

A nighttime cityscape featuring a central roundabout with a fountain, surrounded by illuminated buildings. Several glowing green circles are overlaid on the scene, some appearing to be part of the city's lighting or architecture. The word 'signify' is written in a green, sans-serif font with a green circle around the 's' at the top center.

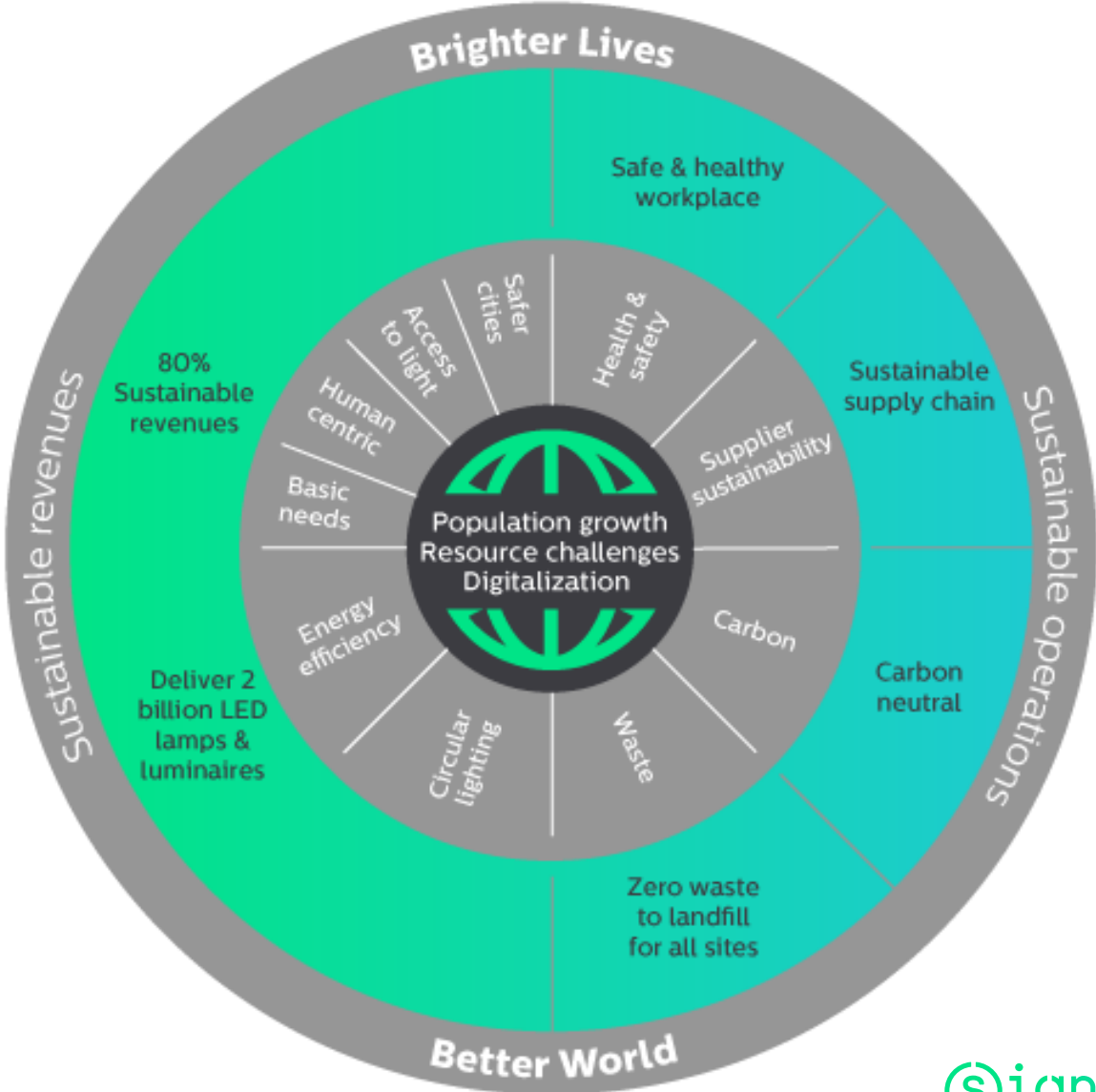
**signify**

**Sustainability**







*Unlock the extraordinary potential of light for  
brighter lives and a better world*

# Our Purpose and Sustainability strategy

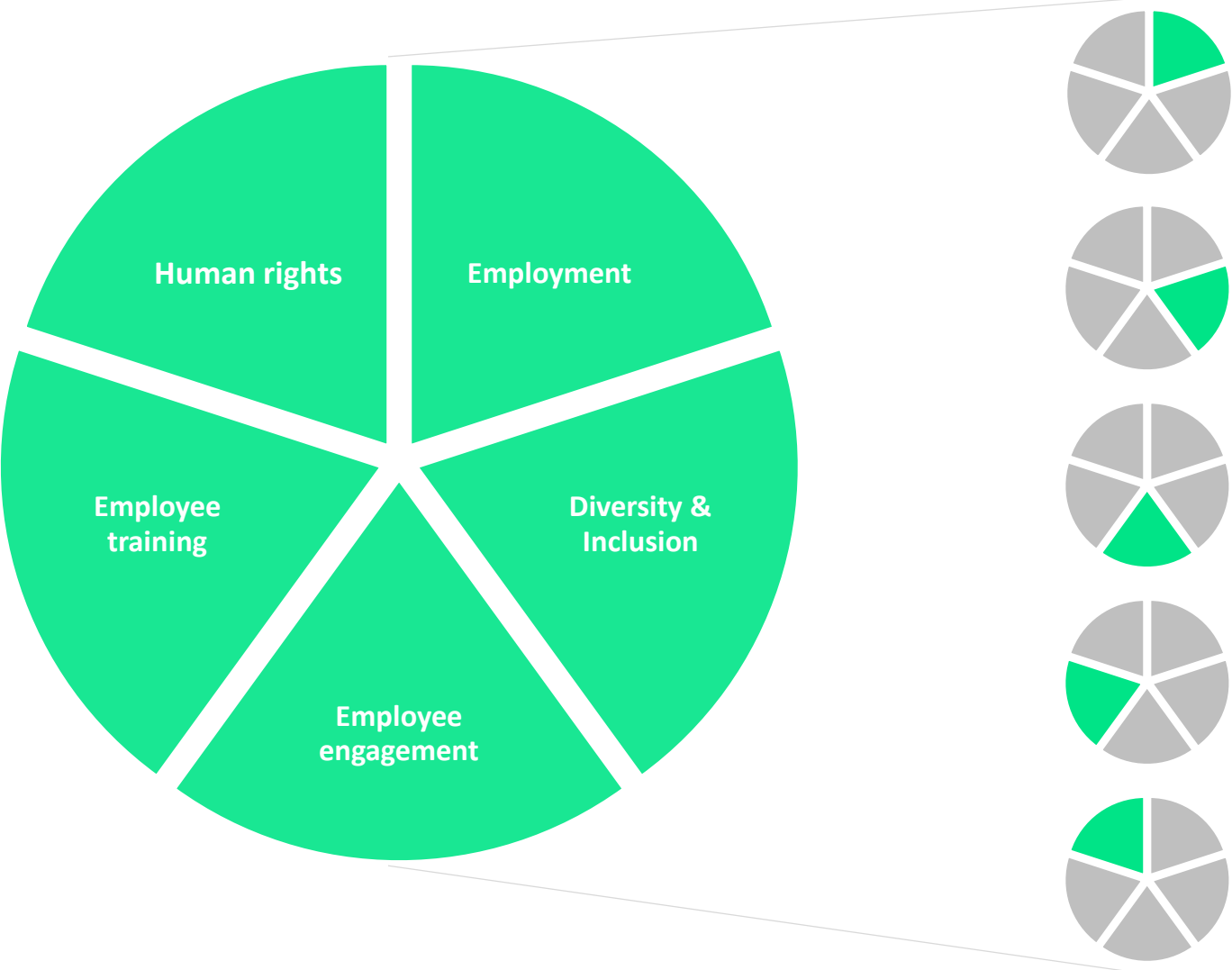
To unlock the extraordinary potential of light for brighter lives and a better world



# Our 2017 results

			2017 result	Achievement	2020 target
Sustainable revenues	Sustainable revenues		77.3%	Increasing energy efficiency of portfolio	80%
	LED lamps & luminaires delivered		1.2 billion (cumulative from 2015)	Above 1 billion target	>2 billion
Sustainable operations	Carbon footprint		Net 325 kt CO2	20% decrease vs 2016 7 markets carbon neutral	Net 0 kt CO2
	Waste to landfill		1,807 tonnes	26% decrease vs 2016	0 tonnes
	Safe & healthy workplace		TRC = 0.41	18% decrease vs 2016	TRC = 0.35
	Sustainable supply chain		95% performance rate	95% of risk suppliers passed the audit	90% performance rate

# Our employee programs



### Employment

32,130 employees at end of 2017  
30% of vacancies filled internally

### Diversity & Inclusion

20% of management is female  
>70 nationalities in workforce

### Employee engagement

Survey employees on a quarterly basis  
We measure NPS and adherence to our values

### Employee training

184,000+ training courses taken  
EUR 12.2 million spent on training

### Human rights

Full workforce trained in code of conduct  
Our sites in risk countries are audited



# How we create value

## Input

**Financial** We use financial capital to innovate and lead the lighting industry.

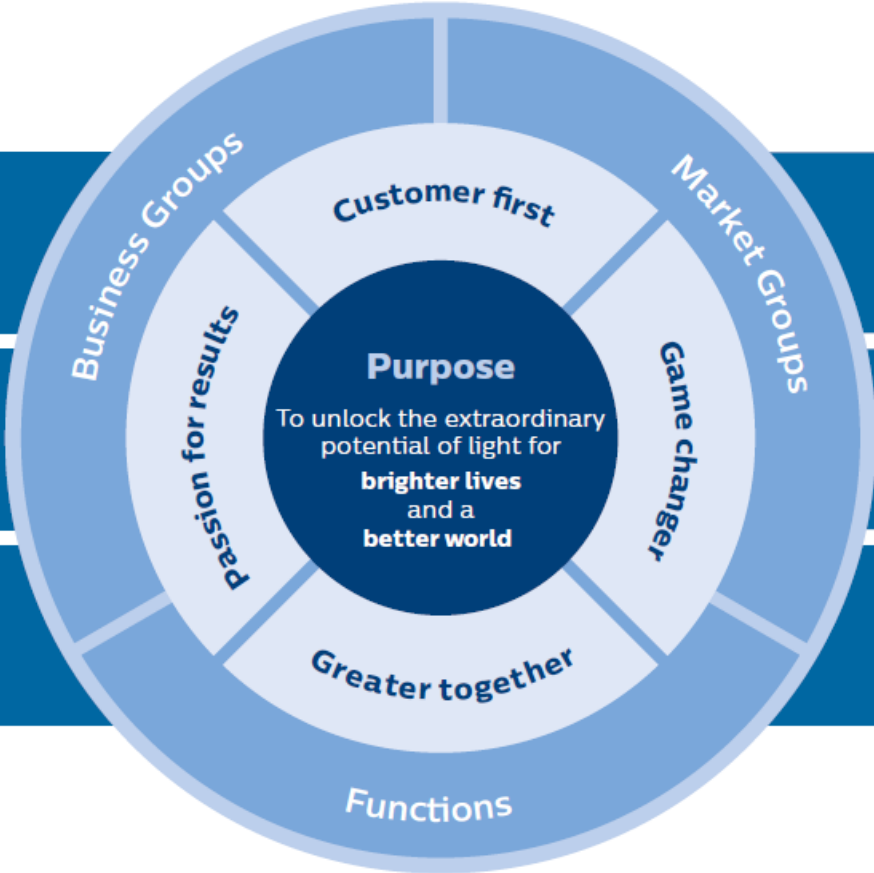
- EUR 334 million R&D investments with 83% sustainable innovation
- EUR 2,321 million total equity
- EUR 6,678 million total assets

**Environmental** We use environmental capital to create sustainable lighting for our customers.

- 4,408 terajoules energy with 80% renewable electricity
- EUR 2,956 million materials 1.3 million m<sup>3</sup> water

**Social** We use social capital to improve people's wellbeing.

- 32,130 FTE in 78 countries
- 2,400+ training courses offered
- EUR 12.2 million spent on training
- 112 supplier audits
- EUR 3.1 million to Philips Lighting



## Output

- EUR 6,965 million sales
- EUR 699 million adjusted EBITA
- EUR 403 million free cash flow
- 17,750 patent rights

- 325 kilotonnes net CO<sub>2</sub> emitted
- 43 kilotonnes waste with 87% recycled
- 568 million LED lamps & luminaires, avoiding 14,148 kilotonnes CO<sub>2</sub>
- 77% Sustainable revenues

- 184,000+ training courses taken
- 95% supplier sustainability performance
- 15 projects delivered through the Philips Lighting Foundation
- 0.41 total recordable case rate

## Impact

We create EUR 587 million in value for society through total shareholder returns and tax and interest payments.

We cause EUR 38 million in costs to society through our own environmental footprint. At the same time, we helped create EUR 1,415 million in value through CO<sub>2</sub> avoided by LED lamps & luminaires delivered in 2017.

We create EUR 1,143 million in value for society through employees' salaries & wages and learning & development combined with the costs of injuries & illnesses at work.

# Communicating our non-financial performance

## Annual report with reasonable assurance on ESG



## Analyst decks including ESG dashboards

Philips Lighting reports 0.5% full year comparable sales growth, 10% operational profitability and EUR 403 million free cash flow

Q4 & Full Year 2017 presentation

### Sustainability: Brighter Lives, Better World 2016 results

	2016 result	Year-on-year result	2020 target
Sustainable revenues	77.8%	+6.2%	80%
Sell 2 billion LED lamps	628 million (cumulative from 2015)	+44%	>2 billion
Carbon footprint	Net 406 kt CO <sub>2</sub>	-39%	Net 0 kt CO <sub>2</sub>

### Sustainability: Brighter Lives, Better World 2017 results

	2017 result	Year-on-year result	2020 target
Sustainable revenues	77.3%	-0.6% <small>Due to arrival 2017 vehicles</small>	80%
LED lamps & luminaires delivered	1,196 million (cumulative from 2015)	+53%	>2 billion
Carbon footprint	Net 325 kt CO <sub>2</sub>	-20%	Net 0 kt CO <sub>2</sub>
Waste to landfill	1,807 tonnes	-26%	0 tonnes
Safe & healthy workplace	TRC = 0.41	-18%	TRC = 0.35
Sustainable supply chain	95% performance rate	+3%	90% performance rate

## Taskforce on climate-related financial disclosures (TCFD)

**Strategy**  
Disclosures on the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

**Recommended Disclosure a)**  
Opportunities:  
Change in customer requirement: We have pioneered many key breakthroughs

**Risk Management**  
Disclose how the organization identifies, assesses, and manages climate-related risks.  
**Recommended Disclosure a)**  
Describe the organization's processes for identifying and assessing climate-related risks.

**Metrics and Targets**  
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

**Recommended Disclosure a)**  
Refer to sections 12.1 and 12.2 of the 2017 annual report for a description of our approach to risk management and control.

**Recommended Disclosure a)**  
Refer to sections:  
16.3.1: Sustainable revenues  
16.3.2: Sustainable innovation  
16.3.3: Carbon footprint

**Recommended Disclosure b)**  
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3.  
Refer to section:  
16.3.3: Carbon footprint

# We are recognized as one of the world's most sustainable companies



Industry Leader in the Electrical Components and equipment industry



Categorized as ESG leader with 'AA' rating



CDP A-list company for our leadership on environmental performance



Top 4 industry position with 'Outperformer' rating



CDP A-list for our approach to tackling emissions in the supply chain



Top 3 industry leader position with 'Prime' status

# We contribute to the 17 UN Sustainable Development Goals (SDGs)



**SDG 7 Affordable and clean energy** is addressed through our Carbon neutral program and our Sustainable revenues program



**SDG 11 Sustainable cities and communities** is addressed through our Sustainable revenues program



**SDG 12 Responsible consumption and production** is addressed through our Carbon neutral, Zero waste to landfill, Sustainable supply chain, and Sustainable revenues programs



**SDG 13 Climate action** is addressed through our Carbon neutral, Sustainable revenues and Sustainable supply chain programs



# Los Angeles benefits from connected LED lighting

## *Los Angeles, The United States*

Los Angeles mayor Eric Garcetti launched a Great Streets Initiative to revitalize the city.

Our Interact City was selected due to its numerous capabilities, like remote monitoring, automatic notification of outages, accurate lighting asset information and more.

Los Angeles reduced its energy consumption of street lighting by 63% and saved USD 9 million. Safety was improved – there were 30% less night time car accidents in LA and crime rates reduced by 21% over the 10 cities studied.





# Light as a Service for Schiphol Airport

*Amsterdam, The Netherlands*

Schiphol Airport has the ambition to be the most sustainable airport in the world.

Signify introduced Light as a Service at Schiphol, supporting the transition to a circular economy. Schiphol pays for performance.

Energy use was reduced by 50% and Schiphol is guaranteed performance and the re-use and recycling of the lighting at the end of the contract.



12 RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION





# Optimized office lighting all day

## *Edificio Pórtico Madrid, Spain*

Edificio Pórtico's priority is to provide a pleasant environment and ensure that tenants are as comfortable as possible.

The lighting in all work areas were upgraded and adjusted to levels to suit the tasks being performed, while making the best possible use of natural light.

The system not only provides the higher lighting levels specified, it also uses 65% less energy and optimizes user comfort.





# Increased crop growth with LED

*Iwasaki Bros., Inc., Oregon, USA*

The cloudy and rainy climate in the proximity of the Pacific Ocean is problematic for Iwasaki's spring growing and prime sales season.

Iwasaki decided to transition from energy-consuming HPS fixtures to highly-efficient LEDs.

Philips GreenPower LED top lighting resulted in faster rooting by 5 to 7 days, reduced crop losses and the crops were ready for market 1 to 3 weeks faster





# Providing Access to light in off-grid villages

1.3 billion people live without access to electric light and the use of kerosene lamps causes 1.2 million deaths per year. Our Foundation is helping to provide access to light for these villages.

In 2017, we our foundation helped 650 000 people by providing access to light and creating lighting entrepreneurs.

Our solar indoor and road lighting help save lives and enable activities related to education, social activities or generating income.





# Signify delivers one billion LED lamps and luminaires

Signify commits to deliver more than 2 billion LED lamps & luminaires by 2020 as our contribution to the Global Lighting Challenge.

We are the first company to break through the one billion LED milestone.

Our LED lamps and luminaires sold since 2015 have saved 32 thousand kilotonnes of carbon – the equivalent of 30 coal fired power plants.



13 CLIMATE ACTION



# Our path to carbon neutral

Today, our full North American operations are already powered with 100% renewable electricity.

Through our PPA with EDP Renewables North America 112,500 MWh/annum of electricity for the next 15 years will be delivered from the Hidalgo Wind Farm in Texas.

We are already carbon neutral in 7 markets and aim to be carbon neutral globally by 2020.



# Philips Hue White Ambiance helps people sleep better

Light impacts us physically and emotionally, we experience this every day when waking up and going to sleep.

With Philips Hue white ambiance, people have control of the impact that white light has on their wellbeing at home. It can be connected with several sleep apps, which collectively have over 10 million active users.

It gently increases in brightness to naturally wake people up in the morning and gradually dims, preparing the body for falling asleep. The proven light recipes are designed to help people relax, unwind, get energized, read and concentrate on work.



11 SUSTAINABLE CITIES AND COMMUNITIES





# People centric healing environment

## *Norrland's University Hospital, Sweden*

The psychiatric ward of Norrland's University Hospital aimed to develop clinical processes and behavior by creating a better experience for patients, staff and relatives.

Signify installed an integrated, tunable lighting system on the whole ward, including Healwell in the patient's room.

The people centric design creates a positive, recover-focused environment. It supports the daily rhythm of the patients and benefits the staff routine.



# Yuxi Village Lights-up Project

*Yuxi City, China*

Yuxi City aimed to light up 673 remote villages with no access to electricity and no local maintenance electricians.

Signify installed 50,000 solar street lights and a quality-assurance service contract. It is a convenient, cost-efficient, low maintenance and off-grid outdoor lighting system.

The solar lighting is off-grid, improves the comfort and safety of the villagers and fulfills the 'beautiful country development' policy.





Signify