

The Philips Foundation
Policy Plan

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Introduction

In 2014, Philips launched the Philips Foundation, an organization dedicated to supporting underprivileged and underserved communities around the world in the areas of healthcare, lighting and healthy futures. The Philips Foundation will run its programs within communities in partnership with selected non-governmental and governmental organizations. The Philips Foundation is a separate, non-commercial organization. It is an expression of Philips' commitment to improve 3 billion lives per year by 2025.

This document outlines the mission, governance, organization, activities and funding of the Philips Foundation.

Mission

The Philips Foundation is an organization dedicated to supporting underprivileged and underserved communities around the world in the areas of healthcare, lighting and healthy futures. When pursuing this mission, the Foundation expects to benefit from Philips' expertise and knowledge to help develop low-cost, easily-accessible solutions that create meaningful impact on people's lives. Together with partners from selected non-governmental and governmental organizations, we do not aim to generate profit, but to build valuable new knowledge and networks - and drive social innovation.

Vision

The Philips Foundation expects to use Philips' expertise and knowledge to benefit fragile parts of society, build valuable new knowledge and networks, and drive social innovation. We aim to take learnings from a community level in one country and apply them across multiple communities in numerous countries.

Within five years of its establishment, the Foundation aims to have made measurable impact in chosen communities by enabling social innovation projects through donating expertise and innovation resources. The Philips Foundation strives to be recognized within the international development and government communities as a voice that has a valid opinion in societal discussions and debates. The Foundation also aims to serve as a source of pride for all types of Royal Philips stakeholders, including its employees.

Philosophy

We believe that through innovation, we can solve many of the world's toughest challenges. Innovation starts with people, and innovation focused on addressing societal problems can make a significant difference to people's lives.

We support social innovation by providing grants and expertise to innovators who can make a meaningful impact on health and light in local communities.

Working together with industry partners, governments and non-profit organizations, the Foundation uses the breadth of Royal Philips' expertise to enable innovation that relieves and empowers under-privileged and under-served communities.

Through the Foundation, Royal Philips is able to offer its funds and technological expertise to innovative projects and organizations in communities outside of our everyday business scope. And more importantly, the Foundation can tap into Royal Philips' people, for example the skills and expertise of the company's Research and Design groups, or leverage teams in strategy, marketing, engineering and product development.

At the core of our approach is our choice to help create solutions for specific issues rather than solely providing financial support or in-kind contributions. When choosing programs and projects, we focus on issues that are closely aligned with our mission.

In the projects we become involved in, we aim to be a key contributor and make a visible difference with our knowledge and expertise, rather than just being one of many different participants.

The Philips Foundation also helps Royal Philips strengthen employee loyalty, engagement and retention by giving people the chance to take part in what are unique and very rewarding projects.

In doing so it is demonstrated to people in the wider Royal Philips community that they are part of a company which is truly committed to promoting social and economic development in some of the most underserved parts of the world.

Geographical Scope

The Philips Foundation will only support projects in countries where Royal Philips or one of its subsidiaries are present. This is a broad geographic scope as Royal Philips is present in 155 countries.

Three-pillar Program Structure

The Philips Foundation is comprised of three program area: Disaster Relief, Community Investment and Social Innovation.

Disaster Relief

The Philips Foundation works to provide disaster relief to regions as quickly as possible in the event of a large-scale natural disaster. We do this through our ongoing disaster relief work, where we provide medical and lighting equipment to those in need, as well as by facilitate employee donations. Our planned response to disasters is documented in a set of Disaster Relief protocols.

The Foundation will continue the work of Royal Philips who in 2013 donated people, products and funds to International Red Cross Movement to support relief efforts for natural and humanitarian disasters including Typhoon Haiyan and the refugee situation caused by the conflict in Syria.

Community Investment

The Foundation will initiate a global community investment program which will facilitate community service opportunities around the world for volunteers from Royal Philips. The Foundation will also work with NGO partners to identify impactful community projects in the areas of access to healthcare, access to light and building healthy futures.

The Foundation builds upon technology, service or delivery model innovations developed or piloted by Royal Philips. The Foundation may donate such solutions or people's expertise to NGO initiatives. For example, ultrasound machines for rural healthcare settings, clean cook stoves, mobile telehealth, solar lighting, and pneumonia and malnutrition testers. In many countries Royal Philips employees volunteer at underprivileged schools through our Healthy Schools program. At other locations, Royal Philips employees volunteer their time at local non-profit organizations.

Social Innovation

The Foundation's Social Innovation program is dedicated to providing social entrepreneurs with the resources and expertise they need to succeed. We provide grants to social innovators and non-profit organizations focused on creating Base of the Pyramid solutions to improve the life in underserved and underprivileged communities.

The Foundation will continue to learn from the work of Royal Philips which has been developing models for social innovation in Rwanda by creating innovative business models around woodstoves for cooking and creating pellets for fuel.

Partnerships

The Philips Foundation works with Royal Philips, its country organizations, and non-governmental organizations (NGOs), international organizations (IOs) and governmental organizations (GOs).

For each project, a partnership agreement will be created whereby the Foundation provides funding, the local Royal Philips country office provides support (human and/or extra financial resources), and the NGO, IO, or GO provides the implementation, expertise, and ensures monitoring and evaluation throughout the duration of the project.

Criteria for selecting additional NGO partners

The Philips Foundation will assess further potential NGO partners against a checklist including the following criteria:

- Reputation and brand
- Advocacy on key development issues
- Global or multi-country reach
- Skills, expertise and interest in key areas of health, light and healthy futures
- Opportunity for employee engagement from Royal Philips employees
- No religious or political association/affiliation
- Ratio of paid staff to volunteers
- Project and program management capabilities
- Accreditation and/or UN accreditation

Organization and governance

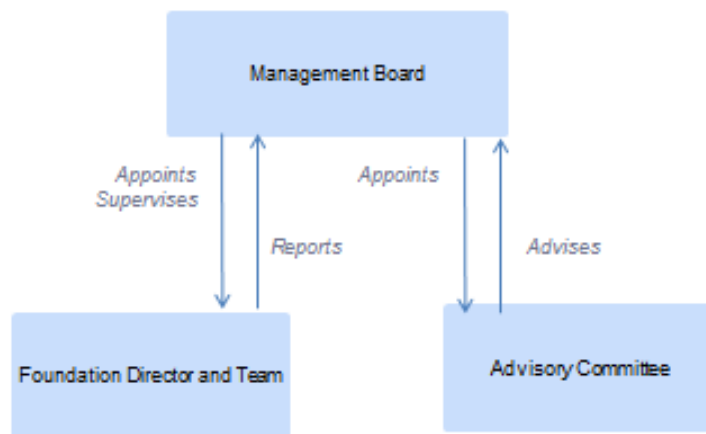
The Foundation's Board has the final responsibility for the strategy, policies, performance and operation (including funds management) of the Foundation.

The Board makes the final decisions on projects to be run as part of the Foundation's disaster relief, social innovation and community programs, funding of activities and on partnerships.

The Board consists of a minimum of three and a maximum of seven members. The majority of Board members are independent from Royal Philips.

The Philips Foundation is managed on a daily basis by the Foundation Director and is supported by two program managers. This team consists of Royal Philips employees who are lent to the Foundation by Royal Philips. The team manages the Foundation on behalf of, and reports to, the Board. In addition, other Royal Philips employees may support the Foundation on an ad-hoc or part-time basis.

The Foundation has an Advisory Committee that advises the Board on strategic and operational issues as well as on project proposals and grant requests. The Advisory Committee is appointed by the Board and can consist of Royal Philips employees and external members.



ANBI Charity Status and Articles of Association

The Philips Foundation intends to apply for ANBI status as defined in Dutch tax law.

Funding 2014 and onwards

The Philips Foundation began in 2014 with a start-up capital of 1.5 million euros provided by Royal Philips.

From 2015 onwards, it is envisaged that Royal Philips will, in addition to the Foundation resourcing, provide an annual funding option for the Philips Foundation where funds are allocated to the Foundation. Royal Philips will also offer the Philips Foundation in-kind funding of expert volunteers, community volunteers and products and services.

Foundation Resourcing

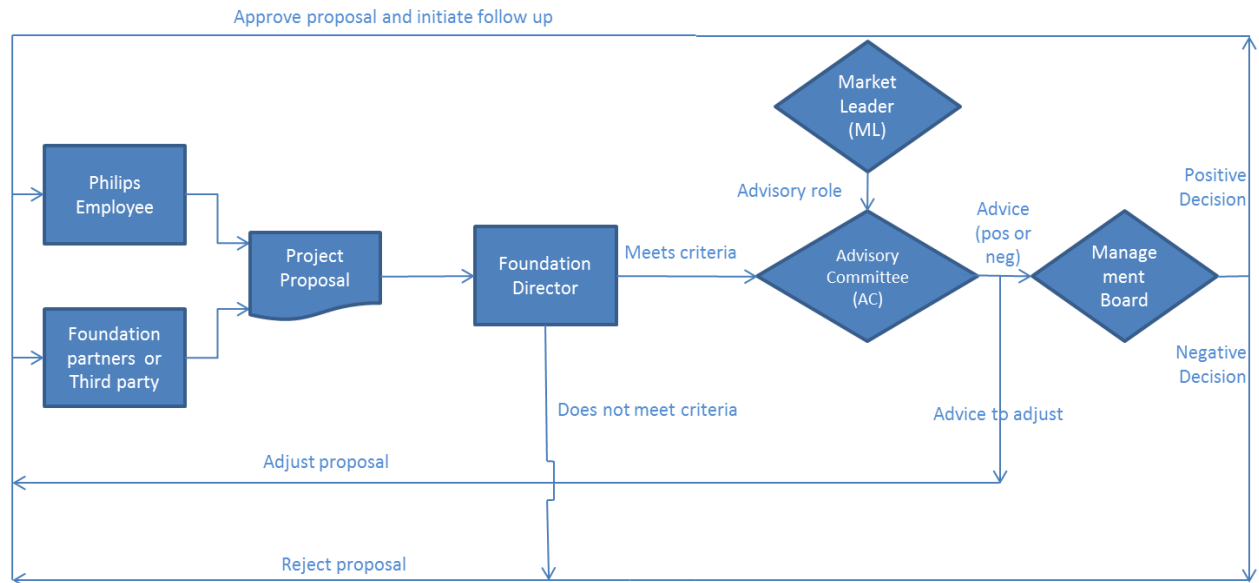
The Philips Foundation's operational staff (3 employees consisting of a Foundation Director and 2 program managers) is lent to the Foundation by Royal Philips. The team manages the Foundation on behalf of, and reports solely to the Foundation's Board.

Royal Philips will, furthermore, support the Foundation with office space, provide IT and travel support, support the Foundation website on Philips servers and provide meeting space for the Board and Advisory Committee.

In addition to the dedicated staff, ad-hoc support will be provided by various departments at Royal Philips. These departments include but are not limited to: Legal, Treasury, Brand, Communication and Digital (BC&D), Group Sustainability, Design and Research.

Project and Funding Approval Process

New project proposals are expected to be reviewed by the Board four times per year. The following diagram illustrates the proposal flow for new project submissions.



New projects can be proposed by Royal Philips employees, NGO or GO partners or third parties. The Foundation Director performs a first screening on alignment with the Foundation’s criteria. Proposals that meet the criteria are then submitted for advice to the Advisory Committee. To be able to benefit from Royal Philips' expertise and knowledge, proposals may be submitted, where appropriate, for input to the respective Royal Philips Market Leader in whose geographical area of responsibility the proposed project would run. The Advisory Committee will submit its advice to the Board, which takes the final decision on approval or rejection of the project proposal. The Philips Foundation, the members of the Board, the Advisory Committee and the Foundation Director acknowledge their responsibility in respect to the standard of integrity laid down in the General Business Principles of Royal Philips.

Funding criteria

The Foundation will primarily contribute its funds to projects run with the selected NGO or GO partners. No funding will be provided to individuals or groups that are unassociated with Foundation partners.

The Foundation will contribute solely to projects that fit its mission of supporting underprivileged and underserved communities around the world in the areas of healthcare, lighting and healthy futures. It will not support activities that are aimed to lead to a direct commercial benefit for businesses of Royal Philips.

Monitoring and Evaluation

All NGO and GO partners of the Philips Foundation will be responsible for reporting to the Foundation on the progress of the joint project at the end of each quarter. The partner organization will be responsible for tracking KPIs and reporting any issues in the set up and implementation of the project to the Philips Foundation.

The Foundation will use a thorough monitoring and evaluation process to assess funding requests and measure and track progress in the agreed programs.

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