

Green and Sustainability Innovation Bond Report 2021

June 9, 2023



Table of contents

- Introduction 3
- 1. Allocation reporting 2021 (summary)..... 4
- 2. Impact reporting 2021 (summary)..... 5
- 3. Sustainability at Philips..... 6
- 4. Green and Sustainability Innovation Bonds 7
 - Sustainability Innovation Bond – Access to Essential Services: Healthcare 7
 - Green Innovation Bond – Eco-efficient and/or circular economy-adapted products, production technologies and processes..... 10
 - Alignment with EU Action Plan on Sustainable Finance..... 11
- 5. External assurance 12
- Other information..... 13
- Reasonable assurance report of the independent auditor on Koninklijke Philips’s Green and Sustainability Innovation Bond Report 14

Introduction

In this Green and Sustainability Innovation Bond Report 2021, Koninklijke Philips N.V. (Royal Philips) reports on the use of proceeds and impact valuation during the financial years 2019, 2020, and 2021 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, 2021, 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 Eligible Projects exceeded the net proceeds significantly.

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 over the years 2019, 2020 and 2021. The report contains allocation and impact reporting on a portfolio level.

1. Allocation reporting 2021 (summary)

Philips - Green and Sustainability Innovation Bond Allocation Reporting

Green and Sustainability Innovation Bonds (portfolio date December 2021) - Use of Proceeds for Eligible Projects				
Eligible Project Portfolio	Eligible Amount 2019 (EUR)	Eligible Amount 2020 (EUR)	Sustainability Funding	Amount (EUR)
Financially Sustainable Care		498,000,000	EUR 500,000,000 1.350% Notes due March 30 2025	500,000,000
Diagnosis & Treatment		307,000,000		
Connected Care		191,000,000		
Access to Care for Underserved Communities		2,000,000		
Green Innovation	213,000,000	22,000,000	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**	77,000,000	22,000,000		
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 Project Expenditures	728,000,000	522,000,000	Funding	1,250,000,000

* 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.

** EUR 22 million spend on Personal Health Green Innovation in 2020 has been allocated in 2021 as substitution of the previous allocated spend of the Domestic Appliance Business in 2019 (as a result of the disentanglement of the Domestic Appliance Business in 2021).

Percentage allocated		100%
Percentage new projects		100%
	<i>of which</i>	58% invested in 2019
		42% invested in 2020
Percentage capex		85%
Percentage opex		15%
ICMA GBP		60% 'Eco-efficient and/or circular economy-adapted products, production technologies and processes'
ICMA SBP		40% 'Access to essential services'

2. Impact reporting 2021 (summary)

A large part of the proceeds was invested in research and development (R&D) activities. While these advanced R&D activities have the potential to drive positive environmental and social outcomes, it is difficult to quantify the direct impacts of R&D related activities. Philips can however present several examples of recent developments and product launches in the eligible project categories listed in the table below.

Green and Sustainability Innovation Bond report aligned with the ICMA handbook for Harmonized Framework for Impact Reporting
[Link to template \(see chapter VI\)](#)

Sustainability Innovation Bond (2020)				Examples of innovation products in Philips' six Green Focal Areas						Product impact indicators			Operational impact indicators			Social impact indicators	
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 ₂ emission reduction, scope 3 (tons)	Waste collection and recycling (tons)	Water	CO ₂ 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%														
<i>Diagnosis & Treatment</i>	307,000,000	61.4%		Image Guided Therapy	CT Incisive	Dose management	Zenition					New products, total impact not measurable yet				6,470,000	
<i>Connected Care</i>	191,000,000	38.2%		VS30 and MX850 patient monitors, EV300 and EVO ventilators								New products, total impact not measurable yet				39,440,000	
Access to Care for Underserved Communities	2,000,000	0.4%	100%					Mobile ICUs in India									1,160,000
Total Portfolio	500,000,000	100%	100%							-	-	-	-	-	-	45,910,000	1,160,000
Green Innovation Bond (2019)				Examples of innovation products in Philips' six Green Focal Areas						Product impact indicators			Operational impact indicators			Social impact indicators	
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 ₂ emission reduction, scope 3 (tons)	Waste collection and recycling (tons)	Water	CO ₂ 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								New products, total impact not measurable yet					
<i>Connected Care</i>	21,000,000	3%		MMX Multi measurement module	Patient monitors							New products, total impact not measurable yet					
<i>Personal Health (2019)**</i>	77,000,000	10%			Sonicare, OneBlade, sterilization box for soothers and breastfeeding accessories							New products, total impact not measurable yet					
<i>Personal Health (2020)**</i>	22,000,000	3%															
<i>Other</i>	5,000,000	1%															
Circular Products and Solutions	500,000,000	67%	100%														
<i>Re-used components</i>	284,000,000	38%								1,967							
<i>Re-used and recycled products and systems</i>	65,000,000	9%						The Philips Diamond Select program Lumify portable ultrasound service Performer Ultimate vacuum cleaner			1,930		17,430 (Waste Electrical and Electronic Equipment, WEEE)				
<i>Circular business models</i>	149,000,000	20%															
<i>Recycled plastics purchased</i>	2,000,000	0%															
Sustainable Operations programs	15,000,000	2%	100%														
<i>Carbon footprint reduction and energy efficiency improvements</i>	14,000,000	2%													5,000		
<i>Water efficiency</i>	-	0%															
<i>Waste</i>	-	0%															
<i>Business travel reduction and online collaboration measures</i>	1,000,000	0%													15,000		
Total Portfolio	750,000,000	100%	100%							1,967	1,930	-	17,430		20,000		

* The majority of the proceeds was invested in research and development (R&D) activities. While these advanced R&D activities have the potential to drive positive environmental and social outcomes, it is difficult to quantify the direct impacts of R&D related activities. Philips can however present several examples of recent developments and product launches in the eligible project categories listed in the table below.
 ** EUR 22 million spend on Personal Health Green Innovation in 2020 has been allocated in 2021 as substitution of the previous allocated spend of the Domestic Appliance Business in 2019 (as a result of the disentanglement of the Domestic Appliance Business in 2021).
 a/ Signed/budgetted amount committed by the issuer for the portfolio or portfolio components eligible for Sustainability Innovation Bond or Green Innovation Bond financing
 b/ This is the share of the total portfolio per category
 c/ This is the percentage that is Sustainability Bond or Green Innovation Bond eligible
 d/ Examples of projects
 e/ Impact indicators

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 Goals¹ 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 ESG targets for 2025 and the overview below provides insights into the progress made in 2021 towards the SDG 12 and 13-related targets:



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

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

The impact of Sustainability Innovation investments made in 2020, but resulting in impact in 2021, for example as new products have been launched, have been included in Section 2. Impact Reporting. Additional impact will become visible in years to come, as the resulting products and solutions come to the market; future sales volumes are as yet unknown.

Diagnosis & Treatment

Philips develops innovative diagnosis and treatment solutions that support precision diagnosis and effective, minimally invasive interventions and therapy, while respecting the limits of natural resources. Investments in Green Innovation in 2021 amounted to EUR 96 million, compared to EUR 122 million in 2020.

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 MRI.

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

Philips' connected health IT solutions integrate, collect, combine and deliver quality data for actionable insights to help improve access to quality care, while respecting the limits of natural resources. It is our belief that well-designed e-health solutions can reduce the travel related carbon footprint of healthcare, increase efficiency in hospitals, and improve access to care and outcomes. This has also become apparent during the COVID-19 crisis. Green/EcoDesigned Innovation investments in 2021 amounted to EUR 32 million, compared to EUR 51 million in 2020. Green Innovation projects in 2021 will deliver the coming years, among other things, new EcoDesigned patient monitors with lower environmental footprints, reflecting all the Philips EcoDesign/Green Focal Areas. Energy efficiency, material reduction and closing the loop activities are the main areas of focus.

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.

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- The introduction of several dedicated telehealth solutions to help relieve the tremendous pressure placed on scarce resources related to the 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

As a global health technology leader, Philips attaches paramount 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 example:

- 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 originally 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. EUR 22 million spend on Personal Health Green Innovation in 2020 has been allocated in 2021 as substitution of the previous allocated spend of the Domestic Appliance Business in 2019 (as a result of the disentanglement of the Domestic Appliance Business in 2021). 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 performance in 2021

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 73% in 2020, and 71% in 2021. At the same time, 15% of our revenues were generated from circular products and services in 2020 and 16% in 2021.

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) amounted to 1,711 tonnes in 2021.

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:

- 800 tonnes (estimated) from Diagnosis & Treatment and Connected Care field returns, following WEEE category 8 classification
- 5,000 tonnes (estimated) from Personal Health (following WEEE category 2 classification)

In our operations, we avoided an estimated 2 kilotonnes of CO₂ emissions through various on-site renewables projects, 3 kilotonnes of CO₂ emissions through multiple energy efficiency measures in industrial sites, and 15 kilotonnes of CO₂ 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
Climate change mitigation	<ul style="list-style-type: none"> 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"> 1,711 tonnes of goods as trade-in and return for resale as refurbished products and for spare parts harvesting Closed the loop on more than 3,000 systems

‘Do no significant harm’ principles

Philips takes the broad definition of sustainability into account in 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. 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 has a 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 and Sustainability Innovation Bond Reports over the years 2019, 2020 and 2021. The report contains allocation and impact reporting on a portfolio level.

Other information

Definitions

Unless otherwise defined in this Green and Sustainability Innovation Bond Report 2021, 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 2021 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: Philips' ability to gain leadership in health informatics in response to developments in the health technology industry; Philips' ability to transform its business model to health technology solutions and services; macroeconomic and geopolitical changes; integration of acquisitions and their delivery on business plans and value creation expectations; securing and maintaining Philips' intellectual property rights, and unauthorized use of third-party intellectual property rights; ability to meet expectations with respect to ESG-related matters; failure of products and services to meet quality or security standards, adversely affecting patient safety and customer operations; breach of cybersecurity; challenges in connection with Philips' strategy to improve execution and other business performance initiatives; the resilience of our supply chain; attracting and retaining personnel; COVID-19 and other pandemics; challenges to drive operational excellence and speed in bringing innovations to market; compliance with regulations and standards including quality, product safety and (cyber) security; compliance with business conduct rules and regulations including privacy and upcoming ESG disclosure and due diligence requirements; treasury and financing risks; tax risks; reliability of internal controls, financial reporting and management process; global inflation.

As a result, Philips' actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see also the Risk management chapter included in Philips' Annual Report 2021.

Reasonable assurance report of the independent auditor on Koninklijke Philips's Green and Sustainability Innovation Bond Report

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 2021 of Koninklijke Philips N.V. (the Company) at Eindhoven, the Netherlands.

In our opinion, the Green and Sustainability Innovation Bond Report is prepared, in all material respects, in accordance with the reporting criteria as included in the "Reporting criteria" section of our report.

Basis for our opinion

We have performed our reasonable assurance engagement on the Green and Sustainability Innovation Bond Report 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 "Our responsibilities for the assurance engagement on the Green and Sustainability Innovation Bond Report" section of our report.

We are independent of Koninklijke Philips N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence). 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 that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting criteria

The reporting criteria used for the preparation of the Green and Sustainability Innovation Bond Report are the reporting criteria developed by Koninklijke Philips N.V. and are disclosed in "Royal Philips Green and Sustainability Innovation Bond Framework" version 24 April 2019 as available on <https://www.philips.com/a-w/about/investor-relations/debt.html> and the applied supplemental reporting criteria as disclosed in the section "Other information" of the Green and Sustainability Innovation Bond Report.

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

Consequently, the Green and Sustainability Innovation Bond Report needs to be read and understood together with the reporting criteria used.

Materiality

Based on our professional judgement we determined materiality levels for each relevant part of the Green and Sustainability Innovation Bond Report and for the Green and Sustainability Innovation Bond Report 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 includes prospective information such as ambitions, strategy, plans, expectations and estimates. Inherent to this prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Green and Sustainability Innovation Bond Report.

The references to external sources or websites are not part of our assurance engagement on the Green and Sustainability Innovation Bond Report. We therefore do not provide assurance on this information.

Our opinion is not modified in respect to these matters.

Responsibilities of the board of management and the supervisory board for the Green and Sustainability Innovation Bond Report

The board of management is responsible for the preparation of a reliable and adequate Green and Sustainability Innovation Bond Report in accordance with the reporting criteria as included in the "Reporting criteria" section of our report. The board of management is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting. In this context, the board of management is responsible for the identification of the intended users and the criteria being applicable for their purposes. The choices made by the board of management regarding the scope of the Green and Sustainability Innovation Bond Report and the reporting policy are summarized in section "Other information" of the Green and Sustainability Innovation Bond Report.

Furthermore, the board of management is responsible for such internal control as it determines is necessary to enable the preparation of the Green and Sustainability Innovation Bond Report that is free from material misstatement, whether due to error or fraud.

The supervisory board is responsible for overseeing the reporting process of the Green and Sustainability Innovation Bond Report of Koninklijke Philips N.V.

Our responsibilities for the assurance engagement on the Green and Sustainability Innovation Bond Report

Our responsibility is to plan and perform our 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 have detected all material errors and fraud during our assurance engagement.

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.

The procedures of our reasonable assurance engagement included among others:

- Performing an analysis of the external environment and obtaining an understanding of the sector, insight into relevant sustainability themes and issues and the characteristics of the company as far as relevant to the Green and Sustainability Innovation Bond Report
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures on the Green and Sustainability Innovation Bond Report. This includes the evaluation of the reasonableness of estimates made by the management board
- Obtaining an understanding of the systems and processes for collecting, reporting and consolidating the information in the Green and Sustainability Innovation Bond Report, 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 is misleading or unbalanced, or contains material misstatements, whether due to error or fraud. 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 Green and Sustainability Innovation Bond Report 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 strategy, policy and results relating to the Green and Sustainability Innovation Bond Report
 - 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
 - Obtaining assurance information that the Green and Sustainability Innovation Bond Report reconciles with underlying records of the company
 - Evaluating relevant internal and external documentation, on a test basis, to determine the reliability of the Green and Sustainability Innovation Bond Report
 - 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 related financial statements
- Evaluating the overall presentation and content of the Green and Sustainability Innovation Bond Report
- Considering whether the Green and Sustainability Innovation Bond Report as a whole reflects the purpose of the reporting criteria used

Amsterdam, June 9, 2023

Ernst & Young Accountants LLP

J. Niewold