

PHILIPS

Towards sustainable healthcare

September 2023

innovation  you

PHILIPS





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Our purpose and ESG commitments

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

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

* 2 billion by 2025





Our purpose statement – in full

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

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

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

Our key ESG commitments

Environment

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

Social

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

We act responsibly towards society and partner with our stakeholders

Governance

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

Frameworks/references

Continued >

Purpose is key to generating value for...



Our customers

- Consumers are 4 to 6x more likely to purchase from, protect and champion purpose-driven companies¹
- 58% of healthcare leaders see sustainability as a key priority for the coming years²



Our business

- Purpose-led companies outperform the market by 42% financially³
- Globally, top-performing employees are 3x more likely to work for a company with a strong purpose⁴



Our employees

- Employees who get the purpose they want from report better outcomes at work – and in life⁵
- 72% of all employees express the hope that purpose would receive more weight than profit⁶



Our planet and societies

- 74% of G20 citizens want human well-being and ecological protection prioritized over profit⁷
- 64% of US adults say a company's primary purpose should be “making the world a better place”⁸



Pressing need for change

Global challenges make action an urgent necessity



Rising cost of healthcare
US health spending
increased 3.4% in 2021¹



~50% of global population
lacks access to full coverage
of essential healthcare
services²



1.7x overconsumption of
Earth's resources³



Substantial carbon
reduction needed to achieve
1.5 °C global warming target

¹ Altarum Health Sector Economic Indicators (HSEI) February 2022

² World Bank (2017) Tracking universal health coverage: 2017 global monitoring report (English). Washington, D.C.: World Bank Group

³ Global Footprint Network (2019)

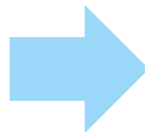
The way we consume materials creates significant environmental and health challenges

1.7 

planets of resources consumed¹

>90% 

of used materials go to waste each year²



Climate change



Biodiversity loss



Waste and pollution



1. Global Footprint Network (2019)
2. Circularity Gap Report (2022)

There is a growing demand from our key stakeholders to take responsibility



Investors expecting companies to have a lasting positive impact on society and the planet



Retailers stepping up on sustainability



Customers increasingly asking us to help them tackle their sustainability challenges, e.g. through tender requests



Consumers expecting companies to take responsibility for their environmental and social impact



Regulators sharpening requirements around ESG performance and defining standards and metrics for ESG reporting



Employees looking for purpose in their work

Sustainable development has always been a priority for Philips



Since 1891:
Social programs for employees



Since 1970:
Environmental agenda



Since 2000:
Accelerating sustainability



Our goals and progress



“At Philips, we are committed to fostering ground-breaking collaborations and catalyzing out-of-the-box approaches to sustainable healthcare, while keeping the patient at the center of everything.”

Roy Jakobs, CEO Philips

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

Make the world healthier and more sustainable through innovation

Improve the lives of 2.5 billion people a year by 2030



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



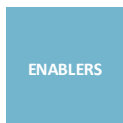
Ensuring sustainable use of materials and driving the transition to a circular economy



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



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



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

Our ambitious targets for 2025



Health and well-being for all

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



Circular economy

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



Climate action

- We reduce our CO₂ emissions in line with a 1.5 °C global warming scenario, for example by further improving the energy efficiency of our products during the customer use phase
- We source 100% of our electricity and over 75% of our total energy consumption from renewable sources



Partnerships

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



Enablers

- We design 100% of our products in line with our EcoDesign requirements, with 'Eco-Heroes' accounting for 25% of hardware revenues
- We consistently embed sustainable practices in our ways of working

*Used systems and parts are made available for refurbishment or parts recovery. If that is not feasible, they are locally recycled in a certified way to ensure they do not end up in landfill.

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

2022 Environmental performance

18% 

Sales from products and solutions contributing to circularity

72% 


Sales from green products and solutions¹

0% 

Net operational carbon footprint

100% 

Operations powered by renewable electricity

77% 

renewable energy, exceeding target of 75% by 2025

91% 

Operational waste recirculated

0 

All 23 industrial sites 'zero waste to landfill'

41% 

of all purchases from suppliers with science-based climate targets (by spend)

Source: Philips Annual Report 2022

1. We will design 100% of our products and services in line with Philips EcoDesign requirements by 2025

2022 Social impact



1.81 billion

Number of people reached with our products and services, including:

202 million

in underserved communities (incl. Philips Foundation)

459,000



employees positively impacted at suppliers participating in Philips' Supplier Sustainability Program

77%



Philips' average employee engagement score

#59



on Forbes 'Best Employers' ranking of the top 500

30%



Women in senior leadership positions



Towards sustainable healthcare



“At Philips, we’re empowering people to take care of their health and well-being and helping doctors and nurses to provide better, more sustainable and more convenient care – in hospitals, clinics and the home.”

Roy Jakobs, CEO Philips

Clear link between human health and the environment

At Philips, we see climate change as a serious threat. One that is expected to cause some 250,000 additional deaths per year globally.

Growing and aging populations, the rise of chronic diseases, global resource constraints and climate change have created **a pressing need for sustainable healthcare models.**

The drive for affordable and effective care delivery, within the limits of natural resources, is fueling a shift from volume- to value-based healthcare that aims to **extend access to care and improve patient outcomes at lower cost.**

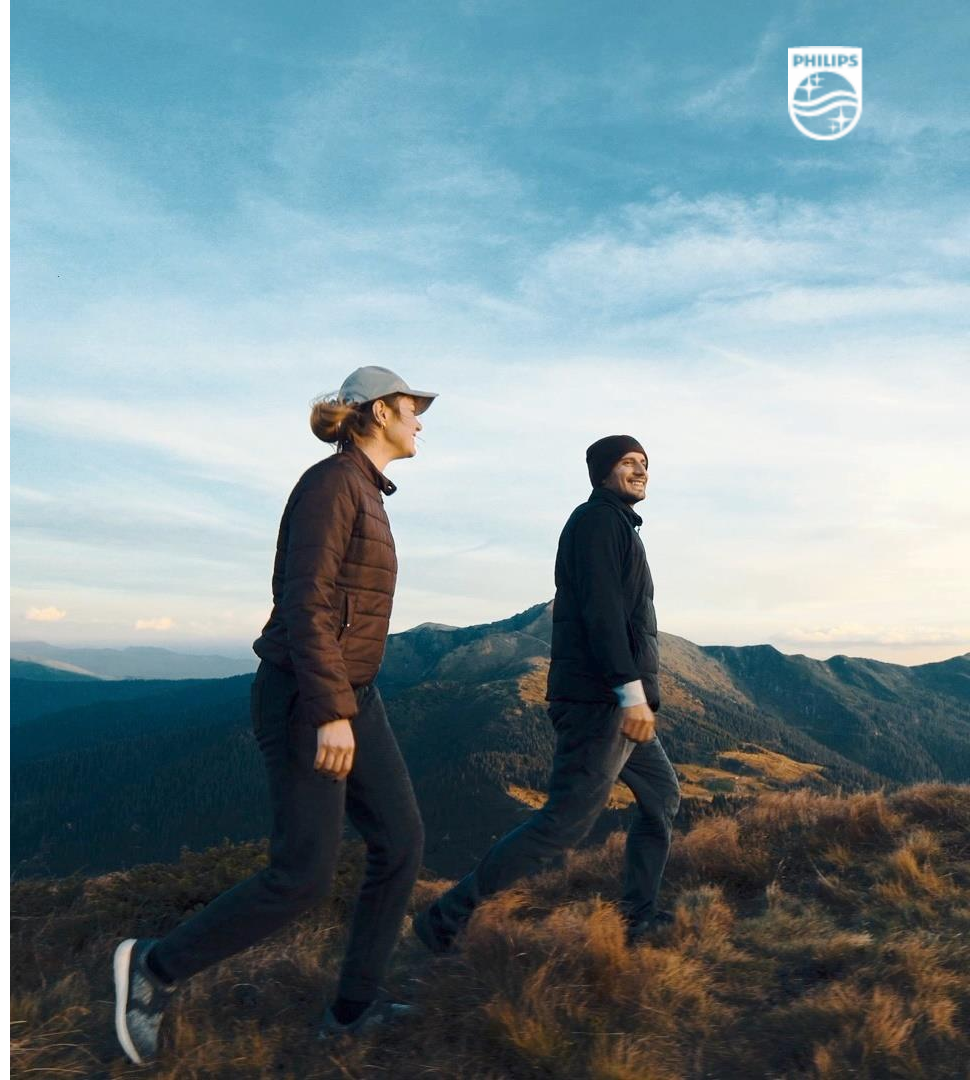


For people to be healthy, they need a healthy planet

At Philips, we recognize that human health and environmental health go hand in hand. In 2022, the United Nations declared the ability to live in a clean, healthy and sustainable environment a human right.

Climate change poses a threat to health and is expected to cause some 250,000 additional deaths per year globally. It creates a pressing need – together with global resource constraints, growing and aging populations, and the rise of chronic diseases – for **resilient and sustainable healthcare models**.

Sources: [World Health Organization](#) and [The World Economic Forum](#)





The need for sustainable healthcare

- Healthcare accounts for 4.4% of global CO₂ emissions¹ – more than aviation or the shipping industry
- Healthcare uses 10% of materials used globally every year²
- Hospitals produce 13 kg waste per bed per day, of which 15-25% hazardous waste³
- The supply chain (scope 3) is responsible for 71% of CO₂ emissions within the EU¹

Health leaders recognize the importance of sustainability to achieve health objectives

“At Kaiser Permanente, we know what creates good health begins well beyond our own doors. Our aim [...] is to go beyond eliminating our own environmental impact to help restore, renew and revitalize our communities.”*

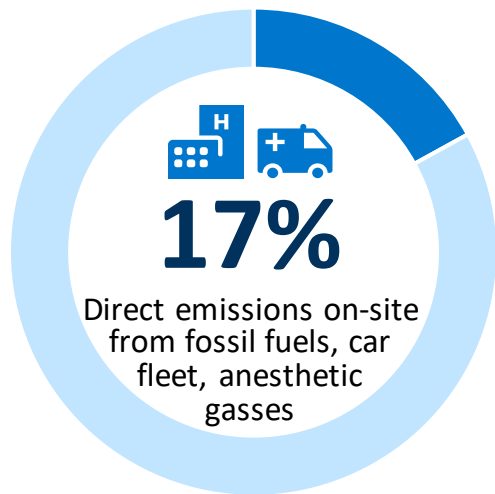
Raymond Baxter, PhD, senior vice president of community benefit, research and health policy, Kaiser Permanente

In 2020, Kaiser Permanente became the first US health system to achieve carbon-neutral status in its operations

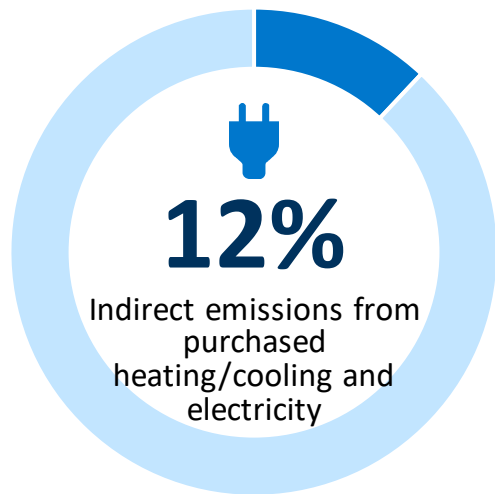


Identifying emissions across the healthcare value chain

Scoping out the opportunity to reduce healthcare's carbon footprint

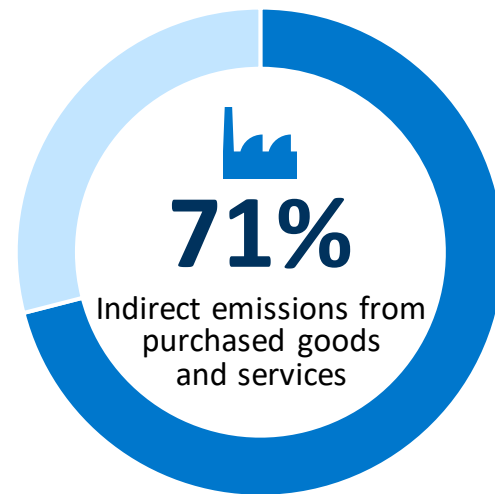


Scope 1



Scope 2

Efficient use of energy and Renewable energy



Scope 3

Efficient use and re-use of materials

Optimized care pathways and more efficient workflows



Innovating to decarbonize healthcare

Decarbonizing healthcare – building a comprehensive view around three improvement pillars

Energy-efficient and carbon-neutral solutions

 *Scope 2 impact*



Circular economy solutions with carbon reduction in supply chain

 *Scope 3 impact*



Optimized care pathways that reduce carbon footprint

 *Scope 1, 2, 3*



Three trends offering sustainability benefits¹

Have a major impact on the environmental footprint and the social dimension

Connectivity



Network connectivity supports the sharing of data and remote interactions

Digital infrastructure



Digitalization supports 'dematerialization' and optimized use of resources

Big Data and Artificial Intelligence



By integrating data and leveraging Artificial Intelligence, we can create smarter, connected health solutions

The added value of sustainability for healthcare



Lower CO₂ footprint while reducing costs



Align with public expectations



Meet patient and staff concerns regarding hazardous substances



Comply with regulations



Gain competitive advantage through circular procurement*



Attract investors and talent

Future Health Index 2023 – key global findings related to sustainability

How healthcare leaders and young
professionals view sustainability

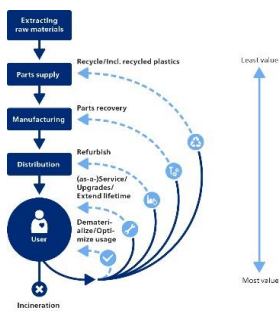
- New care delivery models offer strategic and economic sustainability benefits
- Sustainability top of mind with young healthcare professionals
- Challenges can be overcome through shared learnings, progress and collaboration

The logo for the Future Health Index 2023 features a stylized sunburst icon above the text. The words "future" and "index" are in a dark blue, sans-serif font, while "health" is in a lighter blue. The year "2023" is positioned below "index" in an orange, sans-serif font.
future
health
index
2023



How Philips supports the green transformation of hospitals

1. Circular products & services



2. EcoDesign

- Energy
- Packaging
- Substances
- Circularity

3. EcoPassports



EPIQ Ultrasound System EPIQ 5

The EPIQ platform offers our highest level of premium performance. It joins our family of outstanding systems that offer superb image quality for diagnostic confidence, automated quantification and workflow solutions to enhance throughput. The main environmental improvements* are improved energy efficiency and reduced product weight.



Our EcoPassport

As a company committed to doing business sustainably, we are keen to help our customers make responsible choices. We offer solutions that improve people's health and well-being while reducing impact on the environment.

Our EcoPassports summarize the environmental benefits our products offer in one or more of our focal areas. For example, increased energy efficiency, more sustainable packaging, or a circular-ready product design, optimized for repair, refurbishing and recycling.

In this way, we want to help ensure that each purchase decision is the right one for our customer's needs and the planet.

Further reading at:
www.philips.com/sustainability

Energy

- On mode: 554 W
- Off mode: 6 W
- Ready to scan/standby mode: 230 W
- Energy usage/year** : 2052.75 kWh
- Power for battery charging: 24 W
- Energy use reduced by* 29%

Packaging

- Total weight: 59.37 kg
- Cardboard/paper: 14.49 kg
- Plastic: 2.81 kg
- Ferro metal: 0.55 kg
- Wood: 41.52 kg
- 100% Wood from Sustainable Forestry Initiative (SFI) certified sources.
- No use of polyvinylchloride (PVC) and expanded polystyrene (EPS)

Weight

- Product: 110.9kg
- Weight reduced by*: 29%

Substances

- RoHS 2 compliant***
- REACH compliant

Circularity

- Refurbishment Program available
- Service and spare parts available
- Lifetime can be extended through upgrades

* Compared to its predecessor product, IU22
** average use scenario
*** EU Directive 2015/863

4. Digitalization



Our offering - Circular products & services

Responsible and circular supply: procure green and responsibly, keep hardware at maximum value, and reduce waste and energy

Trade-in offering



Responsible end-of-use management of all professional medical equipment that customers trade in

Refurbished equipment



Same as new 30-85% re-used content Philips Circular Edition portfolio

Lifetime extension



Comprehensive upgrade portfolio e.g. SmartPath, Technology Maximizer

Resource efficiency



Ingenia Ambition MRI system, enabling helium-free MR operations

Multi-use consumables



Medical supplies and sensors

EcoDesign

We are continuously working to improve energy efficiency, avoid the use of hazardous substances and optimize the use of scarce resources, materials and packaging across the product life cycle, in line with our climate action and circular economy ambitions.



Energy



Packaging



Substances



Circularity

Our offering - EcoDesign Ingenia Ambition X 1.5T MR scanner



System helium content from 1500 to 7 L and fully sealed; no refill during lifetime



900 kg reduction in magnet weight, resulting in 7% lower weight of MRI system compared to predecessor



Our offering - EcoDesign – IntelliVue MX40 wearable patient monitor



92% reduction in power usage
compared to predecessor



86% reduction in product
weight compared to
predecessor



FSC-certified cardboard and
recycled PET plastic packaging



Our offering - Health Systems EcoPassports enable easy communication of sustainability benefits



Zenition 70

Mobile C-arm with Flat Detector

Experience exceptional imaging clarity and flexibility for performing a wide variety of cases with our fourth generation Flat Detector systems. Part of the Zenition mobile C-arm family – a series of harmonized mobile C-arm that offers proven ease of use and future-fit capabilities.



The main environmental improvements* are increased product life, improved energy efficiency and reduced product weight.

Our EcoPassport

As a company committed to doing business sustainably, we are keen to help our customers make responsible choices. We offer solutions that improve people's health and well-being while reducing impact on the environment.

Our EcoPassports summarize the environmental benefits our products offer in one or more of our focal areas. For example, increased energy efficiency, more sustainable packaging, or a circular-ready product design; optimized for repair, refurbishing and recycling.

In this way, we want to help ensure that each purchase decision is the right one for our customer's needs and the planet.

Further reading at:
www.philips.com/sustainability

Energy

- Ready to scan: 0.7 kW
- Standby mode: 0.7 kW
- On / Scan mode: 0.8 kW
- Battery charging: 0.35 kW
- Energy use/year**: 1590 kWh
- Energy use reduced by: 1.4%*

Packaging

- Total weight: 182 kg
- Steel: 8 kg
- Cardboard: 20.5 kg
- Wood: 149.9 kg
- Plastic: 2.4 kg
- Paper: 1 kg
- Wood, cardboard & paper from Forest Stewardship Council (FSC) certified sources.
- No use of polyvinylchloride (PVC) and expanded polystyrene (EPS)

Weight

- Product weight: 466 kg
- Product weight reduced by 13%*

Substances

- RoHS 2 compliant

Circularity

- Product lifetime increased by 25%
- Refurbishment program available
- For service, spare and replaceable parts visit www.philips.com

*Compared to its predecessor Veradius unity R2.1

** Average use scenario

Our offering – resource efficiency through digitalization

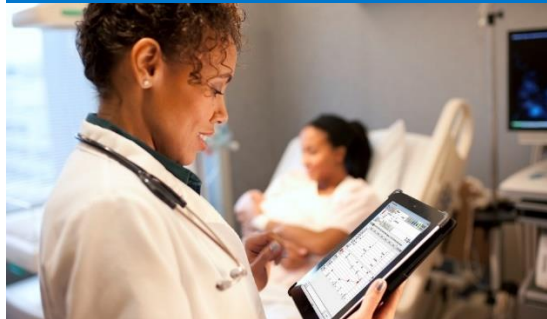
Increase data access, the efficiency of your processes and hardware, while reducing your CO₂ footprint

Telehealth solutions Remote installation, training and monitoring



Solutions designed to reduce travel include e-ICU, eCare Companion and eIAC (Intensive Ambulatory Care)

Cloud-based software solutions



Solutions designed to increase resource and workflow efficiency include HealthSuite, IntelliSpace, PerformanceBridge

Smart digital solutions



Solutions designed to reduce hardware reliance include Lumify portable ultrasound device

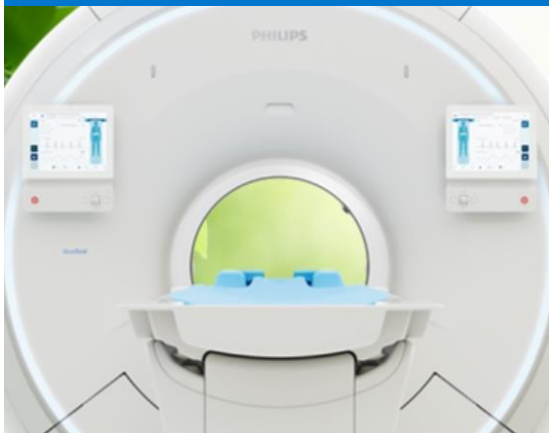
Examples of helping our customers to do more with less

Shifting to cloud



Uses up to 84% less power¹
and only ¼ of the servers²

SmartSpeed Upgrades



Speeding up scans by up to 65% while reducing power consumption on average 32% per scan³

Circular Edition MR



Re-using on average ~75% material weight during Philips MR refurbishment in 2022, and 45% lower carbon footprint for MR Ingenia in France⁴

Partnering with global customers to decarbonize healthcare



Chamalimaud Foundation (Portugal)



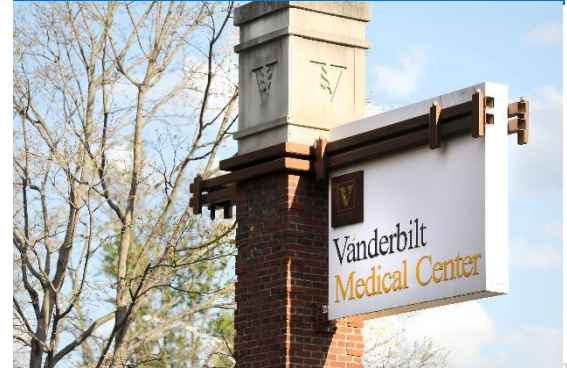
Reduce CO₂ emissions from use of interventional and diagnostic imaging equipment by 50% in five years

Rennes University Hospital (France)



5-year strategic partnership encompassing technology, services, research, co-development of solutions, and leveraging of open innovation ecosystems

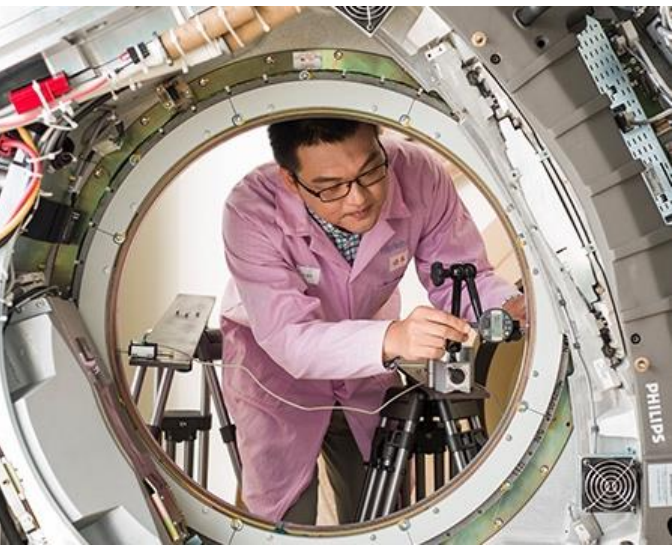
Vanderbilt University Medical Center (North America)



Addressing energy consumption of VUMC's diagnostic imaging devices, including MR, CT, ultrasound and X-ray and defining a roadmap to decarbonize radiology



Partnering for impact

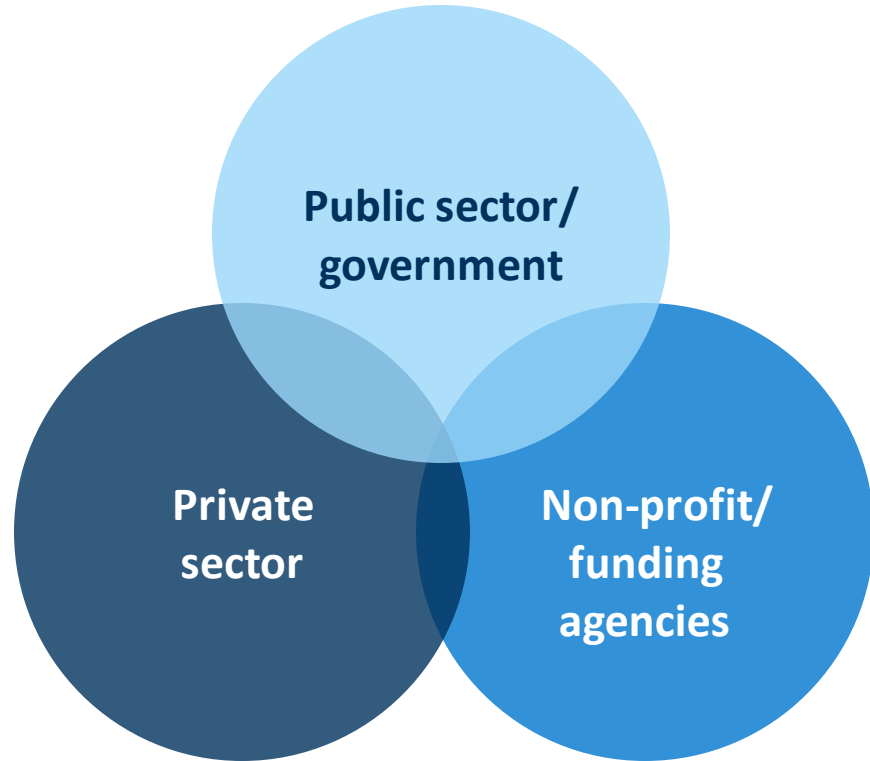


Partnering to drive sustainable healthcare

We are teaming up with our customers and suppliers to devise solutions to problems across the healthcare sector. Solutions that improve people's health and well-being while respecting the planet.

We believe that, by working together, we can reduce our joint carbon footprint and create a sustainable and more resilient healthcare industry.

By working together, we can drive global action on **environmental sustainability**, including circular economy, and increase **social impact**





Partnering with customers:

Champalimaud Foundation

About the customer

Based in Portugal, Champalimaud Foundation is a leading translational biomedical research and clinical care provider.

Challenge

Reduce the carbon footprint from Champalimaud's use of diagnostic and interventional imaging equipment by 50% by 2028.

Solution

In March 2023, Philips announced a strategic partnership with Champalimaud Foundation. Philips will support their sustainability targets through a range of health technologies and innovations designed to reduce energy consumption and dependency on natural resources.





Partnering with customers:

Rennes University Hospital



“CHU Rennes positions joint responsibility for sustainability as a foundational part of its strategic partnerships with Philips and other partners. The planning includes defining clear and measurable targets. The idea is to go beyond traditional practice by considering the entire product lifecycle.”

Frederic Rimattei, Dep. Director General

Solution

- 5-year strategic partnership encompassing technology, services, research, co-development of solutions, and leveraging of open innovation ecosystems
- Working together on sustainability
 - Life cycle assessment of Azurion system and carbon footprint mitigation of a neuroradiology cath lab
 - Exploration of circular replacement plan





Partnering with customers:

Jackson Memorial Hospital

About the customer

Jackson Memorial Hospital, a nonprofit tertiary care teaching hospital in Miami, is the centerpiece of Jackson Health System.

Challenge

Need for standardization of patient monitoring solutions for all acuity levels and settings, and to improve the accuracy of data.

Solution

By adopting Philips' Enterprise Monitoring as a Service model, Jackson was able to move away from traditional capital outlay models, which can require buying the monitoring technology, consumption-based engagement or paying for monitoring capacity per patient.

Following an evaluation, nursing staff gave the new model a 90% satisfaction rating, up from 8% prior to the new system. The hospital also estimated it will save 13,331 staff hours from workflow improvement and automation of manual tasks.*

* This data is exclusive to Jackson Memorial Hospital. Results from case studies are not predictive of results in other cases. Results in other cases may vary.



We advocate the enforcement of green standards

Five priorities in green public procurement

1. Ensure that suppliers **report their environmental impact** (including emissions) and that they have a greenhouse gas emission (GHG) reduction plan in place.
2. Focus on **circularity** for health technology products and solutions.
3. Require **supplier transparency** on product performance and eco-design for products and equipment resources and workflow efficiency.
4. Require suppliers to demonstrate how **digital offerings support decarbonization** and **dematerialization** by optimizing resources and workflow efficiency.
5. Require suppliers to **publicly report** their social impact.



Green Public Procurement Five priorities for sustainable health technology procurement in Europe

About this paper

This paper identifies five priority themes and recommended sustainability assessment criteria for public purchasers in Europe to adopt when procuring medical equipment and health technology solutions. These recommendations draw on existing standards and procurement best practices observed by Philips as a provider to hospitals and governments worldwide and build on our experience as an ESG and sustainability leader in climate action, circular economy and eco-design¹.

By sharing this paper, we aim to reinforce Green Public Procurement (GPP) as a strategic function for policymakers, purchasers and the public they serve. We welcome dialogue with all stakeholders to increase understanding, innovation and partnerships for more sustainable healthcare.

Healthcare systems contribute to 4.4% of net global CO₂ emissions - more than the aviation and shipping industries and equivalent to the annual greenhouse gas emissions from 51.4 coal-fired power plants². In industrialized nations, the emissions associated with healthcare were found to be even higher - up to 7.6% of national emissions³. Given the negative impact of climate change on public health, communities and society, we believe that the healthcare industry must urgently increase its efforts to become part of the solution.

In support of the 66 countries committed to strengthening climate resilience and lower the emissions of health systems⁴, we see a major role for buyers of health technology⁵ to stimulate innovation by enacting green purchasing reforms and raising minimum standards, thereby increasing the recognized value of supplier sustainability commitment. By providing industry partners and suppliers with a clear business case to improve the sustainability of their products and operations, we believe public procurement guidelines can help drive systemic change and enable tangible economic and social benefits.

Call to action:

To enable the healthcare industry to make a meaningful contribution to the 2015 Paris Agreement⁶ and 2050 net-zero targets⁷, we call on governments, purchasing agencies and group procurement organizations to:

1. **Greenhouse gas emissions reduction**
 2. **Circularity**
 3. **Eco-design transparency**
 4. **Digitalization to improve decarbonization and dematerialization**
 5. **Social impact**
- Set 'pre-qualifying gateway' sustainability standards for health technology tenders.
 - Assign a significant sustainability weighting when tendering for healthcare equipment and services. Apply the European Union's 15% guideline for GPP award criteria⁸ as the minimum.
 - Consider adding a sustainability cost factor when assessing vendor bids.

[Download Green Public Procurement paper for Europe](#)



Helping our suppliers to decarbonize

Our goal

>50% of suppliers (based on spend) committing to science-based targets for CO₂ emissions reduction by 2025

Progress to date

41% committed to science-based targets as of year-end 2022

Six steps towards a sustainable supply chain

As part of our Green Supply Chain program, we have identified six workstreams to decarbonize our supply chain and reach our ambitious climate targets:

- 1 CDP engagement
- 2 Data-driven insights
- 3 Capability building
- 4 Opportunities for decarbonization
- 5 Incentives for suppliers
- 6 Advocacy on climate





Teaming up to advance health access and equity



An equal chance at health



Health equity is a moral and financial imperative¹ achieved when all people can reach their full potential for health and well-being.

Every organization has a role to play. The [Global Health Equity Network](#) (GHEN) brings private sector executives, government representatives, academics and civil society leaders together to advance the vision for all individuals to have a fair and just opportunity to fulfill their potential in all aspects of health and well-being.

Signed by Philips, the [Zero Health Gaps Pledge](#) is our commitment to embed health equity in core strategies, operations and investments.²

1. [Global Health Equity Network: A Business Case for Health Equity, World Economic Forum, January 2023](#)
2. [How Can the Private Sector Help Advance Health Equity, World Economic Forum, May 2023](#)

To expand equitable access to healthcare, we are...



Driving the digital transformation of healthcare through innovation



Developing new business models and financing solutions



Building strong partnerships within an ecosystem of collaboration





Access to care challenges



Cost and quality of healthcare remain critical concerns, especially in underserved communities

Social determinants of health – the unequal conditions within which people are born, grow and live – lead to gaps in health and well-being

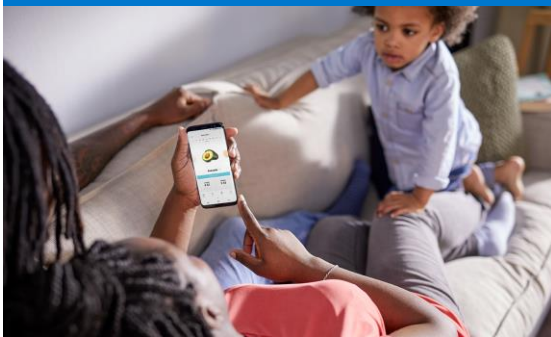
Global pressures like climate change, geopolitical conflicts, disease outbreaks (e.g. COVID-19), and the rise of chronic diseases disrupt health systems and slow progress toward health for all

Systemic inequities (e.g. the digital divide between rural and urban areas) exacerbate existing health disparities and create barriers to the digital transformation of healthcare

Philips partners with customers to expand access to care globally through innovation



Drive the digital transformation of healthcare



Addressing health equity in the US

As part of an initiative to remove maternal care barriers (e.g. race, ethnicity, income, and education level) the Michigan Department of Health and Human Services (MDHHS) is using the Pregnancy+ app to connect Medicaid-eligible families to vital state resources and support programs and information designed to improve health.



Build strong partnerships within an ecosystem of collaboration



Partnership for expanded maternal care

Philips is working with the Bill and Melinda Gates Foundation to develop AI-based applications that support nontraditional ultrasound providers, like nurse midwives, in confidently conducting basic obstetric ultrasound services. Aims to make point-of-care ultrasound more broadly available in low- and middle-income countries.



Build strong partnerships within an ecosystem of collaboration



Improving cardiovascular health in India

HeartPrint empowers people to understand and take care of their own heart health, using their own devices. The present version provides a personal, holistic report of cardiovascular health, while alerting to seek medical help if needed.

