

PHILIPS

www.philips.com

Leaving no one behind – Innovating for Sustainable Development

Robert Metzke

Goldman Sachs Sustainability webcast

September 16, 2019

innovation  you



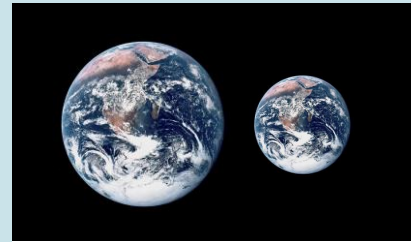
Global challenges make action an **urgent necessity**



Rising cost of healthcare



~50% of global population lacks access to full coverage of essential healthcare services¹



1.5x overconsumption of Earth's resources



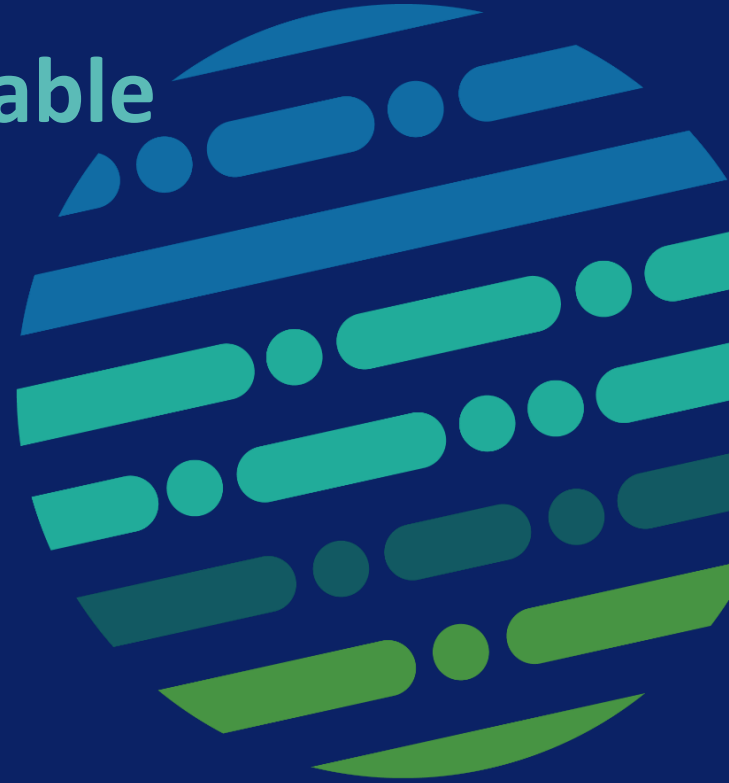
Substantial carbon reduction needed to achieve global 2°C temperature rise target

¹ World Bank (2017) Tracking universal health coverage: 2017 global monitoring report (English). Washington, D.C.: World Bank Group

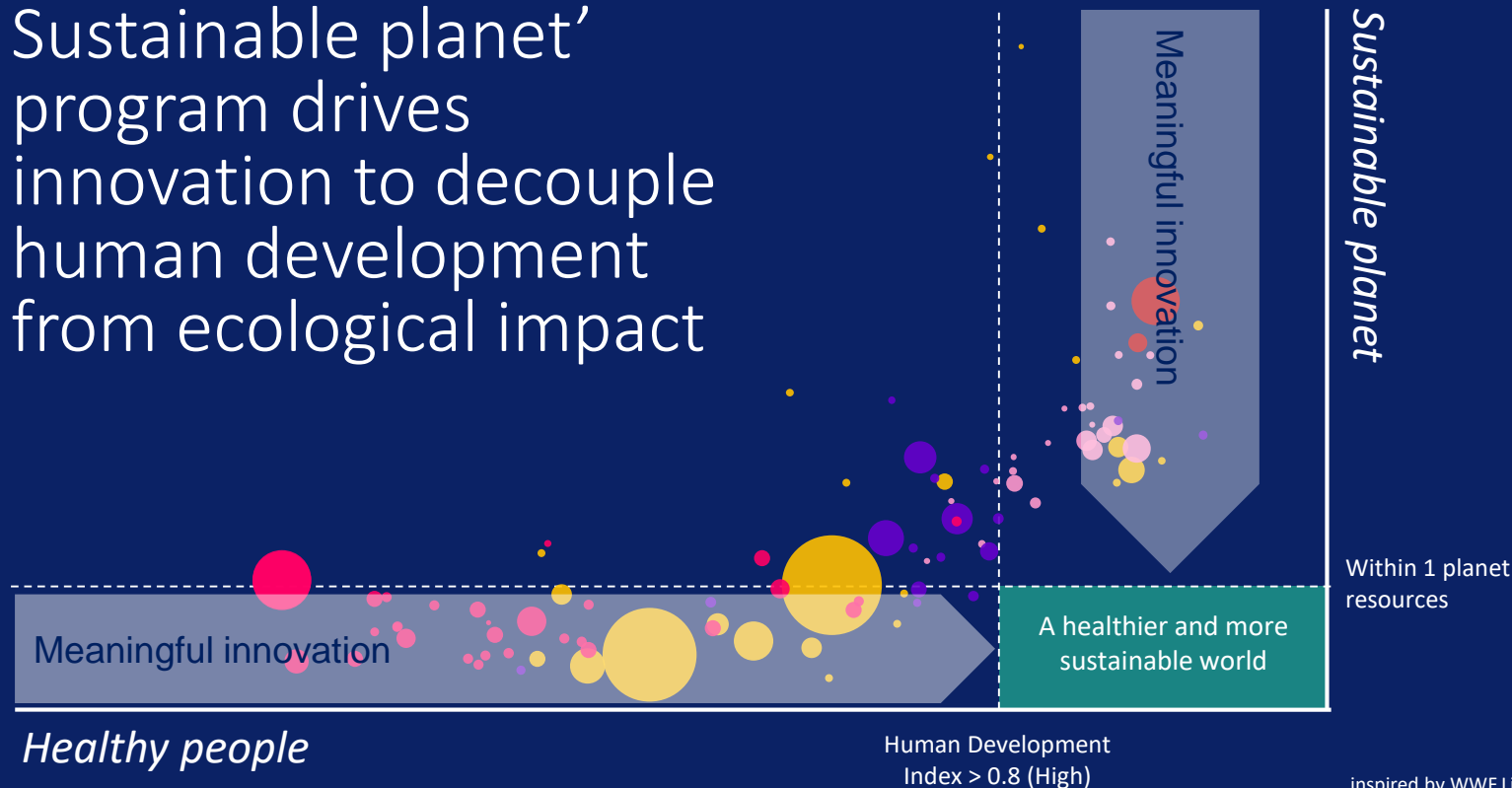


We strive to make the world
healthier and more sustainable
through innovation

Our goal is to improve
the lives of **3 billion people**
per year by 2030



Our 'Healthy people,
Sustainable planet'
program drives
innovation to decouple
human development
from ecological impact



“At Philips, we fully embrace sustainability, because of its benefits for society, and because we believe that it is a driver for economic growth. That’s why sustainability is an integral part of our company strategy.

Our ‘Healthy people, Sustainable planet’ program reflects our commitment to the universally agreed United Nations’ Sustainable Development Goals.”

Frans van Houten, CEO Philips





Our action plan **supports the UN's global goals**

Make the world healthier and more sustainable through innovation
Improve the lives of 3 billion people a year by 2030

Healthy people, Sustainable planet

Health and well-being for all (SDG 3)

Sustainable consumption and production (SDG 12)
Climate action (SDG 13)

Financially sustainable care

- Value-based care
- Prevention
- Move to digital
- From products to solutions

Access to care for the underserved

- Locally relevant innovations
- CLC roll-out
- Prove impact to local governments

Sustainable use of materials

- Circular product and service design
- Green portfolio
- Close loops
- No landfill

Sustainable use of energy

- Reduce emissions (logistics and travel)
- Energy efficiency
- Green electricity
- Carbon offsetting

Our ambitious objectives

Improve 3 billion lives per year by 2030, and...



Access to care for the underserved

- Improve the lives of 400 million people a year in underserved healthcare communities by 2030



Sustainable use of materials

- Increase Green Revenues to 70% of sales by 2020
- Generate 15% of sales from circular products and services by 2020
- Close the loop on all large medical systems equipment that becomes available to us by 2020, and extend circular practices to all medical equipment by 2025
- Recycle 90% of operational waste and send zero waste to landfill by 2020



Sustainable use of energy

- Become carbon-neutral in our operations, using 100% renewable electricity, by 2020

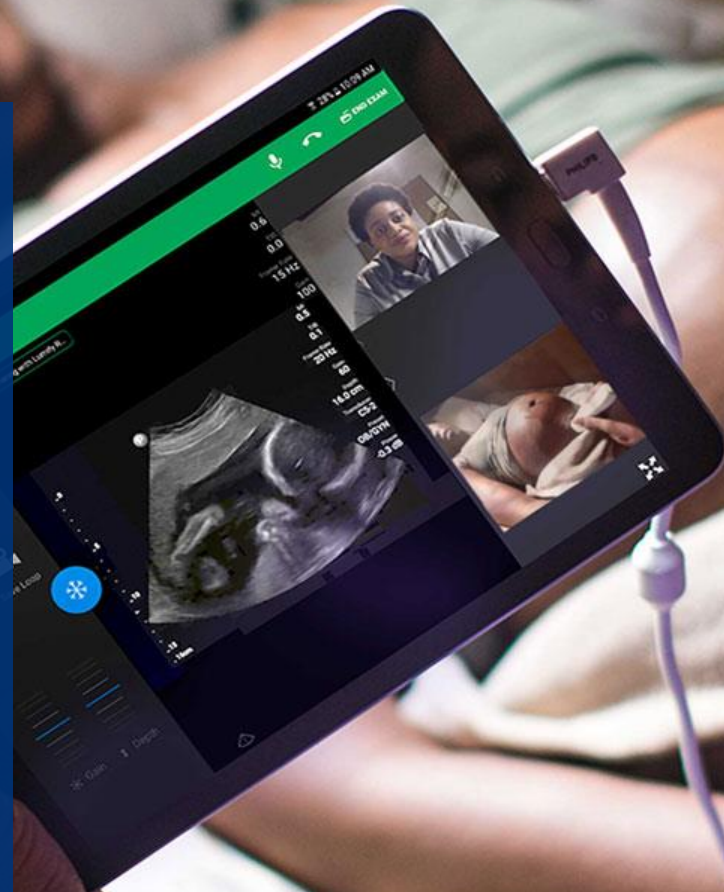


Supplier sustainability

- Collaborative approach to drive structural improvements across our extended supply chain

Impactful technology – creating new business opportunities

Enabling clinicians to perform ultrasound examinations in under-resourced semi-urban and rural areas



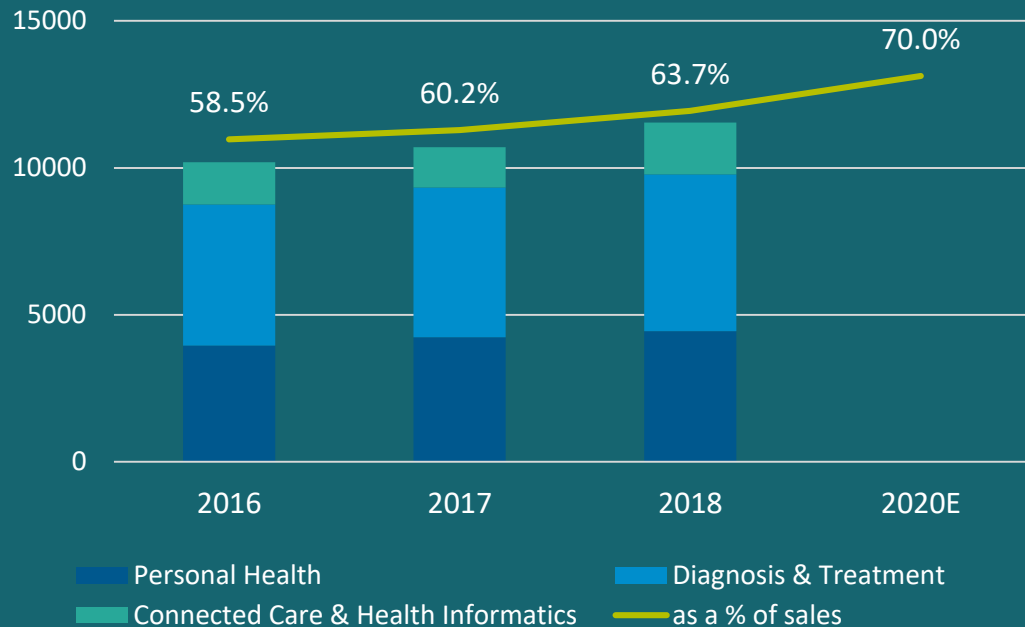
3 GOOD HEALTH AND WELL-BEING



We continuously minimize environmental impact of our products and solutions



Green Revenues per segment in millions of EUR unless otherwise stated
2016-2018



Green Revenues are generated through products and solutions which offer a significant environmental improvement in one or more Green Focal Areas: Energy efficiency, Packaging, Hazardous substances, Weight, Circularity, and Lifetime reliability.

We offer a variety of **circular propositions** - Resulting in **new business models**



Performance and access-based models



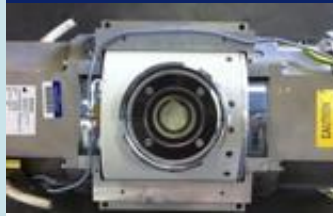
Lumify is a flexible subscription service providing access to transducers, app and online ecosystem. The subscription service reduces upfront costs to help clinicians improve patient care.

Refurbished* products and systems



The **Diamond Select program** offers refurbished healthcare systems where customers can benefit from state-of-the-art technology at a more affordable price.

Refurbished* components



RAPID** program reuses 50-70% parts / materials from returned X-ray tubes.

On-site or remote upgrades



Philips SmartPath is an economical way to enhance existing Philips systems to current technology or increased capacities. Key components are upgraded so that the system is like new.

Products with recycled plastics content



Performer Ultimate vacuum cleaner contains 36% recycled plastics***



Sustainable use of energy

Philips will operate globally carbon neutral by 2020, including all our sites, purchased electricity, logistics and business travel



Green energy purchasing

Philips' US operations are powered by 100% renewable electricity. Also 100% renewable in the Netherlands, we joined forces with Nouryon, DSM and Google to source power from the Bouwdokken and Krammer wind farms





Issued our first **Green Innovation Bond** this year

Green and Sustainability Innovation Bond Framework

I. Green Innovation Bonds

6

CLEAN WATER
AND SANITATION



7

AFFORDABLE AND
CLEAN ENERGY



9

INDUSTRY, INNOVATION
AND INFRASTRUCTURE



12

RESPONSIBLE
CONSUMPTION
AND PRODUCTION



13

CLIMATE
ACTION



Green Innovation Bonds focus on innovation in the environmental friendliness of Philips' products and production processes, focusing on Philips' six "Green Focal Areas". The **Use of Proceeds** cover three different types of Green Innovation:

- A. Expenditures related to Green Innovation in Research and Development (R&D)
- B. Expenditures related to the implementation of circular products and solutions
- C. Expenditures under Philips' Sustainable Operations Programs

II. Sustainability Innovation Bonds

3

GOOD HEALTH
AND WELL-BEING



12

RESPONSIBLE
CONSUMPTION
AND PRODUCTION



Sustainability Innovation Bonds focus on socially-beneficial innovation in healthcare, focusing on the "Quadruple Aim" of improved patient experience, better health outcomes, improved staff experience, and lower cost of care which together contribute to Financially Sustainable Care

These innovations are designed with a strong focus on **Philip's Green Focal** areas

The **Use of Proceeds** include:

- A. Expenditures regarding Sustainable Innovative R&D enabling Financially Sustainable Care
- B. Expenditures regarding improving access to care for underserved communities

✓ Our framework has been verified by  **SUSTAINALYTICS**



We are a **recognized leader** in sustainability

Philips is building on a strong reputation for environmental sustainability



Philips recognized **Industry Leader** in the DJSI 2015, 2016, 2017; #2 in new industry in 2018



Philips ranks **#1 on Fortune's Sustainability All Stars** list in 2019



Philips is the world's first health technology company to have its CO₂ targets approved by the Science Based Targets initiative



Frans van Houten co-chairs PACE with heads of GEF and UNEP; won the Circular Award 2018 for circular economy leadership



Philips commits to become **carbon-neutral** in its operations by 2020



Recognized leader – Carbon Disclosure Project 2013, 2014, 2015, 2016, 2017, 2018



Award-winning transaction – Revolving Credit Facility with sustainability link



Philips has **top scores** in **supplier rating platforms** (used by customers); **2018 Crystal Prize winner** for leading change in supply chain sustainability



We focus on retaining and attracting **diverse and inclusive workforce**

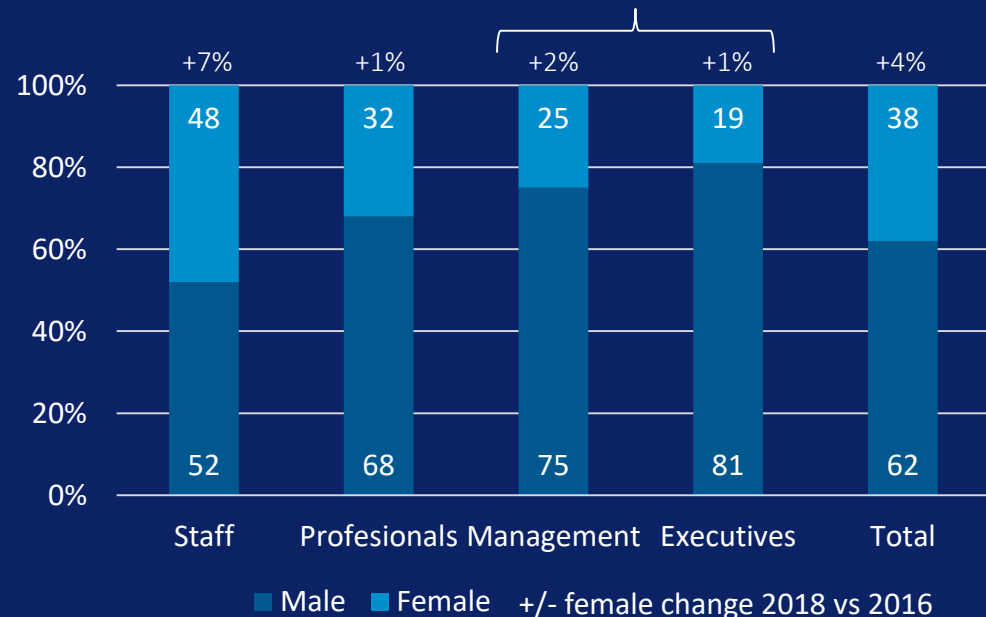
~78,000 employees

~120 nationalities

In ~100 countries

38% female employees

2020 goal of 25% gender diversity in Leadership positions, at 21% in 2018



Key takeaways

- Our goal is to improve the lives of 3 billion people a year by 2030 – by making the world healthier and more sustainable through innovation
- With its focus on
 - Access to Care
 - Circular Economy
 - Climate Action

our 'Healthy people, Sustainable planet' program will enable us to deliver on our commitment to UN Sustainable Development Goals 3, 12 and 13

- We are a recognized leader in sustainability and keep on developing further





For more information

Explore our Annual Report

The screenshot shows the top navigation bar of the Philips 2018 Annual Report website. It includes the Philips logo, a 'Financial results' dropdown menu, and a year selector from 2019 to 2009. Below this is a sub-menu for '2018 Annual Results' with links for Q4, Q3, Q2, and Q1 2018 results. The main content area features several key sections: a large hero image of a doctor with a patient, a 'Download our Annual Report 2018' button with a download icon, a 'Transforming healthcare through innovation' section with a photo of a doctor, a 'Message from the CEO' section with a photo of the CEO, a 'Making the world healthier and more sustainable' section with a world map, and a 'View the HTML version of our Annual Report 2018' button with a document icon. On the left side, there are three smaller sections: 'Compare our key data from the last five years' with a bar chart, 'Creating value for our stakeholders' with a blue abstract graphic, and 'Driving social and environmental progress' with a green globe graphic. At the bottom left, there is an 'Our strategic focus' section with icons for a cyclist, a person walking, and a person standing.

contact us

Royal Philips, Investor Relations

email

investor.relations@philips.com

website

www.philips.com/a-w/about/investor.html



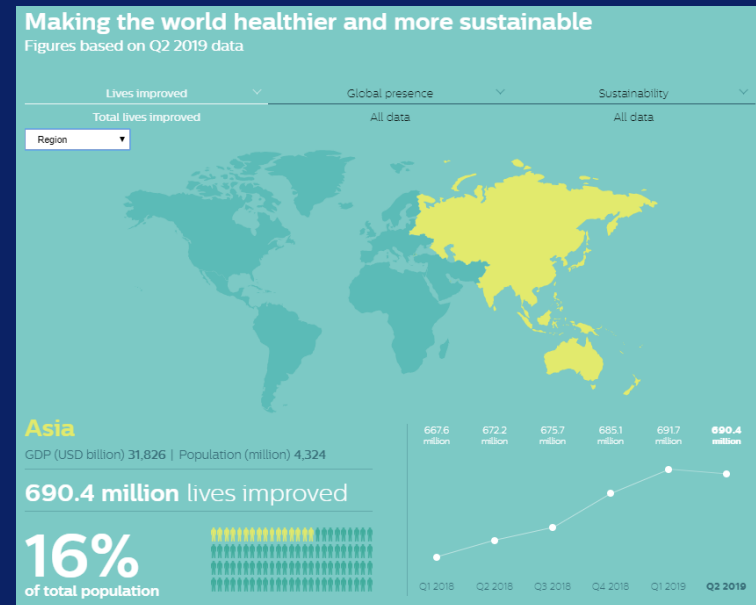


1.54 billion Lives Improved* in 2018

Annual Report 2018 disclosure

Philips Group Lives improved per market			
Market	Lives Improved (million) ¹⁾	Population (million) ²⁾	Saturation rate (as % of population)
Africa	53	1,244	4%
ASEAN & Pacific	255	972	26%
Benelux	29	29	99%
Central & Eastern Europe	101	167	61%
Germany, Austria & Switzerland	94	100	94%
France	57	66	87%
Greater China	511	1,429	36%
Iberia	44	57	78%
Indian Subcontinent	221	1,551	14%
Italy, Israel & Greece	55	82	67%
Japan	41	126	33%
Latin America	178	640	28%
Middle East & Turkey	111	366	30%
Nordics	26	27	96%
North America	349	365	96%
Russia & Central Asia	63	246	25%
UK & Ireland	51	72	71%

Click on the map to find out more



* To calculate how many lives we are improving, market intelligence and statistical data on the number of people touched by the products contributing to the social or ecological dimension over the lifetime of a product are multiplied by the number of those products delivered in a year. After elimination of double counts – multiple different product touches per individual are only counted once – the number of lives improved by our innovative solutions is calculated. Methodology document can be found [here](#).