ASSESSMENT

17 August 2026

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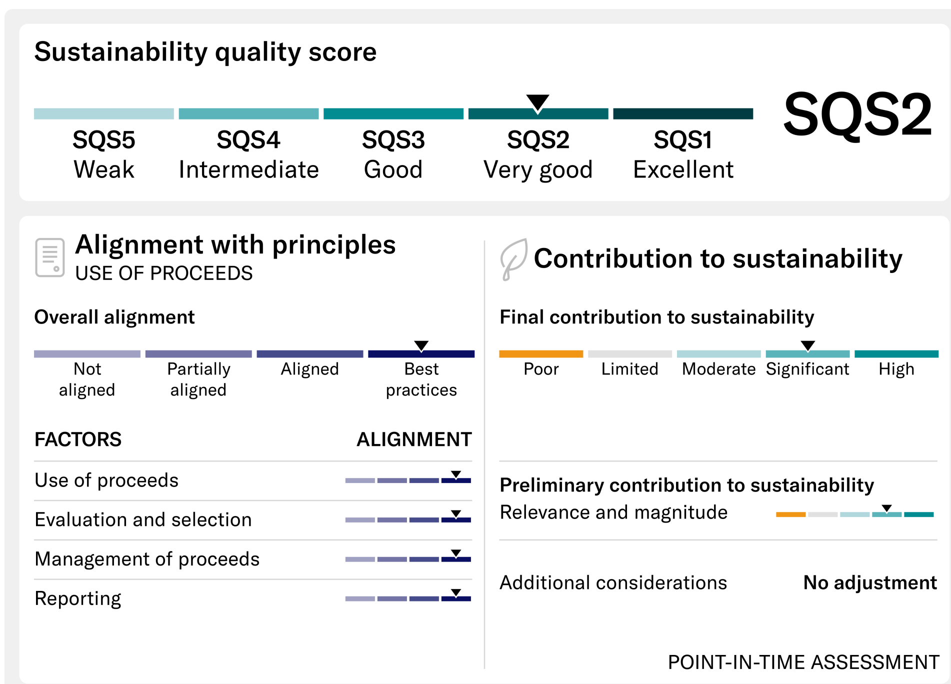
Royal Philips N.V.

Second Party Opinion – Sustainable Finance Framework Assigned SQS2 Sustainability Quality Score

Summary

We have assigned an SQS2 sustainability quality score (very good) to Royal Philips N.V.'s (Philips) sustainable finance framework dated July 2026. Philips has established its use-of-proceeds framework to finance one eligible green category and one eligible social category. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2025, Social Bond Principles (SBP) 2025 and Sustainability Bond Guidelines (SBG) 2021, and the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association's (LMA/APLMA/LSTA) Green Loan Principles (GLP) 2025 and Social Loan Principles (SLP) 2025, and the issuer has incorporated all Moody's Ratings identified best practices. The framework demonstrates a significant contribution to sustainability.



Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of Philips' sustainable finance framework, including the framework's alignment with the four core components of the ICMA's GBP 2025, SBP 2025 and SBG 2021, and the LMA/APLMA/LSTA's GLP 2025 and SLP 2025. Under its use-of-proceeds framework, the company plans to issue sustainable finance instruments to finance projects in one eligible green category and one eligible social category, as outlined in Appendix 3 of this report.

Our assessment is based on the last updated version of the framework received on 21 July 2026, and our opinion reflects our point-in-time assessment[1] of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our Assessment Framework: Second Party Opinions on Sustainable Debt, published in October 2025.

Issuer profile

Headquartered in Amsterdam, the Netherlands, Royal Philips N.V. is one of the world's leading health technology companies. The company produces a diverse range of products across its three key segments Diagnosis and Treatment, Connected Care and Personal Health. In 2025, the company generated revenue of around €17.8 billion. It operates in more than 100 countries worldwide with a workforce of 66,401 as of the end of December 2025. Philips is a publicly listed company. The company's Environmental, Social and Governance (ESG) strategy involves the improvement of lives, including of people living in underserved communities, the promotion of a circular economy and the reduction in its operational GHG emissions footprint. Projects and products contributing toward the achievement of these targets are financed with proceeds from the company's Green and Sustainability Innovation Bonds since 2019. Philips faces environmental, product safety, and regulatory risks, including pollution remediation costs, product liability claims, and recalls associated with manufacturing processes and adverse patient outcomes.

Strengths

» Eligible projects are expected to generate a significantly positive impact on the transition towards a circular economy and improved access to healthcare solutions.

» The sustainability issues addressed via eligible projects under this framework are highly coherent with the overall company strategy and accordingly highly relevant to the issuer and its sector.

» The decision-making and proceeds allocation processes are clearly defined and disclosed in the framework.

» The company's extensive reporting on the generated environmental and social benefits is externally verified.

Challenges

» Despite adequate ESG risk management, Philips' historical product safety record has been mixed, driving the company to implement a comprehensive set of measures to strengthen its quality and product safety culture.

» While eligible solutions overall substantially promote the transition towards a circular economy, the extent of the positive benefits may vary across products.

» While eligible solutions overall substantially improve the access to healthcare services, the target population may be broadly defined at times, not necessarily identifying communities with the most acute unmet healthcare needs.

Alignment with principles

Philips' sustainable finance framework is aligned with the four core components of the ICMA's GBP 2025, SBP 2025 and SBG 2021, and the LMA/APLMA/LSTA's GLP 2025 and SLP 2025, and the issuer has also incorporated all Moody's Ratings identified best practices for all four components. For a summary alignment with principles scorecard, please see Appendix 1.

- ☑ Green Bond Principles (GBP)
- ☑ Green Loan Principles (GLP)
- ☑ Social Bond Principles (SBP)
- ☑ Social Loan Principles (SLP)
- ○ Sustainability-Linked Bond Principles (SLBP)
- ○ Sustainability Linked Loan Principles (SLLP)

Use of proceeds

Not aligned | Partially aligned | Aligned | **Best practices** ▼

Clarity of the eligible categories – BEST PRACTICES

Philips has clearly communicated the nature of expenditures, and the eligibility and exclusion criteria for the eligible categories. The eligibility criteria for all the project categories have been clearly defined and the company has provided granular descriptions of the eligible projects that could be financed under the framework. Eligible projects will be located across various geographic regions, in line with the company's global operations.

Clarity of the environmental or social objectives – BEST PRACTICES

Philips has clearly defined the relevant environmental and social (E&S) objectives associated with all the eligible categories, namely transition to a circular economy and access to essential services. The company has referenced the United Nations' (UN) Sustainable Development Goals (SDGs) in articulating the objectives of the eligible categories, and the objectives are coherent with these recognized international standards.

Clarity of expected benefits – BEST PRACTICES

The company has identified relevant expected E&S benefits for all the eligible categories. The benefits identified are measurable and will be quantified in the impact reporting. All essential impact indicators are included to capture environmental or social benefits for both categories. Philips will disclose the estimated share of refinancing prior to issuance and actual share of refinancing in its post-issuance investor report. Philips has defined a maximum look-back period of three years for operating expenditure. While asset values and capital expenditures shall qualify for refinancing with no look-back period according to the framework, the issuer states that in practice the look-back period is less than one year, as Philips usually allocates to forward looking capital expenditures.

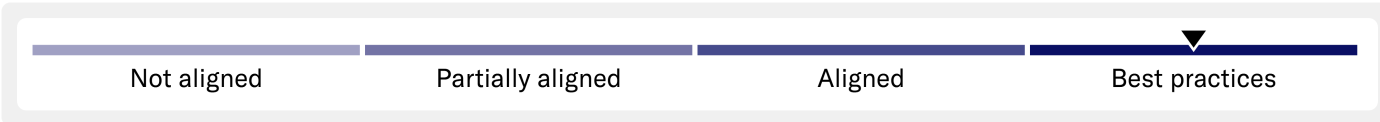
Process for project evaluation and selection

Not aligned | Partially aligned | Aligned | **Best practices** ▼

Transparency and clarity of the process for defining and monitoring eligible projects – BEST PRACTICES

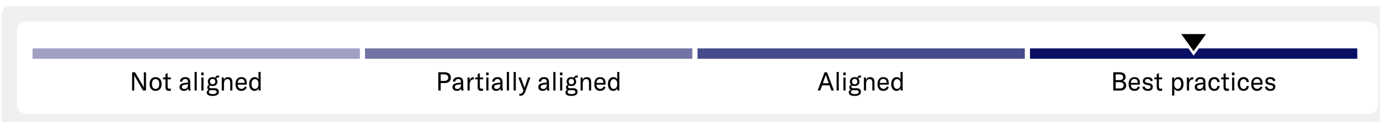
Philips has established a clear process for evaluating and monitoring eligible projects, which is formalized in its publicly available framework. The roles and responsibilities for project evaluation and selection are clearly defined, and include relevant expertise. The company has established a sustainability group that, together with representatives from one of the company's four innovation sites in the Netherlands, the US, India and China, identifies eligible projects under Philips' Sustainability Programs. Identified projects are recommended to the treasury department, which, on an annual basis and in cooperation with the board of management, defines a portfolio of eligible projects to which proceeds should be allocated. Monitoring of continued eligibility of projects is carried out via audited annual reporting with no foreseeable end date and thereby inherently over the life of any instrument issued under this framework. Projects that cease to comply with the eligibility criteria will be removed from the portfolio of eligible projects. Details of the issuer's E&S risk management process are disclosed in the publicly available framework. Traceability of the decision-making process is embedded in the company's audited Business Process Excellence Framework.

Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES
Philips has defined a clear process for the management and allocation of instrument proceeds in the framework. The company's Treasury Group, in collaboration with the Sustainability Group, will allocate and manage an amount equal to the (net) proceeds to eligible projects. Adequate monitoring is ensured via the internal accounting system. The balance of the eligible proceeds will be adjusted annually. The allocation period will be shorter than or equal to 24 months, in line with best practices observed in the market. Temporarily unallocated proceeds will be hold at the issuer's discretion in its treasury liquidity portfolio or any treasury business.

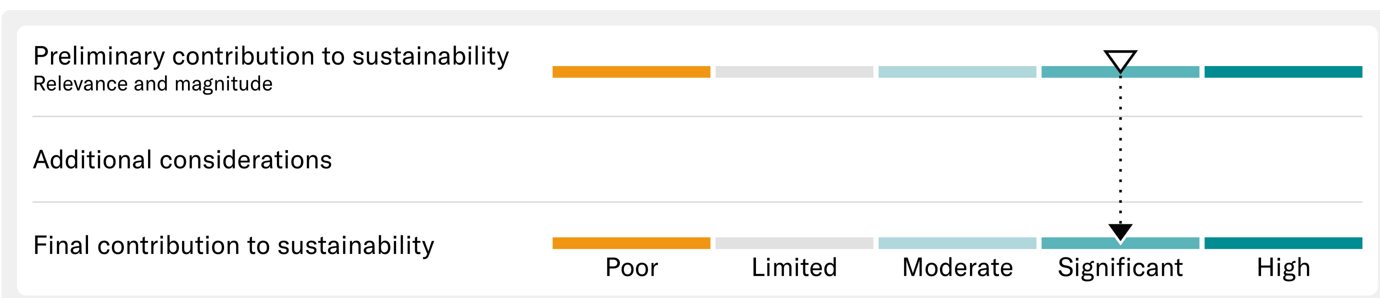
Reporting



Reporting transparency – BEST PRACTICES
Philips will publicly report on the allocation of proceeds and the E&S impact of its eligible projects at the category level on an annual basis. The reports will be available on the company's website. The issuer reports on allocation and impact over the entire lifetime of the outstanding instruments. The selected reporting indicators are clear, relevant and exhaustive. The methodologies and assumptions used to report on the E&S impact of eligible projects are publicly disclosed on the issuer's website. Philips' allocation and impact reports are reviewed by an external auditor annually and in case of significant changes over the lifetime of any outstanding instrument.

Contribution to sustainability

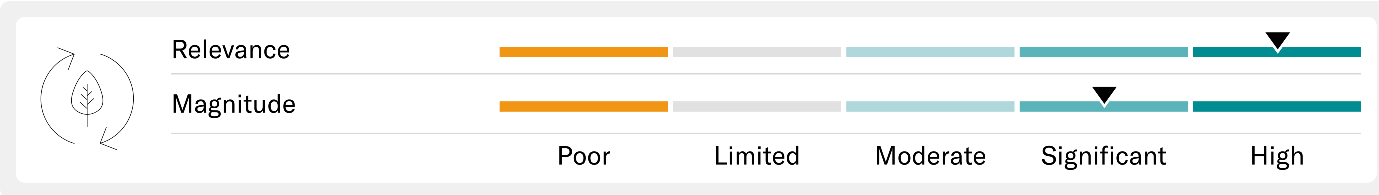
The framework demonstrates a significant overall contribution to sustainability. This reflects a preliminary contribution to sustainability score of significant, based on the relevance and magnitude of the eligible project categories, and we have not made an adjustment to the preliminary score based on additional contribution to sustainability considerations.



Preliminary contribution to sustainability

The preliminary contribution to sustainability is significant, based on the relevance and magnitude of the eligible project categories. Based on information provided by the issuer, we have used the estimated allocation of proceeds to weight the categories, with the green category (circular economy adapted products) receiving the majority of the proceeds. A detailed assessment by eligible category has been provided below.

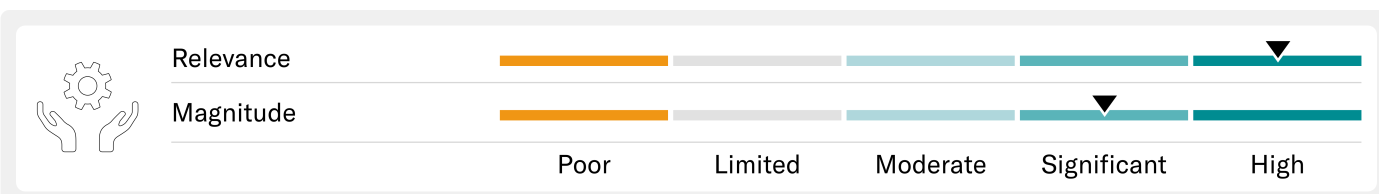
Circular economy adapted products, production technologies and processes; and/or certified eco-efficient products



Expenditures associated with circular economy adapted products address the sustainability objective of transitioning to a circular economy, which is highly relevant for the issuer and in the global and sector context. Philips is a global company, and in all its major market segments, waste management, recyclability and reusability are considered relevant. Circularity and EcoDesign are particularly relevant for the medical technology sector and for Philips specifically, as the use of materials accounts for approximately 52% of the company's total environmental impact. We further note that "product design and life cycle management" is one of the most material issues for companies in Philips' sector according to SASB Standards, which have been set by the International Sustainability Standards Board. Greenhouse gas emissions also represent a material environmental consideration. More broadly, healthcare activities are estimated to account for over 4% of global CO_2 emissions and generate substantial volumes of waste, including approximately 13 kg of hospital waste per bed per day, a significant portion of which is classified as hazardous.[2] Given the limited availability of widely accepted international, regional, or national standards governing circularity and EcoDesign, it is particularly important for companies such as Philips to establish and apply robust internal standards.

In terms of magnitude, we consider contemplated investments under this category to have a significantly positive long-term impact overall, although the extent of the benefits may vary across products. Philips' EcoDesign criteria form a relatively ambitious baseline that incorporates all applicable legal requirements, as well as company-wide product policies and standards. Beyond this baseline, many eligible products demonstrate enhanced performance in one or more of Philips' key focus areas: energy use, substance and material use, packaging, circularity, and life-cycle impact. The company has established detailed criteria within each of these areas, supporting the potential for substantial environmental benefits. However, eligibility criteria for some products, such as cloud software and telehealth solutions, are less stringent than those applied to physical hardware containing significant amounts of plastic. We also note that the classification of expenditures as circular revenue is based on case-by-case assessments conducted internally by Philips' Sustainability Group, rather than on external standards or taxonomies, which limits transparency. Positively, Philips reports a range of impact indicators, including volumes of refurbished and recycled products and materials, and also quantifies CO_2 emissions reductions associated with circular products and solutions, which we consider a strength of the framework.

Access to essential services: healthcare



Expenditures associated with improving access to essential healthcare services support a highly relevant objective for Philips, the healthcare technology sector, and the broader global context. Despite significant advances in medical care, substantial gaps remain in access to healthcare services, diagnostics, and treatment, particularly in underserved communities and lower-income regions. Delayed or inaccurate diagnosis continue to contribute to poorer health outcomes, higher treatment costs and increased disease burden. Philips' eligible healthcare solutions, including precision diagnostics (PD), image-guided therapy (IGT), connected care technologies, and community healthcare initiatives, are designed to improve access to diagnosis, monitoring and treatment, thereby addressing critical healthcare needs. This is particularly relevant given the continued global burden of respiratory diseases, which remain among the leading causes of mortality worldwide. Philips' Sleep and Respiratory care solutions, which represent a significant share of its portfolio, support the diagnosis and monitoring of respiratory conditions across both developed and emerging markets. In addition, certain products specifically target underserved populations through remote monitoring, telehealth and community-based healthcare delivery solutions, contributing to improved access to quality healthcare services in areas where healthcare infrastructure and medical resources remain limited.

In terms of magnitude, we consider projects in this category to generate a significant impact to improving access to healthcare services through technologies that facilitate disease diagnosis, treatment and monitoring for populations with substantial unmet healthcare needs. While the target population is broadly defined and includes healthcare providers and patients across a range of clinical settings, the framework demonstrates a reasonable degree of clarity in linking eligible products and solutions to their intended beneficiaries. Monitoring, PD and IGT devices are primarily targeted at developed economies. Devices produced to directly improve access to care for underserved communities are accurately targeted at the populations that need the proposed products, as underserved communities are well identified with a sound methodology relying on World Health Organization data. Nevertheless, the framework does not identify specific beneficiary communities or geographic areas where the healthcare needs may be most acute. The quality and accessibility of financed healthcare services are supported by Philips' adequate quality management and monitoring systems. Affordability for end users remains largely outside the issuer's direct control, as Philips' products are primarily purchased by healthcare institutions rather than patients. As a result, affordability depends significantly on local healthcare systems, reimbursement mechanisms, insurance coverage and public healthcare funding.

Additional contribution to sustainability considerations

We have not made an adjustment to the preliminary contribution to sustainability score based on additional considerations.

Overall, Philips demonstrates a structured and adequate approach to ESG risk management, with sustainability considerations embedded in governance, enterprise risk management, compliance and strategic planning processes. The health technology sector is exposed to increased risks around product safety, particularly for products that are directly attached to or inserted into the human body. At Philips, material ESG risks and opportunities are identified through regular materiality assessments. Nevertheless, Philips has faced several product quality-related issues, including manufacturing deficiencies at certain U.S. facilities that led to production suspensions and remediation measures, as well as the recall of select Sleep and Respiratory Care devices. In response to the identified issues, the company has upgraded its overall approach on quality and patient safety, including a substantial overhaul of the quality and regulatory leadership team in pursuit of increased medical technology expertise, a strengthening of its post-market surveillance global complaint handling organization and the establishment of a patient safety advisory board. While some litigation remains ongoing and could result in additional financial settlements, Philips has cooperated with regulatory authorities and entered into a consent decree with the U.S. Food and Drug Administration (FDA). Beyond product quality, Philips has formalized its ESG risk management approach in various policies, such as the company's human rights policy, its environmental policy, its occupational health and safety policy, among others. Philips' EcoDesign Program ensures the company's compliance with all applicable legal requirements, relevant company policies and additional product-specific requirements, including assessments against comprehensive requirements on energy efficiency, regulated substances, packaging and circularity.

Furthermore, the eligible categories of the framework are aligned with Philips' broader sustainability strategy, which focuses on expanding access to healthcare while reducing environmental impacts. Key targets include improving the health and well-being of 2.5 billion people annually by 2030, including 400 million people in underserved communities, reducing Scope 1 and 2 emissions by 90% by 2030 from a 2015 baseline, reducing Scope 3 emissions by 42% by 2030 from a 2020 baseline, and achieving net-zero emissions across the value chain by 2045. The strategy also promotes circularity, responsible sourcing, and the integration of ESG considerations into governance, risk management and financing activities.

Appendix 1 - Alignment with principles scorecard for Philips' sustainable finance framework

Factor	Sub-factor	Component	Component score	Sub-factor score	Factor score
Use of proceeds	Clarity of the eligible categories	Nature of expenditure	A	Best practices	Best practices
		Definition of content, eligibility and exclusion criteria for nearly all categories	A		
		Location	A		
		BP: Definition of content, eligibility and exclusion criteria for all categories	Yes		
	Clarity of the objectives	Relevance of objectives to project categories for nearly all categories	A	Best practices	
		Coherence of project category objectives with standards for nearly all categories	A		
		BP: Objectives are defined, relevant and coherent for all categories	Yes		
	Clarity of expected benefits	Identification and relevance of expected benefits for nearly all categories	A	Best practices	
		Measurability of expected benefits for nearly all categories	A		
		BP: Relevant benefits are identified for all categories	Yes		
		BP: Benefits are measurable for all categories	Yes		
		BP: Disclosure of refinancing prior to issuance and in post-allocation reporting	Yes		
		BP: Commitment to communicate refinancing look-back period prior to issuance	Yes		
Process for project evaluation and selection	Transparency and clarity of the process for defining and monitoring eligible projects	Clarity of the process	A	Best practices	Best practices
		Disclosure of the process	A		
		Transparency of the environmental and social risk mitigation process	A		
		BP: Monitoring of continued project compliance	Yes		
Management of proceeds	Allocation and tracking of proceeds	Tracking of proceeds	A	Best practices	Best practices
		Periodic adjustment of proceeds to match allocations	A		
		Disclosure of the intended types of temporary placements of unallocated proceeds	A		
		BP: Disclosure of the proceeds management process	Yes		
		BP: Allocation period is 24 months or less	Yes		
Reporting	Reporting transparency	Reporting frequency	A	Best practices	Best practices
		Reporting duration	A		
		Report disclosure	A		
		Reporting exhaustivity	A		
		BP: Allocation reporting at least until full allocation of proceeds, and impact reporting until full bond maturity or loan payback	Yes		
		BP: Clarity and relevance of the indicators on the sustainability benefits	Yes		
		BP: Disclosure of reporting methodology and calculation assumptions	Yes		
		BP: Independent external auditor, or other third party, to verify the tracking and allocation of funds	Yes		
		BP: Independent impact assessment on environmental and social benefits	Yes		
		Overall alignment with principles score:			**Best practices**

Legend: BP - Best practice, A - Aligned, PA - Partially aligned, NA - Not aligned

Appendix 2 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The two eligible categories included in Philips' framework are likely to contribute to three of the United Nations' Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 3: Good Health and Well-being	*Access to essential services: healthcare*	3.8: Achieve universal health coverage with access to quality and affordable essential health-care services and medicines for all
GOAL 12: Responsible Consumption and Production	*Circular economy adapted products, production technologies and processes; and/or certified eco-efficient products*	12.5: Substantially reduce waste generation through prevention, reduction, recycling and reuse
GOAL 13: Climate Action		Measures to reduce GHG emissions contribute to climate action under SDG 13

The United Nations' Sustainable Development Goals (SDGs) mapping in this SPO considers the eligible project categories and associated sustainability objectives/benefits documented in the issuer's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 3 - Summary of eligible categories in Philips' framework

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Circular economy adapted products, production technologies and processes; and/or certified eco-efficient products	Products that comply with the requirements for at least one of the Circular Revenue categories. A circular product or solution must comply with the Philips EcoDesign and Circularity requirements. Circular design of software and hardware - Products designed to use less materials with repeat use Circular manufacturing and supply - Products manufactured to preserve material value through efficient processes and circular supplier practices Circular delivery and financing models - Products offered through business models that promote efficient use, reuse, and return of materials Circular service in use-phase - Products that optimise lifetime value during use Circular end-of-use management - Products that can be recirculated after use	Transition to a circular economy	- Percentage of total material inflows sourced from reused, recycled, or renewable materials, and volume of material outflows directed toward reuse, recycling, or recovery processes - 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) - Number of medical systems upgraded
Access to essential services: healthcare	Products and solutions directly providing better healthcare and improve health outcomes for all. 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 communities. Philips 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.	Access to essential services	- Number of sustainable projects, products and solutions produced - Number of lives improved in medically underserved communities - Example case studies of projects, products and solutions

Endnotes

1 Point-in-time assessment is applicable only on date of assignment or update.

2 Health Care Without Harm, Health care's climate footprint, accessed 13 June 2026

REPORT NUMBER 1489782