

A blurred background of an operating room with medical staff in blue scrubs and surgical masks. A large monitor in the foreground displays multiple vital signs waveforms in various colors (green, blue, red, yellow) and numerical data. The Philips logo is in the top left corner.

**PHILIPS**

# Green and Sustainability Innovation Bond Report 2020

April 6, 2021

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## Introduction

In this Green and Sustainability Innovation Bond Report 2020, Koninklijke Philips N.V. (Royal Philips) reports on the use of proceeds and impact valuation during the financial years 2019 and 2020, in respect of the EUR 500,000,000 1.375 per cent Notes due March 30, 2025 (Sustainability Innovation Bond) that Philips issued on March 30, 2020 (ISIN XS2149368529) as well as the EUR 750,000,000 0.500 per cent Notes due May 22, 2026 (Green Innovation Bond) that Philips issued on May 22, 2019 (ISIN XS2001175657). Please refer to [Philips website](#) for the prospectuses of these Green and Sustainability Innovation Bonds as well as the Green and Sustainability Innovation Bond Framework (ESG Framework).

As of December 31, 2020, 100% of the net proceeds of the Green and Sustainability Innovation Bonds were allocated to Green and Sustainability Eligible Projects, defined in the prospectuses of the bonds as well as the Green and Sustainability Innovation Bond framework, as the total spend on Green and Sustainability activities exceeded EUR 1.4 billion in 2020 and EUR 900 million in 2019.

The Green and Sustainability Innovation Bonds were issued under Philips' Green and Sustainability Innovation Bond Framework dated April 24, 2019 (also available on the above-mentioned website), which provides for certain reporting requirements. All bonds issued under the Framework follow the International Capital Market Association (ICMA) Green Bond Principles 2018, Social Bond Principles 2018 and the ICMA Sustainability Bond Guidelines 2018, to ensure that the selected and disclosed projects meet widely recognized criteria. Subsequently, Sustainalytics successfully performed a second-party opinion to assess the Framework.

Ernst & Young Accountants LLP have performed a reasonable assurance engagement on the Green and Sustainability Innovation Bond Report 2020. The report contains allocation and impact reporting on a portfolio level.

## 1. Allocation reporting (summary)

### Philips - Green and Sustainability Innovation Bond Allocation Reporting

Green and Sustainability Innovation Bonds (portfolio date December 2020) - Use of Proceeds for Eligible Projects			
Eligible Project Portfolio	Eligible Amount (EUR)	Sustainability Funding	Amount (EUR)
<b>Financially Sustainable Care (2020)</b>	498,000,000	<b>EUR 500,000,000 1.350% Notes due March 30 2025</b>	500,000,000
Diagnosis & Treatment	307,000,000		
Connected Care	191,000,000		
<b>Access to Care for Underserved Communities (2020)</b>	2,000,000	<b>EUR 750,000,000 0.500% Notes due May 22, 2026</b>	750,000,000
<b>Green Innovation (2019)</b>	235,000,000		
Diagnosis & Treatment	110,000,000		
Connected Care	21,000,000		
Personal Health	99,000,000		
Other	5,000,000		
<b>Circular Products and Solutions* (2019)</b>	500,000,000		
Re-used components	284,000,000		
Re-used and recycled products and systems	65,000,000		
Circular business models	149,000,000		
Recycled plastics purchased	2,000,000		
<b>Sustainable Operations programs (2019)</b>	15,000,000		
Carbon footprint reduction and energy efficiency improvements	14,000,000		
Water efficiency	0		
Waste	0		
Business travel reduction and online collaboration measures	1,000,000		
<b>Total Eligible Project Expenditures</b>	<b>1,250,000,000</b>	<b>Funding</b>	<b>1,250,000,000</b>

\* Circular Products and Solutions includes investments in new business models. The proceeds stemming from the sales within these new models will enable Philips in continuity to finance future loops in these new business models and therefore support the transition to a low-carbon economy.

Percentage allocated	<b>100%</b>
Percentage new projects	<b>85%</b>
	<i>of which</i>
	<b>53% invested in 2019</b>
	<b>47% invested in 2020</b>
Percentage capex	<b>85%</b>
Percentage opex	<b>15%</b>
ICMA GPB	<b>60%</b> 'Eco-efficient and/or circular economy-adapted products, production technologies and processes'
ICMA SPB	<b>40%</b> 'Access to essential services'

## 2. Impact reporting (summary)

### Philips - Green and Sustainability Innovation Bond Allocation Reporting

Green and Sustainability Innovation Bond report aligned with to the ICMA handbook for Harmonized Framework for Impact Reporting

[Link to template \(see chapter V\)](#)

Examples of innovation products in Philips' six Green Focal Areas										Product impact indicators			Operational impact indicators			Social impact indicators	
Sustainability Innovation Bond (2020)	Eligible portfolio (EUR)	Share of Total Financing	Eligibility for Sustainability Bonds	Energy efficiency	Packaging	Hazardous substances	Weight	Circularity	Lifetime reliability	Refurbished products (tons)	Recycled Plastics (tons)	CO <sub>2</sub> emission reduction, scope 3 (tons)	Waste collection and recycling (tons)	Water	CO <sub>2</sub> emission reduction, scope 1+2 (tons)	Number of lives improved through sustainable healthcare innovations	Number of lives improved in underserved healthcare communities
a/	b/	c/		d/						e/			e/			e/	
Financially Sustainable Care	498,000,000	99.6%	100%	Image Guided Therapy  VS30 and MX850 patient monitors, EV300 and EVO ventilators	CT Incisive	Dose management	Zenition					New products, total impact not measurable yet  New products, total impact not measurable yet				1,560,000  16,450,000	
Diagnosis & Treatment	307,000,000	61.4%															
Connected Care	191,000,000	38.2%															
Access to Care for Underserved Communities	2,000,000	0.4%	100%					Mobile ICUs in India									340,000
Total Portfolio	500,000,000	100%	100%							-	-	-	-	-	-	18,010,000	340,000

a/ Signed/budgeted amount committed by the issuer for the portfolio or portfolio components eligible for Sustainability Innovation Bond financing

b/ This is the share of the total portfolio per category

c/ This is the percentage that is Sustainability Innovation Bond eligible

d/ Examples of projects

e/ Impact indicators

				Examples of innovation products in Philips' six Green Focal Areas						Product impact indicators			Operational impact indicators		
Green Innovation Bond (2019)	Eligible portfolio (EUR)	Share of Total Financing	Eligibility for Green Bonds	Energy efficiency	Packaging	Hazardous substances	Weight	Circularity	Lifetime reliability	Refurbished products (tons)	Recycled Plastics (tons)	CO <sub>2</sub> emission reduction, scope 3 (tons)	Waste collection and recycling (tons)	Water	CO <sub>2</sub> emission reduction, scope 1+2
	a/	b/	c/	d/						e/			e/		
Green Innovation	235,000,000	31%	100%	Image Guided Therapy  MMX Multi measurement module	Patient monitors  Sonicare, OneBlade, sterilization box for soothers and breastfeeding accessories			Viva Café Eco, temperature pressurized steam generator				New products, total impact not measurable yet			
Diagnosis & Treatment	110,000,000	15%													
Connected Care	21,000,000	3%													
Personal Health	99,000,000	13%													
Other	5,000,000	1%													
Circular Products and Solutions	500,000,000	67%	100%					The Philips Diamond Select program Lumify portable ultrasound service Performer Ultimate vacuum cleaner		1,967			17,430  (Waste Electrical and Electronic Equipment, WEEE)		
Re-used components	284,000,000	38%													
Re-used and recycled products and systems	65,000,000	9%													
Circular business models	149,000,000	20%													
Recycled plastics purchased	2,000,000	0%													
Sustainable Operations programs	15,000,000	2%	100%												5,000  15,000
Carbon footprint reduction and energy efficiency improvements	14,000,000	2%													
Water efficiency	-	0%													
Waste	-	0%													
Business travel reduction and online collaboration measures	1,000,000	0%													
Total Portfolio	750,000,000	100%	100%							1,967	1,930	-	17,430		20,000

a/ Signed/budgeted amount committed by the issuer for the portfolio or portfolio components eligible for Green Bond financing b/

This is the share of the total portfolio per category

c/ This is the percentage that is Green Innovation Bond eligible

d/ Examples of projects

e/ Impact indicators (CO<sub>2</sub> emissions in tons). The information under refurbished, recycled and waste refer to the total operation of Koninklijke Philips N.V.

## 3. Sustainability at Philips

At Philips, our purpose to improve people's health and well-being through meaningful innovation is at the heart of everything we do. Never has this central tenet been more important than it is now, in these challenging times.

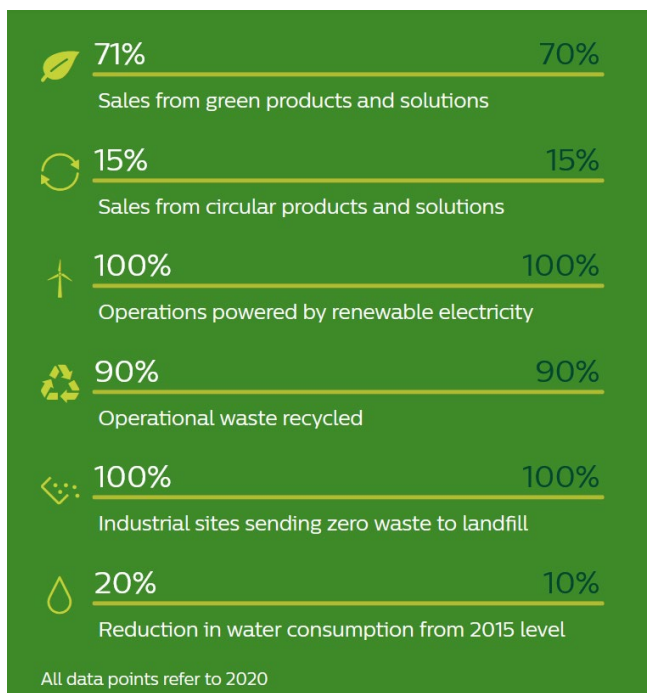
As a leading health technology company, we believe that innovation can improve people's health and healthcare outcomes, as well as making care more accessible and affordable. In concrete terms, we aim to improve the lives of 2 billion people a year by 2025, including 300 million in underserved communities, rising to 2.5 billion and 400 million respectively by 2030.

Guided by this purpose, it is our strategy to lead with innovative solutions that combine systems, smart devices, informatics and services, and leverage big data – helping our customers deliver on the Quadruple Aim (better health outcomes, improved patient experience, improved staff experience, lower cost of care) and helping people to take better care of their health at every stage of life.

We strive to deliver superior, long-term value to our customers and shareholders, while acting responsibly towards our planet and society, in partnership with our stakeholders.

We aim to grow Philips responsibly and sustainably. To this end, we have deployed a comprehensive set of commitments across all the Environmental, Social and Governance (ESG) dimensions that guide the execution of our strategy and support our contribution to UN Sustainable Development Goals 3 (Ensure healthy lives and promote well-being for all at all ages), 12 (Ensure sustainable consumption and production patterns) and 13 (Take urgent action to combat climate change and its impacts).

As a part of its strategy, Philips set company-wide sustainability targets for 2020 and the overview below provides insights into the progress made in 2020 towards the SDG 12 and 13-related targets:



## 4. Green and Sustainability Innovation Bonds

Philips issued its inaugural Green Innovation Bond in 2019 as a means to finance its sustainability activities, underlining its commitment to advancing sustainability in all areas of the business. Next, Philips issued its inaugural Sustainability Innovation Bond in 2020 as a means to finance its innovation activities, focusing on the 'Quadruple Aim' of better health outcomes, improved patient experience, improved staff experience, and lower cost of care. The Bonds are issued under our Green and Sustainability Innovation Bond Framework, which is structured in line with the ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines 2018. The Eligible Project categories of the Green Bond Principles and Social Bond Principles to which Philips has allocated proceeds from its Green and Sustainable Innovation Bonds are 'Eco-efficient and/or circular economy-adapted products, production technologies and processes' and 'Access to essential services: healthcare'.

### Sustainability Innovation Bond – Access to Essential Services: Healthcare



With the 'Access to essential services' project category, proceeds have been allocated to a portfolio of eligible Sustainability Innovations, which belong to the following categories: (A) expenditures related to Sustainable Innovation R&D contributing to Financially Sustainable Care; and/or (B) expenditures regarding improving access to care for underserved communities.

#### **A. Expenditures related to Sustainable Innovation R&D contributing to Financially Sustainable Care (EUR 498 million allocated in 2020)**

The impact of Sustainability Innovation investments made in 2020 have been partially included in Section 3. Impact Reporting. Additional impact will only become visible in 2021 and years to come, as the resulting products and solutions come to the market; future sales volumes are as yet unknown.

#### **Diagnosis & Treatment businesses**

Our Diagnosis & Treatment businesses create value through their unique portfolio of innovative diagnostic and minimally invasive procedural solutions – suites of systems, smart devices, software and services powered by AI-enabled informatics. With these integrated solutions, we enable our customers to realize the full potential of the Quadruple Aim.

Total research & development expenses in our Diagnosis & Treatment businesses in 2020 amounted to EUR 891 million, a 4% reduction compared to 2019 (EUR 928 million). Of these expenses, investments in Green Innovation in 2020 amounted to EUR 122 million, a significant increase compared to 2019. All Philips Green Focal Areas are taken into account as we aim to reduce environmental impact over the total lifecycle.

## Use of Proceeds examples:

- The launch of a vendor-agnostic Radiology Workflow Suite of end-to-end solutions to drive operational and clinical efficiency through the digitalization, integration, and virtualization of radiology.
- The introduction of the next generation of our leading-edge Azurion image-guided therapy platform. An industry first, the Philips Azurion image-guided therapy platform now fully integrates IntraSight to control imaging, physiology, hemodynamic and informatics applications with one intuitive user control at the bedside. With this next-generation Azurion platform, Philips also introduced a new 3D imaging solution, called SmartCT, to dramatically simplify the acquisition and use of 3D imaging. Next-generation Azurion comprises a new range of configurations – covering more price segments – to innovate procedures in a broad range of therapeutic areas.
- The expansion of Philips’ dedicated cardiovascular ultrasound offering by launching Affiniti CVx. This system is designed to support cardiology departments in delivering better care to more patients with increased efficiency and throughput.
- The launch of CT Incisive and Mobile X-Ray system Zenition 50 and 70 with 30% lower packaging weight for CT Incisive compared to Ingenuity CT, and 12-13% lower product weight for the Zenition compared to Veradius/Pulsera.
- The industry-first 510(k) clearance from the FDA to market a wide range of ultrasound solutions – including our CX50 general imaging system and Lumify portable ultrasound solution – for the management of COVID-19-related lung and cardiac complications. Portable ultrasound solutions in particular have become valuable tools for clinicians treating COVID-19 patients, due to their imaging capabilities, portability and ease of disinfection.

## Connected Care businesses

Spanning the entire health continuum, the Connected Care businesses help broaden the reach and deepen the impact of healthcare with solutions that leverage and unite devices, informatics, data and people across networks of care, to enable our customers to deliver on the Quadruple Aim.

Total research & development expenses in the Connected Care businesses in 2020 amounted to EUR 550 million, an 18% increase compared to 2019 (EUR 465 million). Of these expenses, investments in Green Innovation in 2020 amounted to EUR 51 million. Green Innovation projects delivered, among other things, new green patient monitors, with lower environmental footprints reflecting all the Philips Green Focal Areas. Energy efficiency and material reduction are the main areas of focus.

In 2020, Connected Care played a crucial role in fulfilling customer needs created by the COVID-19 global pandemic, from ramping up production and delivery of our core systems such as ventilators and monitors, to supporting the urgent expansion of telehealth for the ICU, and driving safe, remote patient care.

## Use of Proceeds examples:

- The introduction of Rapid Equipment Deployment Kits for ICU ramp-ups, allowing doctors, nurses, technicians and hospital staff to quickly support critical care patients. The kit combines Philips’ advanced patient monitoring technology with predictive, patient-centric algorithms for scale-up within hours.
- The launch of several new monitoring solutions for the Intensive Care Unit (ICU), the general ward and the home that feature remote monitoring capabilities and advanced analytics. These include Philips’ IntelliVue Patient Monitors MX750/MX850 for the ICU, Philips’ Biosensor BX100 for early patient deterioration detection in the general ward, and in collaboration with



BioIntelliSense, the BioSticker medical device to help monitor at-risk patients from the hospital to the home, to help avoid hospital re-admissions and to support chronic care management.

- EV300 and EVO ventilators and the Intrepid HeartStart monitor & defibrillator came onto the market with over 10% lower energy usage and/or product weight compared to their predecessor products. For example, energy savings for the EVO and EV300 ventilators are around 25% compared to their predecessor Trilogy 100 and 202 products.
- The introduction of several dedicated telehealth solutions to help relieve the tremendous pressure placed on scarce resources by the growing number of COVID-19 patients. Based on its proven Patient Reported Outcomes Management solution, which is being used by more than 100 healthcare institutions globally, Philips enabled Dutch hospitals and GPs to remotely screen and monitor patients with COVID-19.

## B. Expenditures regarding improving access to care for underserved communities (EUR 2 million allocated in 2020)

As a global health technology leader, Philips attaches importance to enabling access to healthcare. Philips is committed to improve the lives of 400 million people in underserved communities by 2030. For that purpose, the company develops specific healthcare innovations and products that can be used in underserved communities.

Expenditures related to projects, products and solutions with the aim of improving access to care for underserved communities are eligible. In addition, expenditures related to M&A activities aimed at improving access to care for underserved communities are also eligible under this category.

### Use of Proceeds examples:

- Philips introduced new mobile ICUs in India, supporting the increased demand for flexible ICU capacity. The ICUs can be furnished with a range of medical equipment, including ventilators, defibrillators, and patient monitoring.

## Green Innovation Bond – Eco-efficient and/or circular economy-adapted products, production technologies and processes



The Green Innovation Bond issued and fully allocated in 2019 supports innovation in the environmental friendliness of Philips' products and production processes, focusing on Philips' six Green Focal Areas: Energy efficiency, Packaging, Hazardous substances, Weight, Circularity, and Lifetime reliability. The net proceeds of the Green Innovation Bond have been allocated to a portfolio of eligible Green Innovations, which belong to the following categories: (A) expenditures regarding Green Innovation in R&D; (B) expenditures regarding the implementation of circular products and solutions; and/or (C) expenditures under the Group's Sustainable Operations programs.

## Updated impact in 2020

As a result of the continued investments in Green Innovation and Circular Economy, Philips was able to achieve a record level of Green Revenues of 71% in 2020. At the same time, 15% of our revenues were generated from circular products and services.

New business models that enable Philips to close the loop on medical systems through take-back, refurbishment, spare-parts harvesting and resale will reduce resource consumption, waste and environmental footprint. The proceeds from sales based on these new models will enable Philips in continuity to finance future loops in these new business models and therefore support the transition to a low-carbon economy.

Trade-in and return for resale as refurbished products and for spare parts harvesting (Diagnosis & Treatment and Connected Care) for one loop amounted to 1,967 tonnes in 2020.

These new business models will continue to bring used products and components to Philips that will be repurposed responsibly.

Collective collection and recycling schemes in accordance with the EU Waste Electrical and Electronic Equipment (WEEE) collection schemes:

- 830 tonnes (estimated) from Diagnosis & Treatment and Connected Care field returns, following WEEE category 8 classification
- 16,600 tonnes (estimated) from Personal Health (following WEEE category 2 classification)  
On the demand side, the Personal Health businesses re-integrated some 1,930 tonnes of recycled plastics in new products.

In our operations, we avoided an estimated 2 kilotonnes of CO<sub>2</sub> emissions through various on-site renewables projects, 3 kilotonnes of CO<sub>2</sub> emissions through multiple energy efficiency measures in industrial sites, and 15 kilotonnes of CO<sub>2</sub> emissions through the implementation of over 110 Smart Meeting Rooms in the Philips locations most traveled to.

## Alignment with EU Action Plan on Sustainable Finance

### Impact on EU Environmental Objectives

The eligible projects funded by the Green Innovation Bond have a direct impact on two EU Environmental Objectives: 'Climate change mitigation' and 'Transition to a circular economy, waste prevention and recycling'. The projects related to climate change mitigation contribute to the transition towards a zero-carbon economy.

EU Environmental Objective	Allocation	Impact 2020
Climate change mitigation	<ul style="list-style-type: none"> <li>• Green Innovation</li> <li>• Philips' Sustainable Operations programs</li> </ul>	<ul style="list-style-type: none"> <li>• Transition support: 20 kilotonnes estimated CO<sub>2</sub> emissions avoided</li> </ul>
Transition to a circular economy, waste prevention and recycling	<ul style="list-style-type: none"> <li>• Green Innovation</li> <li>• Implementation of Circular Products and Solutions</li> </ul>	<ul style="list-style-type: none"> <li>• 1,967 tonnes of goods as trade-in and return for resale as refurbished products and for spare parts harvesting</li> <li>• 1,930 tonnes recycled plastic used</li> </ul>

### 'Do no significant harm' principles

Philips takes the broad definition of sustainability into account in all our business practices. The company follows several company policies, including an environmental policy, social engagement policy and human rights policy. For our product development and packaging, Philips also works with a regulated substances list. All of these documents have been published on the [Philips website](#).

Philips constantly strives to optimize the environmental performance of its products and to limit the environmental impact of their development and manufacture.

Product development objectives include:

- Evaluating the environmental impact of a product or packaging over the total lifecycle
- Taking steps toward more efficient use of materials
- Reducing or eliminating hazardous substances
- Reducing energy consumption
- Improving the recyclability

Manufacturing objectives include environment-related aspects of Philips' activities and services, such as emissions into air and water, use of energy and water, reducing or eliminating hazardous substances, recycling and waste disposal.

Philips measures its environmental performance and publishes the results in its Annual Report. These results are verified by its independent auditor. The company also publishes validated environmental achievements and product claims.

## Social safeguards

Philips' General Business Principles express our support and respect for human rights as set out in the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. In this, the company follows the guidance given in the OECD Guidelines for Multinational Enterprises. The company has a dedicated Human Rights policy and a Modern Slavery and Human Trafficking Statement, which have been published on the [Philips website](#).

Philips has strict environmental and social standards that help promote an inclusive workplace, where all employees can feel valued and respected, with safe and healthy working conditions. Consistent with the company's commitment to sustainable development, we do all that is reasonable and practicable to minimize any adverse effects of our activities. Philips intends to perform regular human-rights impact assessments as part of an overall human-rights due-diligence process which allows the company to prevent or mitigate any potential adverse impact encountered.

The company publishes an annual [Human Rights report](#).

## 5. External assurance

Philips' Annual Report including sustainability statements are audited against the highest (reasonable) assurance level by its independent auditor. Similarly, EY performed a reasonable assurance engagement on the Green and Sustainability Innovation Bond Report 2020. This report contains allocation and impact reporting on a portfolio and bond level.

## Other information

### Definitions

Unless otherwise defined in this Green and Sustainability Innovation Bond Report 2020, capitalized terms used herein have the meanings given to them in Philips' Green and Sustainability Innovation Bond Framework. Furthermore, we refer to our Annual Report 2020 for definitions and scope of the Sustainability KPIs disclosed in in this 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 strategy, estimates of innovations, emissions, 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', 'should', '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: changes in industry or market circumstances; economic and political developments; market and supply chain disruptions due to the COVID-19 outbreak; Philips' increasing focus on health technology; the realization of Philips' growth ambitions and results in growth geographies; successful completion of divestments such as the divestment of our Domestic Appliances businesses; lack of control over certain joint ventures; integration of acquisitions; securing and maintaining Philips' intellectual property rights and unauthorized use of third-party intellectual property rights; compliance with quality standards, product safety laws and good manufacturing practices; exposure to IT security breaches, IT disruptions, system changes or failures; supply chain management; ability to create new products and solutions; attracting and retaining personnel; financial impacts from Brexit; compliance with regulatory regimes, including data privacy requirements; governmental investigations and legal proceedings with regard to possible anticompetitive market practices and other matters; business conduct rules and regulations; treasury risks and other financial risks; tax risks; costs of defined-benefit pension plans and other postretirement plans; reliability of internal controls, financial reporting and management process.

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 2020.

## Assurance report of the independent auditor

To: The Board of Management and Supervisory Board of Koninklijke Philips N.V.

### Our opinion

We have performed a reasonable assurance engagement on the accompanying Green and Sustainability Innovation Bond Report for the year 2020 of Koninklijke Philips N.V. (the Company) based in Eindhoven, the Netherlands.

In our opinion, the Green and Sustainability Innovation Bond Report 2020 is prepared, in all material respects, in accordance with the criteria as developed by the Company and included in the “Royal Philips Green and Sustainability Innovation Bond Framework” and the applied supplemental reporting criteria as disclosed in section ‘Other information’ of the Green and Sustainability Innovation Bond Report 2020.

### Basis for our opinion

We have performed our assurance engagement on the Green and Sustainability Innovation Bond Report 2020 in accordance with Dutch law, including Dutch Standard 3000A *“Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)”* (Assurance engagements other than audits or reviews of historical financial information (attestation engagements)). Our responsibilities under this standard are further described in the section Our responsibilities for the assurance engagement of the Green and Sustainability Innovation Bond Report 2020 of our report.

We are independent of Koninklijke Philips N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the “Wet toezicht accountantsorganisaties” (Wta, Audit firms supervision act), the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA, Dutch Code of Ethics).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Reporting criteria

The Green and Sustainability Innovation Bond Report 2020 needs to be read and understood together with the reporting criteria. Koninklijke Philips N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the Green and Sustainability Innovation Bond Report 2020 are the “Royal Philips Green and Sustainability Innovation Bond Framework” and the applied supplemental reporting criteria as disclosed in section ‘Other information’ of the Green and Sustainability Innovation Bond Report 2020.

The absence of an established practice on which to draw, to evaluate and measure Green and Sustainability Innovation Bond Report 2020 information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

## **Materiality**

Based on our professional judgement we determined materiality levels for each relevant part of the Green and Sustainability Innovation Bond Report 2020 and for the Green and Sustainability Innovation Bond Report 2020 as a whole. When evaluating our materiality levels, we have taken into account quantitative and qualitative considerations as well as the relevance of information for both stakeholders and the Company.

## **Limitations to the scope of our assurance engagement**

The Green and Sustainability Innovation Bond Report 2020 includes prospective information such as ambitions, strategy, plans, expectations and estimates. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in Green and Sustainability Innovation Bond Report 2020.

The references to external sources or websites in the Green and Sustainability Innovation Bond Report 2020, with the exception of the “Royal Philips Green and Sustainability Innovation Bond Framework”, are not part of the information as assured by us. We therefore do not provide assurance on this information.

## **Responsibilities of the Board of Management and the Supervisory Board for the Green and Sustainability Innovation Bond Report 2020**

The Board of Management is responsible for the preparation of reliable and adequate Green and Sustainability Innovation Bond Report 2020 in accordance with the reporting criteria as included in the section Reporting criteria. The choices made by the Board of Management regarding the scope of the Green and Sustainability Innovation Bond Report 2020 and the reporting policy are summarized in section ‘Other information’ of the Green and Sustainability Innovation Bond Report 2020.

The Board of Management is also responsible for such internal control as the Board of Management determines is necessary to enable the preparation of the Green and Sustainability Innovation Bond Report 2020 that is free from material misstatement, whether due to fraud or errors.

The Supervisory Board is responsible for overseeing the Company’s reporting process.

## **Our responsibilities for the assurance engagement of the Green and Sustainability Innovation Bond Report 2020**

Our responsibility is to plan and perform the reasonable assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our opinion.

Our reasonable assurance engagement has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud.

We apply the “Nadere voorschriften kwaliteitssystemen” (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

We have exercised professional judgment and have maintained professional skepticism throughout the assurance engagement, in accordance with the Dutch assurance standards, ethical requirements and independence requirements.

The procedures of our assurance engagement included amongst others:

- Performing an analysis of the external environment and obtaining an understanding of the characteristics of the Company and themes and issues relevant for the Green and Sustainability Innovation Bond Report 2020
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the Green and Sustainability Innovation Bond Report 2020. This includes the evaluation of the reasonableness of estimates made by the Board of Management
- Obtaining an understanding of the systems and reporting processes for collecting, reporting and consolidating the information in the Green and Sustainability Innovation Bond Report 2020, including obtaining an understanding of internal control relevant to our assurance engagement, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Identifying and assessing the risks that the Green and Sustainability Innovation Bond Report 2020 is misleading or unbalanced, or contains material misstatements, whether due to fraud or errors. Designing and performing further assurance procedures responsive to those risks, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our opinion. The risk that the information in the Green and Sustainability Innovation Bond Report 2020 is misleading or unbalanced, or the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. These further assurance procedures consisted amongst others of:
  - Interviewing management and relevant staff responsible for the Green and Sustainability Innovation Bond strategy, policy and results
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the Green and Sustainability Innovation Bond Report 2020
  - Obtaining assurance information that the Green and Sustainability Innovation Bond Report 2020 information reconciles with underlying records of the Company
  - Evaluating relevant internal and external documentation, on a test basis, to determine the reliability of the information in the Green and Sustainability Innovation Bond Report 2020
  - Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level
- Reconciling the financial information in the Green and Sustainability Innovation Bond Report 2020 with the Annual Report 2020 of Koninklijke Philips N.V. or with information underlying this Annual Report in case the reconciliation cannot be made directly
- Evaluating the overall presentation, structure and content of the Green and Sustainability Innovation Bond Report 2020
- Considering whether the Green and Sustainability Innovation Bond Report 2020 as a whole reflects the purpose of the reporting criteria used.

Amsterdam, The Netherlands

April 6, 2021

Ernst & Young Accountants LLP

signed by J. Niewold