

Date
25 March 2019

Our reference

Pension scheme

-

Subject
Decision on indexation

Handled by
Board of Trustees

Direct line
030 - 277 56 40

Please quote date and our reference in all correspondence

Toward the end of 2018, we wrote to you about the improved possibilities for indexing your pension due to our decision to update our indexation policy. Thanks to that decision, and thanks also to a slight improvement in the policy funding ratio in 2018, we can grant you partial indexation on your accrued pension rights again this year. This letter explains how your pension will be increased, and what we expect the coming years will bring. First, however, we provide a brief update on your pension accrual.

Full pension accrual in 2019

In 2019, you will accrue the full pension rights: 1.85% of your pension base. The collective labour agreement for the period from 2019 to 2021 includes new pension arrangements that offer greater certainty about your pension accrual until and including 2021: it is extremely unlikely that the accrual rate will be less than 1.85% in 2020 or 2021.

Your pension to increase by 2.25% on 1 April 2019

In 2018, Philips Pensioenfond's saw its policy funding ratio rise to 119.8%. This funding ratio allows us to realise 75% of our ambition. Our indexation ambition is to raise your accrued pension rights by the same rate as wage inflation¹. Last year, the wage inflation rate was 3%, and so on 1 April 2019 your accrued pension will be raised by 2.25%.

➔ Visit www.philipspensioenfond's.nl/indexatiebeleid (in Dutch) to find out more about our indexation policy.

Coming years: strong possibility of partial indexation

Whether indexation is possible, and if so by how much, depends on the financial health of Philips Pensioenfond's, expressed in its policy funding ratio. We pursue an investment policy that is aimed at further improving our policy funding ratio. However, the precise developments depend in part on other factors that are difficult to predict, for example changes in interest rates and prices on the stock markets. For the years ahead, we expect the policy funding ratio to remain high enough, i.e. above 110%, for us to

¹ The pension fund defines 'wage inflation' as the Philips salary scale adjustments under the collective labour agreement, also for employees of Signify. The indexation decision for 2019 is based on the salary scale adjustments under the collective labour agreement from 2 April 2018 to 1 April 2019.

grant partial indexation on your pension. For full indexation, the policy funding ratio will need to improve further, to 123%. We also consider it unlikely that we will be forced to lower your pension during the coming years: only if the policy funding ratio drops below 100% will we need to cut your pension.

Interactive dialogue session: 12 June at 3 p.m.

Following the positive response to last year's dialogue session, we will be hosting a second interactive dialogue session that can be followed online. During that session, members of the Board of Trustees will talk about recent developments at Philips Pensioenfond. You will also have the opportunity to ask questions, including of course about how your pension is indexed. If you miss the live session, you can watch a recording on our website.

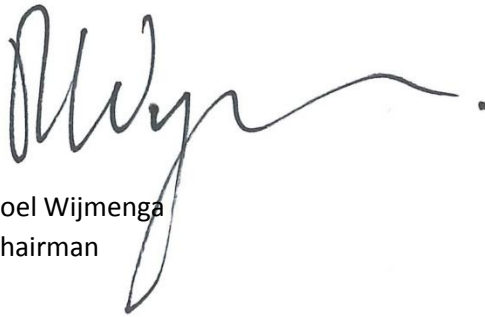
➔ Visit www.philipspensioenfond.nl/dialog to sign up for the interactive session.

Further information

We will continue to provide updates about the latest developments this year, for example in our magazine *Generaties* and in our digital newsletter *Gener@ties*. To subscribe to our newsletter, visit www.philipspensioenfond.nl/mijnppf (in Dutch). You can also find monthly updates on the funding ratio on our website (www.philipspensioenfond.nl/english).

I trust that this letter provides you with all the information you need for the present.

With kind regards,
Stichting Philips Pensioenfond
On behalf of the Board of Trustees



Roel Wijmenga
Chairman