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.

On the mitigation front, Philips has charted an ambitious decarbonization pathway to significantly reduce greenhouse gas (GHG) emissions across its value chain by leveraging 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- (2025), medium- (2030), and long-term horizons (2050+). Acute risks, such as extreme weather events, are actively mitigated through site-specific resilience measures, including early warning systems, infrastructure adaptations, and redundancy planning. Sites in Pune, India, and Best, the Netherlands, have been identified as high-priority locations for targeted actions due to their specific exposure levels. 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 2024. 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

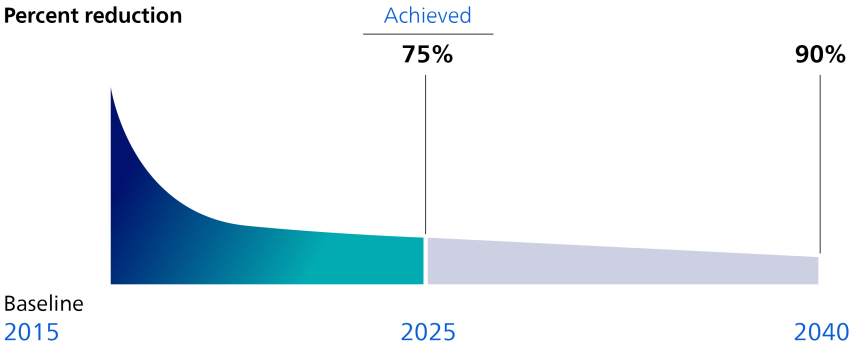
Having achieved carbon neutrality in 2020 (Scope 1, 2 and Scope 3 categories of logistics and business travel), we have set ambitious emission reduction targets, officially approved by the Science Based Targets initiative (SBTi). These targets follow the cross-sector guidance of the SBTi and ensure we help limit global warming to 1.5 °C. Philips was the first health technology company to have its targets approved by the SBTi, highlighting our commitment to climate action.

Philips Group

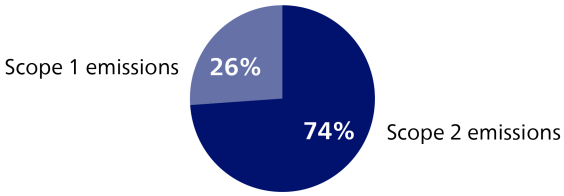
Philips Scope 1, 2 & 3 targets

Scope 1 & 2
>99% coverage

Percent reduction

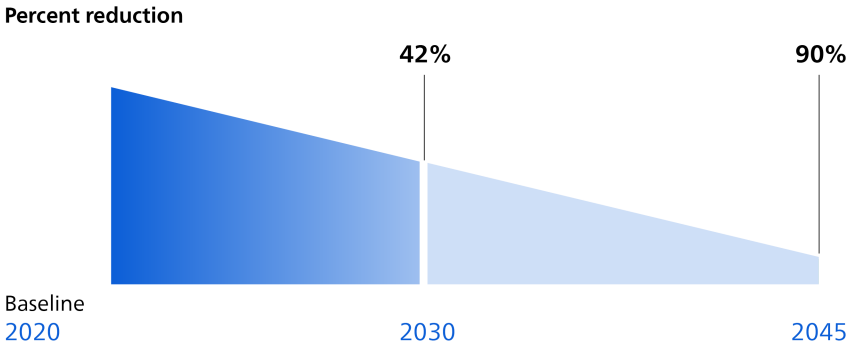


Baseline split per scope

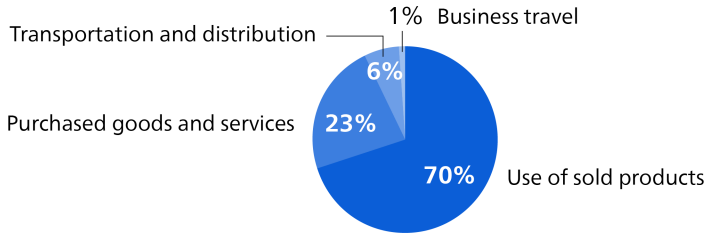


Scope 3
>95% coverage

Percent reduction



Baseline split per category

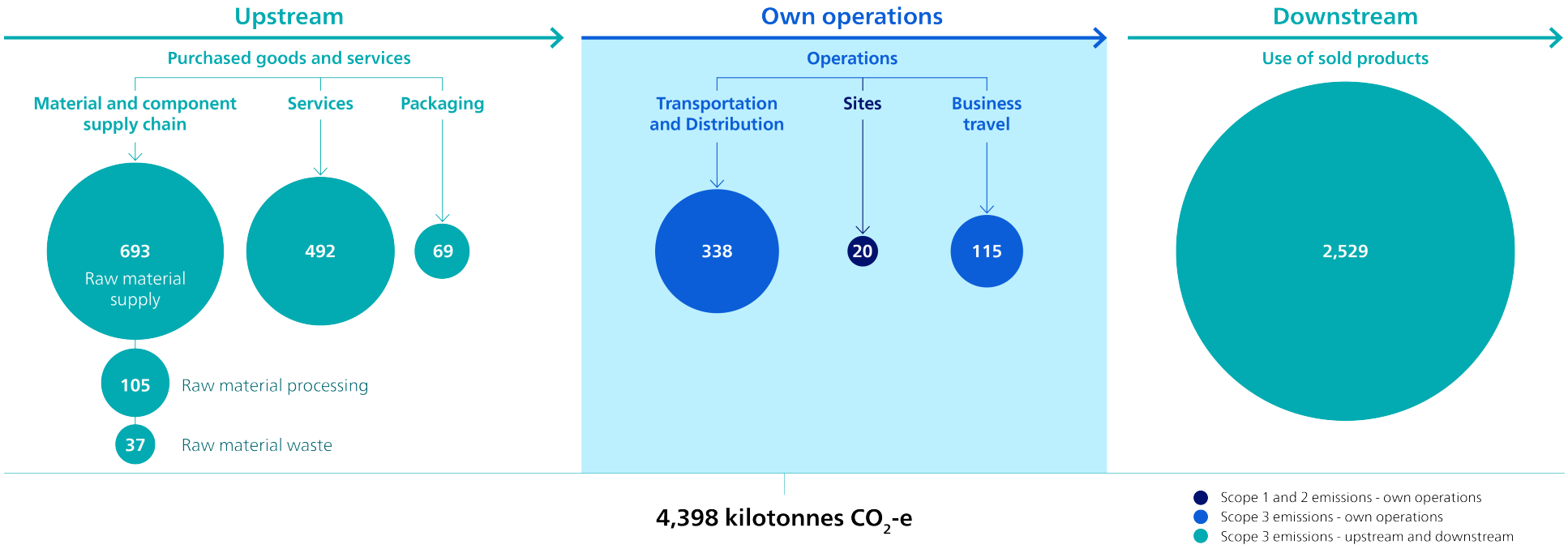


2 The scope of analysis

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 2024 carbon footprint.

Philips Group
Carbon emissions across Philips value chain in kilotonnes CO_2-equivalent (CO_2-e)
2024



The climate adaptation assessment focuses on 24 sites, selected by the operational resilience hub based on criticality to business continuity. 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

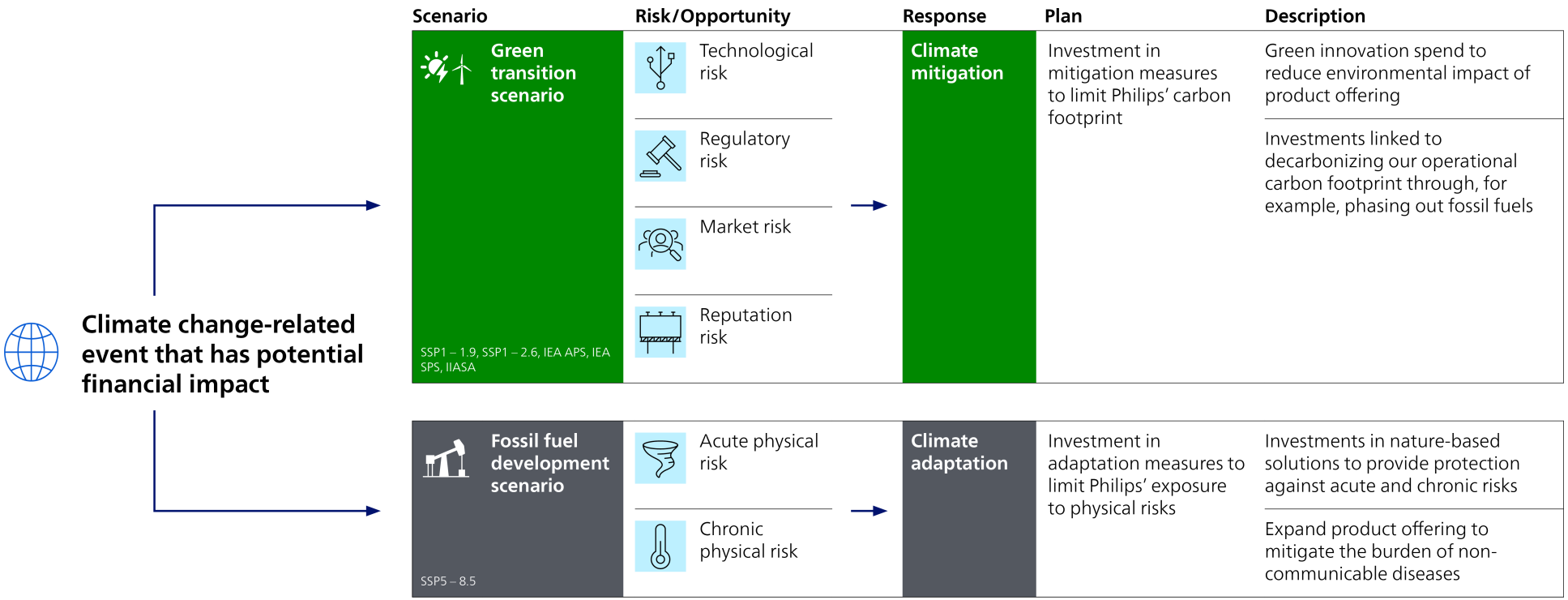
	Short term	Medium term	Long term
Duration	1 < x < 2 years	5 < x < 10 years	10 < x < 25 years
Target year	2025	2030	2050*

* 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 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

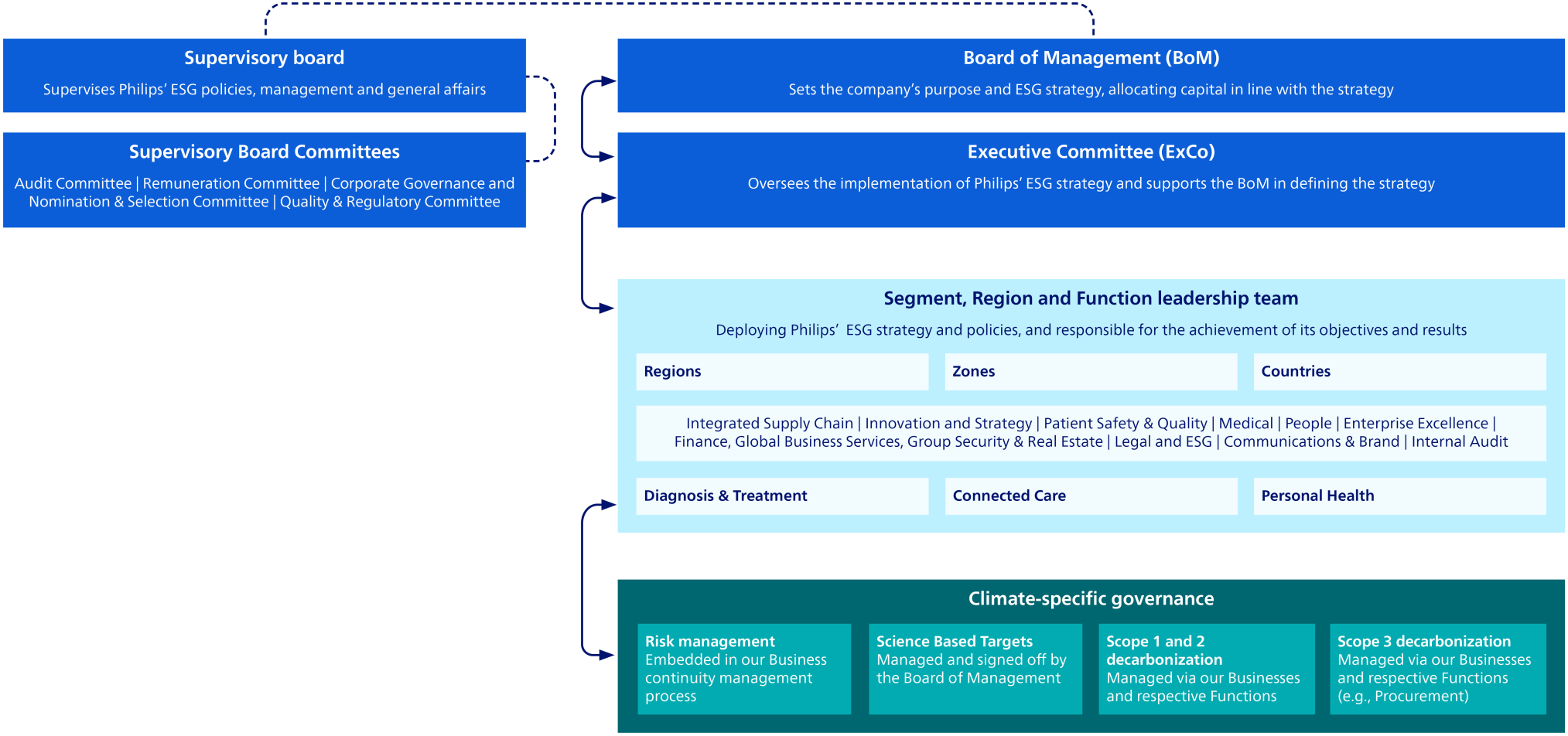
3 Governance

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 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 these 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. 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 governance

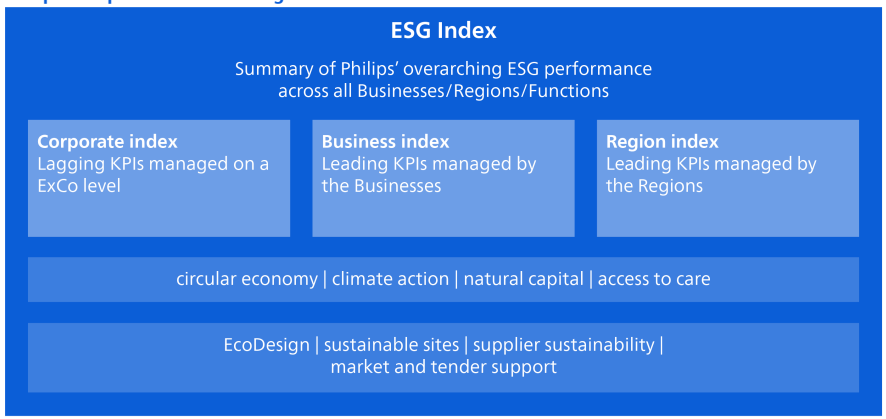


2 Embedded climate resilience

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 commitments (e.g., Science Based Targets).

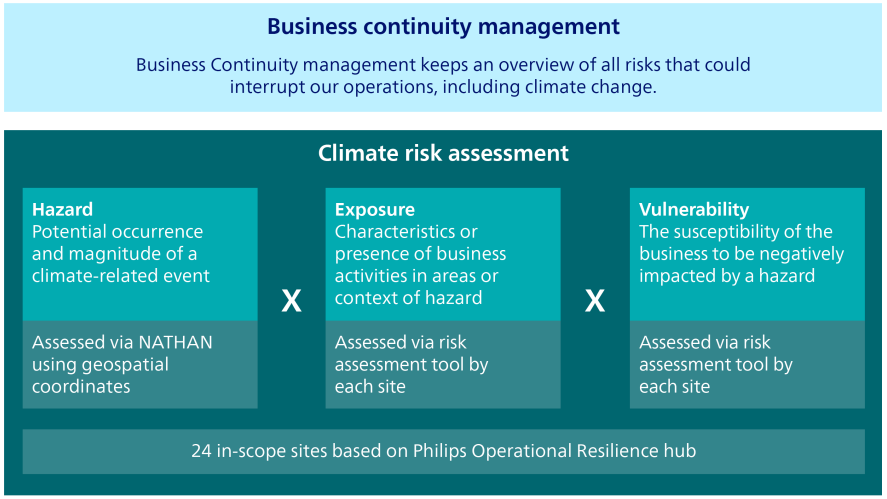
Climate related targets and SBTi-aligned emission levels are managed through our ESG Index. With the Index we are able to measure, monitor and communicate our progress against targets. This ensures we provide greater clarity and transparency internally regarding our ESG performance thereby creating accountability and ownership. Performance via the ESG Index is also partially linked to remuneration, as further explored in the 2024 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



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)

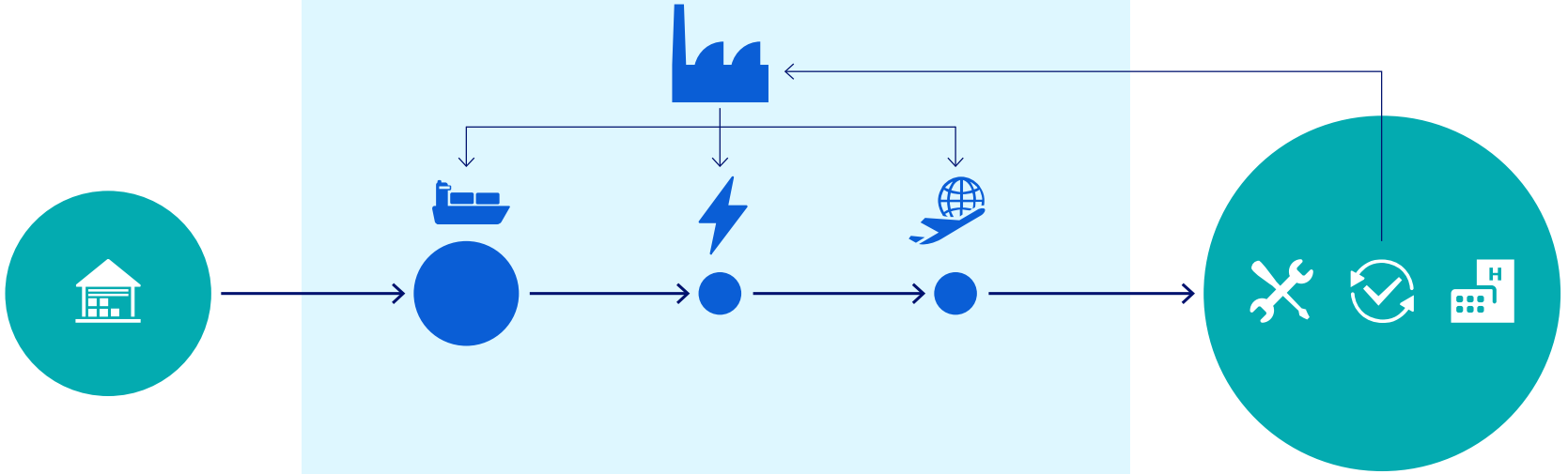
4 Climate mitigation assessment

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**
Strategy	• Design products for low weight and sustainable materials • Collaborate with our supplier to amplify our impact • 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	• 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

Since most of our climate impact occurs downstream during the use-phase of our products, we are dedicated to designing energy-efficient solutions and supporting the transition to renewable energy sources.

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).

Based on preliminary estimates, we expect to reduce our use-phase (GHGP category 11) carbon footprint.

Philips Group
Expected use-phase emission reduction in kilotonnes CO_2-e unless otherwise stated

	Current	Medium-term	Long-term
(Expected) emissions level	2,529	2,797-2,330	1,590-98
Reduction compared with 2020 baseline	2,631	2,363-2,829	3,570-5,062
Percentage reduction compared with 2020 baseline	51%	46%-55%	69%-98%

Minimizing our purchased goods emissions by adopting circular economy practices and transitioning to sustainable alternatives

From a climate perspective, applying circular business models has the potential for significant emission reductions. 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'.

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. For our Personal Health segment, for example, this includes replacing virgin plastic packaging with paper-based alternatives or increasing the recycled content of the materials we use.

Next, we 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. This is further explained in the 2024 Annual Report under 8.4 Environmental information – Note 3 Other environmental information.

Lastly, we initiated the process to focus on responsibly reusing products and parts at the end of their use. Among other things, 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. Altogether we believe that by applying our circularity principles, we will be able to reduce our purchased goods emissions (GHGP category 1).

Philips Group
Expected purchased goods emission reduction in kilotonnes CO_2-e unless otherwise stated

	Current	Medium-term	Long-term
(Expected) emissions level	904	1,023-872	812-148
Reduction compared with 2020 baseline	275	156-307	367-1,031
Percentage reduction compared with 2020 baseline	23%	13%-26%	31%-87%

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 since 2011. Additionally, we engage with these suppliers to reduce their emissions as part of our supplier sustainability program. By engaging with suppliers and encouraging them to set Science Based Targets we believe we will be able to amplify our impact. We are thereby acknowledging our dependency on suppliers' decarbonization rate and will continue our focus on driving impact. We expect that by further engaging with our suppliers through our supplier sustainability program we are able to reduce our purchased services emissions (GHGP category 1).

Philips Group
Expected purchased services emission reduction in kilotonnes CO_2-e unless otherwise stated

	Current	Medium-term	Long-term
(Expected) emissions level	492	442-388	334-308
Reduction compared with 2020 baseline	44	95-149	203-229
Percentage reduction compared with 2020 baseline	8%	18%-28%	38%-43%

Please note that due to methodological limitations, the focus above is on purchased services, although our supplier sustainability program has a much broader scope.

Reducing emissions from logistics by optimizing our planning horizon

We are committed to minimizing the CO_2-e impact of our logistics operations by working closely with our logistics partners and transportation providers. To this end, we have initiated collaborations with our key logistics suppliers to transition to low-emission vehicle fleets, increase fuel efficiency, and optimize route planning. We actively engage with all partners (both internal and external) through our sustainable logistics program, which aims to identify further opportunities for emission reductions, including alternative fuel options and innovative, lower-emission transport modes. Key decarbonization levers are correspondingly: reducing the need for shipments, shifting air to ocean, reducing shipment chargeable weight in line with our EcoDesign strategy, and transitioning to alternative fuels (e.g., electric or biofuel).

To that end we expect to reduce our logistic emissions (GHGP categories 4 and 9) as outlined in the accompanying table.

Philips Group
Expected upstream and downstream logistics emissions reduction in kilotonnes CO_2-e unless otherwise stated

	Current	Medium-term	Long-term
(Expected) emissions level	338	275-200	239-67
Reduction compared with 2020 baseline	77	140-215	176-348
Percentage reduction compared with 2020 baseline	18%	34%-52%	42%-84%

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. As such, we expect to decarbonize our sites as outlined in the accompanying table.

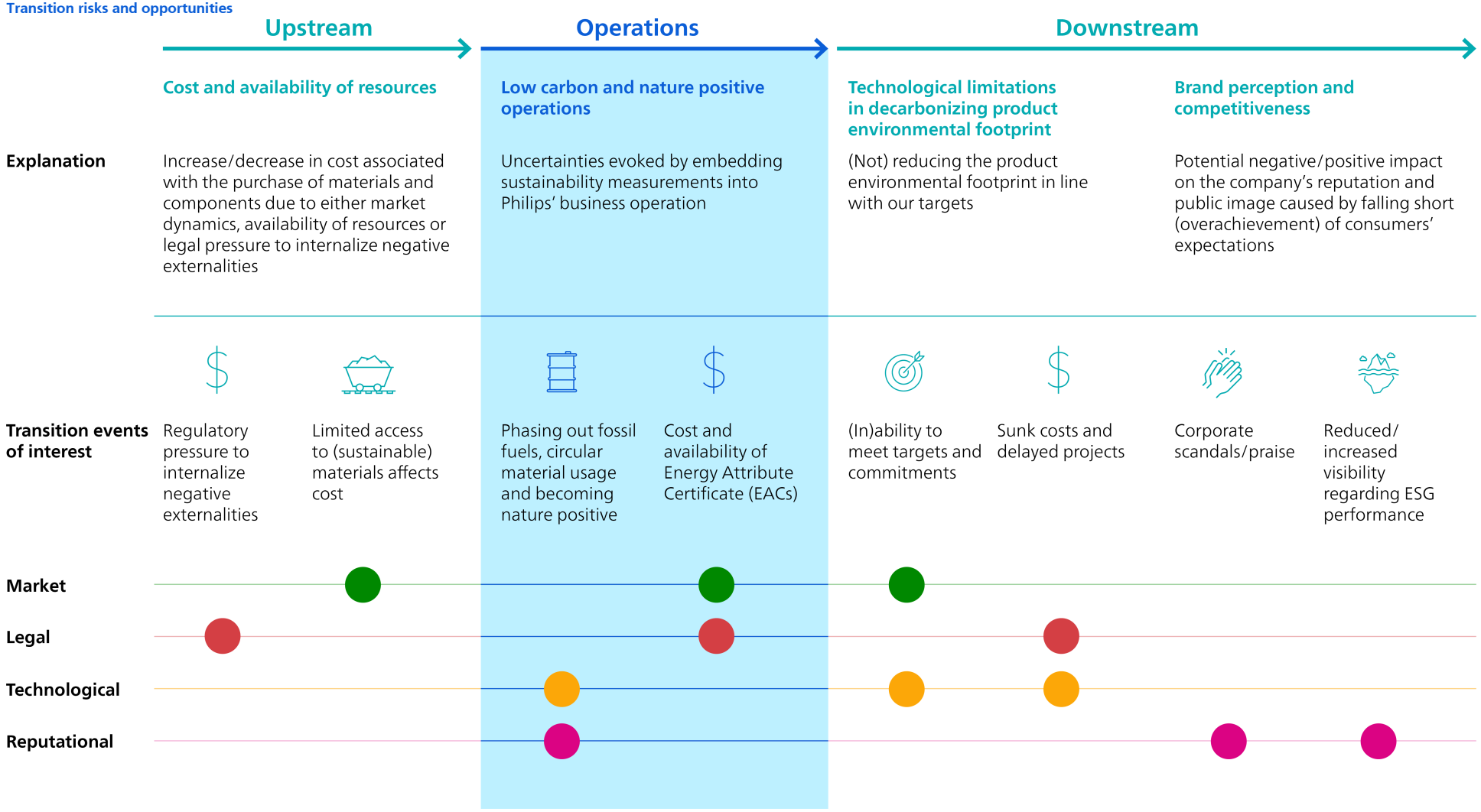
Philips Group
Expected Scope 1 and 2 emission reduction in kilotonnes CO_2-e unless otherwise stated

	Current	Medium-term	Long-term
(Expected) emissions level	20	19-13	13-1
Reduction compared with 2020 baseline	124	116-121	121-134
Percentage reduction compared with 2020 baseline	84%	86%-90%	90%-99%

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.

Philips Group
Transition risks and opportunities



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. We will now further explore the potential liabilities associated with carbon pricing in our value chain.

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.

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)[2]. 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). For our cost estimates the key assumptions are as follows:
- We are able to decarbonize our Scope 3 GHG emissions from purchased goods in line with our SBTi commitment for the low and high pass-through.
- Maximum carbon prices are in accordance with the SSP1-1.9 scenario as derived by IIASA.
- Only purchased goods and service-related emissions are of interest.

Philips Group
Expected cost of carbon in EUR unless otherwise stated

	Short-term	Medium-term	Long-term
Carbon price	EUR 65	EUR 183	EUR 777
Low pass-through	EUR 1.2 m	EUR 2.3 m	EUR 24.8 m
High pass-through	EUR 2.9 m	EUR 5.8 m	EUR 72.7 m

Across the short- and medium-term the potential cost of carbon is expected to be minimal due to the limited materials in scope. 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. 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.

As a response, we have introduced our 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.

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 2040 (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, which included members from Integrated Supply Chain, Real Estate and Group Sustainability, we have concluded that there are no expected stranded assets and no assets exposed to transition risks. This is based on the fact that in 2024 we have already reduced our Scope 1 and 2 emissions by 85% compared with 2015, meaning a target achievement rate of 95%. We are therefore well on track to achieving our long-term reduction targets. To manage our remaining energy and GHG intensive sites, we monitor the emissions of our high-impact sites monthly, and, together with Real Estate are investigating novel ways to eliminate the usage of fossil fuels on-site. All high-impact sites are therefore under control and addressed by climate mitigation plans. From 2025 onward, a new KPI will also be introduced, targeted at the CO2-e footprint of our sites.

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.

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

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 2024 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 2024, 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. We will therefore further investigate to what extent ESG scoring impacts our brand value in 2025.

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[3] 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 hypothetical worst-case scenario.

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.

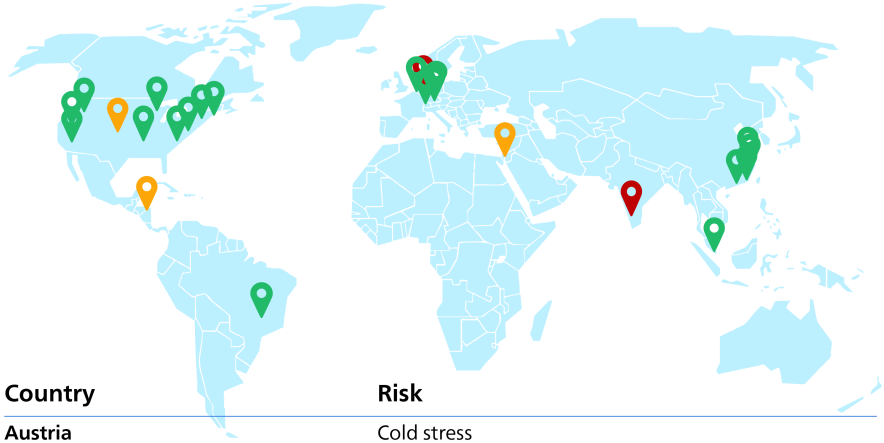
The main risks at the regional level are shown below.

[3] 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	**14**	**15**	**16**
Corporate-level chronic	**-**	**-**	**8**

Risk
High/very high
Medium
Low/very low



Country	Risk
Austria	Cold stress
Brazil	Precipitation
China	Chronic risk; precipitation; river flood
Costa Rica	Precipitation; drought
Germany	Cold stress; precipitation
India (site is in the south of India)	Precipitation
Indonesia	Precipitation
Israel	Precipitation
The Netherlands	Cold stress
United States (east coast)	Cold stress; heat stress; precipitation
United States (west coast)	Drought; fire weather; precipitation

Acute Physical Risks
According to the TCFD guidance, acute risks refer to those that are event-driven, including increased severity of extreme weather events[4]. 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. This therefore indicates that Philips faces predictable acute perils.

This stability in risk patterns is reflected in our projected monetary financial exposure highlighted above. To assess Philips' financial exposure, the asset and business interruption values were aggregated for sites with high and very high-risk scores across the short-, medium-, and long-term.

Results show that three sites require particular attention, namely Best, Reedsville and Pune. The site of Best (the Netherlands, NUTS code: NL414) and Reedsville (United States) face high-level risks across all time scales, primarily due to cold stress. According to a NATHAN analysis, this risk is expected to decrease significantly in the future. The site of Pune (India) is projected to face high-level physical risks in the medium and long-term. Its exposure to precipitation and heat stress is expected to increase, alongside the consistently high risk of fire weather across all time scales. Additionally, sites in Alajuela (Costa Rica), Haifa (Israel), and Colorado Springs (United States) are assessed to have medium-level risks in the foreseeable future, predominately driven by heat stress and drought. However, Philips is not a water-intensive company, and it is not expected that water scarcity will have a significant impact on our operations.

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[5]. Due to the nature of these risks, we do not expect any impact in the short- or medium-term.

Results indicate that none of our sites are expected to be exposed to sea-level rise and exposure to chronic shifts (e.g., change in average temperatures) is also very limited. It is, however, important to note that there are a few sites in direct proximity to high-risk areas for sea-level rise.

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

These include the Drachten site (the Netherlands), Hamburg site (Germany), and Batam site (Indonesia).

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 12 risks categorized as very high likelihood, all are controlled by measures with medium or higher effectiveness, with 83% controlled by measures of high or very high effectiveness. Similarly, for the 29 risks identified with high likelihood, 86% 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 Resources allocated to climate action

To strengthen our climate resilience from both adaptation and mitigation perspective and meet external commitments (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 263 million in green innovation in 2024 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

To gain a preliminary overview of our plans for capital and operating expenditures, sites were asked to report on all future investments linked to one or more of our material environmental topics. Results indicate that during the next five years (2025-2030) total investment plans amount to EUR 20 million-EUR 25 million linked to climate change mitigation, as well as climate change adaptation.

Beyond these site-specific investments, Group Sustainability, with roughly 60 FTEs, is a dedicated central team supporting Businesses, Regions and Functions in their decarbonization journey. Their work ensures progress on our medium- and long-term environmental goals.

www.philips.com