

A photograph of a male doctor with a beard and a female patient with blonde hair. The doctor, wearing a white lab coat and a stethoscope, is holding a tablet and gesturing with his hands while explaining something to the patient. The patient is looking at the tablet with interest. They are in a clinical setting with blurred medical equipment in the background.

Delivering innovation  
that matters to you

July 25, 2022

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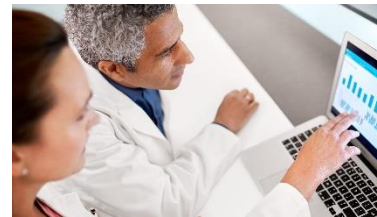
**4. Doing business responsibly and sustainably**



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# 1. A focused leader in health technology

## Philips, a born innovator

For over 130 years, we have been improving people's lives with a steady flow of ground-breaking innovations



# Philips has reinvented itself many times



**Founded on innovation  
and entrepreneurship**



**Expanding  
beyond lighting**



**Global expansion  
post-WWII**



**Diversified industrial  
conglomerate**



**Strategic portfolio  
choices sharpening focus**

Our journey  
continues...





Products come and go...  
Technologies change...

But Philips is still  
about one thing:  
Creating meaningful  
innovation that improves  
people's lives

It is our purpose to improve people's health and well-being through meaningful innovation.

We aim to improve the lives of 2.5 billion people per year by 2030\*

\* 2 billion by 2025



## Our purpose statement – in full

As a leading health technology company, it is our purpose to improve people's health and well-being through meaningful innovation. We aim to improve 2.5 billion lives per year by 2030.

We will be the best place to work for people who share our passion, promoting personal development, inclusion and diversity.

Together we will deliver superior, long-term value to our customers and shareholders, while acting responsibly towards our planet and society, in partnership with our stakeholders.



Economic realities are driving the need for new approaches in healthcare

Volume

Value

Response

Prevention

Episodic

Continuous

Limited

Accessible



# Four profound trends are shaping the future of health technology



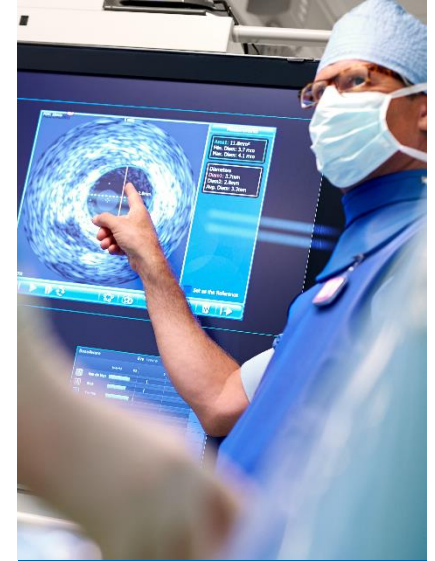
**Global resource constraints**



**Aging populations and the rise of chronic illnesses**



**Increasing consumer engagement**



**Digitalization**



We are on a journey to transform Philips into a health technology leader

Technology

Health  
technology

Product

Solution

Transaction

Relationship



# Helping our customers address the Quadruple Aim



**Better  
health outcomes**



**Improved  
patient experience**



**Improved  
staff experience**



**Lower  
cost of care**



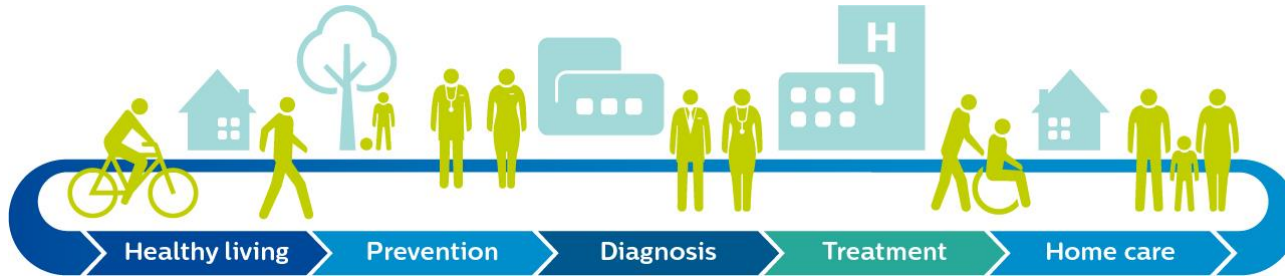
# Taking on the healthcare challenge

At Philips, we take a holistic view of people's health journeys, starting with healthy living and prevention, precision diagnosis and personalized treatment, through to care in the home – where the cycle to healthy living begins again.





# Philips is addressing customer needs by delivering on the Quadruple Aim across the health continuum



## **Better health outcomes**

Improving the health of individuals and populations



## **Improved patient experience**

Improving the patient experience of care (including quality and satisfaction)



## **Improved staff experience**

Improving the work life of health professionals

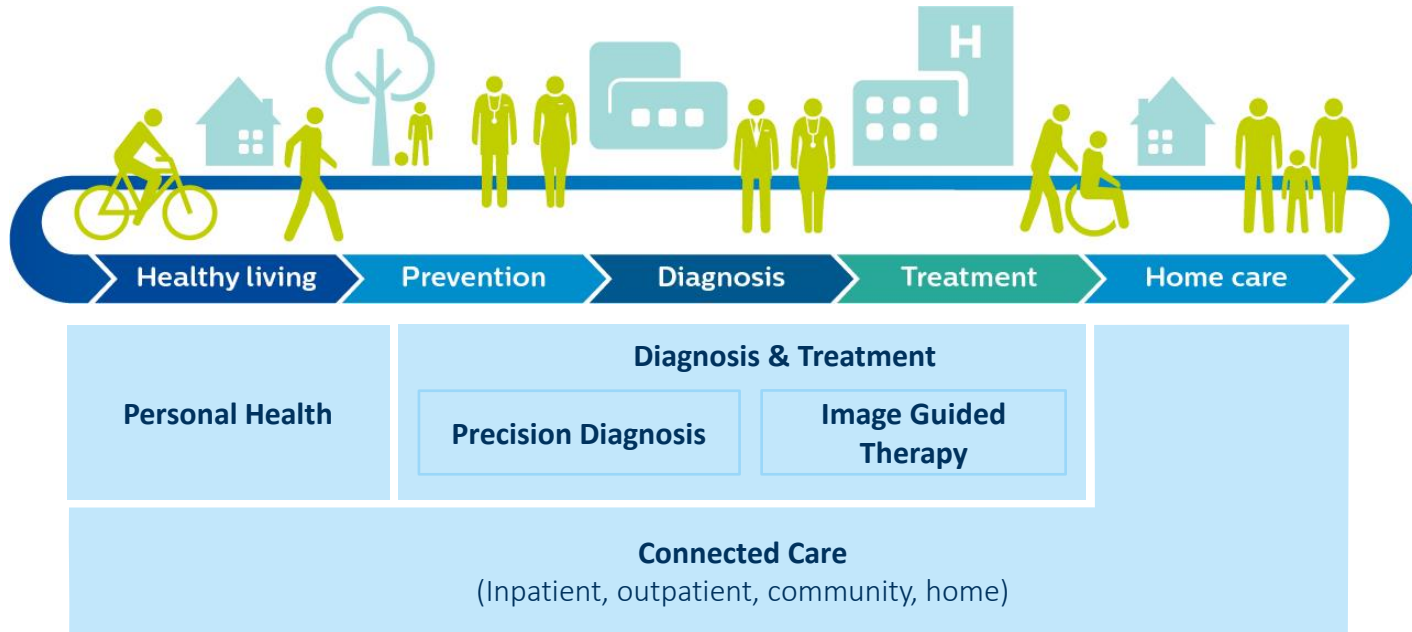


## **Lower cost of care**



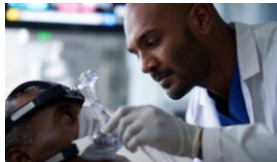

Reducing the per capita cost of healthcare

# Focused on customer needs



The health continuum is at the center of our strategy

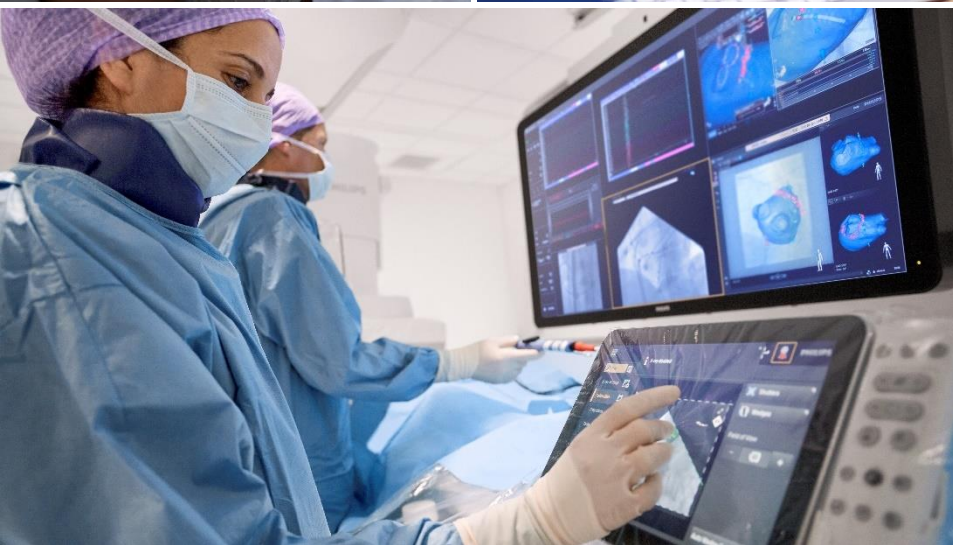


# We have a strong and focused portfolio, driving innovative solutions that promote health and improve healthcare delivery

Diagnosis & Treatment			Connected Care		Personal Health
					
<b>Imaging Systems</b>	<b>Diagnostics &amp; Pathway Informatics</b>	<b>Image Guided Therapy</b>	<b>Patient Monitoring &amp; Care Management</b>	<b>Sleep &amp; Respiratory Care</b>	<b>Personal Health</b>
<p>Patient- and staff-centered solutions that simplify workflow and deliver more precise diagnosis and clear pathways with predictable outcomes</p> <p>Uniquely integrating best-in-class imaging with specialized devices to innovate procedures and improve lives</p>			<p>Patient care solutions, advanced analytics and patient and workflow optimization across all care settings</p> <p>Therapies to support patients in their chronic care needs</p>		<p>Products and services to support healthier lifestyles and disease prevention</p>

# Businesses aligned with customer needs

	Focus areas	Products and solutions
 <p><b>Diagnosis &amp; Treatment</b></p>	<ul style="list-style-type: none"> <li>• Precision diagnosis</li> <li>• Treatment selection and planning</li> <li>• Image-guided minimally invasive therapy</li> </ul>	<ul style="list-style-type: none"> <li>• Diagnostic imaging and ultrasound</li> <li>• Digital and computational pathology</li> <li>• Informatics for Radiology, Oncology, Cardiology</li> <li>• Interventional imaging, navigation and devices</li> <li>• Services (managed services, consultancy, etc.)</li> </ul>
 <p><b>Connected Care</b></p>	<ul style="list-style-type: none"> <li>• Patient care and workflow management</li> <li>• Chronic disease management</li> </ul>	<ul style="list-style-type: none"> <li>• Telehealth, patient monitoring and analytics</li> <li>• Hospital and clinical informatics platforms</li> <li>• Emergency care and resuscitation</li> <li>• Sleep, breathing and respiratory care</li> <li>• Managed services</li> </ul>
 <p><b>Personal Health</b></p>	<ul style="list-style-type: none"> <li>• Healthy living and prevention</li> <li>• Personal care</li> <li>• Digital consumer engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Oral care</li> <li>• Mother and child care</li> <li>• Male grooming and beauty</li> <li>• Services (re-ordering, support, coaching, etc.)</li> </ul>



Our solutions –  
driving quality  
of care and  
productivity for  
our customers



# Innovative integrated solutions

Developed to better meet customer needs and capture greater value

## Image-guided therapy solutions



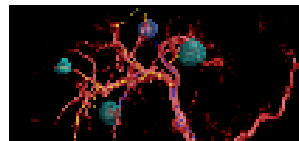
Image-guided therapy systems

+



Smart catheters

+



Disease-specific navigation software

+



Cath lab managed, services, consulting

## Early warning of patient deterioration



Monitoring

+



Wireless measurement, biosensors

+



IntelliVue Guardian software

+



Integration, services, consulting

## Total sleep management solutions



Dream Series therapy devices

+



Care Orchestrator Care Management Platform

+



Patient services

+



DreamMapper patient engagement

# Our services for better outcomes at lower cost

## Plan and design



*“Help me understand what I need to do and why”*

Our **planning services** help you achieve your strategic objectives and assist in making decisions that impact your department, hospital or facility.

## Implement and integrate



*“Help me and my organization get up and running with something new”*

Our portfolio of **implementation services** helps you deploy new technology in a sustainable fashion, with minimum impact.

## Monitor and optimize



*“Help me perform over time and continuously improve”*

With our **optimization services**, we can help you increase process efficiency and achieve continuous operational improvement.

## Prevent and maintain



*“Help me to prevent issues but respond effectively should they occur”*

Our portfolio of **maintenance services** is dedicated to maximizing your technology uptime.

## Upgrade and secure



*“Help me stay current and secure”*

Our portfolio of **upgrading services** assures that your technology is always current, secure and up-to-date for your specific situation.

A photograph of three business professionals in an office setting. A woman in a light blue lab coat is shaking hands with a man in a dark blue shirt. A woman in a black and white patterned jacket stands between them, smiling. They are all wearing ID badges. The background shows a large window with a view of a city.

Long-term strategic partnerships enable us to find the answers to the challenges our customers are facing – **together**

# Over the last 10 years, Philips has transformed into a focused HealthTech company with 70% leadership positions



## Personal Health

Personal Health

**Male Grooming**  
#1

**Oral Healthcare**  
#2

**Infant Feeding**  
#2

## Diagnosis & Treatment



**Ultrasound**  
#2

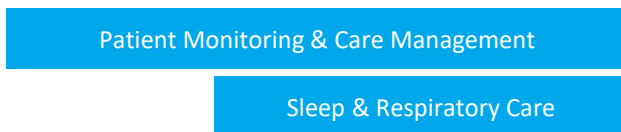
**IGT Systems**  
#1

**IGT Devices**  
#1

**Radiology Informatics**  
#1

**Cardiology Informatics**  
#1

## Connected Care



**Hospital Patient Monitoring**  
#1

**Sleep**  
#2

**Ambulatory Monitoring**  
#1

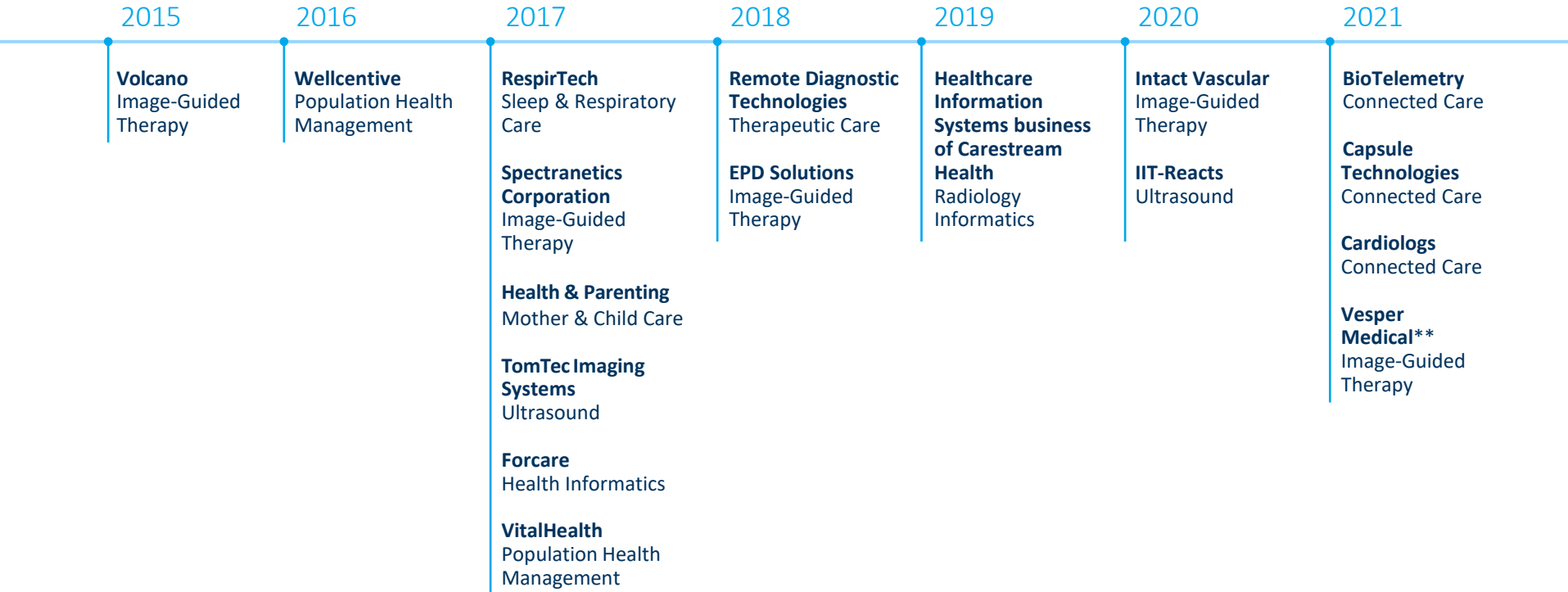
**Home Respiratory**  
#1

**70%**  
of 2021  
revenue  
from  
leadership  
positions

#x =  
Global position

# Selected acquisitions\*

Expanding our capabilities in health technology



\* This overview is not exhaustive; see Notes for details of these and other acquisitions

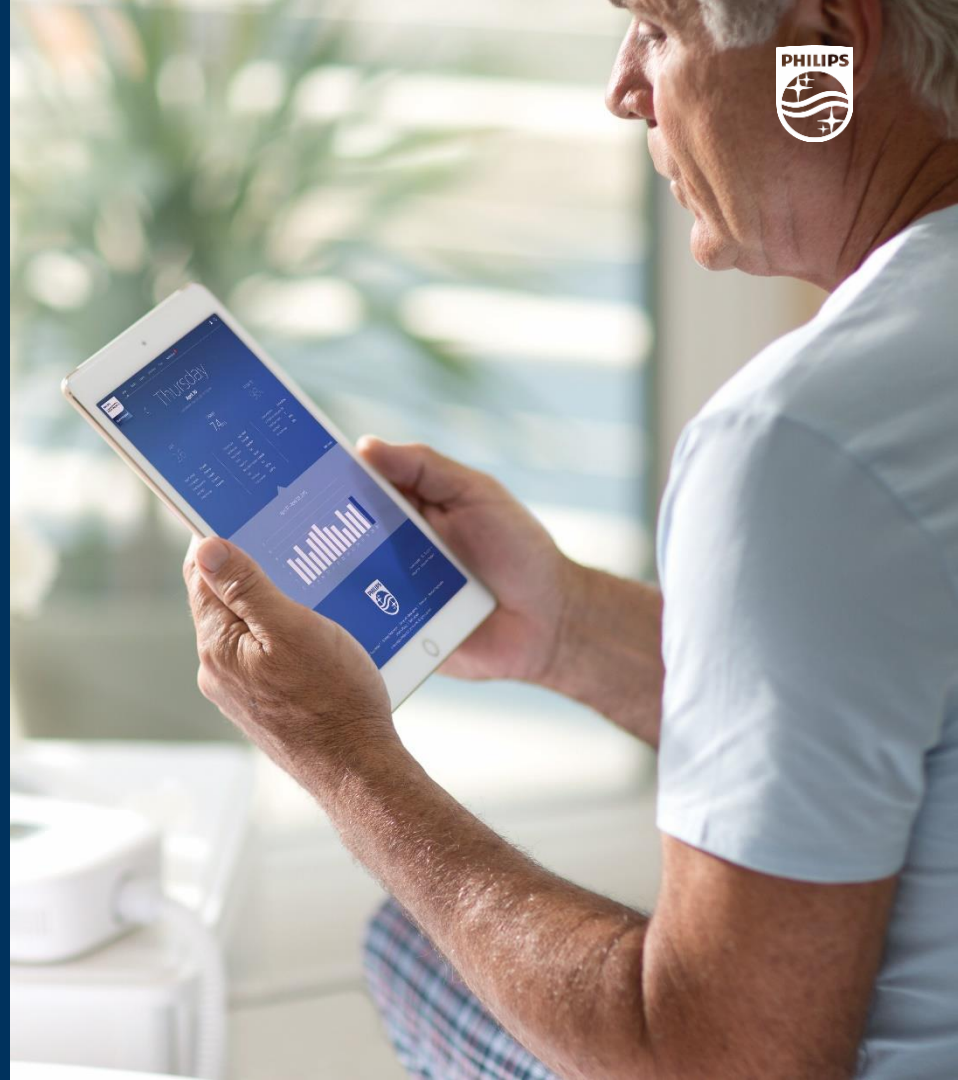
\*\*Announced, subject to customary closing conditions





Helping people  
take care of  
their health  
and well-being

All around the world,  
we make a difference to  
people's lives by  
delivering locally relevant,  
connected solutions that  
support healthier lifestyles  
and those living with  
chronic disease.





## 2. Innovating for you



“We innovate with purpose based on the voice of the customer and to elevate the human experience.

Our innovations connect people, technology, and data-driven insights, all delivered within clinical workflows or the daily consumer routines.

Our goal is a world where technology beautifully meets the needs of people anywhere.”

**Shez Partovi MD**

Chief Innovation & Strategy Officer, Royal Philips



# 130 years of innovation



**1905**  
First patent granted



**1924**  
Introduction Metalix  
X-ray tube



**1927**  
Acquisition of X-ray  
firm C.H.F. Müller



**1927**  
First Philips radio with  
Miniwatt valve



**1939**  
Introduction of rotary  
electric shaver



**1947**  
First 100kV electron  
microscope



**1950**  
First Philips TV



**1956**  
First Philips image  
intensifier with TV



**1976**  
Sono Diagnost B  
ultrasound



**1979**  
Tomoscan whole-  
body CT scanner



**1983**  
Gyroskan Nuclear  
Magnetic Resonance  
system



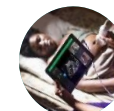
**1989**  
Integris, Philips' first  
dedicated interventional  
system



**2003**  
Philips Ambient  
Experience



**2013**  
IQon Spectral CT  
computed tomography  
imaging system



**2015**  
Philips Lumify  
portable ultrasound



**2017**  
Azurion, Philips' next-  
generation image-guided  
therapy platform



**2018**  
Philips IntelliSpace Portal



**2019**  
Philips IntelliSite  
Pathology Solution



**2020**  
Radiology Operations  
Command Center



**2021**  
Spectral CT 7500



# We turn possibilities into great innovations

EUR 1.8 billion  
invested in R&D in 2021

860 new  
patents  
filed in 2021

Philips named  
Clarivate Top 100  
Global Innovator™  
for 9<sup>th</sup> year in a row in 2022

Approximately  
1 out of 2  
R&D personnel in  
software and data science

57,000  
patents

#1 for medical  
technology patent  
filings  
with European Patent Office in 2021



We innovate with  
our partners

## Our unique approach to customer engagement Co-creating solutions together

- Understanding the entire experience
- Giving stakeholders a voice
- Leveraging the power of data
- Co-creating the solutions
- Implementing and transforming



We are a world leader in  
people-centric design

In 2021, Philips received a record  
182 awards for design excellence

Philips won three 2022 Red Dot  
Awards 'best of the best' ratings

Philips Experience Design named Red  
Dot: Design Team of the Year 2022



reddot design award



The Future Health Index (FHI) is a research-based platform designed to help determine the readiness of countries to address global health challenges and build sustainable, fit-for-purpose national health systems.

Since its launch in 2016, we have conducted ongoing, best-in-class research to better understand global nuances concerning access to healthcare, integration of healthcare systems, and the adoption of connected care technology.



### 3. Digital transformation of healthcare

# The COVID-19 pandemic has radically accelerated adoption of digital health technology



Telehealth has skyrocketed, changing patient expectations of how care is delivered



Virtual collaboration has extended the reach of specialist care



Data sharing and collaboration across locations has proven to be more vital than ever before



# The future of digital health

## Personalized

Care pathways and digital health solutions tailored to the individual

## Connected

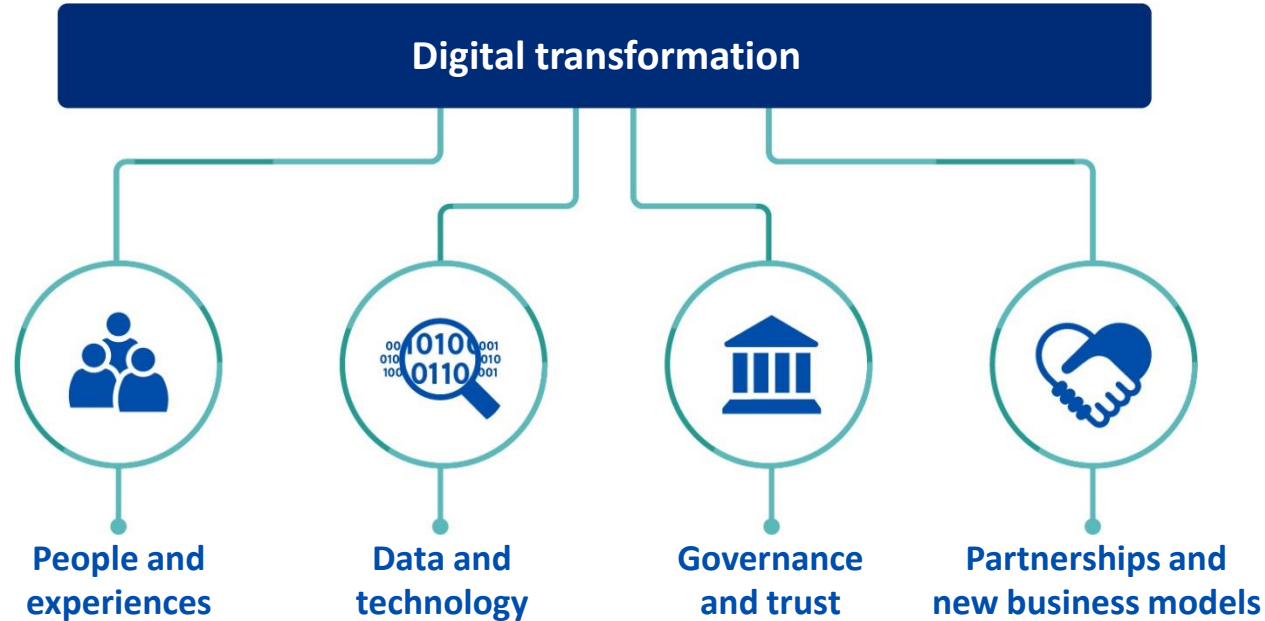
Healthcare delivered “anytime, anywhere” through a distributed, highly accessible network

## Integrated

Care teams can make better informed decisions through 360-degree, longitudinal patient views



# Driving digital transformation at scale: four enabling areas

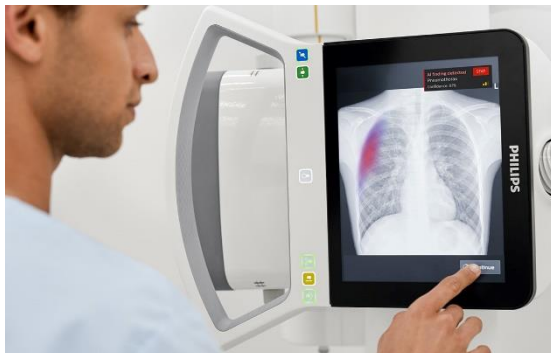


# Need-driven innovation supporting the human care experience



## Human-centered design

Addressing the unmet needs of patients, health consumers and healthcare professionals



## Frictionless experiences

Intuitive solutions integrated into clinical workflows and people's daily health routines



## Virtual training and education

Remote training and guidance supporting digital upskilling and continuous learning



Data and technology

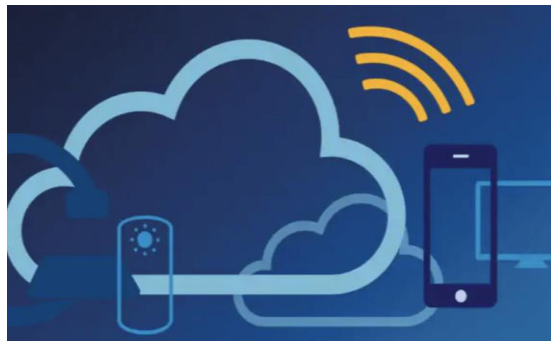


# Combining the power of smart connected devices and systems, cloud-based digital platforms, and AI



## Smart connected devices and systems

Enhanced with sensors, software apps, AI, and remote services – for connected care anytime, anywhere



## Philips HealthSuite cloud-based digital platform

Unlocking data from different systems and devices in and outside the hospital



## Turning data into actionable insights with AI

Augmenting the expertise of healthcare providers and improving operational efficiency



# Safe, secure, and responsible use of data and AI

## Our Data Principles

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Security



Privacy



Benefit customers,  
patients, and society

## Our AI Principles

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Health and  
well-being



Human oversight



Robustness



Fairness to avoid bias  
and discrimination



Transparency

# Driving transformation through collaborative ecosystems



## Long-term strategic partnerships

We innovate with leading medical centers to advance digital health around the globe



## Open platform approach integrating third-party offerings

Through Philips HealthSuite, we make digital health innovations available at scale



## Ecosystem partnerships for value-based care

We connect providers, patients and payors to promote prevention and better outcomes

## 4. Doing business responsibly and sustainably



Building on the advances we have made in sustainability over the years and on valuable input gathered talking with our stakeholders, we have – in line with our company purpose – formulated an enhanced and fully integrated approach to doing business responsibly and sustainably.

This approach covers the Environment, Social and Governance (ESG) dimensions that guide our endeavors.

**Frans van Houten**  
CEO Philips



## Our purpose statement – in full

As a leading health technology company, it is our purpose to improve people's health and well-being through meaningful innovation. We aim to improve 2.5 billion lives per year by 2030.

We will be the best place to work for people who share our passion, promoting personal development, inclusion and diversity.

Together we will deliver superior, long-term value to our customers and shareholders, while acting responsibly towards our planet and society, in partnership with our stakeholders.



# Our key ESG commitments

## Environment

We act responsibly towards our planet in line with UN SDGs 12 and 13

## Social

Our purpose is to improve people's health and well being through meaningful innovation, in line with UN SDG 3

We act responsibly towards society and partner with our stakeholders

## Governance

We aim to deliver superior long-term value for our customers and shareholders, and we live up to the highest standards of ethics and governance in our culture and practices

## Frameworks/references



Continued

# Doing business responsibly and sustainably

## Our key ESG commitments

### Environment

We will maintain carbon neutrality and use 75% renewable energy in our operations by 2025. We will reduce CO<sub>2</sub> emissions in our entire value chain in line with a 1.5 °C global warming scenario (based on Science Based Targets).

We will generate 25% of our revenue from circular products, services and solutions, offer a trade-in on all professional medical equipment, and take care of responsible repurposing, by 2025.

We will embed circular practices at our sites and put zero waste to landfill by 2025.

All new product introductions will fulfill our EcoDesign requirements by 2025, with 'Eco-Heroes' accounting for 25% of revenues.

We work with our suppliers to reduce the environmental footprint of our supply chain in line with a 1.5 °C global warming scenario (based on Science Based Targets).

We engage with our stakeholders and other companies to drive sustainability efforts addressing the United Nations Sustainable Development Goals.

### Social

We aim to improve the health and well-being of 2 billion people per year by 2025, including 300 million people in underserved communities.

It is our strategy to lead with innovative solutions along the health continuum – helping our customers deliver on the Quadruple Aim (better health outcomes, a better experience for patients and staff, lower cost of care) and helping people take better care of their health.

We aim to be the best place to work for our employees, providing opportunities for learning and development, embracing diversity and inclusion, and assuring a safe and healthy work environment. We pay at least a living wage and aim for employee engagement above the high-performance norm.

Through our supplier development program we will improve the lives of 1,000,000 workers in our supply chain by 2025.

We actively engage with and support the communities in which we operate, e.g. through volunteering, internships, STEM (Science, Technology, Engineering, Mathematics) initiatives. We contribute to the Philips Foundation, which aims to provide access to quality healthcare for disadvantaged communities.

We consider our tax payments as a contribution to the communities in which we operate, as part of our social value creation.

### Governance

Our management structure and governance combines responsible leadership and independent supervision.

The Philips Business System is our integrated operating model. It defines how we work together to delight our customers and achieve our company goals, leveraging our global scale and capabilities.

We are committed to delivering the highest-quality products, services and solutions compliant with all applicable laws and standards.

Our remuneration policy is designed to encourage employees to deliver on our purpose and strategy and create stakeholder value, and to motivate and retain them. Our executive long-term incentive plan includes environmental and social commitments.

We ensure ethical behavior through our General Business Principles, with a strong compliance and reporting framework.

Our risk management is designed to provide reasonable assurance that strategic and operational objectives are met, legal requirements complied with, and the integrity of the company's reporting and related disclosures safeguarded.

We are transparent about our plans, activities, results and contributions to society (e.g. tax reporting), and engage with shareholders, customers, business partners, governments and regulators through a variety of platforms.

“As a purpose-driven health technology company, we are very conscious of our responsibility towards society and of the need to continue to embed sustainability ever deeper in the way we do business – in our own operations and beyond, together with our partners.

Driving global change, with specific focus on access to care, circular economy and climate action. When it comes to making the world healthier and more sustainable, there is simply no time to lose.”

**Frans van Houten**  
CEO Philips



# Our purpose and action plan support the UN's global goals

**Make the world  
healthier and more  
sustainable through  
innovation**

**Improve the lives of  
2.5 billion people a year  
by 2030**



Improving people's health and well-being, and expanding access to care for underserved communities



Ensuring sustainable use of materials and driving the transition to a circular economy



Ensuring sustainable use of energy, reducing emissions, and operating carbon-neutral



- Teaming up with our suppliers to increase social and environmental impact throughout our supply chain
- Building strong coalitions to drive global change



- Designing our products and services in line with our EcoDesign requirements
- Embedding sustainable practices in our ways of working

# Our ambitious targets for 2025



## Health and well-being for all

- We improve the health and well-being of 2 billion people per year through meaningful innovation
- As part of this, we enable access to care for 300 million people in underserved communities



## Circular economy

- We generate 25% of our revenue from circular products, services and solutions
- We offer a trade-in on all professional medical equipment, and take care of responsible repurposing\*\*
- We embed circular practices at our sites\* and put zero waste to landfill



## Climate action

- We reduce our CO<sub>2</sub> emissions in line with a 1.5 °C global warming scenario, for example by further improving the energy efficiency of our products during the customer use phase
- We source 100% of our electricity and over 75% of our total energy consumption from renewable sources



## Partnerships

- We team up with our partners to deliver sustainable value and drive global change
- We improve the lives of 1 million workers in our supply chain and reduce its environmental footprint



## Enablers

- We design 100% of our products and services in line with our EcoDesign requirements, with 'Eco-Heroes' accounting for 25% of revenues
- We embed sustainable practices in our ways of working, as defined by the Philips Business System

\* including non-manufacturing sites, such as large offices, warehouses and R&D facilities

\*\*either refurbished at Philips, or locally recycled in line with Philips policies



# Philips is a recognized leader in environmental sustainability



Philips achieved its goal to become **carbon-neutral** in its operations by 2020



**Recognized leader** – Carbon Disclosure Project  
2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021



Philips was the world's first health technology company to have its CO<sub>2</sub> targets approved by the Science Based Targets initiative



Thought leader on **circular economy**

Frans van Houten co-chair of PACE

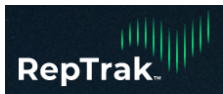
2018 Circular Award



Philips has **top scores in supplier rating**; **2018 Crystal Prize** for leading change in supply chain sustainability; **2021 Crystal Prize** for climate risk reporting

In 2019, Philips topped the inaugural **Fortune Sustainability All Stars** list in recognition of our environmental innovation, resource use, and efforts to limit emissions.

# We are building on a strong reputation across the ESG dimensions



Philips the first Dutch company ranked among the world's top 15 companies with the best reputation in 2021, and again in 2022



In 2022, Philips scored 91/100 in the ESG assessment by S&P Global Ratings (the highest score awarded to date), building on 2021's record ranking



Philips recognized **Industry Leader** in the DJSI 2015, 2016, 2017; #2 in new industry in 2018, 2019, 2020, 2021



In 2020, Philips came in at #2 in The Wall Street Journal's new global sustainability ranking



In 2020, Philips received EcoVadis' highest sustainability rating, the Platinum award



Philips #1 in 'Health Care Equipment & Services' sector on Forbes 'World's Best Employers 2020' list



## 5. The Philips brand

There's always  
a way to make  
life better



# The Philips brand is a vital asset

## Philips' health technology portfolio



Deep market  
insights



Technology  
innovation



Global  
footprint



Philips  
brand



Our  
people

Balance sheet





Brand value > USD 11.5 billion  
five years in a row  
Most valuable Dutch brand

**Interbrand**

## **2021 Interbrand Best Global Brands valuation**

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**Brand value**

USD 12.1 billion

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**Interbrand ranking**

#57

## 6. Philips Foundation



Philips  
Foundation

We're committed  
to bringing  
innovation to those  
most in need



## 7. Facts and figures

Since the completion of the sale of the Domestic Appliances business, it is no longer consolidated by Philips as from September 1, 2021.

Philips in Q2 2022



EUR 4.2  
billion sales

-7%

comparable  
sales growth

1%

increase in  
comparable  
order intake

~79,000

employees in over 100 countries





# Philips sales in Q2 2022

-7%

comparable  
sales growth

## Diagnosis & Treatment businesses

-4% at EUR 2.2 billion

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## Connected Care businesses

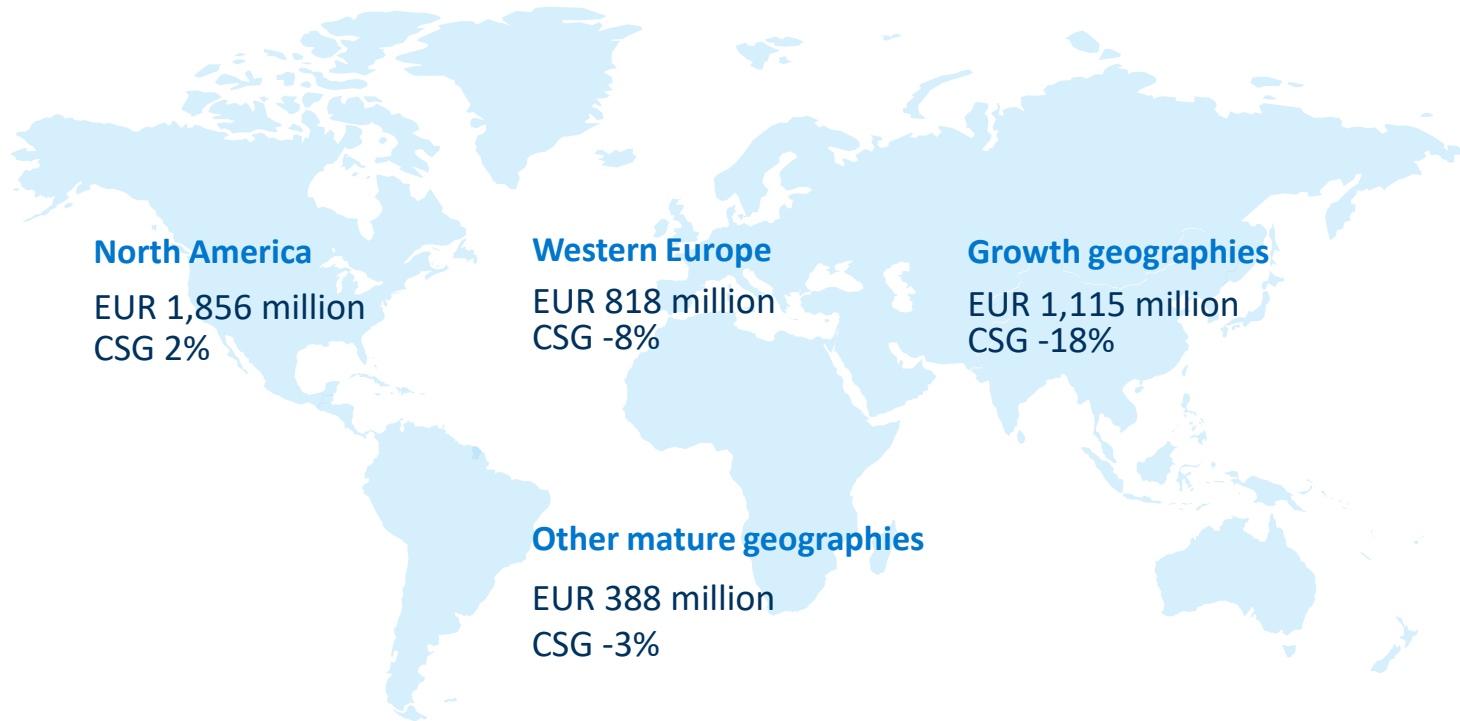
-13% to EUR 1.1 billion

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## Personal Health businesses

-5% to EUR 0.8 billion

# Philips Q2 2022 sales per geographic cluster



# Our businesses over the last 12 months<sup>1</sup>

## Diagnosis & Treatment



51%  
of Group sales

11.8%  
Adjusted EBITA margin

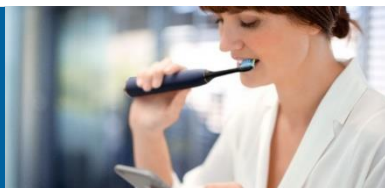
## Connected Care



25%  
of Group sales

7.8%  
Adjusted EBITA margin

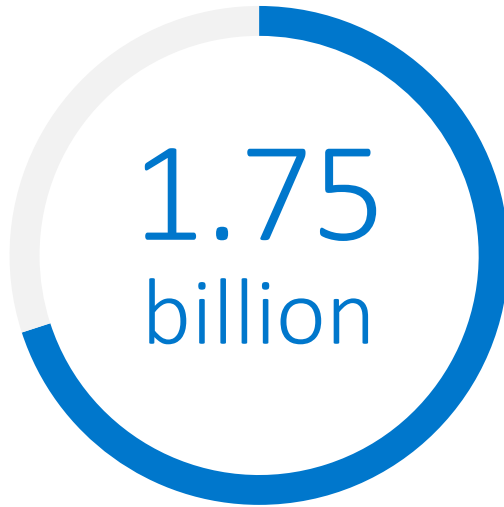
## Personal Health



20%  
of Group sales

17.8%  
Adjusted EBITA margin

Sales of EUR 17.2 billion and Adjusted EBITA margin of 9.4%



Lives improved  
around the world  
in Q2 2022



## Philips in 2021

EUR 17.2

billion sales

~ 45%

of sales from solutions

-1%

comparable  
sales growth

4%

increase in  
comparable  
order intake

~78,000

employees in over 100 countries

## Philips in 2021



1.67  
billion

lives improved

EUR  
1.8 billion  
invested in R&D

57,000  
patent rights

33,000  
trademarks

USD 12.1 billion  
brand value<sup>1</sup>



# Our businesses in 2021<sup>1</sup>

## Diagnosis & Treatment



50%  
of Group sales

12.4%  
Adjusted EBITA margin

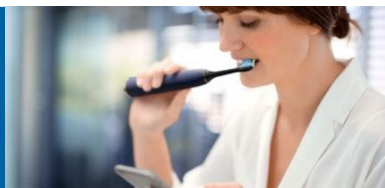
## Connected Care



27%  
of Group sales

10.6%  
Adjusted EBITA margin

## Personal Health



20%  
of Group sales

17.6%  
Adjusted EBITA margin

Sales of EUR 17.2 billion and Adjusted EBITA margin of 12.0%

