

Central Social Plan

from 2019 to 2023
for the Philips workforce in the Netherlands



Human Resources Benelux
Social-Economic Department

This Central Social Plan (CSP) is an English translation of the Dutch CSP. In the event of a discrepancy or inconsistency between the Dutch and the English text of the CSP or a dispute concerning the interpretation or application thereof, the Dutch (signed) text will prevail.

PHILIPS

The undersigned:

- I. Philips Electronics Nederland B.V., with registered office in Eindhoven, acting in this matter on its own behalf and on behalf of the enterprises that are parties to the Philips Collective Employment Agreement (CAO) (hereinafter referred to as “the employer”)
- II. FNV, with head office in Utrecht
- III. VHP2, with head office in Eindhoven
- IV. DE UNIE, with head office in Culemborg
- V. CNV Vakmensen.nl, with head office in Utrecht
- VI. The Central Works Council of Philips Electronics Nederland B.V.

have agreed as follows:

Preamble

Philips has a Central Social Plan that is valid from the 1st of January 2014 until the 31st of December 2018. Following the fact that an organizational change is preferred, which may also have consequences for employees after the 31st of December 2018, all parties are of the opinion that it is useful that agreements are made on a Central Social Plan that applies from the 1st of January 2019.

These agreements are made for all employees who as a result of a reorganization of their employer were notified that their position will expire.

Parties aim to prevent forced redundancies as much as possible. Agreements were therefore made on internal redeployment. A redeployment protocol is an essential part of this Central Social Plan. Parties involved in the creation of the Central Social Plan have agreed to cooperate in a continuous process on optimizing the redeployment protocol and the underlying policy. More clarity on role profiles, the underlying exchangeability of roles and positions, stimulation of employees to develop in a way that is future proof, timely information provision and information aimed at the medium term about the company and the associated technology are the guidance of this optimization. Parties draw up plans on a yearly basis to make the optimization concrete and to adjust the redeployment protocol to it.

Employer and trade unions also agree that the approach to improve the job market position of Philips employees is continued. The financing is based on making 1.5 million euro per year available for the duration of this Central Social Plan. Budget that is not used in any year will remain available.

I. General

- I.1. Responsibility for complying with the agreements contained in this Central Social Plan lies with the management representative of the Philips organizational unit to which this Central Social Plan is applicable.
- I.2. The employer will engage in good and intensive consultation with the trade union organizations regarding the substantive aspects of reorganization plans and all aspects to which consideration will be given in that connection.
- I.3. The parties will monitor compliance with the Central Social Plan.
- I.4. Where employees are referred to in the Central Social Plan, employees are also referred to. Where "he" is referred to is also meant "she".

2. Definitions

The following definitions apply to this Central Social Plan:

- 2.1 *Employer:*
Philips Electronics Nederland B.V. and the Philips enterprises that are parties to the Philips CAO, also referred to here as "Philips".
- 2.2. *Employee:*
A person who works for Philips under the terms of a contract of employment, as referred to in Article 610 of Book 7 of the Civil Code, for an unspecified period and who comes under the Philips CAO.
- 2.3. *Age:*
The age reached by the employee on the day following the last calendar day of his/her employment.
- 2.4. *Announcement:*
The communication to the individual employee, including the written confirmation thereof, that his/her job has been discontinued and that a severance procedure will be started for him/her.
- 2.6 *Severance payment:*
The severance payment calculated in accordance with articles 7, 8 and 9 of this Central Social Plan.
- 2.7 *Date of termination of employment:*
The last calendar day of the employment.
- 2.8 *Management Representative:*
Management Representative as defined in article I, clause 1e of the Works Councils Act.
- 2.9 *Trade union organizations:*
The organizations referred to among the signatories, namely FNV, VHP2, DE UNIE and CNV Vakmensen.nl

3 Term and scope of application

- 3.1 This Central Social Plan takes effect from 1 January 2019 and ends on 31 December 2023.
- 3.2 This Central Social Plan regulates the consequences for all employees to whom as a result of reorganization by Philips during the term of this Central Social Plan it has been announced that their job will be discontinued.
- 3.3 This Central Social Plan is not applicable to employees who fall within the scope of application of the Social Plan concluded in Heerlen (Argus Imaging BV) in relation to the closure of this company.

4 Monitoring committee

- 4.1 To guarantee that the Central Social Plan is implemented correctly, a monitoring committee will be created by the manager of the applicable Philips business unit if a situation occurs in which this Central Social Plan is applied.
- 4.2 This monitoring committee will be composed of four members, two of whom will represent the employer and two of whom will represent the employees
- 4.3 The employer's representatives will be appointed by the employer. There will be at least one HR officer and a member from the organizational unit, designated by the management representative. One employee representative will be designated by the trade union organizations and one by the Works Council. The HR officer constitutes the first point of contact between the work placement agency (see article 6.1) and the monitoring committee.
- 4.4 The monitoring committee will report once a month in writing to the management representative. Reports will be made monthly to the employee representatives on the monitoring committee on progress and the success rate. Subject to what is stated in this article, the committee will make its own arrangements on its mode of operation.
- 4.5 It is also the task of the monitoring committee:
 - a. At the request of the employee, to issue an opinion to the management representative regarding the application of this Central Social Plan in individual cases;
 - b. At the request of the employer, to advise the management representative on the cooperation of an employee in the implementation of this Central Social Plan;
 - c. To issue a solicited or unsolicited opinion to the management representative in cases which would lead to an undesirable situation;
 - d. To give the management representative solicited or unsolicited advice on the application of the hardship clause (see article 17).
- 4.6 Resolutions are adopted always by majority vote. If no resolution can be adopted in the monitoring committee, the parties may place this on the agenda of the regular meeting between the parties.
- 4.7 The frequency of meetings will be set by mutual agreement, though they will take place at least once per month.
- 4.8 If the management representative does not follow the opinion of the monitoring committee he/she must adduce substantial reasons for doing so and give reasons for his/her decision in writing.
- 4.9 Differing decisions must be notified to the employee representatives on the monitoring committee within 14 days after the decision has been taken. Such notification takes place in the framework of the verifying role which the monitoring committee has in particular with regard to the tasks referred to in articles 4.4 and 4.5 above.
- 4.10 In performing the tasks described above, personal details will be provided to the monitoring committee only if the employee concerned gives his or her consent. This applies likewise to details concerning the employee which the monitoring committee gives to the management representative.
- 4.11 The first point of contact for the monitoring committee is the management representative.

- 4.12 The monitoring committee is obliged to maintain secrecy in respect of all details of which it takes cognizance in this capacity.
- 4.13 The company must make available to the monitoring committee the facilities needed for properly carrying out its tasks.

5 Suitable work

- 5.1 Cooperation in finding a suitable job.
If, after there has been thorough consultation with an employee about his or her possibilities, that employee refuses or continues to refuse a suitable offer, the monitoring committee will be asked to issue an opinion on a decision to be taken in this matter by the management representative.
- 5.2 A suitable job is a job within Philips which is comparable to the employee's present job in terms of salary, work and required educational qualifications. A job is also deemed to be suitable if it is in one job grade lower.
- 5.3 A job which differs in terms of work from the employee's present job but matches the employee's profile and is comparable to the present job in terms of salary and required educational qualifications is also deemed to be suitable. A job is not deemed to be suitable if the commuting time (single journey) is more than one hour, unless the present commuting time is already more than one hour (single journey). In that case the limit is the present commuting time.
- 5.4 An employee who because of the discontinuation of his/her job is considered for redeployment is obliged to cooperate constructively in this. Such cooperation will include, as well as actively applying for jobs, taking additional training or retraining courses aimed at obtaining another available (suitable) job.
- 5.5 If an employee to whom the aforementioned situation applies has the ability to undergo additional training or retraining but refuses to cooperate in this, the monitoring committee will be asked to issue an opinion on a decision to be taken in this matter by the management representative.

6 Support and assistance in finding new employment

- 6.1 Employer enables the employee to follow a Work to Work support program. The employee who is notified of termination will, immediately after they were informed that their position expires, receive information about the opportunities with the provider(s) paid by employer. Employee will have to decide within fourteen days after the information becomes available so that registration can be done. If an employee does not want to use a provider or providers made available by Philips, employee can submit a proposal to follow a support program with another provider within two weeks after the receipt of the aforementioned information. In present case, the monitoring committee can be consulted, in compliance with article 4.5. The Work to Work support program have to start within one month after notification of termination after the employer's approval. The offered support program has to contribute demonstrably to the job market position of the employee. The costs (maximum € 2,500.00 exclusive of VAT) will be compensated after the presentation of an invoice in name of the employee with proof of payment. The foregoing has to be done before the end of the employment agreement.
The employee will do the utmost to make a Work to Work support program as successful as possible. Employees who were notified of termination will be given the opportunity to participate in the support activities during working hours.
- 6.2 Apart from a support program, employer makes an extra budget available of maximum €7,000 - exclusive of VAT for training and/or participation in an employability scan, after prior approval of the employer for participation in the desired activity. Trainings have to

be chosen after consultation with the intermediary agency and can start during employment and no later than three years after the end of the employment. The participant has to justify to the monitoring committee why the training contributes to improving the job market position. The supervisory committee will advise the manager about this, in compliance with article 4.5. The costs of a training that starts after the end of the employment will be compensated if the employee is unemployed at the start of the training. If the employee is no longer unemployed at the start of the training, the monitoring committee will assess whether the costs of a training are eligible for compensation. The employer will pay the costs of the training directly to the training institute.

- 6.3 If there is a realistic expectation of employment with a different employer than Philips, Philips can give the employee the opportunity to do a trial placement at that location or to go on secondment for a maximum period of two months during the support program.
- 6.4 The Work to Work support program offered by employer through their provider(s) takes place during a period of no more than 6 months. If the 6 month time period has not yet expired on the redundancy date, the support program will be continued after the redundancy date.
- 6.5 The employee can submit a justified request to Philips to extend the support offered by employer through its provider(s). The support can be extended no more than two times with three months. The extension of the support does not change the original intended redundancy date. After the employee's employment agreement ended at their own initiative, employee will, from that moment on, not be able to use provisions referred to in this article.

7. Severance payment

- 7.1 The severance pay is based on the transition compensation as determined in accordance with the Dutch Civil Code (articles 7:673 CC and subsequent) whereby the legally stipulated compensation is multiplied with a correction factor.
- 7.2 The starting point to determine the transition compensation is the text of the Dutch Civil Code as it applied on the 13th of July 2018.
- 7.3 Notwithstanding the legal stipulations, in the context of this social plan, the employment agreement does not have to have lasted 24 months in order to be eligible for the severance pay.
- 7.4 The correction factor as referred to in article 7.1 is 1.85 except in the following situations. When the voluntary redundancy plan (article 12) is applied, the correction factor is 1.2; When the job retention scheme subject to staffing requirements (article 13) is applied, the correction factor is 0.9.

8. Transitional arrangement severance pay

- 8.1 This article only applies to employees who were employed on the 1st of July 2015 on the basis of an employment agreement by employer. If the calculation in accordance with this article results into a higher result than the calculation in accordance with article 7, the severance pay will be set at the higher compensation that is calculated in this article.

8.2 The severance payment is based on the formula $A \times B \times C$.

A = Number of weighted years of service.

The number of weighted years of service is based on recommendation 3.2 of "The recommendations of the circle of sub-district court judges" for determining a severance payment under a procedure for the dissolution of a contract of employment pursuant to Article 685 of Book 7 of the Civil Code, as this recommendation was adopted on 30 October 2008 and updated on 1 January 2009.

For the calculation of A (number of weighted years of service) the period of service is calculated on the basis of the years of service, the employee's age upon commencement of employment and his/her age upon termination of employment:

1. years of service, rounded up to whole years, until the age of 35 is reached count as 0.5;
2. years of service, rounded up to whole years, between the ages of 35 and 45 count as 1;
3. years of service, rounded up to whole years, between the ages of 45 and 55 count as 1.5;
4. years of service, rounded up to whole years, from the age of 55 count as 2.

For service years starting from the 1st of January 2019 the following applies:
service years rounded on full years, irrespective of age, count for 0.25.
Rounding up: half a year and one day is rounded up to a whole year.

B = Remuneration. Remuneration is understood to mean the gross monthly salary on the date of termination of the contract of employment and if applicable:

- regular overtime allowance (RAV 57 clause 5);
- regular special hours allowance (CAO Philips article 7.2 / RAV 59);
- shift work allowance (CAO Philips article 7.5 + Appendix B);
- shift work allowance guarantee (CAO Philips article 7.5 + Appendix C clause 7);
- income cutback regulation up to the date of retirement (CAO Philips article 7.5 + Appendix C clause 1 points 4 to 6).

Added to the result is the percentage of the personal budget as stated in article 5.2 of the Philips CAO.

C = Correction factor.

8.3 The C factor as referred to in the preceding clause is 1.0 except in the situations referred to below.

With the application of the voluntary severance scheme (article 12) the C factor is 0.65;
With the application of the "plaatsmakersregeling" (job retention scheme) (article 13) the C factor is 0.5.

8.4 The severance payment is calculated in accordance with the formula referred to in this article, with a notional date of termination of employment of 30-6-2015 being assumed for factors A and B. Years of service on and after 1-7-2015 and before 1-1-2019 do not affect the level of the severance payment. A change in remuneration on and after 1-7-2015 does not affect the level of the severance payment unless the scale of the contract of employment changes on or after 1-7-2015, in which case the severance payment is determined as calculated on 30-6-2015 in proportion to the part-time percentage on the last day of employment.

9. Special stipulations in relation to the severance pay

9.1 The severance payment calculated in compliance with articles 7 and 8 will in no case be more than the loss of income for the employee, calculated for the period between the date of termination of employment and the last day of the month in which the employee reaches the reference retirement age applicable to him/her, though never later than the last day of the month in which the employee reaches the state pension (AOW) retirement age applicable to him/her. If the employee has opted for a pensionable age that is before his/her reference retirement age, then the loss of income is calculated, notwithstanding the first sentence, in respect of the period up to last day of the month in which the employee reaches the earlier pensionable age chosen by him/her, though never later than the last day of the month in which the employee reaches the state pension (AOW) retirement age applicable to him/her.

Loss of income is understood in this context to mean the loss of remuneration as described in Article 7.1, part B, minus 75% of the unemployment benefit (WW and PAWW) to which the employee would be entitled, given his/her employment record, if he/she were and were to remain unemployed after termination of his/her contract of employment. If the employee entered into the service of Philips after 1997, then for the calculation of the employment record it is assumed that for the years after 1997 until entering into the service of Philips the employee was employed elsewhere, unless the employee can demonstrate the contrary. The level of unemployment benefit is deemed to be determined on the basis of the monthly salary, the shift work allowance and 18.66% personal budget.

9.2 The legal transition compensation is considered to be included in the severance pay in accordance with this Central Social Plan.

9.3 If the legal transition compensation is higher than the result of the previous stipulations regarding the calculation of the severance pay, employee is entitled to the legal transition compensation instead of the severance pay.

9.4 When the employment agreement is terminated at any time after notification of termination, also at the employee's initiative, severance pay will be paid.

9.5 The pay is granted as a one time compensation.

9.6 No severance pay will be granted if the employee is reassigned within Philips, including a Philips company abroad, if the years worked within Philips are included in the seniority, or can be reassigned but employee refused to cooperate in obtaining a suitable position as referred to in article 5.

9.7 Employer will not deduct the following from the severance pay or the transition compensation:

- costs of measures in relation to the termination or non-continuation of the employment agreement, aimed at preventing unemployment or shortening the unemployment period of the employee; and
- costs in relation to improving the broader employability of the employee, which were made during the employment agreement.
- the costs referred to in article 6.3.

10. Termination procedure

10.1 No later than six months before the envisaged date of termination of employment the employer will give the employee written notification, after which the employer will start the proceedings to terminate the contract of employment subject to the applicable period of notice.

- 10.2 The employment agreement will be terminated on the basis of mutual agreement by means of a termination agreement, unless employee terminated the employment agreement unilaterally. Employees who do not agree with this, will follow an internal dismissal procedure whereby a timely notice period is strived for (with possible shortening of the procedure time) for the intended date of the end of the employment as referred to in article 10.1. The employee is therefore explicitly permitted to submit a letter of resignation before the end of the redeployment term and from work-to-work period in order to terminate the employment agreement at the intended date as referred to in article 10.1.
- 10.3 If the contract of employment cannot be terminated by the employer on the date of termination of employment envisaged in article 10.1 because of a delay which is imputable to the employee, the severance payment will be reduced upon termination of the contract of employment by the gross monthly salary as stated in Article 8.2, part B, for every whole calendar month that the employment has continued after the envisaged date of termination. The management representative decides, after having requested the opinion of the monitoring committee, whether there has been a delay imputable to the employee.

11. Severance incentive

An employee to whom the preceding article is applicable and whose employment, after an announcement, ends on his/her own initiative earlier than on the date of termination envisaged in Article 8.1 receives in addition to the severance payment a payment for every full month between the date on which the contract of employment ends and the envisaged date of termination. This payment is 50% of the income for these months, up to a maximum of 50% of 6 months, the income being determined in accordance with Article 8.2 factor B and on the basis of the salary on the earlier date of termination.

An employee who makes use of these provisions is no longer entitled to the other provisions in this Central Social Plan.

12. Voluntary severance scheme

- 12.1 The management representative of the Philips organizational unit may apply a voluntary severance scheme in accordance with this article.
- 12.2 The management representative designates job categories within which the voluntary severance scheme is applicable. In doing so, the management representative may limit the applicability of this scheme in time and in respect of the maximum number of employees in the particular job category who can make use of this scheme. The aim should be to make the voluntary severance scheme available to these job categories at least one month before the time of the announcement to the redundant employees in this job category.
- 12.3 An employee who wishes to make use of this scheme must submit a written request to that effect to the management representative. The management representative decides, stating the reasons for his/her decision.
- 12.4 A termination agreement is signed with an employee who makes use of this scheme. On the basis of this agreement the contract of employment is terminated subject to no more than the applicable period of notice, counting from the submission of the request.
- 12.5 An employee who makes use of this scheme is not entitled to the other provisions of this Central Social Plan, apart from the severance payment as referred to in articles 7 and 8.
- 12.6 An employee who so wishes may make use of the provision referred to in Article 6.1. The associated costs are deducted from the severance payment.
- 12.7 Philips reports periodically to the monitoring committee, as requested, on the use of this scheme.

13. “Plaatsmakersregeling” (Job Retention Scheme)

- 13.1 An employee who has not been given notice and belongs to a group of interchangeable jobs and an age category within which other employees have been given notice can volunteer for the Job Retention Scheme and thereby free up a job for an employee who has been given notice.
- 13.2 An employee who wishes to make use of this scheme must submit a written request to that effect to the management representative. The latter decides, stating his/her reasons. Such a request will be honored, however, only if the departure of the employee concerned results in job retention for an employee who belongs to the same age category and who has been given notice. It is also a condition that the employee who has been given notice should agree to the continuation of his/her contract of employment with Philips.
- 13.3 An agreement on the termination of the contract of employment is concluded with the employee whose request, as referred to in the preceding clause, is honored. Application of the “plaatsmakersregeling” is possible only if in the particular case this is not in conflict with applicable legislation and regulations.
- 13.4 An employee whose request to make of the scheme referred to in this article is honored is not entitled to the other provisions of this Central Social Plan, apart from the severance payment as referred to in articles 7 and 8.

14. Final settlement

- 14.1 By the date of termination the employer will pay to the employee the salary and fixed and agreed wage components. When employment ends a final settlement will be drawn up in accordance with the CAO.
- 14.2 The variable salary will be determined and paid in accordance with the applicable Variable Salary scheme as of the date of termination. Depending on the date of termination, it is possible that the variable salary, or a portion thereof, will not be paid with the final settlement but at a later time.
- 14.3 Payment of the final settlement and the severance payment take place at the end of the month following the month in which employment ends.
- 14.4 Long-term incentives:
If during employment an employee has been awarded Long-term Incentives, when employment ends such incentives will be processed in accordance with the applicable Long-term Incentive Scheme as in force at Philips on the date of termination of employment.

15. Other provisions

- 15.1 Employee's period of notice: If an employee to whom an announcement has been made wishes to terminate the contract of employment earlier than the envisaged date of termination, Philips may hold the employee concerned to the period of notice applicable to him/her.
- 15.2 Non-competition clause and other clauses: In principle, Philips will not hold an employee to whom an announcement has been made to any non-competition clause. Other special clauses in the contract of employment remain explicitly in force after the date of termination of employment, unless Philips and the employee agree otherwise when the contract of employment is terminated.

- 15.3 **Transfer within Philips:** If, immediately following termination of the contract of employment or within three months thereafter, an employee again enters into Philips's service in the Netherlands, employment is deemed to have been uninterrupted with regard to years of service. In that case there is no entitlement to a severance payment, and if such a payment has already been made it must be paid back with deduction of the loss of income for the period of unemployment. The same principle applies if, immediately following the date of termination of employment, or within three months thereafter, an employee enters into the service of a Philips company established abroad if the years of service with Philips count there towards the calculation of the years of service. If, for whatever reason, the severance payment is not paid back, the years of service before the starting date of employment with Philips will not count if the contract of employment again has to be terminated.
- 15.4 **Exemption from work:** an employee to whom an announcement has been made will in principle continue to work until the date of termination of employment, unless he/she is full or partly exempted from work by the employer.

16. Financial advice

Employees will be given the opportunity to obtain impartial financial advice from a consultancy to be determined by the employer.

17. Hardship clause

If the strict application of the measures contained in this agreement leads in individual cases to a situation in which the employee's interests are disproportionately affected, the employer may depart from the measures in a way that is advantageous to the employee. A decision on the application of this provision is exclusively reserved to the management representative after hearing the opinion of the monitoring committee. The application of the hardship clause does not create any precedent.

18. Final provision

If the government takes statutory measures that affect this Central Social Plan, the corresponding provisions of this Central Social Plan will end on the date on which such measures enter into force. The changes announced by the government on the 10th of October 2017 (government agreement "confidence in the future") in the transition compensation are not included in this.

In that case the parties will determine as soon as possible which provisions will then be valid. If necessary, the parties will make temporary arrangements until agreement has been reached on the new provisions.

Thus determined on 7 Januari 2019 in Eindhoven.

FNV

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