



Pension Plan Rules Philips Executives Pension Plan

January 2008

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Stichting Philips Pensioenfonds
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Core Amounts of the Philips Executives Pension Plan

AO-limit amount (article 1, paragraph 3)	Date	AO-limit amount
	01-07-2007	€ 45,227
	01-01-2008	€ 46,809
Offset (article 1, paragraph 9)	Date	Amount
	01-07-2007	€ 14,280
	01-01-2008	€ 14,784
Collective salary scale adjustment	Date	Percentage
	01-07-2007	1.25%
	01-01-2008	3.50%
ANW shortfall insurance (article 9, paragraph 2)	Date	Amount
	01-04-2007	€ 14,856
	01-04-2008	€ 15,192
Surrender value (article 27, paragraph 1)	Date	Amount
	01-01-2008	€ 406.44
Indexation of inactives (article 15, paragraph 1)	Date	Percentage
	01-04-2007	1.25%
	01-04-2008	1.90%
Contributions (article 29, paragraph 1)		
1. Executives' contribution	(in % terms of the pension base): 0%	
2. ANW shortfall premium		
Age	Monthly premium from 01-04-2007	Monthly premium from 01-04-2008
-35	€ 19.81	€ 20.26
35-40	€ 28.47	€ 29.12
40-45	€ 37.14	€ 37.98
45-50	€ 47.04	€ 48.11
50-55	€ 59.42	€ 60.77
55-60	€ 66.85	€ 70.90
60-65	€ 58.19	€ 67.10

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Chapter I: General

I Definitions

Article 1

All concepts defined start with a capital letter. The meaning of all concepts defined in the Trust Deed (comparable to Articles of Association) of Stichting Philips Pensioenfondsen shall be identical for the purposes of these Plan rules, unless otherwise has been provided. Additionally, the following terms shall be taken to mean the following in these Pension Plan rules:

1.1 Executive

The person employed by Philips who has been appointed a Philips Executive by an authorized person.

1.2 ANW

Surviving Dependents (Benefits) Act.

1.3 AO (Occupational disability) limit amount

An amount equal to one twelfth part of € 46,809, increased as from 1 January 2008 simultaneously and in line with the percentage of the full collective salary scale adjustment applicable at Philips, multiplied by the Part-time factor applicable in the month preceding the first day of illness, or, if the average Part-time factor in the 36 months preceding the first day of illness is higher than the Part-time factor in the month preceding the first day of illness, the higher average Part-time factor.

1.4 Part-time factor

A factor, the numerator of which is the number of working hours agreed upon in the employment contract with Philips and the denominator of which is the normal number of working hours per week. If no fixed number of working hours was included in the employment contract, the numerator of the above fraction is formed by the number of working hours actually spent in the period over which the Part-time factor is determined.

1.5 Executives Pension Plan

The Pension Plan rules of the pension plan as applicable to the Executives.

1.6 Former executive

The Executive, whose employment contract with Philips terminated before the Retirement age, other than by decease or disability.

1.7 Monthly AOP (Disability pension) basis

The basis for the calculation of a Disability pension as referred to in article 12, which is equal to the Monthly gross pensionable salary, in the month preceding the first day of illness, on the understanding that if the average Part-time factor in the 36 months preceding the first day of illness exceeds the Part-time factor in the month preceding the first day of illness,

the amounts mentioned in paragraph 8 of this article shall be multiplied by a fraction the numerator of which is the average Part-time factor in the 36 months preceding the first day of illness and the denominator is the Part-time factor in the month preceding the first day of illness.

If on the first day of illness the employment with Philips lasted less than 36 months, instead of the average over 36 months, the average shall be taken over the number of full months the employment of the Executive lasted until the first day of illness for the purposes of the above.

In this context, the day on which the waiting time for the WIA has commenced shall be considered the first day of illness.

1.8 Monthly gross pensionable salary

An amount equal to the fixed gross monthly salary owed by Philips to the Executive in any month by virtue of the employment contract increased by those income components that are also part of the Monthly gross pensionable salary by virtue of the Board of Trustees' resolution.

1.9 Monthly offset

A monthly amount equal to a one twelfth part of € 14,784 multiplied by the Part-time factor applicable in the month concerned, simultaneously increased by and in accordance with the percentage of the full collective scale adjustment mentioned in the CLA applicable at Philips.

1.10 Monthly pension base

The Monthly gross pensionable salary, reduced by the Monthly offset.

1.11 Partner

- a) The husband/wife of the (Former) Executive;
- b) The person who has entered into a registered partnership with the (Former) Executive as referred to in Book 1 of the Civil Code, which partnership has not ended;
- c) The single person not having a registered partner who is conducting a joint household with the single (Former) Executive without a registered partner, who is no relative of the (Former) Executive by blood or affinity to the first degree, and who has been registered by the (Former) Executive at the Fund as a Partner in writing. A joint household shall be taken to mean a joint household as defined in the ANW.

1.12 Partnership

- a) A marriage;
- b) A registered partnership;
- c) Conducting a joint household with a partner registered in the way referred to in the previous paragraph under c.

- 1.13 Retirement age**
The age of the full or partial retirement pension taking effect. For an Executive this age is 62.5 years, unless another Retirement age applies in accordance with that provided by article 4 or article 5.
- For a Former executive the Retirement age is 62.5 years.
- 1.14 Pension agreement**
That agreed on the pension between Philips and its employees in the CLA and/or individual terms of employment.
- 1.15 Executive contribution**
The contribution owed by the Executive for insuring the pension entitlements pursuant to chapter 2 of these Plan rules with the exception of the entitlements referred to in article 9.
- 1.16 Standard retirement age**
The age of 62.5.
- 1.17 Premium ANW shortfall insurance**
The premium due by the Executive for the ANW shortfall insurance as referred to in article 9.
- 1.18 Defined contribution agreement**
A Pension agreement on a fixed contribution that is converted into a pension payment upon retirement at the latest.
- 1.19 PW**
Pension act.
- 1.20 Supervisor**
The Financial Markets Authority or De Nederlandsche Bank N.V., to the extent that each is charged with the supervision by or by virtue of article 151 of the PW.
- 1.21 Defined benefit agreement**
A Pension agreement on a fixed pension payment.
- 1.22 Administration agreement**
The agreement between Philips and Stichting Philips Pensioenfondsen on the performance of the Pension agreement.
- 1.23 WIA**
Work and Income according to Labour Capacity Act.

Chapter 2: Average Pay Plan

2 Pensions

Article 2

With regard to that provided by these Pension Plan rules, chapter 2, the (Former) Executives and their surviving relations are entitled, have a right, respectively, to:

- Retirement pension (article 4)
- Survivor's pension on the basis of accrual (article 7)
- Survivor's pension on a risk base (article 8)
- Payments in accordance with the ANW shortfall insurance (article 9)
- Special survivor's pension (article 10)
- Orphan's pension (article 11)
- Disability pension (article 12)
- Non-contributory accrual of pension/ Insurance of survivor's pension in the event of disability (article 13)

3 Determination of bases and partnerships

Article 3

- 3.1 For each Executive, the Monthly gross pensionable salary applicable to that month is determined following every month in addition to the Monthly offset, the Part-time factor and the Monthly pension base, as well as the Monthly AOP basis insofar as necessary.
- 3.2 A (Former) Executive who is married or has a registered partner is not entitled to register a third party as a Partner as referred to in article 1, paragraph 11 under c. It is not possible to register or have registered several Partners simultaneously as referred to in article 1, paragraph 11 under c.
- 3.3 The (Former) Executive is obligated to inform the Fund forthwith about entering into or terminating any Partnership.
- 3.4 The Partnership referred to in article 1, paragraph 12 under c, terminates:
- a) on the day a written notification is received from the (Former) Executive or his/her Partner stating that the Partnership has ended;
 - b) on the day the written application for Partner registration is received involving a person different from the person registered as a Partner by him/her at an earlier stage;
 - c) on the day the (Former) Executive marries or enters into a registered Partnership with a person different from the one registered earlier by him/her as a Partner;
 - d) on the day a Partner registered by the (Former) Executive at an earlier stage marries or enters into a registered Partnership with a third party;

- e) on the day the Partner registered by the (Former) Executive is registered by another Executive as a Partner;
 - f) at the date of dispatch of a letter from the Fund requesting that the (Former) Executive inform the Fund whether the Partner registered by him/her at an earlier stage is still his/her Partner or not, in the event that no answer has been received to such letter nor to the reminder thereof during one month;
 - g) on the day the Partner of the (Former) Executive dies.
- 3.5 If the Partnership of a (Former) Executive has ended on the basis of that provided in the previous paragraph, the Fund shall notify the (Former) Executive in writing.

4 Retirement age/ Retirement pension / High-low structure

Article 4

- 4.1 Unless a different Retirement age has been selected by application of paragraph 2 of this article, the Retirement age shall be equal to the Standard retirement age.
- 4.2 Without prejudice to that provided in paragraph 7 of this article, the Executive is entitled to select once-only a Retirement age deviating from the Standard retirement age. If the Executive chooses to exercise this right, he/she shall inform the Fund in writing by no later than 12 months before the intended Retirement age of what Retirement age he/she has selected. Without prejudice to that provided in the preceding sentence it applies that if the Executive has selected a Retirement age of 62.5 years or older, this choice must be made known to the Fund upon reaching the age of 62.5 years at the latest.
- 4.3 Monthly, a right to retirement pension is accrued for the Executive that is equal to 1.25% of the Monthly pension base of that month. The accrual of a pension terminates upon reaching the Retirement Age however, upon reaching the Standard retirement age at the latest. No retirement pension is accrued over the days of leave enjoyed by the Executive under a life-course savings scheme. The retirement pension is a Defined benefit agreement in nature within the meaning of the PW.
- 4.4 Periodically, the entitlement to retirement pension accrued by the Executive is indexed on a conditional basis from 1 January 2008 simultaneously with the collective scale adjustment at Philips in the way and under the conditions and restrictions included in the articles 15, paragraph 3 and 40, paragraph 1. The indexation of the entitlement by virtue of this paragraph ends on the effective date of the retirement pension.

- 4.5 The Executive, as well as the holder of a paid-up policy including an entitlement to retirement pension as referred to in article 14, is entitled to a retirement pension upon reaching the Retirement age. The retirement pension takes effect from the first day of the month following the month during which the Retirement age is attained and is paid up to and including the month during which the person entitled dies. Contrary to that provided in the previous full sentence, the retirement pension takes effect from an earlier date should such be required on the basis of the statutory provisions relevant to this matter.
- 4.6 Subject to that provided by article 6, the monthly retirement pension amounts to the sum of the amounts referred to in paragraph 3 of this article, indexed in accordance with paragraph 4 of this article, divided by a factor of 12.
- 4.7 Insofar as in accordance with the statutory provisions relevant to this matter, upon reaching the Retirement age the Executive and the holder of a paid-up policy as referred to in article 14 are entitled to exchange once-only the retirement pension then taking effect for a retirement pension that is higher than the original retirement pension during the period until the first day of the month following the 65th or 70th birthday, and in the following period shall be lower than the original retirement pension. From the applicable statutory provisions it results inter alia that the benefit following the age of 65 or 70 years may not be less than 75% of the benefit up to the age of 65 or 70. The amount of the survivor's pension is not adjusted accordingly. The calculation takes place on the basis of the actuarial factors included in appendix 1 to these Plan rules.
- 4.8 If employment with Philips is terminated other than by death and the Former executive is also entitled to continuation of the regulatory accrual of pension after termination of employment, the Standard retirement age shall always apply.
- 4.9 Insofar as in accordance with the statutory provisions relevant to this matter, the Executive and the holder of a paid-up policy as referred to in article 14 are entitled to fully or partially convert the survivor's pension accrued by virtue of article 7 upon reaching the Retirement age into a (supplementary) retirement pension, resulting in an increase of the total retirement pension. The entitlement referred to above is non-recurrent. If the Executive or the holder of the paid-up policy has a Partner, this Partner's approval of the conversion is required. The Executive without a Partner is considered to have opted for conversion, unless he/she explicitly indicated that conversion is unwelcome. The conversion as referred to in this paragraph takes place on the basis of the actuarial factors included in appendix 2 to these Plan rules.

5

Partial retirement

Article 5

- 5.1 Under the conditions set by Philips, the Executive may partially retire prior to full retirement. If the Executive prefers this option, he/she is required to inform the Fund in writing 12 months preceding the effective date of the partial retirement at the latest about the dates he/she wishes to start (partial) retirement, detailing the hours he/she wishes to continue working during the period of partial retirement. Without prejudice to that provided by the preceding sentence it applies that if the intended effective date of partial retirement is at age 62.5 or older, this choice must be made known to the Fund upon reaching the age of 62.5 at the latest.
- 5.2 Upon reaching the date of partial retirement referred to in the preceding paragraph, the Executive is entitled to retirement pension, calculated in accordance with article 4 paragraph 6 in conjunction with article 6, multiplied by a factor the numerator of which is determined by the number of hours the employment is diminished upon partial retirement and the denominator of which is determined by the number of hours the Executive worked directly preceding partial retirement.
- 5.3 Upon Partial retirement the provisions in these Plan rules with respect to the Executive who is a Philips employee shall remain fully in force where the remaining employment with Philips is concerned.

6

Advancement, Deferment when selecting the Retirement age

Article 6

- 6.1 If the Retirement age is situated before the Standard retirement age, the pension calculated in accordance with article 4 shall be decreased on the basis of the actuarial factors included in appendix 1 to these Pension Plan rules. Advancement is only possible if and insofar as the employment with Philips is terminated.
- 6.2 If the Retirement age is later than the Standard retirement age, the pension calculated in accordance with article 4 shall be increased on the basis of the actuarial factors included in appendix 1 to these Pension Plan rules. Any deferment is only possible if and insofar as the employment with Philips is continued.
- 6.3 In the event of deferment or advancement of the retirement pension as referred to in this article, any entitlements to survivor's pension shall be increased or decreased to the same extent as the retirement pension.

- 6.4 Insofar as in accordance with the statutory provisions relevant to this matter, the Board of Trustees may in special cases upon request of the Executive have the retirement pension commence at a later date than the latest possible Retirement age of 65 years. In that case, the retirement pension determined at the Retirement age shall be increased on the basis of the actuarial factors included in appendix 1 to these Pension Plan rules.

7 Survivor's pension on the basis of accrual

Article 7

- 7.1 After the death of an Executive, his/her Partner at the time of decease is entitled to a survivor's pension if the Partnership was entered into before the Executive reached the Retirement age.
- 7.2 The survivor's pension takes effect from the first day of the month in which the Executive dies and is paid up to and including the month in which the Partner dies.
- 7.3 Every month a survivor's pension is accrued of 70% of the retirement pension accrued during that period as referred to in article 4, paragraph 3. If the Executive dies prior to the Retirement age, the survivor's pension is calculated as if the employment had continued up to the Retirement age. This survivor's pension is a Defined benefit agreement in nature within the meaning of the PW.
- 7.4 The entitlement to survivor's pension accrued by an Executive is periodically indexed on a conditional basis, simultaneously with the collective scale adjustment applicable at Philips in the manner and under the conditions and restrictions as included in the articles 15, paragraph 3 and 40, paragraph 1. The indexation of the entitlement by virtue of this paragraph terminates at the effective date of the survivor's pension.
- 7.5 If an Executive enters into a Partnership anew after termination of a Partnership other than because of the Partner's death, the annual survivor's pension equals the pension calculated in accordance with paragraph 3 of this article, decreased by the special survivor's pension as set forth in article 10 and including any indexations granted according to article 15, paragraph 1 in conjunction with article 40, paragraph 1. The decrease referred to in the previous full sentence is also applied if the special survivor's pension referred to in that article is not or no longer payable due to the special survivor having predeceased, on the understanding that in such a case instead of 'any indexations granted according to article 15, paragraph 1 in conjunction with article 40, paragraph 1', it should read 'the indexations that might have been granted according to article 15, paragraph 1 in conjunction with article 40, paragraph 1, had the special survivor lived'. The survivor's pension referred to in this paragraph is at least equal to the pension calculated in accordance with paragraph 3 of this article over the period following the date on which the previous Partnership ended other than by the Partner's death.

- 7.6 The survivor's pension referred to in this article is decreased by 2.5% for every full year that the Partner was younger than the Executive by more than 20 years.

8 Survivor's pension on a risk basis

Article 8

- 8.1 Following the death of the Executive who at the moment of death had not yet reached the Retirement age, the person being his/her Partner at that moment is entitled to a survivor's pension of 50% of the survivor's pension determined on the basis of article 7 in addition to the survivor's pension by virtue of article 7. This survivor's pension is a Defined benefit agreement in nature within the meaning of the PW. If an Executive dies before the Retirement age, the survivor's pension is calculated as if the employment had continued up to the Retirement age being attained.
- 8.2 The survivor's pension takes effect from the first day of the month in which the Executive dies and is paid up to and including the month in which the Partner dies.
- 8.3 The survivor's pension as referred to in this article shall be decreased by 2.5% for every full year that the Partner was younger than the Executive by more than 20 years.

9 ANW shortfall insurance

Article 9

- 9.1 a) The Executive whose Partner
- 1) was born in 1950 or later; and
 - 2) has not yet reached the age of 65, is entitled, under the conditions laid down in these Pension Plan rules, to take out an ANW shortfall insurance with the Fund in the following cases:
 - I) upon commencement of the employment with Philips;
 - II) upon entering by birth, adoption or on other grounds into a legally binding family relationship with a child, as defined in the Civil Code.
- b) The Executive who is a Philips employee and who has no Partner, is entitled under the conditions laid down in these Pension Plan rules to take out an ANW shortfall insurance with the Fund if he/she enters into a Partnership with a Partner who meets the conditions referred to under section a, number 1) and 2) of this article's paragraph.
- 9.2 The Executive who is entitled to take out an ANW shortfall insurance may choose between an ANW shortfall insurance with an insured amount per year of 8/7 of the most recent uncut annual ANW benefit of a survivor without children younger than 18 years as applicable from 1 April last, as referred to in article 12 of the ANW, or an insured amount per year of 2/3 or 1/3 of this amount. The request for taking out an ANW shortfall insurance

must have been received by the Fund 2 months after the occurrence described in paragraph 1 of this article, which created the right to take out insurance at the latest. Any requests received after this period shall not be considered. The ANW shortfall insurance is a Defined benefit agreement in nature within the meaning of the PW.

- 9.3 An ANW shortfall insurance in force may be decreased or terminated at any moment. Increasing an existing ANW shortfall insurance is exclusively possible in those cases where taking out an ANW shortfall insurance would also be possible.
- 9.4 The Executive is due to pay a premium for the ANW shortfall insurance, the level of which is determined by the Board of Trustees on the basis of the actuarial factors included in appendix 1 to these Pension Plan rules. The obligation for paying a premium commences on the start date of the insurance and ends on the first day of the month following the month in which the insurance is due to end. The premium due by the Executive who is an employee of Philips shall be withheld monthly from the salary by Philips and be transferred to the Fund. The premium due by the Executive having an entitlement to a pension from the Fund shall be withheld monthly from the pension to be paid by the Fund.
- 9.5 Any request for taking out an ANW shortfall insurance must be submitted to the Fund in writing, using the appropriate form. The Executive must inform the Fund in the same manner when terminating the insurance or in the event of an adjustment of the amount insured. The insurance referred to in this article and/or the termination of the insurance or an adjustment of the amount insured commences at the latest on either of the following dates:
- 1) the desired date indicated by the Executive on the appropriate form, or
 - 2) the date of receipt of the above-mentioned form by the Fund.
- If no desired effective date is indicated in the form, the insurance, the termination of the insurance, or the adjustment of the amount insured shall always take effect from the date of receipt of the above-mentioned form by the Fund. Other than at the request of the Executive, the insurance shall end on the earliest of the following dates:
- a) the date of termination of the Executive's employment contract with Philips, other than in connection with retirement;
 - b) the Executive's 65th birthday, unless that provided in paragraph 10 or 11 of this article is applicable;
 - c) the Executive's Partner's 65th birthday;
 - d) the date on which the Partnership has ended other than by decease of the Executive's Partner;
 - e) the date of the Executive's Partner's death.
- 9.6 Following the decease of an Executive who has taken out an ANW shortfall insurance, his/her Partner at the time of decease is entitled to monthly payment of one twelfth part of the amount insured, as referred to in paragraph 2 of this article.

- 9.7 The monthly payment by virtue of the ANW shortfall insurance takes effect from the first day of the month in which the Executive died and ends on the first day of the month following the month in which the person entitled reaches the age of 65, or on the first day of the month following his/her previous decease.
- 9.8 That provided by article 8, paragraph 3 applies by analogy.
- 9.9 That provided in this article applies by analogy to those Executives entitled to retirement pension from the Fund who did not yet reach the age of 65, with the exception of those Executives who continued their ANW shortfall insurance after termination of their employment contract with Philips under application of paragraph 11 of this article.
- 9.10 Those Executives entitled to retirement pension from the Fund, who reached the age of 65 and who at that moment have an ANW shortfall insurance, are entitled to continuation of this insurance beyond their 65th birthday at an adjusted personal premium until the moment the insurance ends by operation of law in accordance with paragraph 5 under c, d, or e of this article. An insurance thus continued may not be increased but may at any moment be reduced or terminated. That provided by this paragraph of this article does not apply to those Executives who continued their ANW shortfall insurance beyond the termination of their employment contract with Philips under application of paragraph 11 of this article.
- 9.11 Those Executives for whom after termination of their employment with Philips a pension is still being accrued in accordance with these Plan rules and who at the time of the termination of their employment with Philips have an ANW shortfall insurance, are entitled to continuation of this insurance until the insurance ends by operation of law in accordance with paragraph 5, under c, d or e of this article. If an insurance thus continued is carried on beyond the Executive's 65th birthday, the Fund is entitled to charge an adjusted, individual premium from that date. An insurance which is continued in accordance with this article's paragraph may not be increased or reduced, but may be terminated at any moment.
- 9.12 Insofar as required for performing the Pension agreement, the Board of Trustees is authorized to offer the possibility of taking out an ANW shortfall insurance or to continue an already existing insurance to others besides those entitled in accordance with this article, under conditions to be set by the Board. Contrary to that provided in paragraph 1 of this article, the Board of Trustees is also authorized, insofar as in accordance with the Pension agreement, to deny specific categories of Executives the right to take out an ANW shortfall insurance.
- 9.13 For terminating an ANW shortfall insurance or decreasing the amount insured the approval of the Executive's Partner is required.

I Special survivor's pension

Article 10

- 10.1 If the marriage of a (Former) Executive has ended other than by the death of the spouse of the (Former) Executive, the former spouse of the (Former) Executive acquires an entitlement to a special survivor's pension. That provided in the previous full sentence applies by analogy to any Partnership not being a marriage.
- 10.2 The special survivor's pension on a monthly basis is calculated in accordance with that provided in article 7.
- 10.3 If a previous Partnership on the basis of which an entitlement to special survivor's pension has arisen by virtue of chapter 2 of the present Plan rules also ended other than by the death of the Partner of the (Former) Executive, the uninterrupted member period from the date the previous Partnership ended shall be assumed for calculating the special survivor's pension.
- 10.4 That provided in the previous paragraphs of this article does not apply if the (Former) Executive and his/her (Former) Partner agreed otherwise in a written agreement. The agreement is only valid if a statement from the Fund that it is willing to cover any pension risk resulting from the agreement, or to adjust the level of the payment, has been attached to the agreement. Any request for such a statement should be submitted to the Fund in writing.
- 10.5 The former Partner receives a written statement of the entitlement to special survivor's pension referred to in this article.

II Orphan's pension

Article 11

- 11.1 After an Executive's death the children of the Executive are entitled to an Orphan's pension as defined in the Civil Code. The orphan's pension takes effect from the first day of the month in which the Executive dies and is paid up to and including the month in which the orphan reaches the age of 21, or the month in which the orphan previously dies. The orphan's pension is a Defined benefit agreement in nature within the meaning of the PW.
- 11.2 On a monthly basis the orphan's pension for each child amounts to 20% of the survivor's pension as referred to in article 7 and 8 of the present Pension Plan rules. If an Executive dies before the Retirement age, the orphan's pension is calculated as if the employment had continued until the Retirement age was attained.

- 11.3 The orphan's pension is double the amount referred to in paragraph 2 of this article if both parents have died or if the orphan was a child, as defined by the Civil Code, of an Executive without a Partner.
- 11.4 If such would be justified according to the Board of Trustees, the orphan's pension may also be awarded to other children of (Former) Executives who do not meet the conditions set in paragraph 1 of this article. The Board of Trustees may double the orphan's pension referred to in this paragraph should such be justified in its opinion.
- 11.5 If and as long as more than 5 orphans are entitled to an orphan's pension by virtue of this article, the amount of the orphan's pension referred to in this article is decreased per child by multiplying the orphan's pension by a factor of which the numerator is equal to 5 and the denominator is equal to the number of orphans entitled to an orphan's pension by virtue of this article.
- 11.6 The orphan's pension for minors is paid to their legal representative.

12 Disability pension

Article 12

- 12.1 The Executive whose employment with Philips has (partially) been terminated due to disability is entitled to a disability pension if there is question of a disability percentage of at least 35% within the meaning of the WIA (Fitness for Work Act). This disability pension is a Defined benefit agreement in nature within the meaning of the PW.
- 12.2 The disability pension takes effect from the first day of the month following the month in which the employment with Philips was (partially) terminated due to disability.
The disability pension ends on the earliest of the following dates:
- The date on which the Retirement age is reached;
 - The date on which the disability within the meaning of the WIA falls below 35%;
 - The date of the Executive's death.
- 12.3 If a disability pension has ended by virtue of that provided in the preceding paragraph under b, the entitlement to a disability pension is revived if the disability within the meaning of the WIA has increased to over 35%, provided this increase is due to the same illnesses and/or ailments that have lead to the previous disability pension being granted by virtue of this article.
- 12.4 The disability pension on a monthly basis is equal to 5% of the AO (Occupational disability) limit amount increased by an amount equal to 75% of the part of the Monthly AOP base exceeding the AO limit amount.

- 12.5 Upon a disability of less than 80% within the meaning of the WIA, the monthly disability pension amounts to a percentage of the disability pension as calculated in accordance with paragraph 4 of this article.

This percentage shall be determined on an individual basis by the Board of Trustees. The Board of Trustees observes relevant legislation and regulations on the authority of pension funds to grant supplements to a continuation benefit or a wage supplementation benefit as referred to in article 60 of the WIA. Relevant legislation and regulations shall also be taken to include any policy rules and directions from the Supervisor.

- 12.6 Upon review of the disability percentage within the meaning of the WIA, the disability pension granted by virtue of this article is adjusted under application of paragraph 4 or 5 of this article with effect from the first day of the month following the effective date of the review. The Executive is obligated to inform the Fund in writing forthwith of any change in the disability percentage within the meaning of the WIA referred to in this article.
- 12.7 The Board of Trustees may set such conditions for the granting, review and continuation of the disability pension as it deems reasonable and advisable.

13 Non-contributory pension accrual / Insurance of survivor's pension upon disability

Article 13

- 13.1 In the event of disability of at least 35% within the meaning of the WIA, an Executive whose employment with Philips is (partially) terminated due to disability, is entitled to a full or partial non-contributory (continuation of the) accrual of retirement, survivor's, and orphan's pension in conformity with that provided in paragraph 3 of this article. As long as a salary-related benefit or salary supplement or follow-up benefit by virtue of the WIA is received, and with respect to the part of the membership being continued due to disability, the Executive is considered a disabled Executive. The (continuation of the) pension accrual takes place under application of article 4, paragraph 3, on the understanding that instead of 'Monthly pension base' it shall read in this article 'the most recently determined Monthly AOP base decreased by the Monthly offset, on the understanding that for calculating the Monthly offset the Part-time factor applicable in the month preceding the first day of illness, or – if the average Part-time factor in the 36 months preceding the first day of illness exceeds the Part-time factor in the month preceding the first day of illness – that higher average Part-time factor shall be assumed.'

- 13.2 The (partial) non-contributory (continuation of the) pension accrual described in paragraph 1 of this article takes effect from the first day of the month following the month in which the employment with Philips is (partially) terminated due to disability. The (partial) non-contributory (continuation of the) pension accrual terminates on the first of the following dates:
- a) The date on which the Standard retirement age is reached;
 - b) The date on which the disability within the meaning of the WIA decreases below 35%;
 - c) The date of the Executive's death.
- 13.3 Upon a disability within the meaning of the WIA of at least 80%, the Executive is entitled to a full non-contributory (continuation of the) pension accrual.
Upon a disability of less than 80%, the Executive is entitled to a partially non-contributory (continuation of the) pension accrual. The level of this partially non-contributory (continuation of the) pension accrual is calculated according to the percentage referred to in article 12, paragraph 5.
- 13.4 Upon a review of the disability percentage within the meaning of the WIA, the (partially) non-contributory (continuation of the) pension accrual under application of the preceding paragraphs is adjusted with effect from the first day of the month following the effective date of the review.
- 13.5 If following a review of the disability percentage within the meaning of the WIA the entitlement to (partially) non-contributory (continuation of the) pension accrual has terminated fully or partially, the Executive shall be granted a paid-up policy for the part of the pension accrual that has terminated, in accordance with article 14.
- 13.6 An Executive as referred to in paragraph 1 of this article having a Partner, is insured for a survivor's pension as referred to in article 7 and 8 in accordance with that provided in paragraph 8 of this article.
- 13.7 The insurance of survivor's pension referred to in the preceding paragraph takes effect simultaneously with the non-contributory (continuation of the) pension accrual.
- 13.8 Upon disability within the meaning of the WIA of at least 80%, the Executive as referred to in paragraph 6 of this article is insured for the full survivor's pension as referred to in articles 7 and 8.
Upon a disability of less than 80%, the Executive as referred to in paragraph 6 of this article is insured for part of the survivor's pension as referred to in article 7 and 8. The level of the insured survivor's pension is calculated according to the percentages referred to in article 12, paragraph 5.
- 13.9 Upon a review of the percentage of disability within the meaning of the WIA, the extent of cover provided by the insurance for survivor's pension under application of the preceding paragraphs is adjusted with effect from the first day of the month following the effective date of the review.

- 13.10 An Executive on behalf of whom a non-contributory pension is being accrued by virtue of this article and for whom a survivor's pension has been insured, is obligated to inform the Fund immediately of any change to the extent of disability within the meaning of the WIA.
- 13.11 The Board of Trustees may attach conditions to the awarding, review, and continuation of the (non-contributory continuation of the) pension accrual, or to the insurance of the survivor's pension as it holds to be reasonable and advisable.

Premature termination of employment

Article 14

- 14.1 Upon termination of the employment with Philips other than by decease or disability before the Retirement age is attained, the (Former) Executive is granted a paid-up policy with an entitlement to retirement pension, survivor's pension and orphan's pension.
- 14.2 The non-contributory entitlements to retirement pension, survivor's pension and orphan's pension are calculated according to that provided in the articles 4, 7, 10 and 11 on the date of termination of the employment with Philips.
- 14.3 At the written request of the holder of a paid-up policy as referred to in this article, the effective date of the pension(s) an entitlement to which exists by virtue of that policy, shall be advanced or deferred if and insofar as such is in agreement with the statutory provisions relevant to such matter(s). In such a case this/these entitlement(s) to pension(s) shall be decreased or increased, respectively on the basis of the actuarial factors included in appendix 1 to these Pension Plan rules. Advancement is possible exclusively in so far as the person involved is working in an employment situation no longer. Deferment is possible exclusively in so far as the person involved continues working in a present employment situation. The Board of Trustees may set further conditions with respect to the possibility of advancement or deferment.
- 14.4 The survivor's pension as referred to in article 8 and the ANW shortfall insurance as referred to in article 9, have no paid-up value.

Indexation

Article 15

- 15.1 **Standard**
The pensions in payment, the non-contributory pension entitlements, and the entitlements referred to in article 4, paragraph 4, and article 7, respectively to retirement and survivor's pension may, if and insofar as allowed by the financial resources of the Fund according to the opinion of the Board of Trustees, be increased periodically by a percentage to be

determined by the Board of Trustees of the Price inflation (for the pensions in payment and non-contributory entitlements), the Wage inflation respectively (for the entitlements to retirement and survivor's pension referred to in article 4, paragraph 4, and article 7, respectively), both concepts (Wage inflation and Price inflation) as defined hereafter. This percentage (hereinafter referred to as 'the Realisation percentage') is determined under consideration of the Indexation margin as defined in paragraph 4 of this article and the other provisions in this article. The indexation policy has been further detailed in the following paragraphs of this article.

15.2 Wage inflation and Price inflation

The term Price inflation means: the percentage by which the 'Consumer Price Index figure of all households, derived', of the Dutch statistics office over the month of January of the current calendar year has increased compared to the month of January of the preceding calendar year. The term Wage inflation means: the full collective scale adjustments as showing from the CLA applicable at Philips in the period from 1 January of the preceding calendar year up to 1 January of the current calendar year.

15.3 Conditionality

The indexation of the pensions in payment, the non-contributory entitlements and the entitlements referred to in article 4, paragraph 4, and article 7, respectively to retirement and survivor's pension is conditional. Annually, the Board of Trustees decides to what extent the pensions and entitlements to pensions referred to in the previous full sentence shall be indexed. There is no right to indexation and it is uncertain for the long term if and to what extent indexation shall take place. A resolution to grant an indexation in any year on the basis of this article is no guarantee for any indexations to be granted in future years and does not imply any restriction of the policy freedom vested in the Board of Trustees regarding this matter.

15.4 Indexation margin and Realisation percentage

Annually, on 1 January the Board of Trustees determines the Indexation margin. The Indexation margin as from 1 January of any calendar year is equal to the Indexation margin as from 1 January of the preceding calendar year, increased (if the amount is positive) or decreased (if the amount is negative) by an amount equal to one third of the sum of the Derived actuarial result, as defined in appendix 2 to these Pension Plan rules, over the three calendar years preceding the year in which the Indexation margin was determined. On the basis of the Indexation margin determined by the Board of Trustees and in accordance with the Wage inflation and Price inflation, the financial situation of the Fund, the developments in this financial situation expected by the Board of Trustees, the requirements set by or by virtue of the law and all other facts and circumstances deemed relevant by the Board of Trustees, the Realisation percentage is determined also as from 1 January of each year applicable to the period from 1 April of the current year up to and including 31 March of the following year. This percentage, which may vary from 0 to 125%, is identical for the pensions in payment, the non-contributory pension entitlements, and the entitlements to retirement and survivor's pension referred to in article 4, paragraph 4, and article 7, respectively. It applies to all indexations taking place in the period concerned, irrespective of whether the indexation of pensions in payment, non-contributory pension entitlements, or the indexation of the entitlements to retirement and survivor's pension

referred to in article 4, paragraph 4, and article 7, respectively is concerned. The details of the provisions in this article's paragraph have been included in appendix 2 to these Plan rules.

15.5 Indexation component in the pension premium

An indexation component forms part of the pension premium based on the Actuarial and Technical Business Report. This indexation component of the pension premium is intended to create a financial variable for conditional indexation to a level of half of the expected inflation. The Fund neither holds a (technical) provision nor any special reserve for the indexation.

15.6 Equal treatment

Indexations as referred to in the previous paragraphs, with the exception of the indexations of the entitlements to retirement, survivor's, and orphan's pension referred to in article 4, paragraph 4, article 7 and 11, respectively, shall apply equally to all pensions in payment and non-contributory entitlements to pension of (Former) Executives, holders of non-contributory entitlements in connection with divorce, or termination of a registered Partnership or a joint household, respectively, as referred to in article 1, paragraph 11.

15.7 Indexation and funding ratio

If the funding ratio of the Fund calculated on the basis of Fair Value is lower than 105%, no indexation shall take place. The indexation may not be set at a level where the funding ratio as a result from such indexation would fall below 105%. If the funding ratio were to fall below 105% by the intended indexation, such shall at least be limited in such a way that a fall below the funding ratio of 105% is prevented. In appendix 2 to these Pension Plan rules the calculation of the funding ratio based on Fair Value is explained further.

Chapter 3: Structured Defined Contribution Plan

The concepts and provisions defined earlier in these Philips Executives Pension Plan rules also apply to the present Structured Defined Contribution Plan, unless otherwise has been provided, and are complemented by the definitions referred to in article 16. Furthermore, the Fund Terms as included in appendix 3 of the present Pension Plan rules apply to this Structured Defined Contribution Plan.

16 Definitions

Article 16

16.1 Defined contributions

- 1) the premiums made available and paid for the Executive;
- 2) increased by any Employee contributions made by the Executive.

16.2 DC investment funds

The investment funds established or to be established by the Board of Trustees for the Structured Defined Contribution Plan.

16.3 DC investment portfolio

The DC investment portfolio includes the total of the participations in the DC investment funds that are for the benefit and the account and risk of the Executive and registered in his/her name.

16.4 DC Pension Planner

The calculation model made available to the Executive to calculate to what extent the Defined contributions contribute to the Desired pension level selected by him/her and to what extent of probability that Desired pension level can be realised, to what extent the feasibility of that Desired pension level can be furthered by adjustment of the Variables entered by the Executive, respectively. On the basis of the Variables entered by the Executive, the DC Pension Planner defines from time to time the optimal structure of the DC investment portfolio to be held on behalf of the Executive.

The conditions, risk warnings, and disclaimers included in the DC Pension Planner are deemed to be part of the present Pension Plan rules.

16.6 Employee contribution

The amount appropriated by the Executive on a voluntary basis within the scope of the Structured Defined Contribution Plan. The Employee contribution shall not exceed the maximum amounts as allowed by the tax authorities.

16.7 Fund assets

The assets of each DC investment fund formed by the sum of all investments (including liquid assets and receivables) decreased by the liabilities and the costs that are for the account of the Fund concerned.

16.8 Desired pension level

The pension level desired as a maximum that is selected by the Executive. If and insofar as this level is feasible on the basis of the choices made by the Executive with respect to the Variables on the one hand and the expected investment yield and the level of the Defined contributions on the other hand, the DC Pension Planner defines the probability of the Desired pension level being realised. If the other variables remain unchanged, the selection of a lower (higher) value of the Desired pension level will result in an increase (decrease) of the probability of the level concerned being realised. Besides increasing or decreasing the level of the Desired pension level, the probability of such being realised may also be influenced by adjusting the Minimal pension level, the Retirement age, and/or the Employee contributions made.

16.9 Pension capital

The balance of the Defined contributions and the achieved investment results (positive and negative) and the costs by virtue of the Structured Defined Contribution Plan that are for the account of the Executive and are debited from the Pension capital.

16.10 Minimum pension level

The Pension level desired as a minimum by the Executive that is feasible at a minimal amount of risk.

16.11 Variables

The Employee contributions, selected Retirement age, and/or the selected Minimum pension level to be defined in more detail by the Executive in the DC Pension Planner.

16.12 Insurer

The insurer who by virtue of the Financial Supervision Act is allowed to carry out in the Netherlands the business of a life insurance provider or non-life insurance provider, where pensions as referred to in this chapter can be purchased.

17 Entitlements

Article 17

Subject to the provisions of the present chapter of these Pension Plan rules and in addition to the rights and entitlements by virtue of chapter 2 of these Pension Plan rules, the (Former) Executive and his/her surviving relatives are entitled, have a right, respectively to:

- accrue a Pension capital that may serve to purchase pensions from an Insurer;
- continuation of the payment of the Defined contribution as referred to in article 18 upon disability. This 'Structured Defined Contribution plan' is a Defined contribution agreement in nature within the meaning of the PW.

18 Amount of the contribution made available for the Executives

Article 18

- 18.1 A contribution is made available on behalf of the Executive for accruing the Pension capital.
- 18.2 Unless otherwise has been agreed between Philips and the Executive, the contribution to be made available on Executive level amounts to:
- 1) 10%
 - 2) 15%
 - 3) 20%
- of the Monthly pension base determined in accordance with article 1.10 of these Pension Plan rules. The terms of employment agreed between Philips and the Executive show the applicable Executive level.
- 18.3 Over the days of leave enjoyed by the Executive within the scope of a life-course savings plan no contribution for the accrual of the Pension capital shall be made available.

19 Employee contribution

Article 19

- 19.1 The maximum level of the monthly Employee contributions that may be appropriated within the scope of the Structured Defined Contribution Plan is included in the DC Pension Planner. The Employee contribution is monthly withheld from the salary by Philips and paid to the Fund.
- 19.2 The Executive is entitled to make additional Employee contributions on specific points in time to be determined by the Board of Trustees in more detail and subject to the statutory provisions relevant to this matter as well as subject to any (future) conditions to be set by the Board of Trustees. The Board of Trustees determines what income components may be appropriated for making an additional Employee contribution. The DC Pension Planner shall indicate at what points in time and for the debit of what income components any additional Employee contributions may be made. This additional Employee contribution is withheld from the salary by Philips and paid to the Fund.

- 19.3 With respect to the Employee contribution as referred to in paragraph 1 of the present article, the Executive is entitled to:
- a) start making Employee contributions (anew);
 - b) stop making Employee contributions;
 - c) adjust the level of the Employee contribution under due observance of the provisions by and by virtue of this article;
- subject to any conditions to be set by the Board of Trustees.
- 19.4 Any adjustments as referred to in the previous paragraph shall be indicated by the Executive via the DC Pension Planner.
- 19.5 The entitlement to make Employee contributions may be suspended or cancelled by the Fund for a specific Executive if the Fund holds the opinion that the Pension capital of that Executive might prove to exceed the maximum amount allowed by the tax authorities, also with a view to the expected investment yield.

20 Investment of Employee contributions / Pension capital

Article 20

- 20.1 The Pension capital of the Executives is invested by the Fund in a sound way on behalf of and for the account and risk of the Executives via the DC Investment Funds.
- 20.2 The Board of Trustees is at all times authorized to
- I) cancel any already set-up DC investment funds;
 - II) set up new DC investment funds;
 - III) join DC investment funds; and
 - IV) adjust the Fund terms of each DC investment fund.
- 20.3 The DC investment funds are no Investment funds within the meaning of the law. They are part of an administrative/organisational set-up within the Fund in order to be able to realise the composition of the DC investment portfolio selected by the individual Executive. The DC investment funds do not constitute any legal persons, and each form a separated part of the assets of the Fund in an administrative, though not legal sense. Therefore, any purchasing and selling of participations and the following 'deliveries' do not result in any asset movements in a legal sense, but only in changes in the composition of the DC investment portfolio held by the Fund on behalf of the Executives.
- 20.4 Withdrawal of the Pension capital in cash by the Executive or delivery to the Executive of any securities or other financial assets eventually invested in via the DC investment funds is not possible.

21 Structure and adjustment of the DC investment portfolio

Article 21

- 21.1 The (Former) Executive is entitled to make selections in the DC Pension Planner (regarding the Desired pension level and the other Variables) that result in adjustments in his/her DC investment portfolio as often as shall be determined by the Board of Trustees and under the further rules and conditions to be set by the Board of Trustees.
- 21.2 The (adjustments in the) composition of the DC investment portfolio and/or the spread of the DC Investment portfolio over the DC investment funds is determined according to the optimum calculated by the DC Pension Planner that is (also) based on the selections made by the Executive as referred to in paragraph 1.

22 Costs and fees

Article 22

All costs and fees to be debited from each DC investment fund are mentioned in the Fund Terms set for the DC investment fund concerned.

23 Appropriation of the pension capital

Article 23

- 23.1 The Pension capital can be appropriated at the Retirement age provided the Executive is alive at that time. In any case the pension purchased with the Pension capital takes effect simultaneously with the retirement pension as referred to in the articles 4 in conjunction with 5 and 6 of the present Pension Plan rules.
- 23.2 If the Executive wishes to appropriate the Pension capital at another point in time than at the Standard retirement age for a lifelong retirement pension and/or survivor's pension, he/she shall submit a request to this end to the Fund 12 months before the envisaged point in time.
- 23.3 The Pension capital may only be appropriated as a single premium for a lifelong retirement pension and/or a survivor's pension with/without a corresponding orphan's pension. The Pension capital thus made available is appropriated with an Insurer on the basis of the then applicable tariffs and conditions as a single premium for a lifelong retirement pension and/or survivor's pension. The Board of Trustees is authorized to adjust the pensions that the Pension capital may be appropriated for in the form of a single premium and/or set

further conditions. The Board of Trustees is also authorized to determine what pensions may be purchased with what Insurers. Purchasing a pension from the Fund is not possible.

- 23.4 If the Executive only wishes to purchase a lifelong retirement pension with the Pension capital that has become available, any Partner of the Executive, should he/she have a Partner, must approve in writing.
- 23.5 If the Executive should die before the Retirement age or prior to another point in time selected by the Executive, his/her Pension capital shall be converted into a (lifelong) pension for his/her Partner and/or children. If the Executive does not have any Partner or children upon his death before the Retirement age, his/her Pension capital shall fall to the Fund.

24 Premature termination of employment

Article 24

- 24.1 If the employment of the Executive at Philips ends other than by retirement, death, or disability, the Executive is entitled to continue his/her DC investment portfolio. If he/she chooses to do so, he/she shall retain all the rights and options connected with the Structured Defined Contribution Plan with the exception of the right to deposit Employee contributions. No contributions shall be made any longer by Philips either from that time onwards. If continuing the DC investment portfolio is chosen for, the Former executive undertakes to accept all the revenues and costs involved with the continuation of his/her DC investment portfolio for the performance of his/her Pension capital.
- 24.2 The Executive whose employment with Philips has ended other than by retirement, death or disability, may transfer his/her Pension capital by virtue of article 28 of the present Pension Plan rules to another Insurer or Pension fund to be designated by the Executive. If the Executive decides not to transfer his/her Pension capital, the options referred to in and by virtue of paragraph 1 of this article are at his/her disposal.
- 24.3 Until the day of transfer as referred to in paragraph 2 of this article, the Executive retains all the rights and options connected with the Structured Defined Contribution Plan, including all the revenues and costs resulting from continuing his/her DC investment portfolio for the performance of his/her Pension capital, however with the exception of the right to deposit Employee contributions. No contributions shall be deposited any longer by Philips either from that point in time onwards.

25 Special survivor's pension

Article 25

- 25.1 If the marriage of a (Former) Executive has ended other than by the death of the spouse of the (Former) Executive, the former spouse of the (Former) Executive acquires his/her own entitlement to a special survivor's pension as referred to in article 57 of the Pension act. The former spouse acquires the same rights and options with respect to the special survivor's pension as the Former Executive would have retained for this former spouse by virtue of article 24. However, the former spouse does not acquire an independent right to compose and adjust the DC Investment portfolio as referred to in article 21, nor does the spouse acquire a right to transfer of value as referred to in article 28.
- 25.2 The special survivor's pension upon divorce, where divorce is construed in accordance with that provided in the PW, before the Pension capital has been appropriated for a pension on the basis of article 23, is separated from the Pension capital of the (Former) Executive as from the date of divorce. The Pension capital for special survivor's pension is determined as follows: the Fund calculates through fictitious appropriation of the Pension capital what entitlement to retirement pension and survivor's pension in the ratio of 100% retirement pension and 70% survivor's pension can be acquired with the Pension capital existing at the time of divorce. The part of the Pension capital that would be used for this fictitious appropriation for the survivor's pension, forms the Pension capital for special survivor's pension for the former spouse. The Pension capital for special survivor's pension is increased by the return to be allocated to this Pension capital after the date of divorce.
- 25.3 For calculating the fictitious appropriation of the Pension capital referred to in paragraph 2 the Fund shall base itself on generally accepted actuarial assumptions. The Board of Trustees may set further rules with respect to this matter.
- 25.4 The Pension capital for special survivor's pension is appropriated for an entitlement or a right to special survivor's pension in accordance with article 23 on the Pensionable age of the (Former) Executive or upon his/her previous decease.
- 25.5 Upon death of the former spouse the Pension capital for special survivor's pension shall accrue to the Fund.
- 25.6 If an entitlement to Pension capital for special survivor's pension has been created as a result of a previous Partnership on the basis of the present Plan rules, the Pension capital present at the time of divorce, as referred to in the third full sentence of paragraph 2, is equal to the Pension capital accrued during the uninterrupted membership period from the date on which the previous Partnership has ended.

- 25.7 The provisions in the previous paragraphs of this article do not apply if the (Former) Executive and his/her (Former) Partner have agreed otherwise with respect to divorce through conditions set in connection with the partner relationship or an agreement concluded in writing. These conditions or agreement are, is, respectively, valid only if the Fund declared its willingness to agree and if it is prepared to cover any risk resulting from the deviation or to adjust the level.
- 25.8 Subject to that provided by or by virtue of the PW, the provisions in this article apply by analogy to a Partnership, not being a marriage.
- 25.9 The Former partner receives a written statement about the amount of the Pension capital accrued on the date of divorce. This Pension capital is assumed for determining the special survivor's pension the Former Partner is entitled to at the moment of the (Former) Executive's death, taking into account that provided in the previous paragraph.

26 Non-contributory continuation in the event of occupational disability

Article 26

- 26.1 An Executive whose employment with Philips is (partially) terminated due to disability, is entitled to a full or partial (continuation of the) premium referred to in article 18 being made available in accordance with the provisions in article 13 of the present Pension Plan rules. With the exception of the right to make an Employee contribution, his/her other rights by virtue of this chapter 3 of the present Pension Plan rules remain fully valid if and insofar as the Board of Trustees does not provide otherwise.
- 26.2 Upon review of the disability percentage within the meaning of the WIA, the (partially) non-contributory (continuation of the) pension accrual is adjusted under application of the preceding paragraphs with effect from the first day of the month following the effective date of the review.
- 26.3 If following a review of the disability percentage within the meaning of the WIA the right to a (partial) non-contributory (continuation of the) pension accrual has terminated fully or partially, no premium shall be made available to the Executive any longer for the terminated part of the pension accrual by virtue of article 18 of the present Pension Plan rules.

Chapter 4: General provisions

27 Surrender of small retirement pensions upon termination of participation

Article 27

- 27.1 The Fund is entitled to surrender the accrued pension benefits of a Former Executive by no sooner than two years after termination of participation, if, on the basis of the entitlement to retirement pension accrued until the time of termination, the payment of the retirement pension on an annual basis shall amount to less than € 406.44 a year (level of 1 January 2008) on the regular effective date, unless the Former Executive has started a procedure for transfer of value as referred to in article 71 PW within two years after termination of the participation.
- 27.2 If the regular start date of the retirement pension is situated before the expiry date of the two years' term referred to in paragraph 1, the Fund is entitled to surrender any entitlement to retirement pension and any other entitlements for the pensioner or his/her surviving dependants upon the start of the retirement pension if the payment of the retirement pension amounts to less than € 406.44 a year (level 1 January 2008) on the start date.
- 27.3 If the Fund exercises the right referred to in the first paragraph it shall inform the Former Executive about its decision within six months after the period of two years following termination of participation has expired, and proceed to paying the surrender value within that term of six months.
- 27.4 If the Fund exercises the right referred to in the second paragraph it informs the person involved about its decision within six months following the regular start date of the pension and proceeds to paying the surrender value within that term of six months.
- 27.5 The Fund makes the surrender value of the accrued pension benefits available to the person entitled.
- 27.6 The Fund makes the payment of the surrender amount on the day the entitlements or rights lapse.
- 27.7 The Fund may surrender after the term of two years and six months referred to in the third paragraph if:
- a) the person entitled agrees; and
 - b) the level of the retirement pension on an annual basis is lower as from 1 January of that year than the ceiling amount referred to in the first paragraph.

27.8 The amount mentioned in the first and second paragraph is adjusted annually in accordance with that provided in article 66 paragraph 8 PW.

27.9 The factors operated for surrender in accordance with this article have been laid down in appendix 1.

Surrender of small survivor's pension upon start of pension

Article 27a

27a.1 The Fund is entitled vis-à-vis the surviving dependants to surrender any entitlement to survivor's pension or orphan's pension for the surviving dependants of the same (Former Executives if the payment of the survivor's pension or orphan's pension on the start date amounts to less than € 406.44 (level of 1 January 2008) on an annual basis.

27a.2 If the Fund exercises the right referred to in the first paragraph it shall inform the surviving dependant within six months following the effective date and proceed to paying the surrender value to the surviving dependant within that term.

27a.3 The Fund may surrender the survivor's pension or orphan's pension referred to in the second paragraph if:

- a) the surviving relative agrees; and
- b) the level of the survivor's pension or orphan's pension on an annual basis is less than the ceiling amount mentioned in the first paragraph as from 1 January of that year.

27a.4 The factors operated for surrender in accordance with this article have been laid down in appendix 1.

27a.5 The amount mentioned in the first paragraph is adjusted annually in accordance with that provided in article 66 paragraph 8 PW.

27a.6 Article 27, paragraph 6, shall apply by analogy.

Surrender of small special survivor's pension

Article 27b

27b.1 The Fund is entitled vis-à-vis the former Partner to surrender any entitlement to special survivor's pension if the payment of the survivor's pension on the start date amounts to less than € 406.44 (level of 1 January 2008) on an annual basis.

- 27b.2 If the Fund exercises the right referred to in the first paragraph it shall inform the former Partner within six months following the notification of the divorce, dissolution of the marriage by a legal separation, termination of the registered partnership, or termination of the joint household and proceed to paying the surrender value to the former Partner within that term.
- 27b.3 The Fund may surrender following the term referred to in the second paragraph if:
- a) the surviving relative agrees; and
 - b) the level of the special survivor's pension on an annual basis is less than the ceiling amount mentioned in the first paragraph on 1 January of that year.
- 27b.4 The factors operated for surrender in accordance with this article have been laid down in appendix 1.
- 27b.5 The amount mentioned in the first paragraph is adjusted annually in accordance with that provided in article 66 paragraph 8 PW.
- 27b.6 Article 27, paragraph 6, shall apply by analogy.

28 Transfer value / Acceptance value

Article 28

- 28.1 The Fund shall:
- a) upon written request of a Former executive transfer any entitlements to a pension to another authorised pension administrator in the case of a statutory right to transfer of value, if this transfer enables the person entitled to a pension to acquire pension entitlements at another institution by appropriating that transfer amount;
 - b) upon the written request of an Executive appropriate a transfer value offered within the context of the statutory right to transfer of value for the acquisition of pension entitlements for that Executive by virtue of these Pension Plan rules.
- The transfer value offered shall for 2/3 be placed in the Average Pay Plan and for 1/3 in the Structured Defined Contribution Plan. All this takes place if the requirements set by or by virtue of the PW have been fulfilled and under due observance of the rules set by the Board of Trustees.
- 28.2 If the statutory right to transfer of value as referred to in paragraph 1 of this article does not apply, the Fund is authorized to transfer a pension or an entitlement to pension upon written request of the person entitled to another authorised pension administrator if the requirements referred to in article 75 of the PW are fulfilled, such under due observance of any rules set by the Board of Trustees for this matter.

- 28.3 If the statutory right to transfer of value as referred to in paragraph 1 of this article does not apply, the Fund is authorized to appropriate upon written request from the Executive a transfer value offered by another pension insurer to acquire pension entitlements for this Executive, such under due observance of any rules set by the Board of Trustees for this matter.
- 28.4 All transfers of value by virtue of this article take place on the basis of the actuarial factors included in appendix 1 to these Pension Plan rules under due observance of the regulations provided by or by virtue of the law and subject to any changes that the Board of Trustees may decide on from time to time.

29 Financing

Article 29

- 29.1 Annually as from January 1, the Board of Trustees determines the total amount that Philips is due to the Fund on the basis of the actuarial assumptions and financing method determined by the Board of Trustees in that year, subject to the administration agreement within the context of the financing of the rights and entitlements laid down in chapter 2 and 3 of these Pension Plan rules. The Executive contribution by virtue of chapter 2 and the ANW shortfall insurance premium are also determined annually.
- 29.2 Philips has undertaken towards the Fund by agreement to pay the total annual amount as referred to in paragraph 1 of this article, decreased by the sum of the Executive contributions and ANW shortfall insurance premiums paid over the year in question by the Executives themselves, such under the reservation that in the event of a radical change of circumstances, Philips is entitled to diminish its contribution.
- 29.3 The Executive contribution is due from the date the Executive may be designated as an Executive within the meaning of the present Pension Plan rules up to and including the month in which the Retirement age is attained, however up to the Standard retirement age or the date of decease at the latest.
- 29.4 The ANW shortfall insurance premium is due from the start date of the insurance until the first of the month following the termination date of the insurance.
- 29.5 The Executive contribution and the ANW shortfall insurance premium due from an Executive are withheld monthly from the salary by Philips and paid to the Fund. The ANW shortfall insurance premium due from an Executive who is entitled to retirement pension is withheld monthly by the Fund from the pension to be paid to the Executive.
- 29.6 The entitlement to a proportional retirement pension as referred to in article 55, paragraph 1 of the PW must be fully funded for the Executive in any case at the end of every calendar year, or, if this is sooner, upon termination of the membership.

30 Payment of pensions

Article 30

- 30.1 All pensions granted by virtue of chapter 2 of these Pension Plan rules are paid monthly at the start of each month. All pensions purchased in accordance with article 23, paragraph 3 with the Pension capital from an Insurer are paid in accordance with the applicable terms of the Insurer concerned.
- 30.2 Upon request of the Fund those entitled to a pension are obligated to submit a declaration of being alive, according to a form drawn up for this purpose by the Fund.
- 30.3 Any legal action brought against the Fund for making a pension payment shall not lapse during the lifetime of the person entitled to a pension.

31 Amendments to the Pension Plan rules and curtailment

Article 31

- 31.1 The Board of Trustees is authorised to amend these Pension Plan rules with due observance of that provided in the Trust Deed. In the event of any amendment to these Plan rules being made, the pension entitlements accrued for the (Former) Executives until the time of amendment shall not be adjusted, with the exception of that provided in the articles 76, 78, 83 and 134 of the PW.
- 31.2 The Board of Trustees is authorised subject to article 134 of the PW to curtail the pension entitlements and/or the pensions in payment if:
- the provision for pension obligations and the solvency capital requirement are no longer fully covered by the value of the assets; and
 - such cannot be realised in the short term without the interests of (Former) Executives, other parties entitled to a pension, or Philips being harmed disproportionately; and
 - all other management tools available, with the exception of the investment policy, have been deployed as outlined in the short-term recovery plan, as referred to in article 140 of the PW.

32 Special provisions

Article 32

- 32.1 Philips is authorized to make additional contributions to the Fund with the intention of improving such pensions as designated for that purpose by Philips, as described in chapter 2 and 3 of these Pension Plan rules.
- 32.2 In those cases where strict application of these Pension Plan rules would lead to unfairness, the Board of Trustees is authorized to deviate from that provided by these Pension Plan rules in favour of those concerned. In those cases not provided for in these Pension Plan rules the Board of Trustees shall decide.
- 32.3 Any amendments to these Pension Plan rules resulting in a decrease of pensions, inter alia as referred to in article 16 of the Trust Deed and article 31 of these Plan rules, shall in all reasonableness and fairness remain in force for all Executives. Any amendments as referred to in the preceding full sentence shall neither result in a decrease of the Pension capital of Executives participating in the Structured Defined Contribution Plan, nor in a decrease of the (entitlements to) pension(s) purchased with the Pension capital in accordance with article 23, paragraph 3.
- 32.4 If Philips informs the Fund in writing that Philips shall reduce or terminate its contribution as referred to in article 29, paragraph 2, due to a radical change of circumstances, the Board of Trustees shall provide the Executives with a copy of this information.
- 32.5 Upon joining, the Executives are informed in writing of the contents of the applicable Trust Deed and Pension Plan rules. Annually, the Executives are informed in writing of any amendments. Within three months following their joining the Executives receive a start letter including a summary of the pension plan subject to that provided by and by virtue of article 21 of the PW.
- 32.6 Without prejudice to that provided elsewhere in these Pension Plan rules, the Fund grants the holder of a (non-contributory) entitlement to a pension at his/her request a statement on the amount of the accrued pension benefits in accordance with chapter 2 of the present Pension Plan rules and also a statement on the amount of the Pension capital in accordance with chapter 3 within three months. The Fund may request payment of the cost involved in providing such a statement.
- 32.7 Annually, a statement is provided to all Executives about the pensions attainable under the Pension Plan rules in accordance with chapter 2, the pension accrued by virtue of chapter 2, the Pension capital in accordance with chapter 3, as well as the value development of the accrued pension benefits attributable to the previous calendar year in accordance with article 3.127 of the Income Tax Act 2001 and the provisions based on it. Besides, all Executives receive information about the indexation annually. The statements and information are made available with due observance of the requirements set by the PW. In the event of premature termination of participation as referred to in article 14 and 24, and afterwards once every five years, the Former Executives receive at least the information as required by

and set forth in the PW. Upon joining and annually after that, the Fund at least provides those entitled to a pension with the information required by and set forth in the PW. The Fund provides the Partner with at least the information as required by and set forth in the PW at the time when the Partner acquires the status of Former Partner as referred to in article 10 and 25, and after that once every five years.

- 32.8 Any entitlements to a pension by virtue of these Pension Plan rules shall neither be surrendered, alienated or abandoned, nor become a formal or actual object of security, other than in the cases provided by or by virtue of the PW.
- 32.9 By virtue of the PW, the Supervisor is inter alia authorized to issue instructions to the Fund. Such instruction may obligate the Board of Trustees to deviate from that provided in these Pension Plan rules, or to interpret the policy freedom vested in the Board by virtue of these Pension Plan rules in a specific way.

Pension settlement / Conversion

Article 33

The Board of Trustees is authorized to set different rules in the matter of pension settlement or conversion in accordance with the Pension Benefits Equalization Act.

Maximising due to concurrence with other benefits

Article 34

Should the pensions granted by virtue of chapters 2 and 3 of these pension plan exceed 100% of the pensionable salary as defined in the Income Tax Act 1964 on an annual basis, jointly with statutory disability benefits insofar as resulting from the employment with Philips and/or any benefits to be considered identical by the Board of Trustees, the pensions by virtue of chapter 2 will be decreased for the duration of the period of excess by such an amount that the total of the pensions in accordance with chapters 2 and 3 and the benefits mentioned does not exceed 100% of the pensionable salary as defined in the Wages and Salaries Tax Act 1964.

35 Maximum as allowed by tax authorities

Article 35

35.1 Pensions at the expense of the Fund do not exceed the maximum amounts referred to in the Wages and Salaries Tax Act 1964 or other maximum amounts resulting from tax legislation and regulations. At the Retirement age, the

- entitlement to retirement pension resulting from the appropriation of the Pension capital, together with the retirement pension by virtue of chapter 2, may never exceed 100% of the pensionable salary;
- entitlement to survivor's pension resulting from the appropriation of the Pension capital, together with the survivor's pension by virtue of chapter 2, may never exceed 70% of the pensionable salary;
- entitlement to orphan's pension resulting from the appropriation of the Pension capital, together with the orphan's pension by virtue of chapter 2, may never exceed 14% of the pensionable salary (for full orphans 28%);

decreased by the amount of the AOW benefit for one married person entitled with a partner aged 65 or over. Pensionable salary shall be taken to mean the pensionable salary as defined in the Wages and Salaries Tax Act 1964. For the determination of the above-mentioned maximum amounts the situations set forth in article 18d of the Wages and Salaries Tax Act 1964 shall not be considered.

35.2 If the 100% limit set forth in the previous paragraph is exceeded, the part of the Pension capital that is causing the excess will be appropriated according to the preference of the (Former) Executive for purchasing from the Fund an additional survivor's pension for the partner and/or orphan's pension for the children. Here, the maximum amounts of these pension types as described in the previous paragraph may not be exceeded. If there is still question of the fiscal limit of 100% being exceeded subsequently, the part of the Pension capital causing this excess shall be replaced by a lump sum benefit to the (Former) Executive. The Fund shall withhold the statutory deductions from this benefit.

36 Complaints procedure

Article 36

Anyone objecting to a decision (or the failure to make a decision) in accordance with these Pension Plan rules, as a result of which he/she is directly affected in a material sense, shall - before turning to a competent judge - inform the Board of Trustees in writing of his/her complaint. The Board of Trustees shall decide as soon as possible on the complaint.

Liquidation of the Fund

Article 37

- 37.1 If the Fund is dissolved in accordance with article 21 of the Trust Deed, all Executives shall be deemed to have left the employment of Philips at the time of dissolution and shall be granted non-contributory pension entitlements, determined in accordance with articles 14 and 24 of these Pension Plan rules.
- 37.2 The Fund in liquidation guarantees the rights of those entitled to a pension, the holders of non-contributory rights to a pension and their respective surviving relatives. In the event of liquidation, the Fund is obligated to transfer its obligations to an authorised pension administrator as referred to in article 1 of the PW.

General provision for expats

Article 38

With respect to expats the Board of Trustees is authorized to set different rules insofar as deemed necessary according to its reasonable opinion for the administration of these Pension Plan rules. An expat shall be taken to mean the Executive who has been posted outside the Netherlands and is considered an expat by Philips.

Applicability and commencement

Article 39

This version of the Philips Executives Pension Plan rules takes effect from 1 January 2008, on the understanding that the provisions regarding surrender of small pensions have taken effect as from 1 January 2007. With the exclusion of all earlier versions, this version of said Plan rules applies to:

- a) all Executives employed on 1 January 2008 as an Executive of Philips and to whom the Pension Plan rules of the Philips Executive Pension Plan applied on 31 December 2007, as well as
- b) those Executives entering the employment of Philips as an Executive on or after 1 January 2008.

Chapter 5: Transitional provisions

40 Transitional provisions

Article 40

40.1 Contrary to that provided in article 15, paragraph 1 of the present Pension Plan rules, the indexation provision applicable to the pensions in payment and non-contributory entitlements during the period from 1 January 2006 up to and including 31 December 2007 reads as follows:

In its policy the Board of Trustees shall aim at a periodic adjustment of pensions in payment and non-contributory pension entitlements in connection with a potential increase in the costs of living. In its policy the Board of Trustees shall also aim at a periodic adjustment of the non-contributory pension entitlements of the (Former) Executives and special survivor's pensions in connection with a potential increase in the costs of living.

40.2 Contrary to that provided in article 4 paragraph 4, in conjunction with article 15 paragraph 3, the entitlement to retirement pension accrued by an Executive is periodically and conditionally indexed during the period from 1 January 2006 up to and including 31 December 2007 simultaneously with and in accordance with the percentage of the full collective scale adjustment as shown from the applicable Philips CLA.

40.3 Those Executives who moved on 1 January 2006 from the Final Pay Plan to these Pension Plan rules are entitled to internally transfer the pension rights accrued under the Final Pay Plan to these Pension Plan rules with the exception of any rights by virtue of paid-up policies purchased with single premiums paid from the annual bonus of the employee. For Executives who have exercised this right, the following pension rights have been purchased as from 1 January 2006 for the pension rights accrued under the Final Pay Plan by virtue of these Pension Plan rules.

For those Executives who have a retirement age of 60 on 31 December 2005:

- a) a lifelong retirement pension taking effect from age 62.5 of the Executive with a corresponding survivor's pension;
- b) a temporary pension to be paid between age 60 and 62.5;
- c) a temporary (bridging) pension to be paid between age 60 and 65, if and insofar as there was an entitlement to this by virtue of the Final Pay Plan.

The lifelong retirement pension mentioned under a. is paid under due observance of that provided in the articles 4, 5 and 6 jointly with the retirement pension accrued from 1 January 2006 if the (Former) Executive is alive at the Retirement age.

For those Executives who had a retirement age of 62.5 on 31 December 2005:

- a) a lifelong retirement pension taking effect from age 62.5 of the Executive with a corresponding survivor's pension;
- b) a temporary (bridging) pension to be paid out between age 62.5 and 65, if and insofar as there was an entitlement to this by virtue of the Final Pay Plan.

The lifelong retirement pension mentioned under a) is paid under due observance of that provided in the articles 4, 5 and 6 jointly with the retirement pension accrued from 1 January 2006 if the (Former) Executive is alive at the Retirement age.

- 40.4 The pension entitlements referred to in article 40, paragraph 3 shall periodically and conditionally be indexed simultaneously with and in accordance with that provided in article 15 (Indexation clause) of the present Pension Plan rules.
- 40.5 Contrary to that provided in article 1.9 the Monthly offset shall not be increased in the period from 1 January 2006 up to and including 31 December 2006.

Appendix 1: Actuarial factors

In this appendix under 'General' some general assumptions are given used in preparing the actuarial factors of the Fund which are applicable for determining the rights and entitlements of (Former) Executives. Additionally, for a number of cases the applicable actuarial factors are stated with reference to the relevant articles of the Pension Plan rules.

General

- In all cases where any rights are transferred or exchanged for other rights, in whatever way, the collective actuarial equality of the entitlements before and after the exchange referred to shall be assumed.
- The factors are equal for both men and women.
- The factors apply from 1 January 2008. The assumptions used to determine the factors may deviate from the assumptions applicable to the Fund at any given moment as resulting from the Actuarial and Technical Business Report.

Article 4, paragraph 7:

Increases in pension up to age 65 (High/low-regulations) at age 62.5

Before change	After change	
Lifelong retirement pension	Lifelong retirement pension from age 62.5 - 65	Lifelong retirement pension from age 65
1000	1,260	945
1000	1,176	962
1000	1,090	981

Increases in pension up to age 70 (High/low-regulations) at age 62.5

Before change	After change	
Lifelong retirement pension	Lifelong retirement pension from age 62.5 - 70	Lifelong retirement pension from age 70
1000	1,154	865
1000	1,107	906
1000	1,056	950

Article 4, paragraph 9:

Exchange of survivor's pension for lifelong retirement pension at age 62.5

Retirement age	Survivor's pension	Extra Lifelong retirement pension from 62.5 years
62.5	1,000	313

Article 6, paragraph 1 and article 14, paragraph 3:

Advanced retirement pension (incl. 70% survivor's pension)

New retirement age	Retirement pension	New retirement pension
62	1,000	970
61	1,000	915
60	1,000	864

Article 6, paragraph 2 and article 14, paragraph 3:

Deferred retirement pension (incl. 70% survivor's pension)

New Retirement age	Retirement pension	New retirement pension
63	1,000	1,030
64	1,000	1,095
65	1,000	1,165

Article 6, paragraph 4 and article 14, paragraph 3:

Deferred retirement pension (incl. 70% survivor's pension)

New Retirement age	Retirement pension	New retirement pension
66	1,000	1,066
67	1,000	1,138
68	1,000	1,217
69	1,000	1,302
70	1,000	1,395

Article 27:

Surrender of retirement pension at age:

Age	Retirement pension at retirement age of 62.5	Surrender amount retirement pension
18	100	276
19	100	286
20	100	296
21	100	306
22	100	317
23	100	328
24	100	339
25	100	351
26	100	363
27	100	376
28	100	389
29	100	402
30	100	416
31	100	431
32	100	446
33	100	461
34	100	478
35	100	494
36	100	511
37	100	529
38	100	548
39	100	567
40	100	587
41	100	608
42	100	629
43	100	652
44	100	675
45	100	699
46	100	724
47	100	750
48	100	778
49	100	806
50	100	836
51	100	867
52	100	900
53	100	934
54	100	970
55	100	1,007
56	100	1,047
57	100	1,088
58	100	1,132
59	100	1,178
60	100	1,227
61	100	1,279
62	100	1,335
62.5	100	1,364

Surrender of survivor's pension included in insurance at age

Age	Survivor's pension	Surrender amount
18	100	150
19	100	154
20	100	158
21	100	162
22	100	167
23	100	171
24	100	175
25	100	180
26	100	185
27	100	190
28	100	195
29	100	201
30	100	206
31	100	212
32	100	218
33	100	224
34	100	230
35	100	237
36	100	243
37	100	250
38	100	257
39	100	264
40	100	271
41	100	278
42	100	286
43	100	293
44	100	301
45	100	308
46	100	316
47	100	323
48	100	331
49	100	338
50	100	346
51	100	353
52	100	360
53	100	368
54	100	375
55	100	382
56	100	389
57	100	395
58	100	402
59	100	408
60	100	414
61	100	419
62	100	424
62.5	100	427

Article 28: Transfer of value

Contrary to that stated in the above, it shall apply that any collective transfers of value in accordance with this article shall take place on the basis of the actuarial assumptions determined by the Fund for this purpose. If any agreements have been made about the assumptions to be operated upon transfer of value with the pension provider the transfer value is being transferred to, or the transfer value is received from, it applies that any individual transfers of value in accordance with this article shall take place on the basis of these agreements and in other cases on the basis of the regulations provided by or by virtue of the law. The assumptions determined by the Fund for collective or individual transfers of value may deviate from the assumptions applicable to the Fund at any moment as resulting from the Actuarial and Technical Business Report.

Appendix 2: Indexation

Step 1

Determining the Derived Actuarial result

The Actuarial result is determined once a year by means of the following procedure. Based on the assumptions used for calculating the Provision for pension obligations the variances to these assumptions are recorded following the end of each year. The assumptions mainly concern the investments and the developments of the pension obligations, the premium, the risk assessment systems in use (mortality rate), the entries and terminations, and the costs. All variances to the assumptions result in an actuarial sub-result. The total of these variances is the actuarial result. The actuarial result is laid down once a year in the annual accounts of the pension fund.

An example of an actuarial sub-result is the result on the risk assessment systems. If members entitled to retirement pension become older than expected, an actuarial loss occurs in the risk assessment systems; more resources are required for financing these pensions than previously calculated on the basis of the age tables. This then concerns one part of the total actuarial result.

If the funding ratio of the fund, calculated on the basis of Fair Value, is below 105%, there is a funding shortfall. When calculating the funding ratio on the basis of Fair Value, the funding ratio is determined on the basis of the current value of the pension assets and the pension obligations. The current value of the pension obligations is determined on the basis of the interest term structure for risk free fixed-income investments, taking into account the duration of the pension obligations. If the buffer of the fund for absorbing any financial setbacks is lower than prescribed by law, a reserve deficit will occur. If a cover or reserve deficit occurs, the company is obligated to pay an additional pension premium in the form of a load to the premium. This load is intended for clearing a shortfall of cover or reserve deficit and not for indexation. Therefore, the Derived actuarial result is the actuarial result decreased by the load in the premium due to a shortfall of cover or reserve deficit. If there is question of a premium discount the opposite applies; in that case the Derived actuarial result is the actuarial result increased by the discount.

The Derived actuarial result is also laid down annually in the annual accounts of the pension fund.

Step 2

Determining the Indexation margin

The Indexation margin is determined on 1 January of each year by the Board of Trustees.

The Indexation margin as at 1 January of each calendar year is equal to the Indexation margin as at 1 January of the preceding calendar year, increased and/or decreased by an amount equal to one third of the sum of the Derived actuarial result over the three calendar years preceding the year of the determination of the Indexation margin. 1 January 2003 applies as the starting date for the calculation of the Indexation margin. On this date, the Indexation margin is set to nil.

In formula: $IR_t = IR_{t-1} + (AVR_{t-3} + AVR_{t-2} + AVR_{t-1}) / 3$

IR_t = Indexation margin in year t

IR_{t-1} = Indexation margin in year t-1

AVR_{t-3} = Derived actuarial result in year t-3

AVR_{t-2} = Derived actuarial result in year t-2

AVR_{t-1} = Derived actuarial result in year t-1

Example:

What is the Indexation margin on 1/1/2012?

Assuming (all amounts are in millions)

$AVR_{2009} = 510$

$AVR_{2010} = -360$

$AVR_{2011} = 330$

Then $IR_{2012} = IR_{2011} + (510 - 360 + 330) / 3$

Then is $IR_{2012} = IR_{2011} + 160$

If the Indexation margin on 1/1/2011 would be 220, the IR_{2012} is therefore 380 (220 + 160).

Step 3

Determining the Realisation percentage

To calculate the Realisation percentage, the ratio is first established between on the one hand the available Indexation margin and on the other hand the costs for implementing a full compensation for the Price inflation (for the pensions in payment and the non-contributory entitlements to a pension) and the Wage inflation (for the entitlements to retirement pension, survivor's pension and orphan's pension as referred to in article 4, paragraph 4, 7 respectively, paragraph 4, 11 respectively, paragraph 2 of the Pension Plan rules). This ratio is expressed as a percentage.

Depending on the outcome of this calculation, the Realisation percentage is subsequently determined as follows. If the result of the calculation referred to in the preceding paragraph is below 100%, the full Price and Wage inflation cannot be granted. Again expressed as a percentage, it is then determined how much of the Price and Wage inflation can be compensated for from the Indexation margin.

This percentage is equal to the Realisation percentage, unless the Board of Trustees is of the opinion that there is reason for setting the percentage lower in view of the financial situation of the fund, the developments in this financial situation expected by the Board of Trustees, the requirements set by or by virtue of the law and all other factors and circumstances considered material by the Board of Trustees. If a downward re-adjustment of the percentage takes place, this lower percentage is equal to the Realisation percentage. This system also applies to the situation where the outcome exceeds 100%. In that case more compensation for the Price and Wage inflation can be granted. However, it should be noted that no more than 125% of the Price and Wages Inflation can be compensated for. Besides, the Realisation percentage can never be less than 0%. (See also article 15.4 of the Pension Plan rules.)

Example: (on 1/1/2012):

Assuming: Price inflation (for 2011) = 3.0%; Wage inflation (for 2011) = 3.5%.

Assuming: Costs of the full compensation of Price and Wage Inflation (Realisation percentage = 100): 420 million.

The Indexation margin on 1/1/2012 = 380 million (see example Step 2).

This means that the complete Price and Wage inflation cannot be compensated for and that the Realisation percentage for all indexations from 1 April 2012 up to and including 31 March 2013 is determined at 90.5% ($(380 / 420) \times 100\%$), unless the Board of Trustees holds the opinion that there is reason for setting the percentage lower in view of the financial situation of the fund, the developments in that financial situation expected by the Board of Trustees, the requirements set by or by virtue of the law and all other factors and circumstances considered material by the Board of Trustees. On these grounds the Board could for example determine that the percentage be set at 80% instead of 90.5%.

Appendix 3: Fund Terms

Terms of World Equity Fund

1. **Assets, Members, participations**
 1. The Net assets of the Fund consist of the sum of all investments (including liquid assets and receivables), decreased by the debts and the costs that come for the expense of the Fund.
 2. The assets are divided into participations. All participations provide a right to a proportionate share in the Net assets of the Fund.

2. **Investments, management, administration**
 1. Under due observance of the guidelines and conditions set by the Board of Trustees, the Net assets of the Fund shall be invested in a sound way in securities with a stock market listing and/or other financial assets including, without being limited to, participations in Investment Funds quoted on the stock market or not and derived financial instruments (derivatives).
 2. When investing the Net assets of the Fund, the Fund exclusively acts in the interest of the Members. The Fund is free in its choice of investments subject to that provided in the previous paragraph. It is at all times entitled to make adjustments to the structure of the investments deemed necessary by it in the interest of the Members. It may sell existing investments and purchase others and it may decide to leave a larger or smaller amount of the Net assets of the Fund uninvested (to hold as liquid assets) depending on whether it considers any investments to be advisable at a given moment or that they had better be postponed until a later point in time. The Fund is entitled to purchase any partially paid-up shares.
 3. The Fund is entitled to fully or partially hedge the currency risk of foreign securities.
 4. The Fund sees to it that the Net assets and the other assets of the Fund are at all times duly separated in the administrative system.
 5. The books of the Fund serve as full proof between the Parties regarding the number of participations held by each Member, except where proof to the contrary is to be provided by the Member.

3. **Determination of the Net asset value**
 1. The Net asset value of any participation is equal to the Net assets of the Fund divided by the number of participations placed.
 2. The investments are valued on the basis of current value subject to the following. Any investments in listed shares are valued on the basis of the closing prices of the day preceding the day of valuation or, if no transactions took place on that day, on the basis of the most recent preceding closing prices, or estimate, such at the discretion of the Fund. Non-quoted investments are valued on the basis of estimate. Valuation on the basis of estimate shall happen under due observance of the usual criteria for such estimate.
 3. Insofar as required in derogation from that provided in the previous paragraph, all receivables, liquid assets and debts are valued on the basis of nominal value under due observance of the usual criteria.

4. Profits and losses are recognised and accounted for in the period they relate to. Assets and liabilities expressed in foreign currencies are translated into euro at the current prices on the balance sheet date. Profits and losses during a period expressed in foreign currencies are translated into euro at the prices applicable at the time of the realisation of these items. All price variances are processed in the Net assets of the Fund.
5. The Net asset value of the participations is determined on a monthly basis.

4. Purchase price

Participations may exclusively be purchased for the benefit of a Member on specific days to be indicated by the Board of Trustees. Purchase of participations for a Member takes place by payment of the Purchase price to the Fund. Payment of the Purchase price is only possible via the Defined contributions and any means released as a result of selling of participations in one or more of the other DC investment funds. The Purchase price of any participation is the Net asset value of that participation on the working day preceding the day of purchase, increased by a fee to be determined by the Board of Trustees that is credited to the Fund. The date of purchase shall be the working day on which the Purchase price is received by the Fund.

5. Termination of membership

The membership of the Fund terminates by operation of law in the event of death, retirement and transfer of value. The exact data of membership termination in these cases shall, where possible, be determined in more detail by the Board of Trustees, taking into account the agreements with the Insurers. In the event of termination of the membership of the Fund, the participations of the Member concerned shall be sold and the amount released appropriated for purchasing a pension as referred to in article 23 of the Philips Executives Pension Plan rules ('the Pension Plan rules'), or for a transfer of value as referred to in article 24 of the Pension Plan rules.

6. Selling price

Participations held for a Member may not be transferred and may exclusively be sold to the Fund on the days indicated by the Board of Trustees. Selling takes place against payment of the Selling price by the Fund. Payment of the Selling price by the Fund is never made to the Member. The Selling price is appropriated for purchasing participations in one or more of the other DC Investment funds, or for purchasing a pension in accordance with that provided in article 23 of the Pension Plan rules. The Selling price of participations is the Net asset value of that participation on the working day preceding the selling, decreased by a fee to be determined by the Board of Trustees that is credited to the Fund. The selling date shall be the working day on which the Selling price is paid.

7. **Costs**

The Fund may put the following costs at the expense of the fund:

- a. transaction costs and costs of payment systems;
- b. all other costs that in the opinion of the Board of Trustees should come for the expense of the Fund, which may inter alia include any costs relative to the management, administration, and holding (including debt collection costs) of the Net assets of the Fund;
- c. taxes and taxations that are imposed on the Fund as such.

Terms of Emerging Equities Fund

1. **Assets, Members, participations**

1. The Net assets of the Fund consist of the sum of all investments (including liquid assets and receivables) decreased by the debts and the costs that come for the expense of the Fund.
2. The assets are divided into participations. All participations provide a right to a proportionate share in the Net assets of the Fund.

2. **Investments, management, administration**

1. Under due observance of the guidelines and conditions set by the Board of Trustees, the Net assets of the Fund shall be invested in a sound way in securities with a stock market listing and/or other financial assets including, without being limited to, participations in Investment funds quoted on the stock market or not and derived financial instruments (derivatives).
2. When investing the Net assets of the Fund, the Fund exclusively acts in the interest of the Members. The Fund is free in its choice of investments subject to that provided in the previous paragraph. It is at all times entitled to make adjustments to the structure of the investments deemed necessary by it in the interest of the Members. It may sell existing investments and purchase others and it may decide to leave a larger or smaller amount of the Net assets of the Fund uninvested (to hold as liquid assets) depending on whether it considers any investments to be advisable at a given moment or that they had better be postponed until a later point in time. The Fund is entitled to purchase any partially paid-up shares.
3. The Fund is entitled to fully or partially hedge the currency risk of foreign securities.
4. The Fund sees to it that the Net assets and the other assets of the Fund are at all times duly separated in the administrative system.
5. The books of the Fund serve as full proof between the parties regarding the number of participations held by each Member, except where proof to the contrary is to be provided by the Member.

3. **Determination of Net asset value**

1. The Net asset value of any participation is equal to the Net assets of the Fund divided by the number of participations placed.
2. The investments are valued on the basis of current value subject to the following.
Any investments in listed shares are valued on the basis of the closing prices of the day preceding the day of valuation or, if no transactions took place on that day, on the basis of the most recent preceding closing prices or estimate, such at the discretion of the Fund.
Non-quoted investments are valued on the basis of estimate. Valuation on the basis of estimate shall happen under due observance of the usual criteria.
3. Insofar as required in derogation from that provided in the previous paragraph, all receivables, liquid assets and debts are valued on the basis of nominal value under due observance of the usual criteria.
4. Profits and losses are recognised and accounted for in the period they relate to. Assets and liabilities expressed in foreign currencies are translated into euro at the current prices on the balance sheet date. Profits and losses during a period expressed in foreign currencies are translated into euro at the prices applicable at the time of the realisation of these items.
All price variances are processed in the Net assets of the Fund.
5. The Net asset value of the participations is determined on a monthly basis.

4. **Purchase price**

Participations may exclusively be purchased for the benefit of a Member on specific days to be indicated by the Board of Trustees. Purchase of participations for a Member takes place by payment of the Purchase price to the Fund. Payment of the Purchase price is only possible via the Defined contributions and any means released as a result of selling of participations in one or more of the other DC investment funds. The Purchase price of any participation is the Net asset value of that participation on the working day preceding the day of purchase, increased by a fee to be determined by the Board of Trustees that is credited to the Fund. The date of purchase shall be the working day on which the Purchase price is received by the Fund.

5. **Termination of membership**

The membership of the Fund terminates by operation of law in the event of death, retirement and transfer of value. The exact data of membership termination in these cases shall, where possible, be determined in more detail by the Board of Trustees, taking into account the agreements with the Insurers. In the event of termination of the membership of the Fund, the participations of the Member concerned shall be sold and the amount released appropriated for purchasing a pension as referred to in article 23 of the Philips Executives Pension Plan rules (“the Pension Plan rules”), or for a transfer of value as referred to in article 24 of the Pension Plan rules.

6. Selling price

Participations held for a Member may not be transferred and may exclusively be sold to the Fund on the days indicated by the Board of Trustees. Selling takes place against payment of the Selling price by the Fund. Payment of the Selling price by the Fund is never made to the Member. The Selling price is appropriated for purchasing participations in one or more of the other DC Investment funds, or for purchasing a pension in accordance with that provided in article 23 of the Pension Plan rules. The Selling price of participations is the Net asset value of that participation on the working day preceding the selling, decreased by a fee to be determined by the Board of Trustees that is credited to the Fund. The selling date shall be the working day on which the Selling price is paid.

7. Costs

The Fund may put the following costs at the expense of the fund:

- a. transaction costs and costs of payment systems;
- b. all other costs that in the opinion of the Board of Trustees should come for the expense of the Fund, which may inter alia include any costs relative to the management, administration, and holding (including debt collection costs) of the Net assets of the Fund;
- c. taxes and taxations that are imposed on the Fund as such.

Terms of Fixed-Income Intermediate Duration Fund

1. Assets, Members, participations

1. The Net assets of the Fund consist of the sum of all investments (including liquid assets and receivables) decreased by the debts and the costs that come for the expense of the Fund.
2. The assets are divided into participations. All participations provide a right to a proportionate share in the Net assets of the Fund.

2. Investments, management, administration

1. Under due observance of the guidelines and conditions set by the Board of Trustees, the Net assets of the Fund shall be invested in a sound way in securities with a stock market listing and/or other financial assets including, without being limited to, participations in Investment funds quoted on the stock market or not and derived financial instruments (derivatives).
2. When investing the Net assets of the Fund, the Fund exclusively acts in the interest of the Members. The Fund is free in its choice of investments subject to that provided in the previous paragraph. It is at all times entitled to make adjustments to the structure of the investments deemed necessary by it in the interest of the Members. It may sell existing investments and purchase others and it may decide to leave a larger or smaller amount of the Net assets of the Fund uninvested (to hold as liquid assets) depending on whether it considers any investments to be advisable at a given moment or that they had better be postponed until a later point in time. The Fund is entitled to purchase any partly paid-up shares.
3. The Fund is entitled to fully or partly hedge the currency risk of foreign securities.
4. The Fund sees to it that the Net assets of the Fund and the other assets of the Fund are at all times duly separated in the administrative system.
5. The books of the Fund serve as full proof between the parties regarding the number of participations held by each Member, except where proof to the contrary is to be provided by the Member.

3. Determination of Net asset value

1. The Net asset value of any participation is equal to the Net assets of the Fund divided by the number of participations placed.
2. The investments are valued on the basis of current value subject to the following. Any investments in listed shares are valued on the basis of the closing prices of the day preceding the day of valuation or, if no transactions took place on that day, on the basis of the most recent preceding closing prices or estimate, such at the discretion of the Fund. Non-quoted investments are valued on the basis of estimate. Valuation on the basis of estimate shall happen under due observance of the usual criteria for such.
3. Insofar as required in derogation from that provided in the previous paragraph, all receivables, liquid assets and debts are valued on the basis of nominal value under due observance of the usual criteria.
4. Profits and losses are recognised and accounted for in the period they relate to. Assets and liabilities expressed in foreign currencies are translated into euro at the current prices on the balance sheet date. Profits and losses during a period expressed in foreign currencies are translated into euro at the prices applicable at the time of the realisation of these items. All price variances are processed in the Net assets of the Fund.
5. The Net asset value of the participations is determined on a monthly basis.

4. Purchase price

Participations may exclusively be purchased for the benefit of a Member on specific days to be indicated by the Board of Trustees. Purchase of participations for a Member takes place by payment of the Purchase price to the Fund. Payment of the Purchase price is only possible via the Defined contributions and any means released as a result of selling of participations in one or more of the other DC investment funds. The Purchase price of any participation is the Net asset value of that participation on the working day preceding the day of purchase, increased by a fee to be determined by the Board of Trustees that is credited to the Fund. The date of purchase shall be the working day on which the Purchase price is received by the Fund.

5. Termination of membership

The membership of the Fund terminates by operation of law in the event of death, retirement and transfer of value. The exact data of membership termination in these cases shall, where possible, be determined in more detail by the Board of Trustees, taking into account the agreements with the Insurers. In the event of termination of the Membership of the Fund the participations of the Member concerned shall be sold and the amount released appropriated for purchasing a pension as referred to in article 23 of the Philips Executives Pension Plan rules (“the Pension Plan rules”), or for a transfer of value as referred to in article 24 of the Pension Plan rules.

6. Selling price

Participations held for a Member may not be transferred and may exclusively be sold to the Fund on the days indicated by the Board of Trustees. Selling takes place against payment of the Selling price by the Fund. Payment of the Selling price by the Fund is never made to the Member. The Selling price is appropriated for purchasing participations in one or more of the other DC investment funds, or for purchasing a pension in accordance with that provided in article 23 of the Pension Plan rules. The Selling price of participations is the Net asset value of that participation on the working day preceding the selling, decreased by a fee to be determined by the Board of Trustees that is credited to the Fund. The selling date shall be the working day on which the Selling price is paid.

7. Costs

The Fund may put the following costs at the expense of the fund:

- a. transaction costs and costs of payment systems;
- b. all other costs that in the opinion of the Board of Trustees should come for the expense of the Fund, which may inter alia include any costs relative to the management, administration, and holding (including debt collection costs) of the Net assets of the Fund;
- c. taxes and taxations that are imposed on the Fund as such.

Terms of Fixed Income Long Duration Fund

1. Assets, Members, participations

1. The Net assets of the Fund consist of the sum of all investments (including liquid assets and receivables) decreased by the debts and the costs that come for the expense of the Fund.
2. The assets are divided into participations. All participations provide a right to a proportionate share in the Net assets of the Fund.

2. Investments, management, administration

1. Under due observance of the guidelines and conditions set by the Board of Trustees, the Net assets of the Fund shall be invested in a sound way in securities with a stock market listing and/or other financial assets including, without being limited to, participations in Investment Funds quoted on the stock market or not and derived financial instruments (derivatives).
2. When investing the Net assets of the Fund, the Fund exclusively acts in the interest of the Members. The Fund is free in its choice of investments subject to that provided in the previous paragraph. It is at all times entitled to make adjustments to the structure of the investments deemed necessary by it in the interest of the Members. It may sell existing investments and purchase others and it may decide to leave a larger or smaller amount of the Net assets of the Fund uninvested (to hold as liquid assets) depending on whether it considers any investments to be advisable at a given moment or that they had better be postponed until a later point in time. The Fund is entitled to purchase any partly paid-up shares.
3. The Fund is entitled to fully or partly hedge the currency risk of foreign securities.
4. The Fund sees to it that the Net assets of the Fund and the other assets of the Fund are at all times duly separated in the administrative system.

5. The books of the Fund serve as full proof between the parties regarding the number of participations held by each Member, except where proof to the contrary is to be provided by the Member.

3. **Determination of Net asset value**

1. The Net asset value of any participation is equal to the Net assets of the Fund divided by the number of participations placed.
2. The investments are valued on the basis of current value subject to the following. Any investments in listed shares are valued on the basis of the closing prices of the day preceding the day of valuation or, if no transactions took place on that day, on the basis of the most recent preceding closing prices or estimate, such at the discretion of the Fund. Non-quoted investments are valued on the basis of estimate. Valuation on the basis of estimate shall happen under due observance of the usual criteria for such.
3. Insofar as required in derogation from that provided in the previous paragraph, all receivables, liquid assets and debts are valued on the basis of nominal value under due observance of the usual criteria.
4. Profits and losses are recognised and accounted for in the period they relate to. Assets and liabilities expressed in foreign currencies are translated into euro at the current prices on the balance sheet date. Profits and losses during a period expressed in foreign currencies are translated into euro at the prices applicable at the time of the realisation of these items. All price variances are processed in the Net assets of the Fund.
5. The Net asset value of the participations is determined on a monthly basis.

4. **Purchase price**

Participations may exclusively be purchased for the benefit of a Member on specific days to be indicated by the Board of Trustees. Purchase of participations for a Member takes place by payment of the Purchase price to the Fund. Payment of the Purchase price is only possible via the Defined contributions and any means released as a result of selling of participations in one or more of the other DC investment funds. The Purchase price of any participation is the Net asset value of that participation on the working day preceding the day of purchase, increased by a fee to be determined by the Board of Trustees that is credited to the Fund. The date of purchase shall be the working day on which the Purchase price is received by the Fund.

5. **Termination of membership**

The membership of the Fund terminates by operation of law in the event of death, retirement and transfer of value. The exact data of membership termination in these cases shall, where possible, be determined in more detail by the Board of Trustees, taking into account the agreements with the Insurers. In the event of termination of the membership of the Fund the participations of the Member concerned shall be sold and the amount released appropriated for purchasing a pension as referred to in article 23 of the Philips Executives Pension Plan rules (“the Pension Plan rules”), or for a transfer of value as referred to in article 24 of the Pension Plan rules.

6. Selling price

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7. Costs

The Fund may put the following costs at the expense of the fund:

- a. transaction costs and costs of payment systems;
- b. all other costs that in the opinion of the Board of Trustees should come for the expense of the Fund, which may inter alia include any costs relative to the management, administration, and holding (including debt collection costs) of the Net assets of the Fund;
- c. taxes and taxations that are imposed on the Fund as such.

DISCLAIMER

In spite of the fact that this brochure has been produced with utmost precision, no rights may be derived from this English translation. The official (Dutch) version of the Pension Plan rules is legally binding.

