

2024 Publication of the
Taskforce on Nature-related
Financial Disclosures (TNFD)

Sustainability

Executive summary

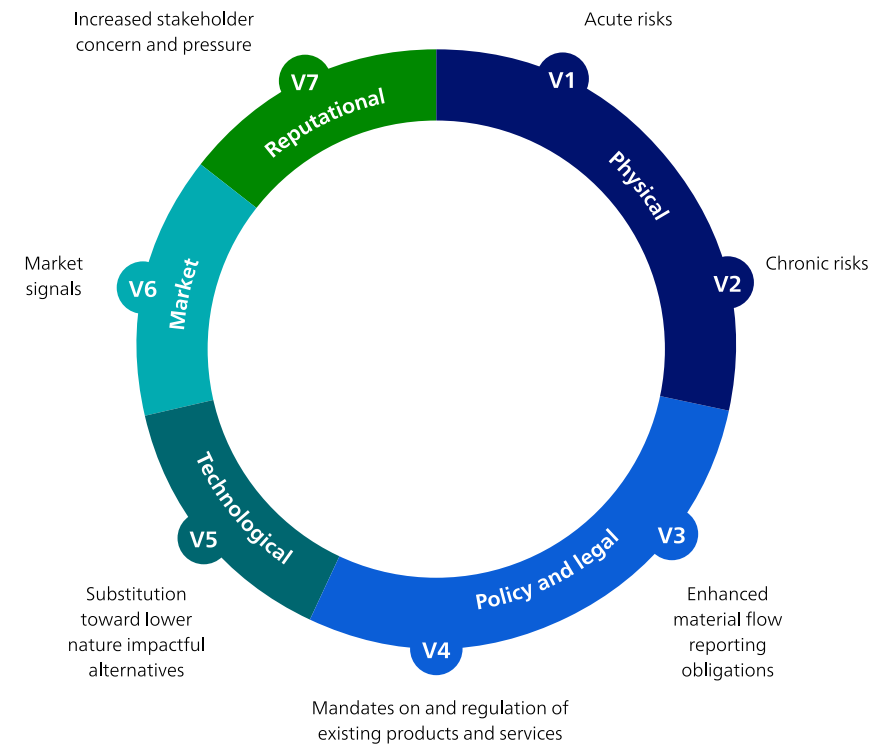
Philips recognizes the importance of identifying, assessing, and mitigating nature-related risks and opportunities to ensure business continuity and resilience. This marks our second voluntary annual report of the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations, offering information for investors, lenders, insurance underwriters, and other stakeholders.

Philips acknowledges that, as stated by the Taskforce, 'nature is a core and strategic risk management issue alongside climate change.' As a purpose-driven company with an enhanced and integrated approach to responsible and sustainable business practices, our ambition is to decouple economic growth from the environmental impact. The TNFD recommendations are organized into four thematic areas reflecting core elements of how Philips operates: governance, strategy, risk management, and metrics and targets.

In preparing this report, we applied the Locate, Evaluate, Assess, and Prepare (LEAP) approach, as outlined by the TNFD recommendations, and elaborated on Philips' physical and transition risk management processes. Our 2024 TNFD report delves into seven nature-related events, covering physical, policy and legal, technology, market, and reputation risks, along with their respective opportunities.

This summary may not encompass all nature-related risks and opportunities impacting Philips. While not exhaustive, it is a selection based on data analysis, desk research, expert views, and interviews. Also, risks not currently known to Philips, or considered immaterial based on current information, could potentially have a significant impact on Philips' businesses, objectives, revenues, income, assets, liquidity, or capital resources.

Philips Group
Nature-related hazards and transition events



Introduction

Philips aims to act responsibly toward our planet in line with UN Sustainable Development Goals (SDG) 12 and 13. We recognize the importance of healthy ecosystems and biodiversity for our company, our employees, and society, even though we have not identified this as a material topic through our Double Materiality Assessment (under the European Corporate Sustainability Reporting Directive). The global loss of biodiversity and natural habitats can directly impacts the ability of businesses like Philips to deliver on their functions, as well as to sustainability of their business model and supply chain. Mitigating impacts on nature generally plays a critical role in upholding human well-being and economic prosperity.

With biodiversity declining and 6 out of 9 planetary boundaries exceeded, addressing biodiversity and ecosystem services loss, along with building a nature-resilient value chain, is crucial for Philips. This report delves into our impact and dependencies on nature and the related opportunities and exposure to physical and transition risks, detailing the expected impacts and outlining mitigation and adaptation actions that have been or will be implemented in the future.

We conducted an assessment using the Locate, Evaluate, Assess, and Prepare (LEAP) approach developed by the Taskforce on Nature-related Financial Disclosures (TNFD). The LEAP framework, encompassing four phases, guided Philips' internal multi-disciplinary team, consisting of members of Philips Group Sustainability, Environmental, Health and Safety, and local Business Continuity teams, ensuring that our assessment process comprehensively addresses nature-related risks and opportunities in accordance with TNFD's recommended disclosures, including those related to ESRs E5 Circular Economy and Resource Use.

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Locate, Evaluate, Assess, and Prepare (LEAP) approach

Phase	Definition ¹
Locate	Locate Philips' interface with nature.
Evaluate	Evaluate Philips' dependencies and impacts on nature.
Assess	Assess Philips' nature-related risks and opportunities.
Prepare	Prepare to respond to, and report on, material nature-related issues, aligned with the TNFD's recommended disclosures.

Physical risks includes Philips' manufacturing sites across the short-, medium-, and long-term. All transition risks are assessed on a global scale, considering both upstream and downstream activities that might have a direct impact on Philips' operations.

Critical assumptions

As our nature-related risk assessment is based on forecasting, this report is dependent on several key assumptions. Assumptions that apply to the entire report are further elaborated in this section, while those assumptions that are specific to either physical or transition risks/opportunities are explored in the designated chapter.

For the nature-related risk assessment, we employ three distinct time horizons. These time frames are agreed in the Kunming-Montreal Global Biodiversity Framework (GBF) for 'halting and reversing nature loss' and 'living in harmony with nature'. In defining these time frames, the short-term encompasses impacts and actions expected within the next two to three years, the medium-term spans the five- to 10-year horizon, and the long-term extends to the 10- to 25-year timeframe. While these periods are not directly tied to the expected lifetimes of our assets or the strategic planning and capital allocation plans, they are selected in consultation with other departments to ensure business continuity. Assessing the exposure of our current portfolio in the long term is crucial for integrating nature-related resilience into strategic planning and capital allocation decisions.

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Time horizons and corresponding target years of TNFD 2024

Time horizon	Target year
Short-term	2025
Medium-term	2030
Long-term	2050

The methodology includes an analysis of exploratory scenarios – using the geospatial coordinates of our sites and partially using country/region estimates – to examine the extent of resource use and its impact on degradation of ecosystem services. Philips aims to progressively extend the scope of upstream dependencies and impacts in the coming years.

To apply the LEAP approach, Philips used multiple available tools as an external risk insurance tool (Munich Re), the Ecosystem Intelligence tools (EcoMetrix), open-source data platform (ENCORE, World Resources Institute Aqueduct, GLOBIO, WWF Biodiversity Risk Filter, Integrated Biodiversity Assessment Tool), internal databases and IT tools including Philips' EP&L. Philips' EP&L uses the internationally recognized ReCiPe 2016 v1.03, midpoint (H) methodology, in combination with environmental pricing as provided by CE Delft, which uses the ReCiPe methodology to assess environmental impacts, converting them into financial terms. For more details, please review [Philips' EP&L methodology](#).

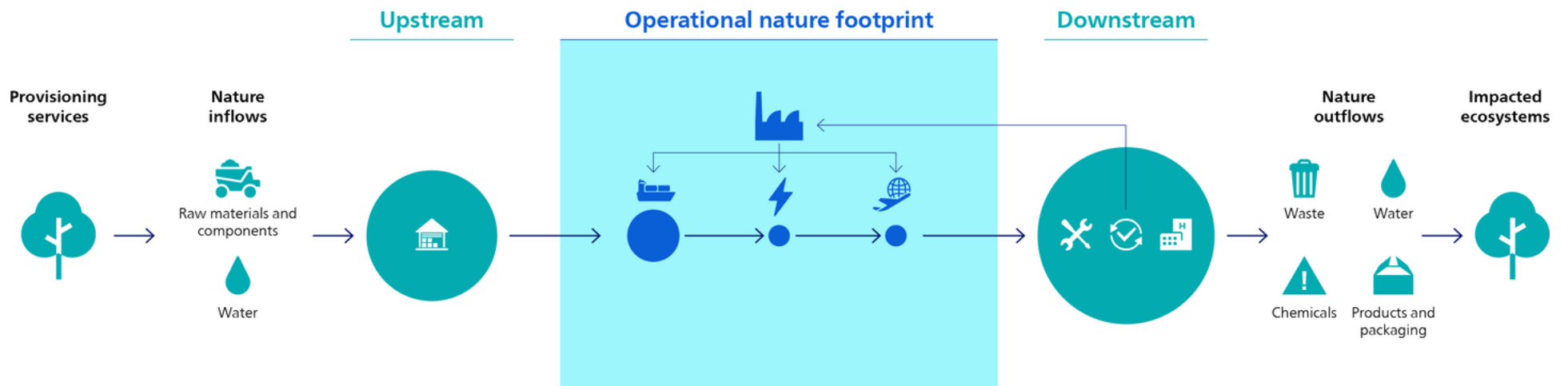
¹ Definitions are based on [the Taskforce on Nature-related Financial Disclosures \(tnfd.global\)](#)

The scope

The scope of the nature-related risks assessment is applicable to Philips' Image Guided Therapy, Monitoring, Precision Diagnosis, Personal Health and Sleep & Respiratory care businesses with manufacturing operations in North America, Europe, Greater China and International Region. To gain a better understanding of the nature-related inflows and outflows of our value chain, please refer to the following figure.

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Philips value chain with the in- and outflows eventually impacting ecosystems



Bubbles represent the relative climate impact of each section of the value chain measured in tonnes CO₂-equivalent

Governance

Nature-related risks and opportunities

Please refer to chapter 4 (Environmental, Social, and Governance) for an overview of our current key ESG commitments. Through these commitments and the underlying ESG programs, metrics road maps, goals and targets we specify and operationalize the ambitions in our 2020-2025 ESG plan. The Board of Management, including the Chief ESG & Legal Officer, is responsible for the design and management of our 2020-2025 ESG plan and typically convenes the Group Sustainability team and (where relevant) Business, Region or Function leaders four times per year on ESG matters. During this meetings, the Board of Management defines Philips' ESG strategy, commitments, programs, action plans and policies, as well as oversees major transactions, monitors progress on ESG priorities, and takes corrective action where needed.

Embedding nature-related targets

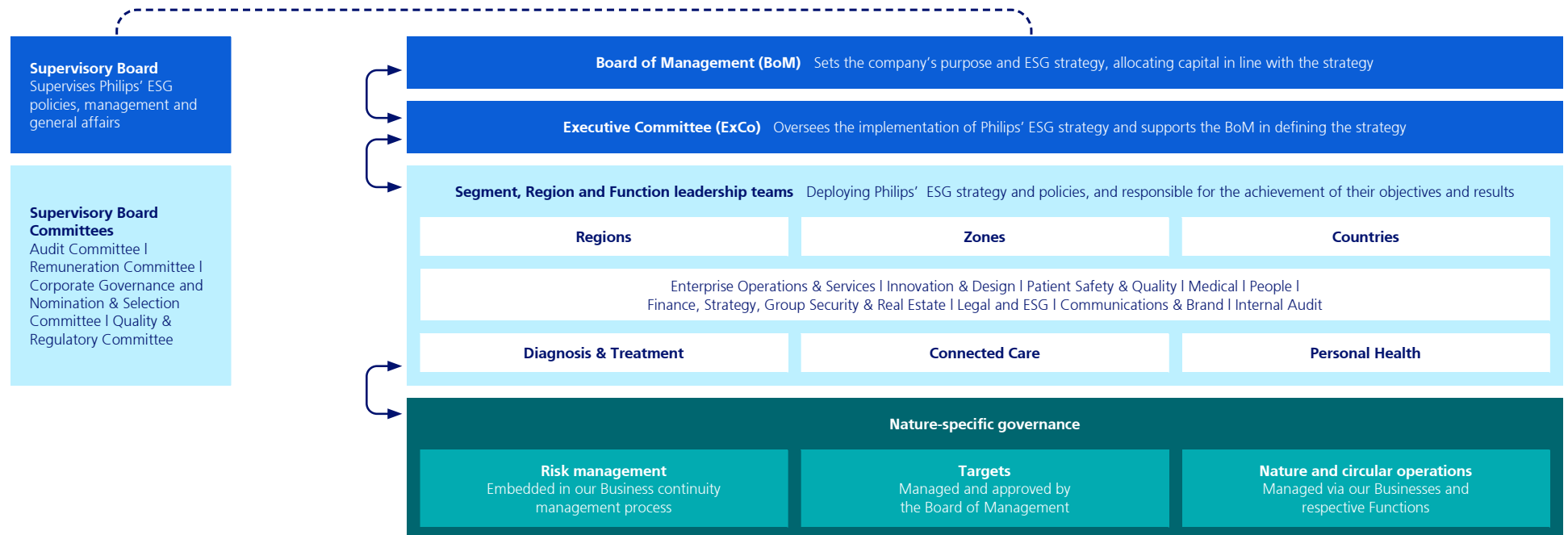
Nature-related commitments are managed through our ESG Index. With the index we are able to measure, monitor and communicate our progress against set targets. This ensures we provide greater clarity and transparency regarding our ESG performance internally, thereby creating accountability and ownership. Performance via the ESG Index is also directly linked to remuneration, as further explained in the Annual Report.

Human rights

Philips believes that companies have both the responsibility to respect human rights and the ability to protect them. Philips' Human Rights Policy, General Business Principles, Supplier Sustainability Declaration and other relevant policies detail how Philips respects human rights, in line with the International Bill of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. For more information related to Human Rights, please review our [Human Rights Report](#).

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Philips' climate change governance



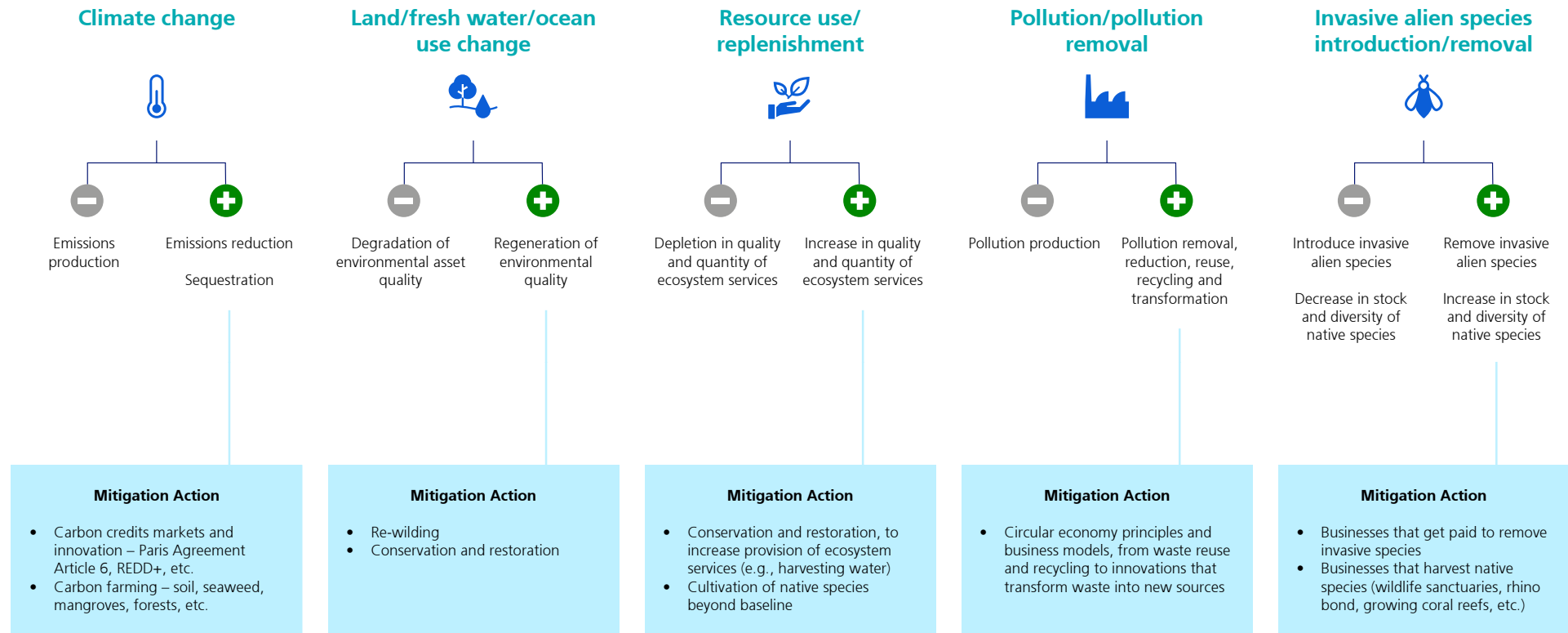
Strategy

Analysis of dependencies and impacts, and evaluation of risks and opportunities in line with the LEAP approach

In this chapter we explore the results for the Locate phase. This includes a list of assessment locations of our industrial sites where we have direct operations. In addition, after the Evaluate phase we defined and analyzed relevant dependencies on ecosystem services and impact drivers.

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Drivers of nature change - reflecting both negative and positive impacts (Recommendations of the Taskforce on Nature-related Financial Disclosures, September 2023, page 63)

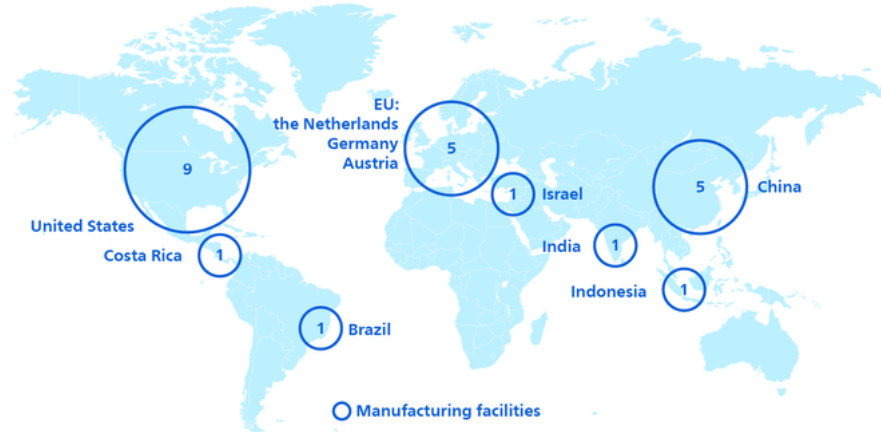


Locate

As part of the first step of the LEAP approach we locate all our manufacturing sites using the Ecosystem Intelligence tools (EcoMetrix). The tool models the production and flow of ecosystem services.

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Philips manufacturing sites



The nature-related analysis is highly localized; therefore, it is important to understand the impact of our sites on their local communities and ecosystems. The Ecosystem Intelligence tools allow us to measure the ecosystem services of a manufacturing site area, and to identify our land use and potential nature-related issues in the local environment. As an example, in one of our sites in the Netherlands we identified dependencies on water consumption, potential impacts on key biodiversity areas, and potential impacts on the local communities affected by our operations (see case study on the right).

As a result of this step, we assessed Philips' sites interplay with nature and identified nature-related dependencies, impacts, risks and opportunities for each site, as explained in the following step, Evaluate.

Case study

Philips Campus Best site analysis

Ecosystem

- Biome: temperate broadleaf and mixed forest
- Original landscape: heathland
- Total area size: more than 40 hectares
- 55% green (forest, bioswale, landscaped areas, grassland)
- 45% gray (buildings, roads)
- 0.1% blue (pond)

Best has been including nature in its site successfully for over a decade and gradually increased green spaces by adding green roofs, turning vacant land into biodiverse recreational nature gardens, and planting trees.

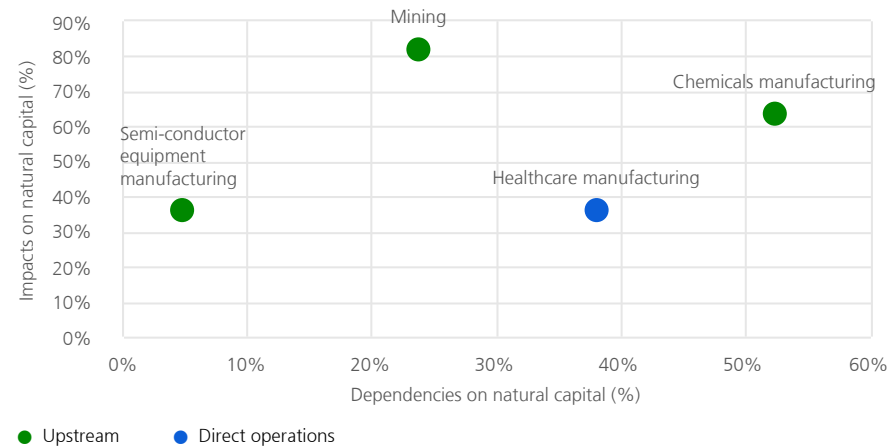


Evaluate

To have an initial high-level overview, we use the ENCORE tool to identify dependencies and impacts on nature for the healthcare sector and the suggested upstream activities proposed by the tool.

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Dependencies and impacts for healthcare manufacturing sector and proposed upstream activities, according to ENCORE



The chosen upstream value chain includes the mining industry, semi-conductor manufacturing, and chemicals manufacturing. The chemicals manufacturing industry has the highest dependency on natural capital, while the mining industry has the greatest impact. The healthcare sector ranks second in dependency on natural capital and third in impact. The results indicate that the healthcare sector is potentially dependent on eight ecosystem services and may contribute to four impact drivers with a high materiality rating. This information will be used to further analyze the impacts, dependencies, risks, and opportunities related to Philips. The detailed results are presented in the following tables.

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Dependencies for healthcare sector, according to ENCORE

	Very low	Low	Medium	High
Materials				●
Surface water				●
Water flow maintenance			●	
Ground water			●	
Water quality		●		
Mass stabilization and erosion control		●		
Filtration	●			
Bio-remediation	●			

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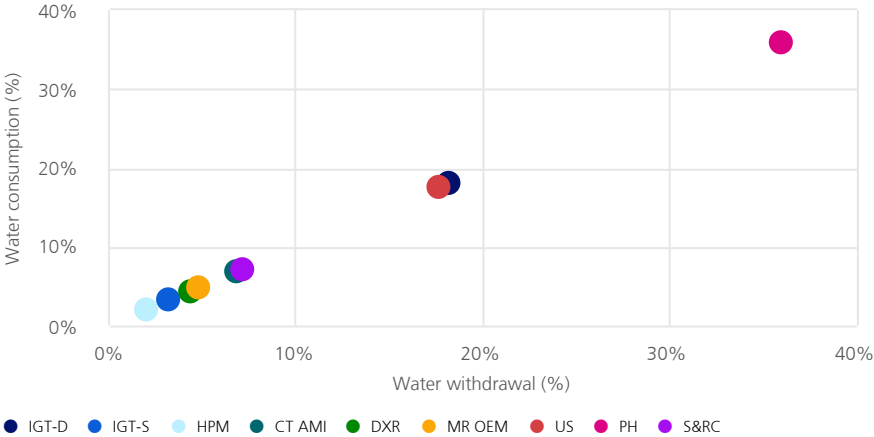
Material potential impacts for healthcare sector, according to ENCORE

	Low	Medium	High
Water use			●
Water pollutants			●
Solid waste			●
Soil pollutants			●
Non-greenhouse-gas air pollutants		●	

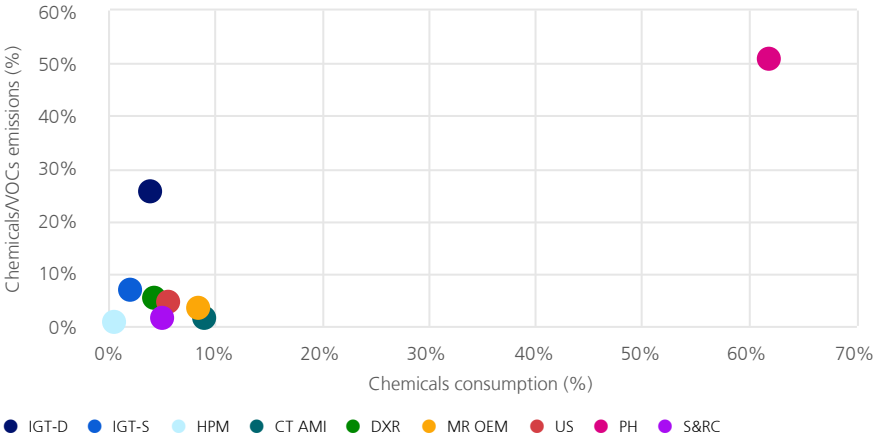
Based on the information provided by ENCORE, the healthcare sector's highest material potential dependencies are on surface water and materials. The sector also faces four significant potential impacts: soil pollutants, solid waste, water pollutants, and water use. While the ENCORE tool offers a valuable initial understanding of impacts and dependencies, it provides a general overview for the healthcare sector. Therefore, we conducted a secondary impact & dependencies analysis to specifically consider Philips' operations.

In this analysis, we assessed the dependencies of manufacturing sites on water, chemicals, and materials, as well as their impacts, to identify high-priority areas. The following figures present the results by Business Unit.

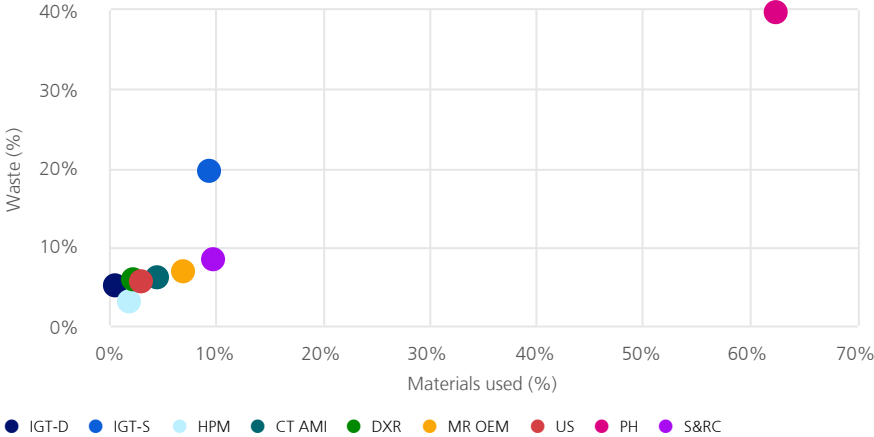
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Dependency and impact analysis for water withdrawal, by Business Unit



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Dependency and impact analysis for chemicals used, by Business Unit



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Degree of dependency and impact for waste, by Business Unit

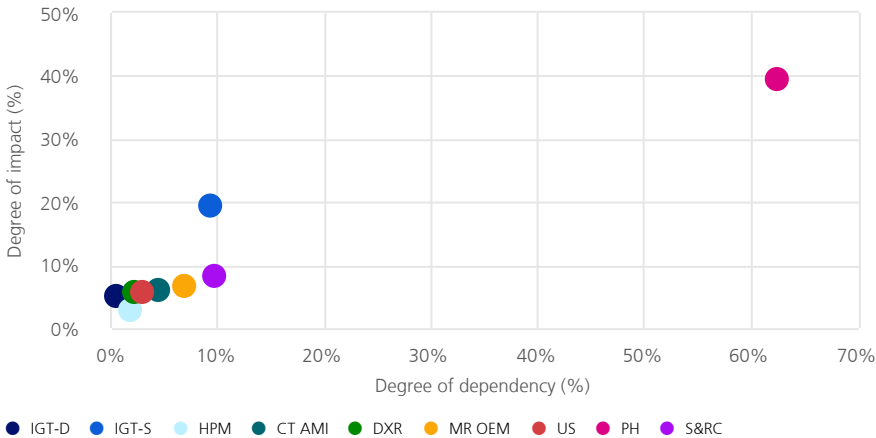


According to the assessment, the highest degree of dependency and impact with regard to chemicals is found at sites in Indonesia and the Netherlands. The greatest impact on chemicals VOC emissions is observed at sites in Indonesia, the Netherlands, and Costa Rica.

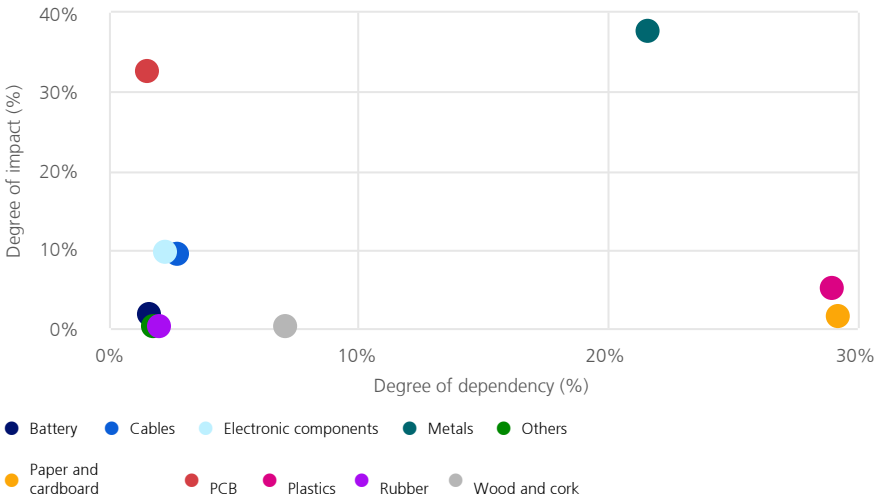
From a site analysis perspective, the highest degree of dependency and impact on water withdrawal is at sites in Indonesia, Costa Rica, and the United States. In terms of waste, the highest degree of dependency and impact is found at sites in the Netherlands and Indonesia.

For materials, the dependency analysis results showed dependencies on ecosystem services, such as resource extraction. While resource extraction occurs outside the scope of our manufacturing sites, we further assessed its dependencies and impacts on material flows based on 2023 EP&L data. The results are provided in the following figures for materials dependencies and impacts, by Business Unit and by material type.

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Materials degree of dependencies and impacts, by Business Unit



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Degree of dependencies and impacts, by material type



The highest degree of dependency identified is for paper and cardboard (29%), plastics (29%), and metals (21%). In terms of material types, the highest degree of impacts are caused by metals (including processing) (37%), polychlorinated biphenyls, or PCBs, (33%), and electronic components (10%). Overall, the majority of material impacts are found in the upstream value chain.

In the next step, we will identify and assess nature-related risks and opportunities in direct operations and the activities that Philips has undertaken to reduce or control these risks.

Assess: evaluate risks and opportunities

Methodology

As part of the analysis, nature-related risks are identified, prioritized, and addressed in a consistent and cost-effective manner. The process begins with identifying nature-related risks using external tools such as the WWF Biodiversity Risk Filter, along with an analysis of Philips' business operations. These risks are then evaluated based on their impact and likelihood.

The results of the risk analysis determine potential risk mitigation actions, ensuring that the 'managed risk level' aligns with the 'planned risk level', as well as the costs and efforts required to implement these responses. Control points and mitigation actions will be established and iterated to monitor and ensure the achievement of our targets. We enhance risk awareness and responses by engaging stakeholders throughout the process with risk dialogues and workshops, as well as reporting and other communication.

To continuously generate the knowledge needed for evidence-based decision-making, we have integrated the nature topic into our internal Enterprise Risk Management approach, under the climate risk module.

Philips Group Philips ESG risk management

Business continuity management

Business continuity management keeps an overview of all risks that could interrupt our operations, including nature-related events.

Nature risk assessment

Hazard

Potential occurrence and magnitude of a nature-related event

Assessed via WWF risk filter using geospatial coordinates

×

Exposure

Characteristics or presence of business activities in areas or context of hazard

Assessed via risk assessment tool by each site

×

Vulnerability

The susceptibility of the business to be negatively impacted by a hazard

Assessed via risk assessment tool by each site

24 in-scope sites based on Philips' Operational Resilience hub

Each element is ranked using a Likert scale from one to five, providing us with a risk quantification using the following formula: risk assessment number = RAN = hazard × exposure × (6 - vulnerability)

Physical risks

Philips' physical risk screening assessed the anticipated likelihood of 12 nature-related risks in the future and the extent to which conditions related to nature are expected to change. It is important to note that this quantitative analysis was conducted to identify key nature-related risks for Philips.

As part of the process, we identified priority nature-related physical risks and located the risks to further analyze specific cases.

Philips Group Physical risks and opportunities

	Water	Emissions and waste
Biodiversity loss driver	Resource extraction	Resource extraction Pollution
Risks	Depletion of water supply due to increase of water use in water-stressed areas	Potential disruptions to business operations associated with non-GHG emissions to air, and with waste management
Opportunities	Business expansion into new markets with circular and nature-inclusive products with lower nature-related impacts Engaging with local communities to ensure availability of water using sustainable practices	Ecosystem restoration and regeneration to protect biodiversity and ecosystem services in synergy with local communities Sustained access to markets as Philips aligns with new nature-related policies and regulations, particularly in regions where these policies apply
Existing activities	Improvement projects to ensure reuse and reduction of water use across Philips industrial sites	Sustainable Operations program focus on circular materials management. Natural capital program focus on sustainable chemicals management. Wastewater treatments and controls at Philips industrial sites

Water stress physical risk

Chronic risks are characterized by gradual changes to the state of nature, such as the persistent threat of water stress. Several of our manufacturing sites are located in regions with extremely high water stress, including Ontario, Colorado Springs (United States), Pune (India), Shanghai, Suzhou (China), and Haifa (Israel). We identified water withdrawal from areas with high baseline water stress across all of Philips' industrial operations. The analysis revealed that approximately 26% of our industrial sites are situated in areas with extremely high (>80%) baseline water stress in the short term, and 13% are located in areas with high (40%-80%) baseline water stress in the medium term. To further analyze this risk, we conducted an in-depth analysis of one of our manufacturing sites in India as a case study.

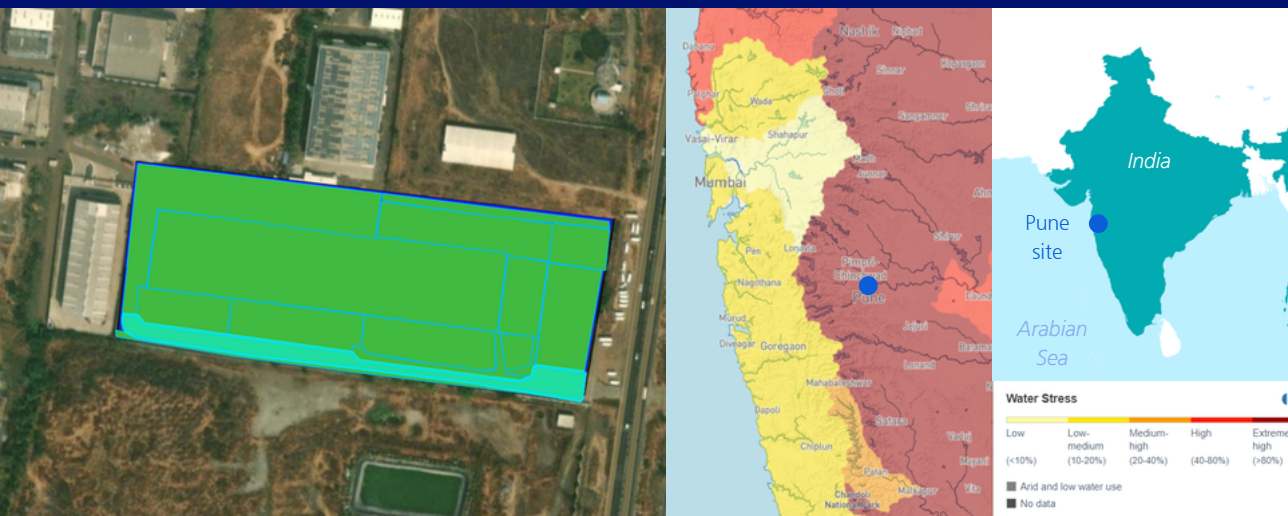
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Water stress risk analysis in Philips manufacturing site in India

Case study

Philips Pune site analysis

Combining the low freshwater supply with the local demand for industrial use and the water quality risks from pollution results in an extremely high water stress level in India. Emissions caused by industry, transport and other sources are a risk as well for operations and people's health. To protect Philips employees, and the continue operations, the Pune local team has identified several nature-related risk mitigation actions, such as investment in building infrastructure for improved air quality treatments and prevention of machine damage by periodic maintenance.



Actions taken:

- Reuse reverse-osmosis rejected water for irrigation
- Reuse treated wastewater to gardening activities.
- Apiculture pilot on-site to enhance pollinators
- Turn grey to green areas at site to improve ecological services like cooling the micro-climate and water management

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Water stress risks scenario in India, according to WRI Aqueduct

Major basin	Water stress risk		
	Baseline	2030 scenario	2050 scenario
Krishna	High	Extremely high	Extremely high

The risk assessment identified that water stress risk may lead to multiple scenarios:

- Unstable ground. This can create an unstable building or, in the worst scenario, building collapse.
- Water unavailable for equipment and machinery. This can ultimately lead to equipment and machinery damage due to overheating or equipment and machinery being unable to operate.
- Water unavailable for operations or human use. This can lead to business interruption, as industry can't operate without water, and water disruptions precede health department regulatory issues, fire protection risks, cooling systems impacts, or building damage losses.

In 2023, water usage at our site was primarily attributed to domestic purposes, such as canteens, toilets, and showers. As a responsible company we have been working to take actions to reduce water withdrawal. As an example, a local team developed a project to stop discarded water into the sewage by reusing it for garden irrigation.

Air emissions and waste-related physical risk

Regarding air emissions and waste-related topics, we consider the potential issues associated with air and waste management. We conducted a further analysis at our site in India, which is considered a 'medium risk' for air pollution. Increased exposure to smog can impact people's health and reduce site productivity. Additionally, stringent waste treatment regulations can affect site operations. During the risk assessment, the local team identified several potential risks:

- Increased building requirements for air quality treatments, wastewater treatment, and waste segregation. This may necessitate investments in building infrastructure to improve facility operations.
- Increased periodic maintenance for equipment and machinery, or the need for replacements due to high air pollution or waste generation. High air pollution can ultimately lead to equipment damage or operational failures if periodic maintenance activities are not embedded in the local management system.
- Unfavorable operating conditions that affect business and human health. This can result in business interruptions if the site cannot operate due to poor air quality or waste management issues.

As part of our natural capital program, the site developed multiple activities to improve biodiversity and ecosystem services, minimize emissions of VOCs, and increase their circular materials management. For more details about sustainable operations results please review our [2024 Annual Report](#).

Water collection for reuse and apiculture initiative in Pune Manufacturing Site



Key biodiversity areas

According to the WWF Biodiversity Risk Filter, our site in Costa Rica has the highest biodiversity risk across Philips industrial sites. According to the Integrated Biodiversity Assessment Tool, the site is located within 50 km of 13 key biodiversity areas.

During the risk assessment, the local team identified that biodiversity risks may lead to business disruption and property damage. Potential consequences are as follows:

- Redefining building resilience and adaptation to a more nature-inclusive design or to comply with new regulations.
- Increased costs for equipment and machinery or the need for replacements due to supplier compliance with new biodiversity regulations (e.g., raw materials or non-deforestation). This can ultimately lead to higher costs for equipment and machinery.

As control actions to mitigate biodiversity risks, the site is raising awareness and engaging with local communities by enhancing local biodiversity and ecosystem services. This includes developing awareness campaigns and organizing clean-ups as part of our natural capital program. Additionally, the site has established a partnership with local communities and stakeholders to support a wildlife sanctuary that protects endangered species, such as jaguars.

Case study

Philips Costa Rica site analysis

Key biodiversity area

The closest key biodiversity area to the manufacturing site in Costa Rica is El Rodeo, Cerros de Escazú y La Carpintera a forest-covered mountain area 6 km away.

About half of its area has protection status due to its large variety of bird species and the Quitirrisi territory, home to the Huetar indigenous tribe.

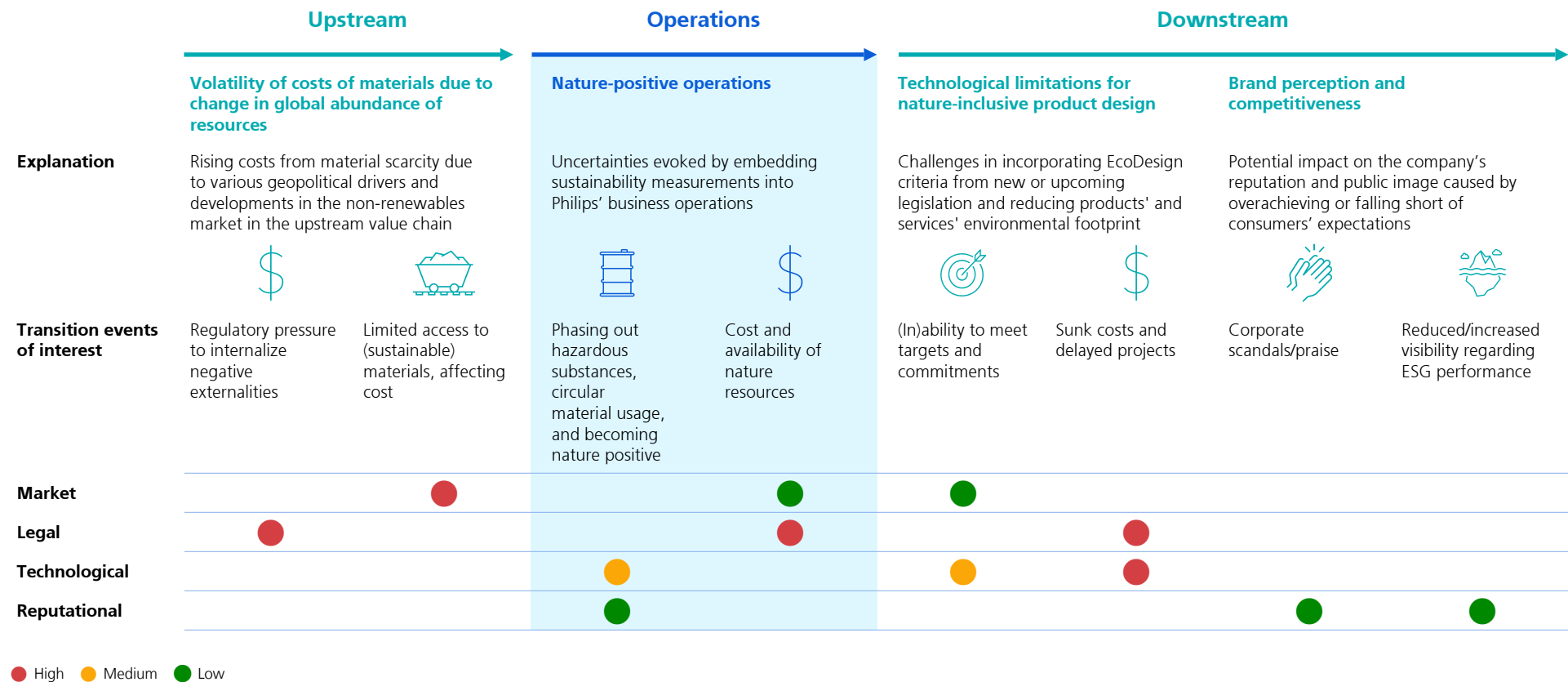
The local team developed mitigation actions for biodiversity risks:

- Support of wildlife sanctuary that protects endangered species, such as jaguars
- Biodiversity awareness and engagement activities for employees
- Local community clean-ups



Transition risk and opportunities

Philips' transitional risk screening encompasses our own operations, upstream and downstream. We assessed the anticipated likelihood of nature-related risks becoming material in the future and the extent to which conditions related to nature are expected to change. It is important to note that this quantitative analysis was conducted to identify key nature-related risks for Philips. These risks have been evaluated through interviews conducted with internal subject matter experts.



Market: volatility of costs of materials due to change in global abundance of resources

Upstream

Market and legal transition events for Philips involve shifts in industry dynamics that impact our positioning and competitiveness. Upstream, these risks may manifest as higher prices for raw materials and components, potentially affecting the company's cost structure and overall supply chain resilience. Historical disruptions in production and shipping from Asian countries have disproportionately impacted our business, particularly in the face of intensified global supply chain issues, such as the shortage of electronic components.

The current scarcity in semiconductor availability, driven by increased global demand, poses a significant challenge for Philips as a health technology company dependent on semiconductors. Continued scarcity may lead to increased lead times, negatively impacting our production capacity. However, with a presence in over 100 countries, our global footprint positions us to navigate adverse local market developments effectively. Additionally, we optimize our integrated supply chain organization, supplier base, and global manufacturing footprint to facilitate agile responses to shifts in demand and supply globally.

Operations

Operations play a crucial role in addressing transitional market risks for Philips by minimizing material usage through improvements in design and manufacturing processes. For Philips' operations, this aligns closely with our vision and strategy, adhering to our internal standard way of working. Manufacturing sites may face challenges in maintaining agility and efficiency in a dynamic and uncertain market environment. By maximizing the lifetime value of our products and solutions while minimizing the use of new materials and resources, we can effectively address these concerns.

To mitigate these risks, sustainability is integrated into our innovation processes, encompassing all aspects of product development and design, including material reduction, energy efficiency, and sustainable chemicals management. Additionally, all business units have established KPIs to guide and monitor their progress in the right direction.

Downstream

Philips, recognized as a health technology company driving systemic change towards more sustainable and equitable patient care, sees this trend as a significant opportunity. Our Personal Health businesses are facing increased demand for products with a lower negative environmental and social impact to align with new requirements from retailers. Our selected Personal Health products are designed to minimize their environmental impact, concentrating on four key areas: energy efficiency, sustainable packaging, circular design, and hazardous substances.

Technological and legal: challenges in incorporating EcoDesign criteria from new or upcoming legislation into products and services.

Upstream

In the upstream domain, transitioning to new and anticipated criteria for products with respect to reused, renewable and recycled content in materials has the potential to disrupt the supply chain for raw materials and components. Challenges may include identifying suitable alternatives with lower environmental footprints, ensuring these substitutes meet the necessary quality and safety standards, and addressing potential cost implications associated with adopting new technologies. However, successfully managing this transition risk presents an opportunity for us, with our ambitious [circular economy program](#), which aims to decouple economic growth from the use of natural resources and ecosystems. In 2024 circular revenues amounted to 24% and in 2025, we aim to generate 25% of our revenue from circular products, services and solutions.

Operations

Within our own operations, we face challenges in transitioning to new EcoDesign criteria in our daily processes as this requires adaptations in manufacturing practices in alignment with our priority of patient safety and quality.

As part of this process, we continuously strive to enhance the environmental performance of our manufacturing facilities. This includes implementing process improvements to reduce the use of materials, chemicals, and associated waste. Additionally, we focus on improving the performance of our facility operations by increasing our circular materials management rate through recycling, reuse, and prevention. For more information on our sustainable operations, please refer to the [Annual Report](#).

Downstream

Philips is committed to sustainable innovation while acknowledging existing technological constraints. We adapt our product offerings to meet evolving market demands, changing consumer preferences, and upcoming regulations. This includes providing a diverse range of environmental solutions through the incorporation of [EcoDesign](#) principles in both our personal and health system products. Introduced in 1994, EcoDesign aims to holistically reduce the total environmental impact throughout the product development process. Given that approximately 80% of a product's total environmental impact is determined during the design phase, EcoDesign plays a crucial role in supporting our customers, hospitals, and partners, presenting a significant opportunity for the company. Over the past five years, the sales growth of our products designed to minimize the environmental impact has surpassed the overall sales growth of Philips.

Risk and impact management

The management of nature-related risks is integrated into Philips' regular risk management process. This ensures alignment with the risk management team, increasing cross-business comparability and integration with already existing risk-screening procedures. By joining forces with various stakeholders from our value chain, Philips can increase its positive impact and collectively reduce our shared negative impact on nature, restoring ecosystem services and biodiversity. This will help create a sustainable and more resilient healthcare industry that adds value for our customers, partners, and society as a whole. To deliver on this commitment, we drive action by:

- Increasing circular design of software and hardware to reduce the use of materials, including limiting the use of raw materials, increasing the use of secondary reused, renewable and recycled content in materials, and limiting the content of hazardous substances.
- Reducing our chemical footprint by reducing the use of hazardous chemicals and/or replacing these by alternatives that have a lower negative impact on environment and people.
- Dematerializing through digital transformation, such as virtual care and shift toward 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.
- Restoring nature and ecosystem services in our manufacturing sites and local communities.

As part of our nature-related risks and opportunities analysis, we will, in the coming year, conduct an in-depth examination of Philips' critical physical and transition risks, focusing on

identifying and quantifying the impacts of each risk. This will enable us to highlight the need for immediate action to minimize our impact and dependencies on nature. We will also continue to strengthen our collaboration with suppliers and customers to incorporate more stages of our value chain into our analysis.

Anticipated financial effects related to risks and opportunities

As part of our climate risk module, we embedded for the first time specific nature-related topics. We assessed drought, air emissions and waste and key biodiversity areas. The assessment of nature-related physical risks indicates that Philips faces low levels of exposure in the short-, medium- and long-term.

This stability in risk patterns is reflected in our projected monetary financial exposure. To assess Philips' financial exposure, the asset and business interruption values were aggregated for sites with medium, high and very high risk scores across the short-, medium-, and long-term. We are planning on disclosing financial values at risk in the coming years.

Metrics and targets

Prepare

The Prepare phase establishes metrics and targets related to nature-related dependencies and impacts. These have been set as part of our ESG 2025 commitments. For targets linked to circularity of resource inflows, outflows and waste management, refer to our [Annual report 2024](#). For targets linked to biodiversity and ecosystem services, water withdrawal and chemical emissions, see chapters "Biodiversity and Ecosystem services" and "Sustainable Operations" in our [Annual Report](#).

Annex

Definitions

Biodiversity: Variability among living organisms – includes within species, between species and of ecosystems

CT-AMI: Computed Tomography - Advanced Molecular Imaging

Dependencies: Aspects of environmental assets and ecosystem services that a person or an organization relies on to function

DXR: Diagnostic X-ray

Ecosystem services: Contribution of ecosystems to the benefits used in economic and other human activity, respectively the benefits to people obtain from ecosystems.

HPM: Hospital Patient Monitoring

Impact: Changes in the state of nature (quality or quantity), which may result in changes to the capacity of nature to provide social and economic functions

IGT-D: Image Guided Therapy - Devices

IGT-S: Image Guided Therapy - Systems

MR: Magnetic Resonance Imaging

Nature: The natural world with an emphasis on the diversity of living organisms (including people) and their interactions

Natural capital: Stock of renewable and non-renewable natural sources, such as plants, animals, air, water, soils and minerals, that combine to yield a flow of benefits to people

Opportunities: Activities that create positive outcomes for organizations and nature by creating positive impact on nature or mitigating negative impacts on nature

Physical risks: Risks resulting from the degradation of nature (such as changes in ecosystem equilibria, including soil quality and species composition) and consequential loss of ecosystem services that economic actively depends on

Risks: Potential threats (effects of uncertainty) posed to an organization that arise from its and wider society's dependencies and impacts on nature

S&RC: Sleep & Respiratory Care

US: Ultrasound

Important information

Forward-looking statements

This document and the related oral presentation, including responses to questions following the presentation, contain certain forward-looking statements with respect to the financial condition, 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 sales growth, future Adjusted EBITA*), future restructuring and acquisition-related charges and other costs, future developments in Philips' organic business and the completion of acquisitions and divestments. Certain forward-looking statements may also refer to Environmental, Social and Governance (ESG). 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, macro-economic and geopolitical changes – including the war in Ukraine and ongoing conflicts in Israel and the Middle East – as well as measures such as announced and proposed tariffs and trade actions introduced in response to rising global tensions; Philips' ability to keep pace with the changing health technology environment; Philips' ability to gain leadership in health informatics and artificial intelligence in response to developments in the health technology industry; integration of acquisitions and their delivery on business plans and value creation expectations; ability to meet expectations with respect to ESG-related matters; securing and maintaining Philips' intellectual property rights, and unauthorized use of third-party intellectual property rights; failure of products and services to meet quality or security standards, adversely affecting patient safety and customer operations; the resilience of our supply chain; challenges in simplifying our organization and our ways of working; attracting and retaining personnel; breach of cybersecurity; challenges in driving operational excellence and speed in bringing innovations to market; treasury and financing risks; tax risks; reliability of internal controls; compliance with regulations and standards involving quality, product safety, (cyber) security and artificial intelligence; and compliance with business conduct rules and regulations including privacy, existing and upcoming ESG disclosure and due diligence requirements. 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 2024.

Disclaimer

Nothing in this report should be read or construed to represent or imply a guarantee or any other legally enforceable obligation vis-à-vis our stakeholders. We do what is reasonable and practical, and we actively partner with our stakeholders to achieve our aspirational Environmental, Social and Governance (ESG) goals and targets, while acknowledging and weighing economic and practical constraints and other external factors that may limit our ability to control environmental and social impacts, in particular beyond our own operations. It is furthermore noted that our ESG efforts and our globally applying aspirational goals and targets are subject to our compliance with local rules and regulations, some of which may conflict across jurisdictions.

