Green Finance Framework

Signify
September 2023

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About Signify

Signify (Euronext: LIGHT) is the world leader in lighting for professionals and consumers and lighting for the Internet of Things. Our Philips products, Interact connected lighting systems and data-enabled services, deliver business value and transform life in homes, buildings and public spaces. In 2022, we had sales of EUR 7.5 billion, approximately 35,000 employees and a presence in over 70 countries. We unlock the extraordinary potential of light for brighter lives and a better world. We achieved carbon neutrality in our operations in 2020, have been in the Dow Jones Sustainability World Index since our IPO for six consecutive years and were named Industry Leader in 2017, 2018 and 2019. News from Signify is located at the Newsroom, Twitter, LinkedIn and Instagram. Information for investors can be found on the Investor Relations page.

Sustainable Innovation

Innovation is an important pillar of Signify's purpose: to unlock the extraordinary potential of light for brighter lives and a better world. Our sustainable products and systems must demonstrate proven measurable benefits in one or more of the eight sustainable focal areas (SFAs).

We have five Better World SFAs:

- Energy & solar – increasing energy efficiency of products, systems and services, and solar systems and solutions.
- Circularity – optimally preserving value and avoiding waste via serviceable luminaires, circular components, intelligent asset management, and circular services.
- Packaging – reducing packaging weight and volume, increasing recycled material in the packaging of professional products, eliminating the use of plastics in the packaging of consumer products, and optimizing transportation efficiency.
- Substances – eliminating harmful substances.
- Weight & materials – reducing product weight, selecting recycled and/or renewable materials, and increasing commonalities.

And three Brighter Lives SFAs:

- Safety & security – providing light that improves the safety of people in traffic, cities and houses and increases protection against cybercrime.
- Health & well-being – designing light to support health, well-being, and performance of humans, animals and wildlife through unlocking the visual, biological, and emotional benefits of light.
- Food availability – providing light that enables the production of more and better-quality food, while optimizing the use of land, water and energy and avoiding the use of pesticides.

We believe that sustainable innovation will help create an increasingly future-proof and purposeful portfolio of products, systems, and services.

Brighter Lives, Better World 2025

At Signify, sustainability is at the heart of our purpose to unlock the extraordinary potential of light for brighter lives and a better world. To achieve our purpose, we're focused on sustainable growth and creating a great place to work. Our Brighter Lives, Better World 2025 sustainability program aims to double our positive impact on society and environment.

We will do this by doubling our Brighter lives revenues, which benefit society by increasing Food availability, Safety & security, and Health & well-being. We will advance our commitment to diversity and inclusion and commit to double the percentage of women in leadership by the end of 2025. We will also strengthen our commitments to employee safety, sustainable supply chain and lives lit through the work of the Signify Foundation.

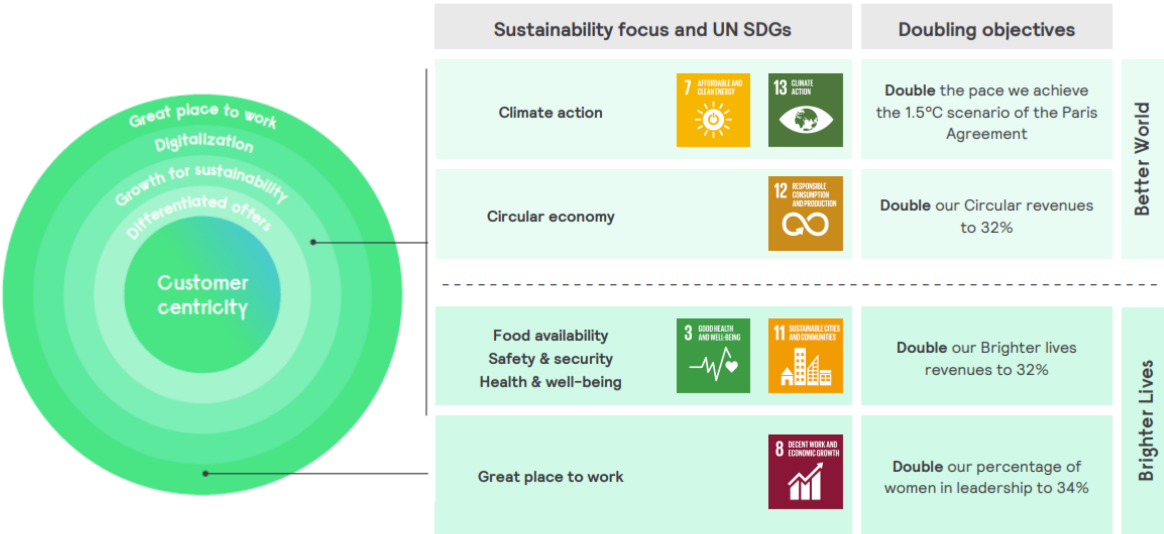
Our world is faced with a rapidly warming climate and an energy crisis that is now truly global. There has never been a more urgent need for efficient solutions that reduce the amount of energy we consume. If we want to live in a carbon-neutral world in 2050, at least half of the change we need to make will come from reducing our energy consumption. Lighting makes up 12% of global electricity usage. It is that within this domain, the transition is fast, accessible, and entirely within our reach.

In the past decade, we have reduced our operational carbon footprint by more than 70%. We remain carbon neutral in our global operations and use 100% renewable electricity. In line with our commitment to SDG 13: Climate action and SDG 7: Affordable and clean energy, we aim to double the pace of the Paris Agreement's 1.5°C scenario to reduce greenhouse gas emissions over our full value chain by the end of 2025. And on SDG12: Responsible consumption and production, our goal is to double our revenues from circular products, systems, and services by the end of 2025.

At Signify, we acknowledge the findings of the Intergovernmental Panel on Climate Change (IPCC) and believe we have an important role to play in the transformation towards a low carbon economy, with deep decarbonization across our value chain. Signify was one of the first companies committing to verified Science-Based Targets in line with the Paris Agreement's 1.5°C pathway, to cut GHG emissions in our operations as well as in our value chain. We commit to reduce 70% of absolute scope 1 and 2 GHG emissions and 30% of absolute scope 3 GHG emissions by 2030 (baseline 2015).

We go beyond carbon neutrality and commit to doubling the pace of the Paris Agreement's 1.5°C scenario to decarbonize our entire value chain. This means we aim to achieve the emission reduction goals laid out in the Paris Agreement's 1.5°C pathway for 2031 by 2025, six years early. By the end of 2025, we will reduce our scope 1, 2, and 3 emissions by 40% compared to our 2019 baseline year.

As we look to double our positive impact, the UN Sustainable Development Goals (SDGs) serve as our strategic compass, and we're focusing our efforts on the six SDGs where we can make the biggest impact.



As the global sustainability leader in lighting, our impact as an environmentally responsible organization is at the very heart of our company purpose. Changing how we run our company is a key driver of our growth. It also represents a commitment to working with our clients and our partners, whether they are corporations, governments, educational institutions, or consumers, to make the lighting industry a force for positive environmental change.

Signify Green Finance Framework

Signify's rationale for Green Financing

In alignment with the broader Signify sustainability strategy, Signify has established a green finance framework (hereinafter referred to as the "**Framework**") to be able to issue green finance instruments to finance and refinance projects which enable the transition to a low carbon and climate resilient economy. Signify is committed to promoting sustainable business activities in the industry sector and regions where the company is operating. By issuing green finance instruments, the group will provide additional transparency around funded projects that carry environmental benefits.

In addition, green finance instruments will help to diversify Signify's investor base, to broaden dialogue with the existing investors and to contribute to the development of the green finance market.

Signify's Green Finance Framework

Signify has established this Framework under which it (collectively referred to as "**Signify**") can issue green finance instruments (such instruments hereinafter referred to as "**Green Finance Instruments**"), which includes bonds, private placements, commercial paper, promissory notes (Schuldscheindarlehen, SSD) and loans to finance and/or refinance green eligible projects (such projects hereinafter referred to as "**Eligible Green Projects**") with a positive environmental benefit.

The Framework is based on the:

- ICMA Green Bond Principles 2021, including the updated Appendix I of June 2022[1]
- LMA/APLMA/LSTA Green Loan Principles 2023[2],

which provide guidance in the form of four key components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

The Framework also follows the recommendations of the Green Bond Principles regarding External Review[3].

The Framework defines the portfolio of projects (such projects hereinafter defined as "**Eligible Green Project Portfolio**") eligible to be funded by the proceeds of Green Finance Instruments issued by Signify. The documentation for any Green Finance Instrument issued shall provide a reference to this Framework under the use of proceeds section.

For the avoidance of doubt, any future change to the eligibility criteria (e.g., future changes to the ICMA Green Bond Principles, the LMA/APLMA/LSTA Green Loan Principles, and/or developments related to sustainable finance regulation) may not necessarily apply to Green Finance Instruments issued under this Framework. Further, eligibility criteria included in this Framework may not necessarily apply to outstanding Green Finance Instruments issued under the previous version of the Framework.

Use of Proceeds

An amount equal to the net proceeds from Green Finance Instruments issued by Signify will be used to finance and/or refinance a portfolio of Eligible Green Projects as defined by the eligibility criteria (such criteria hereinafter referred to as "Eligibility Criteria")[4] in this Framework.

In alignment with Signify's broader sustainability strategy and support of the UN SDG 2030 agenda, the Eligibility Criteria contemplated under this Framework, directly contribute to the achievement of UN SDGs[5] and EU Environmental Objectives[6].

[1] https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf
[2] https://www.lma.eu.com/application/files/4716/7715/0338/Green_Loan_Principles_23_February_2023.pdf
[3] https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/External-Review-Guidelines_June-2022-280622.pdf
[4] Signify focusses on the main substantial contribution criteria of the EU Climate Delegated Act and, where possible, Signify may report on compliance with the remaining technical screening criteria including the Do No Significant Harm (DNSH) criteria.
[5] Mapping between ICMA Eligible Categories and UN SDGs based on ICMA High Level Mapping to the Sustainable Development Goals: https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Mapping-SDGs-to-GSS-Bonds_June-2022-280622.pdf
[6] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending regulation (EU) 2019/2088, see here.

Green Eligible Categories

GBP/GLP Category	Eligibility Criteria	Contribution to UN SDGs	EU Economic Activities
Eco-Efficient and/or circular economy adapted products, production technologies and processes	Signify's **sustainable products and services*** • Manufacturing of LED** lamps and tubes, luminaires and connected technologies. • Installation, maintenance and repair activities of lighting products and systems such as lamps and luminaires, without controls, for indoor spaces. The systems might also include intelligent systems to regulate lighting and heating (sensors, triggers, software, on-site or cloud connectivity). **All activities financed under this framework are part of an eligible activity under the Taxonomy Climate Delegated Act (EU) 2021/2139 – Annex, category 3.5, 3.6, 7.3 and 7.5* ***LED is defined as a light emitting diode and is reported as LED-based sales which is the sales provided by products, systems and services based on LED lighting technologies. (83% FY 2022)*		3.5 Manufacture of energy efficiency 3.6 Manufacture other low carbon technologies that result in substantial GHG emissions reductions in others sectors of the economy 7.3 Installation, maintenance and repair of energy efficiency equipment 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings

Process for Project Evaluation and Selection

Signify has established a clear decision-making process to determine the eligibility of the nominated Eligible Green Projects, in accordance with the description of the Eligibility Criteria mentioned in the Use of Proceeds section of this Framework.

Eligible Green Projects will be selected by a dedicated Sustainability Investments Committee (hereinafter referred to as the "***Committee***") set up within Signify.

The Committee is responsible for:

- Reviewing the content of Signify's Green Finance Framework and updating it to reflect changes in corporate strategy, technology, market, or regulatory developments on a best effort basis;
- Updating external documents such as Second Party Opinion (SPO) and related documents from external consultants and accountants;
- Evaluating and defining the Eligible Green Project Portfolio in line with the Eligibility Criteria as set out in the Framework; excluding projects that no longer comply with the Eligibility Criteria or have been disposed of and replacing them on a best efforts basis;
- Overseeing, approving and publishing the allocation and impact reporting, including external assurance statements. Signify may rely on external consultants and their data sources, in addition to its own assessment;
- Monitoring internal processes to identify known material risks of negative social and/or environmental impacts associated with the Eligible Green Project Portfolio and appropriate mitigation measures where possible;
- Liaising with relevant business finance segments and other stakeholders on the above.

Furthermore, Signify complies with official national and international environmental and social standards and local laws and regulations, on a best effort basis across all of its activities. Additional information on the management of environmental and social risks via the policies and standards of Signify is provided below.

ESG Policies

Signify's Environmental and Social Risk policies define minimum standards for all its activities, including those financed with the proceeds of Green Finance Instruments issued under this Framework. Below some examples of relevant codes and policies:

Environmental, Health & Safety Policy[7]	*Conflict Minerals Declaration*[8]
Human Rights Policy[9]	*Modern Slavery and Human Trafficking Prevention Statement* [10]
Sustainability Policy[11]	*Packaging requirements*[12]
Diversity & Inclusion Policy[13]	*Child Labor Policy*[14]
Supplier Sustainability Declaration[15]	*Biodiversity Policy*[16]

Management of Proceeds

The net proceeds from the Green Finance Instruments will be managed by Signify in a portfolio approach.

Signify intends to allocate these proceeds to an Eligible Green Project Portfolio of Sustainable Innovation[17] costs and Property, Plant and Equipment[18] supporting manufacturing, storage and selling of sustainable products and systems. These projects are selected in accordance with the Eligibility Criteria and the Process for Project Evaluation and Selection presented above.

Property, Plant and Equipment values shall qualify for refinancing with no look-back period, while Sustainable Innovation costs qualify with a maximum three-year look-back period.

Signify will strive, over time, to achieve a level of allocation for the Eligible Green Project Portfolio that matches or exceeds the balance of net proceeds from its outstanding Green Finance Instruments within 12 months from the time of issuance of each instrument. Eligible Green Projects will be added to or removed from Signify's Eligible Green Project Portfolio to the extent required.

Unallocated net proceeds from Green Finance Instruments will be held in Signify's liquidity portfolio, in cash or other short term liquid instruments, or used for any other treasury business at its own discretion.

[7] See here.
[8] See here.
[9] See here.
[10] See here.
[11] See here.
[12] See here.
[13] See here.
[14] See here.
[15] See here.
[16] See here.
[17] All research and development activities contributing to lighting technologies considered for sustainable products, systems or services. This means all products, systems, or services that demonstrate a measurable positive impact in one or more of the sustainable focal areas: Energy & solar, Circularity, Packaging, Substances, Weight & materials, Safety & security, Health & well-being, or Food availability. Sustainable innovation spend is the total spending of all R&D projects contributing to sustainable innovation as defined in the Sustainability Statements of the Annual Report.
[18] Such as land & buildings (including right-of-use assets), machinery & installations and other equipment as defined in the notes to the Consolidated Financial Statements of the Annual Report.

Reporting

Signify intends to report allocation proceeds on its website within one year after the issuance and on an annual basis thereafter, until full allocation of the Green Finance Instruments.

Signify intends to report the allocation and impact of the net use of proceeds to the Eligible Green Project Portfolio at least at the category level and on an aggregated basis for all of Signify's Green Finance Instruments outstanding.

Signify intends to align its reporting with the approach described in the ICMA "Handbook – Harmonized Framework for Impact Reporting (June 2023)"[19] on a best effort basis.

Allocation Reporting

The allocation report may include the following information, on an aggregated basis:

- The size of the identified Eligible Green Project Portfolio, per eligible category
- The balance (if any) of unallocated proceeds
- The amount or the percentage of new financing and refinancing
- The total of Signify's sustainable products and services which are included under the EU Taxonomy Regulation to mitigate climate change.

Impact Reporting

The impact report may provide:

- A description of relevant Eligible Green Projects
- Metrics regarding projects' environmental impact as described below.

Green Eligible Categories

GBP/GLP Category	Impact indicators
Eco-Efficient and/or circular economy adapted products, production technologies and processes	✓ Estimated annual avoided GHG emissions [tCO_2e/year] from product use.

Depending on availability and subject to confidentiality agreements, Signify might seek to complement above indicators with relevant case studies.

Signify may appoint specialized consultants to develop a methodology for the estimation and calculation of the impacts that was made publicly available.

Both the allocation report(s) and the impact report(s) will be made available on Signify's website[20].

[19] https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf
[20] See here.

External Review

Second Party Opinion

Signify has obtained an independent second party opinion from Sustainalytics to assess the alignment of the framework with the ICMA Green Bond Principles 2021 (including the updated Appendix I of June 2022) and the LMA/APLMA/LSTA Green Loan Principles 2023. The independent second party opinion will be published on Signify's website[21].

Verification

Signify intends to request a limited assurance report of the allocation of the proceeds to the Eligible Green Project Portfolio, provided by its external auditor (or any subsequent external auditor).

Disclaimer

This material contains general background information about Signify's Green Finance Framework (Framework) and is non-exhaustive. It is information given in summary form and does not purport to be complete. It is not to be relied upon as advice or recommendation to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. This material should be considered with professional advice when deciding if an investment is appropriate. Signify N.V. (Signify) accepts no liability whatsoever with respect to the use of the material or contents herein. Signify reserves all rights including the right to amend the Framework at any time without notice. All information contained herein shall not be copied or disseminated for whatever purpose.

[21] See here.

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