

PHILIPS

Green Innovation Bond Report 2019

May 18, 2020



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1. Introduction

In this Green Innovation Bond Report 2019, Koninklijke Philips N.V. reports on the use of proceeds and impact valuation during the financial year 2019, in respect of the EUR 750,000,000 0.500% Notes due May 22, 2026 (Green Innovation Bond) that Philips issued on May 22, 2019 (ISIN XS2001175657). Please refer to the prospectus for the Green Innovation Bond as published on the [Philips website](#).

As of December 31, 2019, 100% of the net proceeds of the Green Innovation Bond were allocated to Green Eligible Projects, defined in the prospectus for the Green Innovation Bond, as total spend in 2019 on Green Eligible Projects exceeded EUR 900 million.

The Green Innovation Bond was 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. The Framework is aligned with the International Capital Market Association (ICMA) Green Bond Principles 2018, Social Bond Principles 2018 and the ICMA Sustainability Bond Guidelines 2018, to ensure the selected and disclosed projects meet widely recognized criteria. Subsequently, Sustainalytics successfully performed a second-party opinion to assess the Framework.

EY performed a reasonable assurance engagement on the Green Innovation Bond Report over the year 2019. The report contains allocation and impact reporting on a portfolio level.

2. Allocation reporting (summary)

Philips Green Innovation Bond Allocation Reporting 2019

Portfolio date: December 2019

| Use of Proceeds for Eligible Green Projects | | | |
|---|--------------------|--|--------------------|
| Eligible Project portfolio | Amount (EUR) | Green funding | Amount (EUR) |
| Green Innovation | 235,000,000 | EUR 750,000,000 0.500% Notes due May 22, 2026 | 750,000,000 |
| Diagnosis & Treatment | 110,000,000 | | |
| Connected Care | 21,000,000 | | |
| Personal Health | 99,000,000 | | |
| Other | 5,000,000 | | |
| Circular Products and Solutions* | 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 | | |
| Sustainable Operations programs | 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 | | |
| Total Eligible Green Project expenditures | 750,000,000 | Green funding | 750,000,000 |

* 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 of Eligible Green Project portfolio allocated to net proceeds of Green funding: | 100% (usage) |
| Percentage of net proceeds of Green Bond allocated to Eligible Green Project portfolio: | 100% |
| Financing new investments done in 2019 | 100% (75% after bond issuance) |
| Refinancing existing investments done in 2016-2018 | 0% |
| Operating expenditures | 10% |
| Capital expenditures | 90% |



3. Impact reporting (summary)

Philips Green Innovation Bond Impact Reporting 2019

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

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

Portfolio date: December 31, 2019

| Eligible Green Project Portfolio | Eligible portfolio (EUR) | Share of Total Financing | Eligibility for Green Bonds | Examples of innovation products in Philips' Green Focal Areas | | | Product impact indicators | | Operational impact indicators (estimated) | |
|--|--------------------------|--------------------------|-----------------------------|---|--|--|-----------------------------|--------------------------|--|--|
| | | | | Energy efficiency | Packaging | Circularity | Refurbished products (tons) | Recycled Plastics (tons) | Waste collection and recycling (tons) | CO2 emission reduction, scope 1+2 (tons) |
| | a/ | b/ | c/ | d/ | | | e/ | | e/ | |
| Green Innovation | 235,000,000 | 31% | 100% | | | | | | | |
| <i>Diagnosis & Treatment</i> | 110,000,000 | 15% | | Image Guided Therapy | | | | | not applicable | not applicable |
| <i>Connected Care</i> | 21,000,000 | 3% | | MMX Multi measurement module | Patient monitors | | | | not applicable | not applicable |
| <i>Personal Health</i> | 99,000,000 | 13% | | | Sonicare, OneBlade, sterilization box for soothers and breastfeeding accessories | Viva Café Eco, Optimized temperature pressurized steam generator | | | not applicable | not applicable |
| <i>Other</i> | 5,000,000 | 1% | 100% | | | | | | not applicable | not applicable |
| Circular Products and Solutions | 500,000,000 | 67% | 100% | | | | | | | |
| <i>Re-used components</i> | 284,000,000 | 38% | | | | Performer Ultimate vacuum cleaner | 2,052 | | 17,430 (Waste Electrical and Electronic Equipment, WEEE) | not applicable |
| <i>Re-used and recycled products and systems</i> | 65,000,000 | 9% | | | | The Philips Diamond Select program | | | | not applicable |
| <i>Circular business models</i> | 149,000,000 | 20% | | | | Lumify portable ultrasound service | | | | not applicable |
| <i>Recycled plastics purchased</i> | 2,000,000 | 2% | 100% | | | | | 1,904 | | not applicable |
| Sustainable Operations programs | 15,000,000 | 2% | | | | | | | | |
| <i>Carbon footprint reduction and energy efficiency improvements</i> | 14,000,000 | 2% | | | | | not applicable | not applicable | not applicable | 5,000 |
| <i>Water efficiency</i> | - | 0% | | | | | not applicable | not applicable | no allocation | |
| <i>Waste</i> | - | 0% | | | | | not applicable | not applicable | no allocation | |
| <i>Business travel reduction and online collaboration measures</i> | 1,000,000 | 0% | | | | | not applicable | not applicable | not applicable | 15,000 |
| Total | 750,000,000 | 100% | 100% | - | | | 2,052 | 1,904 | 17,430 | 20,000 |

a/ Signed/budgetted 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 Bond eligible

d/ Examples of projects

e/ Impact indicators

4. Sustainability at Philips

As a company striving for leadership in health technology, we at Philips believe that innovation can improve people's health and healthcare outcomes, as well as making care more accessible and affordable. It is Philips' goal to improve the lives of 3 billion people a year by 2030, including 400 million in underserved healthcare communities. Guided by our vision of making the world healthier and more sustainable through innovation, it is our strategy to lead with innovative solutions in key markets along the health continuum – helping our customers deliver on the Quadruple Aim (better health outcomes, a better experience for patients and staff, lower cost of care) and helping people take better care of their health at every stage of life.

This ambition demands an approach that addresses both the social and ecological dimensions, as reflected in Philips' commitment to UN Sustainable Development Goals (SDGs)¹ 3, 12 and 13 *Good Health and Well-Being, Responsible Consumption and Production* and *Climate Action* respectively).

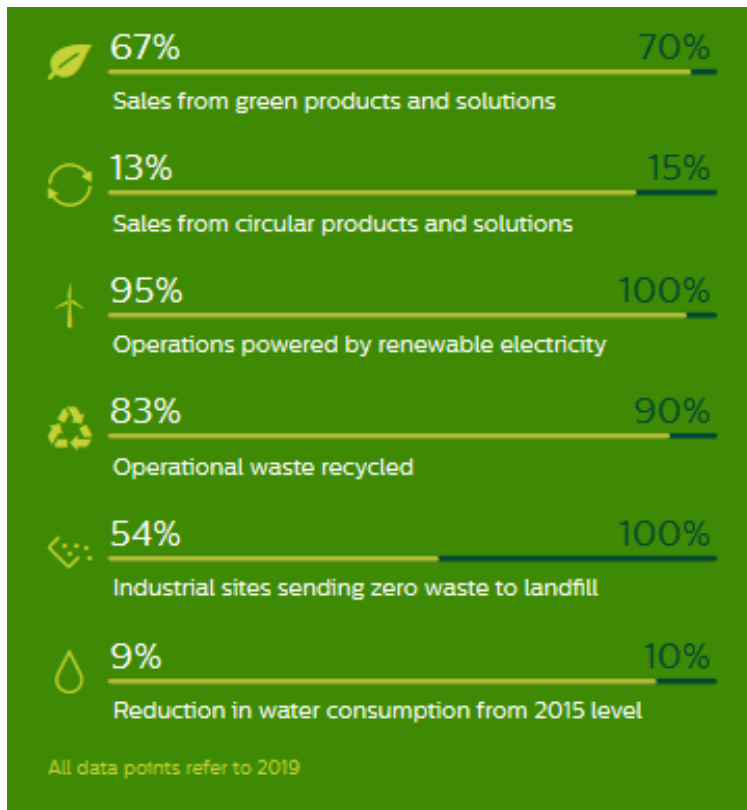
As a part of its strategy, Philips set company-wide sustainability targets for 2020 in three specific focus areas, namely Access to Care, Circular Economy and Climate Action:

- Improve 3 billion lives per year by 2030
- Improve the lives of 400 million people a year in underserved healthcare communities by 2030
- Generate 15% of sales from circular products and services by 2020
- Recycle 90% of operational waste and send zero waste to landfill 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
- Increase Green Revenues to 70% of sales by 2020
- Become carbon-neutral in our operations, using 100% renewable electricity, by 2020

Our 'Healthy people, Sustainable planet' program² embeds sustainability deeper in the way we do business, thus helping Philips to deliver on its commitments. The overview below provides insights into the progress made in 2019, as communicated in our Annual Report 2019, with regard to the SDG 12 and 13-related targets:

¹ <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

² Philips, "Healthy people, sustainable planet", (2016), at: <https://www.philips.com/a-w/about/sustainability/our-approach/ambition-2020.html>



Green Innovation Bond

Philips issued its inaugural Green Innovation Bond in 2019 as a means to finance its sustainability activities, underlining our commitment to advancing sustainability in all areas of the business. The Bond is structured in line with the ICMA Green Bond Principles and its eligible projects contribute to two EU Environmental Objectives: 'Climate change mitigation', and 'Transition to a circular economy, waste prevention and recycling'.

The Green Innovation Bond 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, as further described in the Framework, available on the [Philips website](#).

Philips has a strong track record in having its Annual Report on its financial, social and environmental performance audited against the highest (reasonable) assurance level by its independent auditor. With that overall reasonable assurance level, Philips is a frontrunner in its industry. Similarly, EY performed a reasonable assurance engagement on the Green Innovation Bond report over the year 2019. The report contains allocation and impact reporting on a portfolio level.

Green Innovation Bond – Allocation reporting

Philips' Treasury and Sustainability departments track the allocation of proceeds and report on the percentage of Green Innovation Bond proceeds allocated. They also specify the percentage of proceeds allocated to the Use of Proceeds categories and the percentage of proceeds allocated to refinance existing projects compared with the funding of new projects.

2019 EUR 750 million Green Innovation Bond: Percentage allocated 100%

Allocation to Green Innovation **EUR 235 million**

Allocation to the implementation of
Circular Products and Solutions
EUR 500 million

Allocation to Philips' Sustainable
Operations programs
EUR 15 million

Operating expenditures
10% of total allocation
(estimated)

Capital expenditures
90% of total allocation
(estimated)

New finance*: 75% of total allocation

Refinance*: 25% of total allocation

* after bond issuance in 2019

* before bond issuance in 2019

Impact of Proceeds

20 kilotonnes estimated CO₂ emissions avoided annually*.

of which:

2 kilotonnes
from renewable
energy

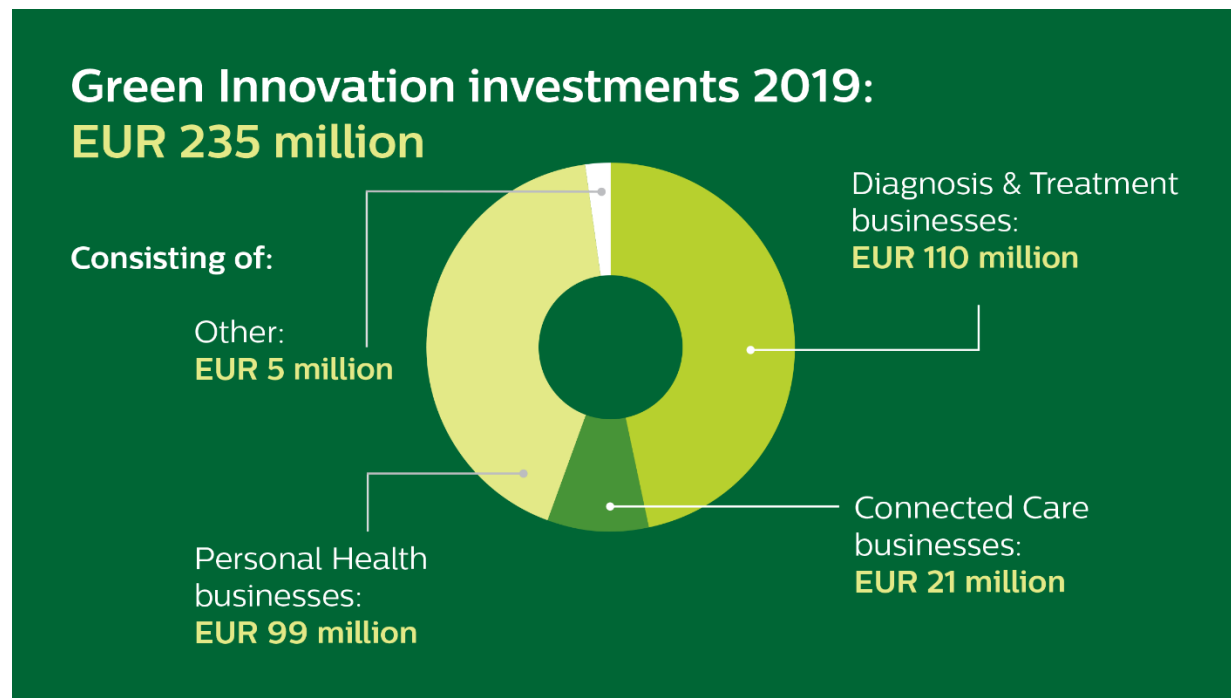
3 kilotonnes
from energy
efficiency measures in
manufacturing facilities

15 kilotonnes
from the online
collaboration
infrastructure

2,052 tonnes of goods as trade-in and return for resale as
refurbished products and for spare parts harvesting in 2019

1,904 tonnes recycled plastic used in 2019

* expected as of 2020; projects implemented during 2019



The impact of Green Innovation investments made in 2019 will only become visible in 2020 and beyond, as the resulting Green Products and Solutions come to the market, and future sales volumes are as yet unknown. Philips will report on (the reduction of) its environmental impact in future Annual Reports.

Diagnosis & Treatment businesses

Philips develops innovative diagnosis and treatment solutions that support precision diagnosis, treatment selection and effective, minimally invasive interventions and therapy, while respecting the boundaries of natural resources. Investments in Green Innovation in 2019 amounted to EUR 110 million. All Philips Green Focal Areas are taken into account as we aim to reduce environmental impact over the total lifecycle.

Energy efficiency is an area of focus, especially for our large imaging systems such as Magnetic Resonance Imaging (MRI). Particular attention is paid to enabling upgrading pathways, so our customers can benefit from enhancements in workflow, dose management and imaging quality with the equipment they already own. In addition, Philips actively partners with other leading care providers and participates in industry initiatives to reduce environmental healthcare impact. Furthermore, Philips aims to close the loop on all large medical equipment that becomes available to us by the end of 2020, and to extend circular practices to all medical equipment by 2025. To achieve this target, we will actively drive trade-ins in markets where de-install, trade-in and reverse logistics capabilities are in place, and build these capabilities in countries that do not yet have them.

Use of Proceeds examples:

In 2019, most Green Innovation investments in Diagnosis & Treatment were focused on the redesign of existing Green Products, mainly in image-guided therapy (Azurion), CT (IQon) and Ultrasound (Affinity and EPIQ), addressing all Green Focal Areas, but mainly energy efficiency. This resulted, for example, in:

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- Introduction of redesigned Spectral CT in the IQon CT system, with increased clinical information capabilities, while keeping the product weight and energy usage the same as in the predecessor system, which did not contain the Spectral CT capabilities.
- Hardware and software upgrades for the EPIQ and Affinity ultrasound product families, with increased functionality without changing the product weight and good energy performance.

Connected Care businesses

It is our belief that well-designed e-health solutions can help reduce the travel-related carbon footprint of healthcare, increase efficiency in hospitals, and improve access to care and outcomes. Investments in Green Innovation in 2019 amounted to EUR 21 million. Green Innovation projects delivered, among other things, new green patient monitors in 2019, with lower environmental footprints reflecting all the Philips Green Focal Areas. Energy efficiency and material reduction are the main areas of focus.

Use of Proceeds examples:

- New MMX multi-measurement module with lower energy usage thanks to the introduction of an ambient light sensor, improved power supply and optimization for battery use.
- The IntelliVue X3 and MX100 patient monitor platforms, which feature lower energy usage (18%) and reduced product and packaging weight (11% and 25% respectively) compared to their predecessor products.

Personal Health businesses

The Personal Health businesses continued their work on improving the energy efficiency of their products, closing the materials loop (e.g. by using recycled materials in products and packaging) and the voluntary phase-out of polyvinyl chloride (PVC), brominated flame retardants (BFR), Bisphenol A (BPA) and phthalates from, among others, food contact products. The continued high level of R&D investments at our Personal Health businesses is also reflected in the Green Innovation spend, which amounted to EUR 99 million in 2019.

Mother & Child Care introduced a re-usable sterilization box for soothers and breastfeeding accessories, eliminating the need for separate packaging. In our Oral Healthcare portfolio, we have been able to achieve a 40% average packaging reduction for the Sonicare ProtectiveClean products for US retail. In our Garment Care portfolio, we launched our first green optimal-temperature pressurized steam generator; this energy-efficient product contains recycled plastic and is free of PVC and BFR.

Use of Proceeds examples:

- The Viva Café Eco, Philips' first product to have all the visual plastic parts and non-food contact parts made from recycled materials. As a result, 75% of the product's plastic content is made from recycled plastics.
- For the OneBlade frame packs, Philips made the following changes:
 - We switched over from normal ABS to ABS containing at least 50% recycled material. This was done without compromising the consumer shelf and buying experience.
 - We changed the 25% recycled-content PET material to 50% recycled-content PET material for all OneBlade frame packs, except for Face & Body.
 - In total, this adds up to > 150 tonnes recycled-plastic packaging material put on the market for the OneBlade.

Other

The segment Other invested EUR 5 million in Green Innovation, spread over projects focused on global challenges relating to water, air, energy, food, circular economy, and access to affordable healthcare.

B. Expenditures related to the implementation of Circular Products and Solutions



Circular Products and Solutions 2019: EUR 500 million

Consisting of:

- Re-used components **EUR 284 million**
- Re-used and recycled products and systems **EUR 65 million**
- Circular business models **EUR 149 million**
- Recycled plastics purchased **EUR 2 million**

For a sustainable world, the transition from a linear to a circular economy is essential. A circular economy aims to decouple economic growth from the use of natural resources and ecosystems by using these resources more effectively. It is a driver of innovation in the areas of material, component and product re-use, as well as new business models such as system solutions and services. At Philips, we have set ambitious targets to guide this journey. By 2020, we want 15% of our revenues to come from circular products and services (2019 13%), and we want to send zero waste to landfill in our own operations. At the beginning of 2018, we added a pledge to take back and repurpose all the large medical systems equipment (e.g. MRI and CT scanners) that our customers are prepared to return to us, and to extend those practices across our professional portfolio by 2025.

Impact

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 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.

Trade-in and return for resale as refurbished products and for spare parts harvesting (Diagnosis & Treatment and Connected Care) for one loop in 2019: 2,052 tonnes

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 the 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 1,904 tonnes of recycled plastics in new products.

Use of Proceeds examples:

- Refurbishment and parts recovery offers our customers a choice of pre-owned systems that have been thoroughly refurbished, upgraded and quality-tested. The Philips Diamond Select program makes first-rate equipment available at lower cost, offering high-quality refurbished systems with a full Philips warranty. In this way, customers can benefit from state-of-the-art technology at a more affordable price.
- Performance- and access-based models which allow our customers to access products as a service. Our Lumify portable ultrasound service is a good example. Under this flexible subscription service, users can have access to transducers, an app and online ecosystem. The subscription service reduces upfront costs and improves patient access to innovative care.
- Recycled materials have become an integral part of the product design of our consumer products. For instance, our Performer Ultimate vacuum cleaner contains 36% recycled plastics (as a percentage of the total plastics content). And by co-creating with recycled materials organizations, we can use our expertise to further improve the quality of materials.

C. Expenditures under Philips' Sustainable Operations programs



Sustainable Operations 2019: EUR 15 million

Consisting of: Energy efficiency measures **EUR 14 million**
Business travel reduction and online collaboration
measures **EUR 1 million**

Our Sustainable Operations programs relate to improving the environmental performance of our manufacturing facilities and focus on most of the contributors to climate change, but also address water, recycling of waste and chemical substances.

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In 2015, Philips set ambitious green operations targets for 2020:

- **Carbon footprint reduction and energy efficiency improvements**
 - 100% carbon-neutral in operations by 2020
 - 100% electricity from renewable sources by 2020
- **Water efficiency**
 - 10% water usage reduction versus baseline year 2015 (978,500 m³) by 2020
- **Waste**
 - Recycle 90% of operational waste by 2020
 - Zero waste to landfill by 2020
- **Expenditures related to the online collaboration infrastructure**
 - 100% carbon-neutral in its operations by 2020

Philips' has set additional science-based CO₂ emission targets for the 2020–2040 period. These targets are an extension of the company's existing commitment to become carbon-neutral in its own operations (i.e. its industrial and non-industrial sites, business travel and logistics) by 2020, and go beyond Philips' own operations to cover a broader scope of the company's value chain. The aim is to reduce Philips total CO₂-equivalent (tCO₂e) emissions from its industrial and non-industrial sites by 75% by 2025, and 90% by 2040, compared to their 2015 levels, together with a commitment to reduce indirect greenhouse-gas emissions across its entire value chain by 4% by 2025, and 11% by 2040, compared to 2017.

Impact (2019)

The estimated annual impacts are 2 kilotonnes of CO₂ emissions avoided through various on-site renewables projects, 3 kilotonnes of CO₂ emissions avoided through multiple energy efficiency measures in industrial sites, and 15 kilotonnes of CO₂ emissions avoided through the implementation of over 110 Smart Meeting Rooms in the Philips locations most traveled to.

Use of Proceeds examples:

In 2019, Philips invested in various projects globally to reduce the environmental footprint of its operations; Philips will report on the reduction of its environmental impact in future Annual Reports. These projects are very diverse and include:

- Energy efficiency improvement projects in Asia, Europe and North America
- On-site energy generation in our industrial sites in the Netherlands (Drachten and Best) and India (Pune and Chennai)
- Projects to become 'natural gas-free' in the Netherlands
- Projects to reduce business travel through the installation of over 110 Smart Meeting Rooms
- Projects to reduce canteen waste through the installation of bio composters

As these projects were implemented during 2019, the full impact will only be visible in 2020. Furthermore, due to working-from-home and other measures related to the outbreak of the coronavirus, reductions in CO₂ emissions from business travel will only be visible later.

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 |
|--|---|--|
| Climate change mitigation | <ul style="list-style-type: none"> • Green Innovation • Philips’ Sustainable Operations programs | <ul style="list-style-type: none"> • Transition support: 20 kilotonnes estimated CO₂ emissions avoided* |
| Transition to a circular economy, waste prevention and recycling | <ul style="list-style-type: none"> • Green Innovation • Implementation of Circular Products and Solutions | <ul style="list-style-type: none"> • 2,052 tonnes of goods as trade-in and return for resale as refurbished products and for spare parts harvesting • 1,904 tonnes recycled plastic used |

* expected as of 2020; projects implemented during 2019

‘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 a 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 aims 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 annually. 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](#).

About this report

Reporting principles

The definitions and principles used in this Green Innovation Bond Report 2019 are disclosed in our Green and Sustainability Innovation Bond Framework. Furthermore, we refer to our Annual Report 2019 for definitions and scope of the Sustainability KPIs as disclosed in in this report.

CAPEX includes investments in Green Innovation, fixed assets and new business models (including finance of working capital related to re-used components and refurbished equipment).

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; 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 post-retirement 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 the Annual Report 2019.

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 Innovation Bond Report for the year 2019 of Koninklijke Philips N.V. (the Company) based in Eindhoven, the Netherlands.

In our opinion, the Green Innovation Bond Report 2019 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 “About this report” of the Green Innovation Bond Report 2019.

Basis for our opinion

We have performed our assurance engagement on the Green Innovation Bond Report 2019 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 Innovation Bond Report 2019 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 Innovation Bond Report 2019 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 Innovation Bond Report 2019 are the “Royal Philips Green and Sustainability Innovation Bond Framework” and the applied supplemental reporting criteria as disclosed in section ‘About this report’ of the Green Innovation Bond Report 2019.

The absence of an established practice on which to draw, to evaluate and measure Green Innovation Bond Report 2019 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 Innovation Bond Report 2019 and for the Green Innovation Bond Report 2019 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 Innovation Bond Report 2019 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 Innovation Bond Report 2019.

The references to external sources or websites in the Green Innovation Bond Report 2019, 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 Innovation Bond Report 2019

The Board of Management is responsible for the preparation of a reliable and adequate Green Innovation Bond Report 2019 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 Innovation Bond Report 2019 and the reporting policy are summarized in section “About this report” of the Green Innovation Bond Report 2019.

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 Innovation Bond Report 2019 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 Innovation Bond Report 2019

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 Innovation Bond Report 2019.

- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the Green Innovation Bond Report 2019. 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 Innovation Bond Report 2019, 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 Innovation Bond Report 2019 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 Innovation Bond Report 2019 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 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 Innovation Bond Report 2019
 - Obtaining assurance information that the Green Innovation Bond 2019 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 Innovation Bond Report 2019
 - Performing an analytical review of the data and trends in the information submitted for consolidation at corporate level
- Reconciling the relevant financial information with the financial administration.
 - Evaluating the overall presentation, structure and content of the Green Innovation Bond Report 2019.
 - Considering whether the Green Innovation Bond Report 2019 as a whole reflects the purpose of the reporting criteria used.

Amsterdam, May 18, 2020

Ernst & Young Accountants LLP

signed by J. Niewold