and, consistent with customary professional practice and courtesy of such auditors with respect to the furnishing of work papers, work papers related to the quarterly review or annual audit of Philips Lighting, in all cases within a reasonable time after Philips Lighting's auditor's report or opinion date, so that Royal Philips' external auditor is able to perform the procedures they consider necessary to take responsibility for the work of Philips Lighting's auditor as it relates to Royal Philips' auditor's report on Royal Philips' financial statements, all within sufficient time to enable Royal Philips to meet its timetable for the printing, filing and public dissemination of its financial statements;

- (d) if Royal Philips is required under applicable securities laws, including those of the United States, to include financial statements of Philips Lighting in any required filing, use its reasonable best efforts to provide such financial statements and to procure that its external auditors shall provide any required reports or consents in respect thereof; and
- (e) enable Royal Philips' external auditor to provide reasonable assurance on whether the sustainability information included in Royal Philips' annual reports presents fairly, in all material respects, the sustainability performance in accordance with the reporting criteria as applicable from time to time.

8 RETAINED STAKE

8.1 Disposal

- 8.1.1 Subject to any applicable lock-up obligations to which Royal Philips may be subject upon the IPO, Royal Philips may freely dispose of its retained Shares in whole or in part, in the open market or through a private sale (a "**Disposal**").
- 8.1.2 Without prejudice to Clause 8.1.1, Royal Philips shall use reasonable commercial efforts to conduct any Disposal in an orderly market manner, so as to reduce as much as reasonably possible any material negative impact on the price of the Shares as a result of such Disposal, it being understood that as a general matter any Disposal may have a negative impact on the Share price and that this shall not limit Royal Philips' right to freely dispose of its retained Shares.

8.2 Fully marketed offerings

- 8.2.1 Philips Lighting will cooperate with Royal Philips to optimise any Fully Marketed Offering including by providing reasonable access to information required for a due diligence investigation, comfort letters, road shows and marketing, drafting a prospectus or similar offering document, any reasonable requests from any relevant underwriters or advisers including for management involvement in the marketing of the Offering or being a party to an underwriting agreement containing customary provisions including indemnification, it being understood that this obligation to cooperate does not imply an obligation on the part of Philips Lighting to apply for a (secondary) listing of the Shares. The Parties agree to use their reasonable efforts to obtain any regulatory, stock exchange, or other approval required for any Disposal, it being understood that a Disposal which requires Philips Lighting to apply for a (secondary) listing of the Shares will be subject to prior reasonable discussions between the Parties
- 8.2.2 Any fees and external expenses incurred by book runners and their advisors as reasonably agreed beforehand by Royal Philips and specifically incurred in

connection with the Fully Marketed Offering will be borne by Royal Philips, it being understood that if such Fully Marketed Offering also includes the sale of primary Shares by Philips Lighting at Philips Lighting's request, Royal Philips and Philips Lighting will each pay a share of such fees and external expenses on a pro rata basis.

8.3 **Block trades**

Philips Lighting will cooperate with Royal Philips to optimise any sale of a block of Shares, including by providing an opportunity to perform a limited due diligence investigation by a bona fide, creditworthy purchaser of more than 5% of the Shares. Such due diligence shall include (i) management interviews, (ii) customary issuer representations and management representation letters, (iii) a review of the minutes of the Board of Management and the Supervisory Board and (iv) a limited documentary review relating to major litigation, acquisitions and disposals.

8.4 **Communication**

8.4.1 In view of the necessity of a clear and coordinated communication regarding any Disposal, public communications by either Party with respect to a Disposal will be made only after consultation with the other Party regarding the contents of such communication, to the extent reasonably practicable and subject to Clause 9. Such consultation shall not be required for any communication:

- (a) which is in line with communication arrangements pre-agreed between the Parties, if any;
- (b) which is ordinary course of business or investor communication and not disclosing specific information on an actual Disposal, or
- (c) confirming facts or information that are already in the public domain.

8.4.2 Each Party shall ensure that any communication by it relating to a Disposal will not result in violations of securities laws or inconsistencies with any prospectus or similar offering document regarding such Disposal.

9 **PRICE SENSITIVE INFORMATION**

9.1 **Duty to disclose**

Nothing in this Agreement shall prohibit or restrict either Party from disclosing (in accordance with article 5:25i(1) Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*) ("**FMSA**") or the US securities laws or such other laws, or applicable rules or regulations (including the rules and regulations of any relevant stock exchange or other regulatory body (including the AFM or SEC)) to

which either Party is or become subject) any price sensitive information if and when such disclosure is in the reasonable opinion of a Party required and cannot or can no longer be delayed under applicable law or by any rules or regulations (including the rules and regulations of any relevant stock exchange or other regulatory body (including the AFM or SEC)).

9.2 **No selective disclosure**

Nothing in this Agreement will require a providing Party to disclose price sensitive information, as defined in the FMSA, to the receiving Party to the extent that such disclosure without general publication would violate applicable law. The Parties confirm their view, which view is based on the current interpretation of the relevant courts of applicable laws pertaining to price sensitive information and the disclosure thereof, that to the extent that the information Philips Lighting discloses to Royal Philips pursuant to this Agreement qualifies as price sensitive information, this disclosure is made in the normal course of the exercise of Philips Lighting's duties, within the meaning of article 5:57(1) FMSA and article 3(a) of the Market Abuse Directive.

9.3 **Price sensitive information relating to the other party**

Each Party acknowledges that any disclosure of price sensitive information (*voorwetenschap*), as defined in the FMSA, could also qualify as price sensitive information to the other Party. Each Party will inform the other Party of the proposed form, timing, nature and purpose of any intended disclosure of such information which it reasonably knows could also qualify as price sensitive information to the other Party. Each Party acknowledges that Royal Philips is currently subject to certain duties to disclosure material information under the US federal securities laws and the rules of the New York Stock Exchange.

10 **MISCELLANEOUS**

10.1 **Intragroup transfer of Shares**

The Parties acknowledge that Royal Philips may at all times elect to transfer its Shares to an affiliate, in which case Royal Philips shall continue to be a party to this Agreement and the relevant affiliate shall have the right to exercise the rights of Royal Philips under this Agreement on behalf of Royal Philips as long as it remains an affiliate. To the extent necessary, this Clause shall operate as a third party stipulation (*derdenbeding*) in favour of such affiliate. For purposes of this Agreement, where reference is made to the number of Shares held by Royal Philips, this number shall be deemed to include Shares held by its affiliates.

10.2 **Further assurances**

The Parties shall at their own costs and expenses from time to time execute and procure to be executed such documents and perform and procure to be performed such acts and things as may be reasonably required by each of them to give the Parties the full benefit of this Agreement.

10.3 **Entire agreement**

This Agreement contains the entire agreement between the Parties relating to the subject matter of this Agreement, and supersedes any previous written or oral agreement between Royal Philips and Philips Lighting in relation to the matters dealt with in this Agreement.

10.4 **Assignment**

Notwithstanding Clause 10.1, none of the Parties may assign any of their rights or obligations under this Agreement in whole or in part without the prior written consent of the other Party.

10.5 **Invalidity**

If any provision in this Agreement is held to be illegal, invalid or unenforceable, in whole or in part, under any applicable law, then:

- (a) such provision or part shall to that extent be deemed not to form part of this Agreement but the legality, validity or enforceability of the remainder of this Agreement shall not be affected; and
- (b) the Parties shall use commercially reasonable efforts to agree a replacement provision that is legal, valid and enforceable to achieve so far as possible the intended effect of the illegal, invalid or unenforceable provision.

10.6 **Counterparts**

This Agreement may be entered into in any number of counterparts, all of which taken together shall constitute one and the same instrument. The Parties may enter into this Agreement by signing any such counterpart.

10.7 **Waiver**

No waiver of any provision of this Agreement shall be effective unless such waiver is in writing and signed by or on behalf of the Party entitled to make such waiver. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial

exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

10.8 **Amendment**

No amendment of this Agreement shall be effective unless such amendment is in writing and signed by or on behalf of each Party.

10.9 **Third party rights**

Save as expressly otherwise stated, this Agreement does not contain any stipulation in favour of a third party (*derdenbeding*). In the event that any stipulation in favour of a third party (*derdenbeding*) contained in this Agreement is accepted by any third party, such third party will not become a party to this Agreement.

10.10 **No rescission**

Each Party waives its right to rescind (*ontbinden*) this Agreement, in whole or in part, on the basis of section 6:265 DCC or to request a competent court to amend this Agreement on the basis of section 6:230(2) DCC. Furthermore, a party in error (*dwalig*) shall bear the risk of that error in making this Agreement.

10.11 **Severability**

If any provision of this Agreement is held by any court or other competent authority to be void or unenforceable in whole or in part, the other provisions of this Agreement and the remainder of the effective provisions will continue to be valid. The Parties will then use all reasonable endeavours to replace the invalid or unenforceable provision(s) with a valid and enforceable substitute provision(s) the effect of which is as close as possible to the intended effect of the invalid or unenforceable provision(s).

10.12 **Costs**

Unless this Agreement provides otherwise, all costs which a Party has incurred or must incur in preparing, concluding or performing this Agreement are for its own account.

11 **GOVERNING LAW AND DISPUTE RESOLUTION**

11.1 **Governing law**

This Agreement shall be governed by and construed in accordance with the laws of the Netherlands.

11.2 Dispute resolution

- 11.2.1 Any dispute arising out of, or in connection with, this Agreement or other agreements and arrangements connected to or resulting from this Agreement, shall be submitted to the Chief Executive Officers of Royal Philips and Philips Lighting from time to time to be settled and resolved by them within 20 Business Days of the matter being referred to them, following and upon the written request of either of the Parties.
- 11.2.2 If the dispute cannot be resolved by the Chief Executive Officers of Royal Philips and Philips Lighting within 20 Business Days of the matter being referred to them in accordance with Clause 11.2.1, the Parties shall refer the dispute to proceedings under the ICC Mediation Rules, unless it concerns an urgent matter as referred to in Section 254 of the Dutch Code of Civil Procedure, in which case Clause 11.2.3 below shall apply immediately. The place of the mediation will be Amsterdam, the Netherlands. The language of the mediation will be English.
- 11.2.3 If the dispute has not been settled pursuant to the ICC Mediation Rules within 6 weeks days following the filing of a Request for Mediation or within such other period as the parties may agree in writing, such dispute will be finally and exclusively resolved by arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce. The place of the arbitration will be Amsterdam, the Netherlands. The language of the arbitration will be English.
- 11.2.4 The arbitral tribunal will consist of three (3) arbitrators to be nominated and/or appointed as follows:
- (a) The claimant Party shall nominate one arbitrator in its request for arbitration, and the respondent Party shall nominate one arbitrator in its answer. If a Party fails to nominate an arbitrator, the relevant arbitrator will be appointed by the ICC International Court of Arbitration;
 - (b) The third arbitrator will act as chairman of the arbitral tribunal. The third arbitrator will be nominated jointly by the two arbitrators referred to in paragraph (a) above within 30 days of the date of the last of their confirmations and/or appointments. If these two arbitrators fail to nominate jointly the third arbitrator, that arbitrator will be appointed by the ICC International Court of Arbitration.
- 11.2.5 The arbitral tribunal shall decide and make its arbitral award or awards in accordance with the applicable rules of law. The arbitral tribunal shall not assume the powers of an *amiable compositeur* or decide *ex aequo et bono*.
- 11.2.6 An arbitration pursuant to this Clause 11.2 shall not be consolidated with any other arbitration, whether on the basis of article 1046 of the Dutch Code of Civil

Procedure (*Wetboek van Burgerlijke Rechtsvordering*) or otherwise, except for another arbitration pursuant to this Clause 11.2.

- 11.2.7 The Parties shall not be entitled to any form of discovery or disclosure, and the arbitral tribunal shall have no power to order discovery or disclosure of (a) documentary evidence, (b) oral testimony, or (c) any other materials.

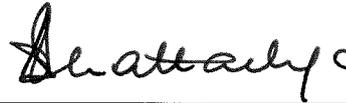
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THIS AGREEMENT HAS BEEN SIGNED ON THE DATE STATED AT THE BEGINNING OF THIS AGREEMENT BY:

Koninklijke Philips N.V.



By: Frans van Houten
Title: CEO



By: Abhijit Bhattacharya
Title: CFO

Philips Lighting Newco B.V.

By: Eric Rondolat
Title: CEO

**THIS AGREEMENT HAS BEEN SIGNED ON THE DATE STATED AT THE
BEGINNING OF THIS AGREEMENT BY:**

Koninklijke Philips N.V.

By: Frans van Houten
Title: CEO

By: Abhijit Bhattacharya
Title: CFO

Philips Lighting Newco B.V.



By: Eric Rondolat
Title: CEO

Schedule 1 Definitions and interpretation

1 Definitions

"**Agreement**" has the meaning given to it in Recital (H);

"**Articles of Association**" means the articles of association of Philips Lighting, attached hereto in the agreed form as Schedule 2 (*Philips Lighting Articles of Association*), as amended from time to time;

"**AFM**" means Stichting Autoriteit Financiële Markten;

"**Board of Management**" means the Board of Management of Philips Lighting, as constituted from time to time;

"**Board of Management Rules**" means the rules of procedure of the Board of Management attached hereto in the agreed form as Schedule 4 (*Board of Management Rules*), as amended from time to time;

"**Books and Records**" means:

- (a) making and keeping books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Philips Lighting and its subsidiaries; and
- (b) Devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurances that:
 - (i) transactions are executed in accordance with the general or specific authorization of Philips Lighting's management;
 - (ii) transactions are recorded as necessary (A) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (B) to maintain accountability for assets;
 - (iii) access to assets is permitted only in accordance with Philips Lighting's management's general or specific authorization; and
 - (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences;

"**Closing Date**" means the date on which Closing is effected;

"**Closing**" means the closing of the IPO by means of settlement of the relevant Shares;

"**Contribution**") has the meaning given in Recital (D);

"**Deconsolidation**" has the meaning given in Clause 6.2;

"**Disclosure Controls and Procedures**" means controls and other procedures designed to ensure that information required to be disclosed by Philips Lighting and/or Royal Philips under applicable law, including the Sarbanes-Oxley Act of 2002, is recorded, processed, summarized and reported within applicable time periods, including controls and procedures designed to ensure that such information is accumulated and communicated to Philips Lighting's management, including the CEO and CFO, and to Royal Philips, as appropriate to allow timely decisions regarding required disclosure;

"**Disposal**" has the meaning given in Clause 8.1;

"**FMSA**" has the meaning given in Clause 9.1;

"**Fully Marketed Offering**" means an offering which entails Philips Lighting's involvement in the form of a management road show and/or the preparation of a prospectus or similar offering document;

"**Group**" means a Party and the companies included in the consolidation of such Party's reported financial information, except that Philips Lighting shall be deemed not to be a member of the Group of which Royal Philips is the holding company;

"**IFRS**" means International Financial Reporting Standards and/or any other applicable accounting principles to which Royal Philips becomes subject by virtue of applicable law or regulation;

"**Internal Control Over Financial Reporting**" means a process designed by, or under the supervision of, the CEO and CFO and effected by the Board of Management, Philips Lighting's management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies that:

- (a) pertain to the maintenance of records in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Philips Lighting and its subsidiaries;
- (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally acceptable accounting principles, and that receipts and expenditures of Philips Lighting and its subsidiaries are being made only in accordance with authorizations of management and directors of Philips Lighting; and
- (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Philips Lighting or its subsidiaries assets that could have a material effect on the financial statements of Philips Lighting.

"**IPO**" has the meaning given to it in Recital (F);

"**Parties**" means each of Royal Philips and Philips Lighting and "**Party**" shall be construed accordingly;

"**Philips Lighting**" has the meaning given in the preamble of this Agreement;

"**Royal Philips**" has the meaning given in the preamble of this Agreement;

"**Royal Philips Nominee**" has the meaning given in Clause 5.2;

"**Schedule**" means a schedule to this agreement;

"**Separation**" has the meaning given in Recital (A);

"**Shares**" means any and all issued and outstanding shares in the capital of Philips Lighting from time to time, but excluding any preference shares;

"**SEC**" means the US Securities and Exchange Commission;

"**Threshold Date**" has the meaning given in Clause 6.1;

"**Supervisory Board**" means the supervisory board of Philips Lighting, as constituted from time to time; and

"**Supervisory Board Rules**" means the rules of procedure of the Supervisory Board attached hereto in the agreed form as Schedule 3 (*Supervisory Board Rules and Supervisory Board Committee Charters*), as amended from time.

"**Supervisory Board Committee Charters**" means the charters of the relevant committee of the Supervisory Board attached hereto in the agreed form as Schedule 3 (*Supervisory Board Rules and Supervisory Board Committee Charters*), as amended from time.

2 Headings and references to Clauses, Schedules and Paragraphs

2.1 Headings have been inserted for convenience of reference only and do not affect the interpretation of any of the provisions of this Agreement.

2.2 A reference in this Agreement to:

- (a) a Clause is to the relevant clause of this Agreement; and
- (b) a Schedule is to the relevant schedule to this Agreement.

3 Legal terms

In respect of any jurisdiction other than the Netherlands, a reference to any Dutch legal term shall be construed as a reference to the term or concept which most nearly corresponds to it in that jurisdiction.

4 Other references

4.1 Whenever used in this Agreement, the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation".

4.2 Whenever used in this Agreement, the words "as of" shall be deemed to include the day or moment in time specified thereafter.

4.3 Any reference in this Agreement to any gender shall include all genders, and words importing the singular shall include the plural and vice versa.

Schedule 6 Board of Management and Supervisory Board Composition

1 INITIAL BOARD OF MANAGEMENT COMPOSITION

Board of Management:

- (i) E.H.E. Rondolat (CEO)
- (ii) C.L. van Schooten (CFO)

2 INITIAL SUPERVISORY BOARD COMPOSITION

- (i) A.P.M. van der Poel (Chairman)
- (ii) F.A. van Houten (Vice-Chairman and Royal Philips Nominee)
- (iii) A. Bhattacharya (Royal Philips Nominee)
- (iv) R.S. Lane
- (v) C.J.A. van Lede

Schedule 7 Information exchange

1 GENERAL

1.1 Form of information/methodology

- (a) Philips Lighting shall maintain accounting and risk principles, systems and reporting formats that are consistent with Royal Philips' financial accounting and risk practices in effect as of the Closing Date, and shall adopt or implement any such policies or procedures in order to comply with legal, financial or regulatory requirements applicable to Royal Philips, of which Philips Lighting has been informed by Royal Philips;
- (b) Philips Lighting IFRS-based reporting to Royal Philips shall be consistent with the Royal Philips accounting manual, which is based on IFRS; and
- (c) the materiality applied for accounting purposes for the financial information to be provided by Philips Lighting shall be the allocated Philips Lighting materiality derived from the materiality level of Royal Philips on a consolidated basis and consistent with past practice (but taking into account that Royal Philips' obligations may vary over time).

1.2 Timing of information delivery

Philips Lighting shall report to Royal Philips according to the current and future Reporting timelines (closing calendar). Royal Philips will inform Philips Lighting as soon as possible of any changes to the Reporting timelines (closing calendar).

1.3 Access to historical records

Royal Philips and Philips Lighting shall retain the right to access such records of one another that are relevant in connection with Royal Philips' (former) control or ownership of all or a portion of Philips Lighting, without prejudice to the relevant provisions of the master separation agreement entered into between the Parties on 1 February 2016. Upon reasonable notice and at each Party's own expense, Royal Philips (and its authorised representatives) and Philips Lighting (and its authorised representatives) shall be afforded access to such records at reasonable times and during normal business hours and each Party (and its authorised representatives) shall be permitted, at its own expense, to make abstracts from, or copies of, any such records; provided that access to such records may be denied if:

- (a) the information contained in the records is subject to any applicable confidentiality commitment to a third party;
- (b) a bona fide competitive reason exists to deny such access;
- (c) the records are to be used for the initiation of, or as part of, a suit or claim against the other Party;
- (d) such access would serve as a waiver of any privilege afforded to such record; or
- (e) such access would unreasonably disrupt the normal operations of Royal Philips or Philips Lighting, as the case may be.

2 USE OF INFORMATION BY RECIPIENT

2.1 Confidentiality

Each Party shall, and shall procure that the other members of its Group shall:

- (a) keep confidential any and all information which is received from the other Party pursuant to this Schedule, except to the extent and as from the moment in time that such information is included pursuant to Royal Philips' or Philips Lighting's obligations in any documents published by Royal Philips or Philips Lighting, respectively, or is otherwise disclosed pursuant to requirements of any applicable law, or rules and regulations of any stock exchange or regulatory body (including the AFM and the SEC); and
- (b) as long as the information is not or has not yet been published in accordance with paragraph (a) above and needs to be kept confidential, take sufficient measures to restrict access to such information to persons who, in connection with the performance of their work, profession or position, should be aware of such information in conformity with applicable law, regardless of whether such information qualifies as price sensitive information.

2.2 Permitted use

Any information received under this Schedule by Royal Philips may be used by Royal Philips only to satisfy Royal Philips' obligations and not for any other purpose. Information relating to Royal Philips received under this Schedule by Philips Lighting may be used by Philips Lighting solely for the stated purpose.

3 PERIODIC PUBLIC REPORTING

3.1 Philips Lighting to follow Royal Philips financial calendar

Philips Lighting's calendar will schedule the periodic reports release dates on the same dates (before start of trading) as scheduled by Royal Philips for the report over the same period.

3.2 Market disclosures

To enable each Party to satisfy its disclosure obligations, each Party will commit to coordinate in a timely manner with the other Party with respect to its public disclosure of information. The Parties shall establish a communication protocol on the basis of which such coordination shall take place. The communication protocol shall also provide for the timely notification and consultation, in each case to the extent reasonably practicable, in respect of public disclosures by a Party on the relationship between the Parties or with respect to the other Party.

3.3 Closed periods

Each Party undertakes that, as long as any information provided to it constitutes price sensitive information, it will:

- (a) not deal in any way in any securities of the other Party or in any securities whose price or value may be related to, or affected by, the price or value of securities of the other Party (*afgeleide producten*) or in any derivative products related to any such securities or interests in any of them (the "**Securities**");
- (b) not recommend or induce another person to deal in the Securities; and
- (c) procure that each of its directors, officers, agents, employees and/or representatives to whom any such information is disclosed will refrain from dealing in the Securities and from encouraging any other person to deal in the Securities.

4 REPORTING AND INFORMATION PROCESS COMMITTEE

The Parties will form a committee, the Reporting and Information Process Committee, to govern practicalities of the provisions in this Schedule, including by establishing a communication protocol as referred to in Paragraph 3.2. Each Party shall have an equal number of representatives in the Committee. The Committee shall meet at least every quarter. In addition, each member may convene a meeting of the Committee giving at least 3 days' notice or such shorter notice period as agreed by all members of the Committee.

5 COSTS AND EXPENSES

Costs incurred by Philips Lighting arising from reasonable requests, including costs arising from changes in reporting requirements imposed on or adopted by Royal Philips, shall be borne by Philips Lighting.