

2025 Publication of the
Taskforce on Nature-related
Financial Disclosures (TNFD)

Sustainability

Executive summary

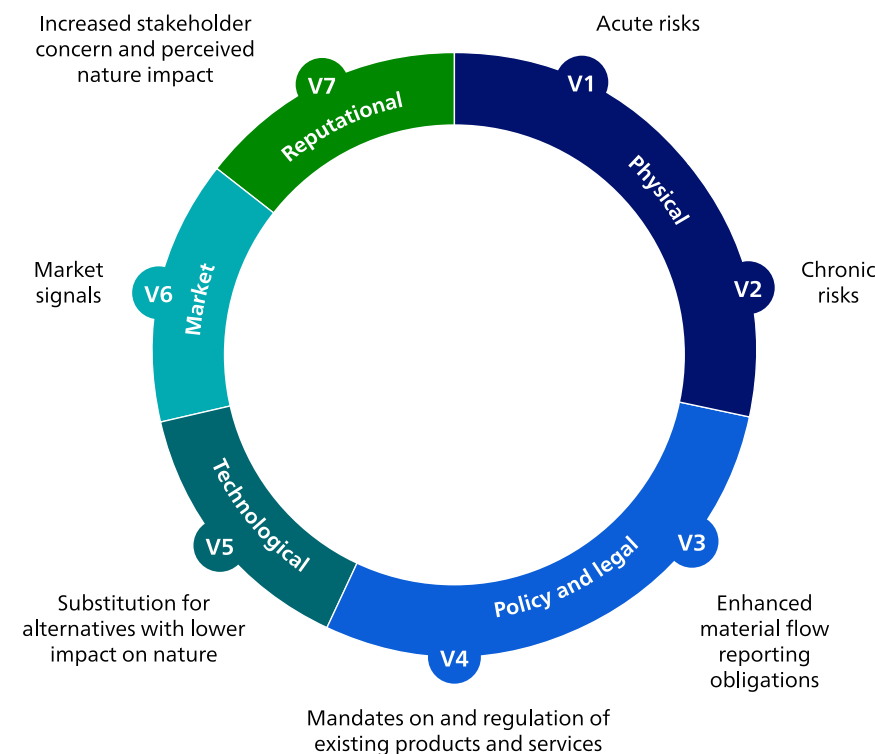
Philips recognizes the importance of identifying, assessing, and mitigating nature-related risks and opportunities to contribute to business continuity and resilience. This marks our second voluntary annual report of the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations, offering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

Philips understands that, as stated by the Taskforce, 'nature is a core and strategic risk management issue alongside climate change.' As a purpose-driven company with an enhanced and integrated approach to responsible and sustainable business practices, our ambition is to reducing our absolute impact on climate, materials use and nature across the value chain, aligned with international science-based frameworks (Science Based Targets initiative (SBTi) for Climate, Global Circularity Protocol (GCP) for Materials, Kunming-Montreal Global Biodiversity Framework for Nature). The TNFD recommendations are organized into four thematic areas reflecting core elements of how Philips operates: governance, strategy, risk management, and metrics and targets.

In preparing this report, we applied the Locate, Evaluate, Assess, and Prepare (LEAP) approach, as outlined by the TNFD recommendations, and elaborated on Philips' physical and transition risk management processes. Our 2025 report delves into seven nature-related events, covering physical, policy and legal, technological, market, and reputational risks, along with their respective opportunities.

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

Philips Group Nature-related hazards and transition events



Introduction

Philips aims to act responsibly toward our planet in line with UN Sustainable Development Goals (SDG) 3, 12 and 13. We recognize the importance of healthy ecosystems and biodiversity for our company, our employees, and society, even though we have not identified this as a material topic through our Double Materiality Assessment (under the European Corporate Sustainability Reporting Directive). The global loss of biodiversity and natural habitats can directly impact the ability of businesses like Philips to deliver on their functions, as well as to ensure the sustainability of their business model and supply chain. Mitigating impacts on nature generally plays a critical role in upholding human well-being and economic prosperity.

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

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

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

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

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

* Definitions are based on guidance from the Taskforce on Nature-related Financial Disclosures (tnfd.global)

Critical assumptions

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

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

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Time horizons and corresponding target years of TNFD 2024

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

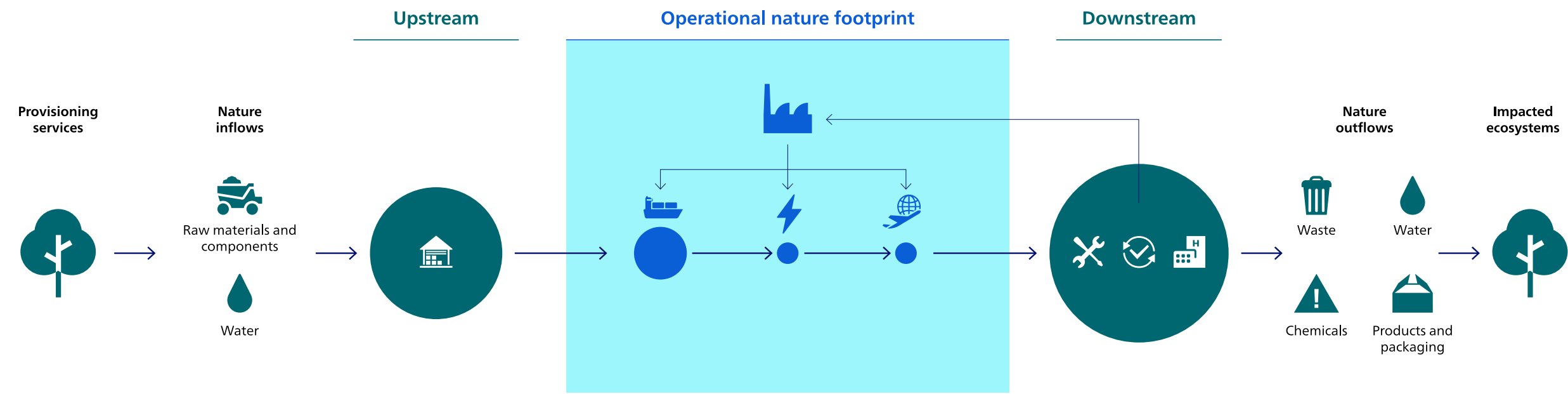
The methodology includes an analysis of exploratory scenarios – using the geospatial coordinates of our sites and partially using country/region estimates – to examine the extent of resource use and its impact on degradation of ecosystem services. Philips aims to progressively extend the scope of upstream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

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

The scope

The scope of the nature-related risks assessment is applicable to Philips’ Diagnosis & Treatment, Connected Care and Personal Health Segments with manufacturing operations in North America, Europe, Greater China and International Region. To gain a better understanding of the nature-related inflows and outflows of our value chain, please refer to the accompanying figure.

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



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

Governance

Nature-related risks and opportunities

Please refer to Environmental, Social, and Governance for an overview of our 2020-2025 ESG commitments. Through these commitments and the underlying ESG programs, metrics road maps, goals and targets we specified and operationalized the ambitions in our 2020-2025 ESG plan. The Board of Management was 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.

Embedding nature-related targets

Nature-related commitments are managed through our ESG Index. With the index we are able to measure, monitor and communicate our progress against set targets. This ensures we provide greater clarity and transparency regarding our ESG performance internally, thereby creating ownership and accountability. Performance via the ESG Index is also directly linked to remuneration, as explained in the 2025 [Annual Report](#).

Human rights

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

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Philips' climate change and nature governance



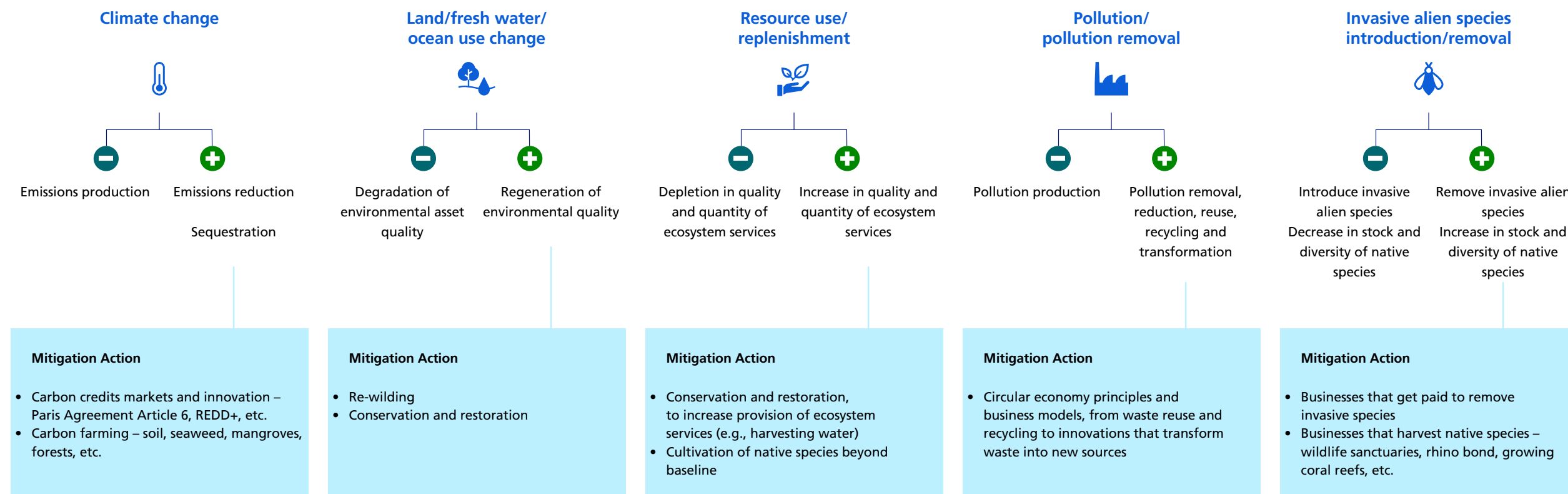
Strategy

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

In this chapter we explore the results for the Locate phase, including a list of assessment locations of our manufacturing sites where we have direct operations. In addition, we explain how, in the Evaluate phase, we defined and analyzed relevant dependencies on ecosystem services and impact drivers.

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

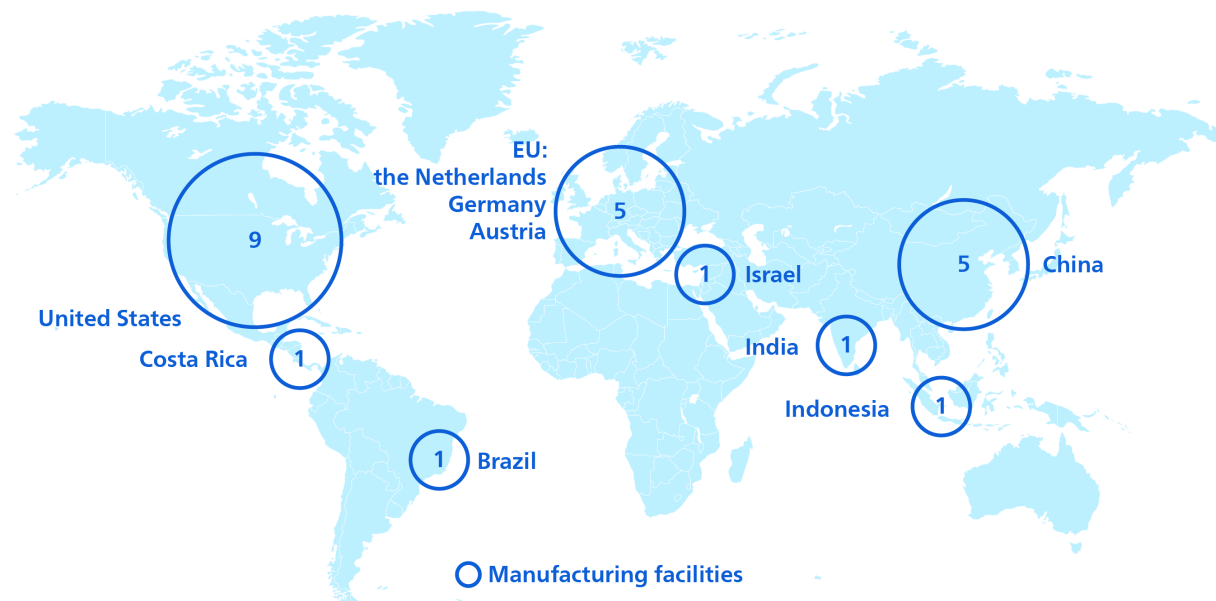


Locate

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

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Philips manufacturing sites



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

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

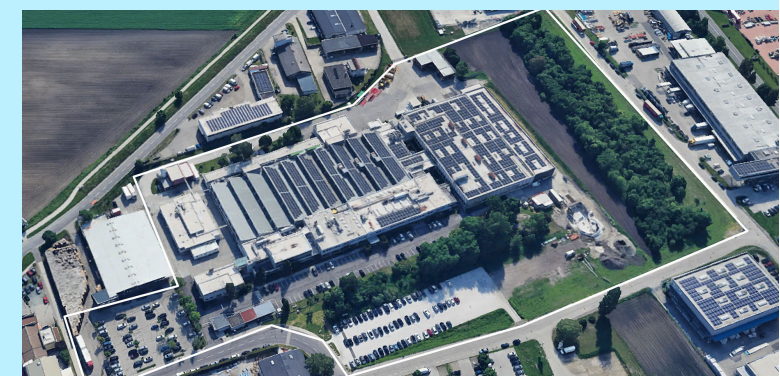
Case study

Philips Klagenfurt site analysis

After the construction of a new water tank and sprinkler system the surrounding area was transformed from turf to a wildflower meadow with fruit trees of all sorts. The variety of native blossoms creates a habitat for small wildlife and sustains the honeybees kept by employees. It is connected to a sheep meadow, forest and water retention pond. The improvements in landscape variety have started to attract various birds, such as falcon, heron and pheasant.

Ecosystem

- Biome: temperate coniferous forests
- Total area size: 6 hectares
- 44% green (meadows, forest, landscaped areas)
- 55% gray and brown (buildings, roads)



Evaluate

To have an initial high-level overview, we use the ENCORE tool to identify dependencies and impacts for the medtech sector, the suggested upstream activities, selected according to Philips material flows based on 2025 EP&L data, and healthcare as downstream activity.

Dependencies and impacts of upstream, direct operations and downstream value chain ecosystem services, according to ENCORE

The chosen upstream value chain includes the mining industry, chemicals manufacturing, paper and cardboard manufacturing, plastics manufacturing and semiconductor manufacturing. The mining industry has the highest dependency on rainfall pattern regulations and water purification ecosystem services. Chemicals manufacturing, paper and cardboard manufacturing, plastics manufacturing and semiconductors manufacturing have the highest dependencies on flood mitigation, storm mitigation, water flow regulation, and water purification. Water supply has high dependency for the mining sector, chemicals manufacturing and semiconductor manufacturing.

Medtech manufacturing has the highest dependencies on flood mitigation, storm mitigation, water flow regulation, water purification and water supply. This information will be used to further analyze the impacts, dependencies, risks, and opportunities related to Philips.

The healthcare sector in the downstream value chain has the highest dependencies on spiritual, artistic and symbolic, visual amenity, water flow regulation, water purification and water supply ecosystem services.

The highest impacts for the mining sector are linked to the generation and release of solid waste and volume of freshwater use. Chemical manufacturing and plastic manufacturing have the highest impacts on emissions of toxic pollutants to water and soil. The paper manufacturing, semiconductor manufacturing and medtech manufacturing have the highest impacts on non-greenhouse gas emissions (GHG) air pollutants. For the healthcare sector, the highest impact is related to generation and release of solid waste. While the ENCORE tool offers a valuable initial understanding of impacts and dependencies, it provides only a general overview for the medtech sector. Therefore, we conducted a secondary impact and dependencies analysis to specifically consider Philips' operations.

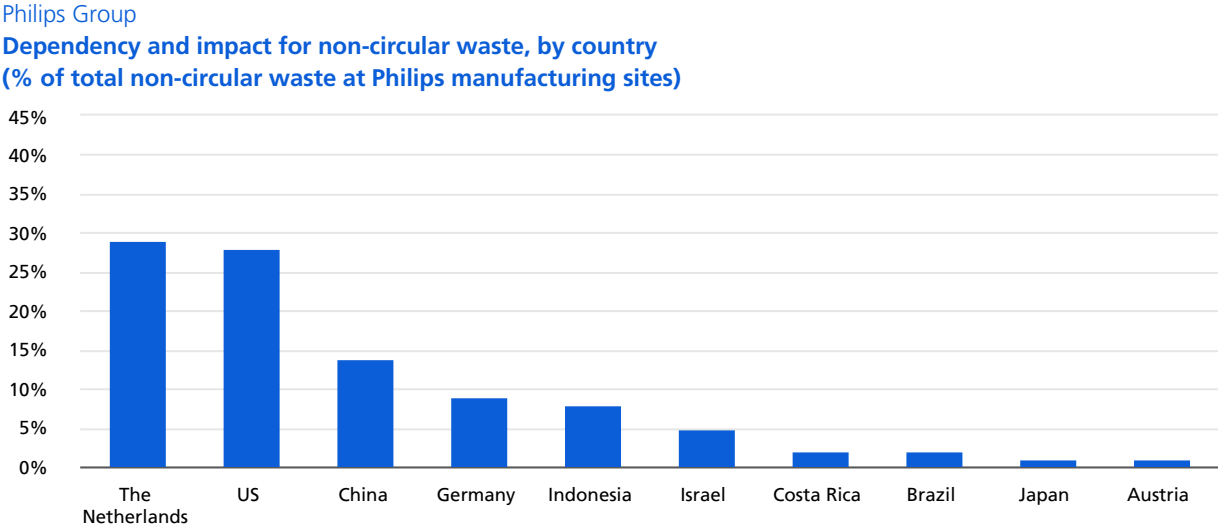
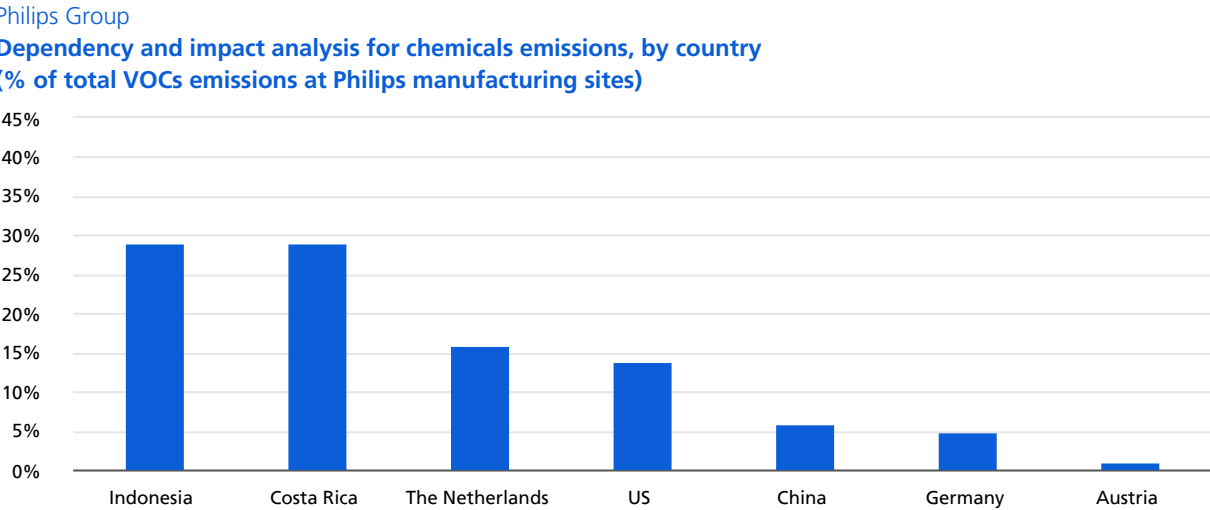
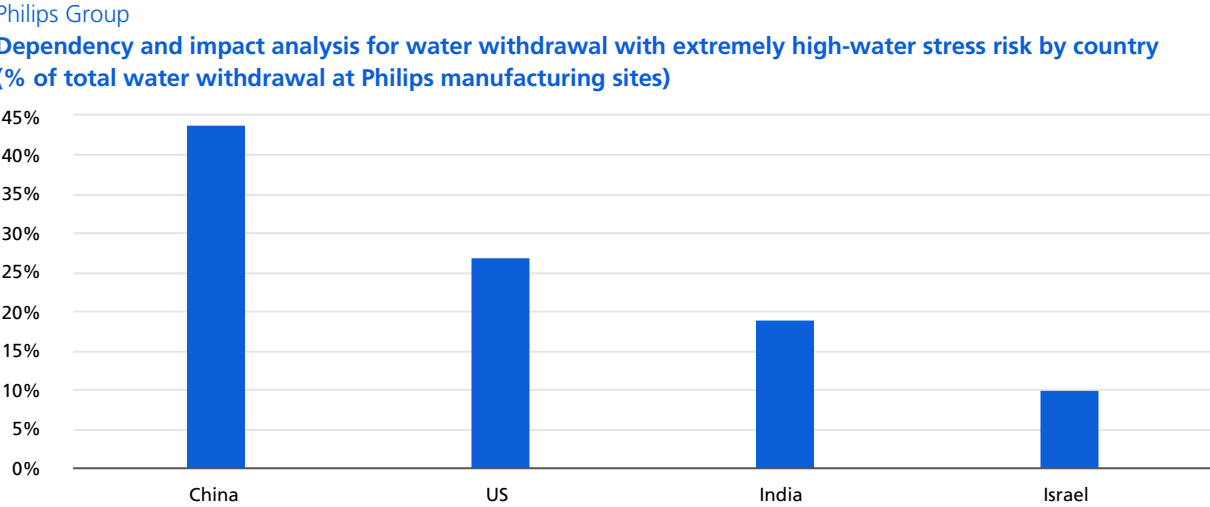
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Impact and dependencies for the medtech manufacturing sector and selected upstream and downstream activities, according to ENCORE

		Manufacturing of chemicals	Manufacturing of paper and cardboard	Manufacturing of plastics	Manufacturing of semi-conductors	Medtech sector (Philips)	Healthcare
Ecosystem services	Mining						
Air filtration							
Biological control							
Biomass provisioning							
Education, scientific and research services							
Flood mitigation							
Genetic material							
Global climate regulation							
Local (micro and meso) climate regulation services							
Noise attenuation							
Nursery population and habitat maintenance services							
Other provisioning services – animal-based energy							
Other regulating and maintenance service – mediation of sensory impacts							
Other regulating and maintenance service – dilution by atmosphere and ecosystems							
Pollination							
Rainfall pattern regulation							
Recreation-related							
Soil and sediment retention							
Soil and quality							
Solid waste remediation							
Spiritual, artistic and symbolic							
Storm mitigation							
Visual amenity							
Water flow regulation							
Water purification							
Water supply							

Legend ■ Very low ■ Low ■ Medium ■ High ■ Very high

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

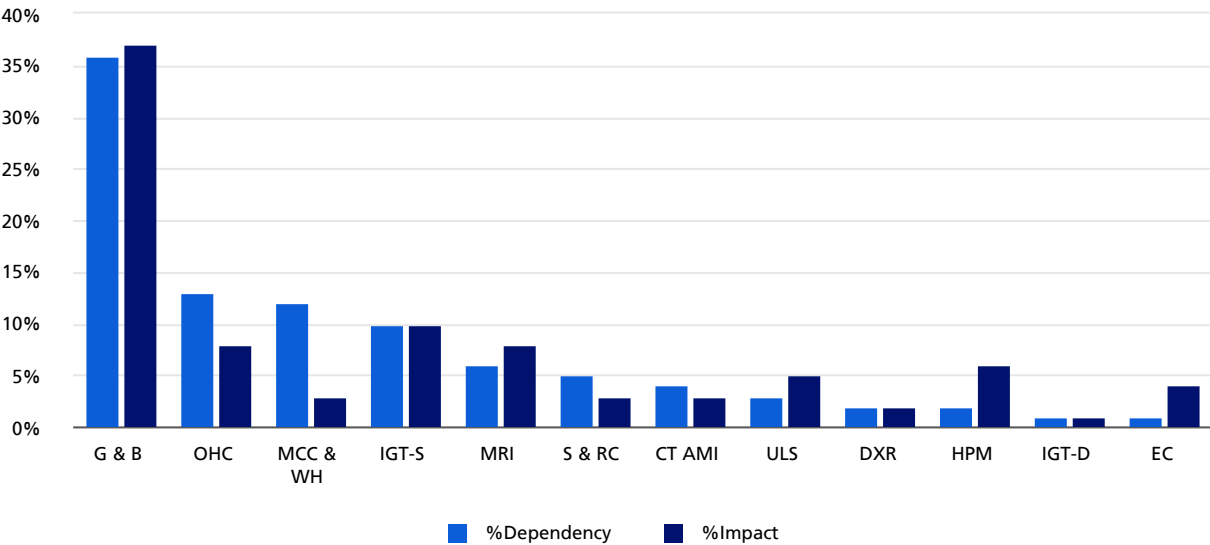


From a water analysis perspective, we focused on sites located in areas under extremely high water stress. The highest degree of dependency and impact on water withdrawal is at sites in China, the US and India. In terms of non-circular waste, the highest degree of dependency and impact is found at sites in the Netherlands, the US and China.

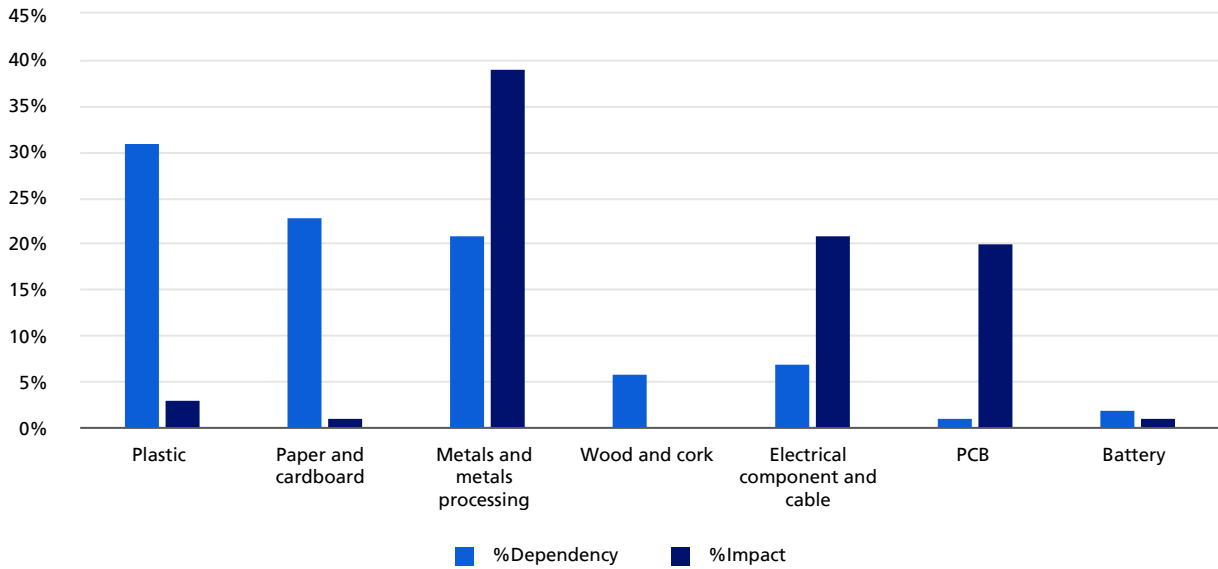
According to the assessment, the highest degree of dependency and impact with regard to chemicals VOC emissions is found at sites in Indonesia, Costa Rica and the Netherlands.

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

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Materials degree of dependencies and impacts, by Business Unit²



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Degree of dependencies and impacts, by material type



The highest degree of dependency identified is for, plastics (31%), paper and cardboard (23%) and metals (21%). In terms of material types, the highest degree of impacts are caused by metals (including processing) (39%), electrical components and cables (21%), polychlorinated biphenyls, or PCBs, (20%). Overall, the majority of material impacts are found in the upstream value chain.

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

² See [Definitions](#) for the meanings of the abbreviations used

Assess: evaluate risks and opportunities

Methodology

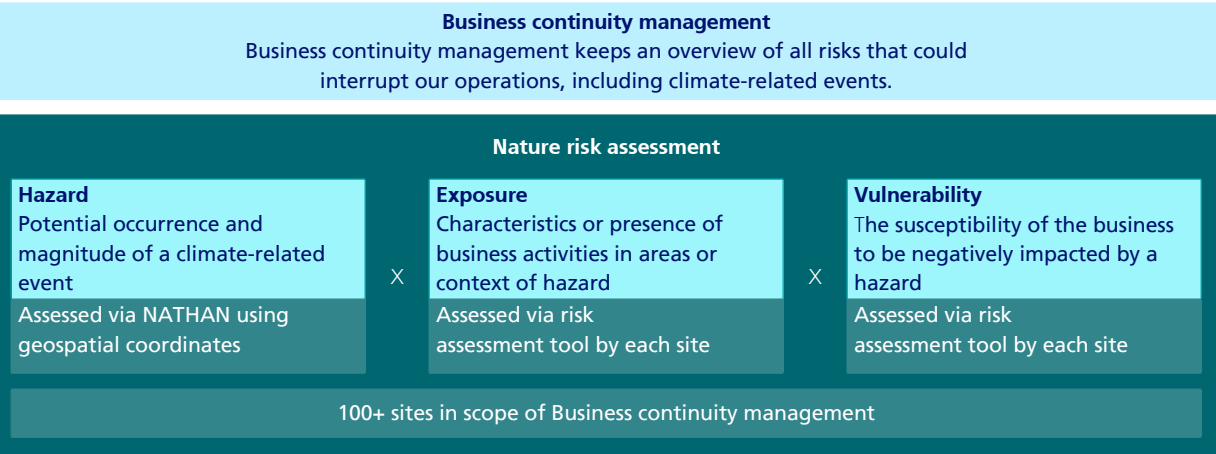
As part of the analysis, nature-related risks are identified, prioritized, and addressed in a consistent and cost-effective manner. The process begins with external tools such as the WWF Biodiversity Risk Filter, along with an analysis of Philips' business operations. These risks are then evaluated based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

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

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

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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)

Physical risks

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

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

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Physical risks and opportunities

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

Water stress physical risk

Chronic risks are characterized by gradual changes to the state of nature, such as the persistent threat of water stress. Several of our manufacturing sites are located in regions with extremely high water stress, including Ontario (United States), Colorado Springs (United States), Pune (India), Shanghai, Suzhou (China), and Haifa (Israel). We identified water withdrawal from areas with high baseline water stress across all of Philips' industrial operations. The analysis revealed that approximately 14% of our water withdrawal is sourced from areas with extremely high (>80%) baseline water stress in the short term, and 8% are from areas with high (40%-80%) baseline water stress in the medium term. To further analyze this risk, we conducted an in-depth analysis of one of our manufacturing sites in the United States in the Missisipi - Missouri major basin as a case study.

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Water stress risks scenario in the United States, according to WRI Aqueduct

Major basin	Water stress risk		
	Baseline	2030 scenario	2050 scenario
Mississippi - Missouri	High	Extremely high	Extremely high

Case study

Philips' Colorado Springs site analysis

Colorado Springs is located at 1840m elevation in an urbanized north-south corridor between the Rocky Mountains to the west and the prairie grassland of the Great Plains. This location is the source of the cool and dry climate. Wind moves moist air to the east, where it is blocked by the Rocky Mountains and forced to rise. As the air cools it cannot hold as much water anymore, and clouds form, causing precipitation. Behind the mountains, a rain shadow region forms where dry air descends.

Landscape improvement for water reduction at the Colorado Springs manufacturing site

Actions and results:

- To reduce the need for irrigation, we replaced turf with drought-resistant vegetation.
- As a result, the total water withdrawal in Colorado Springs site reduced by 10.5% compared to 2024, reducing water stress risk and impact.



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

- Water unavailable for equipment and machinery. This can ultimately lead to equipment and machinery damage due to overheating or equipment and machinery being unable to operate.
- Water unavailable for operations. This can lead to business interruption, as the business operating in this industrial site required water for cooling the facility. The manufacturing process can't operate without water, by quality requirements.
- Water unavailable for human use. Water disruptions precede health department regulatory issues.

In 2025, water usage at our Colorado Springs site was primarily attributed to facility cooling and domestic purposes, such as canteens, toilets, and showers. We have been working to take actions to reduce water withdrawal. As an example, the local team replaced turf with drought resistant vegetation, reducing total water withdrawal by 10.5%.

Air emissions and uncontrolled waste disposal physical risk

Regarding air emissions and waste-related topics, we consider the potential issues associated with air and waste management. We conducted a further analysis at our site in Israel, which is considered a 'medium risk' for air pollution and waste management. Increased exposure to smog can impact people's health and reduce site productivity. Additionally, waste disposal to landfill risk in Israel is high, as in 2022, 76% of waste generated was sent to landfill. During the risk assessment, the local team identified several potential risks:

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

As part of our natural capital program, the site developed multiple activities to increase their circular materials management by improving waste separation practices, driving new solutions for waste treatment with local vendors and creating new standard work to avoid linear waste streams being introduced in operations. For more details about sustainable operations results, please review our [2025 Annual Report](#).

Key biodiversity areas

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

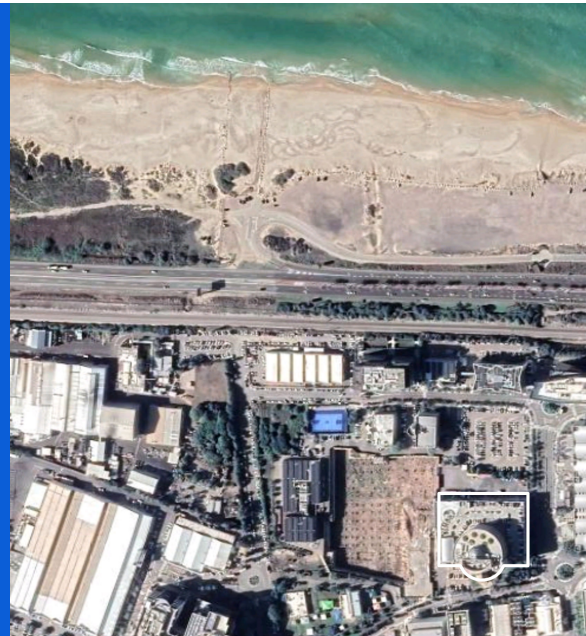
During the risk assessment, the local team identified that biodiversity risks may lead to business disruption and property damage. Potential consequences are as follows:

- Supply chain disruption for locally sourced materials or products potentially reducing available stock.
- Increased cost for raw material and biodiversity related services like water.
- Increased costs for equipment and machinery or the need for replacements due to supplier compliance with new biodiversity regulations (e.g., raw materials or non-deforestation). This can ultimately lead to higher costs for equipment and machinery.

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

Philips has a 'zero waste to landfill' policy, under which we measure, manage and report the circularity of waste generated from sites. Factors to achieve high circularity:

- the type of materials going to waste
- good waste separation practices by employees
- a waste vendor that can prepare industrial waste streams for recycling
- standards that ensure no new linear waste streams are introduced



Case study

Philips Haifa site analysis

Waste management in Israel

Landfills are the most likely destination for waste in Israel. In 2015 81% of the countries' waste ended up in landfill. With the overall growth of domestic and commercial waste, the amount of waste sent to landfill also increases, and in 2022 the percent of waste to landfill was still 76%. This is far above the average of OECD countries.

Source: Cohen E. The Waste Landfill Policy in Israel: Economic and Political Perspectives. Sustainability. 2024; 16(7):2791.

Reducing impact of solid waste

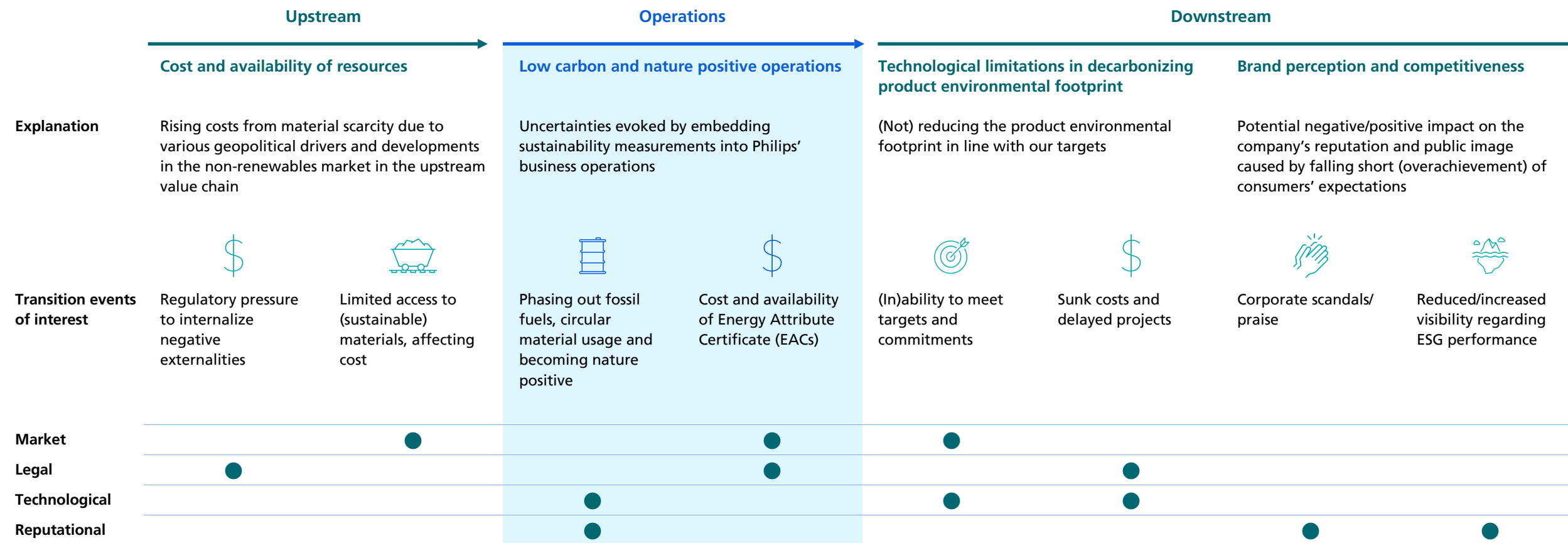
Haifa started the year with 29% of waste being linearly disposed of. Of this linear waste, 95% was made of municipal mixed waste.

After the risk was identified, one waste vendor offering only 'waste to energy' as a destination for mixed waste was replaced by a vendor with recycling solutions for various waste streams. Together with improved waste management practices on-site the recycling rate of mixed waste in Haifa was raised from 19% in February to 46% in November.

Haifa ended the year with only 7% of waste going to linear disposal.

Transition risk and opportunities

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



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

Upstream

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

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

Operations

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

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

Downstream

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

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

Upstream

In the upstream domain, transitioning to new and anticipated criteria for products with respect to reused, renewable and recycled content in materials has the potential to disrupt the supply chain for raw materials and components. Challenges may include identifying suitable alternatives with lower environmental footprints, ensuring these substitutes meet the necessary quality and safety standards, and addressing potential cost implications associated with adopting new technologies. However, successfully managing this transition risk presents an opportunity for us, with our **circular economy program**, which aims to design solutions that use fewer virgin non-renewable materials, stay in use longer, and can be recovered through refurbishment or recycling. In 2025, 27.9% of revenues came from circular products, services and solutions.

Operations

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

As part of this process, we continuously strive to enhance the environmental performance of our manufacturing facilities. This includes implementing process improvements to reduce the use of materials, water, chemicals, and associated waste. Additionally, we focus on improving the performance of our facility operations by increasing our circular materials management rate through recycling, reuse, and prevention. For more information on our sustainable operations, please refer to the 2025 **Annual Report**.

Downstream

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

Risk and impact management

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

- increasing circular design of software and hardware to reduce the use of materials, including limiting the use of raw materials, increasing the use of secondary reused, renewable and recycled content in materials, and limiting the content of hazardous substances
- reducing our chemical footprint by reducing the use of hazardous chemicals and/or replacing these by alternatives that have a lower negative impact on environment and people
- dematerializing through digital transformation, such as virtual care and shift toward cloud
- ensuring circular manufacturing and supply to increase circular practices at our sites as well as responsible waste management according to the waste hierarchy
- providing circular in-use management to retain and enhance the value of materials, for example through optimizing use and extending product lifetime
- ensuring circular end-of-use management to responsibly recirculate products and parts at the end of their use
- restoring nature and ecosystem services in our manufacturing sites and local communities

As part of our nature-related risks and opportunities analysis, we will, in the coming year, conduct an in-depth examination of Philips' critical physical and transition risks, focusing on identifying and quantifying the impacts of each risk. This will enable us to highlight the need for immediate action to minimize our impact and dependencies on nature. We will also continue to strengthen our collaboration with suppliers and customers to deep-dive into more stages of our value chain in our analysis.

Anticipated financial effects related to risks and opportunities

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

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

Metrics and targets

Prepare

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

Annex

Definitions

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

CT-AMI: Computed Tomography - Advanced Molecular Imaging

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

DXR: Diagnostic X-ray

EC: Emergency Care

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

G & B: Grooming & Beauty

HPM: Hospital Patient Monitoring

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

IGT-D: Image Guided Therapy - Devices

IGT-S: Image Guided Therapy - Systems

MCC & WH: Mother and Childcare & Women's Health

MRI: Magnetic Resonance

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

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

OHC: Oral Healthcare

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

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

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

S&RC: Sleep & Respiratory Care

ULS: Ultrasound

VOCs: Volatile organic compounds

Important information

Forward-looking statements

This document and the related oral presentation, including responses to questions following the presentation, contain certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items. Examples of forward-looking statements include statements made about our strategy, estimates of sales growth, future Adjusted EBITA*), future restructuring and acquisition-related charges and other costs, future developments in Philips' organic business and the completion of acquisitions and divestments. Certain forward-looking statements may also refer to Environmental, Social and Governance (ESG). Forward-looking statements can be identified generally as those containing words such as "anticipates", "assumes", "believes", "estimates", "expects", "should", "will", "will likely result", "forecast", "outlook", "projects", "may" or similar expressions. By their nature, these statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these statements.

These factors include, but are not limited to, macro-economic and geopolitical changes – including the war in Ukraine and ongoing conflicts in Israel and the Middle East – as well as measures such as announced and proposed tariffs and trade actions introduced in response to rising global tensions; Philips' ability to keep pace with the changing health technology environment; Philips' ability to gain leadership in health informatics and artificial intelligence in response to developments in the health technology industry; integration of acquisitions and their delivery on business plans and value creation expectations; ability to meet expectations with respect to ESG-related matters; securing and maintaining Philips' intellectual property rights, and unauthorized use of third-party intellectual property rights; failure of products and services to meet quality or security standards, adversely affecting patient safety and customer operations; the resilience of our supply chain; challenges in simplifying our organization and our ways of working; attracting and retaining personnel; breach of cybersecurity; challenges in driving operational excellence and speed in bringing innovations to market; treasury and financing risks; tax risks; reliability of internal controls; compliance with regulations and standards involving quality, product safety, (cyber) security and artificial intelligence; and compliance with business conduct rules and regulations including privacy, existing and upcoming ESG disclosure and due diligence requirements. As a result, Philips' actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see also the Risk management chapter included in the [2025 Annual Report](#).

Disclaimer

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

