2025 Climate Resilience Report

Climate Mitigation and Adaptation Assessment

PHILIPS

Contents

1 Executive summary

Philips' **Climate Resilience Report** demonstrates our commitment to tackling climate change through a comprehensive approach that integrates climate change mitigation and adaptation. Building on our success in achieving carbon neutrality in 2020, this report details how Philips aligns its climate actions with the Science-Based Targets initiative (SBTi) and European Sustainability Reporting Standards (ESRS). It outlines our strategy to manage the financial risks associated with the transition to a low-carbon economy that aligns with the 1.5 °C pathway while safeguarding operations against the physical impacts of climate change in a high-emission climate scenario.

Philips is on an ambitious decarbonization pathway aiming to achieve net-zero greenhouse gas emissions across its value chain by 2045 – five years ahead of the Intergovernmental Panel on Climate Change's (IPCC) recommendation for a 1.5 °C global warming pathway. The main decarbonization levers include energy-efficient product design, circular economy principles, and sustainable procurement practices. Partnerships with suppliers play a critical role in achieving these targets, as we encourage them to adopt Science-Based Targets and enhance transparency through initiatives such as the Carbon Disclosure Project (CDP). Philips is transitioning its global sites to renewable energy, optimizing logistics for lower emissions, and embedding an internal carbon price to guide sustainable decision-making across all business functions.

Our adaptation efforts focus on ensuring operational resilience in the face of acute and chronic climate risks. Using advanced scenario analysis aligned with models from the Intergovernmental Panel on Climate Change (IPCC), Philips evaluates climate risks across short- (one year outlook), medium- (five to 10 year outlook), and long-term horizons (25+ year outlook). Acute risks, such as extreme weather events, are actively mitigated through site-specific resilience measures, including early warning systems, infrastructure adaptations, and redundancy planning. Chronic risks, such as sea-level rise and temperature increases, are monitored and addressed through preventive measures, ensuring that Philips remains prepared for long-term climate challenges.

Governance is central to Philips' climate resilience strategy. Climate-related topics are overseen at the highest organizational levels, with the Board of Management and the Executive Committee driving the company's Environmental, Social, and Governance (ESG) initiatives. Progress against climate goals is tracked through the ESG Index, which is linked to executive remuneration, ensuring accountability at every level. To support our goals, we allocate adequate resources to green innovation, sustainable operations, and supplier engagement, funded in part through Green and Sustainability Innovation Bonds.

This report reflects Philips' proactive approach to navigating the complexities of climate resilience and decarbonization, reaffirming our leadership in sustainable health technology.

2 Introduction

Combating climate change and building climate-related resilience plays a significant role for Philips, a fact reaffirmed by the Double Materiality Assessment conducted in 2025. As such, we are committed to identifying potential (financial) risks arising from the process of adjusting to a lower-carbon economy (Transition events) as well as (financial) risks arising from the physical impacts caused by climate-induced natural catastrophes (Physical events).

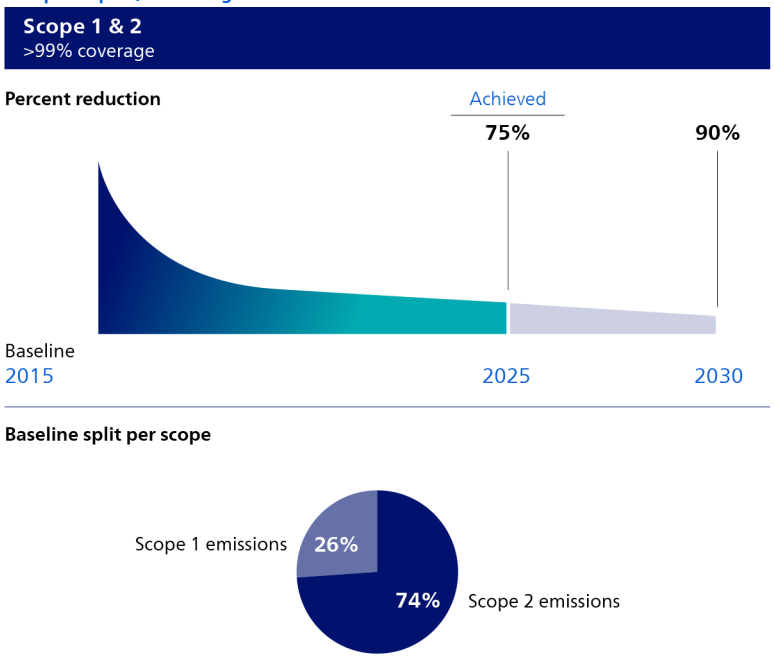
This report explores Philips' climate transition plan, the key assumptions underlying this plan, and the corresponding physical and transition risks acknowledging mitigation and adaptation measures taken. We are thereby outlining our pathway forward as well as the anticipated financial effects caused by climate change.

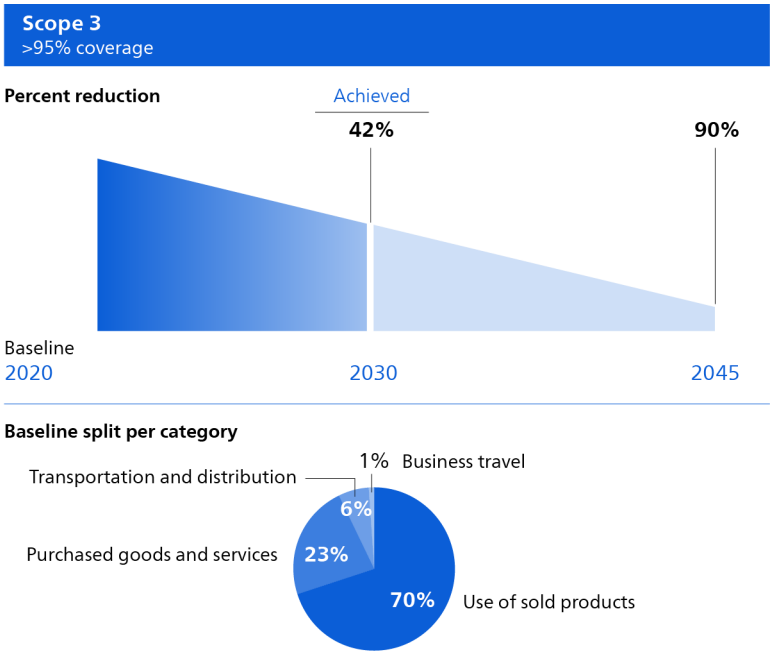
1 Taking a science-based approach

In 2025, our science-based Net Zero Target was validated by the Science Based Targets initiative (SBTi). We aim to achieve net-zero greenhouse gas emissions across the value chain by 2045. This effort underpins everything we do – from designing innovative, energy-efficient and increasingly compact medical solutions, to scaling the adoption of circular practices to reduce material use and waste. Philips was the first health technology company to have its targets approved by the SBTi, highlighting our commitment to climate action.

Philips Group

Philips Scope 1, 2 & 3 targets





Baseline split per scope

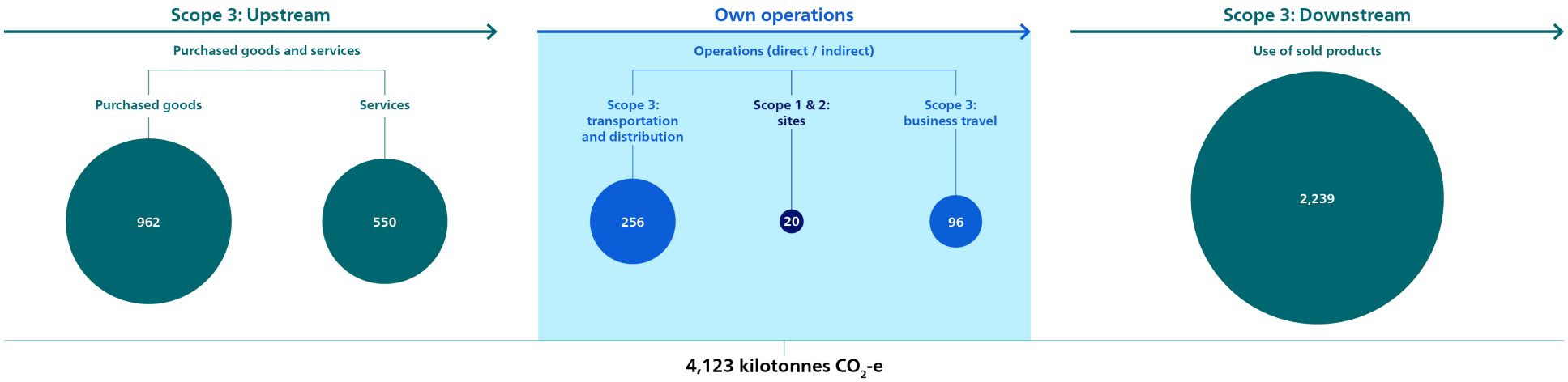
Baseline split per category

2 The scope of analysis

The scope of Philips' climate resilience assessment is dependent on the target of evaluation. Generally, the reporting boundary of the climate-related impact corresponds to all business activities under Philips' financial control, all assets regardless of financial leases or right-of-use assets, and all markets/regions in which we have business operations.

As part of our climate mitigation assessment, we cover approximately 96% of our full value chain emissions. This includes not only our Scope 1 and 2 (market-based approach) emissions (100% coverage) but also Scope 3 emissions (95% coverage). Specifically, there are five material Scope 3 categories for Philips in line with the Greenhouse Gas Protocol (GHGP). Namely, emissions from purchased goods and services, business travel, transportation and distribution (upstream and downstream) and use of sold products. The emissions from capital goods, fuel- and energy-related activities, waste generated in operations, employee commuting, and end-of-life treatment of sold products are calculated and recognized as insignificant (approved by SBTi). Below is a representation of our 2025 carbon footprint.

Philips Group
Carbon emissions across Philips value chain in kilotonnes CO_2-equivalent (CO_2-e)
2025



The climate adaptation assessment spans across all sites in scope of Business continuity management. This includes 113 sites globally and spans across manufacturing, R&D, office and warehouse facilities. Of those in scope approximately 50% completed the risk assessment in 2025.. In the future, the number of sites will increase and include essential actors across the entire value chain.

3 The critical assumptions

Philips' climate resilience analysis is contingent on a multitude of assumptions that are based on desk research, internal and external experts, trend analysis and other resources. Conclusions are therefore merely indicative, and quantifications should be considered estimates with considerable levels of uncertainty.

Scenario analysis

Scenario analysis is a crucial component of our climate resilience report, providing a structured framework to assess and identify high impact decarbonization levers, potential impacts of climate change and necessary mitigation/adaption actions. A range of plausible future states have been considered to be able to evaluate the resilience of our strategy under varying conditions.

Philips Group
Climate action time horizons

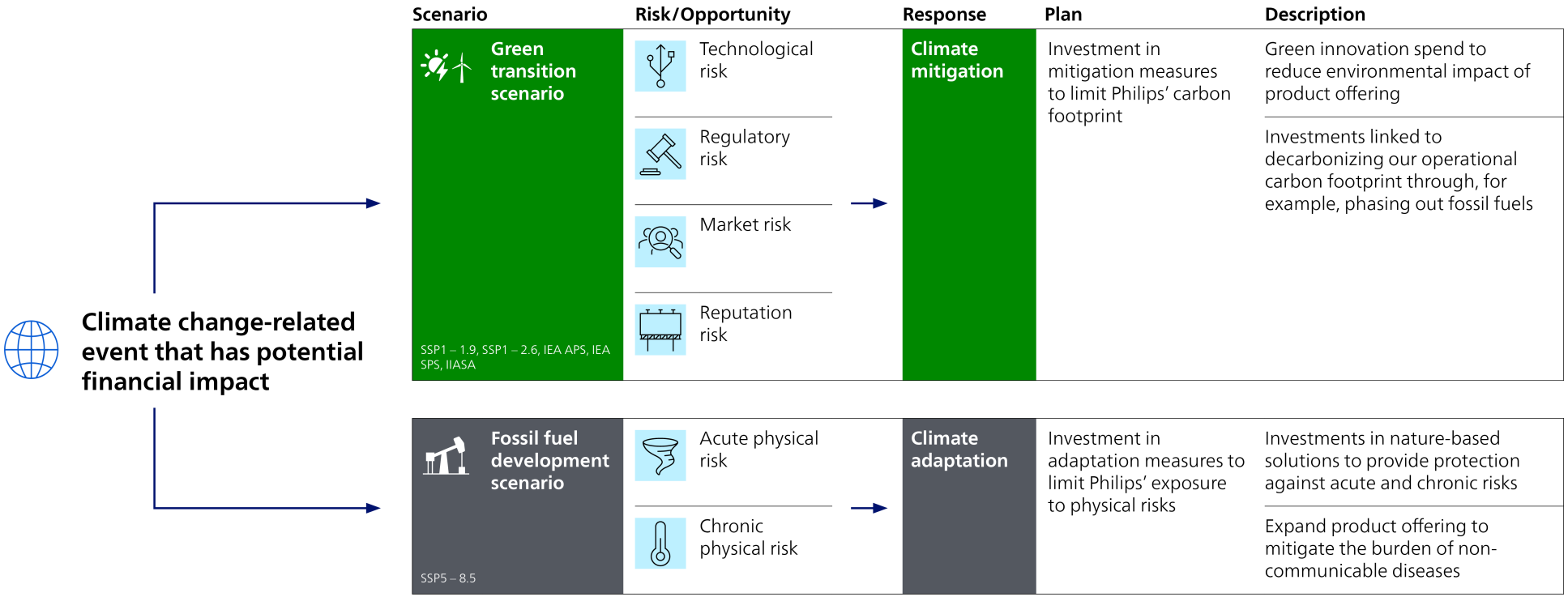
	Short term	Medium term	Long term
Duration	1 < x < 2 years	5 < x < 10 years	10 < x < 25 years
Target year	2025	2030	2050*

* 2100 time horizon for sea level rise due to limited data availability (physical event) and 2040 for site-related emissions (transition event)

For our scenario analysis three time horizons are of interest, differing from the European Sustainability Reporting Standard (ESRS) due to the expectation of climate impacts and mitigation actions over periods longer than five years. The 'short term' spans the next one to two years, 'medium term' covers five to 10 years, and 'long term' extends 10 to 25 years. While not directly tied to asset lifetime or strategic planning, these horizons, chosen in consultation with other departments, ensure perpetual business continuity. For instance, assessing our portfolio's long-term exposure enhances climate-resilient strategic planning and capital allocation.

Both our climate adaptation and mitigation assessment are linked to externally validated scenarios.

Philips Group
Climate change scenario analysis



1 ***Transition scenario***

In accordance with ESRS requirements, we evaluated Philips' climate transition using scenarios aligned with the Paris Agreement's goal of limiting climate change to 1.5 °C.

The Shared Socioeconomic Pathway scenario[1], also known as 'Taking the Green Road', envisions immediate, rapid, and large-scale reduction in greenhouse gas (GHG) emissions driven by a mix of market, legal and technological variables. The International Energy Agency (IEA) scenarios emphasize the imperative for a swift and profound transformation of the global energy sector toward renewable energy sources such as solar, wind and hydroelectric.

These scenarios, provide an optimistic yet challenging socio-economic overview of the circumstances Philips might encounter in its transition to a lower carbon economy and in achieving its aligned SBTi targets. By using a range of scenarios, we are able to cover all plausible risks and uncertainties for our transition to a low carbon future. For more detailed information on the scenarios, please consult Chapter 4 of the Sixth Assessment Report (6AR) of the IPCC.

2 ***Adaptation scenario***

In alignment with the ESRS requirements, Philips' adaptation capacity was assessed using a high emission climate scenario (SSP5 – 8.5). This 'fossil fuel development' scenario assumes the economy will continue its dependency on oil, coal and gas leading to increased GHG emissions. Despite rapid technological development and economic growth, this scenario leads to highly disruptive climate impacts due to frequent and intense extreme weather events. Chronic threats such as temperature increases and sea-level rise also pose a potential challenge.

In alignment with the transition scenarios, SSP5 is not a prediction of the future but rather a plausible storyline that would result in global warming of 3.3 °C to 5.7 °C. It is therefore not just a business-as-usual scenario but rather a worst-case scenario that can only be achieved by having a combination of high population growth and increased dependency on fossil fuels and material growth. This scenario is leveraged because Philips is committed to building climate-related resilience under extreme conditions, ensuring our risk management strategies are exhaustive. For more information on the boundaries and constraints of the scenario, please refer to chapter 4 of the 6AR of the IPCC.

[1] https://iiasa.ac.at/models-tools-data/ssp

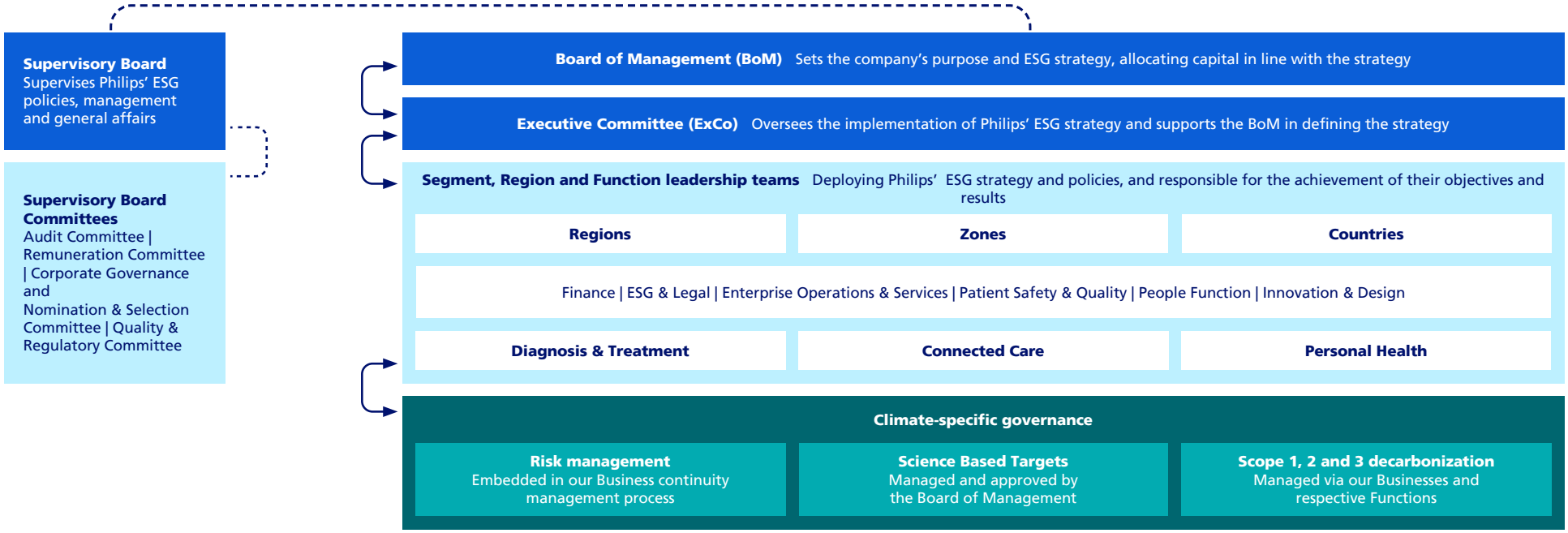
3 Governance

1 Climate resilience ownership

Philips' climate related governance is embedded at the highest level. The Board of Management, including the Chief ESG & Legal Officer, is responsible for the design and management of our 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 these meetings, the Board of Management defines Philips' ESG strategy, ambitions, programs, action plans and policies, as well as oversees major transactions, monitors progress on ESG priorities, and takes corrective action where needed. Progress on ESG is communicated internally and externally on our results website on a quarterly basis and at least annually to the Executive Committee and the Supervisory Board. The ultimate oversight of the ESG dimensions, and their integration into the company's overarching strategy, is a responsibility of the Supervisory Board as a whole because of the significance of ESG matters. While retaining this overall responsibility, the Supervisory Board is supported by the Audit Committee, which meets quarterly to discuss significant developments in impacts, risks and opportunities, developments in ESG reporting, and other relevant topics. Please refer to the Supervisory Board report for the Supervisory Board members with specific ESG and sustainability expertise, and the Supervisory Board's ESG-related activities during the year. The Supervisory Board as a whole has sufficient ESG and sustainability-related expertise relevant to the sector in which the company is operating, also considering the way we address impacts, risks and opportunities with respect to the material topics identified through our Double Materiality Assessment. Furthermore, the Board of Management and Supervisory Board leverage all relevant expertise through their direct access to the Group Sustainability team and (where relevant) external experts.

As part of our Climate Action program, we focus on setting science-based targets, decarbonizing our operations and full value chain, and managing risk associated with our decarbonization journey. As part of Philips' operating model, Group Sustainability, together with other Functions, empowers Businesses to effectively and efficiently execute on our strategy. Businesses are held responsible for their climate impact through clear and simple Key Performance Indicators (KPIs) that strengthen our position as a sustainable company.

Philips Group
Philips' climate change and nature governance

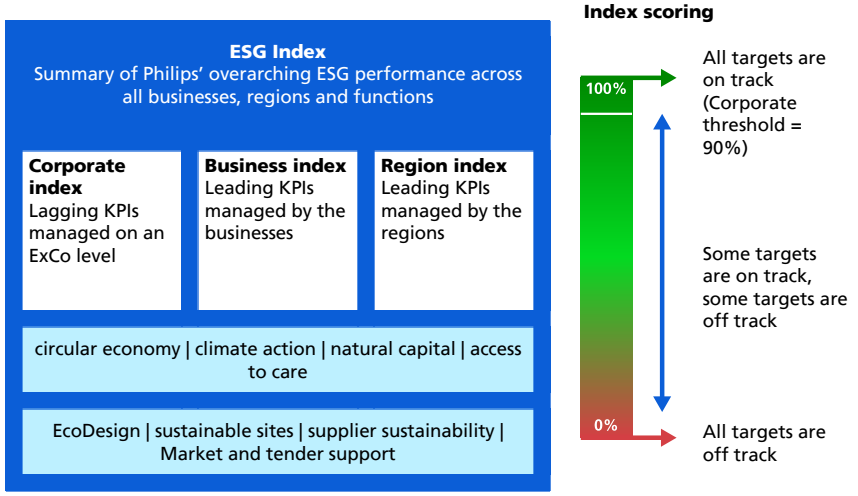


2 Embedded climate resilience

The company's climate resilience analysis is designed to provide assurance that climate-related objectives are met, that risks are mitigated, and opportunities are seized, ensuring we comply with all national- and international legal requirements as well as all external ambitions (e.g., Science Based Targets).

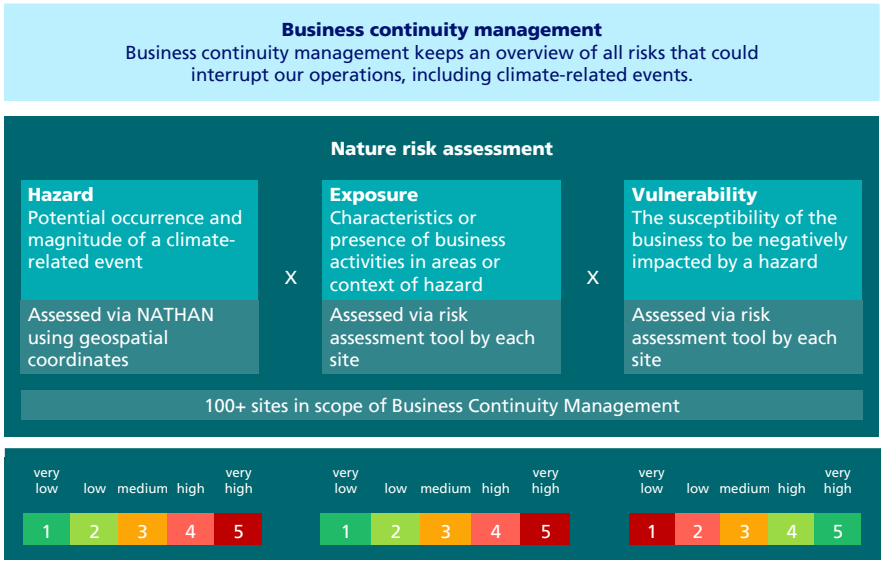
Climate related targets and SBTi-aligned emission levels are managed through our ESG Index. With the Index we are able to measure, monitor and communicate our progress against targets. This ensures we provide greater clarity and transparency internally regarding our ESG performance thereby creating accountability and ownership. Performance via the ESG Index is also partially linked to remuneration, as further explored in the Annual Report.

Philips Group
Philips ESG performance management



Climate risks are also identified, prioritized and addressed in a consistent and cost-effective way. The process starts with the identification of climate-related risks based on external toolings and the analysis of Philips' business operations. The risks are then analyzed from the lenses of their impact and likelihood. The results of risk analysis determine possible risk-mitigating actions that bring the 'managed risk level' within the boundaries of the 'planned risk level', as well as the costs and efforts needed to effectuate these responses. Control points and mitigation actions will be established and iterated to monitor and assure the achievement of our targets. Risk workshops are utilized to engage stakeholders in the whole process to strengthen risk awareness and responses. To continue producing knowledge needed for evidence-based climate action, we integrated the climate risk module into our internal Enterprise Risk Management process.

Philips Group
Philips ESG risk management



Final risk is scored using the following formula: Risk Assessment Number = RAN = Hazard × Exposure × (6 - Vulnerability)

4 Climate mitigation assessment

As Philips we have committed to taking climate action and to reduce CO_2-e emissions along our entire value chain in line with a 1.5 °C global warming scenario (based on Science Based Targets). We will do this by ensuring sustainable use of energy and materials, reducing emissions along our value chain, and maintaining carbon neutrality for activities under Philips' operational control. In this section we will explore our transition plan, as well as the risks we foresee to encounter during our transition.

1 Philips climate transition pathway

To achieve our targets and transition goals, we have identified our key decarbonization levers across the entire value chain. We have estimated the potential emission reductions, allowing us to prioritize high-impact projects.

Philips Group
Climate mitigation across the value chain

	Upstream	Operational carbon footprint			Downstream
	Scope 3 **Purchased goods and services**	Scope 3 **Transportation and distribution**	Scope 1 & 2 **Sites**	Scope 3 **Business travel**	Scope 3 **Use of sold products**
Decarbonization lever	• Design products for low weight and sustainable materials • Collaborate with our supplier to amplify our impact across the supply chain • Promote material reuse	• Optimized route planning and inventory management • Transition to low carbon modes of transportation and fuel	• Improve our sites' energy efficiency • Transition to renewable energy and phase out fossil fuels	• Promote video conferences and low carbon travel • Electrify our lease fleet	• Design products for energy efficiency • Support our customers in expanding the share of renewables
Topic owner	**Supplier Sustainability, EcoDesign, Circular Economy**	**Supplier Sustainability, Procurement**	**Real Estate, Procurement**	**Finance, Procurement**	**EcoDesign, Markets, Circular Economy**

Designing energy-efficient products and collaborating with our customers to reduce emissions during the use-phase
We are committed to designing energy-efficient solutions and supporting our customers in the transition to renewable energy sources, reducing our downstream impact.

All new product introductions adhere to our EcoDesign requirements, where energy efficiency is a key focus. This approach allows us to engineer a product portfolio optimized for energy consumption during use, which not only reduces our environmental footprint but also helps our customers lower their operational costs.

Moreover, the adoption of renewable energy by our customers also supports our use-phase decarbonization by eliminating CO_2-e emissions during energy generation. We therefore actively support and encourage our customers in their transition to renewables (see Champalimaud case). Our key assumption is that electrical grids will decarbonize in line with the International Energy Agency's (IEA) Stated Policy Scenario (SPS) or Announced Pledge Scenario (APS).

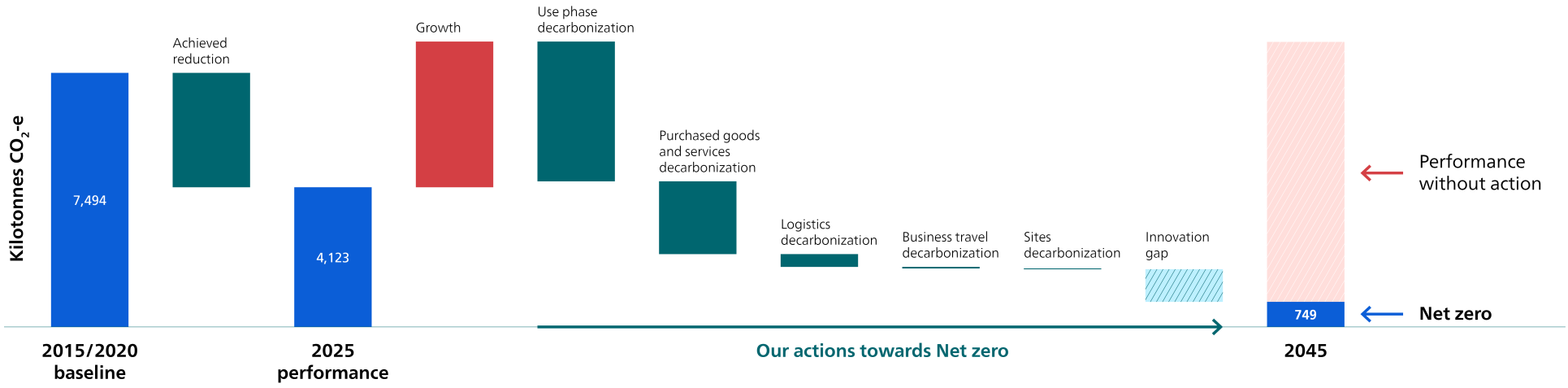
Adopting circular economy practices and transitioning to sustainable alternatives to reduce our purchased goods emissions
By retaining materials value, we reduce the need for virgin resources and the energy required to produce them, resulting in lower emissions. This approach is led by our circular economy team through the principles of 'use less, use longer, and use again', which also includes our ambition of 'closing the loop'. This is further explored in the Annual Report section 8.4 Environmental information.

Circular design is one of the key focal areas of EcoDesign, which includes, for example, design for low weight, which reduces the need for material extraction and thereby contributes to emissions reductions. It also includes designing with sustainable materials (recycled, bio-based, etc.), which often require less energy to process, cutting down GHG emissions in the sourcing and manufacturing phase.

We also focus on increasing circular practices at our sites and responsible waste management according to the waste hierarchy. As such we actively monitor the waste management of our industrial sites with the aim of retaining the value of materials.

Lastly, we initiated the process to focus on responsibly reusing products and parts at the end of their use. This includes refurbishment, and responsible take-back. By recirculating products, parts and materials, we increase the market for used products and ensure materials are longer in use.

Philips Group
Climate Transition plan



[2] Please note that the impact of the growth and reduction measures are visual representations of the path towards the 2045 target and are not linked to specific numeric values

Collaborating with our suppliers to reduce emissions in our supply chain
There is a pressing need for industry and business to manage and reduce CO_2-e emissions across the entire value chain – including at supplier level. To this end, we have invited many of our largest suppliers to disclose their environmental performance and carbon intensity as part of the CDP Supply Chain program. We also engage with suppliers to reduce their emissions as part of our supplier sustainability program. By encouraging them to set Science Based Targets and performing carbon reduction assessments we believe we will be able to amplify our impact. We are thereby acknowledging our dependency on suppliers' decarbonization rates.

Optimizing our upstream and downstream transportation and distribution
We are committed to minimizing the GHG emissions of our logistics operations. We regularly engage with our carriers to identify potential opportunities to transition to low-emission modes of transportation, increase fuel efficiency, and optimize route planning. We also actively engage with our businesses and set targets on their transportation-related emissions. This allows us to steer the Businesses on a monthly basis and escalate in case emissions go off-track.

Transitioning to lower carbon-emitting energy at our sites
By continuing to phase out fossil fuels at our sites and increase our global renewable energy share, we will be able to achieve our long-term emission targets (GHGP Scope 1 and 2). The main lever to transition to lower carbon-emitting energy at our sites is by reducing our natural gas consumption. We are aiming to significantly reduce our natural gas consumption by, for example, moving toward geothermal and renewable district heating and cooling solutions, as well as exploring the option of switching towards biofuels.

2 Philips climate transition risks and opportunities

Our transition toward a low-carbon future is marked by both risks and opportunities, which are further explored in the accompanying table.

	Upstream		Operations		Downstream			
	Cost and availability of resources		**Low carbon and nature positive operations**		**Technological limitations in decarbonizing product environmental footprint**		**Brand perception and competitiveness**	
Explanation	Increase/decrease in cost associated with the purchase of materials and components due to either market dynamics, availability of resources or legal pressure to internalize negative externalities		Uncertainties evoked by embedding sustainability measurements into Philips' business operation		(Not) reducing the product environmental footprint in line with our targets		Potential negative/positive impact on the company's reputation and public image caused by falling short (overachievement) of consumers' expectations	
Transition events of interest	Regulatory pressure to internalize negative externalities	Limited access to (sustainable) materials, affecting cost	Phasing out fossil fuels, circular material usage and becoming nature positive	Cost and availability of Energy Attribute Certificate (EACs)	(In)ability to meet targets and commitments	Sunk costs and delayed projects	Corporate scandals/ praise	Reduced/increased visibility regarding ESG performance
Market		●		●	●			
Legal	●			●		●		
Technological			●		●	●		
Reputational			●				●	●

Climate transition risks and opportunities residing upstream
It is expected that pricing mechanisms will come into effect, increasing Philips' operational expenditure. Regulators will force high-polluting industries to internalize their negative externalities while excessive demand for sustainable resources will inflate their price.

Cost and availability of resources
The cost associated with the purchase of materials and components will likely increase in the future due to either market dynamics (green premiums) or legal pressure to internalize negative climate externalities through carbon pricing.

1 Regulatory cost to internalize the price of carbon
It is expected that the prices for GHG emissions will rapidly rise in the future to incentivize the adoption of low-carbon technologies and force companies to internalize the negative externalities. This can be driven by mechanisms such as the Emission Trading Schemes (ETS) or carbon taxation. Most famously, the EU-ETS is a cap-and-trade system aimed at decarbonizing high impact industries in the EU. Sectors in scope are, among others, steel, iron, aluminum, paper and cardboard, and glass. With the introduction of the Carbon Border Adjustment Mechanism (CBAM) in 2026, the scope will also affect importers such as Philips.

While we endorse this general policy direction, it comes with associated risks. From an upstream perspective, we expect that impacted suppliers will pass on the cost of carbon (CE Delft, 2021)[3]. The general assumption is that, depending on the homogeneity of the product and elasticity of demand, some sectors are more inclined to pass through the cost of carbon downstream to their value chain partners (e.g., Philips).

Across the short- and medium-term the potential cost of carbon is expected to be minimal due to the limited number of commodities being impacted by carbon pricing mechanism. In the long term, the impact has the potential to be significant depending on the extent to which suppliers will pass on the cost of carbon and to what extent regulators will implement carbon pricing mechanisms.

We are therefore working with our value chain partners through our supplier sustainability program to ensure high levels of climate maturity and limited exposure of our suppliers to carbon taxation schemes.

We have also introduced an internal carbon price of EUR 150 per tonne CO_2-e. All businesses are encouraged to factor in the embodied emissions of their material selection as part of their design process. We are also working with the procurement team to further embed our carbon price in existing tools and processes.

[3] Additional profits of sectors and firms from the EU ETS", CE Delft, 2021, Sander de Bruyn, Daan Juijn, Ellen Schep

Our transition risks and opportunities associated with our operations
We are focused on reducing our overall energy demand where possible and transitioning to renewable low-carbon technologies.

Low carbon and nature positive operations
As Philips we have set a stringent long-term target of reducing our Scope 1 and 2 emissions 90% by 2030 (compared with the 2015 baseline). From a transition perspective we are therefore interested in identifying potential stranded assets, which are concretely planned sites with significant locked-in GHG emissions, across the medium- and long-term.

Based on our internal investigations, we have concluded that there are no expected stranded assets and no assets exposed to transition risks.

We have reduced our Scope 1 and 2 emissions by 85% compared to the 2015 baseline and have a clearly defined roadmap towards 2030, signed off by the Chief Financial Officer (CFO). We are therefore well on track to achieving our long-term reduction targets and all high-impact sites are addressed by climate mitigation plans.

Please note that no carbon pricing scheme associated with our Scope 1 and 2 emissions (ETS, carbon tax, etc.) has a current material impact on our financial statements

Our transition risks and opportunities associated with our downstream value chain
Customers and consumers are expected to increasingly demand sustainable, low-carbon products and exert pressure on their upstream counterparts to transparently internalize the negative externalities of their product offering. Non-conformity could hamper our reputation and sales performance.

Technological limitation
Philips' future technological capabilities could potentially lag behind those of our competitors, which could threaten the achievement of our decarbonization targets. As such Philips could lose the competitive advantage of being an ESG leader.

1 Inability to achieve decarbonization targets
As part of our EcoDesign strategy, addressing technological limitations associated with the decarbonization of our product footprint is critical to meeting our corporate Scope 3 SBTi targets. Moreover, on a product-by-product level, it is expected that customers will increasingly emphasize the product carbon footprints in their purchasing decision.

To manage this risk, we continue our focus on product-level improvements via our EcoDesign and Circular Economy program. We therefore do not believe that there is currently, or will be in the foreseeable future, any revenue at risk due to technological limitations. For a quantitative assessment of our locked-in GHG emissions associated with our products, please refer to the Annual Report chapter 8.4 – Note 1 Climate change.

Brand perception and competitiveness
Philips' brand reputation is crucial for customer trust and loyalty. Emphasizing ESG values builds this reputation. By prioritizing sustainability and ethical practices, Philips not only nurtures consumer confidence but also fosters long-term growth and success in an increasingly eco-conscious market. This is currently predominately signaled through ESG ratings.

1 ESG scoring
Our efforts are acknowledged by CDP, a global NGO that assesses the GHG emission performance and management of reporting companies. In 2025, we were ranked on the CDP Climate Change 'A' List for our continued climate performance and transparency, for the 13th consecutive year. None of our peers can claim the same. We have also been acknowledged for our disclosure efforts by winning the 2024 CSRD award highlighting Philips' commitment to responsible and transparent sustainability practices.

Linking ESG scoring as well as ESG awards to brand value proves challenging because they are only implicitly connected. This is further complicated through our long-lasting ESG front-runner position.

5 Climate adaptation assessment

Although Philips is well on its way to achieving the Science-Based Targets, there is growing global concern that society is not able to prevent climate change. Each year, temperature records are broken, and extreme weather events cause financial losses and physical distress.

In this section we will explore how Philips assesses its exposure to physical climate-related risks and the steps required to strengthen our adaptation capacity in the short-, medium-, and long-term.

By understanding our vulnerability to climate-related risks, Philips can make informed decisions to protect our business, employees, and stakeholders while ensuring resilience in the face of climate change and extreme weather events.

1 Philips risk exposure
To evaluate Philips' exposure to physical climate risks, a two-step approach was employed. First, a hotspot analysis was conducted using the NATHAN[4] tool to identify the expected future likelihood of risks becoming material. This initial analysis was enriched through site-specific insights gathered through a workshop.

The workshop engaged experts from Business Continuity Management, Plant Management, and Environmental and Financial Management for each in-scope site. These experts collaborated to assess the potential impact and the effectiveness of existing controls under a worst-case scenario specific to each site.

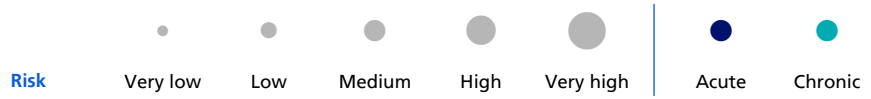
This comprehensive assessment enabled us to quantitatively assess each site's exposure to climate-related perils. The resulting risk scores were aggregated at the company level, calculated as weighted average scores based on the asset values.

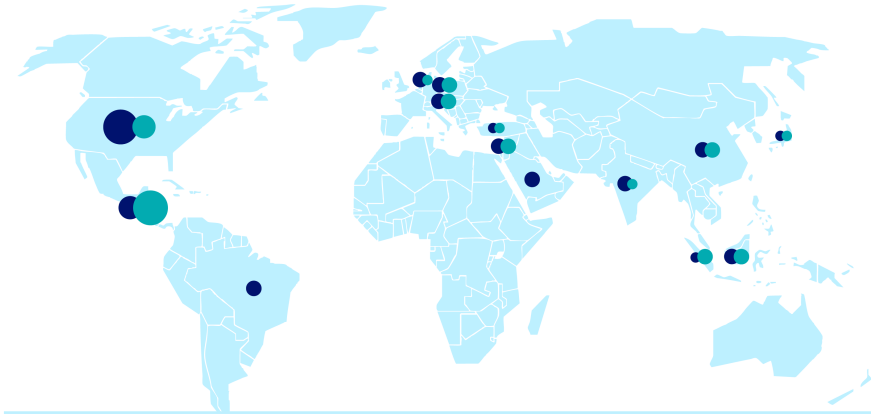
The main risks at the regional level are shown below.

[4] https://www.munichre.com/rmp/en/products/location-risk-intelligence/climate-change-edition.html

Philips Group
Philips' physical risk exposure

Type of risk	Short-term	Medium-term	Long-term
Corporate-level acute	Low	Low	Low/Medium
Corporate-level chronic	—	—	Low





Country	Acute	Chronic
Austria	Low	Low
Brazil	Low	—
China	Low	Low
Costa Rica	Medium	High
Germany	Low	Low
India	Low	Very Low
Indonesia	Low	Low
Israel	Low	Low
Japan	Very Low	Very Low
The Netherlands	Low	Very Low
Singapore	Very Low	Low
Türkiye	Very Low	Very Low
United States	Medium	Low

Acute Physical Risks
According to the TCFD guidance, acute risks refer to those that are event-driven, including increased severity of extreme weather events[5]. As part of our climate risk module, we assessed heat waves, precipitation, drought, cold stress, fire weather (commonly known as wildfires), river flooding and cyclones. In contrast to chronic risks, these can lead to immediate damage, business interruption and losses.

The assessment of acute risks indicates that Philips faces low levels of exposure in the short-term, with a slight increase to medium level in the medium- and long-term. The most common acute risks across all sites are precipitation and heat stress, with each being assessed by more than 80% of all the in-scope sites. River flooding and tropical cyclones are the least common risks, with only three sites and one site, respectively, expected to face elevated risk levels.

Risk levels remain relatively constant across different time horizons. This specifically holds for high-impact risks such as flooding. Only risk scores associated with drought and heat stress are facing significant increases over time, although impacts are expected to be low. The risk of Cold stress is expected to decrease over time. This therefore indicates that Philips faces predictable acute perils.

This stability in risk patterns is also reflected in our projected monetary financial exposure. All sites in scope reported low potential asset and business interruption values across the short-, medium-, and long-term.

The assessment identifies two sites requiring heightened attention, classified as very high risk: Phoenix and Linwood (both in the United States). Phoenix is exposed to elevated risk levels across all time horizons, primarily driven by heat stress and wildfire, with drought conditions projected to intensify over time. Linwood, in contrast, is expected to be exposed to increased risk of precipitation.

Three additional sites are classified as high risk and therefore warrant attention: Reedsville (United States), Rancho Cordova (United States) and Alajuela (Costa Rica). In Alajuela, the predominant risk is increased rainfall, with drought and heat stress expected to escalate over the longer term. In Reedsville, cold stress represents the principal acute risk, with heat stress and rainfall also anticipated to slightly but immaterially increase over time. For Rancho Cordova, the main risk prevailing and future risk is the risk of wildfire. As Philips' operations are not water-intensive, water scarcity is not expected to have a material impact on business continuity.

[5] Recommendations of the Task Force on Climate-related Financial Disclosures (FINAL-2017-TCFD-Report.pdf)

Chronic Physical Risks
According to the TCFD guidance, chronic risks are defined as longer-term shifts in climate patterns that may cause sea level rise or chronic heat waves[6]. Due to the nature of these risks, we do not expect any impact in the short- or medium-term.

Results indicate that three of our sites are expected to be exposed to sea-level rise (Drachten, Amsterdam, Cambridge) with limited impact. Exposure to chronic shifts (e.g., change in average temperatures) is also very limited with 95% of the 39 sites with chronic risk as material risk reporting low or very low risk exposure.

Regarding the chronic shift in temperatures, we expect an increase of approximately 1.3 °C to 2.8 °C compared to the reference period in the long term. We are well-prepared for these temperature changes, having invested in adaptation machinery such as air conditioning, and diligently monitoring all applicable laws and regulations. Correspondingly risk levels are extremely low, which is also reflected in the impact table above.

2 Philips adaptation

Philips has implemented robust control measures across our sites to address identified climate risks. Our risk analysis demonstrates comprehensive preparedness: among the 26 risks categorized as very high likelihood, over 70% are controlled by measures of high or very high effectiveness. Similarly, for the 88 risks identified with high likelihood, 84% are managed through control measures of high or very high effectiveness. This data validates the strength and thoroughness of our risk adaptation strategy, confirming our operational resilience in the face of climate challenges.

In Klagenfurt, for example, we have installed multiple water pumps to efficiently redirect surplus groundwater away from our premises, preemptively mitigating the potential hazard of pluvial flooding. In response to the threat of fluvial flooding, the decision was made to raise/elevate the factory floor of the Suzhou and Zhuhai sites and to install flood gates at the Shenzhen site to mitigate the risk. In Zhuhai, this entailed transitioning from our old site to a new elevated facility during the period from 2021 to 2023. Due to our swift actions, any potential damage was prevented.

Philips has established a Plan-Do-Check-Act (PDCA) climate adaptation cycle that encompasses both preventive and responsive measures, demonstrating a forward-thinking approach to climate resilience. This systematic approach integrates physical climate risk identification and assessments, employee training, infrastructure hardening, performance evaluation, and continuous improvements, reflecting Philips' commitment to maintaining robust operations in an increasingly volatile climate environment.

[6] Recommendations of the Task Force on Climate-related Financial Disclosures (FINAL-2017-TCFD-Report.pdf)

6 Resources allocated to climate action

To strengthen our climate resilience from both adaptation and mitigation perspective and meet external ambitions (e.g., Science Based Targets) we have allocated resources to reducing our environmental impact and preparing for potential acute and chronic climate related risks.

1 Past and current resources

Philips has allocated resources to enhance environmental resilience, including proceeds from the Green and Sustainability Innovation Bonds issued under Philips' Green and Sustainability Innovation Bond Framework (April 24, 2019). These funds have been invested in Green and Sustainability Eligible Projects aligned with the objectives of:

- Reducing value chain emissions (climate mitigation)
- Building adaptive capacity (climate adaptation)

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. For more information, visit https://www.philips.com/a-w/about/investor-relations/debt.html.

In addition to bond proceeds, we have other expenditures allocated to our environmental objectives. For climate mitigation and adaptation, a subset of the expenditures for the EU Taxonomy reporting are relevant. This is equivalent to approximately EUR 3 million (0.3%) of our EU Taxonomy-aligned capital expenditures being related to our actions to improve energy efficiency, phase out fossil fuels, and build adaptive capacity on site. Refer to our EU Taxonomy disclosures for more. We have also invested EUR 287 million in green innovation in 2025 to support our efforts in reducing our biggest emissions contributors, which are purchased goods and use of sold products.

2 Future resources

To ensure we meet our future climate targets and continue to build our adaptive capacity, it is vitally important that future resources are allocated to our target achievement, such as:

- Investments in renewable energy and energy efficiency
- Development of EcoDesigned product introductions and partnerships
- Infrastructure resilience, flood defense improvements, and climate-resilient, nature-based solutions

The final financial planning, including future financial resources related to our transition plan, is in progress

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