

Environmental Policy

January 2024

1. Objectives and scope of this policy

Philips has a clearly defined purpose, to improve people's health and well-being through meaningful innovation, and has adopted a fully integrated approach to doing business responsibly and sustainably. Our framework comprises a comprehensive set of key commitments across all the Environmental, Social and Governance (ESG) dimensions that guide execution of the company's strategy. It includes ambitious targets and detailed plans of action.

Philips is committed to protecting the environment, across its own operations and its value chain. Our environmental responsibility strategy focuses on material topics driving climate action (UN SDG 13), such as the sustainable use of energy, reducing emissions, and operating carbon-neutral. We do this by increasing energy efficiency, with a specific focus on the use-phase of our products, and expanding renewable energy sourcing. We also remain focused on the sustainable use of materials (UN SDG 12), driving the transition to a circular economy – with circular business models, takeback, refurbishment, recycling, and waste reduction – and restoring/enhancing ecosystems and biodiversity at Philips' manufacturing sites and in our supply chain.

The objectives of this policy, and the programs, actions, targets, and metrics associated with it, are to optimize the environmental strategy and performance of Philips and to support the transition towards a low-carbon, nature positive and circular economy. The key programs that we have implemented to pursue these objectives are described in section 2 below. Please also refer to the Appendix for an overview of our key programs and the underlying enabling programs. All our targets have been set in consultation with stakeholders, such as Philips' businesses, (ESG) investors, non-governmental organizations and academia.

This policy directly applies to the activities of the Philips group, including all of its businesses, regions, and functions. The ambitions of certain of our Environmental commitments and goals extend to other parts of our value chain, affecting our business partners, suppliers and customers. Correspondingly this policy refers to our scope 1, 2 and relevant scope 3 emission categories. We do all that is reasonable and practicable actively partner with our suppliers and our customers to achieve our environmental commitments and goals, while acknowledging and weighing the economical and practical constraints and other external factors that may limit our ability to control environmental impacts beyond our own operations.

2. Our key environmental programs

Philips' ESG Commitments, related to the Environment, are guiding our key programs that we implemented to minimize the impact of our operations, products and services on the planet. We are taking climate action, driving the transition towards a circular economy (implementing EcoDesign in our products), and partnering with suppliers to reduce their own environmental footprint.

Our Environmental goals are balanced against the constraint of technological feasibility and cost and risk concerning quality and safety. The resulting opportunities related to this policy include reducing our environmental footprint, as well as supporting our customers and supply chain partners in their decarbonization and dematerialization journey while also restoring biodiversity. The potential risks include not meeting the demands of our customers in the future and not complying with current and future standards and regulations.

2.1 Climate Action

Through our Climate Action program, we aim to reduce our value-chain emissions, including emissions from our operations, supply chain and customers. We have set emission-reduction targets that have been assessed and approved by the Science Based Targets (SBT) initiative – thereby contributing to the decarbonization required to limit global warming to 1.5 °C [above pre-industry levels], in accordance with the Paris Agreement. In case data quality improvements result in an emission deviation of more than 5% compared to our baseline emissions, Philips intends to restate the baseline.

To that end, our Climate Action program drives action by:

- Minimizing our operational carbon footprint as part of our climate change mitigation journey.
- Phasing out fossil fuels, investing in energy efficiency measures and sourcing renewable energy as part of our climate change mitigation journey.
- Building climate resilience as part of our climate change adaptation journey. This is further discussed in our annual climate resilience report (formerly called the Task Force on Climate-Related Financial Disclosures or TCFD report).
- Decarbonizing our value chain both upstream and downstream as part of our climate change mitigation journey. This includes increasing energy efficiency and reducing the material footprint of our product base.

The above actions help limit the risks and exploit the opportunities related to climate change mitigation and adaptation. For further details on the identification, assessment, management and/or remediation of our material climate change mitigation and adaptation impacts, risks and opportunities please refer to our annual climate resilience report (formerly called TCFD report, <https://www.philips.com/a-w/about/environmental-social-governance/downloads.html>).

2.2 Circular Economy

With our Circular Economy program, we aim to minimize the use of virgin materials to drive the transition from a linear to a circular economy through EcoDesign. We apply Philips' circularity principles 'use less, use longer, and use again' on our own operations, products and services, and we partner with suppliers and customers to pursue these principles across the value chain. In all our efforts related to Circular Economy, we are guided by the '9 R's': Refuse, Rethink, Reduce, Reuse, Repair, Refurbish, Remanufacture, Repurpose, and Recycle.

To that end, our Circular Economy program drives action by:

- Increasing circular design of software and hardware to reduce the use of (virgin) materials, including limiting the use of critical raw materials, increasing the use of secondary reused, renewable, and recycled content in materials, and limiting the content of hazardous substances.

- Dematerializing through digital transformation such as virtual care and shift towards cloud.
- Ensuring circular manufacturing and supply to increase circular practices at our sites and responsible waste management according to the waste hierarchy.
- Providing circular in-use management to retain and enhance value of materials, for example through optimizing use and extending product lifetime.
- Ensuring circular end-of-use management to responsibly recirculate products and parts at the end of their use.

2.3 Natural Capital

Philips recognizes the importance of healthy ecosystems and biodiversity for our company, our employees, and society. Through our Natural Capital Program, we aim to protect biodiversity and actively promote ecosystem restoration through partnerships.

To that end, our Natural Capital program drives action by:

- Enhancing Biodiversity and Ecosystem Services (BES) at our sites.
- Phasing out and replacing the use of hazardous substances at our industrial sites.
- Tracking and reducing our water consumption.

3. Measurement, governance, embedding and external reporting

We measure and monitor our environmental performance and report on such performance in our Annual Report in accordance with applicable sustainability reporting rules and standards (including those under the Corporate Sustainability Reporting Directive). These environmental-related disclosures are audited by our external auditor. We also disclose climate-related financial risks and opportunities through our annual climate resilience report (previously called TCFD report) in line with the recommendations from the International Sustainability Standards Board (ISSB).

This policy incorporates input that we received from our internal and external stakeholders, and we will use our environmental performance as further input for our dialogues with them. Following global trends, stakeholder input and company strategy, we are continuously working to develop our ESG strategy, commitments, programs, and value propositions. As an outcome of that process, this policy will be regularly reviewed and may be updated.

The policy is available to all external and internal stakeholders via the Philips website.

Appendix A

Program structure

