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Driving the transition to the **circular economy**

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Circular Equipment, Philips
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innovation  you

















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Delivering innovation
that **matters to you**

innovation  you

Our strong portfolio has >60% of sales from leadership positions¹

Diagnosis & Treatment	Diagnostic Imaging <i>Global Top 3</i> 	Ultrasound <i>Global Leader</i> 	Image-Guided Therapy <i>Global Leader</i> 	Smart Catheters <i>Global Leader</i> 	
	Patient Monitoring <i>Global Leader</i> 	ICU Remote Monitoring <i>#1 in North America</i> 	Non-invasive Ventilation² <i>Global Leader</i> 	Personal Emergency Response <i>#1 in North America</i> 	High-end Radiology and Cardiology Informatics <i>#1 in North America</i> 
	Male Grooming <i>Global Leader</i> 	Oral Healthcare <i>Global Leader</i> 	Sleep & Respiratory Care <i>Global Leader</i> 	Mother & Childcare <i>Global Leader</i> 	Air Purifiers <i>#1 in China</i> 
	Personal Health				

¹ Leadership position refers to #1 or #2 position in Philips addressable market; ² Based on non-invasive ventilators for the home

Sustainable development has always been a priority for Philips



Since 1891:
Social programs for employees



Since 1970:
Environmental agenda



Since 2000:
Accelerating sustainability

Global challenges make action an **urgent necessity**



**Rising cost of
healthcare**



**~50% of global
population** lacks access
to full coverage of
essential healthcare
services¹



1.5x overconsumption
of Earth's resources



**Substantial carbon
reduction** needed to
achieve global 2°C
temperature rise target

¹ World Bank (2017) Tracking universal health coverage: 2017 global monitoring report (English). Washington, D.C.: World Bank Group

Each year we put some
40,000 tons of hospital equipment
and **200,000 tons** of personal health
appliances onto the market

We take this responsibility seriously

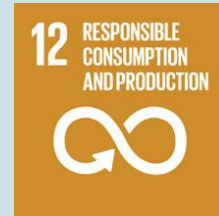
*Figure under review by Group Sustainability



“Reflecting our commitment to the universally agreed United Nations’ Sustainable Development Goals, we continue to embed sustainability deeper into the way we do business.

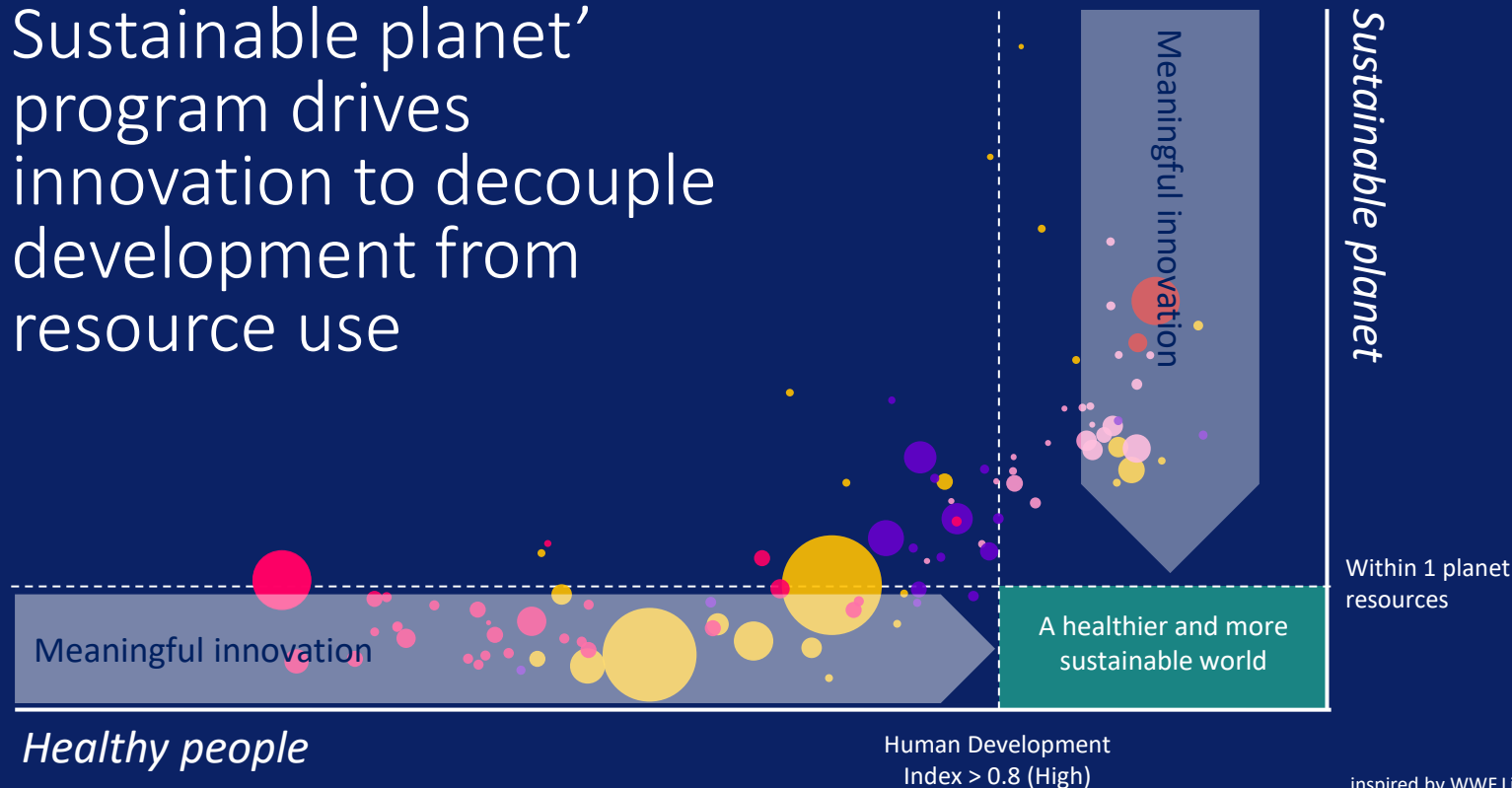
We do this because of its benefits for society, and because we believe that it is a driver for economic growth.”

Frans van Houten, CEO Philips



Driving towards a circular and green portfolio (SDG 12)

Our 'Healthy people,
Sustainable planet'
program drives
innovation to decouple
development from
resource use

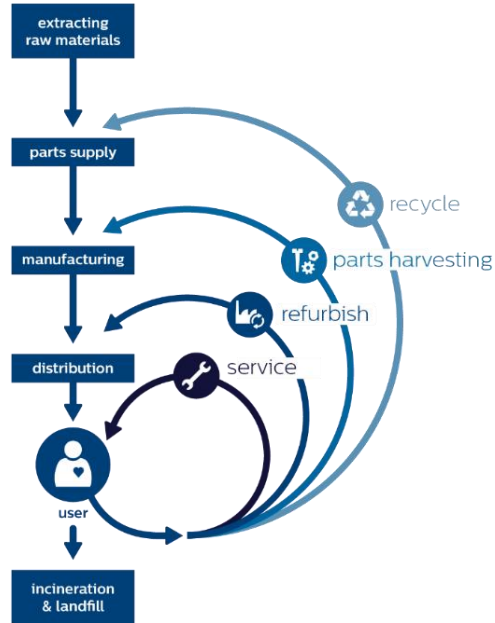


“For a sustainable world, the transition from a linear to a circular economy is essential. A **circular economy** aims to decouple economic growth from the use of natural resources by using these resources more effectively.”

Frans van Houten, CEO Philips



The transition to circular presents business opportunities



Increase business growth



Increase cost saving



Reduce risk

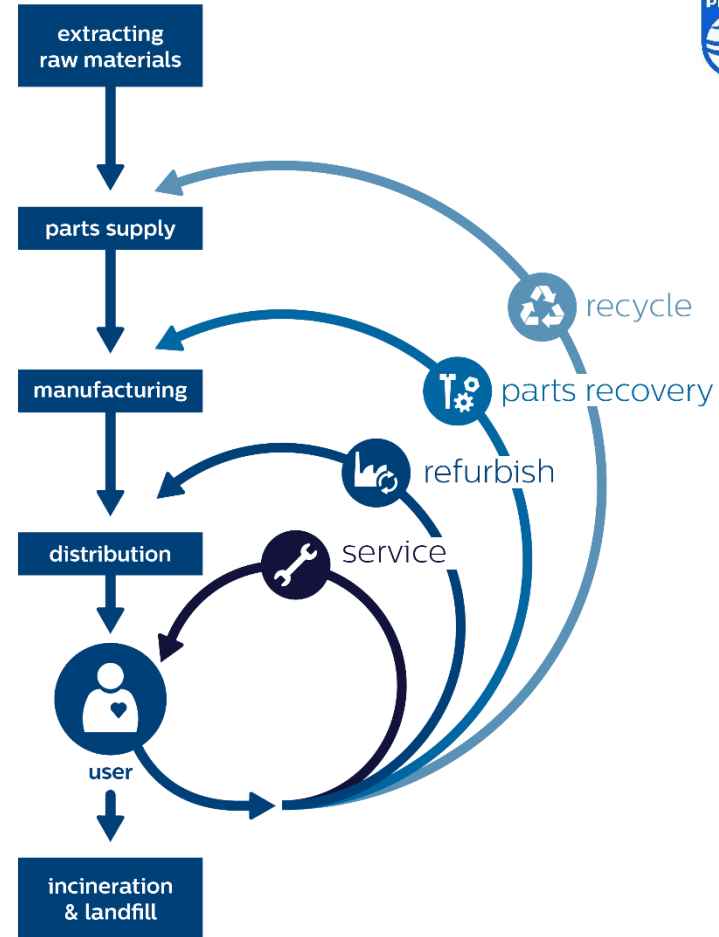


Engage talent



Build trust

To drive the transition to a circular economy, Circular Equipment **extracts maximum value in a sustainable way.**



Our Circular Equipment eco-system creates great value for both existing and new customers

Trade In

We are committed to take back Philips systems when customers are ready to return them to us and offer a good trade in value.



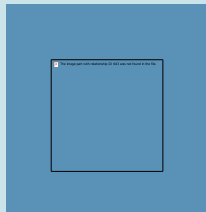
1. Refurbishment

Only systems with proven, documented service histories are considered for refurbishment to same as new equipment.



2. Parts Recovery

Other systems still have value because of parts that can be used as spares. Recovered parts are indistinguishable from new parts.



3. Recycling

If we cannot refurbish or recover, we recycle raw materials in a sustainable way.



Diamond Select

Rethink what new means with Diamond Select

More value for money



Diamond Select gives you **extended clinical capabilities at lower cost** - so you can provide the best care for your patients.

Same as new quality



Diamond Select has the same **high quality standards and support** as you expect from new Philips systems.

Circular eco-system



Diamond Select is **future proof** and enables you to profit from, and contribute to, a circular and sustainable economy.

We offer a variety of **circular propositions**

Performance and access-based models



Lumify is a flexible subscription service providing access to transducers, app and online ecosystem. The subscription service reduces upfront costs to help clinicians improve patient care.

Refurbished* products and systems



The **Diamond Select program** offers refurbished healthcare systems where customers can benefit from state-of-the-art technology at a more affordable price.

Refurbished* components



RAPID** program reuses 50-70% parts / materials from returned X-ray tubes.

On-site or remote upgrades



Philips SmartPath is an economical way to enhance existing Philips systems to current technology or increased capacities. Key components are upgraded so that the system is like new.

Products with recycled plastics content



Performer Ultimate vacuum cleaner contains 36% recycled plastics***

*Includes reconditioned and remanufactured; **RAPID stands for Returns, Analysis, Parts recovery, Improvement and Data collection; ***Compared to total plastics content

1 Based on a pledge by Frans van Houten made in January 2018 at the World Economic Forum, <http://fortune.com/2018/01/25/philips-ceo-frans-van-houten-sustainability/>



Our ambitious **circular economy objectives for 2020**

15%

of sales from circular products and services

90%

of operational waste recycled

zero

waste to landfill

Close the loop

on large medical systems equipment that becomes available to us, and **extend circular practices to *all* medical equipment by 2025**



Driving sustainability through our **supply chain**



Supplier Sustainability Compliance

Sourcing products and services that meet all legal *and* Philips requirements



Responsible Sourcing

Increasing transparency on materials used in our products

- Human rights
- Environmental abuse prevention



Circular Procurement

Integrating Circular Economy principles in procurement strategy, policies and guidelines



Supplier Sustainability Performance

Achieving structural, sustainable improvement in our supply chain

- Health & Safety
- Remuneration & benefits
- Environmental performance