



Signify Annual General Meeting of Shareholders 2023

Presentation by Chair of the Remuneration Committee Gerard van de Aast

May 16, 2023 | Eindhoven, the Netherlands

Ladies and Gentlemen, our current Remuneration Policy for the Board of Management was introduced in 2020.

For the year 2023, we are not proposing any changes to our remuneration policy nor are there any new additions proposed. During 2023, we will be reviewing our Remuneration Policy for discussion with stakeholders with it ultimately being tabled at next year's annual general meeting.

For now, I would like to focus on our current Board of Management and the Remuneration Report for 2022, and the execution of our policy during the year.

Over the course of the year, we engaged with multiple stakeholders for discussions on remuneration in general, as well as to solicit feedback on our report for consideration. This group of stakeholders included shareholders representing a large portion of our shareholder base as well as shareholder representative groups and the Dutch Central Works Council.

We had very valuable conversations with all stakeholders, on executive compensation in general, and specifically on the concerns raised on our remuneration report 2021.

We have taken the feedback into consideration for the 2022 report, inclusive of increasing transparency on the annual short-term incentive plan and making the connection between the strategy of Signify, ESG metrics as detailed in our Brighter Lives, Better World 5-year plan, and the long-term incentives of the Board of Management even more explicit. We trust that you will experience the enhancements positively and appreciate the spirit of transparency and continuous improvement that drives them.

Personally, I would like to thank those with whom we met for the overall very constructive discussions.

During 2023, we will continue this engagement with stakeholders to solicit feedback on our remuneration policy, any potential plans for changes, our executive remuneration overall, to ensure that these diverse perspectives are considered.



Remuneration Board of Management

In line with our Remuneration Policy, this table illustrates the remuneration of the Board of Management in 2022: salaries as well as targets for annual and long-term incentives. For 2022, base salaries were increased with 3%, which is in line with the collective and merit increase budgets allocated for employees under the collective labour agreement in the Netherlands.

As I described earlier, there were no changes to the structure of the Remuneration of the Board of Management.

Incentive Structures – Annual Incentive

To refresh our understanding, this slide details the structure of the annual incentive according to our policy.

For the 2022 annual incentive plan, we selected as financial performance measures Comparable Sales Growth, Adjusted EBITA, and Free Cash Flow in line with prior years.

In addition, 20% of the annual incentive for the Board of Management reflects individual and team measures.

For 2022, these measures included progress relative to the Brighter Lives, Better World targets for current year and trajectory to 2025 plan, employee and customer Net Promoter Scores, sales growth for new growth engines, cash optimisation, inventory management, and the impact of the digital roadmap, among others.

Incentive Structures – Long term incentive

This slide details the linkage between the overall Signify strategy, the ESG metrics included in the Brighter Lives, Better World 5-year program and the long-term incentive structure and metrics for the Board of Management.

For the long-term incentive plan, four metrics are applicable. Sustainability as I just outlined, Relative TSR, Free Cash Flow, and Return on Capital Employed. These metrics are all weighted equally at 25%.



2022 AI Realization

Shifting to actual outcomes of the incentive plans, you can now see the details with respect to the actual realization for the annual incentive plan.

Targets for the annual incentive plan were set at the beginning of 2022, were applicable for the full year, and were not adjusted during the year despite the disruption resulting from the Ukrainian war and the ongoing COVID related challenges in China.

The Company was of course impacted by the volatile and unpredictable external environment. Although the company adapted, all three financial metrics were below threshold levels of performance for the year.

As a result, the outcome on the financial metrics was 0% realization for comparable sales growth, Adjusted EBITA and free cash flow.

The Supervisory Board acknowledges that during the year there were different demands than anticipated. Specifically, as it relates to the Ukrainian crises and the impact on customers, employees and the overall business, the Supervisory Board assessed that this was very well managed by the Board of Management.

From an individual and team performance measure perspective, the Supervisory Board conducts an assessment at the end of the year relative to the targets set for the year.

On the team and individual objectives as set at the beginning of 2022 and not adjusted, the results were mixed. The customer and employee focus were evidenced in the net promoter scores being maintained or increased, and good growth has been experienced in the connected lighting business and growth platforms. However, cash optimization and inventory management were not at expected levels and further progress is needed on the company's digital transformation.

As a result, the overall assessment by the Supervisory Board on the team and individual objectives was that it was a modest performance and a realization of 60% was determined for this component of the annual incentive.

The final outcome across all metrics for the annual incentive for the Board of Management was 12% bonus realization. The related actual pay-out is indicated on the slide for each Board of Management member.

Finally, it is important to note that the Supervisory Board did not apply any discretion to the achieved outcomes, nor to the corresponding pay out on these metrics.



2020 LTI Performance Achievement & Vesting

With respect to the long-term incentive grant made in 2020, it has a performance period of 3 years that runs from the beginning of 2020 to the end of 2022. The grant vested earlier this month (May 4).

As such, at the end of the performance period, an assessment is made relative to the targets set at the beginning of 2020.

As with the Annual Incentive, it is important to note that no changes were made to the targets during the three-year performance period. These were targets set prior to COVID-19, supply chain global impacts, and the Ukrainian war were known.

Additionally, the Supervisory Board did not apply any discretion to the achieved outcomes, nor to the corresponding realizations on these metrics.

This then is the result of performance over that three-year period.

Relative TSR

- TSR achieved by Signify over the period was 23.3%
- Positioned Signify as 12th out of 15 companies in our peer group.
- As Signify was not at a position of 8th or higher relative to the peer group, the resulting final achievement on this metric was 0%

Free Cash Flow

- Over the 3-year performance period, an amount of EUR 1,876 million free cash was generated (excluding pension de-risking and IFRS 16, both unknown when targets set).
- Represents 9% of sales versus a target of 8.9%
- Resulting final achievement was 110%

ROCE

- The 2020 to 2022 LTI plan was the first plan to include the Return on Capital Employed (ROCE) performance measure.
- For 2022, ROCE was based on the outcomes in the last year of the plan period (2022), excluding pension liabilities.
- The ROCE for 2022 was 13.8%
- Target was 11.1%
- Resulting final achievement was 200%

Sustainability

- The Sustainability objectives for 2022 were based on the intent to double our impact in the areas of climate action, circular economy, brighter lives revenues and women in leadership positions.
- In all areas significant progress has been made relative to the trajectory to deliver on the ambitions by 2025.
- Carbon footprint reduction actions are reflecting a steady decrease of emissions (scope 1, 2, 3) on track with our 2025 ambitions.
- Circular and Brighter Lives revenues have exceeded the ambitions set for 2022 with an increase in contributions from circular products, systems or services and an increase in revenues coming from lighting innovations that increase food availability, safety and security, or health and well-being.
- Women in leadership positions has increased by 11% from 2019 to 28% in 2022; although this falls behind the trajectory to double the percentage of women in leadership positions by 2025.
- Over the period of the LTI plan, Signify remained a leader in sustainability and continues to be recognized as such externally.
 - Featured in Euronext's first AEX ESG index, placing top 1% of our industry.
 - Secured inclusion in the Dow Jones Sustainability index and the CDP Climate A-list for the 6th year running.
- Resulting final achievement was 150%

The final total performance across the 4 measures is 115% for the 2020 long-term incentive grant.

In 2020 the LTI grants were awarded at a share price of 19.63 Euro. The share price has increased in the 3-year plan period. In addition, the company has paid dividends of 559 million Euro during this 3-year period. In line with Dutch best practices of corporate governance, the members of our Board of Management hold all after-tax shares received for at least five years from the date of grant, and until the internal ownership guidelines are met.

Supervisory Board Fees

This slide details the fees paid to our Supervisory Board members. There are no changes to years prior.



Outlook Overview of Total Direct Compensation Board of Management

For 2023, base salaries have been adjusted by 4%. This is below the base salary adjustments allocated for the collective labour agreement population in the Netherlands (6% plus a one-time payment of 1,600 euros gross).

For completeness, the remuneration of Mr. Chitale is shown on this slide, although his appointment is a matter of the vote today.

The incentives illustrated here on the screen relate to target levels and therefore what the total direct compensation would be for each Board of Management member if performance will be on target.

Thank you.