



PHILIPS



PHILIPS

Sustainability Finance Framework 2024

March 2024

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About Philips

Company overview

Koninklijke Philips N.V. (hereafter “the company” or “Philips”) is a diversified global healthcare company operating in three segments: Diagnosis and Treatment, Connected Care, and Personal Health. In 2023, Philips generated EUR 18.2 billion in sales and had 69,656 employees in over 100 countries.

About 50% of the company's revenue comes from the Diagnosis and Treatment businesses, which feature imaging systems, ultrasound equipment, image-guided therapy solutions and healthcare informatics. The Connected Care businesses (30% of revenue) encompass monitoring and analytics systems for hospitals and sleep and respiratory care devices, whereas the Personal Health businesses include electric toothbrushes and men's grooming and personal care products. Philips’ business structure is as follows:

Philips Group				
Segments	Diagnosis & Treatment	Connected Care	Personal Health	Other
Businesses	Precision Diagnosis Image Guided Therapy	Monitoring Sleep & Respiratory Care Enterprise Informatics	Personal Health	

Philips’ Strategy

Philips’ purpose – to improve people’s health and well-being through meaningful innovation – is at the centre of everything we do. This core principle has never been more relevant than it is in these challenging times. As a leading health technology company, we believe that – viewed through the lens of customer needs – patient- and people-centric innovation can improve people’s health and healthcare outcomes, and make care more convenient and sustainable, both in the hospital and at home. Philips aims to improve the lives of 2 billion people a year by 2025, including 300 million people in underserved communities, rising to 2.5 billion and 400 million people respectively by 2030. ESG is strongly embedded in Philips’ core business processes, like innovation (EcoDesign), sourcing (Supplier Sustainability), manufacturing (Sustainable Operations), logistics (Green Logistics) and programs like the Circular Economy initiative. Philips’ strategy is to lead with innovative solutions that combine systems, smart devices, informatics, and services, and to leverage big data to facilitate clinical decision making. This enables our customers to deliver on the Quadruple Aim (better health outcomes, improved patient experience, improved staff experience, lower cost of care) and helps people take better care of their health at every stage of life.

A short overview of Philips’ 2023 ESG results is given below.

Philips Group ESG commitments

	baseline year 2020	target 2025	2023 actual
Environmental			
Green/EcoDesigned revenues	73.2%		70.5%
Circular revenues	14.6%	25%	20.0%
Circular Materials Management	90%	95%	91%
Zero waste to landfill as a percentage of total regular waste	2.6%	less than 0.5%	0.0%
Net operational carbon footprint	0 KTonnes	0 KTonnes	0 KTonnes
% of suppliers committed to Science Based Targets		50%	46%
Social			
Lives Improved	1.53 billion	2 billion	1.88 billion
Lives improved in underserved communities	127 million	300 million	221 million
Females in leadership positions	27%	35%	31%
Total Recordable Case (TRC) rate	0.24		0.24
Human Rights impact assessments at our at-risk sites	60%	100%	100%
Supplier Development Program	302,000 employees impacted	1,000,000 employees impacted	723,000 employees impacted
Governance			
General Business Principles training completion	65,000 staff trained		60,000 staff trained

Philips strives to deliver superior, long-term value to its customers and shareholders, while acting responsibly towards our planet and society, in partnership with its stakeholders. To this end, the company has deployed a comprehensive set of commitments across all the ESG dimensions that guide the execution of its strategy and support its contribution to UN Sustainable Development Goals (“SDG”):

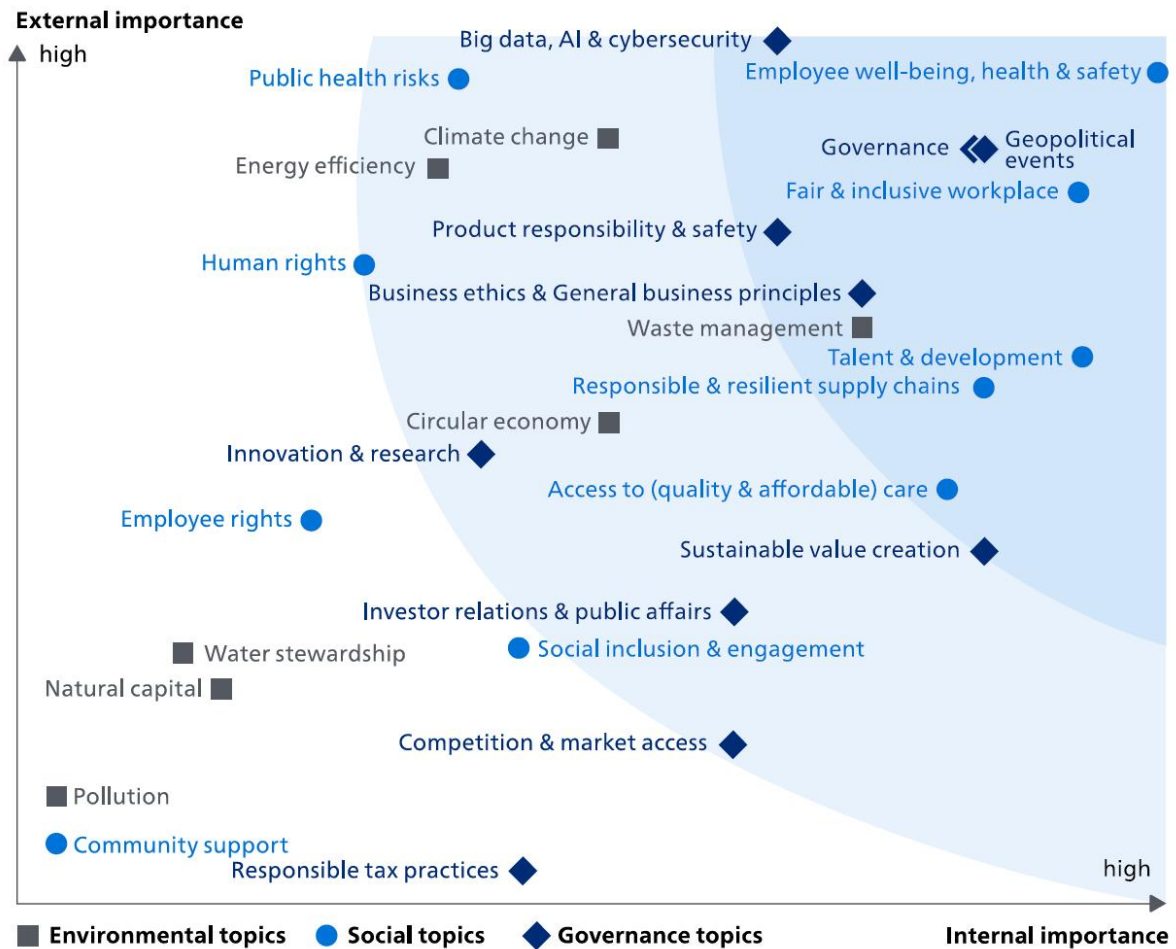
- UN SDG 3 (*Ensure healthy lives and promote well-being for all at all ages*),
- UN SDG 12 (*Ensure sustainable consumption and production patterns*), and
- UN SDG 13 (*Take urgent action to combat climate change and its impacts*).

Having achieved its 2020 carbon neutrality target, Philips set ambitious emission reduction targets to limit its impact for global warming, not only in its operations, but throughout its value chain – collaborating with suppliers and customers to amplify its impact. That is why Philips has set new long-term emission reduction targets, which have been assessed and approved by the Science Based Targets initiative (SBTi) – locking down its commitment to drive climate action across the value chain, from suppliers to customers, and ensuring that we contribute to the decarbonization required to keep the global temperature increase below 1.5 °C.

Philips stepped up its commitment to reduce its scope 3 carbon emissions in line with the 1.5 °C global warming scenario (Paris agreement). This commitment has been reviewed and approved by the Science Based Targets initiative (SBTi) in 2022, after Philips sold the Domestic Appliances business in 2021. The latter had a material downward impact on its scope 3 emissions, requiring a new assessment by the SBTi.

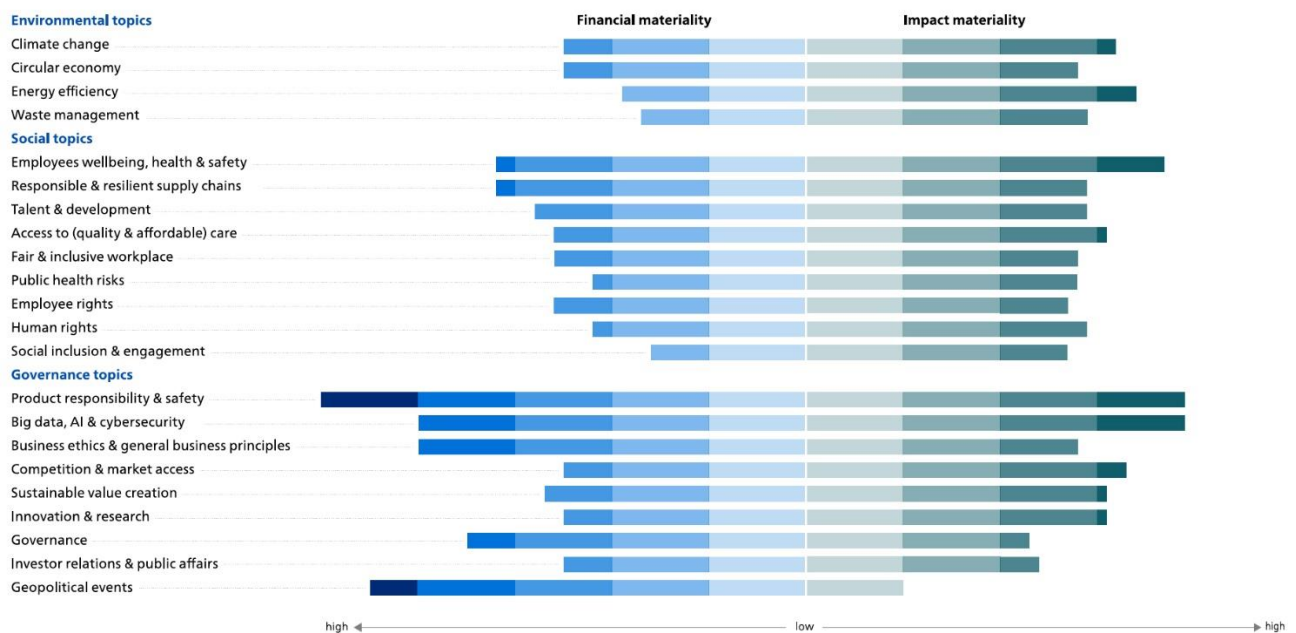
Materiality

Philips identifies the ESG topics which the company believes have the greatest impact on its business and the greatest level of concern to stakeholders along its value chain, for instance patient safety and quality. Below you will find an overview of the key material topics as presented in the Annual Report 2023.



Double materiality

After completing the regular materiality analysis, Philips completed a preliminary “double materiality” analysis, in preparation for the upcoming requirements of the EU Corporate Sustainability Reporting Directive (CSRD). The double materiality analysis addresses both financial materiality (the impact of society on Philips) as well as impact materiality (the impact of Philips on society): Philips only included the high and medium material topics listed above. The data sources used for the financial materiality include corporate reports, mandatory regulations with sanctions, voluntary initiatives by e.g.: central banks, and Sustainability Accounting Standards Board (SASB) accounting metrics. For impact materiality, Philips included sustainability data from corporate reports or sustainability reports, coverage in the news and voluntary initiatives and regulation. The results of its materiality assessment have been reviewed and approved by the Philips Board of Management and will be used to prepare for the upcoming EU legislation. The results of the double materiality analysis are depicted below:



ESG governance

In Philips, the Board of Management is the highest governing ESG body. Subject to the topics discussed, other Executive Committee members join these meetings, together with functional executives. The Board of Management normally convenes four times per year on ESG. The Board of Management also defines Philips' ESG strategy, commitments, programs, targets, action plans and policies, monitors progress and takes corrective action where needed. On a quarterly basis, ESG is also discussed in the Audit Committee of the Supervisory Board. Progress on ESG is communicated internally and externally on a quarterly basis and at least annually in the Executive Committee and Supervisory Board.

Philips publishes its integrated Annual Report with the highest (reasonable) assurance level from its independent auditor on its financial, environmental, social, and governance performance. With that overall reasonable assurance level, Philips is a frontrunner in its industry.

Sustainable Finance Framework

Rationale

With the publication of this Sustainable Finance Framework (the "Framework"), Philips is looking to strengthen the link between its funding and its ESG strategy. The sustainable financing instruments issued under this Framework are intended to contribute to achieving the ESG commitments of Philips.

Framework

Based on this Framework, Philips may issue bonds, private placements, commercial papers, or other debt instruments with sustainable finance characteristics:

- whereby the proceeds serve to finance eligible green and/or social projects ("green and social use of proceeds financing"), or
- whereby the financial characteristics of the instrument are linked to the achievement of a sustainability performance target ("sustainability-linked financing")

The Framework has been developed in accordance with the ICMA Green Bond Principles 2021 (GBP), including the updated appendix I of June 2022, the ICMA Social Bond Principles 2023 (SBP), the ICMA Sustainability Bond



Guidelines 2021 (SBG), and the ICMA Sustainability-Linked Bond Principles 2023 (SLBP); as well as the LMA Green Loan Principles 2023 (GLP), the LMA Social Loan Principles 2023 (SLP), and the LMA Sustainability-Linked Loan Principles 2023 (SLLP).

As further described below, Philips may review the Framework from time to time to align with industry best market practices and future market developments, regulations, and expectations. Any updated version of the Framework will be published on Philips' website and, if changes are not minor in nature, reviewed by an independent expert second party opinion provider. Sustainable financing instruments issued under previous versions will not be affected by any updates or new iterations of this document, unless otherwise provided for in this Framework or explicitly stated by Philips.

1. Green and Social Use of Proceeds Financing


1.1. Use of proceeds

An amount equivalent to the net proceeds from the issuance of green and social use of proceeds financing instruments will be used to finance and/or refinance, in whole or in part, new or existing green or social projects defined in the table below ("eligible projects"). Eligible projects may take form of assets, capital expenditures or operational expenditures that meet the eligibility criteria outlined in the below table.

ICMA GBP category	Eligible project description	UN SDGs	Environmental Delegated Act ¹ Eligibility
Circular economy adapted products, production technologies and processes; and/or certified eco-efficient products	<p>Propositions that qualify for Circular Revenues must comply with the requirements for at least one of the Circular Revenue categories. These include, among others, products with low weight or containing a minimum threshold of recycled or bio-based plastics, as-a-service models, software running in the cloud, telehealth, upgrades, lifetime extensions, and refurbished equipment.</p> <p>A Green/EcoDesigned Product must comply with all applicable legal requirements, the Philips policies and with all the stated EcoDesigned Product requirements on our 4 focal areas: Energy, Substances, Circularity and Packaging. This aims to improve the energy efficiency of our products, use less resources and more recycled content, avoid the use of hazardous substances, design for circularity, and make our packaging easier to recycle and re-use.</p> <p>Philips 'EcoHeroes' aim to drive innovation beyond our EcoDesign requirements, delivering solutions that are demonstrably setting the pace in terms of environmental impact. An EcoHero product meets all EcoDesign requirements applicable to new product introductions and outperforms in at least one of the focal areas of EcoDesign (Energy, Packaging, Substances and Circularity).</p>	 	<p>1.2. Manufacture of electrical and electronic equipment</p> <p>4.1. Provision of IT/OT data-driven solutions</p> <p>5.1. Repair, refurbishment and remanufacturing</p> <p>5.2. Sale of spare parts</p> <p>5.5. Product-as-a-service and other circular use- and result-oriented service models</p>

¹ On 27 June 2023, the European Commission adopted Commission Delegated Regulation (EU) 2023/2485 that defines the technical screening criteria of the four other environmental objectives of the Taxonomy Regulation ('Environmental Delegated Act'), see [Sustainable investment – EU environmental taxonomy \(europa.eu\)](https://eur-lex.europa.eu/eli/reg_del/2023/2485/oj)

	<p>Examples of common requirements as part of our EcoDesign process:</p> <p>Circular Design</p> <ul style="list-style-type: none"> • Design with minimal materials while still meeting clinical and user requirements • Application of sustainable materials • Design optimized for disassembly, recycling, durability, upgrading, re-use, serviceability or refurbishing <p>Energy</p> <ul style="list-style-type: none"> • Low energy consumption during use and standby, and efficient charging • Auto power down to lower power modes, fast switching to on mode where needed <p>Packaging</p> <ul style="list-style-type: none"> • Designed for minimized weight and volume • Use of sustainable materials, either recycled materials or certified renewable sources • Phase-out of plastic materials, especially EPS and PVC <p>Substances</p> <ul style="list-style-type: none"> • Phase-out of hazardous substances and RoHS exemptions • Full compliance with the Philips Regulated Substances List (RSL) <p>Requirements can be mandatory or best-effort.</p>		
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ICMA SBP category	Eligible project description	UN SDGs	Target group(s)
Access to essential services: healthcare	<p>Products and solutions directly providing better healthcare and improve health outcomes for all including Philips Health solutions and wellbeing solutions such as Precision Diagnosis (PD), Image Guided Therapy (IGT), and Connected Care.</p> <p>Products and solutions directly improving access to care for underserved communities: Philips aims to improve the health and well-being of 2.5 billion people per year by 2030, including 400 million people in underserved communities². To that purpose, the company develops specific healthcare innovations and products that are useable in underserved communities, including but not limited to: Ultrasound, patient monitors, mobile imaging, and informatics solutions.</p>		<p>General population</p> <p>Underserved communities</p>

² Underserved communities and countries are determined by the “Access to Care score”, a scoring based on the computation of the sub-categories of the Universal Health Coverage Service Coverage index, developed by the World Health Organization (WHO) . Communities and countries that have relatively higher maternal, newborn and child mortality, higher probability of dying from non-communicable diseases, higher incidence of infectious diseases and lower service capacity and access than others, are defined as medically underserved. See [lives-improved-our-methodology-2022.pdf](https://www.philips.com/lives-improved-our-methodology-2022.pdf) (philips.com)

1.2. Project Evaluation and Selection Process

Philips' Treasury and Sustainability groups jointly facilitate the process for project evaluation and selection. The Sustainability group together with the Innovation sites monitors Philips' production and development of EcoDesigned and circular products and solutions.

In addition, the Sustainability group and the Innovation sites keep track of the expenditures in EcoDesigned and sustainable innovation. The Sustainability group and Innovation sites will identify projects under the Philips Sustainability Programs. Recommendations will then be made by the Sustainability group to the Treasury department as to which eligible projects should be allocated to the eligible project portfolio on an annual basis.

The Sustainability group together with the Innovation sites' responsibilities include, but are not limited to:

- Reviewing the content of this Framework and updating it to reflect changes in corporate strategy, technology, market, or regulatory developments on a best effort basis
- Updating external documents such as the Second Party Opinion (SPO) and related documents from external consultants and accountants in connection with material updates to this Framework
- Evaluating and selecting projects for the Eligible Project Portfolio in line with the Eligibility Criteria as set out in this Framework
- Excluding projects that no longer comply with the Eligibility Criteria or have been disposed of and replacing them on a best-efforts basis
- Overseeing, approving and publishing the allocation and impact reporting, including external assurance statements. Philips may rely on external consultants and their data sources, in addition to its own assessment
- Monitoring internal processes to identify known material risks of negative social and/or environmental impacts associated with the Eligible Project Portfolio and appropriate mitigation measures where possible
- Liaising with relevant business finance segments and other stakeholders on the above as necessary

Philips ensures that all its activities, including the eligible projects, comply with applicable national and international environmental and social laws and regulations. Philips's standards and policies are critical to achieving its sustainability vision³:

- General Business Principles
- Philips Financial Code of Ethics
- Procurement Code of Ethics
- Philips Privacy Rules
- Philips Processor Rules
- Philips Policy on Anti-Bribery & Anti-Corruption
- Philips Policy on Export Controls

1.3. Management of Proceeds

The proceeds will be allocated and managed by Philips' Treasury group on a portfolio basis in collaboration with the Sustainability group.

Philips will monitor and track an amount equal to the net proceeds through its internal accounting system and will seek to allocate 100% of this amount against its eligible project portfolio, as applicable.

³ General Business Principles | Philips

Eligible projects may take the form of assets and/or expenditures that meet the eligibility criteria under section 1.1. use of proceeds. Asset values and capital expenditures shall qualify for refinancing with no look-back period, while operational expenditures qualify with a maximum three-year look-back period from the time of issuance.

Philips will strive, over time, to achieve a level of allocation for the eligible project portfolio that matches or exceeds the balance of net proceeds from its outstanding green and social use of proceeds financing instruments within 24 months from the time of issuance of each instrument.

Pending the full allocation to the applicable eligible project portfolio, Philips will hold and / or invest the balance of net proceeds not yet allocated, at its own discretion, in its treasury liquidity portfolio or for any treasury business. If a designated project in the applicable eligible project portfolio ceases to be an eligible project, the proceeds will be re-allocated against different eligible projects, as soon as reasonably practicable.

1.4. Reporting

Reporting on the use of proceeds and impact evaluation will be available to investors within one year from the date of the green and social use of proceeds financing instruments issuance and annually thereafter until the proceeds have been fully allocated. The annual allocation and impact reports will be published on the company's website, along with a letter of an independent auditor and confirmations by Philips' management that an amount equal to the net proceeds of the green and social use of proceeds financing instruments were allocated to eligible projects.

The Treasury and Sustainability groups track the allocation of proceeds and reports on the percentage of green and social use of proceeds financing instrument allocated. It also specifies the percentage of proceeds allocated to the use of proceeds categories and the percentage of proceeds allocated to refinance existing projects versus the funding of new projects.

On a best-efforts basis, Philips intends to align the impact reporting with the portfolio approach table as described in the ICMA Handbook – Harmonised Framework for Impact Reporting (June 2022)⁴.

Allocation reporting

The allocation report may include the following information, on an aggregated basis:

- The size of the identified eligible project portfolio, per eligible category
- The total amount of Philips' green and social use of proceeds financing instruments outstanding
- The amount of the proceeds allocated to the eligible project portfolio
- The balance (if any) of unallocated proceeds
- The amount or the percentage of new financing and refinancing

Impact reporting

Philips will report annually until full allocation or until maturity on the environmental and social impact associated with the eligible project portfolio. The impact report may provide:

- A high-level description of relevant eligible projects
- Metrics regarding projects' environmental and social impact

⁴See www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022-280622.pdf

Examples of relevant indicators associated with the eligibility criteria that may be reported on a best-efforts basis where feasible include:

ICMA GBP category	Impact metrics
Circular economy adapted products, production technologies and processes; and/or certified eco-efficient products	<p>Circularity:</p> <ul style="list-style-type: none"> • Avoided use of virgin materials (metric tons) through e.g. use of recycled content in materials, secondary reuse • Use of renewable materials (metric tons) • Local recycling of medical equipment (metric tons) <p>EcoDesign:</p> <ul style="list-style-type: none"> • Packaging: use of renewable and reusable materials (metric tons) • Circular design: Avoided use of virgin material through design for low weight (metric tons) • Energy: Estimated CO₂ avoided through energy efficiency • Substances: Reduction in hazardous substances emission (in kilos)

ICMA SBP category	Impact metrics
Access to essential services: healthcare	<ul style="list-style-type: none"> • Number of sustainable projects, products and solutions produced • Number of lives improved in underserved healthcare communities • Example case studies of projects, products and solutions

1.5. External Review

Second Party Opinion

This Framework has been reviewed by Moody's Deutschland GmbH, the "Second Party Opinion Provider" who was asked to confirm the alignment with the ICMA Green Bond Principles 2021 (GBP), including the updated appendix I of June 2022, the ICMA Social Bond Principles 2023 (SBP), the ICMA Sustainability Bond Guidelines 2021 (SBG), and the ICMA Sustainability-Linked Bond Principles 2023 (SLBP); as well as the LMA Green Loan Principles 2023 (GLP), the LMA Social Loan Principles 2023 (SLP), and the LMA Sustainability-Linked Loan Principles 2023 (SLLP). The independent Second Party Opinion will be published on Philips' website.

Verification

The allocation reporting may be externally verified, by an auditor or another independent third party, to verify the internal tracking method and the allocation of funds from the proceeds of a green and social use of proceeds financing. This verification is expected to take place annually until full allocation. This will be made available together with the relevant annual reporting on Philips' website.

2. Sustainability-Linked Financing

2.1. Selection of KPIs and calibration of Sustainability Performance Targets (“SPTs”)

Philips selected Scope 1 & 2 GHG emissions reduction and Scope 3 GHG emissions reduction as KPIs for this Framework. The selection of these KPIs stems from the Company’s ESG materiality matrix and builds upon climate change and energy efficiency, which are considered financially material and impactful for Philips’ operation, its customers and suppliers. These selected KPIs are linked to Philips’ net operational carbon footprint, which represents more than 95% of Philips’ activity in revenue.

In 2022, Philips received approval from the SBTi for its Scope 1, 2 and 3 carbon-reduction goals, becoming the first health technology company to have its entire value-chain CO₂ emissions reduction targets approved by the SBTi. This approval demonstrates that the stated objectives and the means to achieve them are consistent with the current climate science data.

Furthermore, Philips also selected Circular Revenues, Lives Improved, and Female Leadership as KPIs for this Framework. The selection of KPIs stems from the Company’s ESG materiality matrix.

KPI 1: Absolute Scope 1 and 2 GHG emissions	
Definition	KPI 1 covers the GHG emissions from Philips-owned & controlled entities (i.e.: burning of fossil fuels and use of refrigerants/chemicals on site) and the GHG emissions caused by the purchase of electricity, heating, steam, and cooling.
Scope	All Philips countries
Methodology for measurement	<ul style="list-style-type: none"> • Baseline 2015⁵: 134,171 tCO₂e • Methodology: <ul style="list-style-type: none"> - Philips reports all its emissions in line with the Greenhouse Gas (GHG) Protocol - The 2025 and 2040 targets were validated by the SBTi in 2022 and are in line with the 1.5°C scenario certified by the SBTi in 2022. - The baseline figure and target amounts originate from the SBTi certification approved in 2022. - A detailed definition of the KPI including scope, assumptions and measurement is available in <i>Philips’ Corporate Emission and Accounting Methodology Scope 1 & 2</i> (https://www.philips.com/a-w/about/environmental-social-governance/downloads.html).
Sustainability performance targets (“SPTs”)	Philips commits to reduce absolute Scope 1 and Scope 2 GHG emissions by 75% by 2025 and 90% by 2040 from a 2015 base year. The target is in line with a 1.5°C scenario as certified by the SBTi in 2022. Based on variables such as expected business growth, decarbonization initiatives, and digitization, the intermediary annual targets have been defined.

⁵ Baseline calculation is the sum of total Scope 1 & 2 emissions (market-based approach) for 2015.

Intermediate Sustainability performance targets	Scope 1 & 2 GHG emissions (tonnes of CO2 equivalent)	Sustainability performance targets (as per SBTi)				
		2024	2025 (SBTi-validated)	2030	2035	2040 (SBTi-validated)
		46,960	33,543	26,834	20,126	13,417
		Reduction vs 2015 (in %)	-65%	-75%	-80%	-85%
Sustainability performance target observation date	31 December 2040 or any of the earlier dates in the table above. A new value for the chosen intermediate target observation date may be determined if the actual realized value is already ahead of the value in the original SBTi trajectory in the table.					
Action plan to reach SPTs	<ul style="list-style-type: none">To increase the renewable energy share of city/district heating and cooling. Philips has been sourcing 100% renewable electricity since 2020.To secure long-term delivery and quality of renewable electricity; Philips has multiple Power Purchase Agreements (PPAs) in place (i.e.: Los Mirasoles wind farm in the US and the Krammer and Bouwdokken wind farms in the Dutch province of Zeeland – covering 49% of the Company’s total electricity demand).In December 2020, Philips announced its next Power Purchase Agreement that has become operational during the summer of 2023, again in a purchasing consortium with Heineken, Nouryon and Signify, to power most of the remaining European sites with renewable electricity for the long term.					
Historic data	Scope 1&2 GHG emissions (tonnes of CO2 equivalent)	Historic data ⁶				
		2015 (baseline) ⁷	2020	2021	2022	2023
		134,171	32,943	29,770	24,814	21,993
		Reduction vs 2015 (in %)	NA	-75%	-78%	-82%

⁶ Data is obtained from Philips' Annual Report 2015 and 2022. Realization in 2022 (24,814) was already below the earlier SBTi target for 2025 (33,543).

⁷ On March 25, 2021, Philips signed an agreement to sell its Domestic Appliances business to global investment firm Hillhouse Investment. Since the first quarter of 2021, the Domestic Appliances business, which constitutes a major line of business from the Personal Health segment, is presented as a discontinued operation, and comparative results have been restated to reflect the treatment of the Domestic Appliances business as a discontinued operation. In Philips' Annual Report 2021, historical emissions of our discontinued operations from our Domestic Appliances business have been excluded for all years. Where available, actual emission allocations were applied. Where business-specific emission data were not available, a spend allocation key was applied. Philips reports all its emissions in line with the GHG Protocol.

KPI 2: Absolute Scope 3 GHG emissions

from purchased goods and services, upstream & downstream transportation, business travel, and use of sold products

Definition	<p>Absolute Scope 3 GHG emissions from energy consumption during</p> <ul style="list-style-type: none"> Purchased goods and services (Scope 3 – category 1) Downstream transportation and distribution (i.e.: transporting components, products, or raw materials from one location to another via a mode owned by a third party) (Scope 3 – Category 9) Business travel by employees (Scope 3 – Category 6) The use phase of sold products (Scope 3 - Category 11) 																											
Scope	All Philips countries																											
Methodology for measurement	<ul style="list-style-type: none"> Baseline 2020⁸: 485,000 tCO₂e Methodology: <ul style="list-style-type: none"> Philips adopts the <i>lifetime emissions of a product</i> method for emission Category 11; and the <i>distance-based method</i> for emission Category 9 and 11. A detailed definition of the KPI including scope, assumptions and measurement is available in <i>Philips' Corporate Emission and Accounting Methodology Scope 3</i> (https://www.philips.com/a-w/about/environmental-social-governance/downloads.html). 																											
Sustainability performance targets ("SPTs")	Philips commits to reduce absolute Scope 3 GHG emissions from purchased goods and services, business travel, downstream transportation & distribution and use of sold products by 42% at year-end 2030 from a 2020 base year.																											
Intermediate Sustainability performance targets	<table> <tr> <th rowspan="2"></th><th colspan="5">Sustainability performance targets</th></tr> <tr> <th>2026</th><th>2027</th><th>2028</th><th>2029</th><th>2030 (SBTi-validated)</th></tr> <tr> <td>Scope 3 GHG emissions (tonnes of CO₂ equivalent)</td><td>339,500</td><td>324,950</td><td>310,400</td><td>300,700</td><td>281,300</td></tr> <tr> <td>Reduction vs 2020 (in %)</td><td>-30%</td><td>-33%</td><td>-36%</td><td>-38%</td><td>-42%</td></tr> </table>						Sustainability performance targets					2026	2027	2028	2029	2030 (SBTi-validated)	Scope 3 GHG emissions (tonnes of CO ₂ equivalent)	339,500	324,950	310,400	300,700	281,300	Reduction vs 2020 (in %)	-30%	-33%	-36%	-38%	-42%
	Sustainability performance targets																											
	2026	2027	2028	2029	2030 (SBTi-validated)																							
Scope 3 GHG emissions (tonnes of CO ₂ equivalent)	339,500	324,950	310,400	300,700	281,300																							
Reduction vs 2020 (in %)	-30%	-33%	-36%	-38%	-42%																							
Sustainability performance target observation date	31 December 2030 or any of the earlier dates in the table above																											
Action plan to reach SPTs	<ul style="list-style-type: none"> To continue to electrify Philips' lease fleet and to promote online collaboration post-COVID-19 to limit air travel, as well as increase efforts to move travellers to rail transport for shorter distances. As air freight accounts for most of Philips' operational carbon footprint, the Company has taken several measures, such as the Corridor Project, where air freight shipments are shifted to ocean freight for several lanes. 																											

⁸ Baseline calculation is the sum of Scope 3 emissions from *Transportation & Distribution* and *Business Travel* for 2020.

	<ul style="list-style-type: none">• To continue to drive efforts to further reduce emissions from air freight and to explore options to source sustainable fuel alternatives for shipments, which will help Philips reach their long-term emission reduction targets.• To continue to design energy-efficient products under the EcoDesign program and collaborate with their customers to reduce emissions during the use-phase.• To continue the financing of carbon emission offsetting projects that have a strong link with the UN Sustainable Development Goals #3 and #12 (i.e.: improving respiratory health and reducing deforestation through provision of clean cookstoves in Ghana and Kenya).																				
Historic data	<table><tr><th></th><th colspan="4">Historic data</th></tr><tr><th></th><th>2020 (baseline)</th><th>2021</th><th>2022</th><th>2023</th></tr><tr><td>Scope 3 GHG emissions (tonnes of CO2 equivalent)⁹</td><td>485,000</td><td>489,000</td><td>413,000</td><td>395,862</td></tr><tr><td>Reduction vs 2020 (in %)</td><td>NA</td><td>+1%</td><td>-15%</td><td>-18%</td></tr></table>		Historic data					2020 (baseline)	2021	2022	2023	Scope 3 GHG emissions (tonnes of CO2 equivalent) ⁹	485,000	489,000	413,000	395,862	Reduction vs 2020 (in %)	NA	+1%	-15%	-18%
	Historic data																				
	2020 (baseline)	2021	2022	2023																	
Scope 3 GHG emissions (tonnes of CO2 equivalent) ⁹	485,000	489,000	413,000	395,862																	
Reduction vs 2020 (in %)	NA	+1%	-15%	-18%																	

KPI 3: Circular Revenues

Definition	Philips defines ‘Circular Revenues’ as revenues as a percentage of total Philips revenues from products, services and solutions that contribute to circular practices. Propositions that qualify for circular revenues must comply with the requirements for at least one of the circular revenue categories. These include, among others, products with low weight or containing a minimum threshold of recycled or bio-based plastics, as-a-service models, software running on cloud, telehealth, upgrades, lifetime extensions and refurbished equipment.				
Scope	All Philips countries				
Methodology for measurement	<ul style="list-style-type: none">• Baseline 2020: 15% (of Sales)• Methodology: Philips calculates Circular Revenues as annual revenues attributable to products and solutions that meet the Circular Economy requirements established by Philips.				
Sustainability performance targets (“SPTs”)	Philips commits to increase the share of circular revenues in Sales to 25% by 2025 and to 30% by 2030.				
Intermediate Sustainability performance targets	Sustainability performance targets				
	2025	2027	2028	2029	2030
	Circular Revenues (in %)	25%	27%	28%	29%

⁹ Scope 3 GHG emissions historic data points do not include emissions from purchased goods and services, and use of sold products.

Sustainability performance target observation date	31 December 2030 or any of the earlier dates in the table above				
Action plan to reach SPTs	<ul style="list-style-type: none">To extend our ‘closing the loop’ practices across all our medical products, and to further embed circular practices at our sites and send zero waste to landfill in our own operations.To embed circularity in our product design.To continue working towards SDG12 Circularity and ensure sustainable consumption and production patterns.				
Historic data	Historic data				
	2020 (baseline)	2021	2022	2023	
	Circular Revenues (in %)	15%	16%	18%	20%

KPI 4: Lives Improved

Definition	Philips defines Lives Improved as the number of lives that have been improved (in terms of health and well-being) by their products or solutions each year.
Scope	All Philips countries
Methodology for measurement	<ul style="list-style-type: none"> Baseline 2020: 1.53 billion people, including 127 million in underserved communities Methodology: <ul style="list-style-type: none"> Philips calculates Lives Improved as the number of individual interactions for each product sold (based on market intelligence and statistical data) multiplied by the number of those products delivered in a year (eliminating double counting for multiple different product touches per individual). A detailed calculation methodology of the KPI is available in Philips’ Calculating Lives Improved Our Methodology document (https://www.philips.com/c-dam/corporate/about-philips/sustainability/lives-improved/lives-improved-our-methodology-2022.pdf).
Sustainability performance targets (“SPTs”)	Philips aims to improve the lives of 2 billion people a year by 2025 (including 300 million in underserved communities ¹⁰); and aims to reach 2.5 billion (including 400 million in underserved communities) by 2030.

¹⁰ These communities and countries are determined by the “Access to Care score”, a scoring based on the computation of the sub-categories of the Universal Health Coverage Service Coverage index, developed by the World Health Organization (WHO). More information is available in Philips’ Calculating Lives Improved Our Methodology (<https://www.philips.com/c-dam/corporate/about-philips/sustainability/lives-improved/lives-improved-our-methodology-2022.pdf>).

Intermediate Sustainability performance targets	Lives Improved: Total (in billions)	Sustainability performance targets					
		2025	2027	2028	2029	2030	
		2	2.2	2.3	2.4	2.5	
		Increase vs 2020 (in %)	+31%	+42%	+49%	+56%	+63%
		Lives Improved: Underserved Communities (in millions)	300	326	342	373	400
		Increase vs 2020 (in %)	+136%	+157%	+170%	+194%	+215%
Sustainability performance target observation date	31 December 2030, or any of the earlier dates in the table above						
Action plan to reach SPTs	<ul style="list-style-type: none">By combining the innovation strengths of Philips, digitization, Philips Ventures, Philips Foundation, and its partners, Philips can provide better healthcare and improve health outcomes for all.						
Historic data	Lives Improved: Total (in billions)	Historic data					
		2020 (baseline)	2021	2022	2023		
		1.53	1.67	1.81	1.88		
		Increase vs 2020 (in %)	NA	+9%	+18%	+23%	
		Lives Improved: Underserved Communities (in millions)	127	167	202	221	
		Increase vs 2020 (in %)	NA	+31%	+59%	+74%	

KPI 5: Female Leadership

Definition	Female leadership refers to the number of women in senior management roles.																					
Scope	All Philips countries																					
Methodology for measurement	<ul style="list-style-type: none"> Baseline 2020: 27% Methodology: Philips calculates female leadership by dividing the number of women in senior management by the total number of employees in senior management. 																					
Sustainability performance targets ("SPTs")	Philips aims to have 35% of senior management positions held by women by end of 2025.																					
Intermediate Sustainability performance targets	<table> <tr> <th rowspan="2">Female Leadership (in %)</th><th colspan="5">Sustainability performance targets</th></tr> <tr> <th>2025</th><th>2027</th><th>2028</th><th>2029</th><th>2030</th></tr> <tr> <td></td><td>35%</td><td>37%</td><td>38%</td><td>39%</td><td>40%</td></tr> </table>					Female Leadership (in %)	Sustainability performance targets					2025	2027	2028	2029	2030		35%	37%	38%	39%	40%
Female Leadership (in %)	Sustainability performance targets																					
	2025	2027	2028	2029	2030																	
	35%	37%	38%	39%	40%																	
Sustainability performance target observation date	31 December 2030 or any of the earlier dates in the table above																					
Action plan to reach SPTs	<ul style="list-style-type: none"> Philips seeks to fill vacancies by considering candidates that bring a diversity of (amongst others) gender. It is noted that the selection of candidates is based on merit and done in accordance with applicable laws and there have been and may be reasons (e.g. other relevant selection criteria and the availability of suitable candidates) that impact the achievement of our gender diversity goals. 																					

Historic data	<table> <tr> <th rowspan="2">Female Leadership (in %)</th><th colspan="4">Historic data</th></tr> <tr> <th>2020 (baseline)</th><th>2021</th><th>2022</th><th>2023</th></tr> <tr> <td></td><td>27%</td><td>28%</td><td>30%</td><td>31%</td></tr> </table>				Female Leadership (in %)	Historic data				2020 (baseline)	2021	2022	2023		27%	28%	30%	31%
Female Leadership (in %)	Historic data																	
	2020 (baseline)	2021	2022	2023														
	27%	28%	30%	31%														

2.2. Characteristics of the sustainability-linked financing instruments

Sustainability-linked financing instruments issued under the Framework will feature a step-up of the coupon or a premium if performance of the selected KPI(s) does not meet the specified sustainability-performance target ("SPT") at the specified observation date. A provision for step-down of the coupon, applicable in case the relevant SPTs are timely reached, might also be included if specified in the relevant transaction documentation.

Each sustainability-linked financing instrument may use a single KPI or a combination of KPIs. The financial and structural characteristics of the sustainability-linked financing instruments, including the impact of Philips' KPI performance compared to the applicable SPT, will be specified in the relevant transaction documentation (e.g. prospectus, terms and conditions, final terms, facility agreement).

The relevant transaction documentation might provide that the SPT(s), KPI(s) and/or KPI baselines may be subject to recalculation, redefinition, revision or replacement and applied to outstanding sustainability-linked financing instruments based on specific circumstances, such as changes in the calculation methodology or major events having a material impact on Philips' structure and/or might provide certain events, outside Philips' control, resulting in the financial penalty not being triggered.

2.3. Reporting

Philips will report annually on the relevant KPIs and SPTs, making up-to-date information and reporting available on its website:

- The performance of the selected KPIs, including the baseline where relevant to those KPIs will be included in Philips' integrated annual report or published separately.
- Any statements of recalculation, redefinition, revision or replacement, where relevant, covered by an assurance statement of the external assurance provider.
- Following a target observation date, a verification assurance certificate confirming whether the performance of the relevant KPI(s) meets the relevant SPT(s) will be published on Philips' website.

Any information enabling investors to monitor the level of ambition of the KPI(s) and/or SPTs (e.g. any update of Philips' ESG strategy or the related KPI/ESG governance, and more generally, any information relevant to the analysis of the KPIs and SPTs, including but not limited to updates on new or proposed regulations from regulatory bodies relevant to the KPIs and the SPTs) will also be published on Philips' website.

2.4. External verification

Pre-issuance review

The Framework has been reviewed by the Second Party Opinion Provider who was asked to confirm the alignment with the ICMA Sustainability-Linked Bond Principles (2023) as to each of the five components described therein (Selection of Key Performance Indicators (KPIs), Calibration of Sustainability Performance Targets (SPTs), Bond Characteristics, Reporting, Verification). The SPO will be made available on Philips' website.

Post-issuance review

An assurance report by an external assurance provider confirming the performance of the KPI information included in Philips' integrated annual report or published separately. Reviews by the external assurance provider will be made available on Philips' website, as part of the KPI reporting or separately.

2.5. Amendments to the Framework and Recalculation

Philips expects to review the Framework on a periodic basis to ensure that it is in line with market expectations, voluntary standards such as the ICMA Sustainability-Linked Bond Principles and any relevant principle or regulatory developments that may emerge in the future.

Philips also may review the Framework in case of material changes in the Philips' group perimeter, changes in applicable laws, regulations, rules, guidelines and practices relating to the business of Philips and any changes in the methodology for calculation of any KPI and/or Philips' ability to calculate its KPIs, KPI baselines, baseline years and/or the SPTs. Such review may result in the Framework being updated and amended. The updates, if not minor in nature, are expected to be presented for approval to the Second Party Opinion Provider or any

such other qualified provider of a second party opinion. The updated Framework, if any, will be published on Philips' website and will replace this Framework.

The SPT(s), the KPI(s), the KPI baseline(s) and/or the baseline year(s) may be recalculated, redefined or replaced in good faith by Philips and applied to outstanding sustainability-linked financing instruments to reflect any change, which, individually or in the aggregate, may have a significant impact on the level or appropriateness of any SPT, KPI, any KPI baseline and/or baseline year, and which occurs between the issue date of a given sustainability-linked financing instruments issue and the SPT observation date(s) of the relevant KPI(s) in such given transaction:

- in the Philips group's perimeter (due to an acquisition, a merger or a demerger or other restructuring, an amalgamation, a consolidation or other form of reorganization with similar effect, a spin-off, a disposal, or a sale of assets); or
- in or any amendment to any applicable laws, regulations, rules, guidelines, and policies relating to the business of Philips, including any transition plan disclosure regulation; or
- to the methodology for calculation of any KPI (including as outlined in the *Philips' Corporate Emission and Accounting Methodology Scope 1 & 2* and *Philips' Corporate Emission and Accounting Methodology Scope 3* (<https://www.philips.com/a-w/about/environmental-social-governance/downloads.html>), KPI baselines and/or baseline years to reflect changes in the market practice, relevant market standards, updated assumptions or calculation methods or updated emissions factors; or
- in Philips' ability and autonomy to calculate its SPTs, KPIs and/or KPI baselines, for example as a result of data accessibility, data quality, data error, or a number of cumulative errors that together are significant. In other cases, a proxy can be used. An example of such a proxy may be an extrapolation of earlier reported emissions if a supplier is not providing the figures in time.

Significant recalculations, redefinitions, revisions or replacements of the SPT(s), the KPI(s), the KPI baseline(s) or the baseline year(s) shall take place provided that an external assurance provider has independently confirmed that the proposed revision is consistent with Philips' sustainable strategy as described in this Framework and in line with, or more ambitious than the level of ambition of the relevant SPT(s), KPI(s), KPI baseline(s) or baseline year(s) taking into account the relevant recalculation, revision, redefinition or replacement event.

2.6. Disclaimer

Definitions

Unless otherwise defined in this Framework, capitalized terms used herein have the meanings given to them in our Annual Report.

Forward-looking statements

This document contains certain forward-looking statements with respect to the results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items. Examples of forward-looking statements include statements made about our ESG targets, goals, plans and approach, strategy, estimates of innovations, emissions, and other metrics, and other costs, future developments in Philips' organic business and the completion of acquisitions and divestments.

Forward-looking statements can be identified generally as those containing words such as 'anticipates', 'assumes', 'believes', 'estimates', 'expects', 'goal', 'intend', 'should', 'target', 'will', 'will likely result', 'forecast', 'outlook', 'projects', 'may' or similar expressions.

By their nature, these statements involve risk and uncertainty because they relate to future events and circumstances, and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these statements.

These factors include but are not limited to: Philips' ability to gain leadership in health informatics in response to developments in the health technology industry; Philips' ability to keep pace with the changing health technology environment; macroeconomic and geopolitical changes; integration of acquisitions and their delivery on business plans and value creation expectations; securing and maintaining Philips' intellectual property rights, and unauthorized use of third-party intellectual property rights; ability to meet expectations with respect to ESG-related matters; failure of products and services to meet quality or security standards, adversely affecting patient safety and customer operations; breach of cybersecurity; challenges in simplifying our organization and our ways of working; the resilience of our supply chain; the resilience of our supply chain; attracting and retaining personnel; challenges in driving operational excellence and speed in bringing innovations to market; compliance with regulations and standards including quality, product safety and (cyber) security; compliance with business conduct rules and regulations including privacy and upcoming ESG disclosure and due diligence requirements; treasury and financing risks; tax risks; reliability of internal controls, financial reporting and management process; global inflation.

As a result, Philips' actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see also the Risk management chapter included in Philips' Annual Report 2023.

