



signify

Annual Report 2023






Our purpose is to unlock the extraordinary potential of light for brighter lives and a better world

Signify is the world leader in lighting.
We leverage over 130 years of leadership in lighting to create dynamic, innovative and human-centric projects.

We provide professional customers and consumers with quality products, systems and services.
Our connected lighting offerings bring light and the data they collect to devices, places and people – redefining what light can do and how people use it. Our innovations contribute to a safer, smarter and more sustainable world.

In homes, offices, shops, supermarkets, sports stadiums, cities, greenhouses and factories – as well as through the Signify Foundation – our purpose is to unlock the extraordinary potential of light for brighter lives and a better world.

Our values

Our values provide our people with a common understanding of what matters to us and how we work

Customer first

“After working with Signify and its logistics team, we’ve been very pleased with delivery timescales and overall performance.”
Mark Bond, Senior Street Lighting Engineer at Sefton Council

Greater together

"We are thrilled to be partnering with Signify, which, believing as we do in the precious values of sport such as teamwork, loyalty, solidarity and many more, has joined us in the creation of this state-of-the-art facility."
Antonio (Wanny) Di Filippo, Founder and ambassador, Il Bisonte

Game changer

“This partnership with Signify has been a game-changer for the communities and the youth we are working with. The installation of proper lighting at the grassroots centers not only enhances safety and extends playing hours but also inspires young talent.”
Abhijit Bhattacharya, Brahmaputra Volleyball League

Passion for results

“Thanks to the efficient LED installation, energy consumption for lighting was 40% lower than the year before despite extra lighting hours."
Rino Mans, Topline Gerbera Nursery

Always act with integrity

“Integrity at Signify is about consistently holding ourselves to high ethical standards, being honest and transparent in our dealings with others, and acting with courage to do the right thing, even when it's difficult.”
Umut Aydogmus

Table of contents

European single electronic reporting format (ESEF) and PDF version
This copy of the Annual Report is the PDF/printed version of the Annual Report 2023 of Signify N.V. This version has been prepared for ease of use, and does not contain ESEF information as specified in the Regulatory Technical Standards on ESEF (Delegated Regulation (EU) 2019/815). The official ESEF reporting package is available on our website at https://www.signify.com/static/2023/signify-annual-report-2023.zip.

Forward-looking statements and risks & uncertainties
Refer to chapter 21, Forward-looking statements and other information, for more information about forward looking statements, market and industry information, fair value information, IFRS basis of presentation, use of non-IFRS financial measures and statutory financial statements.

We are Signify

1 Performance highlights

1.1 Financial performance

	2022	2023
Comparable sales growth	1.2%	(8.3)%
Nominal sales growth	9.5%	(10.8)%
Adjusted EBITA margin	10.1%	10.0%
Net income *	532	215
Free cash flow *	445	586
Net cash provided by operating activities *	376	696

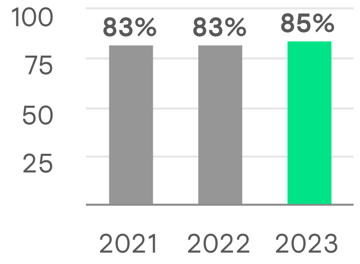
- In EUR million

Divisions	Digital Solutions	Digital Products	Conventional Products
Sales *	3,937	2,117	627
Comparable sales growth	(5.4)%	(10.5)%	(18.4)%
Nominal sales growth	(6.9)%	(14.2)%	(20.9)%
EBITA margin	9.1%	8.3%	9.9%
Adjusted EBITA margin	10.7%	9.7%	20.6%

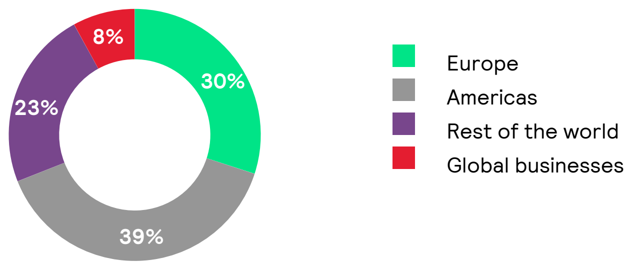
- In EUR million

This chapter contains certain non-IFRS financial measures and ratios, such as comparable sales growth, EBITA, Adjusted EBITA and free cash flow, and related ratios, which are not recognized measures of financial performance or liquidity under IFRS. These measures are further discussed in chapter 5, Corporate performance. For a reconciliation of these non-IFRS financial measures to the most directly comparable IFRS financial measures, see chapter 19, Reconciliation of non-IFRS financial measures.

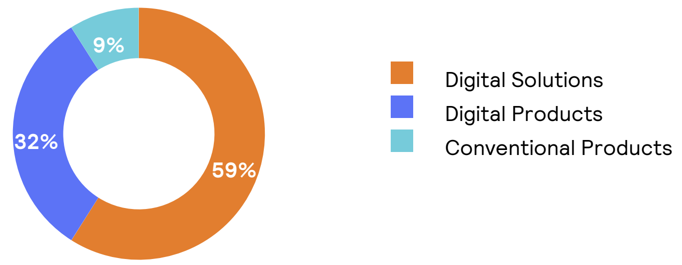
LED-based sales



Sales by geography



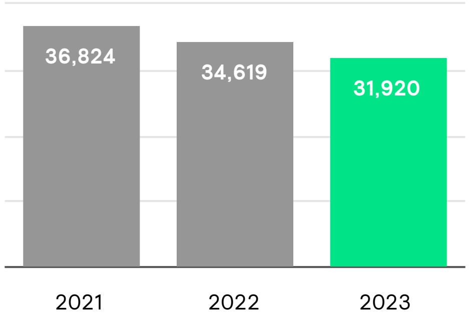
Sales by Division



1.2 Sustainability performance

Brighter Lives highlights	2022	2023
Brighter lives revenues	27%	31%
Women in leadership	28%	29%
Safety at work (TRC rate)	0.16	0.19
Supplier Sustainability Performance	94%	97%
Lives lit since 2017 (in million)	8.3	9.4

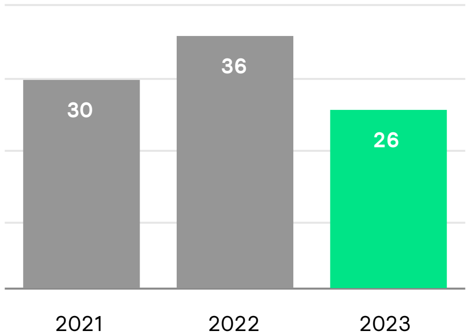
Employees (full-time equivalent)



Better World highlights	2022	2023
Cumulative carbon reduction over value chain, in million tonnes CO_2e [1]	177	334
Circular revenues	29%	33%
Carbon neutral operations	100%	100%
Total waste to landfill	<1%	<1%

[1] The cumulative yearly difference between the GHG emissions of Paris Agreement 1.5°C pathway and the actual value chain emissions of Signify.

Employee Net Promotional Score



2 CEO message

2023 – Delivering our strategy in a challenging market

“Our new operating model will unleash talent across the company, bringing us closer to our customers and driving faster decision-making with greater autonomy and ownership.” – Eric Rondolat, Signify CEO

As global conditions remained volatile and unpredictable throughout 2023, Signify's financial profile was significantly strengthened. We have successfully expanded our gross margin by 180 bps to 38.2% and delivered a healthy free cash flow of EUR 586 million, representing 8.7% of sales. Despite adverse market conditions, our teams have worked particularly hard to achieve this result and put Signify in a strong financial position for the year ahead.

While the consumer connected segment continued to be squeezed by the double impact of inflation and reduced disposable incomes, business and public customers demonstrated readiness to invest in energy efficiency measures that lend protection from volatile energy markets and help them stay in step with emissions reduction targets. As a result, we are gaining ground in connected professional systems and services, with connected lighting and growth platforms reaching 30% of sales and LED now making up 85% of sales.

With challenging conditions set to continue through 2024, we announced in December that we will continue our transformation to enable us to execute our strategy at speed and work more closely in line with customers' fast-changing needs. Our new operating model will be organized around four vertically integrated businesses. Three of these will focus on customers: Professional, OEM, and Consumer. The fourth will be dedicated to conventional lighting technologies. Aligned to this new verticalized, customer-centric structure, we will adjust the size of our central organization and further reduce our structural costs. Already started in Q4 2023, these changes will be implemented through 2024, with the majority achieved in Q2, and are expected to generate annualized savings in excess of EUR 200 million.

"It is our ambition to build an inclusive culture and work environment where people can express their talents and grow personally and professionally in an environment that is guided by our values."

Reinforcing our sustainable growth strategy
In the past year, the world endured unprecedented global land and sea temperatures, leaving the urgency of climate measures in no doubt. Signify continued to build on the strong foundation of our Brighter Lives, Better World sustainability program that addresses climate action, circularity, and our impact on society.

In 2023, we reported our full scope Green House Gas emissions, including the full Scope 3. We are proud to have achieved a cumulative carbon reduction of 334 million tonnes CO2e more than required by the Paris Agreement 1.5°C pathway since 2019. We received reasonable assurance for this achievement which is an unprecedented milestone for a multinational manufacturing company like Signify with tens of thousands of products in our portfolio. With accurate emissions data at the product level, we are driving transparency of the environmental impact of our products, and enabling our customers to make informed decisions on sustainable products.

Signify has powered its operations with 100% renewable electricity since 2020. This year, we secured our access to renewable electricity in Europe for the next ten years through a Virtual Power Purchase Agreement in partnership with Philips, HEINEKEN, and Nobian. We surpassed our Circular revenues target and are within one percentage point of our Brighter Lives revenue targets, which I encourage you to read about in detail later in this report.

The strength of our commitment to sustainability was recognized once again with top independent ratings including S&P's Global Corporate Sustainability Assessment, the EcoVadis Platinum Medal, placing us in the top 1% of all companies assessed, and inclusion in the Dow Jones Sustainability World Index for a seventh consecutive year.

Innovation beyond illumination
Innovation is in our DNA and is essential to keep pace with the demands of this rapidly changing world. Our intellectual property portfolio continues to expand. Signify holds more intellectual property with the European Patent Office than any other lighting company and we are in the top ten of all companies headquartered in Europe by number of patents.

In 2023, we invested 4.2% of our sales in research and development, successfully targeting key strategic technologies. We further expanded our Ultra Efficient portfolio which is 50-60% more energy efficient than first-generation LED light sources. We continued to develop our 3D printing business under the Philips MyCreation brand, opening a fifth facility in Australia and delivering the first bio-circular based 3D-printed housings. For consumers, we extended our home connected proposition, launching deeply integrated lighting and home monitoring solutions under the umbrella of our trusted Philips Hue and WiZ brands.

Our innovation team rose to the lighting industry's ultimate challenge this year, winning in both tracks of the Prototype Phase of the US Department of Energy's prestigious L-Prize competition. This accolade joins eight Red Dot Design Awards and eight iF Awards in 2023 for excellence in design.

Prioritizing customer satisfaction
The past three years have been marked by supply chain disruptions that impacted our deliveries and our customers. Managing this issue has been a top priority across our business, to the extent that in 2023, we made order and delivery customer satisfaction scores part of annual incentive KPIs for everyone in our organization. We implemented a centrally driven program including systemic running LEAN improvements and Kaizens in cross-functional teams, steadily improving our order and delivery customer satisfaction over eight consecutive quarters. In 2023, our satisfaction score doubled versus 2022. While there is more work to be done, I am confident that we will maintain a fast rate of progress and bring customers' order and delivery satisfaction fully in line with the excellence we strive to achieve in every aspect of the customer experience.

A digital future
Our digitalization roadmap charts our progress in creating future-ready processes, customer interfaces, and products. Investing in core data science competencies has

helped us drive our Artificial Intelligence (AI) capabilities at scale. AI is now being deployed to enhance our customer experience and optimize our operations. All global customer care centers are now powered by generative AI, which has significantly improved customer experience. AI has also been deployed in the design of our 3D-printed luminaires, where an end-to-end fine-tuned text to image model generates texture images.

On customer interfaces, we launched an enhanced digital platform for our professional customers that has increased our agent engagement and enabled e-commerce in the United States. Our global e-commerce platform resulted in an increase in our B2B online revenue generation.

Building an inclusive performance culture
It is our ambition to build an inclusive culture and work environment where people can express their talents and grow personally and professionally in an environment that is guided by our values. In 2023, our focus has been on building a performance culture, strengthening our Diversity, Equity, and Inclusion, and developing internal talent. Our initiatives included enhanced leadership programs to benefit new and existing leaders, now including focused training on inclusivity. This focus on learning extends throughout the organization, filling our internal talent pipeline and creating a workplace where people can thrive and develop. Our Inclusivity Index, measured as part of the team survey, is 84%, which is higher than the industry benchmark.

As we move to a new operating model that will unleash talent across the company, bringing us closer to our customers and driving faster decision-making with greater autonomy and ownership, we must also undertake significant change. I would like to take this opportunity to thank all our employees who have contributed to make Signify what it is today. I am grateful for their unwavering professionalism and commitment to take us through this new phase of our development.

I would like to extend my appreciation and gratitude to Maria Letizia Mariani, CCO and Division Leader for Conventional Lighting, and to Javier van Engelen, CFO, who will leave the company in the first half of 2024. As members of our Board of Management, their guiding influence has played an important role in ensuring our strong operational position today. I wish them every success for the future.

In the coming months, the Supervisory Board will be evaluating candidates for the role of Chief Financial Officer. As Signify moves to the new operating model announced in December, it has been agreed not to renew the role of Chief Commercial Officer.

Toward a brighter future
Everything we achieved in 2023 was made possible by the talent, foresight, and diligence of our Signify teams around the world. For this, they have my sincere admiration and gratitude. I would also like to thank our customers and shareholders, whose trust in our company and brands makes progress possible. Although we will undoubtedly face challenges in the year ahead, I go into it with pride in what we continue to achieve in difficult circumstances, and with great confidence that the organization we are building is ready with the smart lighting solutions the world needs for a brighter future.

Eric Rondolat
CEO Signify

3 Creating sustainable long-term value

3.1 Our strategy

Who we are

Signify, headquartered in Eindhoven, the Netherlands, is the world market leader with recognized expertise in the development, manufacture and sale of innovative, energy-efficient lighting products, systems and services. With more than 31,900 employees, a presence in 74 countries and sales covering a global market, our purpose is to unlock the extraordinary potential of light for brighter lives and a better world.

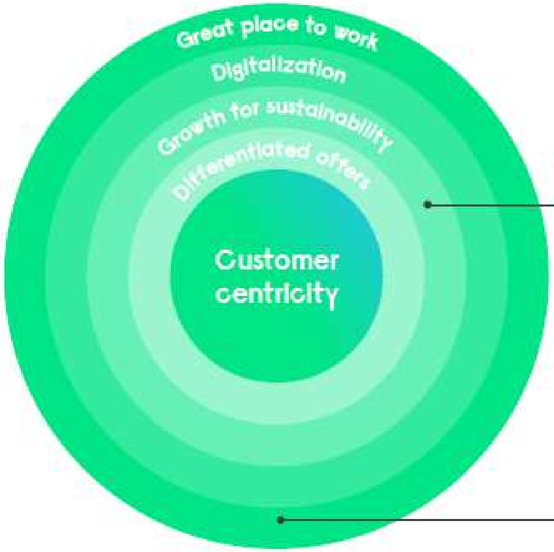
We have pioneered many key breakthroughs in lighting over the past 130 years and have been a driving force behind several leading technological innovations. Signify continues to innovate in LED lighting and is leading the industry's expansion to lighting systems in both the professional and consumer markets. Our position as industry leader in connected lighting, makes Signify the lighting company for the Internet of Things (IoT).

Strategic context

The global landscape continued to evolve this year, marked by ongoing political and economic shifts. Building on the previous year's challenges, despite an easing of resource scarcity and supply chain normalization, higher interest rates, weaker economic outlooks and increased geopolitical uncertainties had a marked impact. These factors influenced both consumer and business spending. The trend towards energy-efficient solutions continues to be of importance, fueled by the desire to mitigate rising costs and adopt sustainable practices.

Annually, Signify engages in a Strategic Review Process, alongside a comprehensive Sustainability Materiality Assessment (detailed in chapter 4, Brighter Lives, Better World). These initiatives, encompassing a broad spectrum of internal and external stakeholders, are instrumental in forecasting future trends and assimilating global and local stakeholder insights. This strategic approach is crucial in navigating the risks and opportunities that affect our sustainable long-term value creation potential.

Following our 2023 review, despite a demanding environment that necessitated expedited actions in certain domains, our commitment to the 5 Frontiers strategy and the advancement of our Brighter Lives, Better World 2025 goals remains as pertinent as ever.



Sustainability focus and UN SDGs	Doubling objectives	
Climate action	**Double** the pace we achieve the 1.5°C scenario of the Paris Agreement	Better World
Circular economy	**Double** our Circular revenues to 32%	Better World
Food availability Safety & security Health & well-being	**Double** our Brighter Lives revenues to 32%	Brighter Lives
Great place to work	**Double** our percentage of women in leadership to 34%	Brighter Lives

Color Kinetics - Fyllingsdalen tunnel, Bybanen Bergen, Norway

A colorful commute through the world's longest purpose-built pedestrian and cycle tunnel

Unique lighting design creates a vibrant - and safe- route through the depths of Løvstakken mountain.

The newly opened Fyllingsdalen tunnel, a part of the Bybanen tramline in Bergen, Norway, is 3 km long and carves through Løvstakken mountain, connecting the residential areas of Fyllingsdalen with Mindemyren and Bergen city center.

The municipality saw an opportunity to transform this space into a fast, efficient, and safe route for pedestrians and cyclists, furthering the city's ambition to reduce traffic and emissions.

Opened with a public celebration in Spring 2023, the 3 km tunnel is an experience in its own right. 2000 ArchiPoints and 80 ColorBurst luminaires from Color Kinetics paint the interior in vibrant, colorful light, which not only beautifies the space but also adds a sense of orientation as the colors shift from green to blue via warmer hues through the heart of the mountain.

500 TubeLine luminaires eliminate dark spaces, giving pedestrians and cyclists a sense of security, and illuminating the art installations lining the route with energy efficient LED.

A spectacular installation of color and light welcomes visitors to the center point, its sundial motif giving a playful nod to the underground location. Since the grand opening in April 2023, over 200,000 cyclists and pedestrians have used the tunnel. The unique light also enhances the blue running floor throughout the tunnel, which has become a popular location to exercise.

The project is a collaboration between Bybanen Utbygging, architect AFRY, Light Bureau, LOS Elektro, and Signify Norway.

"The user groups of the pedestrian and bicycle tunnel were the main focus of the project. The lighting system helps to substantiate that the tunnel is perceived as safe, clear, welcoming, and comfortable. A good collaboration between lighting designer, installation contractor, lighting supplier and client has provided good solutions, which has led to the project also receiving considerable international attention. The tunnel is widely used, both for commuting to and from work, and for fitness training for sports teams and individuals."

Svein Arvid Oppedal, Construction manager, Bybanen Utbygging

An elevated guest experience at Marina Bay Sands

Singapore's iconic hotel applies smart building technology for seamless luxury.

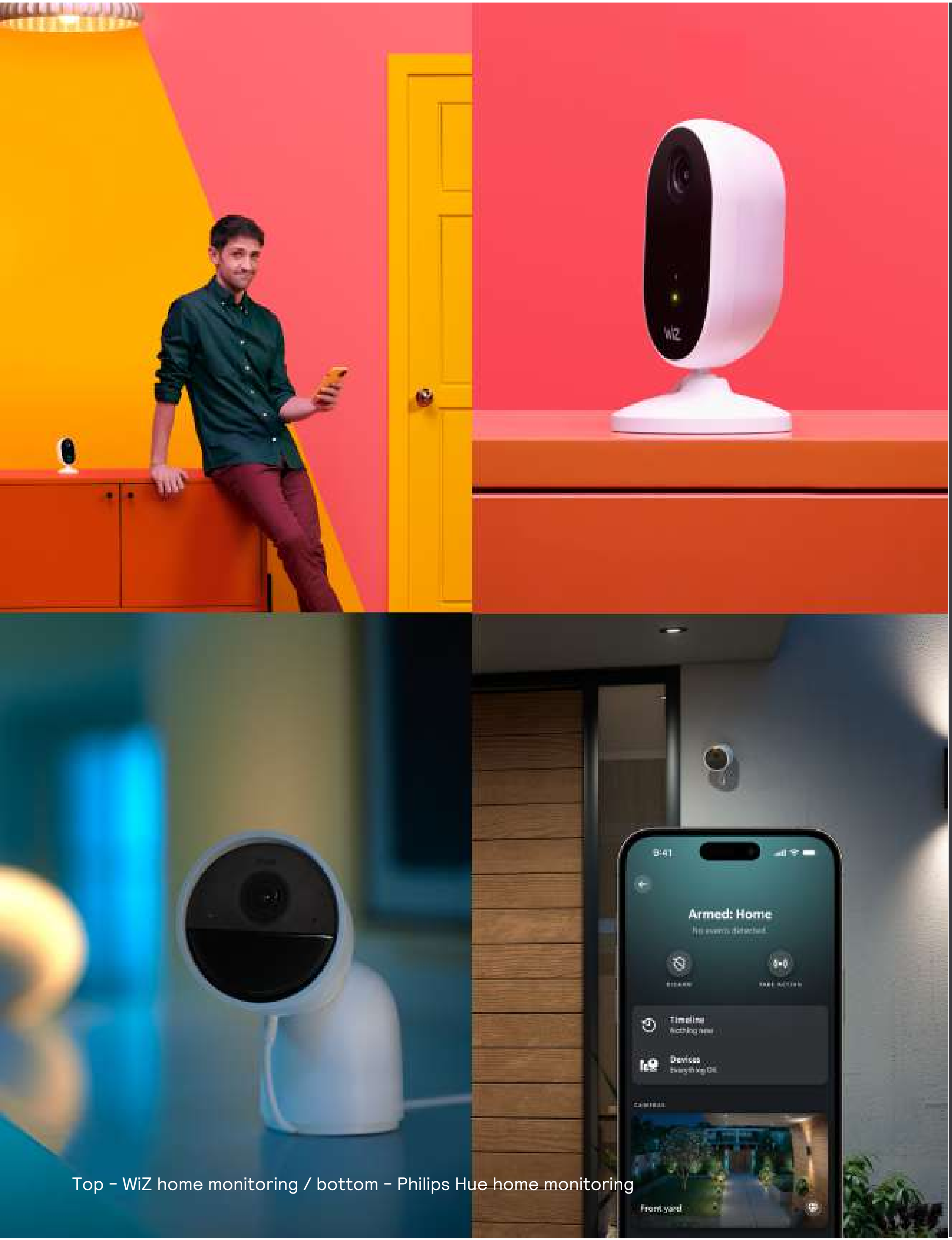
With its elegant towers and gravity-defying cantilevered sky platform, Marina Bay Sands is an instantly recognizable feature of the Singapore skyline. Guests at this ultra-luxury hotel come here to enjoy exceptional comfort, stylish facilities, and world-class hospitality.

The hotel's staff works tirelessly to maintain a seamless luxury experience, from the harmonious décor to highly personalized services that create a memorable visit for each guest.

In this atmosphere, access to business intelligence and data to work smarter is vital. As part of a US$1 billion-dollar reinvestment program, the hotel worked with Signify to install the Interact control system paired with Dynalite controllers, sensors, gateways, and user interfaces to equip hotel staff with unparalleled insights into room conditions, system health, and historical data. With these insights, staff can support guests remotely, manage resources, and quickly detect and address any issues across this large-scale resort.

More than 100,000 light points, HVAC, and drapery are controlled seamlessly using Interact. And within the hotel's 2,500 rooms and suites, guests can access an instantly intuitive user interface to adjust lighting, air conditioning, curtains and more. By automating these features, the hotel can enjoy enhanced energy management, reducing energy consumption by an estimated 30%.

Interact - Marina Bay Sands hotel, Singapore



Top - WiZ home monitoring / bottom - Philips Hue home monitoring

Smart lighting and home monitoring at your fingertips

Philips Hue and Wiz offer a complete connected lighting and monitoring system for the home.

Light and security go hand in hand. Now, Philips Hue and WiZ customers can make their connected lighting system work smarter with home monitoring products and features, accessed directly from their smartphone.

Beyond smart lighting with Philips Hue Secure
Philips Hue Secure cameras feature a clear 1080p HD video feed with night vision to help you monitor your home in real time and trigger instant motion notifications. You can help deter intruders by triggering the unique combination of Philips Hue lights and sound alarms, or you can activate two-way talk to tell a delivery person to leave the package or just say “Hi!” to a friendly face. Philips Hue cameras feature superior end-to-end encryption using keys that never leave the user's device, ensuring any video clips, snapshots, and live view remain strictly private. Specifically, the capability to recognize whether a notification is triggered by a person, a pet or a package runs on the camera itself instead of the cloud, which means end-to-end encryption is always enabled.

Contact sensors trigger an alert when a window, door, cabinet, or safe opens, and can even activate lights.

The Security Center in the Philips Hue app gives access to light alarms, camera controls, presence mimicking, real-time alerts, and more. Annual subscription plans unlock advanced features like video history and the ability to divide your space into discrete zones.

Accessible home monitoring from WiZ
With indoor and outdoor lights that mimic presence or trigger light alarms, and cameras with night vision and motion detection, WiZ keeps an eye on your entire home. With unique SpaceSense technology, every WiZ light becomes a motion sensor. SpaceSense makes use of disturbances in Wi-Fi waves to detect a person’s presence.

Cameras can be triggered with motion, sound, or the WiZ app. And by upgrading to a WiZ security subscription service, users can unlock additional camera features to detect unexpected activity, deter intruders, and keep up to date with real-time alerts. With end-to-end encryption by default, customers can be confident that content from the camera remains private.

Premium partnership for Signify and Werder Bremen

Lighting solutions extend from the stadium to the homes of fans.

Fans of German Bundesliga football club Werder Bremen can show their support in their very own homes with a customized, 3D-printed pendant lamp from Philips MyCreation. The eye-catching luminaire features a transparent sleeve in the club's distinct green color, embossed with the Werder diamond. Most of the materials used in the luminaire are from biocircular materials such as biomass and natural waste, which are processed into polycarbonate to be used in the 3D printing process. And as a circular lighting solution, the shade and its transparent sleeve can be recycled at the end of their useful life.

This unique item is an extension of a premium partnership between Signify and Werder Bremen dating back to 2022. In the first phase of its partnership with Signify, the club installed UV-C air disinfection lighting in team areas, meeting rooms, and offices to permanently neutralize viruses and pathogens using ultraviolet light, improving health and well-being at the club. This was followed by VIP area lighting, LED aisle lighting, and e-sports room lighting. 3D-printed pendant and table lamps extend the green and white theme through the VIP areas.

"In a soccer stadium, many different requirements for modern lighting come together. We are very happy to have found a partner in Signify who was able to respond to our individual wishes and even make the hearts of our fans beat faster with a branded Werder luminaire from the 3D printer."

Klaus Filbry, CEO SV Werder Bremen GmbH & Co KG aA

LED lighting / 3D printing - SV Werder Bremen, Germany

3.2 Our impact

Our commitments and 2023 results

Signify progressed on its strategic frontiers in 2023. The table below shows that we are on the right path to fulfill our purpose to unlock the extraordinary potential of light for brighter lives and a better world. More information can be found throughout this report.

Our 5 strategic frontiers	Description	Our targets	Our results
1. Build a customer-centric organization.	We are building a more customer-focused, more localized operating model and driving improved process excellence.	• Steadily increase customer Net Promoter Score (NPS).	• Customer NPS increased to 53.
2. Deliver differentiated lighting offers.	We are developing and delivering differentiated lighting products through multiple distinctive brands.	• Grow tiered offering sales including B-brands, private label and ultra energy efficient offers.	• 4.2% of sales invested in R&D and 20,000 patent rights; • Double digit growth on tiered offering sales.
3. Drive growth for sustainability.	We are addressing global challenges by focusing on growth areas for sustainability: Climate action, Circular economy, Food availability, Safety & security, Health & well-being.	By the end of 2025: • Double the pace we achieve the 1.5°C scenario of the Paris Agreement; • Double our Circular revenues to 32%; • Double our Brighter Lives revenues to 32%.	• Cumulative carbon reduction of 334 million tonnes CO_2e towards our ambitious goal of doubling the pace of the Paris Agreement's 1.5°C scenario; • 33% Circular revenues; • 31% Brighter Lives revenues.
4. Digitalize and transform for the future.	We are improving our digital front and back-ends and increasing our data analytics capabilities to better serve our customers.	• Increase our (B2B/B2C) online sales.	• Direct online sales remained stable at 12.7% of revenues.
5. Be a great place to work.	We are investing in our people, creating a diverse and inclusive workplace, deepening our digital and commercial competencies.	• Double the % of women in leadership to 34% by the end of 2025. • Increase digital and commercial excellence capabilities.	• 29% women in leadership positions. • Employee NPS: 26. • 63% active learners in digital and commercial teams.

LED conversion - Central America

Bright spaces to learn and grow

The Signify Foundation has partnered with NPH to provide energy-efficient LED lights in residential homes.

NPH (Nuestros Pequeños Hermanos) is a charitable organization that creates life-changing opportunities for disadvantaged and vulnerable children and youth living in extreme conditions. Through a comprehensive approach that embraces the whole child, NPH supports children to become independent, caring adults who give back to their communities, shaping better futures for themselves, their families, and their world.

Since 2018, the Signify Foundation has supported NPH with energy efficient lighting in the homes. Following successful installations in Mexico this year, the Foundation brought lights to homes in Honduras and the Dominican Republic.

The new LED lights replace existing conventional lighting in the homes, reducing electricity costs and lessening the organization's environmental impact.

Highly suitable for retrofit projects, Philips TrueForce Core LED lights create a welcoming and inspirational environment for children to grow, learn, and fulfil their dreams.

"The donation of light bulbs goes beyond providing mere illumination; it symbolizes hope, growth, and a brighter future for those in need. Signify's unwavering support and dedication to both the well-being of the children and the sustainability of Nuestros Pequeños Hermanos makes a lasting difference."

Marlon Velásquez, National Director, NPH Honduras

Philips RGB flood lights and direct view nodes – Bandra-Worli Sea Link bridge, Mumbai, India

Illuminating a Mumbai icon

Bandra-Worli Sea Link comes alive with colorful dynamic lighting, specially designed for harsh environments.

"We have used Signify's latest connected lighting technology for the Bandra-Worli Sea Link facade lighting project. We proudly dedicate this project to the spirit of Mumbaikars and expect it to light up the Mumbai skyline for residents and tourists alike, clearly marking Mumbai as the first city of India."

Mr. Bhushan Sable, Director J K Solutions (Installer)

Soaring 128 meters high above a 5.6 km stretch of the Arabian Sea, Bandra-Worli Sea Link is India's first cable stay bridge constructed in open seas. It connects Bandra in Mumbai's western suburbs with Worli in South Mumbai and is considered a modern day architectural and engineering marvel.

Signify brought the bridge to life at night with colorful, dynamic, programmable lights, mirrored in the water below. This is achieved with state-of-the-art Philips flood lights accentuating the pylons and 20,000 Philips RGB direct view nodes along the cable stay. The concentrated areas can be used to run media images, logos, messages, and light shows for special occasions, while the use of energy-efficient LED keeps running costs and emissions in check.

This was no simple feat. The fixtures were specially engineered for extreme conditions to withstand high wind pressure, sun rays, dust, rain, and the salty environment. All the direct view node light fixtures and accessories were specifically designed and manufactured for this project. A custom-designed track accommodates the nodes and the cables, which fits perfectly on the diameter of the cable stay to preserve the bridge's aesthetics.

Advancing digital equity in the City of Mesa

Mesa's street lighting network unlocks Wi-Fi connectivity for citizens.

Home to half a million people, the City of Mesa is the third most populous city in the state of Arizona. The city set out to upgrade its street lighting to LED to take advantage of the substantial cost-saving benefits, but quickly identified an opportunity to advance its smart city plan and unlock greater value for its citizens. This effort aimed to deliver free Wi-Fi connectivity to citizens, enabling digital equity, supporting community safety, and complementing Dark Sky efforts.

30,000 street lights were upgraded with connectivity, and divided into four distinct zones, each with their own dimming patterns based on the area's requirements. By strategically dimming the street lights, the city can also reduce energy use. All lights are designed to minimize upward reflection, helping to preserve the area's famous clear desert skies. Signify's Interact control system allowed the city to have access to diagnostic and energy data. With Interact, city managers know instantly when a light goes out, so they can efficiently deploy a maintenance team to fix it. By extending its street lighting infrastructure with connected technology, Mesa laid the foundation to unlock even more value for its city and citizens.

Mesa also saw an opportunity to advance digital equity within the city by providing reliable public Wi-Fi coverage across the 26 km sq downtown area. Signify BrightSites offered a scalable solution through which the city could install broadband communication nodes by upgrading its street lights on existing city poles, creating a wireless mesh network and enabling wireless fiber connectivity.

The sleek BrightSites aesthetic blended seamlessly into the downtown area without visible wiring. The city's wireless broadband solution also powers cameras and sensors to provide real-time smart city support.

With this infrastructure in place, so much more is possible. Mesa continues to evolve its street lighting plans to meet the changing demands of a growing smart city, including sensors to monitor traffic, air quality, and noise, and further drive quality of life improvements for its people.

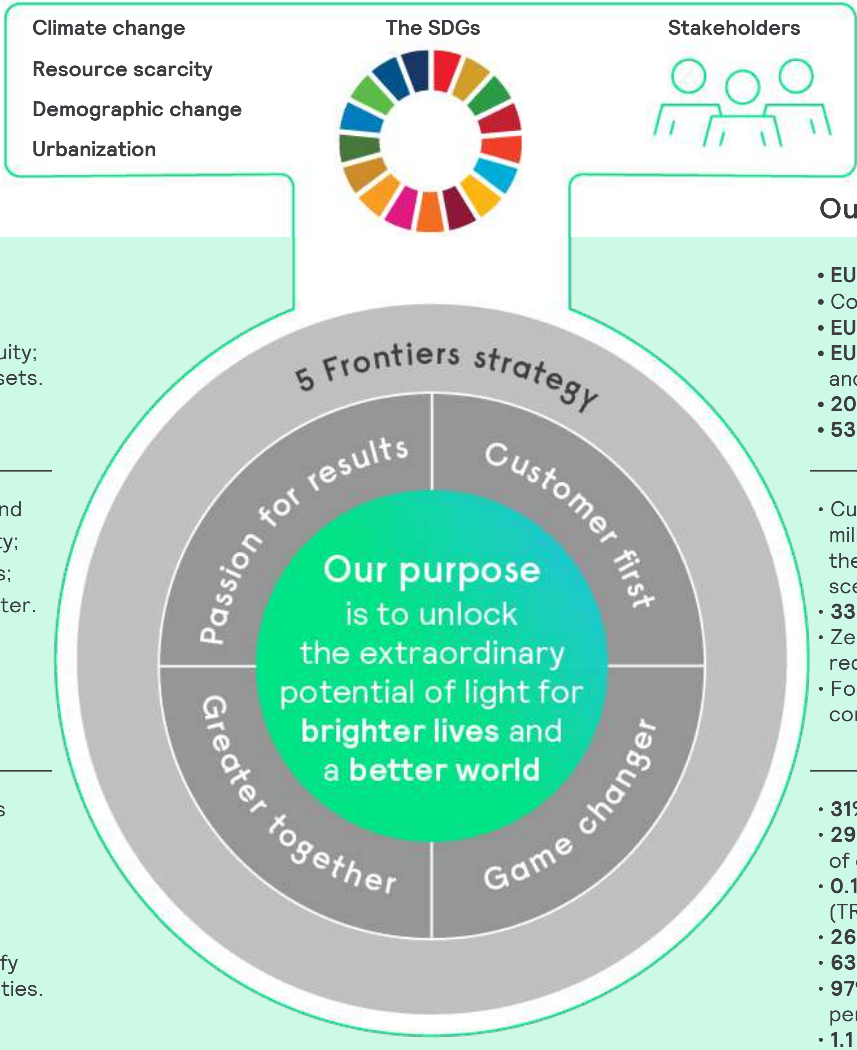
"With Signify's technology, our street lighting network has evolved into a multi-purpose smart city platform. It supports our sustainability efforts, has allowed us to expand broadband access into key neighborhoods, and gives us parking analytics and so much more."

Harry Meier, Deputy CIO for Innovation, City of Mesa

BrightSites - City of Mesa, Arizona, USA

3.3 Our sustainable value created

Through our company purpose and strategy, we aim to address global challenges and our stakeholders' expectations, while contributing to the achievement of the United Nations Sustainable Development Goals (UN SDGs). Our approach is to optimize long-term value through financial, environmental and social resources. Our activities impact our customers, employees, investors and society at large. By expressing these impacts in monetary terms, stakeholders can consider the indirect economic, social, and environmental impacts of our business more effectively. For a detailed explanation of our value creation model, indicators and trend analysis, refer to our Sustainability supplements 2023 on the reporting webpage: https://www.signify.com/global/our-company/investors/financial-reports/annual-report



Input

Financial

- **EUR 308 million** R&D investments with **88%** sustainable innovation;
- **EUR 2,947 million** total equity;
- **EUR 8,004 million** total assets.

Environmental

- **3,237** terajoules energy and **100%** renewable electricity;
- **EUR 2,816** million materials;
- **1,057** thousands of m3 water.

Social

- **31,920 FTE** in 74 countries and over 99 nationalities;
- **49%** of female new hires;
- **EUR 3.61 million** spent on training;
- **157** supplier audits;
- **EUR 1.7 million** to the Signify Foundation and CSR activities.

Output

- **EUR 6,704 million** sales;
- Comparable Sales Growth of **-8.3%;**
- **EUR 586 million** free cash flow;
- **EUR 291 million** paid in income taxes and dividends;
- **20,000** patents rights;
- **53** customer NPS.

- Cumulative carbon reduction of 334 million tonnes to double the pace of the Paris Agreement's 1.5°C scenario;
- **33%** Circular revenues;
- Zero waste to landfill, **88%** recycling rate.;
- Fossil-fuel based plastic free consumer packaging.

- **31%** Brighter lives revenues;
- **29%** Women in leadership and **16%** of employees under 30;
- **0.19** total recordable case rate (TRC);
- **26** employee NPS;
- **63%** active learners;
- **97%** supplier sustainability performance;
- **1.1** million lives lit;
- **112** entrepreneurs trained.

Impact

Brighter Lives

We created EUR 355 million in value for society through total shareholder returns, income taxes, and interest payments.

We created EUR 1,216 million in value for society through employees' salaries & wages and learning & development combined with the costs to society of injuries & illnesses at work.

Better World

Our environmental footprint caused EUR 22.9 billion in costs to society. At the same time, we created EUR 28.7 billion through CO_2-equivalent (CO_2e) avoided by shifting to LED and conserving biodiversity through our offsetting projects.

*Based on our sold LED lamps & luminaires replacing conventional lighting and resulting in reduced electricity consumption. Avoided emissions are calculated for the lifetime of the product.

Philips GreenPower - Baiyi Yinong International Flower Port, China

Beautiful roses all year round at Baiyi Yinong International Flower Port

A world-class production facility is taking China's floriculture industry to new heights.

Baiyi Yinong International Flower port in Linxia City, Gansu province, has worked with Signify to scale up rose production at its 20-hectare smart greenhouse. Signify's comprehensive Philips LED horticulture solution enables year-round, low-carbon production of high-quality roses in some of the world's best-loved varieties.

With Philips GreenPower LED toplighting and the Philips GrowWise Control System, experts at the facility can use Signify's custom light recipes to optimize light conditions for quality and yield. This way, the farm can be sure of a steady output of reliable, year-round blooms.

With a daily production capacity of 200,000 roses, Signify's powerful solution offers enough precision to scale up for periods of peak demand like Valentine's Day and International Women's Day. For the popular Naomi variety, production at the Flower Port grew from 160 -180 stems to 300 stems per square meter, of which 85% were Class-A flowers.

Year-round production comes with a supply of steady, local jobs for the region. And the success of Baiyi Yinong International Flower Port is not just good news for China's rural economy, but also for the country's dual carbon goals. This full LED solution uses at least 50% less energy than conventional HPS lighting, enhancing the sustainable development of agriculture and aligning with national efforts to mitigate greenhouse gas emissions.

"We are very pleased to partner with Signify. Through Philips' advanced LED supplementary light technology, we can clearly see the important role of technology in sustainable development and rural revitalization. We look forward to further cooperating with Signify to drive regional economic development and support China in its rural revitalization and industrial development at the local level."

Zetian Li, Deputy General Manager, Baiyi Yinong International Flower Port

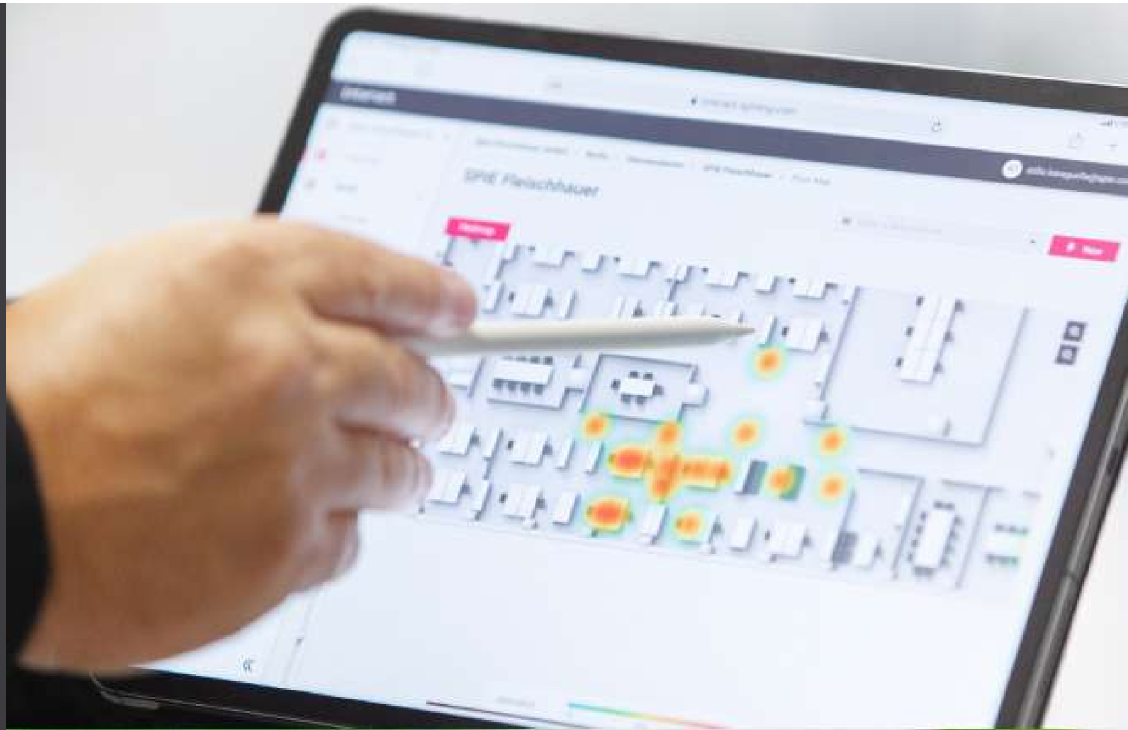
Next-level environmental monitoring and space management

Advanced sensing and analysis capabilities offer building managers a competitive edge.

Working in combination with two new state of the art sensors, Interact Space analysis is a data-driven solution that gives building owners the vital information they need to optimize working conditions for tenants and their employees. With actionable, easy-to-access data, building owners can analyze their space, environmental conditions, and occupancy more effectively to create attractive buildings for potential tenants.

Environmental sensors distributed around the office space monitor temperature, humidity, carbon dioxide levels, levels of volatile organic compounds, and atmospheric pressure. People sensors count the number of people in a room or floor to avoid overcrowding and improve productivity. Combining data from both sensors helps tenants and owners adjust working conditions to create the best conditions for employees. With a full picture of how space is used, building managers can implement energy efficient measures for reduced energy costs and a lower carbon footprint.

With this intelligence on board, property managers can create human centric workplaces and healthier building environments, plus advance goals to achieve healthy building standard certification such as the WELL Building Standard, which links design, policies, and built environment strategies to health and well-being outcomes. This standard, in turn, can attract high-quality tenants and secure longer, more valuable lease contracts.



Interact Space Analysis, Global

Metalux Benchmark LED High Bay - Boston Convention & Exhibition Center, USA

A hassle-free solution for Boston Convention & Exhibition Center

Lighting retrofit brings a leading event space to life with energy-saving LED.

Located in Boston's popular Seaport District, Boston Convention & Exhibition Center (BCEC) is one of the largest event spaces in the Northeastern United States.

The 4.6-hectare site was previously lit with 1,000-watt metal halide bulbs. The site's managers were all too familiar with the limitations of this system. Metal halide bulbs degrade over time, creating color inconsistencies across the space. The bulbs had a 15,000-hour lifespan, so needed to be frequently replaced. With ceiling heights upwards of 30 meters in parts of the center, maintenance hours and costs quickly stacked up. And even when the system was in good repair, the lighting required a 15-minute warm-up period to get up and running and produced an audible humming sound.

The building's management knew that something had to change, but they were not yet ready to replace the center's existing lighting controls. Working with partner Reflex Lighting, BCEC selected a retrofit solution featuring Metalux Benchmark LED High Bay fixtures from Cooper Lighting Solutions. 378 fixtures were installed in three phases so that exhibition halls could remain open while the work was underway.

Results were visible from the outset. Warm-up time and color inconsistency are a thing of the past, since the LEDs switch on immediately and bring events to life with quiet, clean, consistent lighting. The new lights are durable and longer lasting, with low maintenance needs, and consume far less electricity than the metal halide bulbs that were previously in place. And when the BCEC is ready to upgrade its lighting control system, the future-ready fixtures can be easily reconfigured to work with the new system.

"We host the bar exam here for the Massachusetts lawyers. They always complained that they couldn't focus on their test because of the noise. There are no longer any complaints about that. Many of our clients like certain light fixtures turned on over booths. With the old fixtures, we had to turn off the whole section, and now we have control to shut off individual lights. And that is not to mention the 56% energy savings. We couldn't be happier."

Tom Finn, Electrical Foreman, BCEC

A bright passage through the hills of North Sumatra

Solar lights address the challenge of public lighting in a dramatic landscape.

Winding through the forested, volcanic landscape of North Sumatra, the Aek Natulo road is an essential economic route for the region's villages, connecting rural communities and inland tourism sites with the breathtaking shores of Lake Toba.

Recognizing the Toba region as an important strategic area for tourism development, the Ministry of Public Works and Public Housing wanted to ensure that the Aek Natulo road would be safe and welcoming for people and motorists by day and night. They wanted a solution that would provide high-quality lighting in areas that are difficult to reach through the electrical grid, with minimal impact on the area's sensitive natural landscape.

The solution was found in Philips Smartbright All-in-one Solar Street Light. These fully autonomous lights do not require cabling, so they could be installed easily without damaging nature or scenery. And with a lighting system that operates on 100% solar energy, there are no electricity costs or carbon emissions during the product's use phase.

With 200 of the lights in place along the 11km stretch of road, people can travel with a greater sense of security, which in turn opens up economic opportunities for local businesses. Motorists can pass safely along the route for improved distribution of local plantation products.

Signify's solar public street lighting on the Aek Natolu road not only ensures traveler safety day and night but also aligns with the government's goals for carbon neutrality by 2060 and Sustainable Development Goals by 2030. This stands as a shining example of the global 'Green Switch' campaign launched in Indonesia in the same year, urging a shift towards energy-efficient LED and connected lighting, including scaling up the use of renewables through solar street lighting, as the simplest and most often overlooked paths to reduce carbon emissions.

"The Aek Natolu Road is part of the government's program to support Toba Regency as a national tourism strategic area. One of the challenges of building this road is the complex electrical installation that requires an off-grid system. Therefore, we decided to use Signify's Solar Public Street Lighting (PJUTS) solution, which is easy and fast to install. We are also excited because the LED PJUTS technology can provide maximum lighting so that it can increase safety for motorists to pass through the route without worry."

Ellys Denny Loan Aruan, Field Supervisor of PPK 2.6 North Sumatra Province, Ministry of Public Works and Public Housing

Philips SmartBright Solar Street Light - Aek Natulo Road, North Sumatra, Indonesia

3.4 Our contribution

Through our company's strategy and sustainability programs, we directly contribute to our six priority UN SDGs. This section shows how our 2023 activities supported the achievement of these UN Sustainable Development Goals (SDGs). For UN SDGs target reporting, refer to the Sustainability Supplements of this Annual Report.

Better World

SDG 7: Affordable and clean energy

We deliver energy-efficient solutions through our Climate action lighting portfolio. Our operations run entirely on renewable electricity, and we contribute to the transition to more sustainable electricity supply.

2023 contribution:

- 100% renewable electricity in our operations;
- Power Purchase Agreements (PPAs) enabled generation of 139,443 MWh renewable electricity.

SDG 12: Responsible production and consumption

We aim to preserve value and minimize waste by developing Circular lighting, sustainable packaging, and good waste management practices. We are plastic-free in our consumer packaging in most of our markets.

2023 contribution:

- 33% Circular revenues;
- Sending zero waste to landfill, and 88% recycling rate;
- Fossil-fuel based plastic free consumer packaging

SDG 13: Climate action

We drive climate action in our operations by reducing greenhouse gas (GHG) emissions over our value chain. We have set approved science-based targets (1.5°C scenario) and we will achieve the goals laid out in the Paris Agreement 1.5°C pathway for 2031 by the end of 2025.

2023 contribution:

- EUR 22.9 billion costs to society from our own environmental footprint;*
- Cumulative carbon reduction of 334 million tonnes CO_2e to double the pace of the Paris Agreement's 1.5°C scenario;
- EUR 28.7 billion value created to society through CO_2 avoided by shifting to LED, our carbon credit projects and the conservation of biodiversity.*

Brighter Lives

SDG3: Health and well-being

We contribute to improving health and well-being by creating light that increases food availability and enables people to see, feel and perform well.

2023 contribution:

- 31% Brighter Lives revenues;
- Employee NPS of 26;
- More than 45,000 Solar & LED lamps donated.

SDG 8: Decent work and economic growth

We foster decent work and economic growth by creating a fair and inclusive workplace and development opportunities for our employees and suppliers. We provide training and access to finance to lighting entrepreneurs in developing countries.

2023 contribution:

- 0.19 TRC rate and EUR 1.34 million costs to society from injuries & illnesses at work;*
- 97% supplier sustainability performance;
- EUR 355 million value to society through total shareholder returns, tax and interest payments, and EUR 1,216 million through employees' salaries & wages and learning & development.*

SDG 11: Sustainable cities and communities

We enable smart and secure roads and urban areas and enable safe and sustainable workplaces, while accelerating the renovation rate of buildings. Through the Signify Foundation, we provide access to light to off-grid communities.

2023 contribution:

- 1.1 million lives lit, adding up to 9.4 million lives lit since 2017;
- 31% Brighter Lives revenues;
- 3 humanitarian projects completed.

* For more details, refer to our Sustainability supplements 2023 for the calculation methodology downloads: https://www.signify.com/global/our-company/investors/financial-reports/annual-report.

4 Brighter Lives, Better World

4.1 Approach to sustainability reporting

Signify’s sustainability program Brighter Lives, Better World 2025 is embedded in our purpose and integral to our strategy and the way we do business. We believe we have an important role to play in helping to achieve the United Nations Sustainable Development Goals (SDGs). They served as our strategic compass in creating our Brighter Lives, Better World 2025 program and commitments. We report our contribution to six SDGs where we believe we can make the greatest impact: Good health and well-being (3), Affordable and clean energy (7), Decent work and economic growth (8), Sustainable cities and communities (11), Responsible consumption and production (12) and Climate action (13). Through our activities, we contribute to the achievement of these SDGs.

Signify creates value within the financial, environmental and social spheres, and we have made our approach towards long-term value creation transparent by preparing this Annual Report with key elements of the Value Reporting Foundation's Integrated Reporting framework and reporting in accordance with the GRI Sustainability Reporting Standards. Signify is subject to E.U. Regulation (EU) 2020/852 (so called EU Taxonomy) and disclosures can be found in section 17.5 EU Taxonomy.

Our value creation model, presented in chapter 3, Creating sustainable long-term value, shows how our business activities depend on various financial, environmental, and social resources that are converted to outputs. Our activities and their outputs lead to outcomes in terms of the impact made on our stakeholders and society at large. Since 2017, Signify communicates its impacts in monetary terms, enabling more effective and efficient decision making and giving a holistic view on our most prominent risks and opportunities. It also provides further transparency to our stakeholders on company performance. By publishing the results of our analysis and being transparent on the methodology, we strive to contribute to developing a global standard for impact analysis.

Our external auditor Ernst & Young Accountants LLP (EY) has provided reasonable assurance on our sustainability performance and sustainability statements in chapter 3, Creating sustainable long-term value, sections 3.2, Our impact and 3.3, Our sustainable value created, section 5.2, Sustainability performance and chapter 4, Brighter Lives, Better World. The section Responsible tax policy as included in subsection 4.3.5, Business ethics, the 2019 baseline assumptions and chapter 17, CSRD disclosures are excluded from the audit scope. To read the combined assurance statement, refer to chapter 18, Combined independent auditor’s report.

4.1.1 Sustainability governance

Signify's Sustainability and Environment, Health & Safety (EHS) teams are headed by Maurice Loosschilder and Johan de Fraye, respectively. Our teams consist of global, regional, and local sustainability professionals which are part of the Strategy and Sustainability department, under the responsibility of Alice Steenland, Chief Strategy & Sustainability Officer.

Sustainability progress is reviewed on a quarterly basis with the Supervisory Board, Board of Management and the Leadership Team. During these meetings, progress on our strategic programs is reviewed and corrective actions are taken when necessary. We communicate our sustainability program initiatives and achievements on a quarterly basis to Signify employees and on our website to external stakeholders.

Sustainability programs are embedded in the Signify organization and ways of working. Examples of departments that implement sustainability programs include sales, innovation, manufacturing, sourcing, and logistics. Targets on sustainability are set at corporate, division and market levels.

4.1.2 Program targets

Our sustainability commitments are grouped under our sustainability program Brighter Lives, Better World 2025. Launched in September 2020, our doubling commitments are set for a five-year period, until the end of 2025, with a baseline year from 2019. 2023 is our third reporting year. For our Brighter Lives, Better World 2025 doubling commitments, we used best estimates for 2019 as a base.

Changes in targets, policies, definitions, or scope are specified annually. To ensure our efforts are in line with the targets of the Paris Agreement, we have approved Science-Based Targets for our GHG emissions.

Program 2025 targets

	Doubling objectives	Continue and strengthen
Better World	Double the pace we achieve the 1.5°C scenario of the Paris Agreement	100% renewable electricity*
	Double our Circular revenues to 32%	Zero waste to landfill and sustainable packaging
Brighter Lives	Double our Brighter lives revenues to 32%	10 million lives lit through our Signify Foundation
	Double our % of women in leadership to 34%	Safe & healthy workplace with a TRC rate less than 0.30
		Supplier sustainability performance of 95%

*Our previously reported climate action target has been removed due to the addition of climate change mitigation reporting under EU Taxonomy regulation. The target is representative of the same KPI, using a different calculation methodology, and therefore, we found it conflicting to report on both.

Approved Science-Based Targets - 1.5°C scenario

	Baseline	Target 2030
Carbon emissions from scope 1 and scope 2	2015	70% reduction
Carbon emissions from scope 3 use of sold products	2015	30% reduction

4.1.3 Reporting standards

Signify aims to provide stakeholders with complete and transparent information on our sustainability programs, our performance and progress against our goals, and key challenges we see in this work. We recognize there is a desire for standardization across reporting frameworks, and we are continually evaluating reporting options and listening to stakeholder feedback to report in the most clear and concise manner. Chapter 3 and 4 of this report are prepared in accordance with the Global Reporting Initiative (GRI) Standards, for the period of January 1, 2023 to December 31, 2023. Additional company disclosures have been included beyond the scope of GRI. An overview of the information on data definitions, measurements and any uncertainties inherent to measurements can be found in the Sustainability Supplements to the Annual Report, available on our webpage: https://www.signify.com/global/our-company/investors/financial-reports/annual-report. References to the Corporate Sustainability Reporting Directive (CSRD) standards are included in Chapter 17.

Our supplement to this report includes the following indexes and additional information: GRI Content Index, the Taskforce on Climate-related Financial Disclosures (TCFD), our Taskforce for Nature-related Financial Disclosures (TNFD), and the EU Non-financial Reporting Directive (NFRD). In 2023, Signify re-committed to the United Nations Global Compact to advance the ten universal principles in the areas of human rights, labor, the environment, and anti-corruption efforts. This report also serves as our annual Communication on Progress (COP) towards abiding by these principles. We also respond to the CDP Climate questionnaire and make that disclosure publicly available.

New Signify ventures and acquisitions are included in environmental and social disclosures to the extent that the integration process of these ventures has been finalized. The normative integration period is two years. Divestitures completed before December 31, 2023 are excluded from environmental and social reporting.

4.1.4 Materiality assessment

Our commitment to sustainability holds significance and influence when directed towards addressing the most relevant issues. Long-term success hinges on a comprehensive understanding and consideration of our societal and environmental impacts, recognizing the potential effects of environmental, social, and governance (ESG) factors on our business. It is imperative to gauge the perspectives of our stakeholders on these ESG issues and align our focus accordingly. This section outlines the approach and outcome of our double materiality assessment that was conducted in 2023. The gathered insights play a pivotal role in defining our sustainability objectives, priorities and framework; and shape our key performance indicators, targets, reporting and strategy.

Assessment approach

In preparation for the upcoming European Union's Corporate Sustainability Reporting Directive (CSRD), our double materiality assessment was conducted using the guidance and interpretation of the CSRD guidelines ESRS 1: General requirements and ESRS 2: General disclosures (draft version November 2022), as the full CSRD legislation was not yet finalized at the time of this assessment. This assessment was conducted in partnership with an independent, external third-party sustainability consultancy with expertise and guidance on how to best align with relevant standards and best practices.

Our double materiality assessment was carried out considering the impact that Signify's activities have on the environment and stakeholders (outward -impact materiality) and the impact that the environment, people and stakeholders have on Signify's business activities (inward-financial materiality).

Identify ESG Topics

It is crucial that our materiality assessment relies on a comprehensive list of ESG topics, encompassing all areas potentially relevant to Signify. As a starting point, desk research was conducted consisting of a review of internal and external documentation. The internal analysis was performed by analyzing strategic documents, previous materiality analyses and stakeholder dialogues and linking the contents with the 10 ESG topics and various underlying sub-topics described in the European Sustainability Reporting Standards (ESRS) which form the backbone of the CSRD. The internal analysis indicated that Signify reports on the majority of ESG-topics, with a primary emphasis on climate mitigation through energy efficiency.

Next, external analysis was performed for our peers, suppliers and customers. The external analysis demonstrated that most external actors are actively reporting on and engaged in similar sustainability topics, while the importance and focus varies slightly.

Stakeholder perspectives

We engaged with the stakeholders considered most relevant to our company including customers, employees, suppliers, investors and analysts, governments, and civil society organizations. These stakeholders are most likely to be impacted by our activities and have the most influence on achieving our commitments. Internal stakeholders were selected based on subject matter knowledge and their ability to represent a broader view of external stakeholder groups.

Overview stakeholder engagement activities (non-exhaustive)

Stakeholder group	Stakeholder engagement processes	Examples of topics discussed
Customers	Business development, lean value chain projects, consumer panels, Net Promoter Scores, social media, customer surveys, key account management, sustainability exchanges with customers	Energy crisis and efficiency Satisfaction rates ESG-performance
Employees	Regular meetings, quarterly team surveys and employee development process, sustainability quarterly webcasts and engagement campaigns	Strategic alignment sessions Training & Development Diversity, equity & inclusion
Investors and analysts	Virtual roadshows, (ESG) investor conferences, investor webcasts, investor relations website, investors' perception study	Strategic alignment sessions ESG-performance
Suppliers	Supplier development, quality improvement projects, cooperation in industry working groups and strategic commodity management	ESG-performance Peer-learning Strategic alignment sessions
Governments, municipalities	Annual innovation experience, research projects, advocating activities, business development, GreenSwitch and Brighten America programs' implementation	Sustainable cities Energy crisis and efficiency Sustainable innovation
Civil society organizations	Partnerships with NGOs, cross-sector (multi-stakeholder) projects, our social investment program, the Signify Foundation	Social impact of light Sustainable operations Growth for sustainability

Capturing perspectives from multiple stakeholder groups enables us to gain broader insights into value creation and contribute to the definition of our future strategy and plans. Stakeholders were engaged namely through one- on-one interviews and an online survey. Stakeholders were asked to reflect on the outcomes of our last materiality assessment, particularly focusing on the definitions and assessment of topics; to reflect on the list of topics included in last year's assessment and discussing potential changes to be incorporated in the new long list; and to explore the negative and positive impacts of Signify's own operations and its value chains.

Using the insight from the internal analysis, external analyses, and the interviews, our shortlist of ESG topics was drafted. The interviews and the survey were conclusive, both from an impact and a financial materiality perspective, Climate action and Circular economy were viewed as the most material topics.

Assessing outward and inward impacts

As a final step, in line with the principles of double materiality, we held workshops with internal subject matter experts to determine the potential impacts that our ESG topics could have on Signify's performance and business overall, in terms of risks and opportunities which could have an impact on our ability to create value and the impact of Signify on people, environment and society.

The assessment of materiality followed the logic prescribed by the CSRD. For impact materiality, the assessment was based on 'severity;' which looks at scale, scope and remediability; and 'likelihood', stemming from the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Human Rights. For the scoring of the financial impacts two factors were applied: financial magnitude and likelihood.

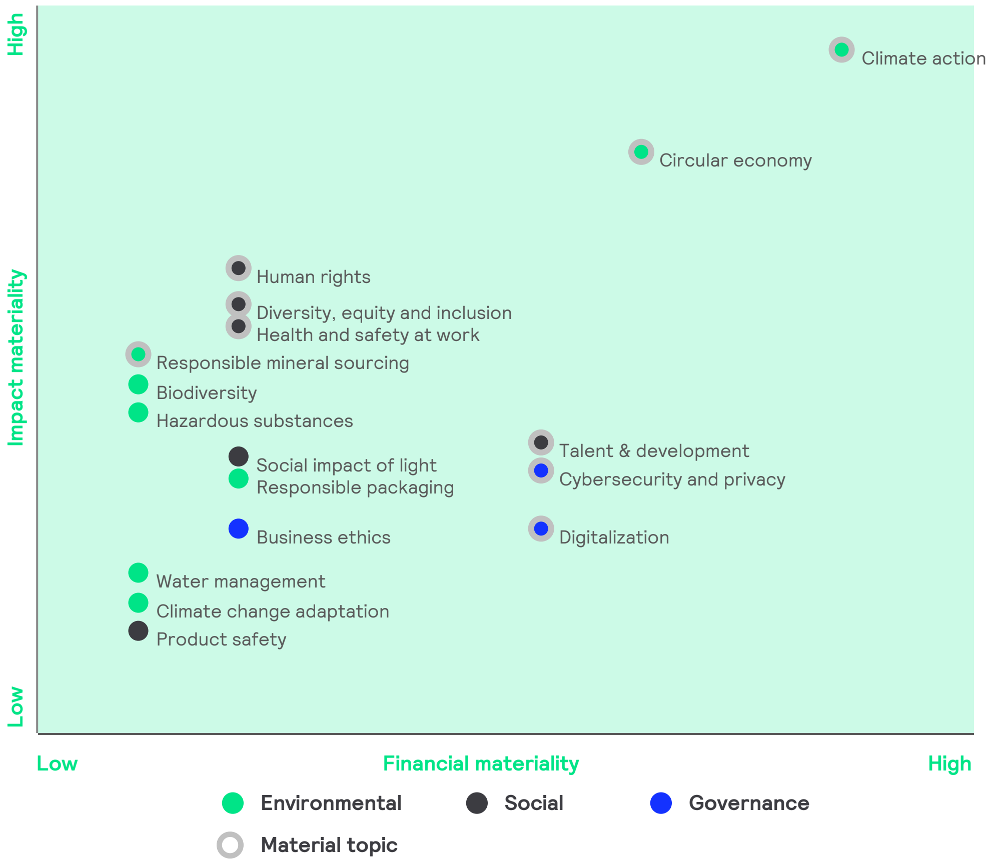
Our materiality matrix serves as a solid foundation on which our sustainability actions and non-financial reporting will be shaped going forward. We have started by identifying the applicable standards and indicators as set forward in the European Sustainability Reporting Standards (ESRS), describing the management approach of the identified material issues, updating policies and procedures and reviewing and setting targets for each of the material topics. Additionally, in the next year we will further integrate and register the associated risks and opportunities of the material issues into our Enterprise Risk Management process allowing us to manage and mitigate potential impacts, on the business.

We plan to conduct a comprehensive sustainability materiality assessment every two years, however, will continue to engage stakeholders annually on ESG topics to ensure we remain focused on the most material topics.

2023 Conclusions

The outcome of our double materiality assessment confirmed that Climate action and Circular Economy are the two most material topics. Human Rights, Diversity, equity and inclusion, Health & safety at work, Talent & development, Cybersecurity and privacy, Digitalization and Responsible mineral sourcing are also identified as material topics on the basis of CSRD, and therefore included in our strategic focus and this chapter. We will continue to report on Business ethics, as our Integrity code sets the standard for business conduct of our employees and for the company itself and underpins related material policies. The result of the materiality assessment has been reviewed and approved by the Leadership Team and the Supervisory Board.

Double materiality matrix



Signify material topics – The following table outlines our material topics, their boundaries and our contribution to the UN SDGs.

CSRD Topic	Signify Topic	Definition	SDG	Boundary	Impact, risks and opportunities
Climate Change	Climate action (climate change mitigation)	Signify's actions to combat climate change and its impacts by doubling the pace of the Paris Agreement 1.5ºC scenario. This includes offering energy-efficient and solar solutions to reduce the emissions of our customers and driving carbon reductions at our suppliers.	7.2, 7.3 13.2, 13.3	Own operations; Supply chain; Use phase	Designing energy-efficient products and transforming manufacturing to sustainable production can have a positive impact and reduce the negative ones by reducing emissions during the use and construction phases of the products. This transformation presents potential financial risks due to transition costs of manufacturing processes, market disruptions and increased supply chain costs.
Resource use and Circular economy	Circular economy	Signify's efforts to reduce waste and preserve value by aligning customers' goals, the growth of the business, and the future resources of the planet. This includes developing products that can be repaired, refurbished, reused or recycled, and sending zero waste to landfill.	12.2, 12.5, 12.7	Own operations; Supply chain; Use phase	Creating efficient installations, using leftover parts and residual flows as raw materials can have a positive impact on the environment by reducing waste and promoting circular economy principles. It can also lead to savings in raw material costs and generate more turnover from new circular business models, improving Signify's financial performance. The remaining extraction of primary raw materials can have negative impacts on the environment, and higher purchasing costs of those materials or sustainable alternatives could present a financial risk.
Own Workforce	Health and safety at work	Signify's actions to ensure a safe and healthy workplace by reducing injuries and illnesses of Signify employees and contractors.	3.4, 3.9 8.8	Own operations	Safety and health measures in the workplace present opportunities to reduce accidents and mental health problems as well as increased productivity and decreased absenteeism. It also presents risks such as unsafe work situations and neglecting mental health, as well as direct and indirect costs associated with safety incidents and compliance with regulations which would impact the business reputation.
	Talent and development	Signify's focus on employee engagement and development to enrich the lives and careers of our employees, enabling growth, engagement, and fulfillment.	8.1, 8.5, 8.6, 8.8	Own operations	The successful roll-out of learning and development programs coupled with a well-aligned talent strategy present opportunities to improve employees' skills and personal growth, drive innovation and revenue growth, enhance the global employer brand and reputation, improve employee retention, and increase productivity. It also presents risks due to the lack of implementation or poor execution which would lead to lower productivity, potential lost sales, and higher personnel and recruitment costs.
	Diversity, equity and inclusion	Signify's commitment to diversity, equity and inclusion in the workplace as an equal opportunity employer. This fosters an inclusive culture where people truly belong, have impact and take pride in the company we build and to drive long-term value creation.	8.1, 8.5, 8.6, 8.8	Own operations, supply chain	A well-aligned diversity, equity and inclusion strategy can lead to opportunities related to strategic market entry, increased revenue, enhance the employer brand and reputation. A diverse workforce can foster a sense of belonging and equal opportunity, positively affecting mental well-being. The risk of unconscious bias leading to discrimination and reduced social safety must be addressed and mitigated.

CSRD Topic	Signify Topic	Definition	SDG	Boundary	Impact, risks and opportunities
Own Workforce & Workers in the value chain	Human rights	Signify's adherence to human rights principles in its own operations as well as social responsibility in its supply chain. This includes topics like labor conditions and living wages.	8.7, 8.8	Own operations, supply chain	Enforcing the monitoring and mitigation of human rights violations will provide safe and compliant employment conditions for workers and will retain their customers and investors' trust. The risks associated with human rights violations are that it can damage a company's reputation, leading to decreased customer trust and investor confidence as well as be subject to legal fines for non-compliance and forced replacement of non-compliant suppliers.
Workers in the value chain	Responsible Mineral Sourcing	Signify focuses on responsible sourcing of rare earth minerals used in products. Through our Conflict Minerals program and partnerships, we take actions to source minerals that are not being mined and extracted in conflict zone areas.		Supply chain	Implementing responsible mineral programs can lead to increasing the enforcement of human rights standards as well as mitigating the potential environmental damages affecting nearby communities. The main risks are human rights abuses, environmental damage, health risks, and increased costs which could lead to legal repercussions and fines, and reputational damage.
Business Conduct	Digitalization	Signify's efforts to digitalize its go-to-market approach and business processes by building technology platforms that address customer needs in a connected world and support Signify's growth.	8.1, 8.2	Own operations, Use phase	Digitalizing interfaces, processes, and offers can provide opportunities for companies to maintain a competitive advantage, increase sales and brand reputation as well as lower operational costs. It often requires an investment in the necessary skills to maintain a good position in the long-term. The uptake of digital products such as connected lighting systems will drive energy efficiency and contribute to the reduction of GHG emissions.
	Cybersecurity and privacy	Signify's efforts to protect information, products, and operations from cyber-attacks and security breaches, protect customer privacy, and ensure that product development, software applications, and ecosystems comply with security standards and best practices.	8.1, 8.2	Own operations, Use phase	Continuously improving cybersecurity and privacy measures provides opportunities for companies to protect their infrastructure and customers from cyber attacks, ensuring business continuity and safeguarding intellectual property. Additionally, privacy measures can help to maintain customer trust and protect privacy data, leading to increased sales and positive brands reputation, contributing to long-term financial stability.

The following sustainability statements include additional sections on the topics of 'Social impact of light' and 'Business ethics'. These topics are not material, however, remain strategic for Signify and are therefore reported on.

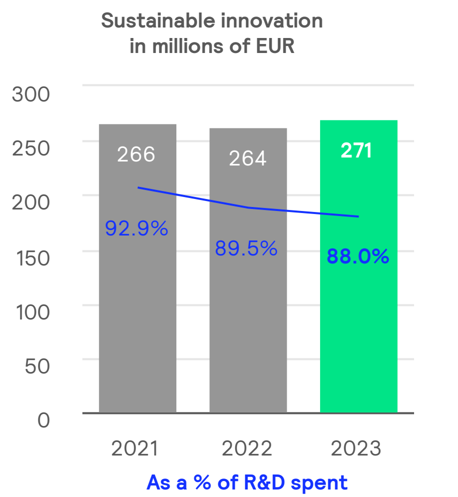
4.2 Sustainable innovation

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) compared to the relevant and/or regularly updated benchmark.

Our 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 fossil-fuel based 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 has a positive effect on reducing crimes like burglary and theft in cities and houses, increases safety in traffic and 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.

Our sustainable innovations continue to transform the lighting industry. In 2023, we invested EUR 271 million in sustainable innovation which represents 88% of Signify R&D expenses (89.5% in 2022). We believe that sustainable innovation will help create an increasingly future-proof and purposeful portfolio of products, systems and services.



4.3 Brighter Lives

As part of our company strategy and our Brighter Lives, Better World 2025 sustainability program, we aim to double our positive impact on society, creating brighter lives by the end of 2025. We will do this by doubling our Brighter lives revenues, which benefit society by increasing Food availability, Safety & security and Health & well-being. Additionally, we 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 access to light.

Kiran Brar,
Chief HR Officer, Signify

"In response to uncertainties in the macroeconomic environment affecting the talent marketplace and our employees, we prioritized key areas to continue a Great Place To Work. Our 2023 people strategic initiatives centered around leveraging diversity, equity and inclusion (DE&I) as our competitive edge, strengthening our performance culture, and developing our internal talent.

We reinforced our commitment to drive equitable and inclusive practices in the organization and increased representation on both on gender and generational diversity. In 2023, we particularly focused on hiring 400+ campus hires which is also inline with our talent strategy to hire at the entry level of our organization and promote from within. We filled more than 50% of our vacancies in all the levels of our organization with internal talent. We continued to focus on key developmental interventions like our upskilling program, Basics & Beyond, for Commercial Leaders, and P EDGE for our plant managers. The inclusive leadership model has been integrated into the iEDGE leadership program, targeting our new people leaders. In 2023, we introduced an Inclusion Index, incorporating it into our team survey to gauge the level of inclusivity experienced by our employees and ensure every voice is heard.

We further built on Unlock Performance practices through constructive check-ins, feedforward, continuous learning, and a culture of appreciation. Our Employee Share Purchase Plan expanded covering more than 70% of our employees fostering ownership. Our transformation continues with changes in our operating model. In order to leverage the full power of our new operating model, we are sharpening our definition of our values and behaviors which will be required for us to perform and win.

I am proud of the resilience and adaptability of our employees in the face of complexities and challenges. I have a lot of confidence that we will continue to be Greater Together in the face of continuing business challenges in 2024."

4.3.1 Talent and development

Employment

The total size of the Signify workforce at the end of 2023 was 31,920 FTEs, compared to 34,619 at year-end 2022. The data provided in subsections 4.3.1 and 4.3.2 excludes contingent workers and employees that have not been fully integrated in our human resources system which represents 28% of our FTEs.

Employees in FTEs

	2021	2022	2023
Signify total	36,824	34,619	31,920

Approximately 57% of our employees were employed by one of our three divisions, focusing on manufacturing, offer development and research and development. 28% were employed in one of our commercial organizations, focusing on sales and marketing. The remaining 15% worked in corporate functions. During 2023, the overall number of employees (in FTEs) decreased with a majority of the reduction in the direct workforce. This is in line with the ongoing external workforce changes and digital transformation, and we expect the nature of the current workforce will continue to evolve.

In 2023, Signify's adjusted employee turnover was 17% (2022: 17%). On a reported basis, the total turnover was 37% (2022: 48%) including the specifics of the Mexican labor law, which prohibits contingent labor and therefore causes a significant impact on a consolidated basis. Signify applies high standards in its factories around the world to ensure its competitiveness in highly dynamic labor markets, while continuously improving employee satisfaction and reducing turnover.

Employee turnover breakdown in 2023 in %

	Staff (majority in factory)	Professional	Mid-Level Professional	Senior-Level Professional	Leadership	Grand Total
Total adjusted [1]	**5%**	**9%**	**2%**	**1%**	**-%**	**17%**
Total	27%	8%	1%	1%	-%	37%
of which voluntary	16%	4%	1%	-%	-%	21%
of which involuntary	11%	5%	1%	-%	-%	16%

[1] Excluding manufacturing population from Mexico

Talent management

With close to 32,000 employees worldwide, our people are central to the effective execution of our strategy, and we will continue with the implementation of our new operating model. We believe that we will maintain our position as the leader in lighting by being a talent-builder, developing and growing people from within. We want our employees to have a challenging and rewarding work experience; one where they can grow and make an impact, and where they gain new experiences and develop themselves.

Our approach to talent is to continuously build and develop employees' functional and leadership skills, whilst attracting new, diverse talent where critical capabilities are needed to strengthen our talent pool. Retaining our talent remained a key priority in the course of 2023 and we have been focusing on fostering internal mobility by supporting the match of our talents with internal opportunities.

In 2023, next to our acquisitions, we welcomed 6,878 external talents to help bring our business vision to life, most of whom were employed in manufacturing functions. In line with our people philosophy to promote talent from within the organization, close to 60% of our senior management and leadership roles were filled internally.

A robust global employer brand

In 2023, we continued to build on our Employer Value Proposition (EVP): while our pillars remained the same, as an innovative, sustainable industry leader with an essential focus on continuous learning as well as on DE&I, we laid the groundwork for strengthening our EVP to stay relevant in the talent marketplace.

In 2023, we received recognition for being an employer of choice in various countries, for example: Certification as Top Employer in China, (Top Employer® Institute), Great Place to work (The Great Place to Work® Institute) in Turkey, India and Panama. In the US, the Campus Program won the Handshake's Early Talent award and was recognized as a best place to work for Gen Z, and Sabrina Madsen received the Emerging Talent, Rising Star award from RippleMatch Campus Recruiting Choice Awards. Globally, Kiran Brar was included in Mogul's list of Top 100 People Leaders and CHRO's.

We directed our recruitment marketing campaigns at the most critical segments, to drive our transformation and growth and build talent pipelines. In 2023, we focused on reaching diverse candidates in technology, marketing, finance and sales with relevant messaging, customized per region reflecting our EVP. We activated an early careers campaign on social media to attract new graduates and early careers talents.

As part of our global talent acquisition strategy, we continue to attract talent from proven high-quality sources:

- Internal - Over the last few years we have filled approximately 50% of our vacancies internally.
- Employee referral - 14% of total external hires came from employee referrals.
- Signify careers website - Via our content strategy on social media "Humanizing our employer brand", we saw high engagement rates on social media driven by our employees sharing content and our stories on why Signify is a great place to work, in alignment with our values and EVP.

Culture

Our company culture is comprised of four foundational elements: purpose, values, sustainability and Diversity, Equity & Inclusion. Our company purpose and values provide employees with direction about why we exist, what we value, and how we work.

We believe that our achievements are collective, and by working closely together, our impact is greater. Our workplace principles were designed to foster inspiration, cooperation, and a sense of belonging: three essential ingredients to achieve our purpose. The workplace principles reinforce our commitment to further build an inclusive work environment that offers employees flexibility to work from home when needed and set reasonable boundaries for conducting the company's business.

Throughout 2023, we have been enhancing our performance culture to improve execution and ownership for a more competitive business. This performance culture is reinforced by our performance practices, where both employees and people managers take an active role, together, to drive individual and company performance. It starts with a steadfast commitment to regular, open, forward-thinking performance conversations between employees and managers.

During these conversations, employees can share their progress against goals and their learning and development priorities. Managers demonstrate support through active listening and coaching to enable employees to break through performance obstacles and grow. We promote the practice of feedforward, which is future focused and aims to identify potential opportunities for growth. In our latest Team survey, quarter 4, 2023, 83% of our employees responded positively to having had constructive conversations with their manager within the last three months about their performance and development goals. In addition, 80% of our employees responded positively to being empowered and supported in their professional and career development.

As we look to 2024 and beyond, we will continue to reinforce these practices and enhance our processes, as we move to a new operating model. Through coaching our employees, strengthening feedforward and building capability in our managers, we plan to embed the change and further unlock performance at Signify. To emphasize the focus on our customers and speed in decision-making, we will be refreshing the behaviors that underpin our values, and root these in the way we work.

Employee engagement & well-being

Employee engagement and well-being are key to our competitive performance and integral to our people vision: creating a workplace where people belong, have impact and take pride in the company we build together. Engaged employees are committed to our company. They help us to meet our business goals and sustainability commitments, whilst contributing to a dynamic, high-performance workplace.

In 2023, we continued our grassroots initiatives across the globe to create awareness about employee engagement & well-being:

- Coffee Corners and global webcasts, to reinforce the connection between our people and our leaders.
- Well-being Webinar Program (online webinars) and activity clubs.
- Health checks in Greater China, for employees to get personal feedback on their health and specific suggestions on follow up.
- Employee Assistance Program in India, with monthly webinars offering free teleconsultation support to all employees and their family for any kind of wellness query and support.
- Broaden time-off policies in the US to focus on well-being, making specific mention of mental and emotional health and evaluated medical leave of absence procedures to ensure they are inclusive and cover mental health issues appropriately.

Sustainability is central to our company strategy, we have engaged our employees on the topic of sustainability since 2019. We do this with quarterly employee engagement themes and challenges that help employees reflect on and connect personal values with the business practices of Signify.

Our Signify Team survey poses questions in line with our company purpose and values, and it has proven to be a positive driver of employee engagement to increase team effectiveness. As a result, we have continued to run the Team survey every quarter to monitor employee engagement and take corrective actions when needed. In 2023, we have updated the questions to stay on top of the trends around employee engagement. Furthermore, insights into the inclusivity in teams and the impact of our managers are provided. In 2023, 90% of our employees said that we truly put our Customer First (2022: 92%); 88% of our employees acknowledged that we are Greater Together (2022: 89%); 88% of our employees felt that we are a Game Changer (2022: 86%) and 87% of our employees agreed that we have Passion for Results (2022: 89%). We noted that we need to continue improving in the areas of processes and systems. Initiatives to address our improvement points are driven at a team level via our Team dialogues, and we continue to track progress on these questions during our Quarterly Performance Reviews.

To measure employee satisfaction, the Net Promoter Score (NPS) methodology is used as part of our Team survey. Employees are asked to rank how likely it is that they would recommend our company as a great place to work. In 2023, the Team survey had an average employee response rate of 83% (2022: 83%). At the end of 2023, we recorded an average annual NPS score of 26 across the Signify population (2022: 36).

Learning & development

Learning continues to be a competitive advantage at Signify and plays an important role in attracting and retaining talent. In 2023, people connected virtually on our knowledge exchange platforms to consume or to share their knowledge with colleagues. We updated our methodology to calculate the rate of active learners only focused on voluntary training (in 2022 mandatory courses were included). On average in 2023, the learning experience platform Learning@Signify reached an active learner rate of 63%. The average number of hours spent on training and development per FTE was 20.5 hours during 2023 (2022: 24). Multiple Subject Matter Experts created learning pathways around critical areas to share their knowledge with others bringing our vision “everyone is a student; everyone is a teacher” to life.

Signify employees are 'the driver of their own career’. This year we deployed the Learning Week in July and October and the #OwnYourdevelopment newsletter to strengthen the learning agility of our employees. In July’s edition, we focused on self-reflection. Masterclasses on career development, harnessing your strengths, and empowerment were offered to our employees. In October, the focus has been on Future in-demand skills such as Workplace curiosity, Agile and Problem-solving. This initiative has been a success with over 12.500 attendees.

Upskill for greater customer impact

This year our focus remained on strengthening our commercial skills and we launched the "Basics & Beyond" program for commercial leaders. The program focused on 3 skills: P&L management, Strategic thinking, and People management. In total 129 leaders got involved in the seven month training program.

For a third year in a row, we delivered our "Impact program" for Key account managers. It introduces a consultative and innovative approach to selling, with a greater emphasis on relationship building and trust.

Upskill for digitalization

We continued to invest in digital reskilling and skill assessments for skills like Robotic process automation (RPA), Data and analytics (AI / Machine learning / Data analytics), Cloud computing, Information and cyber security, Programming languages, and IT architectures.

Leadership development

We continued to ensure that our leadership development experiences are aligned with our manager framework of lead, develop, and inspire and with our talent philosophy. We have piloted interventions to increase the effectiveness of first-time people managers in 2023, by covering the essentials of people management; emotional intelligence and situational leadership. In 2024, this will be continued as a new, global program for all people managers.

In 2023, the program included 105 participants. We have also launched a specific program for 31 leaders in manufacturing. This ensured that our people leaders continued to get support in their roles for Signify to build a pipeline of future-ready leaders who can further drive excellence and sustainable growth. In 2024, we will continue to improve the leadership offerings ensuring our leaders are equipped to lead, develop, and inspire our people.

4.3.2 Diversity, equity & inclusion

At Signify, we believe that a diverse workforce and an inclusive work environment are essential to a thriving innovative business and long-term value creation. We are an equal opportunity employer committed to Diversity, equity & inclusion (DE&I) in the workplace. This means we celebrate and foster an environment in which all ideas, perspectives, experiences and styles are highly valued and where all individuals are treated fairly with equal access to opportunities and resources.

Diverse representation in our workforce is critical for our long-term success as a company. It enables us to understand, connect and communicate with our customers, end-users and stakeholders while helping us to attract and retain people who want to be part of our purpose to unlock the extraordinary potential of light for brighter lives and a better world. Our DE&I roadmap reinforces our Greater Together value, enabling us to make better decisions, boost innovation, create growth, and strengthen our culture.

In 2021, we signed the United Nations (UN) Women Empowerment Principles, which underpins our commitment to double the percentage of women in leadership to 34% by the end of 2025, and is another step towards ensuring equal opportunities, fairness, and impartiality for all.

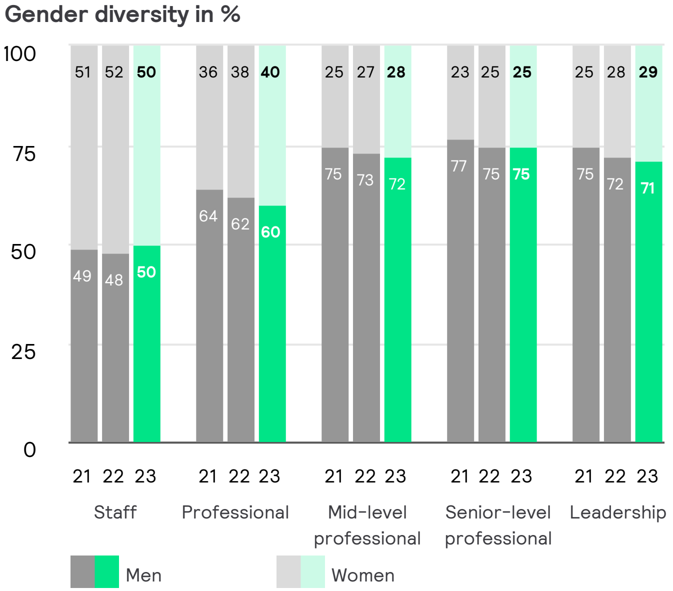
In March, honoring International Woman’s Day, colleagues from across the world organized events celebrating the achievements and acknowledging the challenges within the topic #Embrace Equity.

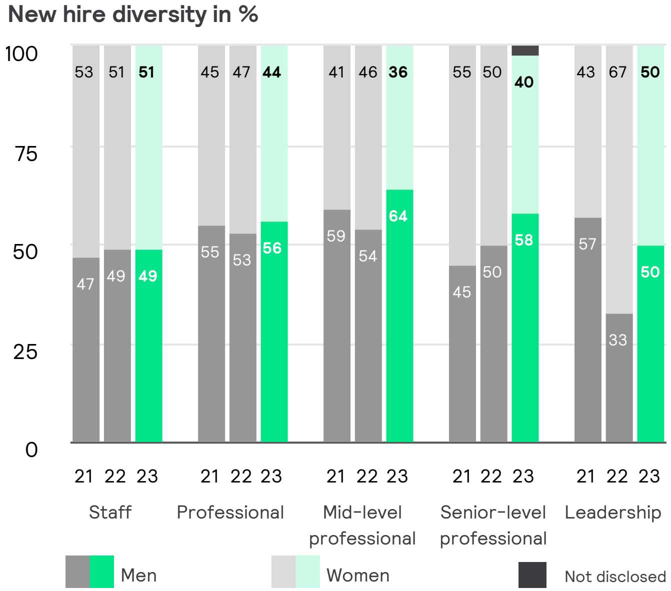
DE&I governance practices

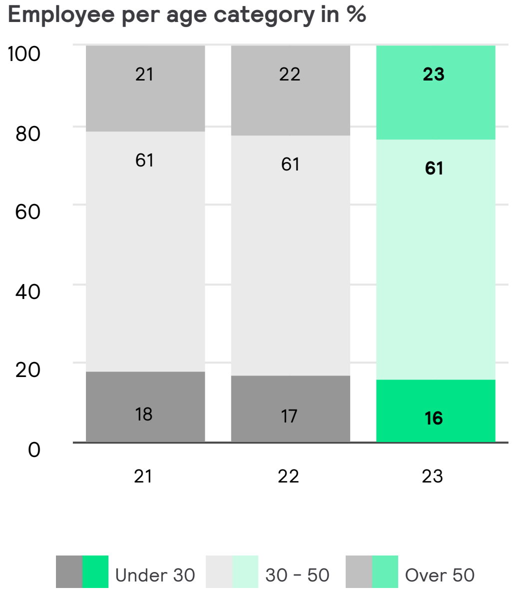
Our commitment to creating and sustaining an inclusive workplace culture is evidenced in our Diversity Committee, DE&I Champions network, and our eight Connection Point Groups. Empowered, employee-led and self-governing, these employee groups continue to champion our commitment to ensuring a sense of belonging and well-being.

Founded in 2019, our DE&I Board continues to drive our strategic initiatives and the ongoing development and refinement of our multi-year DE&I roadmap. We continued to emphasize our existing “2+1” approach i.e., global focus on two specific diversity dimensions of gender (increasing representation of women) and generation (increasing early career talents) with space for markets, divisions, and functions to locally implement additional important and relevant initiatives.

We published our inaugural DE&I report in 2022. This report is a snapshot of our progress, highlighting the areas where we







still need to act and telling the story of our continued journey towards a more inclusive and equitable workplace. In this report, we announced we achieved gender pay equity within Signify. Our most recent DE&I report is available on our website: https://www.signify.com/global/our-company/about-us/diversity-inclusion.

In 2023, we continued to drive positive actions to increase diversity recruitment and internal mobility at all levels (inclusive job posting, diverse shortlist, diverse hiring panel). We set up plans to address gaps and accelerate our progress, so that our talent pipeline reflects all aspects of diversity in the markets in which we operate. To strengthen these efforts, we established a “licenses to hire” training for all people managers to enhance their skills and knowledge during recruitment around DE&I (e.g., fairness of process, fair decision-making, candidate experience, equity).

In partnership with Harvard Business Publishing, we continue to focus on ensuring DE&I is a cornerstone of our culture through a learning and education series available to all Signify employees.

We focus on topics such as unconscious bias, microaggressions, generational diversity, psychological safety and inclusive leadership. We have embedded the inclusive Leadership Model into the iEDGE leadership program, which targets our new people leaders. We remain committed to a culture imbued with equitable access for everyone and make the course material available to all employees on Learning@Signify.

In 2023, 40% of Signify employees were women (2022: 41%) and 29% of leadership roles (positions graded H22+ on the Hay grading scale) across the company were held by women (2022: 28%). We are slightly off track to reach our 2025 target of 34% women in leadership positions. We will continue to focus on external hiring for senior positions by actively pipelining and ensuring equal slates before hiring for positions. Additionally, we will focus on increasing the succession health through career development opportunities. This will be enabled through transition toolkits and mentoring for women moving into new roles to enable them to succeed.

In 2023, 49% of our new hires were women (2022: 50%). From a generational perspective, 16% of employees were 30 years old or under (2022: 17%). We have the ambition to attract and retain more early-career talents to build a sustainable talent pipeline.

As a company, we are naturally diverse, operating in 74 countries with more than 99 nationalities represented in our workforce. Globally, we recognize that we need a more diverse workforce, especially in management and executive positions. Therefore, over the last two years, we have intensified our efforts on increasing the representation of women and early-career talents in our company. We are committed to improving diversity at all levels, attracting candidates from more diverse pipelines, and driving development and internal mobility to increase representation across our company.

As part of our strategy to attract early career talent, we expanded our campus hiring and our internship program. We partner with many colleges and universities and have amplified our employer brand on a variety of social media channels.

In 2023, we were awarded #1 for Handshake's Top Intern Program, positioning Signify as the #1 employer for early career talent among 750,000 employers across 16 industries. This award recognizes Signify as an Employer of Choice among GenZ job seekers.

Globally, we recognize the need for a more diverse representation in the areas of gender and age, and we continually monitor related data to support our aim of reaching greater diversity representation in our organization. We plan to further improve our generational diversity in the future by increasing the inflow of early career talents and campus hires.

Equal remuneration

Signify's commitment to equity and inclusion includes a policy for equal pay for equal, or substantially similar, work. Signify establishes formal pay policies and practices that govern hiring, benefit entitlements, annual merit, and promotional guidelines to ensure equity.

Furthermore, Signify performs regular reviews designed to ensure compliance with our policy of equal pay for equal work and meet local legal requirements in countries in which we operate. Our annual review process includes a comprehensive statistical analysis of pay to employees across the world. Any statistically significant variance within any employee group is promptly addressed. More details can be found in our Diversity, Equity & Inclusion Report.

Supplier Diversity

To ensure an inclusive business model, Signify collaborates with key strategic suppliers to drive better DE&I performance across its value chain. In 2023, we engaged with key suppliers to exchange best practices via a dedicated online program and we included the topic of DE&I in our Tritium program (see more in subsection 4.3.3) to reward suppliers already adopting practices promoting DE&I.

4.3.3 Human rights

Our approach

Respecting human rights is a central foundation of the way we work. Our commitment to respecting and promoting human rights extends beyond our own operations, across our wider sphere of influence, including our supply chain. To that end, we integrate human rights considerations into our policies, processes, and practices. Our Human Rights policy is based on the International Bill of Human Rights, the United Nations Global Compact Ten Principles, and the International Labor Organization's declaration on Fundamental Principles and Rights at work. Signify carries out continuous research and stakeholder engagement activities to identify the most salient ethical and social principles that govern our relationship with stakeholders worldwide.

In 2023, we strengthened our process for identification of new salient human right issues, by introducing a quarterly review of the cases raised through our Ethics line with our compliance team. This allowed us to understand if there were any issues that were not properly covered by our policy and how to drive corrective actions. As result of this review, we have decided to create a specific Anti-Discrimination and Anti-Harassment policy in 2024.

In addition, we held a meeting with our CEO, to gain his perspective on possible risks in our operations, but also to ensure alignment at the highest level of the organization on how to drive Human Rights, in line with EU Taxonomy Minimum Social Safeguards (MSS).

In 2023, we also held our annual Human Rights Committee meeting, formed by senior leaders of the company, where the objective is to sign-off on the selection of the salient human rights issues and agree on the corrective actions in case of any finding through our different assessment processes. The table on the following page shows, in random order, the salient issues identified and the stakeholders they affect, as well as references to the subsections of this report that contain the progress Signify made in addressing these issues.

Human rights risk assessment

Compliance with the Human Rights policy is governed through our Integrity code processes, combined with dedicated steps that help ensure adherence. In 2023, employees were requested to complete e-learnings that helped interpret our Integrity Code. Dedicated communication campaigns urged everyone to speak up and report concerns of possible violations. In those campaigns, the availability of our Ethics hotline was also highlighted. This initiative is an integrated and ongoing activity we have embedded in our business and business principles, which we redeploy on a regular basis and share with our new employees as part of their on-boarding program.

Based on a country risk assessment, multiple manufacturing locations were considered to have an increased likelihood of policy violations. We currently have 19 sites located in "highest or high risk" countries. Since 2017, these locations are requested to periodically fill in a dedicated self-assessment on human rights. In 2023, we made a profound revision of our assessment, to ensure that it reflected the latest developments on human rights. As result, we added 20 new questions and revised the wording of 15, to ensure we covered as many human rights risks as possible.

Additionally, in 2023, we ran an internal audit regarding "Adherence to our Human Rights policy." The onsite audit was conducted in three locations; India, Mexico and China. The audit focused on 2 aspects: 1) Do sampled organizations adhere to the Human Rights Policy? What is the control effectiveness?; and 2) Checking the quality of the self-assessment questionnaires and corresponding improvement actions.

As result of the audit there were two improvement areas identified: a) In two sites, non-adherence to the requirement that employees are not allowed to work more than 6 days in a row; b) Improvement of the process governing the Human Rights Policy, by, for example, clarifying the roles and responsibilities concerning the policy's control activities towards the sites and clarifying some questions of the self assessment questionnaire.

As result, seven improvement actions were identified and agreed, out of which, six have been completed and one is still due execution in 2024.

Salient human rights issues

Salient human rights issues	Rights holders covered in our programs			Reference to our disclosures
	(3rd party) employees	Direct suppliers	Indirect suppliers	
1 Freedom of association and collective bargaining	•	•		4.3.5: Business ethics 4.3.3: Human Rights
2 Safe & healthy workplace	•	•		4.3.4: Safety at work 4.3.3: Human rights
3 Working hours	•	•		4.3.5: Business ethics 4.3.3: Human Rights
4 Equal employment opportunities and respect	•	•		4.3.2: Diversity, equity & inclusion 4.3.3: Human rights 4.3.5: Business ethics
5 Recognition and reward	•	•		4.3.2: Diversity, equity & inclusion 4.3.3: Human rights 4.3.5: Business ethics
6 Modern Slavery & Human Trafficking	•	•	•	4.3.3: Human rights
7 Forced and child labor		•	•	4.3.3: Human rights
8 Employee development	•			4.3.1: Talent & Development 4.3.5: Business ethics

Living wage

Recognition and rewards have been identified as an important engagement driver for our employees and direct suppliers. By ensuring good working conditions, Signify not only aims to provide a fair, safe, and respectful work environment, but also an inspiring place to work and grow. Fair remuneration is considered a precondition for our employees to flourish. Signify provides total compensation that is in line with the industry practices in the markets in which we operate.

In addition, we are committed to providing our employees with a living wage, ensuring that their everyday needs are met. The guiding principles of our pay policy include providing competitive compensation relative to all labor markets, ensuring equity, and providing a living wage to our employees. As such, to ensure compliance against our guiding principles, Signify launched its Living Wages program in 2017.

Regularly, Signify performs an analysis of salaries and benefits for employees globally with respect to a living wage, covering the necessary living costs. We focus on employees who have a higher risk of not receiving a living wage by analyzing 35 regions in 6 different countries (representing 70% of the overall Signify population). We compare our wages to the Wage Indicator Foundation database.

The 2023 results show that company standards exceed the living wage standards in all regions examined, except four, which together represent 1.16% of the population analyzed in the six principal countries. We are developing remediation actions to close the gaps identified in these four regions. Two new regions were identified with living wages issues, which represent 20% and 18% of the total employees analyzed in those regions.

One region identified during the 2022 analysis had 47% of the population not meeting the living wage standard, while in 2023 the same region had 9% of the population not meeting the living wage standard due to a 20% increase in the national minimum wage. Four other regions identified during the 2022 analysis no longer have employees below the living wage, due to increases in wages.

During the 2022 analysis, it was identified that another region had a population below the living wage standard, with 23% of the population not meeting this standard. In this region, it is common practice for employees' wages to be adjusted once they successfully complete their probationary period. Therefore, this is only a temporary issue for new employees, which is resolved as they progress beyond their probationary period.

Responsible supply chain

We have a direct business relationship with more than 3,000 product and component suppliers. Responsible procurement practices and management of our supply chain require a structured and innovative approach due to the wide variety of stakeholders. Signify has developed programs over the years to prevent human rights violations in its supply chain. These programs cover the assessment and development of supplier sustainability performance (audits and training) and responsible minerals sourcing.

As part of our Brighter Lives, Better World 2025 sustainability program, we commit to execute an on-site audit program that covers our high-risk, high-spend suppliers.

We track our supplier's maturity rate through on-site assessments against the RBA Code of

Conduct. In 2023, 88% of our suppliers (with a spend over 1 million Euros) are either from low-risk countries or of high maturity (score at least 70 initial points out of 100 points during the audit).

Our Tritium program helps us develop a strong supply base with best-in-class suppliers and is based on selection and rewards criteria against our strategic priorities. The Tritium rating strongly drives continuous improvement of our supplier sustainability performance. Sustainability maturity and initiatives on Human rights, Working conditions, Climate action and DE&I are rewarded in the Tritium system with reward points. Non-compliance is penalized and needs to be corrected or will result in consequences for the business relation.

Our targets are periodically reviewed by senior management. In case of deviations from our targets, we set up corrective measures. Through these efforts, we foster decent work and economic growth by improving the safety and well-being of suppliers and directly contribute to SDG 8: Decent work and economic growth.

Supplier sustainability performance

The core of our supplier sustainability performance program is the Supplier Sustainability Declaration (SSD). This declaration forms an integral part of our supplier contracts and can be found on our website. We expect all Signify's suppliers providing products, components, parts, subassemblies, materials, packaging, services, or solutions to or on behalf of Signify to comply with our Supplier Sustainability Declaration.

The SSD is derived from the Responsible Business Alliance (RBA) Code of Conduct and sets out the standards and behaviors we require from our suppliers and their suppliers. It covers labor, health and safety, environment, ethics and management systems. This applies to all workers including temporary, migrant, student, contract, direct employees, and any other type of worker.

We continue our DE&I program in our supply chain. Through our audit program, we have identified that more than 33% of our suppliers have already set DE&I targets and/ or signed a DE&I pledge. (2022: 29%).

Our audit program consists of full audits performed by an independent audit firm for selected suppliers in risk countries with a spend threshold of EUR 1 million per year. The audit program also covers new suppliers introduced by our recent acquisitions (with a spend threshold on anticipated spend over 100k Euro). To improve sustainable practices in our supply chain, we want to increase the number of our suppliers that either are low risk or implement mature sustainability practices and good performance. We encourage suppliers to certify against SA8000, ISO14000 and ISO 45001 standards or to become member of the Responsible Factory Initiative (RFI), a program offered by RBA experts.

In 2022, we introduced a 1-year audit frequency for suppliers that score below 70 points, This turned out to be very effective as we noticed in 2023 that the suppliers in this group made significant progress (from a typical audit score of 40 to 82 points). For suppliers that score well but require corrective actions, we keep the three-year audit cycle. Suppliers that pass the audit with no need for corrective action will be exempted from the audit program until a complaint or an issue is raised by internal stakeholders or from external sources.

At the end of 2023, 280 suppliers were part of our audit program (66% of Signify's total spend). Among them, 271 suppliers (97%) are compliant by passing the audit or by resolving identified non-conformities. 9 suppliers (3%) were considered non-compliant, either due to overdue corrective action plan or overdue audit date, and are being followed up with our consequence management process. At the end of 2023, our compliance rate was 97%, well above our annual target of 95%. In 2023, we audited 157 suppliers (including supplier onboarding audits) on-site and reached close to 50,000 workers employed at the sites audited. Most of Signify suppliers are based in China (78%), followed by Mexico (8%) and India (5%).

The following table shares our supplier sustainability performance and indicates the compliance rate from the audit prior to supplier corrective actions. Overall, the compliance rate is 88%, which is slightly lower than last year due to the introduction of many new supplies from our recent acquisitions (Klite and LeiFei). We saw progress in the areas of labor (young workers, non-discrimination) and ethics (privacy and non-retaliation). Attention points for the coming year will be industrial hygiene (working environment) and the storage and handling of hazardous substances.

In the RBA Code of Conduct and in our SSD, special attention is given to the prevention of human slavery as referred to in the United Kingdom (UK) Modern Slavery Act Disclosures and the California Transparency in Supply Chains Act. The formal statement on these laws can be found on our website.

The assurance of freely chosen employment in our supply chain is a key element of our sustainability objectives. Forced and Child labor is considered a zero-tolerance issue and Signify's policy requires immediate remediation if observed. We closely follow the implementation of the US's Uyghur Forced Labor Prevention Act (UFLPA) and Bill S-211 Fighting Against Forced Labor and Child Labor in Supply Chains Act. Our forced labor working group are implementing due diligence mechanisms including inquiry of Tier 1 suppliers and putting in place upstream traceability of raw materials at risk. In addition, we expect our suppliers to allow all workers the freedom to associate. This includes channels for workers and/or their representatives to openly communicate and share ideas and concerns with management regarding working conditions and management practices without fear of discrimination, reprisal, intimidation, or harassment. This is verified during our RBA audits by direct interviews with supply chain workers; and is also aligned with our company Integrity Code.

Summary of 2023 audit findings before suppliers have taken corrective actions, supplier compliance rate per category of the Supplier Sustainability Declaration.

Labor	Health & Safety	Environment	Ethics	General
Freely chosen employment 80-100%	Occupational safety 60-80%	Environmental permits and reporting 80-100%	Business integrity 80-100%	RBA code 80-100%
Child labor prohibition/ Young worker management 80-100%	Emergency preparedness 60-80%	Pollution prevention and resource reduction 80-100%	No improper advantage 80-100%	
Working hours 60-80%	Occupational injury and illness 80-100%	Hazardous substances 40-60%	Disclosure of information 80-100%	
Wages and benefits 80-100%	Industrial hygiene 60-80%	Solid waste 80-100%	Protection of intellectual property 80-100%	
Human treatment 80-100%	Physically demanding work 80-100%	Air emissions 80-100%	Fair business, advertising and competition 80-100%	
Non-discrimination 80-100%	Machine safeguarding 80-100%	Product content restrictions 80-100%	Protection of identity 80-100%	
Freedom of association 80-100%	Food sanitation and housing 60-80%	Water management 80-100%	Responsible sourcing of minerals 80-100%	
	Health & Safety information communication 80-100%	Energy consumption and greenhouse gas emission 60-80%	Privacy 80-100%	
			Non-retaliation 80-100%	

Training and development

Procurement employees and employees who have direct contact with suppliers undergo internal training modules on our supplier sustainability program. In addition, since 2017, we have organized training sessions for our suppliers to share our learnings to support and foster sustainable best practices. In 2023, we organized a webinar on RBA Code of Conduct focusing on the top 20 most frequent non-conformities found in our audit program. 35 suppliers joined, with a total of 67 attendees.

In cooperation with our 3rd party auditor, we also organized face-to-face training for 10 selected suppliers with development needs in the areas of working hours and fire safety (19 attendees). We continued our Supplier Carbon Disclosure Program with 73 suppliers attending the training sessions.

Responsible mineral sourcing

Our commitment to sustainable development extends to issues further down the supply chain, to prevent human rights abuses and financing of conflicts in the extractive sector. Global supply chains in the lighting industry are long and complex, typically with more than seven tiers between the finished product and the source of raw materials used for manufacturing. However, we believe that through strong multi-stakeholder partnerships we can make a difference.

As part of the Signify Conflict Minerals program, we implement measures in our supply chain to ensure that our products are not directly or indirectly funding atrocities in the Democratic Republic of Congo (DRC). We support and follow the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-

Risk Areas. The full description of our due diligence process and Signify's position on Conflict Minerals are available on [our website](#).

We are an active member of the Responsible Mineral Initiative (RMI) which runs the audit program to verify the smelters' conflict-free status and to identify sources of 3TG and cobalt in our supply chain. We use the tools and programs developed by the RMI, especially the Conflict Minerals Reporting Template (CMRT), the Extended Minerals Reporting Template (EMRT) and the Responsible Minerals Assurance Process (RMAP). Once a year in June, we update our list of smelters using the CMRT and/or the EMRT information provided by our Tier 1 suppliers.

The smelters identified through this process are included in the Signify smelter list published in our Signify Conflict Minerals Declaration. We increased the number of conformant smelters to 268 in 2023. And we successfully cooperated with 5 Tier 1 suppliers to become conflict free. Unfortunately, we observed a reduced interest in support for the RMI assessment program: 11 smelters rejected participation in the program, 27 smelters rejected re-assessment and 6 smelters did not close their corrective action plan. RMI had to suspend assessments in Russia due to the war. More details can be found on our website in the responsible minerals section.

Cobalt is present in our battery supply chain only for emergency lighting and remote controls. To enhance transparency in the cobalt supply chain, in 2018 we co-founded the Fair Cobalt Alliance (FCA) with Fairphone, Huayou and Impact Facility.

This multi-stakeholder action platform offers actors across the cobalt supply chain a pre-competitive environment for collaboration to help strengthen and professionalize DRC's artisanal cobalt mining sector and contribute to local economic development at large. For more on the FCA program: https://www.faircobaltalliance.org/.

4.3.4 Safety at work

Health & Safety performance

The health and safety of our employees is a top priority. We commit to provide a safe working environment for our employees and we contribute to the achievement of SDG 8: Decent work and economic growth,

The total recordable cases (TRC) rate is the central indicator through which we measure our overall safety performance. Targets for this indicator are set and managed at a company-wide level, and for the individual divisions, manufacturing sites and distribution centers.

As part of our Brighter Lives, Better World 2025 sustainability program, we continue to commit to a safe and healthy workplace with a TRC target of 0.30 by the end of 2025, and the ambition for each single site to reach it.

In 2023, we focused on increasing Environmental Health and Safety (EHS) capabilities at a site level by launching a dedicated qualifications campaign with NEBOSH International General Certificate in Occupational Health and Safety (IGC) courses and examinations for site EHS managers. We continued digitalization of the EHS reporting process that will allow deeper and more effective analysis of workplace hazards and related risks. In our operations, we prioritized a standardization effort in five domains: ergonomic safety, personal protective equipment, equipment safety, mobile equipment, and EHS resources.

At a corporate level, we strengthened the management of high-risk activities by deploying 25 global standards that describe the minimum Signify requirements when confronted with such risks. Our annual Safety Week campaign was dedicated to the topic of "Health and Well-being". As part of this campaign, we held a global competition for "Health & Well-being Champions". This campaign was very successful with over 200 submissions from our sites across the globe.

Recordable cases

	2021	2022	2023
Total recordable case rate	0.17	0.16	0.19
Severe injuries	18	7	14
Severity rate	0.05	0.02	0.05
Lost workday cases rate	0.12	0.09	0.12
Fatalities	0	0	0

In 2023, we continued our drive to improve equipment safety, warehousing safety, and behavioral safety through our cross-site Safety Alerts process. Our injury prevention framework has been further strengthened in the operational Lean framework, the Manufacturing Standards platform and the Signify Quality System.

On our journey to a zero-injury workplace, we faced some challenges in controlling residual risk and maintaining an injury prevention mindset. To counter this challenge, we intend to re-design our behavior observation process in 2024, to reinforce our capability to identify and eliminate these residual risks. Going forward, we will continue the development of global and local EHS competencies and the strengthening of site adherence to our minimum set of global EHS requirements. To close our continuous improvement program, we will launch our site EHS maturity assessment process in 2024. This will not only provide a standardized and effective measure to identify improvement opportunities at individual site level but will also enable the exchange of best practices across our manufacturing sites.

We recorded 49 TRC cases in 2023 (2022: 47) and had no fatality incidents. The TRC rate increased to 0.19 per 100 FTEs, compared to 0.16 in 2022. In 2023, 62% of our reported industrial sites had no recordable injuries. There were 18 industrial sites that have had no recordable injuries over the last 3 years, while 27 sites had achieved more than 500 injury-free days.

Management system

We have reinforced our program to ensure all Signify manufacturing sites are certified locally or via the Signify multi-site ISO 14001 and 45001 certifications.

At the end of 2023, 87% of our reporting manufacturing sites were ISO 14001 certified and 83% were ISO 45001 certified. The remaining manufacturing sites have procedures in place to foster compliance with local regulations and Signify policies.

4.3.5 Business ethics

Signify's Integrity code

Our Integrity code serves as our code of conduct. This code embodies our commitment to always act with integrity, both in our internal and external interactions. The code sets the standard for business conduct of our employees and for the company itself and also gives more information on how to speak up or raise concerns. Translations of our Integrity code are available in 26 languages. For a description of Integrity code processes and policies, refer to chapter 13, Risk factors and risk management, section 13.1, Establish a strong risk management environment.

In 2023, we reviewed the Integrity code and made some minor changes. While the core principles remain the same, we have made some updates to reflect changes in the organization and the outside world as well as progress made against our priorities. The revised Integrity code was published and brought to the attention of employees in Q3 2023.

Training and engagement of employees

We dedicate part of the training of our employees specifically on compliance topics. At the end of 2023, the completion rate of our e-learnings was 93% of the targeted employees. Our current program covers antitrust, anti-corruption and anti-money laundering, privacy and data protection, export controls and sanctions, security, speaking up and business integrity.

Compliance risk assessments

In 2023, we performed our annual risk assessment for the legal compliance domains. In that assessment we analyzed the risks related to a number of topics, such as bribery and corruption, and used the outcome as an input for the planned compliance activities for the coming year.

In 2023, 274 Integrity code concerns were captured via the Signify Ethics line and through our network of compliance officers, a 12% increase compared to 2022. The number of concerns raised is substantially higher than in the previous year. Details per category are shown in the table below.

Most commonly reported concerns

Human resources

The most reported concerns were related to human resources, representing 54% of the total cases reported (53% in 2022). This category, includes concerns that, for example, related to equal and fair treatment, harassment, or other human resources related topics.

Business integrity

The second most reported type of concern relates to business integrity. This, for example, includes concerns relating to conflicts of interest, fraudulent disbursements or any other fraudulent suspected behavior. The number of complaints reported in this segment represents 27% of the total cases reported in 2023 (31% in 2022).

Security

In 2023, the number of reported cases relating to Security, including IT increased. This category represents 15% of the total cases reported in 2023 (12% in 2022) and relates, for instance, to concerns about unauthorized use of the company's assets, theft, cyber security or other IT-related concerns.

Breakdown of alleged violations integrity code

	2021	2022	2023
Environment, Health, or Safety	3	3	4
Human Resources	90	130	148
Legal	11	3	6
Business Integrity	56	75	74
Security, including IT	30	30	40
Other	5	3	2
Total	**195**	**244**	**274**

Substantiated concerns

At the start 2023, 50 cases were open. During 2023, a total number of 274 cases were reported. As per December 2023, 62 cases were open. That means that during 2023, we closed 262 cases. Of these 262 cases, 113 were found to be substantiated, which represents 43% of the closed cases.

Substantiated cases are followed up with corrective actions. Such corrective actions can include additional measures, such as training, strengthening of internal controls, creation of additional policies or other measures that aim to promote or enhance a culture of business compliance.

Corrective actions can also take the form of disciplinary action. In 2023, Signify applied disciplinary actions ranging from training and coaching to verbal and written warnings and to termination of employment, depending on the severity of the matter.

Responsible tax policy

Our tax principles are based on the recognition that tax is an integral element of our overall corporate social responsibility as well as commitment to the United Nations Sustainable Developments Goals.

Responsible Tax is an important topic for Signify to report on. For us, acting with integrity means paying the right amount of tax, in the right place, at the right time. Being a responsible taxpayer is aligned with our purpose, business strategy and Integrity code. We are committed to providing timely, regular, and reliable information on Signify's tax position, including the Group effective tax rate, our total tax contributions, and our main tax exposures (see chapter 15, Consolidated financial statements, note 9, Income taxes).

We embrace the Tax Governance Code, as published by the Confederation of Netherlands Industry and Employers (VNO-NCW) in 2022 and provide more information on our Tax Principles, Tax Strategy, Tax Organization and Tax Contributions in our Tax Report: https://www.signify.com/global/our-company/investors/governance.

Tax governance, control and risk management

The responsibility for Signify's Tax Strategy, Tax Principles and how we manage our tax risks, ultimately rests at our Board of Management with the CFO. At least once a year, the Tax Principles and Tax Strategy as well as the Tax Risks are discussed with Signify's Board of Management and the Audit Committee of the Supervisory Board. If needed these principles and strategy are updated and subsequently approved by our Board of Management to ensure continuous alignment with our purpose, business structure and overall corporate social responsibility.

Signify's Tax Principles ensure compliance with local and international tax laws and regulations for all our group entities. These principles govern how Signify operates with customers, suppliers, contractors, and employees. We aim to prepare and file all required tax returns on time, providing complete, accurate and timely disclosures to all relevant tax authorities.

Signify has a Tax Control Framework in place, to monitor and test the execution of critical tax processes as well as for risk management. Our Tax Controls are part of our Business Control Framework and our internal controls for financial reporting (ICS). They are monitored and documented by our Tax Organization and the dedicated ICS team. Internal auditors regularly review our tax controls and external auditors review our key tax positions and our tax processes as part of the audit of our Annual Report.

Stakeholder engagement

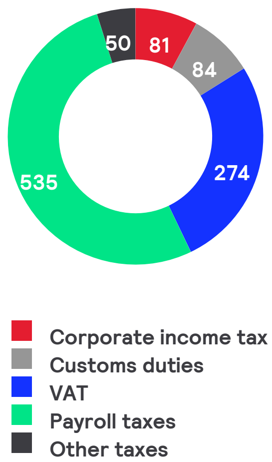
Signify maintains an open dialogue with our stakeholders and we engage constructively in national and international dialogue with governments, business groups and civil society to support the development of effective tax systems, legislation and administration. We regularly participate in meetings of business groups, to learn from our stakeholders and to provide our view on tax developments.

Signify aims to build and maintain a cooperative and healthy working relationship with all relevant (tax) authorities. The transparency in our tax policy is a key factor in building mutual respect and trust with tax authorities.

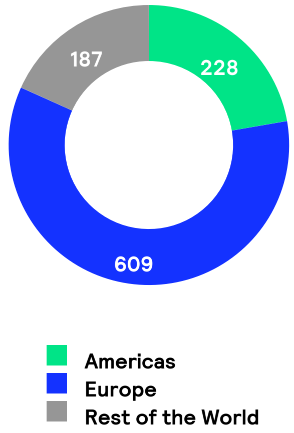
Total tax contribution

Our total tax contributions in the financial year 2023 amounted to EUR 1,024 million. This amount consists of both taxes borne and taxes collected by Signify. The taxes borne include the income tax paid, customs duties and the employer part of the payroll taxes. For more information on the definitions used in this chapter, refer to chapter 20, Definitions and abbreviations.

Total tax contributions by type EUR million



Total tax contributions by region EUR million



2023 Signify corporate income tax paid per main countries

Countries	EUR
The Netherlands	21
China	12
India	10
Poland	6
Indonesia	5
Canada	4
France	3
Spain	2
United States of America	1
Other	17
Total	**81**

The amounts of corporate income tax paid reflect the geographic spread of Signify's activities. The most significant amounts are paid and accrued in the Netherlands, China and India where Signify has substantial business operations. In the United States we used losses from prior years, resulting in lower income tax paid.

4.3.6 Cybersecurity

Digitalization is one of our strategic frontiers and our connected lighting offer is expanding. We are focusing on improving our digital front and back-ends and increasing our data analytics capabilities to better serve our customers. In this context, it has been more important than ever to ensure that access to network, IT systems and data is assured at all times.

Signify has a dedicated Corporate Security department which focuses on information, product and operational security. Signify follows the three lines of defense model. The first line of defense is performed by IT, Business units and Security Operations. The second by the Corporate Security department and the third by our internal independent Audit team. The responsibility of the Corporate Security Office, as a second line of defense, is assurance and control function that oversees security risk, sets the security controls framework and monitors the deployment of the controls within the first-line of defense.

Signify's Cybersecurity team provides threat intelligence, guidance and assurance services, and manufacturing cybersecurity services. Our Threat Intelligence team has a defined process for gathering, analyzing, and distributing actionable intelligence on potential threats to Signify, and proactively alerts stakeholders. Our Guidance team is responsible for providing security guidance through the development of policies, standards and process guidelines, and establishing an enterprise security architecture to keep our digital identities, data and environment secure. Our Assurance team performs independent assessments and penetration testing activities to validate implementation of standards and assess residual risks and gaps. Our Operational Technology Cybersecurity team provides guidance and assurance services to our manufacturing and distribution operations. Our security operations center is responsible for the detection, mitigation and resolution of cybersecurity-related incidents, enabling action to be taken in a timely manner. Technical security measures are implemented to support the "defense in depth" principle, starting from the collection of information to infrastructure controls.

Our cybersecurity requirements also apply to our external partners and suppliers as part of the security schedules and contracts signed to emphasize the adherence of security standards expected from them. Our cybersecurity processes and measures are based on ISO 27001 (Information security) and ISA/IEC 62443 (Product Security) certifications, as well as other related best practices (such as the National Institute of Standards and Technology (NIST), and the Center of Internet Security (CIS)).

Our overall approach to cybersecurity and prioritization of activities is risk-based, and we recognize identity as the perimeter to maintaining the required security (viz, Zero-trust mindset). In addition to the guidance provided as part of the security standards and guidelines, we have set up a formal process that extends the reach of our cybersecurity services directly to business and IT stakeholders and is available to clarify their questions and doubts about cybersecurity-related matters. Additionally, all our employees are expected to complete a mandatory e-learning training on security every year, which includes a quiz to ascertain their understanding of the topics. Webinars are organized on topics of emerging cybersecurity threats and best practices to teach employees to avoid the risks of falling prey to them. Focused trainings are also conducted as required. Phishing simulations are conducted monthly which include new hires. Dedicated learning pathways are created for those who fail the simulation tests.

Early 2023, we completed an attack simulation and penetration testing in order to identify security vulnerabilities and recommendation. The findings resulted in updates to Risk mitigation efforts in several areas including incident management. We also completed an external, independent evaluation of our Cybersecurity priorities, roadmap and the status execution to get an objective assessment of our current state of Cybersecurity. With an increased focus on continual assurance, the Cybersecurity team implemented and operationalized 'External Attack Surface Management (EASM)' platform to enable continuous vulnerability management and monitoring of externally exposed Signify assets. We also rolled out and operationalized the 'SaaS Security Posture Management (SSPM)' solution, targeting multiple SaaS-based critical applications through which we can scan these environments for misconfigurations on a constant basis for early detection and mitigation of risks. Manual risk assessments were also conducted on several critical assets to identify and report risks and their mitigations to the respective stakeholders.

We conducted Cyber (tabletop) drills at eleven of our manufacturing sites. We are constantly trying to evolve and improve our cybersecurity guidance by regularly updating our existing standards and publishing new ones where we did not have one before. Vendor assurance of one of our major infrastructure partners was completed. Challenges of emerging trends in Artificial Intelligence (AI) and related cyber-attacks are being addressed through knowledge-sharing sessions. Revised security awareness of topics related to Ransomware and new AI-based phishing trends have been rolled out. Challenges in available resource bandwidth and budget continue to impact how much and how fast the desired changes can be addressed by the Cybersecurity team.

All cybersecurity activities are reported to and monitored by the Security Board, chaired by our Chief Executive Officer, Eric Rondolat. Other members of the Security Board are the Chief Financial Officer, Chief Security Officer, and the Heads of Internal Audit, Legal and Human Resources. The Board of Management and the Supervisory Board are informed regularly.

4.3.7 Digitalization

Digitalization is a key pillar of Signify's 5 Frontiers strategy, which equips us to seize the opportunities and tackle the challenges of the major global shifts that affect our business. With a focus on becoming customer-centric, digitalized, and sustainable, our strategic initiative, DigITal Foundation, is enhancing our IT capabilities to enable Signify's digital transformation.

Signify's DigITal Foundation

This initiative focuses on improving end-user experience, driving operational excellence, increasing automation, improving cost performance, and contributing to sustainability targets. To achieve these objectives, we are investing in upgrading our core IT infrastructure, implementing new tools and technologies, and developing the skills and capabilities of our IT workforce. We are also embracing agile methodologies to accelerate the delivery of new digital solutions and services to our customers.

By strengthening our core IT capabilities, we are better positioned to drive innovation, improve efficiency, and enhance the overall customer experience. Moreover, the initiative aligns with our commitment to sustainability, by reducing our environmental footprint through increased automation and optimized operations.

Signify's DigITal Foundation is a key driver for our ongoing success in the digital era and our DigITal ambition is to elevate Signify's standing in the lighting industry by cultivating and sustaining a competitive edge through the delivery of an exceptional digital experience in the following areas:

Digitalizing customer interfaces

We are committed to providing the best-in-class experience for our B2B partners, making our customer interface the preferred one-stop-shop for OEMs, wholesalers, agents, specifiers, and installers. We aim to achieve this by offering an easy-to-use and intuitive digital platform that simplifies the purchasing process. For B2C customers, we are focused on creating a seamless and enjoyable digital experience across all channels, including mobile and web.

Digitalizing offers

We are dedicated to offering innovative connected products and services in the market and utilizing data and lighting beyond illumination. We have introduced in the past years brands like Interact, Philips Hue and WiZ, which offer smart lighting solutions that can be controlled through mobile devices. Moreover, we are exploring new business models by collaborating with partners in various industries, such as horticulture and entertainment.

Digitalizing processes and operations

We are committed to delighting customers and partners with delivery reliability and product availability by implementing touchless, automated, and analytics-driven internal processes. In addition, we are investing in enablers such as digital capabilities for our teams, data management and enablement, systems architecture and fostering an agile operating model to achieve this objective.

Digital initiatives in these areas are enabling our business to enhance customer experience, increase online sales, and digitize and automate various business processes, which has resulted in increased efficiency, reduced costs, and improved profitability.

Digital sustainability

Our commitment to sustainability is unwavering, and we are seeking innovative ways to minimize our environmental impact. Digital technologies support our business in measuring and tracking sustainability progress, reducing emissions, resource optimization and drive a more circular economy. Enhanced connectivity and the Internet of Things (IoT) enable innovations in our products that reduce product use emissions and support sustainable business operations.

In 2023, we implemented a digital Life Cycle Assessment (LCA) tool that enables the quantification of product environmental impacts throughout the full life cycle. Through digitalization, we can generate Environmental Product Declarations (EPDs) at a large scale while considering standard and location specific requirements when required. This allows us to develop strategies to reduce our environmental impact, identify opportunities for sustainable innovation, and communicate our sustainability performance to stakeholders.

4.3.8 Social impact of light

Brighter lives revenues

We are driving change to create brighter futures. With our lighting innovations, we support the health and well-being of people, sustainable food production for a growing global population, and a safer and more secure society. We commit to double our Brighter lives revenues to 32% by the end of 2025, which means our revenues coming from lighting innovations that increase food availability, safety and security, or health and well-being. At the end of 2023, our Brighter lives revenues were 31% (2022: 27%). Through our actions, we directly contribute to the achievement of SDG 3: Good health and well-being and SDG 11: Sustainable cities and communities.

Health & well-being

Light is essential for life, and equally important as food, water and air. Light allows us to see and to experience the world around us. It affects us visually, biologically and emotionally, supporting comfort, well-being and performance. Scientific evidence shows that light has a powerful impact on our emotions and important physiological and biological processes in our body. Circadian lighting in an office environment makes an office more liveable and can enhance mood, boost concentration and productivity.

In 2023, we continued to focus on the quality of light in our LED portfolio meeting the EyeComfort criteria which include factors that can impact the comfort of your eyes (such as flicker, stroboscopic or glare).

EyeComfort products have made a significant contribution to our Brighter lives revenues and in 2023 we expanded EyeComfort in our LED lamps, Hue and WiZ portfolios.

Signify also advanced its professional melanopic lighting, a part of biological light which plays a major role in synchronizing the internal body clock in line with non-visual effects of light. When melanopic lighting is properly designed in buildings, it brings the benefits of natural daylight indoors, enhancing visual comfort, well-being and workplace performance.

We also focused on office and healthcare applications, contributing to employees', patients' and staff's health and well-being. NatureConnect has been designed to mimic natural patterns of daylight to reconnect us to the outside world. The mimicking of the sky and daylight and receiving enough light especially becomes relevant when a room does not have daylight access. Recent studies have shown that NatureConnect has a positive impact on the alertness and vitality of office workers.

"I really feel like I'm outside" is the most common reaction from customers. There are additional melanopic benefits from the blue enriched light which can have a positive effect on subjective alertness, vitality and performance.

Food availability

To meet the needs of a growing population, we need to consume resources more efficiently. According to the UN Food and Agriculture Organization (FAO) global food demand will rise by 70% by 2050, while 50% of arable land globally is already farmed. Many of the vegetables we consume are not produced locally and are transported over long distances. Approximately, 17% of the world's available food is either spoiled or thrown away before it ever reaches a plate. Overall, the world's current food production and distribution systems contribute to between 20% and 30% of global greenhouse gas emissions. To address these challenges, significant changes to our food systems are needed to ensure enough safe, healthy, accessible and affordable food for all in the future.

Horticulture LED technologies can provide an answer by realizing extremely efficient farming with high yields, efficient use of space and enabling local production, at least a 90% reduction in water use, and avoiding pollution from pesticides. With the right light spectrum and growth recipe, our lighting innovations give better control over climate and crops and help to achieve high quality and yield at the right time.

Safety & security

For the last decade, lighting has gone through a significant technological transformation, opening new possibilities in using light. With increasing urbanization, street crime and traffic accidents are a real challenge. Interact-connected LED systems and management software improve city services and can help to reduce street crime and night-time traffic accidents, while reducing energy costs. Our connected LED systems also have applications for outdoor use in residences, enhancing feeling of safety and security.

We expanded our home connected systems by integrating smart lighting and smart home security, incorporating new Philips Hue Secure cameras, sensors, and app features designed to enhance the security of your home. The monitoring is in real time and motion notifications are instantly received; actions like triggering light and sound alarms can be taken via the security center in the Philips Hue app.

Today, more than 50 billion devices are connected to the Internet, most of them wirelessly. This is placing wireless communication under increasing pressure, and the radio spectrum is becoming congested. In addition, there are areas where radio frequency wireless communication is not permitted or the best fit. Trulifi by Signify offers a range of LiFi systems, providing a two-way wireless communication that is reliable, secure, and fast. Next to this, Trulifi is immune to any electromagnetic interference from, for example, industrial processes.

Access to light

As a company that is committed to giving back to society, we use our expertise and knowledge of lighting to make a positive social impact. We do this by supporting the Signify Foundation, a standalone non-profit organization.

With the ambition of lighting 10 million lives by the end of 2025, the Foundation is making strides through its projects within three focus areas: Lighting Lives, Humanitarian Lighting, and Lighting Entrepreneurs. 2023 represents a story of further progress for the Foundation, lighting 9.4 million lives. This figure surpasses the year's target: 8.7 million lives lit from a 2017 baseline.

Lighting lives

The Lighting lives program aims to create long-lasting positive impact on people's lives. Lighting interventions designed in collaboration with local groups and aid agencies have made a positive impact on communities, providing better access to health care, essential services, sports, and productivity.

The Lighting Lives program focuses on rural community facilities such as schools and healthcare centers.

Schools

In schools, well-lit classrooms boost productivity and cultivate an atmosphere of creativity and joy, even after the sun has gone down. Similarly, well-lit outdoor areas are crucial for the safety and security of both students and staff and create opportunities for sports and socialization in the evenings. Yet, the power of light goes beyond illuminating spaces.

In 2023, we donated 3,000 portable Solar Lamps to adolescent schoolgirls in rural Mozambique, in collaboration with Pathfinder International. These regions have been deeply affected by conflict and civil unrest, resulting in limited access to energy and heightened safety concerns. Many of these young girls are currently residing in displacement camps, where the lamps provide a reliable source of light in otherwise dark and uncertain environments after school. The Solar Lamps also enable the girls to continue their educational pursuits after the sun has set, ensuring that they can complete their homework and safely enjoy their leisure time.

Healthcare centers

In remote and rural healthcare centers without lighting, life-saving interventions cannot take place after dark, leaving patients untreated or forcing them to travel long distances to overcrowded urban healthcare facilities. Access to light empowers workers to operate safely and effectively at night, providing better care to their patients. In 2023, the Foundation expanded its program Lighting Health Centers to an additional 100 remote health centers located in the Kisumu region of Northeast Kenya.

Humanitarian Lighting

Throughout the year, the Signify Foundation continued to address pressing humanitarian needs caused by disasters and conflicts. The Foundation executed projects where lighting played an important role in disaster response, either by providing immediate relief or contributing to building and rebuilding efforts.

With a multitude of crises compounding, the Signify Foundation prioritized disaster support based on the scale of the disaster, the feasibility of reaching affected populations, and the potential for lighting to provide relief. In immediate responses, lighting can be installed in shelters and provides support for aid workers during search efforts or relocation. In rebuilding, recovery efforts, and medium-term development, lighting plays an important role in building or restoring infrastructure and peace for the affected communities.

In 2023, the Signify Foundation partnered with GlobalMedic to respond to the devastating earthquake in Turkey and Syria, which claimed over 50,000 lives and destroyed over 84,000 buildings. 12,700 emergency kits with solar lights were distributed to families and medical centers, thanks to the Foundation's partnerships and the generous contributions of Signify employees.

In refugee settlements, lights enhance safety, reduce gender-based violence, crime, and create livelihood opportunities for refugees. This year, to mitigate the impact of Gender Based Violence for internally displaced people, the Signify Foundation provided 10,000 Solar Lights to reproductive health and protection services in Syria through a partnership with the UN Population Fund.

Lighting Entrepreneurs

The Lighting Entrepreneurs pillar is committed to building capacity and competency to ensure the long-term impact of lighting lives. Young adults are given vocational training to develop skills needed to operate and maintain lighting installations provided to their communities. One such project in partnership with BRAC took place in the Philippines. The project provided training for 50 unemployed young women and girls aged 16-30 from marginalized communities in the lowest income bracket. The project trained them as electricians and entrepreneurs, and focused on developing soft skills, business skills, and technical training. This approach empowered the women trainees to be active in a sector that is traditionally dominated by men. In the coming year, these proud trainees will be linked to job opportunities and start a journey of self-dependence.

Despite the Foundation's successful year ending ahead of track for the approaching 2025 target of lighting 10 million lives, much work remains to be done. 1 in 10 people still live without access to electricity globally. In the face of increasing climate-related disasters and conflicts, this challenge is further exacerbated. 2024 will be the year that the Foundation expects to achieve our first milestone of lighting 10 million lives, and a year to reflect on what is next. By increasing our ambition level, forging broader partnerships for collaboration and funding opportunities, the Foundation aims to make an even greater impact in the years to come.

4.4 Better World

Maurice Loosschilder
Head of Sustainability, Signify

"Throughout the hottest year in recorded history, extreme weather and climate events posed increasing socio-economic challenges, impacting the most vulnerable communities worldwide. The year was also marked by action, including the adoption of key global policy commitments such as the Global Biodiversity Framework in 2022 and the COP 28 agreement to transition away from fossil fuel. These commitments reflect a growing recognition of the urgent need to safeguard our planet's boundaries, address global warming and accelerate the transition to a net-zero world. The global focus on energy consumption and energy efficiency solutions has intensified, with renewable energy sources taking center stage. As we navigate this era of transformation, we know our collective actions today will shape the landscape of tomorrow.

Through our 'Brighter Lives, Better World 2025' sustainability program, we aim to double our positive impact on the environment and society. We are on track to reduce our emissions across our full value chain at double the pace required by the Paris agreement's 1.5°C scenario and have reduced our carbon emissions by 19% YoY. We continue to rely on 100% renewable electricity and in 2023 invested in a new virtual Power Purchase Agreement further supporting the green energy transition. And we are proud that we have surpassed our 2025 circular revenues target.

As the global leader in lighting and a pioneer in sustainable lighting solutions, our focus remains on innovating in energy efficiency, connected systems, and to further integrate circularity principles. We are working with peers and partners to steer the lighting sector towards even greater transformation, and ensuring we contribute positively to the transition toward a sustainable economy"

4.4.1 Climate action

Climate leadership

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. In 2018, 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 from use of sold products by 2030 (baseline 2015). At the end of 2023, we achieved:

- 58% reduction of absolute scopes 1 and 2 GHG emissions (baseline 2015).
- 61% reduction of absolute scope 3 GHG emissions from use of sold products (baseline 2015).

Signify was again recognized in CDP's Climate A list for our leadership in environmental performance and we were included in the Dow Jones Sustainability World and Europe Index for the seventh consecutive year and sixth year, respectively, for our 2022 performance. We continued to partner with the Climate Group's EV100 Initiative to operate a lease fleet of hybrid and fully electric vehicles (EVs) by 2030. We remain engaged in the AndersReizen Dutch Business Sustainable Mobility Pledge to further improve the sustainability performance of our business travel.

Through our partnership with the RE100 Initiative, we shifted to 100% renewable electricity use since 2020. As an active member of Clean Cargo and the WBCSD Transforming Heavy Transport project, we engage in cross-industry collaboration and strive to lower the carbon footprint of our freight transport. We renewed our partnership with Maersk, one of our key partners in ocean freight, and supported them in launching vessels that operate on zero-carbon fuels. These partnerships will help us to scale zero carbon solutions in our supply chain and logistics operations. Our continuous pledge to the World Green Building Council's Net Zero Carbon Buildings commitment facilitates improvement in energy efficiency as well as reduction in electricity consumption in our non-industrial buildings.

In 2023, we continued to evaluate our climate-related risks and opportunities through our internal cross-department task force aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the Corporate Sustainability Reporting Directive (CSRD). As a result, we refined our climate risk mitigation and adaptation strategy. For more information, refer to our TCFD reporting in the Sustainability Supplement to our Annual Report and to the CSRD section 17.

All our environmental policies and our management framework are based on the international ISO 14001 standard. In 2023, 87% of our manufacturing sites were ISO 14001 certified.

Double the pace of the Paris Agreement

In our Brighter Lives, Better World 2025 sustainability program, we 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.

We track our progress, and we report our full Scope 1, 2, and 3 GHG emissions, shown in table to right. We reduced 53% GHG emissions across our full value chain at the end of 2023, 22% year-on-year. This reduction is mainly attributed to the increased share of sales of energy-efficient LED and connected LED lighting which drives energy saving and emissions reduction for our customers during product use. The key contributors are our energy-efficient LED and connected LED lighting, such as the Ultra Energy Efficient A class product families

99% of our value-chain emissions lies in the product use phase. By offering energy-efficient products, we help our customers reduce millions of tonnes of CO_2e.

At the end of 2023, the total avoided emissions achieved through our LED technology sales (compared to Conventional technology) was 240 million tonnes CO_2e.

We are on track to deliver against our ambitious goal of doubling the pace of the Paris Agreement.

Signify carbon footprint in kilotonnes-CO_2e

	2021	2022	2023
Scope 1	149	142	148
Scope 2 (market based)	10	13	0
Scope 2 (location based)	186	140	129
Scope 3 (indirect emission categories)			
Category 1: Purchased goods and services	n.a.	696	683
Category 2: Capital goods	n.a.	5	15
Category 3: Fuel- and Energy-Related Activities. Not Included in Scope 1 or Scope 2	n.a.	29	33
Category 4: Upstream transportation and distribution, of which:	124	87	87
• Air transport	59	21	20
• Road transport	31	30	27
• Ocean transport	34	36	40
Category 5: Waste generated in operations	n.a.	8	9
Category 6: Business travel	7	10	13
Category 7: Employee commuting	n.a.	39	35
Category 8: Upstream leased assets	n.a.	n.a.	n.a.
Category 9: Downstream transportation and distribution	n.a.	n.a.	n.a.
Category 11: Use of sold products	n.a.	246,762	191,779
Category 12: End of Life treatment and sold products	n.a.	18	18
Scope 3 total	**n.a.**	**247,653**	**192,673**
Scope 1+2 total	**159**	**155**	**148**
Operational carbon footprint	**290**	**252**	**249**
Scope 1+2+3 total	**n.a.**	**247,808**	**192,821**

Decarbonizing our operations

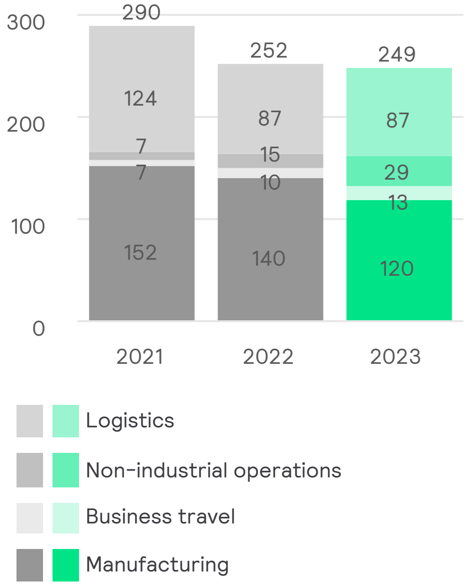
Signify is committed to climate action, this starts by taking accountability for our carbon footprint. We focus on decarbonizing our own operations and enabling our entire value chain and society to accelerate climate action. Signify has reduced 77% of its absolute operational carbon footprint since 2010, and continues to do so, through implementing initiatives in our factories, offices, logistics, and business travel. Our operational carbon footprint calculation includes scope 1, scope 2, and scope 3: business travel and logistics.

In 2023, total gross GHG emissions in our own operations were 249 kilotonnes (2022: 252), a 1% decrease year-on-year and a 31% reduction compared to 2019. Our operational emission intensity in tonnes of CO_2e per million-euro sales was 37 in 2023 (2022: 34).

As a manufacturing company, we have unavoidable residual emissions, such as emissions from the use of natural gas in industrial processes. To fulfill our carbon neutral commitment, we invest in certified carbon credit projects, while supporting GHG emissions mitigation beyond our own value chain. Financing carbon credits is not part of our emission reduction strategy, rather we invest in high quality carbon credit projects to balance out unavoidable residual emissions that are not feasible to eliminate. By doing so, we also enable actors in and out of our value chain to act and cut their emissions.

In 2023, we invested 250 kilotonnes of CO_2e via carbon credits (2022: 252), resulting in a net operational carbon footprint of 0 (2022: 0). All used carbon credits have been certified by the Verra, Verra Climate, Community, and Biodiversity (CCB) Standards and the Clean Development Mechanism (CDM). Verra's diligence and transparency are underpinned by its fully publicly available Registry System.

Operational carbon footprint in kilotonnes



Manufacturing

In 2023, manufacturing accounted for 48% of our operational carbon footprint and amounted to 120 kilotonnes. This is a decrease of 14% compared to 2022. We continued to lead operational changes and efficiency improvements, which resulted in less energy intensive activities and less energy consumption.

Non-industrial operations

GHG emissions from non-industrial operations (offices, warehouses) represented 12% of our total operational carbon footprint. Our emissions from non-industrial operations increased by 14 kilotonnes compared to 2022 due to increased energy consumption in offices.

Logistics

In 2023, 35% of our total GHG emissions in our operations were attributed to logistics, and our total emissions from logistics remained stable compared to 2022. We continue to focus on improving sustainable logistics operations, such as reducing reliance on emission-intensive mode of transport - air transport.

Business travel

Business travel accounted for 5% of our operational carbon footprint in 2023. Our GHG emissions from business travel increased 30% in 2023, mainly driven by an increase in business air travel.

Energy use in operations

Signify's total energy usage in 2023 amounted to 3,237 terajoules (899,285 MWh). Our operational energy intensity in terajoules per million-euro sales was 0.48 in 2023 (132.6 MWh/million-euro sales). This is 6% more efficient than 2022 (0.51) and is due to operational optimization, improved energy efficiency, less reliance on energy-intensive activities in our factories and reduced heating and lighting requirements.

Electricity

We continue to procure 100% of our electricity from renewable sources. This achievement directly contributes to SDG 7: Clean and affordable energy. All electricity consumed by our operations worldwide was sourced from renewable sources or matched with Energy Attribute Certificates (EACs). Approximately 9% of our renewable electricity was contracted via our energy providers, 54% was sourced through the procurement of renewable energy certificates, and 37% came from our participation in Power Purchase Agreements (PPA). In 2023, our most recent PPA in Finland went live and complements our other two PPAs in Poland and the US. Our virtual PPAs contribute to the transition to more sustainable electricity grids and reinforce our long-term commitment to using renewable electricity.

Enabling carbon reduction for our customers

Phasing out conventional lighting and switching to energy-efficient LEDs, introducing solar lighting, and further enhancing energy saving with smart connected lighting has significant environmental benefits. As mentioned previously, the majority of our value-chain emissions lies in the product use phase. Helping our customers to reduce emissions through energy efficiency is a vital aspect of our innovation process.

Signify is committed to reduce GHG emissions by improving the energy efficiency of its products, systems, and services. The progress in our portfolio to support climate change mitigation has been aligned with the EU Taxonomy regulation and is reflected in the Taxonomy specific section of this report. The benefits include having comparable and harmonized measures throughout the industry.

The past year we continued to work on developing ultra energy-efficient products and have launched an extended ultra energy efficient portfolio of professional indoor, outdoor, and residential lamps as well as the first luminaires in this category.

By delivering cleaner and more energy-efficient solutions, we are proud to contribute to the achievement of SDG 7: Affordable and clean energy.

Philips Ultra Efficient LED luminaire

Signify's portfolio of Ultra Efficient LED solutions expanded in 2023, with the introduction of UE indoor luminaires. Designed to allow you to immediately save up to 20% energy compared to the current best offering within the same range. Ultra Efficient luminaires also meet Signify strict Lighting for Circularity criteria.
The products' high level of energy efficiency and long lifetime dramatically reduce both waste and carbon emissions.

Enabling carbon reduction at our suppliers

In 2023, we continued to engage with our suppliers to reduce their carbon footprint. Our approach is to proactively initiate, develop and support GHG emission-reduction activities at suppliers through our partnership with the CDP Supply Chain program. In 2023, we invited 491 of our strategic suppliers to the program, of which 61% submitted their CDP questionnaire.

In 2023, 183 suppliers reported emission reduction activities (2022: 263). 134 suppliers reported that their emissions decreased compared to the previous reporting year, 26% of suppliers reported renewable energy usage, and 28% suppliers engaged their own suppliers to reduce emissions.

We increased the number of suppliers committed to the Science-Based Targets Initiative to 110 (2022: 103) and we increased the number of suppliers that have a RE100 program from 14 in 2022 to 16 in 2023. We are developing a more accurate method to calculate scope 3 GHG emission in the supply base. At the end of 2023, we estimated that 29 million metric tons carbon of CO_2e were saved in our supply base (2022: 24 million metric tons).

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Setting Science-Based Targets in China

Signify was one of the first CDP Supply Chain members to start engaging Chinese suppliers on the importance to set Science-Based Targets (SBTs) to reduce GHG emissions. We nominated four of our high-impact China-based suppliers, of which two have now formally signed the Science-Based Targets Initiative (SBTi) commitment letter.
In a dedicated webinar to our suppliers, we explained how science-based target setting plays an important role in suppliers' evaluation. Once suppliers have formally committed to the SBTi, an emission calculation tool was provided to them to help the establishment of accurate emission rates.
Our collaboration with CDP was key to support our suppliers and monitor their progress and progress reports were shared at management level, to initiate actions where needed.

CDP reporters per region and topics reported

	Greater China		Rest of the world		Europe		Americas		Total	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Scope 1	62%	68%	67%	84%	66%	66%	65%	63%	64%	68%
Scope 2	33%	40%	53%	69%	44%	54%	57%	57%	43%	51%
Scope 1 & 2	36%	41%	58%	78%	50%	56%	57%	57%	47%	53%
Have a reduction target	55%	56%	58%	66%	46%	54%	48%	52%	51%	56%
Have on-going reduction activities	54%	56%	62%	75%	63%	68%	52%	53%	57%	61%
Climate change opportunities	70%	76%	67%	72%	73%	79%	73%	70%	71%	75%
Climate change risks	60%	65%	44%	63%	52%	51%	56%	48%	55%	57%
Integrated climate change in risk management	31%	27%	44%	59%	38%	40%	51%	48%	38%	39%
Total amount of reporters	**141**	**111**	**45**	**32**	**103**	**96**	**63**	**60**	**352**	**299**

4.4.2 Circular economy

Accelerating the transition to a circular economy

At Signify, we identified five strategic areas where we will grow our business while furthering our contribution to a better and more sustainable world. These growth areas are defined based on the major trends facing society, and on the United Nations Sustainable Development Goals. One of these growth areas is Circular economy.

With circular lighting solutions we can preserve value and avoid waste. That is why, as part of our Brighter Lives, Better World 2025 sustainability program, we have the ambition to double our revenues from circular products, systems, and services to 32% by the end of 2025.

Additionally, we are committed to more sustainable packaging, removing fossil-fuel based plastics from all our consumer packaging in 2023, and to sending zero waste to landfill.

Our actions cover the entire life cycle of a product (from production, use and re-use to waste management) and directly contribute to the achievement of SDG 12: Responsible consumption and production.

Lighting for Circularity portfolio

In our efforts to transition to a circular economy, we extended our lighting for circularity portfolio in 2023. Via well-established sustainable design rules, Signify continuously lowers the weight of new product designs, resulting in less material use and costs for our product portfolio. The sustainable design rules are also optimized for circularity, resulting in products that can be upgraded, serviced, reused, refurbished, or recycled. For more information about the performance and benefits of our lighting for circularity solutions, visit our website.

Our circular innovations cover four categories: Serviceable luminaires, Circular components, Intelligent asset management, and Circular services.

Serviceable luminaires are fixtures that are upgradable, serviceable, connectable, energy-efficient, reusable, and recyclable.

In 2023, we introduced the StoreFlow retail lighting, which enhances customer experience with a new concept in high-contrast aisle lighting that has great design flexibility and product sustainability. The product is made with bio-circular material (re-use of a biomass waste stream) for the housing and all key internal parts are replaceable and allow for greater product longevity.

In 2023, StoreFlow won two prestigious awards for its design from iF Design and Red Dot.

Other recently introduced luminaires meeting Signify's Lighting for Circularity criteria include the StoreSet evo in the retail segment, the SlimBlend in the office segment and the GentleSpace gen3 in the industry segment.

Our 3D printed luminaires are another great example of a serviceable product; designed in a modular way and easily upgradable. 3D printing technology also supports sustainability by eliminating waste using recycled and mass balanced bio-circular materials. Supporting the reduction of CO_2 emissions through local and on demand production.

In 2023, Signify launched the Spring Oasis 3D-printed pendant lamp, made from recycled water jugs commonly found in offices and homes for drinking water.

Circular components are exchangeable and have recyclable parts, such as drivers, controls, and LED boards.

Intelligent systems monitor serviceable luminaires to enable preventive maintenance. Signify connected systems tell us exactly when and where to perform maintenance, cutting down on waste, costs, downtime, and manpower.

Circular services aim at prolonging lifetimes and provide customers with services that combine lighting design, installation and maintenance in a single contract.

We closely monitor and report the progress of the circular portfolio contribution, and at the end of 2023, 33% of our revenues came from circular products, systems or services (2022: 29%).

Our efforts also address supply chain improvements, such as remote serviceability (connected lighting) and end-of-life services. By minimizing material waste and reducing the environmental impact, we create an ecosystem that extends the life of our lighting products and provides a better future for the next generation.

4.4.3 Environmental incidents

In 2023, Signify experienced no significant environmental incidents.

5 Corporate performance

Key figures in millions of EUR unless otherwise stated

	2022	2023
Sales	7,514	6,704
Comparable sales growth [1]	1.2%	(8.3)%
Gross margin	2,732	2,558
as a % of sales	36.4%	38.2%
Income from operations	718	369
Financial income and expenses	(41)	(102)
Income tax expense	(145)	(53)
Net income	532	215
Adjusted gross margin [1]	2,806	2,660
Adjusted indirect costs [1]	(2,171)	(2,075)
Adjusted EBITA [1]	762	670
as a % of sales	10.1%	10.0%
Restructuring, acquisition and incidental items [1]	82	(221)
EBITA [1]	844	449
Basic earnings per share in EUR	4.18	1.61
Dividend per share in EUR [2]	1.50	1.55
Shareholders' equity	2,920	2,817
Net debt [1]	1,356	1,071
Working capital [1]	564	461
Net cash provided by operating activities	376	696
Free cash flow [1]	445	586
as a % of sales	5.9%	8.7%

[1] For a reconciliation to the most directly comparable IFRS financial measure, see chapter 19, Reconciliation of non-IFRS financial measures.
[2] 2023 Dividend subject to approval by the 2024 Annual General Meeting of Shareholders.

5.1 Financial performance

5.1.1 Company performance

The business environment in 2023 saw some notable developments.

The consumer segment remained weak throughout the year, in particular the connected home business which had experienced two strong years of growth during the COVID-19 pandemic. The indoor professional lighting business was impacted by higher interest rates and a more restrictive credit environment, while Signify's agriculture customers reduced their orders due to high energy/operating costs. In addition, the Chinese market remained weak throughout the year.

As the supply chain environment improved overall, Signify's customers continued to reduce their inventory levels, leading to a destocking effect that mainly impacted the OEM business.

At the same time, Signify's gross margin expanded through the combined effect of lower cost of goods sold and a positive pricing effect.

In 2023, nominal sales decreased by 10.8% to EUR 6,704 million, a comparable sales decline of 8.3%. The Adjusted EBITA margin was 10.0%, broadly in line with 2022. Net income decreased to EUR 215 million. In 2022, net income included a one-time gain of EUR 184 million on the disposal of non-strategic real estate assets. Net cash provided by operating activities increased to EUR 696 million, while free cash flow increased to EUR 586 million.

The nominal sales decrease of 10.8% year on year includes a negative currency effect of 3.3%, mainly due to the depreciation of the USD and the CNY, and a positive effect of 0.8% from the consolidation of Fluence, Pierlite and Intelligent Lighting Controls. Comparable sales declined by 8.3%, mainly due to weakness in consumer, OEM and indoor professional lighting. Outdoor professional lighting remained resilient throughout the year. LED-based sales were 85% of Signify's total sales (2022: 83%).

The gross margin decreased to EUR 2,558 million. The Adjusted gross margin decreased to EUR 2,660 million. As a percentage of sales, the Adjusted gross margin improved by 240 bps to 39.7%, mainly due to effective COGS management, pricing, and positive sales mix.

Indirect costs decreased by EUR 31 million to EUR 2,191 million. Adjusted indirect costs decreased by EUR 96 million to EUR 2,075 million. As a percentage of sales, Adjusted indirect costs increased by 210 bps to 31.0%, mainly due to an under-absorption of fixed costs.

EBITA decreased to EUR 449 million. Excluding the one-time gain on the disposal of non-strategic real estate assets in 2022 and other adjusted items, such as restructuring expenses and acquisition-related charges, Adjusted EBITA decreased by EUR 92 million to EUR 670 million. The Adjusted EBITA margin was 10.0%, broadly in line with 2022, as the gross margin improvement was offset by an under-absorption of fixed costs.

Income from operations decreased to EUR 369 million. This included EUR 167 million of restructuring expenses, EUR 14 million of acquisition-related charges and a net negative impact of EUR 40 million related to incidental items. These incidental items are non-recurring items by nature and are related to impairment and other non-cash charges/gains related to operations in Russia and Ukraine, a one-day FX loss from the devaluation of the Argentine peso, separation costs, real estate gain/loss, incidental warranty costs, environmental provisions for inactive sites and the discounting effect of long-term provisions.

Net income decreased to EUR 215 million, mainly due to lower income from operations and higher financial expenses, partly offset by lower income tax expense. Last year's income from operations benefited from the one-time gain on the disposal of non-strategic real estate assets.

Compared to December 2022, working capital decreased by EUR 103 million, mainly due to lower inventories, lower receivables and other working capital items, partly offset by lower payables. As a percentage of last twelve-month sales, working capital decreased by 60 bps to 6.9%. Including last twelve-month sales pro forma for Fluence and Pierlite, working capital decreased by 50 bps.

Net cash provided by operating activities increased by EUR 320 million to EUR 696 million, mainly driven by lower inventories, which benefited from shorter lead times, and lower receivables. In 2023, net capital expenditures were EUR 110 million. In 2022, net capital expenditures were positive as they benefited from proceeds from the disposal of non-strategic real estate assets. In 2023, free cash flow increased to EUR 586 million, or 8.7% of sales, mainly as a result of the higher net cash provided by operating activities.

Shareholders' equity decreased to EUR 2,817 million, mainly due to the dividend distribution and currency translation results, partly offset by net income.

Net debt decreased to EUR 1,071 million at year-end 2023, as a higher cash position more than offset the increase in gross debt. The higher cash position was mainly driven by higher free cash flow, lower purchases of businesses and financial proceeds from debt issuance. In Q4 2023, Signify issued long-term debt to refinance part of the debt that will mature in 2024. Gross debt increased as a result of the debt issuance.

At year-end 2023, Signify had a post-employment liability of EUR 322 million, compared with EUR 327 million at the end of 2022. The reduction is mostly related to benefit payments and one-off gains related to restructurings and plan amendments, partly offset by actuarial losses.

5.1.2 Performance by Division

Performance Digital Solutions

About Digital Solutions

Signify is the world leader in the professional lighting market for products such as LED and systems and services, with strong positions across key geographies. Professional products, systems and services are used in multiple market segments, including offices, commercial buildings, shops, hospitality venues, industry, agriculture and outdoor environments, including smart cities. Professional lighting has experienced a rapid shift from conventional to LED lighting and has increasingly been integrated into broader connected ecosystems.

Acquisitions

In the first quarter of the year, Signify completed the acquisition of Intelligent Lighting Controls, Inc. (ILC), a market-leading U.S. manufacturer of wired lighting control systems. This acquisition expanded the connected lighting portfolio.

Key figures Digital Solutions
in millions of EUR unless otherwise stated

	2022	2023
Sales	4,231	3,937
Nominal sales growth	20.1%	(6.9)%
Comparable sales growth [1]	7.8%	(5.4)%
Income from operations (or EBIT)	256	285
EBITA [1]	374	358
Adjusted EBITA [1]	424	422
as a % of sales	10.0%	10.7%
Free cash flow [1, 2]	321	458
Number of employees (in FTEs)	13,930	13,883

1 For a reconciliation to the most directly comparable IFRS financial measure, see chapter 19, Reconciliation of non-IFRS financial measures.
2 Excluding non-allocated free cash flow items (e.g. tax, interest and central functions).

Strategic priorities

Digital Solutions focuses on strengthening its global professional lighting leadership position by further innovating in LED products, winning in connected lighting and unlocking the potential in businesses such as agriculture, solar, and 3D printing. At the same time, Digital Solutions leverages its scale to reduce the cost of production.

Market developments

As the world leader in the professional lighting market, Signify is well-positioned to benefit from powerful global trends, such as the shift to connected lighting, growing demand for food security, and climate action.

The transition to connected lighting is driven by economic benefits for customers, based on total cost of ownership. At the end of 2023, the penetration of connected lighting increased to around 7% of the installed lighting base, showing that the connected lighting market continues to offer significant growth potential for Signify.

In 2023, the indoor professional lighting market and agricultural lighting market were impacted by short-term economic pressure. Higher interest rates and a more restrictive credit environment were weighing on the indoor professional lighting market. The agricultural lighting market was impacted by high energy prices, due to which growers were investing less in their businesses. At the same time, the outdoor professional lighting market continued to be strong, supported by green stimulus programs in various geographies.

Despite the weakness in the indoor professional lighting market and the agricultural lighting market in 2023, both markets are expected to resume their growth. The indoor professional lighting market is expected to continue benefiting from the shift to connected lighting and growing demand for energy efficient lighting. The agricultural lighting market is expected to benefit from increased food needs driven by population growth, increased customer preference for locally grown organic foods, and increased focus on resource efficiency. As a world leader in agriculture lighting, Signify is well-positioned to benefit from this growing market through its heritage, its unique know-how, and patented light recipes for various crops.

2023 Business highlights

- **Completion of a large-scale smart city project in Huanggang City, China:** supplying BrightSites smart poles, Philips LED streetlights and the Interact connected lighting system. The BrightSites smart poles integrate security cameras, environmental sensors, Wi-Fi and other devices. The installation reduces energy consumption by about 60% and operational costs by about 50%;
- **Supported Dublin Port Tunnel with a fast route to energy efficiency:** retrofitting all 1,800 light fixtures with new LED trays and gear while reusing the old housing. The installation generates energy savings of 60%, while also minimizing the carbon footprint. The project is part of the Irish government's energy efficiency plans and was partially funded through the European Green Deal;
- **Introduction of Interact Space analysis:** Signify launched Interact Space analysis together with two new sensors: the Environmental sensor and the People sensor. It is a data-driven solution that gives building owners the information they need to optimize working conditions. Signify is the first lighting company to offer this solution;
- **Modernization of the lighting in more than 200 Netto stores in Poland:** replacing the old generation of LED fixtures with the modern and energy-saving Philips Maxos Fusion LED products resulted in 43% energy savings. Integration of the lighting with the Interact system will increase energy savings by an additional 35%.

2023 Financial performance

Nominal sales decreased by 6.9% to EUR 3,937 million, including a negative currency effect of 3.1% and a positive effect of 1.5% from the consolidation of Fluence, Pierlite and Intelligent Lighting Controls. Comparable sales decreased by 5.4%, against a high base of comparison of 7.8% growth in 2022.

Income from operations increased by 11.2% to EUR 285 million. Adjusted EBITA was EUR 422 and excluded restructuring expenses of EUR 32 million, acquisition-related charges of EUR 15 million and a net negative impact of EUR 17 million from incidental items. The Adjusted EBITA margin increased by 70 bps to 10.7%, mainly driven by gross margin recovery. Free cash flow increased by EUR 137 million to EUR 458 million.

2024 and beyond

Digital Solutions supports Signify's growth for sustainability strategy through attractive growth platforms such as connected lighting, agriculture lighting, solar lighting, 3D printed luminaires, and human-centric lighting. The division maintains a strong financial profile with unmatched global scale and is well-positioned to capture growth from global stimulus programs.

Performance Digital Products

About Digital Products

Digital Products offers a wide variety of LED lamps and functional LED luminaires to consumers and professional customers. In addition, it sells LED electronic components, consisting of LED drivers and LED modules, to OEMs for professional luminaire applications in the retail, office, industry and outdoor segments. Signify is also the global market leader in connected home lighting systems, notably Philips Hue and WiZ, and a top-three player in selected home luminaires markets. Based on proprietary research, the company believes it held the number one position in sales in the global LED lamps and electronics market in 2023.

Philips Hue is the global market leader in connected lighting for consumers, with a continuously expanding product offering.

WiZ Connected further extends the accessibility of consumer-connected lighting, as it provides consumers with a Wi-Fi based connected lighting ecosystem.

Signify's combined consumer connected lighting offer enables consumers to connect via Wi-Fi, Bluetooth or the Philips Hue bridge.

Key figures Digital Products
in millions of EUR unless otherwise stated

	2022	2023
Sales	2,469	2,117
Nominal sales growth	0.7%	(14.2)%
Comparable sales growth [1]	(3.8)%	(10.5)%
Income from operations (or EBIT)	265	170
EBITA [1]	272	176
Adjusted EBITA [1]	297	205
as a % of sales	12.0%	9.7%
Free cash flow [1, 2]	170	291
Number of employees (in FTEs)	14,264	13,486

[1] For a reconciliation to the most directly comparable IFRS financial measure, see chapter 19, Reconciliation of non-IFRS financial measures.
[2] Excluding non-allocated free cash flow items (e.g. tax, interest and central functions).

Strategic priorities

Digital Products' strategy is focused on capturing growth from the transition to integrated luminaires, driven by sustainability-led socket-base conversion and on IoT-technology for consumer-connected lighting, while strengthening its financial profile through growth and innovation.

Market developments

As anticipated in Signify's strategy, traditional LED lamps are continuing to be replaced by higher quality, connected and more sustainable LED lamps, such as the Philips Ultra Efficient LED bulb, functional LED luminaires and connected solutions. This trend is driven by an increasingly compelling proposition of both integrated LED luminaires and connected solutions in particular, while the replacement need of lamp sockets reduces due to the longer lifetime of LEDs. In addition, consumers and professional customers pay attention to the energy efficiency of lighting products in their purchase decisions.

Despite the slowdown of the consumer market in 2023, the company expects these long-term trends to continue for the foreseeable future. These long-term trends provide a solid growth path. Signify has the ambition to drive market share gains by raising the energy efficiency bar through innovation and leadership in functional luminaires and connected lighting.

While Signify expects that the LED lamps market will decline in the next few years, the company is well-positioned to continue to grow market share by building on its strong position in lighting distribution. The decline in the LED lamps market is expected to be compensated by the growth of integrated LED luminaires and connected lighting. Legislation, such as the banning of conventional lighting technologies, is expected to further boost LED adoption.

Despite the slowdown in the LED electronics market in 2023, the LED electronics market is expected to grow, particularly driven by the shift to connected lighting and the LEDification of (industrial) specialty segments.

The consumer connected system markets are expected to continue to grow on the back of the increasing global penetration of the smart home.

2023 Business highlights

- **Driving customer transition to sustainable LED technologies:** anticipating the EU ban of CFL-ni lamps in February, and T5 and T8 linear fluorescent lamps in August, Signify extended the range of energy-efficient alternatives. These LED alternatives provide energy savings between 45% and 70%;
- **Introduction of new UltraEfficient A-Class lights**: launching, among others, UltraEfficient A-Class LED outdoor lights including easy-to-install wall lights, posts and pedestals in both plug-in and solar applications, and UltraEfficient A-Class Philips LED SON-T lamps. The wall lights, posts and pedestals can generate energy savings of up to 50%, while the UltraEfficient Philips LED SON-T lamps can generate energy savings of up to 55%;
- **Launch of new Philips Hue products and features:** product introductions include the Philips Hue Sync TV app for Samsung TVs, the new Philips Hue luster E14 bulb, Philips Hue panels with new shapes, new and enhanced features to the Hue app, and Philips Hue Secure cameras, sensors and app features to help secure consumers' homes;
- **Expansion of the WiZ portfolio:** product launches include the new Color Filament range, the new Neon flex strip, new outdoor lights, including a spotlight, a wall light and a bollard, new WiZ home monitoring technology and the WiZ A60 filament ultra-efficient smart bulb.

2023 Financial performance

Nominal sales decreased by 14.2% to EUR 2,117 million, including a negative currency effect of 3.8%. Comparable sales decreased by 10.5% as growth in LED lamps and luminaires was more than offset by weakness in the consumer connected and OEM businesses.

Income from operations decreased to EUR 170 million. Adjusted EBITA was EUR 205 million and excluded restructuring expenses of EUR 25 million and a net negative impact of EUR 4 million from incidental items. The Adjusted EBITA margin decreased by 230 bps to 9.7%, mainly due to an under-absorption of fixed costs. Free cash flow increased by EUR 121 million to EUR 291 million.

2024 and beyond

The Digital Products division targets market share growth in LED lamps through differentiation with a multi-brand offer of A-brands, B-brands and Private Label sales.

The division also plans to grow sales of LED luminaires by innovating and expanding its product portfolio and by leveraging its LED R&D and distribution strength.

It aims to further accelerate growth in its Consumer Connected business with a two-system offering of Philips Hue and WiZ, and by continuing to innovate in relevant consumer benefits, such as ambiance, well-being and security.

Digital Products will drive growth in LED electronics through the transition to smart lighting, leveraging its innovation leadership in connected components and through dedicated offers for specialty segments.

Performance Conventional Products

About Conventional Products

Signify is the global market leader in the conventional lighting business. Conventional Products comprises the company's conventional lamps and lamp electronics businesses. It produces and sells lamps, based on a wide variety of non-LED based technologies. This includes HID, TL, compact fluorescent, halogen, incandescent, as well as lamp electronics for conventional lamps (electronic ballasts and drivers) and specialty lighting, including projection lighting. Conventional lamps are used in a wide variety of residential and professional applications and are bought by consumers, electrical installers and professional end-users through a wide range of channels. Lamp electronics are mainly sold to luminaire manufacturers directly and as replacement products to electrical wholesalers. Specialty lighting lamps and drivers are sold to the OEM market and to specialized distributors.

Key figures Conventional Products
in millions of EUR unless otherwise stated

	2022	2023
Sales	793	627
Nominal sales growth	(7.9)%	(20.9)%
Comparable sales growth [1]	(12.6)%	(18.4)%
Income from operations (or EBIT)	60	62
EBITA [1]	60	62
Adjusted EBITA [1]	116	129
as a % of sales	14.6%	20.6%
Free cash flow [1, 2]	56	99
Number of employees (in FTEs)	6,093	4,216

[1] For a reconciliation to the most directly comparable IFRS financial measure, see chapter 19, Reconciliation of non-IFRS financial measures.
[2] Excluding non-allocated free cash flow items (e.g. tax, interest and central functions).

Strategic priorities

While the overall conventional market continues to decline, Conventional Products' focus is on further increasing its leading market share. This position supports the company's drive to lead the transition to connected LED products. Specialty lighting products see a much slower conversion rate to LED. The division continues to proactively manage its manufacturing footprint and reduce operational costs to optimize its profit margin and free cash flow.

Market developments

The conventional lamps market is expected to continue to decline in the coming years due to the ongoing adoption of LED lighting technologies and regulatory changes.

In 2023, Europe banned the production of CFL-ni, and T5 and T8 linear fluorescent tubes, accelerating the transition to LED technologies.

2023 Business highlights

Signify estimates that the conventional lighting market declined at a faster pace than its Conventional Products division in 2023 and thus the business continued to gain market share for the 7th consecutive year.

2023 Financial performance

Nominal sales decreased by 20.9% to EUR 627 million, including a negative currency effect of 2.5%. Comparable sales decreased by 18.4%.

Income from operations slightly increased to EUR 62 million. Adjusted EBITA was EUR 129 million and excluded restructuring expenses of EUR 51 million and a net negative impact of EUR 16 million from incidental items. The Adjusted EBITA margin increased by 600 bps to 20.6%, driven by gross margin recovery and cost discipline. Free cash flow increased by EUR 43 million to EUR 99 million.

2024 and beyond

Conventional Products will continue focusing on optimizing market share, profit and cash, in line with its "last company standing" strategy. It will do so by leveraging its scale, global footprint and lean manufacturing capabilities, while still responding to the remaining customer demand for conventional products. It will intensify its focus on specialty lighting products, which have a much slower rate of decline.

Performance Other

"Other" represents amounts not allocated to the operating segments and includes costs related both to central R&D activities to drive innovation, and to Group enabling functions. Income from operations and EBITA were both EUR (147) million. EBITA included restructuring costs of EUR 59 million, and a negative impact from incidental items and acquisition-related charges of EUR 1 million. In 2022, EBITA included a one-time gain of EUR 184 million related to the disposal of non-strategic real estate assets in Q2 2022. Adjusted EBITA was EUR (86) million, compared with EUR (75) million in 2022.

5.1.3 Performance by geographic cluster

In Europe, sales declined by 9.3% to EUR 2,023 million and included a negative currency effect of 0.6%. Comparable sales declined by 8.7%, as most markets declined.

In the Americas, sales declined by 11.6% to EUR 2,633 million and included a negative currency effect of 3.2% and a positive effect of 0.5% from the consolidation of Intelligent Lighting Controls. Comparable sales declined by 8.9%, mainly due to the United States, partly offset by strong growth in Latin America.

In the Rest of the world, sales declined by 11.0% to EUR 1,522 million and included a negative currency effect of 7.6% and a positive effect of 1.3% from the consolidation of Pierlite. Comparable sales declined by 4.7%, due to weakness across most markets.

Global businesses' sales declined by 11.8% to EUR 526 million and included a negative currency effect of 1.5% and a positive effect of 4.1% from the consolidation of Fluence. Comparable sales declined by 14.4%, mainly due to Klite and Fluence.

Sales by market in millions of EUR unless otherwise stated

	2022	2023	Change	CSG
Europe	2,230	2,023	(9.3)%	(8.7)%
Americas [1]	2,978	2,633	(11.6)%	(8.9)%
Rest of the world [2]	1,709	1,522	(11.0)%	(4.7)%
Global businesses [3]	597	526	(11.8)%	(14.4)%
Total	**7,514**	**6,704**	**(10.8)%**	**(8.3)%**

1 Americas includes Intelligent Lighting Controls since March 1, 2023.
2 Rest of the world includes Pierlite since April 29, 2022.
3 Global businesses includes Fluence since May 2, 2022.

5.2 Sustainability performance

Brighter Lives performance

In 2023, our workforce decreased to 31,920 FTEs (2022: 34,619 FTEs), with 28% of leadership roles held by women (2022: 28%). Our employee Net Promoter Score (NPS) was 26 (2022: 36). Meanwhile, 31% of our revenues came from products, systems and services contributing to Food availability, Safety & security or Health & well-being (2022: 27%). Our safety performance indicator (TRC rate) was 0.19 per 100 FTEs (0.16 in 2022). We achieved a supplier performance rate of 97% (2022: 94%), and since 2017 we have lit the lives of 9.4 million people through the Signify Foundation.

Better World performance

We are on track to deliver against our ambitious goal of doubling the pace of the Paris Agreement's 1.5°C scenario. In line with our ambition to contribute to a more circular economy, 33% of our revenues came from our circular portfolio (2022: 29%). At the same time, we sourced 100% renewable electricity and sent zero waste to landfill.

Sustainable performance by geography

	FTEs		Manufacturing sites		% Women in leadership[1]		Operational CO_2e (kt)		Safety TRC rate	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Europe	**10,024**	**8,878**	**15**	**14**	**29%**	**31%**	**111**	**99**	**0.07**	**0.15**
Benelux	2,678	2,483	3	3	28%	31%	12	13	0.11	0.15
Eastern Europe	5,214	4,198	8	7	–%	–%	77	65	0.08	0.18
Germany, Austria and Switzerland	383	372	–	–	100%	67%	5	4	–	–
France	353	334	–	–	50%	100%	6	7	–	–
Iberia	629	769	2	2	–%	–%	5	4	–	0.16
Italy, Israel and Greece	154	157	–	–	–%	–%	1	1	–	–
Nordics	285	284	1	1	–%	–%	3	2	–	–
UK and Ireland	328	280	1	1	n.a.	–%	2	2	–	–
Americas	**9,468**	**8,275**	**18**	**18**	**25%**	**21%**	**55**	**77**	**0.34**	**0.41**
Canada	643	640	2	2	–%	–%	11	5	0.24	0.69
Latin America	5,868	4,935	8	8	–%	–%	11	14	0.13	0.28
United States of America	2,957	2,700	8	8	28%	23%	33	58	0.83	0.66
Rest of the world	**15,128**	**14,767**	**13**	**12**	**32%**	**33%**	**86**	**101**	**0.07**	**0.06**
ASEAN	353	362	–	–	20%	25%	2	2	–	–
Indonesia	174	168	–	–	–%	–%	1	1	–	–
Greater China	10,172	9,885	9	8	50%	55%	37	30	0.07	0.08
India	3,262	3,289	1	1	25%	20%	36	58	–	–
Far East	75	68	–	–	n.a.	n.a.	1	2	–	–
Middle East, Turkey, Africa and Pakistan	742	662	2	2	–%	–%	6	4	0.85	–
Pacific	350	334	1	1	–%	–%	3	4	–	–

1 Excludes Klite.

5.3 Proposed distribution to shareholders

Pursuant to Article 10 of the Articles of Association of Signify N.V., a dividend will first be declared on preference shares out of net income. The remainder of the net income, after reservations made with the approval of the Supervisory Board, shall be available for distribution to holders of ordinary shares subject to shareholder approval after year-end. As of December 31, 2023, the issued share capital consists only of ordinary shares; no preference shares have been issued. Under Article 10 of the Articles of Association of Signify N.V., the Board of Management can determine what portion of the net income shall be retained by way of reserve, subject to the approval of the Supervisory Board.

Signify proposes to declare a cash dividend of EUR 1.55 per share for 2023. The dividend proposal will be subject to approval at the Annual General Meeting of Shareholders (AGM) to be held on May 14, 2024.

The balance sheet presented in this report, as part of the company financial statements for the period ended December 31, 2023, is before appropriation of the result for the financial year 2023.

5.4 Outlook

For 2024, Signify expects:

- An Adjusted EBITA margin improvement of up to 50 bps, including first benefits from the announced restructuring program;
- Free cash flow generation of 6-7% of sales, including an incremental and non-recurring negative impact of around EUR 150 million related to the restructuring program and a reduction of US pension liabilities.

6 Three-year overview

Three-year financial summary in millions of EUR unless otherwise stated

	2021	2022	2023
Income statement			
Sales	6,860	7,514	6,704
Comparable sales growth [1]	3.8%	1.2%	(8.3)%
Nominal sales growth	5.5%	9.5%	(10.8)%
Sales of LED-based products (as % of sales)	83%	83%	85%
Gross margin	2,671	2,732	2,558
as a % of sales	38.9%	36.4%	38.2%
Income from operations (or EBIT)	514	718	369
Net income (loss)	407	532	215
Adjusted EBITA [1]	795	762	670
as a % of sales	11.6%	10.1%	10.0%
EBITA [1]	636	844	449
Net income (loss) attributable to shareholders	397	523	203
Earnings per share in EUR	3.18	4.18	1.61
Dividend per share in EUR [2]	1.45	1.50	1.55
Balance sheet			
Total assets	8,256	8,286	8,004
Shareholders' equity	2,459	2,920	2,817
Net debt [1]	1,156	1,356	1,071
Working capital [1]	250	564	461
Investments and cash flow			
Cash flow from operating activities	704	376	696
Net capital expenditure	(91)	69	(110)
Free cash flow [1]	614	445	586

1 For a reconciliation to the most directly comparable IFRS financial measure, see chapter 19, Reconciliation of non-IFRS financial measures.

2 2023 Dividend subject to approval by the 2024 Annual General Meeting of Shareholders.

Three-year sustainability summary

	2021	2022	2023
Sustainable innovation, as a % of adjusted research & development spend	93%	90%	88%
Brighter Lives revenues, as a % of total sales	25% - 27%	27%	31%
Women in leadership, as a % of total leadership roles	25%	28%	29%
Employee Net Promoter Score	30	36	26
Total recordable cases, per 100 FTEs	0.17	0.16	0.19
Lost workday injuries, per 100 FTEs	0.12	0.09	0.12
Fatalities	–	–	–
Initial and continual supplier conformance audits, number of audits	92	79	157
Supplier sustainability performance	98%	94%	97%
Lives lit, cumulative since 2017 (in million)	7.2	8.3	9.4
Cumulative carbon reduction over value chain, in million tonnes CO_2e [1]	On track [2]	177	334
Operational gross carbon footprint, in kilotonnes CO_2e	290	252	249
Carbon neutral, as % of total operations	100%	100%	100%
Operational CO_2e intensity, in tonnes CO_2e per million euro sales per year	42	34	37
Operational energy consumption, in terajoules	3,630	3,811	3,237
Operational energy intensity, in terajoules per million euro sales	0.53	0.51	0.48
Renewable electricity, as a % of total electricity usage	100%	100%	100%
Circular revenues, as a % of total sales	21% - 25%	29%	33%
Total waste to landfill, in scope of commitment	<1%	<1%	<1%
ISO 14001 certification, as a % of all reporting organizations	83%	70%	87%
ISO 45001 certification, as a % of all reporting organizations	60%	61%	83%

1 The cumulative yearly difference between the GHG emissions of Paris Agreement 1.5°C pathway and the actual value chain emissions of Signify.

2 Based on current level of availability and accuracy of data.

Governance

7 Board of Management

Signify N.V.'s Board of Management is entrusted with the management of the company.
The Board of Management is responsible for the deployment of the company's strategy and the achievement of the operational and financial objectives of the company, and is chaired by the Chief Executive Officer. The Board of Management is accountable for its actions and decisions to the Supervisory Board and is answerable to shareholders of the company at the Annual General Meeting of Shareholders. The Rules of Procedure of the Board of Management are published on the company's website.

Corporate governance

A full description of the company's corporate governance structure is published in chapter 11, Corporate governance.

Eric Rondolat
Born 1966,
Italian/French
Chief Executive Officer
Chair of the Board of Management
since May 2016

Maria Letizia Mariani *
Born 1960,
Italian
Chief Commercial Officer
Member of the Board of Management
since May 2020

Javier van Engelen *
Born 1968,
Belgian/Portuguese
Chief Financial Officer
Member of the Board of Management
since October 2020

Harshavardhan Chitale
Born 1972
Indian
Digital Solutions Division Leader
Member of the Board of Management
since May 2023

* As announced earlier, CFO Javier van Engelen and CCO Maria Letizia Mariani will leave the company on April 1, 2024 and at the close of the shareholders meeting on May 14, 2024 respectively. An announcement on the CFO succession will follow.

8 Supervisory Board

The Supervisory Board supervises the policies, management and general affairs of Signify. It also provides advice to the Board of Management. The Supervisory Board, in the two-tier corporate structure under Dutch law, is a separate body that is independent of the Board of Management.

The Rules of Procedure of the Supervisory Board are published on the company's website. For details on the activities of the Supervisory Board in 2023 see chapter 9, Supervisory Board report, and chapter 10, Remuneration report.

Arthur van der Poel
Born 1948,
Dutch

Chair

Committee(s) [B,C]
Chair of the Corporate Governance and Nomination & Selection Committee
Member of the Supervisory Board since 2016; second term expires in 2024

Former member of the Board of Management of Koninklijke Philips N.V.

Gerard van de Aast
Born 1957,
Dutch

Vice-Chair

Committee(s) [A,B]
Chair of the Remuneration Committee
Member of the Supervisory Board since 2017; second term expires in 2025

Former CEO of Imtech and VolkerWessels, and former member of the Executive Board of Reed Elsevier (later: RELX). Currently Chair of the Supervisory Board of KPN.

Sophie Bechu
Born 1960,
French/American

Committee(s) [D]
Chair of the Digital Committee
Member of the Supervisory Board since 2023; first term expires 2027

Former Chief Operations Officer on the Executive Committee of Royal Philips and former Vice President, Strategic Outsourcing, North America Delivery at IBM.

[A] Member of the Audit Committee.
[B] Member of the Remuneration Committee.
[C] Member of the Corporate Governance and Nomination & Selection Committee.
[D] Member of the Digital Committee.

Supervisory Board

Pamela Knapp
Born 1958,
German

Committee(s) [A,B]
Chair of the Audit Committee
Member of the Supervisory Board since 2020; first term expires 2024

Former CFO of the Power Transmission and Distribution Group of Siemens, former CFO of GfK SE. Currently member of the Supervisory Board of LANXESS and Compagnie de Saint-Gobain, and member of the German Monopolies Commission.

Rita Lane
Born 1962,
American

Committee(s) [C,D]
Member of the Supervisory Board since 2016; second term expires in 2024

Former Vice President of Operations at Apple Inc. Currently member of the Board of Directors of L3Harris Technologies and Amphenol Corporation.

Frank Lubnau
Born 1969,
German

Committee(s) [C,D]
Member of the Supervisory Board since 2020; first term expires 2024

Former Chief Digital Officer of the industry division of Robert Bosch and Chief Technology Officer of the Customer Services Division of Siemens. Currently Head of Intelligent Industry Northern and Central Europe at Capgemini.

Bram Schot
Born 1961,
Dutch

Committee(s) [A,D]
Member of the Supervisory Board since 2022; first term expires 2026

Former CEO of Audi Group, member of the Management Board of Volkswagen Group and Vice-Chair of Porsche Holding Salzburg. Currently non-executive member of the Board of Directors at Shell, Cognizant and Richemont, senior advisor to different companies, including Carlyle Group, and Associate Professor of Practice Corporate Strategy at Bocconi University, Italy.

[A] Member of the Audit Committee.
[B] Member of the Remuneration Committee.
[C] Member of the Corporate Governance and Nomination & Selection Committee.
[D] Member of the Digital Committee.

9 Supervisory Board report

Letter from the Chair

I am pleased to present our Supervisory Board report for 2023.

Market conditions remained challenging in 2023. The volatility remained high, and geopolitical tensions continued. Our financial results were negatively affected by continued softness in consumer, indoor professional and OEM channels, and slower than anticipated recovery in the Chinese markets. Whereas comparable sales declined in 2023, the company was able to maintain double digit profitability margin and over-deliver against its free cash flow guidance.

At the same time, the company is on track for three Brighter Lives, Better World 2025 sustainability commitments, with the percentage of circular revenues surpassing the 2025 target this year. We see the company being well positioned to capture opportunities under governmental stimulus programs promoting sustainability focused investments in the US, Europe and other countries, and to help our customers to save energy and reduce their carbon footprint.

As the Supervisory Board, we have been actively involved in refining the company's strategic direction and the company's response to the continued challenging market circumstances. We extensively discussed the intended new operating model, and the impact on the senior leadership of the company. We support the transition to a new operating model and structural measures announced in December 2023 and believe these will strengthen the company's agility and performance.

Arthur van der Poel
Chair of the Supervisory Board

9.1 Introduction

This report provides information on how the Supervisory Board and its committees fulfilled their duties in 2023.

We welcomed Sophie Bechu to our Supervisory Board, who was appointed by the Annual General Meeting of Shareholders in May 2023. Since then, our Supervisory Board consists of seven members; all seven (100%) of our Supervisory Board members are independent.

The Supervisory Board supervises the policies and management and the general affairs of the company. We also provide advice to the Board of Management.

Our four committees cover key areas in greater detail: the Audit Committee, the Corporate Governance and Nomination & Selection Committee, the Remuneration Committee, and the Digital Committee. The charters of each of the committees are published on the company’s website.

9.2 Key discussion topics and meetings in 2023

Meetings and information

Supervisory Board members are in principle expected to attend all Supervisory Board meetings. A Supervisory Board member shall attend at least 85% of the Supervisory Board meetings as scheduled annually in advance as referred to in Article 5.1 of the Supervisory Board Rules. If a Supervisory Board member does not meet this minimum attendance requirement, the Chair will review the reasons for the absence.

The Supervisory Board held seven regular meetings in 2023: four for the quarterly results plus a meeting in May, September and December. Six out of seven meetings were held in person. The attendance rate of the Supervisory Board meetings was 100% in 2023. The attendance record matrix in this chapter 9.2 gives details for both the Supervisory Board and committee meetings.

In addition to the seven regular meetings, a combined Supervisory Board/Audit Committee is held ahead of the publication of the annual report each year. In 2023, the Supervisory Board also held some ad hoc calls, for example on the Q4 2022 performance update and the new operating model. All of these calls were well attended.

Supervisory Board and Committee attendance record

	Supervisory Board	Audit Committee	Nomination Committee	Remuneration Committee	Digital Committee
Total meetings	7	7	5	3	4
Arthur van der Poel	7 / 7		5 / 5	3 / 3	
Gerard Van de Aast	7 / 7	7 / 7		3 / 3	
Sophie Bechu [1]	4 / 4				2 / 2
Pamela Knapp	7 / 7	7 / 7		3 / 3	
Rita Lane	7 / 7		5 / 5		4 / 4
Frank Lubnau	7 / 7		4 / 5		4 / 4
Bram Schot	7 / 7	6 / 7			3 / 4
Total attendance	100%	95%	93%	100%	93%

[1] Mrs. Bechu was appointed as member of the Supervisory Board on May 16, 2023. The meetings that she attended as an observer prior to her appointment are not reflected in the table above.

Each of the Supervisory Board committees regularly convened and reported back on their activities to the full Supervisory Board. In addition, the Chair of the Supervisory Board and the CEO are in regular contact on a variety of matters. Our members also individually interacted with members of the Board of Management and with senior management outside the formal Supervisory Board meetings. From time to time, Supervisory Board members wanted to be informed on, or discuss, a specific topic. This was then followed-up by a member of the Board of Management or senior management.

There were no apparent conflicts of interest of material significance in 2023, which would have called for one of the members not to participate in the decision-making.

In 2023, the Supervisory Board discussed a wide range of topics throughout the year. Key topics and activities included the following:

- **Strategy review and strategy execution**
  In September 2023, we had our annual Strategy Review meeting, dedicated to discussing the company's strategy towards sustainable long-term value creation. As part of the session, we discussed macro-environment trends and changes, the impact on the lighting market forecast and competitive trends. We looked at the company's financial and sustainability performance, customer experience, and performance on our 2023 strategic initiatives. We discussed the strategic implications of the current macro-environment, enterprise risks, and how we will address these as part of the overall company's 5 Frontiers strategy and strategic initiatives for 2024.

As part of the Strategy Review in September, we also had three strategic deep dives: on the company's current performance, future growth and brand strategy. Each of these deep dives was prepared with guidance and input of a Supervisory Board member. As a follow-up on the growth deep dive, management updated the Board on how the company builds its market forecasts.

The Strategy Review was followed by a strategic plan discussion in December in which management presented the 2024-2026 strategic plan, including financial objectives. We also discussed and approved the company's financial targets for 2024 within the context of its 2024 operating plan.

In addition to these meetings dedicated to the company's strategy, management updated us on a quarterly basis on the progress made on the company's strategic initiatives and targets for 2023, whereby this year we selected four strategic initiatives to focus on at Board level. We continued our practice started last year, to have a dedicated quarterly discussion on trends and developments in the company's competitive landscape, together with a deep dive on a competitor.

Throughout the year, we discussed the market trends, risks and opportunities, and their strategic implications as part of the market and division updates and strategic projects.

Both on a quarterly basis and as part of the division and market updates, we discussed pending and potential acquisitions and divestments contributing to the company's strategy execution. The Board also discussed performance and learnings from past acquisitions, including Cooper Lighting, Fluence and Intelligent Lighting Controls.

We have reviewed, challenged, and advised the Board of Management on the company's implementation of its strategic plan and strategic priorities throughout the year.

- **New organization model**
  In December 2023, the company announced the introduction of a new operating model and structural measures to enhance customer centricity, speed of execution and reduction of structural costs. The Supervisory Board was engaged in discussion leading to the announcement as from an early design phase, and has advised management in relation hereto.

- **Culture**
  In addition to the Board's attention to the company's culture throughout the year, we had our annual discussion dedicated to the company's culture. In this discussion, we reviewed the alignment of the company's purpose, its values, sustainability and diversity, equity & inclusion with how it is embedded and fostered in the company's strategy and organization. This year, we focused on diversity, equity & inclusion and on how to best reinforce values and behaviors.

- **Business performance**
  Each quarter, we discussed the company's business performance in detail. These discussions included updates on the company's financial performance on key financial metrics and factors impacting performance and forecasts, both on a global and on a division and market basis.

  Among the factors impacting performance were the continued higher inflation, affecting both the company's costs and customer demand.

  We discontinued the separate detailed quarterly reporting to the Board on operations, which was introduced in COVID-19 times. We did continue to address (potential) impacts of geopolitical tensions on the supply chain and the company's adaptation of its operational strategy thereto.

- **Sustainability**
  Sustainability is an inherent part of the company's 5 Frontiers strategy. In pursuance thereof, the company developed a five-year sustainability program: Brighter Lives, Better World 2025. Throughout the year, we were updated on the company's targets, progress on this program, and the company's strategic initiatives for 2023 to drive growth for sustainability. Also outside meetings, there is contact on sustainability matters between individual members of the Supervisory Board and the Head of Sustainability and the Chief Strategy & Sustainability Officer.

  As part of our last year's Supervisory Board performance evaluation, we agreed that the Supervisory Board oversight of sustainability strategy remains a topic for the full Board, and that sustainability reporting best resides with the Audit Committee.

  Both the Audit Committee and the full Supervisory Board reviewed the double materiality assessment, adjusted this year to the new requirements under the EU Corporate Sustainability Reporting Directive (CSRD). For more information, see chapter 4, Brighter Lives Better World, subsection 4.1.4, Materiality assessment.

  In December, the Supervisory Board engaged in an ESG program. The purpose of the program was to further enhance the knowledge and understanding of the Supervisory Board on ESG, with a focus on reporting, as such to be better equipped to supervise and advise management on sustainability matters. The broad part of the program was delivered by the University of Cambridge Institute for Sustainability Leadership. The Head of Sustainability thereafter provided a deep dive on the company's sustainability program, the company's climate transition plan and sustainability reporting, Our external auditor Ernst & Young, LLP completed the program with insights into their assurance approach and the role of the auditor as to sustainability reporting.

- **Digital delivery**
  At the start of the year, the full Board reviewed and discussed the company's digital year plan and focus in 2023 to accelerate digitalization, together with the governance for prioritization. The Board was also separately updated on a key digital customer interface project in Europe. Throughout the year, the Board remained updated on progress on the company's digital roadmap through the quarterly update on the company's global digital strategic initiatives and via its Digital Committee report back, see sub section 9.3.4 for more details.

- **Capital allocation, financial reporting and investor relations**
  We reviewed the capital allocation policy of the company. In this context we also discussed expectations related to cash generation, dividend distributions, investments in innovation and M&A, share repurchases to cover obligations arising from Signify's long-term incentive and other employee share plans, debt profile and refinancing as well as credit ratings.

  We discussed the quarterly results, forecasts and the (semi-) annual financial statements for 2023, including related reports from the internal and external auditors and sustainability information, and related press releases.

Throughout the year, the Investor Relations department updated us on feedback from and interactions with investors and analysts, developments in the company's share price and analyst recommendations, as well as updates in the shareholder base. After the publication of each quarterly results, the Investor Relations department updated us on the market reaction and analyst views. A portfolio manager was invited to allow the Supervisory Board to ask questions on his investor view on the company, in a discussion facilitated by Investor Relations.

- **US visit**
  In view of the strategic importance of the US for the company, the Supervisory Board had a three-day visit to the company's North American teams in the company's offices in Burlington (MA). The Board discussed with management the North America performance, market dynamics, benchmarking versus competition, strategy and talent. In a customer roundtable, the Board exchanged views with, and gained insights from, agents and customers. Around the meetings, the Supervisory Board had multiple interactions with the US teams.

- **Innovation and on-site visit**
  We held our dedicated annual discussion on the company's innovation strategy during our US visit. The Supervisory Board also reviewed the company's venture and new technology portfolio. In our Burlington office, the company's innovation department gave demonstrations of recent and future technologies being developed.

  The Board had a more extensive view of the company's dynamic architectural lighting business of Color Kinetics, and a tour highlighting buildings and a bridge with Color Kinetics lighting in Boston.

- **Risk management and internal controls**
  As part of the annual Strategy Review session in September, we discussed the key enterprise risks, the process resulting in the key risks identification and assessment, and how the company addresses these risks. Via the Audit Committee, the Supervisory Board is updated on the company's risk management and internal controls, including any significant changes and improvements thereto, and on a quarterly basis on the enterprise risk management self-assessment on key risks identified.

  In 2023, the Supervisory Board had two sessions dedicated to developments on cybersecurity, together with the company's roadmap and initiatives to address cybersecurity risks. This was complemented by written cybersecurity updates in the other two quarters.

  For more information on the company's key risks, risk management and the company's business control framework, see chapter 13, Risk factors and risk management.

- **Talent management**
  The company's Human Resources department presented its annual update on talent management, succession planning of employees who are in key positions, organizational design, employee Net Promoter Score (NPS), gender and age diversity and focus areas for the coming period. Performance and succession of the company's leadership team and other people in key positions were discussed with the Supervisory Board in more detail.

9.3 Key activities of the Supervisory Board committees in 2023

9.3.1 Audit Committee

Our Audit Committee assists the Supervisory Board in fulfilling its oversight responsibilities for, among other matters, the quality and integrity of the company's financial and sustainability reporting, the effectiveness of the design and operation of the internal risk management and control systems, the internal and external audit process as well as company's process for monitoring compliance.

Pamela Knapp is the Chair, and Gerard van de Aast and Bram Schot are members of the Audit Committee.

The Audit Committee had seven regular meetings in 2023: upon the conclusion of each quarter, twice in February (annual report and auditor report; second meeting combined Supervisory Board/Audit Committee) and in December (hard close). In 2023, an additional meeting was held for presentations of two finalist candidate-auditors for the period 2026-2028. The committee reported its findings to the full Supervisory Board after every meeting. The CEO, CFO, Group Controller, Chief Accountant, Head of Internal Audit, Chief Legal Officer and external auditor (Ernst & Young Accountants LLP) generally attend Audit Committee meetings. At the end of each meeting, the committee holds a private session separately with the external auditor, without members of management being present. The Head of Internal Audit can be invited to this private session from time to time. The committee Chair also has regular contact with the CFO, the Head of Internal Audit and the external auditor outside of committee meetings.

As part of its standing agenda, the Audit Committee reviewed and discussed:
- The Company financial statements, together with an analysis of developments in key financials and forecasts, sustainability results and related press releases;
- Developments in larger legal cases together with any related provisions as well as material investigations;
- Fraud related risks and investigation;
- Internal audits performed and follow-up actions taken and improvements made;
- The annual audit plan and programs for each quarter, the internal audit charter as well as the functioning and effectiveness of the internal audit function. The committee approved the internal audit plan and internal audit charter;
- The enterprise risk management self-assessments, together with the risk management framework and external risk trend;

- The company's annual integrity report over the past year, and key observations as to developments in integrity cases. For more information, see chapter 4, Brighter Lives, Better World, section 4.3.5, Business ethics;
- The annual impairment test analysis;
- The company's internal risk management and control systems, and any significant changes and improvements thereto, and the effectiveness of internal control over financial reporting.

In 2023, the Audit Committee also dedicated time to the following matters:

- **Sustainability reporting**
  In addition to the quarterly review of the reporting under the company's Brighter Lives Better World 2025 program, the committee also reviewed progress on reporting under the EU taxonomy, and preparations for the company's reporting under the EU Corporate Sustainability Reporting Directive (CSRD). The committee discussed the double materiality assessment made, and the split of sustainability information now applied in this Annual Report between the Brighter Lives, Better World information in chapter 4 and CSRD disclosures in chapter 17. The committee paid attention to Scope 3 data availability and improvements to the company's reporting. For more information, see chapter 4, Brighter Lives, Better World, and chapter 17, CSRD Disclosures. The current and upcoming ESG reporting requirements were also part of the ESG training program for the full Supervisory Board in December.

- **Financing and US pension de-risking**
  The committee addressed the turbulence in the banking sector in the first half of 2023.

  The company's liquidity overview and debt profile, and the issuance of a long-term debt to refinance part of the debt that will mature in 2024 was also discussed by the committee and the full Supervisory Board.

  The committee reviewed and discussed the possible termination of a US defined benefit plan in order to de-risk the company's financial exposure and to eliminate ongoing costs and funding needs.

- **Tax policy update**
  The committee reviewed and discussed the company's tax policy and tax developments.

- **Re-appointment external auditor 2023-2025**
  Following a performance assessment by the committee and management, the Supervisory Board decided to propose the re-appointment of the current external auditor for another period. In accordance with this proposal, the 2023 Annual General Meeting of Shareholders re-appointed Ernst & Young Accountants LLP for the period 2023-2025.

- **Proposal external auditor 2026-2028**
  As EU law requires a rotation of the external audit firm after the firm has completed the company's statutory audit for ten consecutive years, a new auditor will need to be appointed for the period as from January 2026. The committee was engaged in the auditor tender, resulting in the committee's recommendation to the Supervisory Board to submit to the 2024 Annual General Meeting of Shareholders a proposal to appoint the company's new external auditor, starting on January 1, 2026, for a period of three years.

- **Interaction with external auditor and audit results reports**
  The reporting from the company's external auditor Ernst & Young Accountants LLP relates to the audit plan and the audit results reports, which are shared with management and the Audit Committee. In the reports, the external auditor highlights developments that are relevant for their key audit matters, and provides details on their audit approach, procedures and observations in relation thereto. In the reports, the external auditor also highlights other areas, developments or audit procedures performed, and their observations and considerations on management judgement and estimates applied in the preparation of the financial statements. In 2023, the committee introduced having an additional meeting to review the external auditor's draft year-end audit report and final draft annual report, ahead of the combined Audit Committee and Supervisory Board meeting on the annual report and audit.

  In the Audit Committee meetings, the external auditor discussed their reports with management and the committee. The discussions with the external auditors also covered matters related to accounting policies, financial risks, compliance with accounting standards and compliance with (financial) legal requirements. Other areas of the Audit Committee review included the proposed external audit scope, approach, fees and the independence of the external auditor. The committee reviewed the professional fitness and good standing of the external auditor and its engagement partners. For information on the fees of Ernst & Young Accountants LLP, refer to chapter 16, Signify N.V. financial statements, note B, Audit fees.

  The audit by the external auditor, including a discussion of the key audit matters, is discussed in the auditor's report which is included in chapter 18, Combined independent auditor's report.

9.3.2 Corporate Governance and Nomination & Selection Committee

The Corporate Governance and Nomination & Selection Committee assists the Supervisory Board by preparing the selection criteria and appointment procedure for members of the Board of Management and the Supervisory Board, periodically assessing the succession planning for the individual members of these boards and arranging interviews of potential candidates. The committee also supervises the policy on the selection and appointment of certain other key management positions. The committee is charged with reviewing the company's corporate governance (for more information on corporate governance refer to chapter 11, Corporate governance). The performance evaluation of the Board of Management and the Supervisory Board is led by the committee.

Arthur van der Poel is the Chair, and Rita Lane and Frank Lubnau are the members of this committee.

The committee held five regular meetings in 2023 and reported its findings to the full Supervisory Board after each meeting. The CEO and Chief Legal Officer generally attend the committee's meetings. The committee Chair has regular contact with the CEO and the Chief Legal Officer. Committee members are regularly in contact on topics ahead of a committee meeting, resulting in efficient decision-making during the meetings.

As part of its standing agenda, the committee discussed changes in key personnel positions, succession planning and the functioning of key personnel as well as the Supervisory Board's performance evaluation procedures. In addition, the committee discussed developments in the Dutch corporate governance landscape and the company's corporate governance structure.

In 2023, the committee specifically dedicated time to the following matters:

- **Composition Board of Management**
  Following a review and assessment by the committee, the Supervisory Board proposed to re-appoint Eric Rondolat as CEO and Chair of the Board of Management, at the AGM to be held in May 2024, for a period of four years.

  In December 2023, the company announced that Javier van Engelen, who joined the company as its CFO in 2020, had decided to leave the company on April 1, 2024. The committee initiated the search and leads the selection process of his successor.

  As the company moves to a new operating model announced in December 2023, it has been agreed not to renew the role of Chief Commercial Officer, held by Maria Letizia Mariani since her appointment in 2020. Therefore, she will not be up for re-appointment at the AGM to be held in May 2024.

- **Composition Supervisory Board and onboarding**
  Following the selection process led by the committee, Sophie Bechu was appointed as Supervisory Board member in May 2023. She followed a tailor-made immersion program to get to know the company's industry, business, strategy and management, and followed our cyber security training for Supervisory Board members.

  In December 2023, the company announced that the Chair of the Supervisory Board, Arthur van der Poel, will step down at the close of the AGM to be held in May 2024. From that date, he will be succeeded by the current Vice Chair Gerard van de Aast, and Bram Schot will become the Vice Chair.

  In 2023, the committee prepared and led an assessment and selection process that resulted in the proposals by the Supervisory Board to appoint Jeroen Drost as a new member to our Board, and to re-appoint Pamela Knapp and Rita Lane at the AGM to be held on May 14, 2024.

  The Supervisory Board recommends the appointment of Jeroen Drost in view of his wealth of experience in banking and investment activities across numerous industries, which will bring a thorough investor's perspective to our Board. Subject to his appointment by our shareholders, Jeroen Drost will become the new Chair of the Audit Committee.

  The proposed appointment of Jeroen Drost and re-appointment of Pamela Knapp are for a period of four years. As Rita Lane served for two four-year terms, and in accordance with the Dutch corporate governance code, her proposed re-appointment is for a period of two years. The Supervisory Board recommends her re-appointment for continuity and in view of her valuable contributions to the Board and the company in the past two terms.

  In each selection process, the committee takes account of the desired board profile, including its diversity policy and expertise and experience as well as the desired board size. For the re-appointments, the respective performance and board evaluations have also been taken into consideration.

- **Board size and profile, including diversity**
  We believe it is of strategic importance that our Board of Management and Supervisory Board are composed in line with Dutch and international corporate governance best practices and that they have the expertise needed for a good understanding of current affairs and longer-term risks and opportunities related to the company's business, taking into account our objectives that promote diversity at board level. Our boards' profile and the Supervisory Board skills and expertise matrix reflect the areas that the committee and Supervisory Board regard to be most relevant to address the transition in the lighting industry and the execution of the company's 5 Frontiers strategy.

  In 2023, the committee reviewed the skills and expertise matrix and concluded that currently no categories need to be added nor removed. At the committee's initiative, as from this Annual report, the number of checks per person are limited to the most important categories for the member concerned. The biographies of the Supervisory Board members maintained on the company's website complement the information included in the matrix.

Supervisory Board skills and expertise matrix
Fields in which the members of the Supervisory Board[1] have a particular skill or expertise

Skill/experience item	Arthur van der Poel	Gerard van de Aast	Sophie Bechu	Pamela Knapp	Rita Lane	Frank Lubnau	Bram Schot
CEO role	✓	✓					✓
Industrial experience	✓	✓	✓	✓	✓	✓	✓
Finance, expert level				✓			
Sustainability	✓						✓
Projects/infrastructure		✓					
Business transformation		✓	✓	✓		✓	✓
Digital business processes			✓		✓	✓	
IT, cybersecurity		✓					
Technology/innovation	✓				✓	✓	
Operations/Supply chain			✓		✓		
Diversity elements: Gender identity, age, nationality	Male 75 Dutch	Male 66 Dutch	Female 63 French/ American	Female 65 German	Female 61 American	Male 54 German	Male 62 Dutch

1 Mr. Jeroen Drost, who is nominated to be appointed as Supervisory Board member at our Annual General Meeting of Shareholders to be held in May 2024, has particular skills/expertise in the following categories: CEO role, industrial experience, finance expert level, sustainability, business transformation.

The committee also reviewed the Boards profile, including diversity, and concluded that currently no update is required. For the Supervisory Board members, and in line with Dutch law, we aim that at least one-third are men and at least one-third are women. Our Supervisory Board currently has 43% female and 57% male and thus meets this objective. For the Board of Management members, we aim at having at least one man and at least one woman for a board of three members, and at least two men and at least two women for a board of five members. Our Board of Management currently comprises of one woman (25%) and three men (75%) and thus meets this objective. For more details on the profile, including the diversity of the Board of Management and Supervisory Board, refer to chapter 11, Corporate governance. For more information on diversity & inclusion in the company, refer to chapter 4, Brighter Lives, Better World, subsection 4.3.2, Diversity, equity and inclusion.

As to the size of the Supervisory Board, the committee concluded that a board of about seven members is a good size for the company.

The committee will continue to periodically assess its size and composition, including the desired diversity, and initiate searches where indicated.

- **ESG committee**
  We noted the suggestion from some stakeholders to companies in general to consider establishing an ESG committee from among their supervisory boards to support progress on sustainability. This topic was also addressed in our last year's annual performance evaluation. We concluded that sustainability has been an integral part of Signify's strategy for many years. The company also publishes extensive sustainability statements. The full Supervisory Board is and will continue to be engaged in the strategy, including sustainability, whereas the review of the sustainability reporting is within the scope of responsibilities of the Audit Committee. In view of this, we saw no need to establish an ESG committee from among the Supervisory Board. The committee reconsidered the establishment of an ESG committee again this year, and came to the same conclusion. It will continue to monitor the sustainability developments and needs in this respect.

- **Performance evaluation and findings**
  The committee looked after the follow-up on findings resulting from last year's Supervisory Board performance evaluation, including on how we can best track the execution of the strategy at the Supervisory Board level, the Board's continued attention to the company's response to geopolitical and market conditions and the organization of an ESG training for the Supervisory Board.

  As per our practice to engage an external party to facilitate the performance evaluation of the Supervisory Board and its committees about every four years, the committee selected an external facilitator for the 2023 evaluation process.

- **New Dutch corporate governance code**
  The committee discussed the new Dutch corporate governance code that was issued in December 2022, and reviewed how the company embedded the updated Code in its organization. The committee led the review of the updates to the Supervisory Board Rules of Procedure, Supervisory Board committee charters and the Board of Management Rules.

9.3.3 Remuneration Committee

The Remuneration Committee assists the Supervisory Board by, among other matters, reviewing and preparing remuneration policies for the Board of Management and Supervisory Board, remuneration proposals for individual members of the Board of Management and other key management positions, as well as proposals for targets relevant to the variable compensation of members of the Board of Management and the review of their performance.

Gerard van de Aast is the Chair, and Pamela Knapp and Arthur van der Poel are the members of this committee. Currently, no member of the Remuneration Committee is a member of the executive management board of another listed company.

In performing its duties and responsibilities, the Remuneration Committee is assisted by an external consultant and an in-house remuneration expert.

The Remuneration Committee held three regular meetings in 2023 and three additional meetings in relation to the remuneration policies review, and reported its findings to the full Supervisory Board after each meeting. The CEO, the Chief HR Officer, the Head of Rewards and the Chief Legal Officer generally attend the committee's meetings. The committee also consulted with the CEO, the Board of Management and certain other key management employees. Following those consultations, the committee prepared decisions and advised the Supervisory Board.

As part of the standing agenda, the Remuneration Committee discussed, among other matters, base salary levels for the Board of Management, the target setting for variable remuneration, the final and interim performance results on variable remuneration, scenario analyses, disclosure in the remuneration report and AGM voting results on the remuneration report.

In 2023, the Committee performed a review of the remuneration policies for the Board of Management and for the Supervisory Board. The committee Chair engaged with key stakeholders, such as shareholders, shareholder representative groups and the Dutch Central Works Council, to obtain feedback on the proposed remuneration policies, executive remuneration in general and views on disclosure in the remuneration report. These findings from the policy review, feedback received from stakeholders and the proposed updates to the remuneration policy for the Board of the Supervisory Board were shared and discussed with the full Supervisory Board.

Also refer to chapter 10, Remuneration report, for further information on the remuneration policies review and the implementation of the current policies in 2023.

9.3.4 Digital Committee

The Digital Committee assists the Supervisory Board by, amongst other matters, reviewing the company's digital strategy and roadmap, digital objectives and performance and the governance for deciding on digital prioritization.

As from her appointment in May 2023, Sophie Bechu succeeded Frank Lubnau as the Chair of the Digital Committee. Rita Lane, Frank Lubnau and Bram Schot are the members of the Digital Committee.

The Digital Committee held four regular meetings in 2023 and reported its findings to the full Supervisory Board after each meeting. During the Supervisory Board's US visit, two additional sessions were held, focusing on a US digital lighthouse project and advanced analytics. The CFO and the Chief Digital and Information Officer (CDIO) generally attend the committee meetings. The committee Chair has regular contact with the CFO and the CDIO.

The company's digital aspiration has a roadmap covering three focus areas: digitalizing customer interfaces, digitalizing processes and digitalizing offers. To enable this roadmap, the company also has focused activities around people, technology, data and way of working.

Ahead of the discussion with the full Board at the start of the year, the committee reviewed and discussed the company's digital year plan and focus in 2023 to accelerate digitalization, together with the governance for prioritization.

As part of the standing agenda throughout 2023, the committee reviewed and discussed progress on the company's global strategic initiatives in the digital domain, their enablers and status of lighthouse projects. In 2023, deep dives were held on various topics, including lighthouse projects in the US and Europe, the company's system & services business, advanced analytics, and the company's portfolio optimization and standardization, including enterprise resource planning (ERP) enhancement.

9.4 Performance evaluation

We evaluated the performance of the Board of Management and of the Supervisory Board and its committees in 2023.

The Board of Management evaluated their team and personal targets performance, and shared their views with the Chair and Chair of the Remuneration Committee, which were discussed in the Supervisory Board.

The objective of our annual Supervisory Board self-evaluation is to gain better insight into the functioning of the Supervisory Board, to identify strengths that we want to keep and to identify matters that the Supervisory Board or the company can improve. In most years, the evaluation of the Supervisory Board's performance is organized internally, led by the Nomination and Governance Committee. About every four years, the Supervisory Board engages an external party to facilitate the performance evaluation. In line herewith, the Supervisory Board engaged an external party to facilitate its 2023 performance evaluation.

The objective of the external facilitator was to support the Supervisory Board in strengthening its effectiveness. They facilitated the Board in evaluating its own functioning, the functioning of its four committees and its relationship with the Board of Management and other stakeholders. The evaluation started with a questionnaire, followed by interviews with each of the members of the Supervisory Board and Board of Management as well as the Chief Legal Officer and Deputy General Secretary. The findings of the questionnaire and interviews served as input for a discussion led by the external facilitator, first with the full Supervisory Board only and thereafter also with the other interviewees.

The self-evaluation of the Supervisory Board provided valuable insight of the functioning of the Supervisory Board regarding several topics and roles, as described in the Dutch Corporate Governance Code.

A general conclusion is that the Supervisory Board is a professional and well-functioning team of highly involved experts, which are easy to mobilize if necessary and which is preceded by an experienced and effective Chair, who will be succeeded this year.

Particularly, the steps taken to increase involvement in strategy deep dives as part of the long-term value creation process were evaluated positively. To add to this, the ambition was formulated to further balance the focus of the Supervisory Board on short-term performance with long-term strategic portfolio developments. This is considered important given the ongoing geopolitical turbulence and uncertainties in markets.

The Supervisory Board makes use of four committees: Audit, Remuneration, Digital and Nomination & Governance. Their functioning is evaluated positively. Previous actions to define the scope and focus of the Digital Committee more clearly, have been successful. The entire board followed an ESG training in 2023 and decided that sustainability remains a key topic for the entire board as it is deeply rooted in every part of Signify. Specific elements, such as regulatory changes, organization culture and social aspects, will be reviewed in depth in the relevant committees.

The Supervisory Board expresses the ambition to further involve and expose second level leadership and potentials, both formally and informally. This is based on positive experiences in the recent past and considered important to maintain oversight regarding organization development and culture, against the background of announced changes within the Board of Management.

9.5 Financial statements 2023 and dividend

Signify's Consolidated and Company financial statements for 2023, as prepared by the Board of Management, have been audited by Ernst & Young Accountants LLP as independent external auditor appointed by the General Meeting of Shareholders. Its report has been included in the Combined independent auditor's report. We have approved these financial statements.

We recommend to the General Meeting of Shareholders to adopt the financial statements for 2023.

We likewise recommend to shareholders that they adopt the proposal by the Board of Management to declare a cash dividend of EUR 1.55 per ordinary share from the 2023 net income.

9.6 Appreciation

Market conditions in 2023 remained challenging. We would like to thank the Board of Management and all Signify employees for their continued commitment, ability to adapt to the changing environment, and performance throughout the year.

We would like to thank our departing CFO Javier van Engelen and CCO Maria Letizia Mariani for their important contributions to the company over the years.

In May 2024, I will step down as Chair. I have all confidence that Gerard van de Aast will be a strong successor.

February 27, 2024

Supervisory Board
Arthur van der Poel
Gerard van de Aast
Sophie Bechu
Pamela Knapp
Rita Lane
Frank Lubnau
Bram Schot

10 Remuneration report

10.1 Letter from the Remuneration Committee Chair

On behalf of the Supervisory Board, I am pleased to present the 2023 remuneration report. This report includes a detailed explanation of the current remuneration policies for the Board of Management and the Supervisory Board. The effectuation of these policies in 2023 is discussed in parts 10.2 and 10.3 of this remuneration report.

In 2023, we initiated a review of the remuneration policy for both the Board of Management and the Supervisory Board. We continued our engagement with key stakeholders, such as shareholders, shareholder representative groups and the Dutch Central Works Council, to understand their views on remuneration in general and to solicit feedback on the proposed changes for the remuneration policies. These interactions were very productive, leading to a good dialogue and valuable feedback, particularly related to improvement opportunities that we have included in this remuneration report as well as the policy proposals that will be on the agenda for the Annual General Meeting of shareholders in 2024.

Signify's performance in 2023

This year was yet another volatile and unpredictable year. The dual specter of war and inflation did not abate during 2023. While inflationary pressure was trending down, it remained at relatively high levels, depressing consumer spending. The uncertainty in the geopolitical environment continued and yet another conflict erupted. It was therefore another year of adaptation for the company.

Within this environment, the Board of Management was able to strengthen Signify's financial profile. While comparable sales growth declined by 8.3% due to weakness in Consumer, OEM and indoor connect lighting, gross margin expanded enabling the company to deliver a healthy free cash flow of 8.7%. In addition, despite the sales decline, the company was able to maintain profitability at 10%, which was broadly in line with 2022, and deliver a gross margin improvement to 39.7%. At the same time, there was an under absorption of fixed costs due to the lower sales volume that offset that margin improvement.

Strategically the company continued to stay the course and drive toward a differentiated position in the market. The relevance of Signify's strategy, products and solutions was further heightened in 2023, as energy efficiency continues to be an urgent means to address our collective impact on the planet. The year 2023 demonstrated a readiness by business and public customers to invest in energy efficiency measures that lend protection from volatile energy markets and help them remain aligned to emissions reduction targets. As a result, Signify is gaining ground in connected professional systems and services, with connected lighting and growth platforms reaching 30% of sales and LED-based sales now comprising 85% of sales.

Signify continues to lead the way in sustainability with the Brighter Lives, Better World 2025 sustainability program, and made continued progress toward achieving the goals of doubling the positive impact on the environment and society by the end of 2025. This year was the third year of this program, and the company is on track to reduce emissions across the entire value chain by 40% against the 2019 baseline, driven by leadership in energy efficient and connected LED lighting solutions which significantly reduce emissions during the use phase. Circular revenues increased, surpassing the 2025 targets, with the main contribution coming from serviceable luminaries, with a strong performance from both professional and consumer segments. Brighter Lives revenue is on track to meet the 2025 targets, however women in leadership is behind the targets to achieve the 2025 outcome.

Signify customers have reported an improved experience as the customer net promoter score increased to 53 in Q4, continuing the positive trajectory in this area as evidenced by the improvement over the score of 44 at the end of 2022. Significant improvement was experienced by customers in order and delivery, which was a noted pain point. From an employee perspective, the employee net promoter score declined to 26 at the end of 2023, down from a score of 36 at the end of 2022. This decline was expected and attributed to the announcement in Q4 of the need to restructure the business along customer segments and a need to reduce costs into 2024. The announced restructuring and costs savings will set the company on a good path to better serve customers, quickly adapt to the environment, and ensure end-to-end accountability for delivery to customer segments.

Stakeholder engagement

The 2022 remuneration report received a 92.93% advisory vote from the shareholders, at the Annual General Meeting of Shareholders, held on May 16, 2023.

In preparation for the 2023 Remuneration Report and the proposed changes for the Remuneration Policies for the Board of Management and the Supervisory Board, the Supervisory Board initiated extensive shareholder engagement. Our objective was to understand the expectations of, and solicit feedback from, our broad and geographically diverse shareholder base, including proxy advisors and other stakeholders. In this regard, we invited investors representing a total of 37% of our shareholder base to meet with Signify on this topic, and ultimately meetings were held with shareholders representing 18% of the shareholder base, excluding passive investors.

These discussions were very constructive, and we received valuable feedback and suggestions on how the Remuneration Report could be further improved. The following key points came from those interactions:

- Very positive feedback on the link of strategy, ESG metrics, long-term incentives and related disclosure;
- Expectation of increasing disclosure, particularly on the team/individual performance measures in short-term incentives; and
- Recommendations for limiting the number of focus areas included in the team/individual performance measure in the future.

With respect to the second item, we have significantly expanded the disclosure on the team/individual performance for 2023 in direct response to this feedback, while the third item has been taken for consideration for target setting for 2024.

Looking ahead to 2024

The current remuneration policies of the Board of Management and Supervisory Board were last reviewed and included in the AGM 2020. It was therefore time for a full review of the policy in light of Signify's evolution as an independent organization, market practices, expectations of shareholders, and developments in corporate governance. During 2023, we undertook a detailed review of the policies with an external remuneration expert to challenge us, bring best practice developments, and provide overall expertise. The policy review included remuneration structures, peer groups and potential changes to various policy clauses.

The stakeholder engagements as outlined were an important step in the development of the final policies. Specifically, shareholders, stakeholders and the Dutch Works Council were invited to give feedback and discuss the elements of the policy for which there were proposed changes.

The following were the key discussion points during these stakeholder engagements:

- Limiting the potential for duplication of metrics in the short- and long-term incentive plans by removing free cash flow (FCF) from the short-term incentive plan;
- Adapting the vesting of our long-term incentive plans at early or full retirement to reflect what shareholders consider to be best practice with a pro-rata vesting; and
- Enabling some limited flexibility in the short-term incentive plan balance of financial and non-financial metrics to reflect priorities in a particular year.

The first two points were proposed as changes to the policy in direct response to feedback received from stakeholders in prior engagements. This was very much appreciated by all stakeholders with whom we met during these engagements.

Other topics addressed included the labor market peer group, as well as the refinement of the base salary and the clawback clauses.

We very much appreciated those discussions and we have enhanced the policy based on the feedback received.

With respect to the Supervisory Board Remuneration policy, we were not proposing any changes. While a review of this policy was conducted, the content remains largely consistent with the policy of 2020. During the engagement sessions, feedback on this policy was very limited. It was noted by our shareholders, however, that we may wish to consider increasing fees for the future as they have remained as is since 2017, when Signify became an independent company. We are not proposing to do that at this time; however, the feedback was noted for future consideration.

The proposal for the revised Remuneration Policies for the Board of Management and the Supervisory Board will be included in the convocation documents for the 2024 AGM.

Finally, the link between the Signify strategy, ESG metrics and remuneration overall was a key component of all stakeholder conversations for both the Remuneration Report and Policy for the Board of Management, as illustrated in the image below. Signify continues to be identified as a leader in its approach to sustainability, the degree of reporting on these metrics and the related link to the long-term incentive plan. Additional input from stakeholders related to a desire for the inclusion of ESG metrics in the short-term incentive plan. While Signify believes these metrics fit more readily to a longer-term time horizon, the policy change related to enabling limited flexibility in the short-term incentive plan balance of financial and non-financial metrics would potentially enable this to be included in the future, if appropriate, in response to this feedback.

We are pleased with the overall ongoing engagement with stakeholders and the degree of feedback and dialogue experienced. As described, we have continued to evolve the 2023 report and 2024 remuneration policies in direct response to this feedback. We trust that stakeholders experience these changes positively and appreciate the spirit of transparency and continuous improvement which drives them.

Gerard van de Aast
Chair of the Remuneration Committee

10.2 Remuneration Board of Management

Introduction

Signify has a balanced compensation policy for its employees, from our CEO and other members of the Board of Management to all employees worldwide. Our policy aims to stimulate sustainable short- and long-term value creation. Therefore, the performance measures used in the variable compensation components are linked to quantitative financial, non-financial and sustainability targets. The remuneration policy also serves a communication purpose as it clearly stipulates and supports a common approach to deliver on the company's strategy.

Signify's value creation model:

The value created by Signify goes beyond financial performance alone. Our approach is to optimize long-term value through financial, environmental and social resources. Our focus on environment and the societal implications of doing business is evidenced in our Brighter Lives, Better World 2025 program. This program links to our long-term incentive plan and ensures that the interests of the organization, society at large, and our impact on the environment in which we live are key elements in how Signify delivers long-term value creation to stakeholders. Our activities and our way of doing business impact customers, employees, investors and society at large. Signify expresses these impacts in monetary terms in chapter 3, Creating sustainable long-term value, section 3.3, Our value created.

The current remuneration policy for the Board of Management and for the Supervisory Board was adopted by the Annual General Meeting of Shareholders (AGM) in 2020. The effectuation of these policies in 2023 is discussed in parts 10.2 and 10.3 of this remuneration report.

The report included in this chapter constitutes the remuneration report within the meaning of section 2:135b of the Dutch Civil Code.

The following principles apply for the remuneration policy of the Board of Management:

- Signify's remuneration policy aims to attract, reward and retain qualified leaders to pursue the company's purpose and long-term strategic objectives, while taking the interest of all the company's stakeholders into account;
- Remuneration levels are to be competitive and in line with the market practice of comparable companies and support a pay-for-performance philosophy with a significant proportion of compensation at risk;
- Remuneration should drive long-term value creation from a financial, non-financial and sustainability perspective;
- During the policy design and review process, stakeholder feedback and legal provisions, including the Dutch Corporate Governance Code, are taken into consideration.

Remuneration components

The compensation package for the members of the Board of Management consists of the following fixed and variable components:

- Base salary;
- Annual cash incentive;
- Long-term equity-based incentive;
- Pensions and other benefits.

The combination of a member's base salary, annual cash incentive and long-term equity-based incentive, together referred to as the "total direct compensation", is targeted around the median level of a representative labor market peer group and benchmarked on a regular basis.

This peer group consists of 50% Dutch cross-industry companies that are typically included in the AEX or AMX, and 50% European sector-specific companies. The Supervisory Board reviews the peer group on a regular basis and may adjust to ensure that the companies in the group remain relevant peers. In 2023, the peer group was reviewed and updated to ensure relevance.

As of January 2024, the labor market peer group consists of the following 14 companies:

Labor Market Peer Group		
Aalberts	DSM-Firmenich	ams OSRAM*
AkzoNobel	KPN	Prysmian
Arcadis*	Legrand	Rexel
ASMi*	Nexans	Rheinmetall Group
BAM	Nordex*	

* New companies to the labor market peer group

Summary of Remuneration

	Compensation Element	2020 Policy Summary	Application in 2023 Summary
Total direct compensation	Base salary	• The Supervisory Board determines the base salary and may, at its discretion, apply an increase; • The base salary may not be adjusted with a higher percentage than a collective labor agreement (CLA) increase agreed for the CLA population in the Netherlands.	Base salary as follows: E.H.E. Rondolat € 985,223 H.M. Chitale € 644,000 F.J. van Engelen Sousa € 644,649 M.L. Mariani € 644,649
	Annual cash incentive	CEO: On-target: 80% Maximum: 160% of base salary Other BoM members: On-target: 60% Maximum: 120% of base salary 80% is related to financial performance measures and focuses on the realization of strategic business objectives. 20% is related to team and individual performance measures.	Measures: • Comparable sales growth (20%) • Adjusted EBITA (30%) • Free cash flow (30%) • Team/individual (20%) Actual payout: In % of target: E.H.E. Rondolat 55.8% H.M. Chitale 55.8% F.J. van Engelen Sousa 56.8% M.L. Mariani 57.8%
	Long-term equity based incentive	CEO: Annual on-target grant value: 100% of base salary Other BoM members: Annual on-target grant value: 80% of base salary Key features: • Granted in performance share units (PSUs) only; • Conditionally granted annually; • Vesting of performance shares conditional upon achievement of performance conditions measured over a period of three financial years and continued employment; • Performance measured using four performance measures equally weighted: i) relative total shareholder return (25%), ii) free cash flow (25%), iii) return on capital employed (25%), and iv) sustainability (25%); • Payout per performance measure can vary between 0% and 200%; • In the case of external hires, a restricted share units (RSUs) based sign-on award can be offered.	2023 grant: E.H.E. Rondolat 33,052 PSUs H.M. Chitale 17,284 PSUs F.J. van Engelen Sousa 17,300 PSUs M.L. Mariani 17,300 PSUs • Holding requirement (part 10.2.7 of this remuneration report): CEO: 300% of base salary Other BoM members: 200% of base salary • Additional requirement to comply with holding requirements under the Dutch corporate governance code (total five years from grant date)

<table>
<tr><th></th><th>Compensation Element</th><th>2020 Policy Summary</th><th colspan="2">Application in 2023 Summary</th></tr>
<tr><td rowspan="2">Other compensation</td><td>Pension benefit</td><td>• Collective defined contribution plan up to the maximum pensionable salary (2023: EUR 128,810);
• Gross pension allowance of 25% of the base salary exceeding the maximum pensionable salary;
• Members of the Board of Management can, on a voluntary basis, choose to participate in a net pension arrangement by investing the net (after tax) amount.</td><td>

E.H.E. Rondolat
H.M. Chitale
F.J. van Engelen Sousa
M.L. Mariani</td><td>Accumulated annual pension as of Dec 31, 2023:
€ 47,702
€ 11,586
€ 6,562
€ 6,715</td></tr>
<tr><td>Additional benefits</td><td>Additional benefits, such as expense and relocation allowances, medical insurance, accident insurance and company car arrangements.

Car allowance gross per annum (or lease car):
Entertainment expense allowance net per annum:
Representation allowance net per annum:

Relocation allowances:</td><td>CEO:
€ 36,960
€ 23,920
€ 6,800

H.M. Chitale and F.J. van Engelen Sousa (per contractual agreement related to family relocation):
Allowance international school (net):</td><td>Other BoM members:
€ 31,560
€ 6,000

€ 12,500</td></tr>
</table>

The table below reflects the total remuneration as well as the remuneration costs of each of the members of the Board of Management in 2023.

Remuneration and remuneration costs of individual members of the Board of Management in EUR

	Base compensation/ salary	Annual incentive [1]	Performance shares costs [2]	Restricted share rights costs [3]	Pension allowances	Pension scheme costs	Other compensation [4]	Termination benefits [5]	Total remuneration costs
2023									
E.H.E. Rondolat	985,223	439,804	570,304	–	214,103	31,834	41,536	–	2,282,804
H.M. Chitale[6]	403,667	135,835	121,685	–	80,732	19,954	20,735	–	782,608
F.J. van Engelen Sousa	644,649	219,696	42,968	–	128,960	31,834	33,515	–	1,101,622
M.L. Mariani	644,649	223,564	266,689	–	128,960	31,834	49,166	644,649	1,989,511
	2,678,188	**1,018,899**	**1,001,646**	**–**	**552,755**	**115,456**	**144,952**	**644,649**	**6,156,545**
2022									
E.H.E. Rondolat	947,330	90,944	705,530	–	240,492	28,133	31,725	–	2,044,154
F.J. van Engelen Sousa	619,855	44,630	179,199	96,799	126,247	28,133	29,404	–	1,124,267
M.L. Mariani	619,855	44,630	349,509	–	126,247	28,133	42,262	–	1,210,636
	2,187,040	**180,204**	**1,234,238**	**96,799**	**492,986**	**84,399**	**103,391**	**–**	**4,379,057**

1 The annual incentive is related to the performance in the year reported and which is paid out in the subsequent year.

2 Costs of performance shares are based on accounting standards (IFRS) and do not reflect the value of the shares at the vesting/release date. Costs for F.J. van Engelen Sousa include the forfeiture of the 2022 and 2023 grants due to his termination per April 1, 2024; the Supervisory Board decided that the 2021 LTI grant will vest in full. Costs for M.L. Mariani reflect the pro-rata forfeiture of the 2022 and 2023 LTI grants, which will vest pro-rata given the company elected not to renew her services contract. As explained in more detail below, there is a disagreement between the company and Ms. Mariani about the treatment of these LTI grants.

3 Costs of restricted shares rights are based on accounting standards (IFRS) and do not reflect the value of the shares at the vesting/release date and concerns the sign-on grant of EUR 300,000 for F.J. van Engelen Sousa that vested in 2022.

4 The stated amounts mainly concern (part of) allowances to members of the Board of Management that can be considered as remuneration. In a situation where such a part of an allowance can be considered as (indirect) remuneration (for example, private use of the company car or car allowance), then such part is both valued and accounted for here. The method employed by the fiscal authorities in the Netherlands is the starting point for the value stated. Net allowances are not included.

5 As the company elected not to renew the services contract of M.L. Mariani after the end of term in May 2024, as per her services contract (which is published on the company's website), she will receive a lump sum payment of one time the annual base compensation/salary (currently estimated to be a gross amount of EUR 644,649), which is payable in June 2024.

6 Appointed member of the Board of Management at May 16, 2023 AGM. Remuneration costs represent the period functioning as member of the Board of Management as of May 16, 2023.

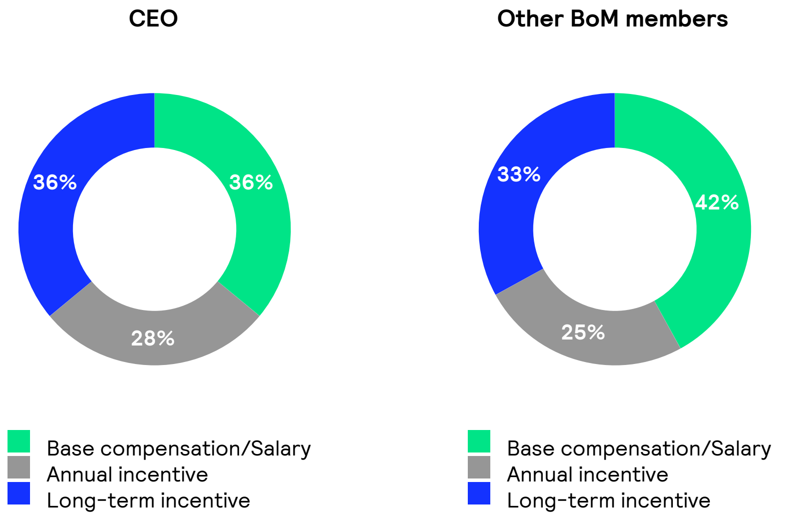
All remuneration was paid in accordance with the remuneration policy.

There is a disagreement between the company and Ms. Mariani about the treatment of the 2022 and 2023 LTI grants in the context of the termination of her services agreement on May 14, 2024. The Supervisory Board of the company holds the view that these grants should vest pro-rata in view of the overall termination arrangement made available by the company to Ms. Mariani, whereas Ms. Mariani holds the view that these grants should vest in full based on a separate agreement which is contested by the company. The company and Ms. Mariani have not been able to reach an agreement on this matter prior to the publication of this annual report.

The performance share costs for Ms. Mariani in 2023 as shown in the table above of EUR 266,689 would be increased by EUR 112,168 in case of full vesting of the 2022 and 2023 LTI grants.

10.2.1 Mix of remuneration elements

To support the remuneration objectives, the policy includes significant variable components in the form of an annual (cash) incentive and a long-term equity-based incentive of performance shares. As a result, a significant proportion of pay is "at risk" through variable incentives. The chart below shows the relative on-target value of fixed versus variable compensation.



The table below shows the actual remuneration mix in 2023.

	Fixed [1]	Variable [2]	Proportion fixed/ variable
E.H.E. Rondolat	1,272,696	1,794,604	41%/59%
H.M. Chitale [3,4]	525,088	135,835	79%/21%
F.J. van Engelen Sousa [4]	838,958	219,696	79%/21%
M.L. Mariani	854,609	908,712	48%/52%

1 Base compensation/salary, pension allowances, pension scheme costs, other allowances as reported in the table "Remuneration and remuneration costs of individual members of the Board of Management" under 10.2.
2 Annual incentive realized as reported in the table "Remuneration and remuneration costs of individual members of the Board of Management" under 10.2 and Long-term incentive value at vesting date in 2023 as reported in the table "Performance shares 2020 - 2023" under 10.2.5.
3 Remuneration costs present the period functioning as member of the Board of Management as of May 16, 2023.
4 The variable remuneration for H.M. Chitale and F.J. van Engelen Sousa does not yet include an LTI vesting value as Board of Management member and therefore the mix fixed/variable differs from the mix for the other Board of Management members.

Scenario analyses are prepared regularly to estimate future payout levels as input to policy redesign, as well as to determine the IFRS costs and any hedging strategy that might be employed. Scenarios included minimum, threshold and maximum performance all under a 0% share price appreciation assumption. Additional scenarios included maximum performance with both a 50% share price increase and a 100% share price increase. The scenarios considered achievement across all metrics at below threshold, target and maximum levels of performance and the resulting remuneration. Based on the scenario analyses performed, the Supervisory Board has concluded that the policy supports the pay-for-performance philosophy and leads to appropriate remuneration.

10.2.2 Base salary

The base salary compensates for the individual's experience, skills, duties, responsibilities and the contribution of the individual within Signify. The Supervisory Board determines the base salary and may adjust the base salary, for example following the results of benchmark studies and to ensure alignment between members of the Board of Management. Absent any adjustment of the base salary, it aligns with (collective and merit) increase as agreed for the CLA population in the Netherlands. The Supervisory Board regularly reviews the total direct compensation (including base salaries).

The annual compensation of the members of the Board of Management was reviewed at the beginning of 2023 in line with the regular remuneration review. The Remuneration Committee considered the input of the Board of Management members in setting their pay levels.

For 2023, the Supervisory Board decided to increase the base salary levels for all members of the Board of Management by 4%, in line with the budgets (collective and merit increase) allocated for the CLA population in the Netherlands.

Base salaries Board of Management in 2023 in EUR

	January 1, 2023 (+ 4%)
E.H.E. Rondolat	985,223
F.J. van Engelen Sousa	644,649
M.L. Mariani	644,649

H.M. Chitale was appointed member of the Board of Management during the AGM on May 16, 2023 and his salary was set at EUR 644,000.

In 2023, a deeper review was conducted on all remuneration components, including base salary as part of the remuneration policy review, as detailed in 10.4.

10.2.3 Variable remuneration

The variable remuneration of the members of the Board of Management consists of an annual cash incentive and a long-term equity-based incentive.

The design of the incentives aims to achieve a balance between short-term objectives, long-term value creation and sustainable performance. Variable pay is based on both financial and non-financial performance measures. In selecting performance measures, their respective weights and targets for a performance period, the following is considered:

- Performance measures are selected based on relevance to the company's strategy;
- The company's strategy determines the targets and intervals for the performance measures;
- Targets are set ambitiously yet realistically, taking the company's risk appetite into account;
- Alignment with stakeholders' interests and expectations is essential.

The Supervisory Board determines the target for each of the performance measures of the annual cash incentive and the long-term equity-based incentive. The target definition for these variable remuneration components includes target intervals and correlating payout schemes, being defined in incremental steps in performance and respective payout. In addition, a minimum threshold for the achievement of financial performance measures applies, below which there will be no payout. Following the end of the relevant performance period, the Supervisory Board will assess the actual performance relative to the targets set. On that basis, the Supervisory Board will, at its discretion, determine the achievement per performance measure and target.

10.2.4 Annual cash incentive

Members of the Board of Management are eligible for an annual cash incentive. The annual incentive is designed to reward the achievement of annual financial and operational objectives and personal performance. The purpose is to ensure alignment with the company's annual business plan setting the strategic priorities for that year, which in turn contribute to the company's long-term objectives.

Under the 2020 remuneration policy, the Supervisory Board can annually select two or three financial performance measures from the following list, and determine the weighting per performance measure: growth (such as comparable sales growth), profit (such as adjusted EBITA or net income), cash flow (such as average working capital or free cash flow) and investment return (such as return on capital employed).

The possibility to annually select financial performance measures from the above list gives the Supervisory Board a certain level of flexibility to ensure continuous alignment of the performance measures with the company's strategy and financial objectives for the mid-term.

The financial performance measures used in the annual incentive to track performance over 2023 were comparable sales growth (measured as a percentage of sales), adjusted EBITA (measured as a percentage of sales) and free cash flow (measured as a percentage of sales). These measures were determined by the Supervisory Board to reflect the best alignment with the company's strategy and financial objectives for the mid-term focusing on profitable growth, with more weight on free cash flow and adjusted EBITA than on comparable sales growth: free cash flow (30%), adjusted EBITA (30%) and comparable sales growth (20%),

The financial targets for 2023 were set within the context of the medium-term objectives of the company at the beginning of the year and did not change over the course of 2023. Payout between the financial targets is linear.

The team/individual performance measures are recommended by the CEO and discussed and ultimately approved by the Supervisory Board. For 2023, these measures included, among others, cultural change and people engagement, US business performance, customer satisfaction and organization redesign, explained further in the table on the realized outcomes.

Performance achievements 2023

Performance against financial targets are reviewed on a quarterly basis. The assessment of performance under the annual incentive plan is concluded by the Supervisory Board.

For 2023, the global environment continued to be volatile and unpredictable. Although Signify adapted to the challenges during the year, financial performance was not as expected. Comparable sales growth was -8.3% mainly due to weakness in Consumer, OEM and Indoor professional lighting. As such, performance was below the threshold level of expectations and results in a 0% payout on the metric. The adjusted EBITA result of 10% was broadly in line with 2022 but below ambitions set at the beginning of the year, as the gross margin improvement delivered during 2023 was offset by an under absorption of fixed costs. As such the outcome on this metric is also 0%. Despite adverse market conditions, Signify delivered a healthy free cash flow of 8.7% of sales, mainly as a result of the higher net cash provided by operating activities. This outcome was significantly above the threshold level of 6% expected for the year and as such the achievement of that metric was 136%. Overall, it was a mixed financial performance for the year, and given the results on the three metrics, the final realization on the financial metrics was 40.8%.

For the realization of the financial measures of the annual incentive, the Supervisory Board considered whether any adjustments or discretion should be applied. The Supervisory Board concluded not to make any discretionary adjustments to the outcomes of the financial measures, nor were any changes made to the original targets set for the year 2023.

Finally, the Supervisory Board assessed the achievements of the Board of Management relative to each of their individual goals and their collective team goals, considered as equally weighted for 2023.

For the team objectives, the overall assessment was good but with mixed results across the different priorities. With respect to culture change and people engagement, there were some varied outcomes. Investment in future talent via campus hiring was strong compared to prior years with more than 400 campus hires versus 150 in 2022, and included a very strong diversity mix with women representing 57% of campus hires. Overall gender diversity increased by 1% with women representing 38% of the total population in 2023. Our US business is showing improvement, particularly with very strong cash metrics, but performance remains below expectations.

Customer engagement is a bright spot for 2023 as the Customer Net Promoter Score has improved to 53 versus a target of 47 and reflects a significant improvement over 2022 performance of 44. In addition, the company made significant improvements in a key customer pain point of order and delivery, which improved by 13 points. Finally, the needed restructuring was defined, structured and communicated, which negatively impacted the employee Net Promoter Score with a Q4 outcome of 26 versus 36 at the end of 2022.

For the individual goals, the outcomes were modest. Cash optimization and inventory significantly improved while quality and service levels were protected as evidenced in the Customer Net Promoter Score and improvements in order and delivery. The Board of Management delivered on key strategic projects, inclusive of designing and having ready for implementation in Q1 2024 a new operating model focused on four businesses, as announced in December 2023. Growth was not as expected, although there were definite bright spots in our strategic frontiers, such as connected systems, solar lighting, and LiFi, while pricing discipline improved. Overall commercial excellence improved as reflected in the improved pricing discipline. Finally, the opportunities realized related to Green Deal revenue reflect above expectations for the number and value of projects won, while the achievement of the Brighter Lives, Better World 2023 outcomes relative to targets were above expectations and continue to position Signify very well relative to the ambitious targets set for the 2025 program.

The Supervisory Board acknowledged the continued volatility and challenging year and assessed the individual and team performance in the context of the year. The Supervisory Board assessed performance as good. As a result, the Supervisory Board has determined that the realized performance on this measure reflected 80% for the team objectives and 70% to 90% for the individual objectives.

The summarized outcomes realized on all measures are as follows:

Financials (80% weighting)	Weighting	Threshold 50%	Actual	Payout %	Weighted payout %
Comparable sales growth	20%	(3.0)%	(8.3)%	-%	**-%**
Adjusted EBITA	30%	10.6%	10.0%	-%	**-%**
Free cash flow	30%	6.0%	8.7%	136.0%	**40.8%**
Payout level financials				136.0%	**40.8%**

Non-financials (20% weighting)						**Minimum**	**Expected**	**Exceptional**
Team targets (10% weighting)	**Description and achievements**				**Weighted payout %**			
Culture change/people engagement	Employee NPS: declined to 26 (2022 36); reflects restructuring announcements Q4 2023. Diversity (gender/generational): campus hires increased to 400 vs 150 in 2022 with women representing 57%; 1% increase in gender diversity with women representing 38% of total population.							
US business performance	Growth below expectations; profitability stable with strong cash performance.							
Customer satisfaction	Customer net promoter score of 53 (target 47) vs 2022 performance of 44. Order & delivery customer pain point improved by 13 points; detractor call back close loop of 92%.							
Organization redesign	New operating model defined, structured and communicated in Q4 2023; ready for implementation in Q1 2024.							
Payout level team targets					**8%**			
	E.H.E. Rondolat	**H.M. Chitale**	**F.J. van Engelen**	**M.L. Mariani**				
Payout level individual targets (10% weighting)	**7%**	**7%**	**8%**	**9%**				
Payout level non-financials (20%)	**15%**	**15%**	**16%**	**17%**				
Total payout level	**55.8%**	**55.8%**	**56.8%**	**57.8%**				

The multiple achieved results in the following payout for each Board of Management member:

Annual incentive realization 2023 in EUR

	Annual base		On-target % of annual base		Multiple achieved		Pro-rata factor		Realized annual incentive (in EUR)
E.H.E. Rondolat	985,223	x	80%	x	55.8%	x	1	=	439,804
H.M. Chitale [1]	644,000	x	60%	x	55.8%	x	0.63	=	135,835
F.J. van Engelen Sousa	644,649	x	60%	x	56.8%	x	1	=	219,696
M.L. Mariani	644,649	x	60%	x	57.8%	x	1	=	223,564

[1] The realized annual incentive reflects the pro-rata amount as of May 16, 2023.

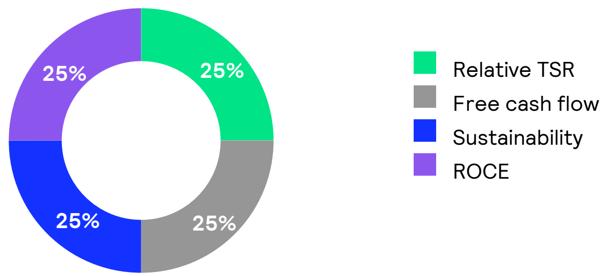
10.2.5 Long-term equity-based incentive

Members of the Board of Management are eligible for a long-term equity-based incentive under the Signify Long-term Incentive Plan (LTI Plan). The objective of the long-term incentive is to link pay with long-term sustainable value creation. In addition to the Board of Management, approximately 800 employees globally are participants in a similar long-term incentive plan.

The main characteristics of the long-term incentive plan for the Board of Management are as follows:

- The long-term incentive is granted in performance shares only and granted annually;
- The vesting of performance shares is conditional upon the achievement of performance conditions measured over a period of three financial years and continued Signify employment;
- Performance is measured using four performance measures in 2023: relative total shareholder return (25%), free cash flow (25%), return on capital employed (25%) and sustainability (25%);
- Payout per performance measure can vary between 0% and 200%.

Performance measures



Relative TSR

The vesting of 25% of the shares granted is subject to a TSR condition. Relative total shareholder return (TSR) measures the share price growth plus dividends paid over the three-year performance period. Performance is expressed as a percentage. This percentage is compared to the TSR performance of companies included in the peer group specifically compiled for this purpose. The TSR performance is determined for each company in the peer group and the performances are ranked from top to bottom. Signify's position in the ranking, together with the payout curve, determines the payout level.

In 2023, the peer group consisted of the following companies:

TSR Peer Group

ABB	Honeywell Int.	Panasonic
Acuity Brands	Hubbell	Signify
Eaton Corporation	Johnson Controls	Schneider Electric
Fagerhult	Legrand	Toshiba
Hitachi	MLS Co Ltd	Zumtobel Group

The peer group is reviewed on a regular basis to ensure that the companies in the group remain relevant peers. In case a peer needs to be replaced due to a corporate event (merger, acquisition, and so on) the Supervisory Board will ensure that the adjusted peer group remains aligned with the strategic objectives, the geographical spread and the business characteristics of Signify. Per January 1, 2022. Cree was replaced by MLS Co Ltd. This means that:

- For the LTI 2021 grant (vesting in 2024), TSR will be calculated on a "synthetic combination", i.e. Cree until January 1, 2022, and MLS as of January 1, 2022;
- As of the LTI 2022 grant (vesting in 2025 and thereafter), MLS will replace Cree in the TSR peer group.

The Supervisory Board reviewed the TSR peer group, and replaced Toshiba with ams OSRAM due to Toshiba's delisting at the end of 2023.

Performance-incentive zone for TSR in % of grant value

Ranking	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1
Payout	0	0	0	0	0	0	0	75	100	125	150	175	200	200	200

Free cash flow

The vesting of another 25% of the annual long-term incentive grant is linked to performance measured by a free cash flow target over the three-year performance period. The targets and intervals around these measures are determined by the Supervisory Board, based on the company's strategic, multi-year plan.

Sustainability

The vesting of 25% of the annual long-term incentive grant is dependent on how well Signify performs against the targets set with respect to the sustainability condition. The targets and intervals around these measures are determined by the Supervisory Board, based on the company's strategic, multi-year plan. As targets set are usually both qualitative and quantitative, set ambitiously and adjusted regularly, the assessment of the performance is at the discretion of the Supervisory Board. The assessment will use tracked performance as input.

Return on capital employed

The vesting of the remaining 25% of the annual long-term incentive grant is linked to performance measured by a return on capital employed target. The targets and intervals around these measures are determined by the Supervisory Board, based on the company's strategic, multi-year plan.

In 2023, performance shares were granted to the members of the Board of Management. These grants are governed by the Signify long-term incentive plan. The grant is made on the basis of the average closing share price of the three months preceding the date of grant. In this way, the Signify granting policy ensures mitigation of share price volatility.

The following table provides an overview of the Signify shares granted and vested for the Board of Management in 2023.

Number of performance shares (holdings) in number of shares

	Grant date	Number of shares originally granted	Value at grant date (in EUR)	Vesting date[1]	Unvested opening balance at January 1, 2023	Number of shares granted in 2023	Number of shares vested in 2023	Value at vesting date in 2023 (in EUR)	Unvested closing balance at December 31, 2023
E.H.E. Rondolat	20.05.2020	45,932	901,703	04.05.2023	45,932	–	52,823	1,354,800	–
	19.05.2021	21,312	919,737	29.04.2024	21,312	–	–	–	21,312
	18.05.2022	23,256	947,330	01.05.2025	23,256	–	–	–	23,256
	17.05.2023	33,052	985,223	01.05.2026	–	33,052	–	–	33,052
H.M. Chitale	17.05.2023	17,284	515,200	01.05.2026	–	17,284	–	–	17,284
F.J. van Engelen Sousa[2]	20.05.2020	–	–	04.05.2023	–	–	–	–	–
	19.05.2021	11,156	481,440	29.04.2024	11,156	–	–	–	11,156
	18.05.2022	12,172	495,884	01.05.2025	12,172	–	–	–	12,172
	17.05.2023	17,300	515,719	01.05.2026	–	17,300	–	–	17,300
M.L. Mariani	20.05.2020	23,228	456,000	04.05.2023	23,228	–	26,713	685,148	–
	19.05.2021	11,156	481,440	29.04.2024	11,156	–	–	–	11,156
	18.05.2022	12,172	495,884	01.05.2025	12,172	–	–	–	12,172
	17.05.2023	17,300	515,719	01.05.2026	–	17,300	–	–	17,300

1 Under the long-term incentive plan terms, the vesting date is on the first business day after the publication of Signify's first quarter results in the third anniversary year of the grant date. The dates for 2025 and beyond in this table are for illustrative purposes only.

2 F.J. van Engelen Sousa did not participate in the long-term incentive plan in 2020; he received a EUR 300,000 sign-on grant under the restricted share rights plan in that year, which vested in 2022.

The three-year performance period for the 2020 performance share grant ended on December 31, 2022. The shares under this grant vested on May 4, 2023, with a vesting percentage of 115%.

In 2023, dividend payments on the vested long-term incentive shares held by the members of the Board of Management were paid as cash to E.H.E. Rondolat, and as a re-investment in shares to H.M. Chitale, for which he received 2,547 dividend shares, and for which F.J. van Engelen Sousa received 347 dividend shares and for which M.L. Mariani received 2,378 dividend shares.

At December 31, 2023, the members of the Board of Management held no options on Signify shares.

10.2.6 Realization of the 2021 grant

The three-year performance period for the 2021 performance share grant ended on December 31, 2023. The shares under this grant vest on April 29, 2024. The payout results are set forth below.

In determining the achievement of the 2021 grant, the Supervisory Board considered whether any adjustments or discretion should be applied. No discretionary adjustments were made to the results, nor to the original targets set for the 2021 grant.

Relative TSR (25% weighting)

The TSR achieved by Signify during the performance period was -10%. This positioned Signify as the 14th ranked company in the peer group as shown in the following table, resulting in an achievement of 0%.

January 1, 2021 – December 31, 2023

Rank	Company	TSR performance
1	Hitachi	166.0%
2	Hubbell	107.9%
3	Eaton Corporation	107.4%
4	Toshiba	78.5%
5	Acuity Brands	70.0%
6	ABB	56.8%
7	Schneider Electric	51.5%
8	Panasonic	51.0%
9	Fagerhult	42.2%
10	Legrand	32.3%
11	Johnson Controls	26.3%
12	Zumtobel	19.3%
13	Honeywell	5.2%
14	**Signify**	**(10.0)%**
15	MLS	(15.5)%

Free cash flow (25% weighting)

The LTI Plan free cash flow payout and targets set at the beginning of the performance period were as follows:

	Payout	As % of sales
Below threshold	-%	< 9.2%
Threshold	40%	9.2%
Target	100%	9.8%
Maximum	200%	10.5%

Over the three-year performance period, an amount of EUR 1,644 million free cash was generated, representing 7.8% of sales. In light thereof, the Supervisory Board determined the LTI Plan free cash flow achievement as 0%.

Return on Capital Employed (25% weighting)

For 2023, ROCE was based on the outcomes in the last year of the plan period (2023), excluding pension liabilities. Based on an 7% achievement of the ROCE metric, the Supervisory Board determined the LTI Plan ROCE achievement as 0%.

	Payout	ROCE %
Below threshold	-%	< 11.0%
Threshold	40%	11.0%
Target	100%	14.0%
Maximum	200%	17.0%

Sustainability (25% weighting)

The sustainability objectives for 2023 were based on the intent to double Signify's impact in the areas of climate action, the circular economy, Brighter Lives revenues and women in leadership positions by 2025. In all areas, significant progress has been made relative to the trajectory to deliver on the ambitions by 2025. This year was the third year of this five-year program, and the company is on track to reduce emissions across the entire value chain by 40% against the 2019 baseline, driven by leadership in energy efficient and connected LED lighting solutions which significantly reduce emissions during the use phase. Circular revenues increased, surpassing the 2025 targets two years earlier than projected, with the main contribution from serviceable luminaries with a strong performance from both professional and consumer segments. Brighter Lives revenue is on track to meet the 2025 targets, overachieving relative to 2023 plan. Women in leadership, however, is behind the targets set for 2023, despite increasing the percentage of women in leadership positions by 12% against the 2019 baseline.

Based on the following LTI Plan sustainability measures and results over the performance period, the Supervisory Board determined the LTI Plan sustainability achievement as 141.7%.

			Status [1]	Result 2023
Better World	Climate action	Cumulative carbon reduction, in million tonnes	On track	334
Better World	Circular economy	Circular revenues	On track	33%
Brighter Lives	Food availability Safety & security Health & well-being	Brighter lives revenues	On track	31%
Brighter Lives	Great place to work	Women in leadership positions	Off track	29%

[1] Status versus Brighter Lives, Better World 2025 doubling target.

In view of the above, the following performance achievement and vesting levels have been determined by the Supervisory Board in respect of the 2021 grant of performance shares.

	Achievement	Weighting	Vesting level
TSR	–%	25%	–%
Free Cash Flow	–%	25%	–%
Return on Capital Employed	–%	25%	–%
Sustainability	141.7%	25%	35.5%
Total			**35.5%**

10.2.7 Share ownership guidelines and holding requirement

Under the Signify share ownership guidelines, members of the Board of Management must hold a certain value in shares in the company. These guidelines are designed to further align the interest of the members of the Board of Management (and certain other leaders within Signify) with the interests of its shareholders. For the CEO, the value in Signify shares to be held is 300% of base salary and for the other members of the Board of Management it is 200% of base salary. The guidelines require that all after-tax shares be retained until the required level is met.

In addition, members of the Board of Management shall comply with holding requirements under the Dutch corporate governance code. This effectively means that members of the Board of Management shall hold all after-tax shares received under the long-term incentive plan for a period of at least five years from the date of grant.

Once the requirements under the Signify share ownership guidelines and under the Dutch corporate governance code are met, shares may be sold, subject to insider trading rules.

Signify shares held by Board members in number of shares

	December 31, 2022	Holdings as % of base [1]	December 31, 2023	Holdings as % of base [1]
E.H.E. Rondolat	231,570	766.9%	259,633	733.2%
H.M. Chitale	n.a.	n.a.	78,623	339.7%
F.J. van Engelen Sousa	26,951	136.4%	27,297	117.8%
M.L. Mariani	33,484	169.5%	50,054	216.0%

[1] As per the Share Ownership Guidelines, to determine the value of shares on a specific date, the shares held are multiplied by the average of the closing prices of the shares on Euronext Amsterdam in the two months prior to that date (2023: EUR 27.82 and 2022: EUR 31.37).

10.2.8 Pensions and other benefits

The design of the pension plan for the members of the Board of Management is the same as for all other Signify employees in the Netherlands, which is referred to as a collective defined-contribution plan, based on career average salary.

The following pension arrangement is in place for the members of the Board of Management:
- The flex pension plan in the Netherlands, which is a collective defined-contribution plan with a fixed contribution of 30.3% up to the maximum pensionable salary of EUR 128,810 (2023);
- Members of the Board of Management pay an employee member contribution of 2% up to the maximum pensionable salary of EUR 128,810 (2023);
- The flex pension plan has a target retirement age of 68 (in 2023) and a target accrual rate of 1.85%;
- The members of the Board of Management receive a gross pension allowance equal to 25% of the base compensation exceeding EUR 128,810 and can choose to participate in a net pension arrangement by investing the net (after-tax) amount. The net pension arrangement is in line with all other Signify employees in the Netherlands whose pensionable salary exceeds the cap. Participation in this net pension arrangement is voluntary.

The table below gives an overview of the accumulated annual pension entitlements and the pension costs of the individual members of the Board of Management.

Accumulated annual pension entitlements and pension-related costs in EUR

	Age at December 31, 2023	Accumulated annual pension as of December 31, 2022 [1]	Total pension-related costs 2022 [2]	Accumulated annual pension as of December 31, 2023[1]	Total pension-related costs 2023 [2,3]
E.H.E. Rondolat	57	44,672	268,625	47,702	245,937
H.M. Chitale	51	n.a.	n.a.	11,586	100,686
F.J. van Engelen Sousa	55	4,379	154,380	6,562	160,794
M.L. Mariani	63	4,528	154,380	6,715	160,794
Pension costs			**577,385**		**668,211**

1 Total of entitlements under applicable pension scheme in Signify, including - if applicable - transferred pension entitlements under pension scheme(s) of previous employer(s).
2 Cost includes paid pension allowances as well as pension premium paid by employer to collective defined-contribution plan.
3 Costs for H.M.Chitale are disclosed for the period starting May 16, 2023.

When pension rights are granted to members of the Board of Management, necessary payments (if insured) and all necessary provisions are made in accordance with the applicable accounting principles. In 2023, no (additional) pension benefits were granted to former members of the Board of Management.

Members of the Board of Management are also entitled to other benefits, such as expense and relocation allowances, medical insurance, accident insurance and company car arrangements.

In the case of H.M. Chitale and F.J. van Engelen Sousa, to facilitate relocation to the Netherlands, as per contractual agreement, an allowance for the international school costs of EUR 12,500 net was paid in 2023.

10.2.9 Change of the remuneration and company performance

For the purpose of reflecting company performance, free cash flow generation and share price have been selected as the most relevant measures. The table below reflects the annual change of remuneration of the members of the Board of Management, the employee average remuneration, free cash flow and Signify's closing share price at year-end. The information is provided over the past five years.

Remuneration and company performance development in EUR unless otherwise stated

	2019	2020	2021 [3]	2022	2023
E.H.E. Rondolat [1]	2,822,104	3,245,335	3,228,091	2,044,154	2,282,804
Change in %	10%	15%	(1)%	(37)%	12%
H.M. Chitale [1]	-	-	-	-	782,608
Change in %	-	-	-	-	-
F.J. van Engelen Sousa [1]	-	599,753	1,472,859	1,124,267	1,101,622
Change in %	-	-	146%	(24)%	(2)%
M.L. Mariani [1]	-	1,225,491	1,727,286	1,210,636	1,344,862
Change in %	-	-	41%	(30)%	11%
Employees [2]	60,601	51,780	51,337	53,766	63,623
Change in %	(1)%	(15)%	(1)%	5%	18%
Free cash flow (in millions of EUR)	529	817	614	445	585
Change in %	73%	54%	(25)%	(28)%	31%
Closing share price on last business day December	27.86	34.53	40.78	31.38	30.32
Change in %	36%	24%	18%	(23)%	(3)%

1 Remuneration is based on total compensation costs as reported in the table "Remuneration and remuneration costs of individual members of the Board of Management" under section 10.2. For F.J. van Engelen Sousa and M.L. Mariani 2020 does not represent a full year and for H.M. Chitale 2023 does not represent a full year. For F.J. van Engelen Sousa 2023 includes the forfeiture of the 2022 and 2023 grant because of his termination per April 1, 2024. For M.L. Mariani 2023 excludes the amount for termination benefits, which is payable in June 2024. The 2022 and 2023 LTI plans for M.L. Mariani will reflect a pro-rata vesting, therefore costs in 2023 include the forfeiture of a portion of these grants. As explained in more detail on page 80 of this annual report, there is a disagreement between the company and Ms. Mariani about the treatment of these LTI grants.
2 Employee average remuneration based on total employee benefit expenses and total employees in FTEs (third party workers excluded) as disclosed in note 5, Employee benefit expenses.
3 Comparatives for the Board of Management members were revised to exclude the employee pension premium of EUR 1,941.

For 2023, the company performance shows a mixed outcome on the selected measures. Free cash flow was strong relative to 2022, and thus reflects an increase of 31%, while Signify closing share-price at year end reflects a decline of 3% from the 2022 closing share price. The total remuneration of the Board of Management is aligned to the company performance as it reflects a modest increase overall relative to 2022. Annual incentive for 2023 reflected a limited payout of between 55.8% to 57.8% for Board of Management members driven by below-threshold outcomes on two measures as detailed in subsection 10.2.4.

Employee salary adjustments and general wage increases during the year were much higher than in prior years and are reflective of the inflationary environment. Employee average total compensation has increased by 18% for 2023. This is primarily driven by the termination provisions related to the Q4 2023 announcement of the reorganization of Signify (note 24: Provisions and note 5: Employee benefit expenses). Excluding those termination provisions, employee average total compensation has increased by 11%.

10.2.10 Signify's internal pay ratio

The remuneration design for the members of the Board of Management is an integral part of the overall pay structure within the company. Signify uses the Hay system to evaluate and grade the various positions within its organization. This means that the company uses a standardized method for determining the appropriate benefits for each of the respective job levels within the company. Using the Hay grading system also ensures that the remuneration of the members of the Board of Management is aligned with and is relative to the remuneration of Signify employees holding other positions within the company. The remuneration of senior staff within Signify is based on the same components as the remuneration of the members of the Board of Management.

The Corporate Governance Code requires reporting on the pay ratio. Signify's pay ratio reflects the average total compensation of the total global employee workforce, relative to the total remuneration package of the CEO. This has resulted in the following outcome:

Fiscal year	CEO total remuneration [1]	Average total compensation employees [2]	Resulting pay ratio
2023	2,282,804	63,623	36
2022	2,044,154	53,766	38
2021 [3]	3,228,091	51,337	63
2020	3,245,335	51,780	63
2019	2,822,104	60,601	47

1 Remuneration is based on total compensation costs as reported in the table "Remuneration and remuneration costs of individual members of the Board of Management" under section 10.2.
2 Employee average remuneration based on total employee benefit expenses and total employees in FTEs (third party workers excluded) as disclosed in note 5, Employee benefit expenses.
3 Comparatives for the CEO were revised to exclude the employee pension premium of EUR 1,941.

In light of transparency and clarity, Signify applies a methodology to calculate the internal pay ratio that is IFRS-driven (i.e. linked to Signify's notes to the Consolidated financial statements).

For 2023, average total compensation for employees increased by 18%. This is primarily driven by the termination provisions related to the Q4 2023 announcement of the reorganization of Signify (note 24: Provisions and note 5: Employee benefit expenses). Excluding those termination provisions, employee average total compensation has increased by 11%.

The CEO pay ratio has declined from 2022 to 2023, as a result of lower performance share costs and the termination of the transitional pension allowance, offset by a higher annual incentive award in 2023, versus the increase in average employee total compensation reflecting predominately the termination provisions as described. Signify believes that the pay ratio over 2023 aligns with Signify's performance for the year.

10.2.11 Claw-back and change of control

The annual cash incentive and the long-term incentive of the members of the Board of Management are subject to adjustment and claw-back provisions. Pursuant hereto, the company can (a) revise an incentive prior to payment if unaltered payment would be unreasonable and unfair, (b) recover an incentive if it was granted on the basis of incorrect information on the fulfillment of the incentive goals or the conditions for payment of the incentive, and (c) recoup incentives in the circumstances set forth in the services contract with the member of the Board of Management concerned.

In the event of a change of control of the company, the Supervisory Board can, at its sole discretion, decide to accelerate the vesting of any unvested awards under the long-term incentive, subject to the achievement of the performance conditions up to the date of the completion of the change of control.

No variable remuneration was clawed back in 2023.

10.2.12 Additional arrangements

Unless relevant law provides otherwise, the members of the Board of Management and of the Supervisory Board shall be reimbursed by the company for various costs and expenses, such as reasonable costs of defending claims, as formalized in the Articles of Association. Under certain circumstances, described in the Articles of Association, such as an action or failure to act by a member of the Board of Management or a member of the Supervisory Board that can be characterized as intentional ('opzettelijk'), intentionally reckless ('bewust roekeloos') or seriously culpable ('ernstig verwijtbaar'), there will be no entitlement to this reimbursement. The company has also provided liability insurance (Directors and Officers) for the persons concerned.

10.2.13 Contractual arrangements

Members of the Board of Management are engaged by a service contract ('overeenkomst van opdracht') with a maximum of four years ending on the date of the Annual General Meeting of Shareholders in the fourth calendar year after the appointment. Members of the Board of Management are appointed for a maximum period of four years, subject to re-appointment by the General Meeting of Shareholders. Termination of the services contract is subject to a notice period of six months for either party. The terms and conditions of these service agreements have been aligned with the relevant Dutch Corporate Governance Code provisions.

10.2.14 Severance arrangements

Contractual severance arrangements of members of the Board of Management comply with the Dutch Corporate Governance Code and provide for compensation for the loss of income resulting from a termination of employment and are capped at one time the annual base salary.

No severance is payable in case the agreement is terminated early at the initiative of the Board of Management member.

The Board of Management member shall not be entitled to a severance payment if the contract is terminated for urgent cause ('dringende reden'). For the definition of urgent cause ('dringende reden'), reference is made to section 7:678 of the Dutch Civil Code and further.

10.2.15 Loans

The company does not grant loans to members of the Board of Management.

10.3 Remuneration Supervisory Board

The remuneration of the individual members of the Supervisory Board, as well as the additional remuneration for its chair and the members of its committees, is determined by the General Meeting. The remuneration of a member of the Supervisory Board consists of a fixed amount depending on the member’s position on the board (chair/vice-chair/other board members), an additional fee for the function of chair or member of committees and allowances for travel.

The remuneration of a Supervisory Board member is not dependent on the results of the company. Shares or rights to shares shall not be granted to a Supervisory Board member. The company does not grant loans to members of the Supervisory Board.

The fees and allowances for travel are as follows:

Remuneration Supervisory Board in EUR

Supervisory Board fixed annual fee	
Chair	110,000
Vice-Chair	85,000
Member	75,000
Committee fees	
Audit Committee	
Chair	22,500
Member	13,000
Digital Committee	
Chair	22,500
Member	13,000
Remuneration Committee	
Chair	15,000
Member	10,000
Nomination Committee	
Chair	15,000
Member	7,500
Allowance for travel	
Intercontinental	5,000
Continental	2,500

When the activities of the Supervisory Board or other circumstances so require, the Supervisory Board may establish an ad hoc committee formed from among its members and assign certain tasks to such committee. In such event, the Supervisory Board may determine additional fees to be paid to the members of the ad hoc committee. The fees will be in line with the fees for the existing committees.

The following table reflects the total remuneration of each of the members of the Supervisory Board.

Remuneration Supervisory Board in EUR (excluding VAT)

	Membership	Committees	Other compensation [1]	Total
2023				
A.P.M. van der Poel	110,000	25,000	5,000	140,000
G. van der Aast	85,000	28,000	5,000	118,000
S. Bechu [2]	46,875	14,075	17,500	78,450
P. Knapp	75,000	32,500	17,500	125,000
R.S. Lane	75,000	20,500	17,500	113,000
F. Lubnau	75,000	24,075	17,500	116,575
B. Schot	75,000	26,000	5,000	106,000
	541,875	**170,150**	**85,000**	**797,025**
2022				
A.P.M. van der Poel	110,000	25,000	5,000	140,000
G. van der Aast	85,000	28,000	5,000	118,000
E. Blok [3]	28,225	9,800	–	38,025
P. Knapp	75,000	32,500	17,500	125,000
R.S. Lane	75,000	20,500	27,500	123,000
F. Lubnau	75,000	30,000	17,500	122,500
B. Schot [4,5]	46,875	16,250	5,000	68,125
	495,100	**162,050**	**77,500**	**734,650**

1 The amounts mentioned under other compensation relate to the allowance for (inter-)continental travel.
2 Appointment as a member of the Supervisory Board in AGM 2023. The remuneration excludes the observer period. The fee during that period was the same as applies for a Supervisory Board membership, excluding committee fees.
3 Stepped down as member of the Supervisory Board on May 17, 2022.
4 Comparatives for 2022 were revised to exclude the fees and allowances paid during the observer period of Mr. Schot for the amount of EUR 28,125.
5 Appointment as a member of the Supervisory Board in AGM 2022.

At December 31, 2023, the members of the Supervisory Board held no Signify shares, options on Signify shares nor other Signify securities (2022: nil).

The following table reflects the annual change of remuneration of each of the members of the Supervisory Board over the full financial years over the past five years.

Supervisory Board remuneration 2019 – 2023 in EUR (excluding VAT)

	2019	2020 [3,4]	2021	2022 [5]	2023
A.P.M. van der Poel	137,500	128,250	135,000	140,000	140,000
G. van der Aast	113,000	107,350	113,000	118,000	118,000
S. Bechu [1]	–	–	–	–	78,450
P. Knapp	–	58,698	115,000	125,000	125,000
R.S. Lane	121,689	87,875	108,000	123,000	113,000
F. Lubnau	–	51,470	112,500	122,500	116,575
B. Schot [2]	–	–	–	68,125	106,000

1 Appointment as a member of the Supervisory Board in AGM 2023. The remuneration excludes the observer period. The fee during that period was the same as applies for a Supervisory Board membership, excluding committee fees.
2 Appointment as a member of the Supervisory Board in AGM 2022.
3 Includes 20% COVID-19 reduction in Q2 2020.
4 Comparatives for 2020 were revised to exclude the fees and allowances paid during the observer period of P. Knapp for the amount of EUR 8,000 and for F. Lubnau for the amount of EUR 44,250.
5 Comparatives for 2022 were revised to exclude the fees and allowances paid during the observer period of B. Schot for the amount of EUR 28,125.

10.4 Remuneration outlook 2024

10.4.1 Base salary

For 2024, the Supervisory Board will review and determine the base salary levels for all members of the Board of Management once the collective labor agreement for the Netherlands population has been finalized. Any adjustment to base salaries will be effective as of January 1, 2024.

10.4.2 Annual cash incentive

For 2024, the Supervisory Board has decided to replace the free cash flow measure with working capital in response to feedback from stakeholders. For 2024, working capital and adjusted EBITA will be weighted more heavily than comparable sales growth: working capital (40%), adjusted EBITA (40%) and comparable sales growth (20%), measured as a percentage of sales and representing 80% of the total annual incentive opportunity. Team and individual metrics will continue to represent 20% of the total annual incentive opportunity for 2024.

10.4.3 Remuneration policies

In 2023, the Remuneration Committee initiated a review of the remuneration policy both for the Board of Management and for the Supervisory Board. The Supervisory Board will propose both policies for adoption by the shareholders at the AGM to be held in May 2024.

Changes compared to the previous Board of Management remuneration policy :
- Eliminate the potential for duplication of metrics in the short-and long-term incentive plans by removing free cash flow (FCF) from the short-term incentive plan;
- Adapt the vesting of the long-term incentive plans at early or full retirement to reflect what shareholders consider to be best practice with a pro-rata vesting; and
- Enable some limited flexibility in the short-term incentive plan balance of financial and non-financial metrics to reflect priorities in a particular year.

The first two points were proposed changes to the policy in direct response to feedback received from stakeholders in prior engagements, while the third reflects the ability to adapt the annual incentive plan to reflect priorities in a year that may place a slightly higher weighing than current on non-financial metrics (such as ESG inclusions).

Other topics addressed in proposed policy changes include refinement of the base salary and the clawback clauses.

The proposed Supervisory Board remuneration policy does not reflect any material changes.

11 Corporate governance

Introduction

Signify N.V., a public company with limited liability organized under Dutch law, is the parent company of the Signify group.

Signify N.V. has a two-tier board structure consisting of a Board of Management responsible for the management of the company and a Supervisory Board that supervises and provides advice to the Board of Management. The two boards are independent of each other and are accountable to the Annual General Meeting of Shareholders (AGM) for the performance of their duties.

The Board of Management and the Supervisory Board are responsible for maintaining an appropriate corporate governance structure of the company.

Signify N.V.'s corporate governance framework is based on the company's Articles of Association, the requirements of the Dutch Civil Code, the Dutch Corporate Governance Code 2022 (https://www.mccg.nl/english), the Dutch Financial Markets Supervision Act and any other applicable laws and regulations. Additionally, the Board of Management has implemented a code of conduct (the Integrity code), policies, directives and authorization schedules throughout Signify in order to strengthen its governance framework.

In this chapter, the company addresses the main elements of its corporate governance structure, reports on how it applies the principles and best practices of the Dutch Corporate Governance Code and provides the information required by the Dutch governmental decrees on Corporate Governance and Article 10 Takeover Directive. Substantial changes in the corporate governance structure of the company, when deemed necessary in the interests of the company, will be disclosed in this chapter.

In line with the Dutch Corporate Governance Code, other parts of the Annual Report address and explain the strategy and culture of Signify aimed at sustainable long-term value creation. Signify's strategy is described in more detail in chapter 3, Creating sustainable long-term value. This chapter also provides an explanation of our value creation model which allows our stakeholders to consider the economic, social and environmental impact of our business activities.

The CEO message in chapter 2, highlights how the company's strategy was executed in 2023. Additionally, refer to chapter 5, Corporate performance, and chapter 9, Supervisory Board report, which describe how the Supervisory Board is involved in the company's strategy as well as other topics such as culture and diversity & inclusion.

As set out in chapter 4, Brighter Lives, Better World, section 4.3, Brighter Lives, Signify's culture is centered around its four values: Customer First, Game Changer, Greater Together and Passion for Results, and anchored by the integrity norms described in our Integrity code. An important aspect of our culture relates to diversity & inclusion, which is discussed and explained in the same chapter.

11.1 Signify organization

Throughout 2023, Signify's business is organized and managed on a functional basis by technology through three divisions: Division Digital Solutions, Division Digital Products and Division Conventional Products. The divisions are responsible for the development of their strategy and product portfolio.

In addition, to manage its global sales channels, the company's commercial organization is currently structured along several geographical market clusters. These market clusters are principally responsible for driving and managing sales, managing customer relationships and delivering the commercial activities of the business across the company's markets, covering commercial activities in almost all countries. The company operates in many countries through its subsidiaries and affiliated companies as well as via a limited number of branch offices, which primarily act under the Signify trade name.

Divisions and market clusters are supported by centralized shared services with respect to, among other functions, legal, audit and investigations, finance, human resources, strategy and sustainability, innovation and operations.

On December 1, 2023, Signify announced a new operating model, which includes four vertically integrated businesses: Professional, Consumer, OEM and Conventional, and is to be implemented during 2024.

11.2 Board of Management

The Board of Management is entrusted with the management of the company. The Board of Management focuses on sustainable long-term value creation for the company and its business and takes the interests of relevant stakeholders into account. In performing its duties, the Board of Management is guided by the interests of the company and its affiliated enterprises, taking into consideration the interests of its stakeholders.

Among other responsibilities, the Board of Management drives the company's management agenda, defines and deploys the strategic direction, identifies opportunities and risks connected with its business activities and strategy, pursues the operational and financial objectives of the company, and monitors sustainability matters.

The Board of Management is accountable to the Supervisory Board for its actions and decisions. The Chief Executive Officer and other members of the Board of Management have regular contact with the Chair and other members of the Supervisory Board, attend most parts of the Supervisory Board meetings, and provide the Supervisory Board with the information it needs to fulfil its responsibilities.

Certain decisions of the Board of Management require Supervisory Board approval. These decisions include important proposals for capital expenditures, acquisitions, divestments, decisions concerning financial and operational objectives and strategy to achieve such objectives, changes to corporate policies, as well as the annual operating plan.

The functioning and decision-making within the Board of Management are laid down in its Rules of Procedure which can be found on the company's website.

Appointment

Members of the Board of Management are appointed by the General Meeting of Shareholders (the General Meeting) upon a nomination drawn up by the Supervisory Board, which nomination may be binding.

Members of the Board of Management are appointed for a maximum term of four years, it being understood that this term expires at the end of the AGM to be held in the fourth year after the year of their appointment. Re-appointment is possible for consecutive terms of four years or, if applicable, until a later retirement date or other termination date in the fourth year, unless the General Meeting resolves otherwise. Members may be suspended by the Supervisory Board and the General Meeting, and dismissed by the latter.

Composition

The composition of the Board of Management follows the board profile which aims for an appropriate combination of knowledge and experience among its members, encompassing industrial, technology & innovation, projects & infrastructure, digital & marketing, financial, economic, IT, social & sustainability aspects of international business and society, in relation to the global character of its business. This profile also applies for the Supervisory Board, and can be found on the company's website. The size of the Board of Management may vary over time, as considered appropriate to support its profile.

11.3 Supervisory Board

The Supervisory Board, in the two-tier board structure under Dutch law, is a separate body that is independent of the Board of Management. The Supervisory Board supervises the policies and management and the general affairs of the company. The Supervisory Board appoints a Chair and a Vice-Chair from among its members. The Chair ensures the members of the Supervisory Board and its committees function properly in all respects and comply with the Supervisory Board Rules of Procedure. The Chair is the main contact on behalf of the Supervisory Board for the General Meeting. The Supervisory Board also provides advice to the Board of Management. In performing its duties, the members of the Supervisory Board are guided by the interests of the company and the business of the group, taking into consideration the interests of its stakeholders.

Independence of the Supervisory Board

The Supervisory Board is a separate corporate body that is independent of the Board of Management. Its independent character is also reflected in the requirement that members of the Supervisory Board can be neither a member of the Board of Management nor an employee of the company. Each member of the Supervisory Board meets the independence requirements as stated in the Dutch Corporate Governance Code.

Appointment

The members of the Supervisory Board are appointed by the General Meeting on the nomination of the Supervisory Board, which nomination may be binding.

The term of appointment of a member of the Supervisory Board will end at the closing of the AGM to be held in the fourth year after appointment. In line with the Dutch Corporate Governance Code, the members of the Supervisory Board are eligible for re-appointment for a period of maximum four years. Subsequent re-appointments are possible for a period of two years, which may be extended by a re-appointment of maximum two years. The reasons for re-appointment of a member of the Supervisory Board after an eight-year term must be included in the report of the Supervisory Board.

As from 2022, a mandatory gender quota applies under Dutch law requiring supervisory boards to be composed of at least one-third men and one-third women. The Supervisory Board meets this target for the financial year 2023. The gender quota needs to be observed in case of a new appointment of a member of the Supervisory Board and a re-appointment of an acting member of the Supervisory Board after an eight-year term. Any new appointment or re-appointment after an eight-year term resulting in the composition of the Supervisory Board not meeting this gender quota, will be null and void. An appointment or re-appointment that does not contribute to the gender balance will only be allowed under certain exceptional circumstances.

Composition

The composition of the Supervisory Board follows the same board profile that applies to the Board of Management, see paragraph 10.2 above.

The composition of the Supervisory Board shall also be in accordance with the best practice provisions on independence of the Dutch Corporate Governance Code as well as Dutch law restrictions on the overall number of supervisory positions that a member of the Supervisory Board may hold. Each member shall be capable of assessing the broad outline of the overall management of the company.

The size of the Supervisory Board may vary over time, as considered appropriate to support its profile. Until May 16, 2023, the Supervisory Board consisted of six and, as from that date, of seven independent members.

11.4 Supervisory Board Committees

In 2023, the Supervisory Board had four committees: The Audit Committee, the Corporate Governance and Nomination & Selection Committee, the Remuneration Committee and the Digital Committee. Each of the committees has a preparatory and/or advisory role to the Supervisory Board. They report their findings to the full Supervisory Board, which is ultimately responsible for all decision-making. Information on the work and composition of the committees during 2023 is set out in chapter 9, Supervisory Board report.

Each committee has a charter describing its role, responsibilities and functioning. These charters are published on the company's website. The responsibilities of each Committee are described in more detail below.

Audit Committee

The Audit Committee assists the Supervisory Board in fulfilling its oversight responsibilities for the integrity and quality of the company's financial and sustainability reporting, the effectiveness of the design and operation of the internal risk management and control systems, the internal and external audit process, the internal and external auditor's qualifications, its independence and its performance, as well as the company's process for monitoring compliance with laws and regulations and the Integrity code. It reviews the company's annual and interim financial statements (including sustainability information) prior to publication and periodically discusses the company's key risks. It maintains contact with and supervises the external auditor and prepares the nomination of an external auditor for appointment by the General Meeting.

The Audit Committee meets at least once before the publication of the quarterly and annual accounts of the company.

Corporate Governance and Nomination & Selection Committee

The Corporate Governance and Nomination & Selection Committee:

- Advises the Supervisory Board on the selection and appointment of members of the Supervisory Board and the members of the Board of Management;
- Prepares the selection criteria and appointment procedures for members of the Supervisory Board and the members of the Board of Management and proposing the profile for the Supervisory Board;
- Supervises the policy on selection criteria, and is involved in the selection and appointment of the company's leadership team, appointments of which are subject to the Supervisory Board's approval;
- Periodically assesses the size and composition of the Board of Management and the Supervisory Board, and the functioning of the individual members, and proposes on appointments and re-appointments;

- Leads the performance evaluation of the Board of Management and Supervisory Board;
- Reviews the corporate governance of the company and can make recommendations to the Supervisory Board relating to the corporate governance of the company at least once a year.

The Corporate Governance and Nomination & Selection Committee meets at least twice every year.

Remuneration Committee

The Remuneration Committee:
- Reviews and prepares proposals for the Supervisory Board on the remuneration policies for the Board of Management and Supervisory Board;
- Reviews and prepares proposals for the Supervisory Board on the compensation levels and individual remuneration of the members of the Board of Management and certain senior executives designated by the Supervisory Board; and
- Reviews and prepares proposals for the Supervisory Board concerning the objectives for the variable remuneration of members of the Board of Management, and reviews the performance of members of the Board of Management against these objectives.

The Remuneration Committee prepares an annual remuneration report, which is included in chapter 10, Remuneration report.

The Remuneration Committee meets at least twice per year.

Digital Committee

The Digital Committee:
- Is responsible for reviewing the company's digital strategy, roadmap, resourcing and any changes thereto;
- Assists the Supervisory Board in supervising the company's policy on digital strategies, tools and operations;
- Reviews the company's digital objectives and performance, periodically assesses the effectiveness and results of the digital initiatives as well as management skills, capabilities and training;
- Reviews the governance for deciding on digital prioritization and spending within the company at least once a year.

The Digital Committee meets at least four times a year

11.5 Other governance matters related to the Board of Management and Supervisory Board

Diversity

Signify believes that a diverse workforce and an inclusive working environment are essential to a thriving business and long-term value creation.

In view hereof, Signify aims that the Board of Management and the Supervisory Board comprise members who bring a diversity of skills and expertise relevant for achieving the company’s strategic and business objectives, different views and perspectives as well as different backgrounds: nationality, educational, working experience or otherwise. For the Supervisory Board members, and in line with the Dutch law requirement, Signify aims that at least one-third are men and at least one-third are women. For the Board of Management, Signify aims at having at least one man and at least one woman for a board with three members, and at least two men and two women for a board with five members.

Remuneration

The remuneration of the individual members of the Board of Management is determined by the Supervisory Board based on the remuneration policy adopted by the General Meeting. The remuneration of the individual members of the Supervisory Board, as well as the additional remuneration for its Chair and the members of its committees, is determined by the General Meeting.

Pursuant to Dutch law, the remuneration policies must be adopted by the AGM at least every four years. The resolution of the general meeting to adopt the remuneration policy requires a 75% majority of the votes cast, unless the Articles of Association explicitly provide otherwise, which Signify's Articles of Association do not. The remuneration report relating to the previous financial year must be submitted to the AGM on an annual basis for an advisory vote.

The current remuneration policies for Board of Management and the Supervisory Board were adopted by the AGM in 2020. The composition of the remuneration of the members of the Board of Management and the members of the Supervisory Board and the remuneration policies are described in chapter 10, Remuneration report.

Conflicts of interest

Members of the Board of Management shall not participate in the discussions and decision-making process on a subject or transaction that they have a direct or indirect personal conflict of interest or have a conflict of interest within the meaning of the Dutch Corporate Governance Code. Relevant matters relating to conflicts of interests, if any, must be approved by the Supervisory Board and shall be mentioned in the Annual Report for the financial year in question.

The rules for conflict of interest applicable to the members of the Board of Management also apply to the members of the Supervisory Board. No conflict of interest as referred to in this section occurred during 2023.

Outside positions

Pursuant to Dutch law, a person cannot be appointed as a managing or executive director of a large Dutch company if he or she already holds a supervisory position at more than two other large Dutch companies or if he or she is the chair of the supervisory board or one-tier board of another large Dutch company. Also, a person cannot be appointed as a supervisory director or non-executive director of a large Dutch company if he or she already holds a supervisory position at five or more other large Dutch companies, whereby the position of chair of the supervisory board or one-tier board of another large Dutch company counts twice.

The acceptance by a member of the Board of Management of a position as a member of a supervisory board or a position of non-executive director in a one-tier board at another company requires the approval of the Supervisory Board. The Chair of the Supervisory Board is required to be notified of other important positions (to be) held by a member of the Board of Management.

The Supervisory Board member must inform the Chair of the Supervisory Board before accepting a position outside the company.

All members of the Board of Management and the Supervisory Board complied with the restriction as set out above for the financial year 2023.

II.6 General Meeting of Shareholders

The main rights of the General Meeting are to:

- Appoint, suspend and dismiss members of the Board of Management and the Supervisory Board;
- Adopt the remuneration policy and approve equity-based incentive plans for members of the Board of Management and adopt the remuneration of the members of the Supervisory Board;
- Adopt the annual accounts;
- Declare dividends;
- Discharge the members of the Board of Management and the Supervisory Board from liability in respect of the performance of their respective duties in the previous financial year;
- Appoint the external auditor as required by Dutch law;
- Adopt amendments to the Articles of Association and proposals to dissolve or liquidate the company;
- Issue shares or rights to shares, to restrict or exclude preemptive rights of shareholders and to repurchase or cancel outstanding shares; and
- Approve other important matters, such as major acquisitions or the sale of a substantial part of the company, as required by law.

The AGM is held within six months after the end of each financial year to discuss the annual report and decide on the adoption of the financial statements and dividend proposal as well as the discharge of the members of the Board of Management and the Supervisory Board.

The AGM can be called by the Board of Management or the Supervisory Board. The Board of Management is entitled to determine the record date in accordance with Dutch law. The agenda, explanatory notes thereto and the procedure for attendance are published on the company's website. Holders of ordinary shares in the aggregate representing at least 3% of the total issued share capital may submit proposals for the AGM agenda. Such proposals must be made in writing at least 60 days before the AGM to the Board of Management. Any written request must comply with the procedure stipulated by the Board of Management, which is published on the company's website.

Each ordinary share confers the right to cast one vote in the General Meeting. There are no special statutory rights attached to the shares of the company and no restrictions on the voting rights of the company's shares exist. Subject to certain exceptions provided by Dutch law or the Articles of Association, resolutions of the General Meeting are passed by an absolute majority of votes cast. A resolution to amend the Articles of Association requires a simple majority of the votes cast if the resolution is adopted on a proposal of the Board of Management. Otherwise, such resolution requires a majority of at least three-fourths of the votes cast provided that the majority represents more than half of the issued share capital. Pursuant to Dutch law, no votes may be cast at a General Meeting in respect of shares which are held by the company.

Share capital and repurchase and issue of (rights to) shares

The authorized share capital of the company amounts to EUR 6 million, divided into 300 million ordinary shares with a nominal value of one eurocent each and 300 million preference shares, also with a nominal value of one eurocent each. On December 31, 2023, the issued share capital amounted to EUR 1.28 million, divided into 128,344,238 ordinary shares and no preference shares. All shares are fully paid up. The shares are in registered form. There are currently no limitations either under Dutch law or the company's Articles of Association, as to the transfer of ordinary shares in the share capital of the company.

The Board of Management, to the extent authorized by the General Meeting for a specific period, may resolve to issue or repurchase shares, subject to the approval of the Supervisory Board. The Board of

Management may limit or exclude preemptive rights if designated to do so by the General Meeting.

At the AGM held on May 16, 2023, the General Meeting resolved to authorize the Board of Management for a period of 18 months, effective as of May 16, 2023, to issue shares or grant rights to acquire ordinary shares as well as to restrict or exclude the preemptive rights accruing to shareholders, in each case up to a maximum of 10% of the issued share capital as at May 16, 2023, and subject to approval from the Supervisory Board. At the same time, the Board of Management was authorized to acquire ordinary shares on the stock exchange or otherwise, subject to the approval of the Supervisory Board, at a price between the nominal value of the ordinary shares and 110% of the market price of the ordinary shares on Euronext Amsterdam, provided that the maximum number of ordinary shares the company may acquire and hold does not exceed 10% of the issued share capital as at May 16, 2023, plus an additional 10% of the issued capital as at that same date in connection with the execution of share repurchases for capital reduction purposes.

II.7 Stichting Continuïteit Signify

Stichting Continuïteit Signify, a foundation ('stichting') incorporated under Dutch law, has been granted a call option right to acquire preference shares in the share capital of the company. The possibility of issuing preference shares in the share capital of the company is a defensive measure. The foundation may resolve to exercise the call option at its sole discretion without the consent of the company. On the exercise of the call option, the foundation is entitled to acquire, and the company shall have the unconditional obligation to issue, preference shares up to a maximum corresponding with 100% of the issued and outstanding share capital of the company. This shall exclude the preference shares as issued and outstanding immediately prior to the exercise of the call option, less one preference share, from which maximum any preference shares already placed with the foundation at the time of the exercise of the call option must be deducted.

The call option can be exercised by the foundation in order to, for example:

- Prevent, slow down or otherwise complicate an unsolicited takeover bid for and an unsolicited acquisition of shares by means of an acquisition at the stock market or otherwise;
- Prevent and countervail concentration of voting rights in the General Meeting; and/or
- Resist unwanted influence by and pressure from shareholders to amend the strategy of the company.

If the foundation exercises the call option, the company issues such number of preference shares as for which the foundation exercised its call option. No preference shares had been issued as of December 31, 2023.

The foundation's objects are to further the interests of Signify N.V., the enterprises maintained by the company and the companies affiliated with the company in a group. The foundation will act in such a way that the interests of the company and of those enterprises are optimally safeguarded and that influences which could affect the independence, continuity or identity of the company, the enterprise maintained by the company and the companies affiliated with the company in a group in conflict with those interests are deterred to the best of the foundation's ability.

The foundation has the right to file a petition with the Enterprise Chamber of the Amsterdam Court of Appeal to commence an inquiry procedure within the meaning of section 2:344 Dutch Civil Code.

As of December 31, 2023, the board of the foundation was composed of the following independent members: Jos Streppel (chair), Sietze Hepkema and Jan Willem Baud.

Furthermore, it should be noted that also in the event of (an attempt at) a hostile takeover or other attempt to obtain (de facto) control of the company, the Board of Management and the Supervisory Board are authorized to exercise in the interests of Signify all powers vested in them.

II.8 Change of control

The company is not a party to any material agreement that takes effect, alters or terminates upon a change of control of the company following a take-over bid as referred to in section 5:70 of the Dutch Financial Markets Supervision Act, other than the credit agreement entered into with a syndicate of financial institutions which established term loans and a revolving credit facility, certain bi-lateral credit agreements that have been entered into to refinance term loans, the Eurobonds issued by the company in 2020, certain credit agreements entered into to refinance such Eurobonds and the Trade Mark License Agreement entered into with Koninklijke Philips N.V. These credit agreements include a change of control provision which allows the lenders to cancel the commitment and declare any outstanding amounts under the agreement, immediately due and payable whereupon such amounts will become immediately due and payable. The provisions applicable to all Eurobonds issued by the company in 2020 contain a "Change of Control Put Event". This means that if the company experienced such an event with respect to such bonds, the company might be required to redeem or purchase the bonds at its principal amount, plus accrued and unpaid interest, if any.

11.9 External auditor

Under Dutch law, the external auditor of the company is appointed by the General Meeting. In accordance with the Dutch Corporate Governance Code and Regulation (EU) No. 537/2014, the Supervisory Board selects and nominates an external auditor for appointment, upon advice by the Audit Committee. The Supervisory Board and the Audit Committee assess the functioning of the external auditor, taking the observations from the Board of Management into account. Ernst & Young Accountants LLP was first appointed as external auditor of the company on May 13, 2016, for the financial years 2016 through 2019. On May 16, 2023, the General Meeting re-appointed Ernst & Young Accountants LLP as external auditor of the company for the financial years 2023 through 2025.

The services provided by the external auditor are pre-approved by the Audit Committee on the basis of the annual audit services engagement agreed with the external auditor. Unless general pre-approval has been given at the beginning of the year, all proposed services require such specific pre-approval.

In principle, the external auditor attends all meetings of the Audit Committee. The findings of the external auditor, the audit approach and the risk analysis are also discussed at these meetings. The external auditor attends the meeting of the Supervisory Board at which the report of the external auditor with respect to the audit of the annual accounts is discussed, and at which the annual accounts are approved. The external auditor may also attend the Annual General Meeting to elaborate on its audit and auditor's report and is available for questions.

Auditor independence

The Audit Committee evaluates at least annually the external auditor’s independence. The lead auditor in charge of the Signify account is changed every five years; such change took place as of the start of the financial year 2021. Furthermore, EU law requires the rotation of the external audit firm after the firm has completed the statutory audit of the company for a period of 10 consecutive years.

Prohibition on non-audit services

The Audit Committee reviews the proposed audit scope, approach and fees as well as services that the external auditor provides to the company. Dutch law requires the separation of audit and non-audit services, meaning the company’s external auditor is not allowed to provide prohibited non-audit services.

11.10 Dutch Corporate Governance Code

The company fully endorses the underlying principles of the Dutch Corporate Governance Code, and is committed to adhering to the best practices of the Code as much as possible.

The company fully complies with the Code and applies all its principles and best practice provisions that relate to the Board of Management or the Supervisory Board.

12 Investor relations

12.1 Shareholder engagement

Signify attaches great value to maintaining an open dialog with investors and equity analysts in order to provide transparency and receive valuable feedback. The company conducts extensive investor outreach throughout the year, involving the Investor Relations department and members of the Board of Management, to ensure that the topics that matter most to shareholders can be addressed effectively.

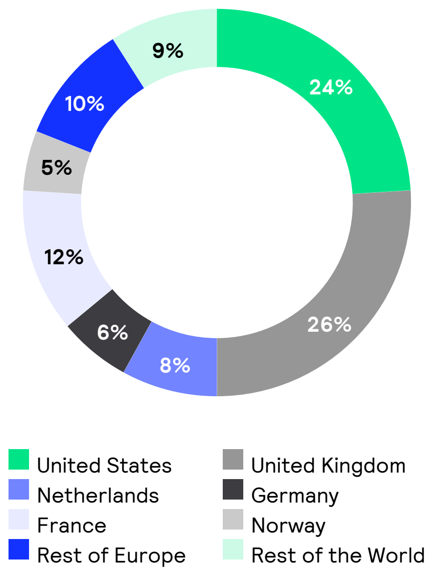
In 2023, Signify reached over 200 unique investment institutions through its Investor Relations activities and covered more than 80% of its active shareholder base.

Signify has an active investor relations approach aimed at supporting the company's long-term ambitions by keeping existing and potential shareholders well-informed about its strategy and the latest operational and financial developments. Signify publishes its financial results on a quarterly basis. In addition, the company also organizes earnings calls for research analysts and institutional investors to discuss these results. These earnings calls can be accessed and replayed on Signify's Investor Relations website. The Supervisory Board receives regular updates on share price developments, notable changes in Signify's shareholder base, feedback from investors and equity analysts, giving them a clear understanding of shareholders' views and other relevant developments.

12.2 Shareholder base

Signify has a broad base of international shareholders, as shown in the chart below. The information is based on an independent shareholder identification analysis performed in December 2023.

Geographical distribution of shares [1]



[1] Excluding treasury shares, prime brokerage and retail investors.

The Dutch Financial Markets Supervision Act requires institutions and individuals holding a (potential) capital and/or voting interest of 3% or more in Signify to disclose such to the Netherlands Authority for the Financial Markets (AFM). The AFM processes these disclosures in its publicly available register, which can be found at www.afm.nl. The table below includes the total interests of 3% or more registered at the AFM on December 31, 2023, and the related actual interests.

Signify shareholders

	% Actual interest [1]	Total % registered [2]
Silchester International Investors LLP	5.0%	5.0%
Amundi Asset Management	4.9%	4.9%
BlackRock Inc.	3.3%	4.0%
Dimensional Fund Advisors LP	3.0%	3.0%
Impax Asset Management Group Plc.	3.0%	3.0%
DWS Investment GmbH	2.9%	3.0%
Pictet Asset Management S.A.	3.0%	3.0%

[1] The actual interest reflects the % registered interest, excluding potential interests, such as options, futures, forward-rate agreements and other derivatives contracts.

[2] The total % registered includes the actual and potential interests such as options, futures, swaps, forward-rate agreements and other derivatives contracts.

Source: AFM

12.3 Annual General Meeting of Shareholders

The 2024 Annual General Meeting of Shareholders will be held on May 14, 2024. The agenda and the explanatory notes to the agenda will be published on the company's website. The record date for the 2024 Annual General Meeting of Shareholders is April 16, 2024, after processing all settlements of that date. People registered as shareholders in the designated register on that date, and who have registered for the meeting, will be entitled to attend and vote in the meeting.

12.4 Capital allocation

Capital allocation policy

Signify's capital allocation policy is:

- To pay an increasing annual cash dividend per share year on year.
- To maintain a robust capital structure and maintain an investment grade credit rating.
- To continue to invest in organic and inorganic growth opportunities in line with its strategic priorities.

Dividend policy

Signify's dividend policy is to pay an increasing annual cash dividend per share year on year. The payment of dividends, if any, and the amounts and timing thereof depend on several factors, including future sales, profits, financial conditions, general economic and business conditions and prospects. Other factors that the Board of Management may deem relevant, as well as other legal and regulatory requirements, might also impact the amount, timing and payment of future dividends. These might be beyond the control of the company.

Proposed dividend

The company proposes a dividend of EUR 1.55 per share, in cash, from the net income for full-year 2023. This is in line with its dividend policy of paying an increasing cash dividend per share year on year.

The dividend payment is subject to approval by the Annual General Meeting of Shareholders on May 14, 2024. Further details will be provided in the agenda for the AGM. Dividend in cash is, in principle, subject to 15% Dutch dividend withholding tax, which will be deducted from the dividend in cash paid to shareholders.

Dividend dates

Ex-dividend date	May 16, 2024
Dividend record date	May 17, 2024
Dividend payment date	June 3, 2024

Share repurchases for LTI hedging

No shares were repurchased in the open market in 2023.

12.5 Debt info

Term loan and revolving credit facility

In December 2023, Signify entered into a EUR 400 million long-term loan agreement, maturing in December 2026. The Company issued long-term debt to refinance part of the debt that will mature in 2024. This agreement bears interest at a variable rate based on the relevant applicable EURIBOR plus a fixed margin of 1.30%. In December 2023, EUR 222 million was already received. The remainder of EUR 178 million was received in January 2024.

In addition, as of December 31, 2023, the company had term loans amounting to EUR 280 million, maturing in November 2024, and USD 225 million, maturing in January 2025. The EUR term loans bear interest at a variable rate based on the relevant applicable EURIBOR plus a fixed margin of 0.15%. The USD term loan bears interest at a variable rate based on the relevant applicable Term SOFR plus a margin. As of December 31, 2023, the margin on the USD term loan was 0.75% and is subject to change, depending on the public credit rating of Signify.

As of December 31, 2023, the company had an undrawn revolving credit facility (RCF) of EUR 500 million which is maturing in January 2027. The term loans and RCF agreement include a financial covenant providing that Signify maintains a net leverage ratio of no greater than 3.5x. The net leverage ratio may temporarily increase to 4.0x within 12 months of the closing of material acquisitions. The covenant does not apply if Signify has at least one investment grade rating. Signify currently has two investment grade ratings.

Eurobonds

As of December 31, 2023, Signify had EUR 675 million of fixed rate notes due in May 2024 with an annual coupon of 2.000% and EUR 600 million of fixed rate notes due in May 2027 with an annual coupon of 2.375%.

Other debt

Other debt includes short-term borrowings which Signify repays ultimately within one year. Borrowings which are drawn and repaid within the same quarter, with a maturity of less than three months, are reported on a net basis in the movement of other debt.

More information about Signify's debt position can be found at https://www.signify.com/global/our-company/investors/shareholder-info/debt-info.

12.6 Share performance

Signify's share price underperformed the AEX index, the S&P capital goods index and the DJ Europe (excl. UK) technology index throughout most of 2023. In the last quarter of the year, Signify's share price started to recover, mainly narrowing the gap with the AEX index. On a full-year basis, Signify's share price underperformed all three indices.

On a full-year basis, Signify's share price declined by 3%, while the DJ Europe (excl. UK) technology index increased by 38%, the S&P capital goods index by 36% and the AEX index by 14%.

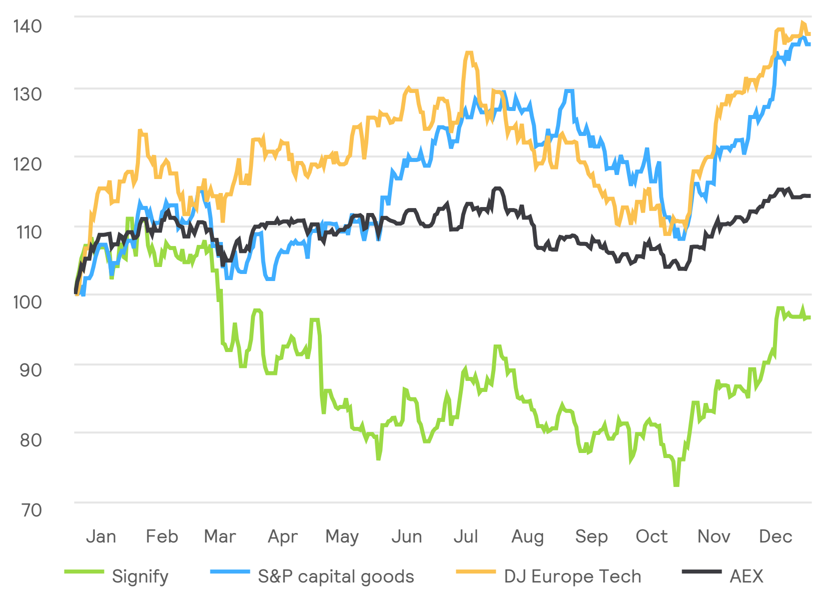
The market capitalization at year-end 2023 was EUR 3.9 billion and Signify's free float was 98%.

12.7 Financial calendar

Financial calendar 2024

Report/Activity	Date
Q1 2024 financial report	April 26, 2024
Annual General Meeting of Shareholders 2024	May 14, 2024
Q2 and first-half 2024 financial report	July 26, 2024
Q3 2024 financial report	October 25, 2024

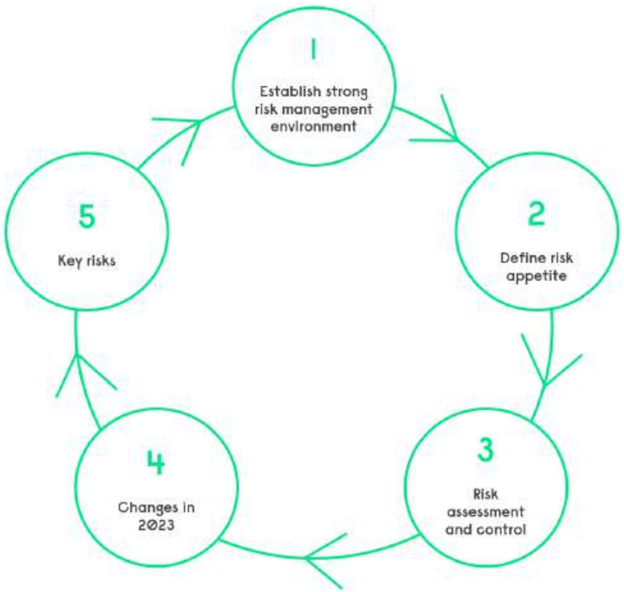
Share price development (indexed)



13 Risk factors and risk management

Introduction

At Signify, we believe taking risks is an inherent part of entrepreneurial behavior. By deploying a structured risk management process, management is able to take risks in a controlled manner. The company's risk management and controls are designed to provide reasonable assurance that strategic and financial business objectives are met. This is done by integrating management control into the daily operations, by ensuring compliance with legal requirements and by safeguarding the integrity of the company's financial reporting and its related disclosures. The components of our risk management process are listed below.



13.1 Establish a strong risk management environment

Signify's risk management environment is embedded in the corporate governance, the business control framework and the Integrity code.

Corporate governance

Corporate governance is the system by which a company is directed and controlled. Good corporate governance derives from, among other things, solid internal controls and high ethical standards.

The Board of Management is responsible for managing the risks associated with the company's activities and for defining the company's risk appetite. The Board of Management is assisted by the company's leadership team, which participates on a quarterly basis in audit risk and control meetings to identify critical risks and to review progress on the implementation of risk responses. The Audit Committee of the Supervisory Board provides oversight for the system of internal business controls and risk management. Internal and external audits are reported to and discussed by the Audit Committee on a quarterly basis and management self-assessment is reported on a yearly basis. An in-depth description of the company's corporate governance structure can be found in chapter 11, Corporate governance.

Business Control Framework

The company's Business Control Framework (BCF) sets the standard for risk management and business controls in the company. The objectives of the BCF are to maintain (i) integrated management control of the company's operations in order to ensure the integrity of the financial reporting and related disclosure, and (ii) compliance with applicable laws and regulations. The company has designed its BCF based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The company regularly evaluates and improves its BCF to align with business dynamics and good practices.

Integrity code

Acting with integrity is the cornerstone for the success of our business and for achieving our purpose. It is integral to the values that define us as a company. Acting with integrity means making the right choices when faced with ethical dilemmas, and holding ourselves and each other to high standards of behavior.

The Integrity code was updated in 2023 and has been approved and adopted by the Board of Management. It applies to all employees of Signify N.V. and its controlled subsidiaries. The Integrity code formulates minimum standards of behavior. The company has underlying policies that form an integral part of the Integrity code.

To increase the level of awareness and to create global engagement, the company has established a network of Compliance Officers in countries where the company has a presence, on each significant site, and at Division, Market Group and Functional level. The activities and responsibilities of this network are focused on providing expertise and support to managers and employees on Integrity code-related matters . Furthermore, the Signify central privacy office safeguards the governance of personal data together with privacy contact points across divisions, markets and functions.

The Integrity code is supported by mechanisms that ensure standardized reporting, escalation and investigation of concerns. These mechanisms are based on the Integrity code Reporting Policy that urges employees and third parties to report any concerns they may have regarding business conduct in relation to the Integrity code, either through a Compliance Officer or through the Signify Ethics line. The Signify Ethics line enables employees and third parties to report a concern either by telephone or online via a web intake form. All concerns raised are consistently registered in a single database and are investigated in accordance with standardized investigation procedures. An overview of the reporting activities for 2023 is given in chapter 17, CSRD disclosures, subsection 17.1 ESRS.

13.2 Define risk appetite

Risk management in Signify focuses on the following risk categories: strategic, operational, compliance and financial risks. The Board of Management has determined the risk appetite and seeks to manage risk within these boundaries. The risk appetite is different for each of the risk categories:

Strategic risks

Strategic risks include economic and political developments and the effects of actions taken to anticipate and respond to market circumstances. The company has a medium strategic risk appetite and is prepared to take some reasonable strategic risks, balancing the need to capture return from opportunities and management of the risks.

The company's key strategic risks are discussed in section 13.5 and include technological change, competition, global political and economic instability, digitalization, acquisitions and integration, and concentration risk.

Operational risks

Operational risks include adverse unexpected developments resulting from internal processes, people and systems, or from external events that are linked to the running of each business. The company has a low operational risk appetite and aims to minimize downside risks to maintain the high quality of its products, systems and services, reliable IT systems and sustainability commitments.

The company's key operational risks are discussed in section 13.5 and include supply disruptions, innovation, cyber-attacks and security breaches, new organizational capabilities, and climate change.

Compliance risks

These risks cover unanticipated failures to implement, or comply with, appropriate laws, regulations, policies and procedures. The company is, due to its global footprint, exposed to risk of fraud and other misconduct in violation of the integrity code and/or applicable laws and regulations, governmental investigation and legal proceedings in relation thereto.

The company has a very low compliance risk appetite. The company is committed to full compliance to relevant laws, regulations and its Integrity code and has a zero tolerance policy towards non compliance in these areas

Financial risk

The company faces financial risks outside its control related to treasury, accounting and reporting, pensions, and tax. Here, the risk appetite is low. Therefore, the company aims to minimize the impact of financial risk, and it follows a conservative risk management approach in these areas. Furthermore, the company is committed to transparent and truthful accounting and reporting to allow users of the financial statements to take decisions considering these risks.

13.3 Risk assessment and control

In order to provide a comprehensive view of the company's business strategy and activities, risks and opportunities are identified in a structured way, combining elements of top-down and bottom-up approaches.

Strategic risk

The company leadership team identifies the key risks as part of its strategic review process. In a subsequent workshop, the leadership team ranks the risks based on impact, likelihood, risk criticality and control effectiveness. As part of the strategic review cycle, initiatives are defined to mitigate the risks. Owners are assigned for each of the strategic initiatives, and they are then accountable for ensuring adequate risk mitigation and for monitoring the implementation of mitigation measures. Each quarter, the key risks are discussed during the audit and risk committee meeting internally with key leaders. Reported risks and opportunities are analyzed for potential cumulative effects and are aggregated at Division, Market cluster and company level.

Operational risk

Risks are reported on a regular basis as part of the business performance reviews. In addition, on an annual basis, the top risks are identified by company leadership. Relevant risks, including those associated with business opportunities, are prioritized in terms of potential impact and likelihood, considering quantitative and/or qualitative aspects, and are reviewed together with the Board of Management. On a quarterly basis, risks and controls are reviewed with the Divisions, Market clusters and specific Functions in the audit risk committee.

Compliance risk

The Integrity Committee is the ultimate body within Signify to administer the organization's Integrity Code Legal Compliance Program. It does so by maintaining oversight of the development and implementation of the Integrity code, including the monitoring of its effectiveness. The Integrity Committee is chaired by the Chief Legal Officer. Its members include the Chief Executive Officer, Chief Financial Officer, Chief HR Officer, Head of Internal Audit and Head of Legal Compliance.

With an annual Integrity code self-assessment process forming part of the internal controls over financial reporting (ICS), compliance to the Integrity code forms part of management's ICS monitoring process. Management of each business unit signs off on controls relating to compliance with the Integrity code, with this confirmation forming part of the annual certification statement on Business Controls. Non-compliance issues are highlighted and, if significant, they are reported to the Board of Management through the Certification Statement process.

Employees are requested to state their commitment to the Integrity code after having completed e-learnings. In 2023, employees were required to complete one or more e-learnings on the Integrity code and related legal compliance domains. Specific target groups were required to participate in recurring (virtual) classroom trainings. In addition, each year, Finance and Procurement employees are asked to sign off on the Financial and the Procurement Codes of Ethics, respectively. All executives are asked to sign off on the Integrity code annually to confirm their awareness of and compliance with the code. Violations of the Integrity code will result in disciplinary action, up to and including dismissal.

Financial risk

The company has implemented a global standard for ICS. ICS, together with the established accounting procedures, are designed to provide reasonable assurance that assets are safeguarded, that the books and records properly reflect transactions necessary to permit preparation of financial statements, that policies and procedures are carried out by qualified personnel, and that published financial statements are properly prepared and do not contain any material misstatements.

Internal controls are an inherent part of the processes in our company, where the responsibility for executing these internal controls is with the persons that carry out these processes. The design and maintenance of the global standard for internal controls is with the (global) business process owners and the dedicated ICS team.

An ICS monitoring process exists for all material reporting units, whereby business process owners engaged in the key financial processes perform self-assessments on several key controls, document the results, and take corrective action where necessary. ICS supports business and functional management in a periodic cycle of assessment and monitoring of the control environment.

On an annual basis, management's accountability for business controls is recorded through the formal issuance of a Certification Statement on Business Controls and a Letter of Representation by Divisions, reporting units and Functional management to the Board of Management. Any deficiencies noted in the design and operating effectiveness of controls over financial reporting, which were not completely remediated, are evaluated at year end by the Board of Management. The Board of Management's statement, including its conclusions regarding the effectiveness of internal controls over financial reporting, can be found in chapter 14, Statement of the Board of Management.

The global tax strategy and policy are aligned with our business and sustainability strategies and are published on the company's website, as part of our annual Signify Tax Report. The Board of Management, enabling functions, Divisions and Markets are advised on tax matters by Group tax to ensure both the needs of the business and of the tax function are balanced. The company also participates in national and international forums of experts to represent its interests. In addition, the company has corporate requirements for the management of the company's legal entities in line with tax legislation. Also refer to chapter 4.3.5, Responsible tax policy.

For further details on financial risks refer to chapter 15, Consolidated financial statements, note 9, Income tax, note 25, Post-employment benefits and note 29, Financial risk management.

13.4 Changes in 2023

In 2023, Pierlite integration in the internal control framework was completed and key controls for self assessment were deployed in Fluence.

13.5 Key risks

The key risks to achieving Signify's 2021-2023 mid-term targets, the potential impact of each risk, the mitigation strategies, and actions deployed are described in the following table. These risks can, separately or in combination, have a material adverse effect on Signify's business, strategy, financial condition, results from operations, cash flow, reputation, or prospects.

Risk	Risk description	Mitigation actions
Technological change	The transition to connected LED lighting is characterized by the increasing importance of digital capabilities and technology. At present, a relatively small part of the worldwide installed base of light points is connected. A cornerstone of Signify's strategy is to focus on and invest in its connected lighting offerings, such as its Interact offerings for the professional market and Hue, WiZ smart lighting offerings for the consumer market. Signify also aims to develop new business models, in particular through value-added service offerings. The risk is that the extent and speed of adoption of connected lighting systems and services does not develop as anticipated, or that Signify is unable to successfully implement its strategy in connected lighting.	Signify is actively developing and investing in technology platforms and software applications to bring (more advanced) connected lighting systems to the market. Part of this strategy is to strongly focus on the interoperability of its applications and to incorporate different connectivity technologies in its connected lighting portfolio, thereby addressing different needs in the market. Additionally, Signify plays a leading role in developing the market for connected lighting systems, in building awareness of the benefits of connected lighting, and in forging partnerships and alliances. Finally, in order to capture this new value opportunity, Signify's systems and product teams are developing innovative services and flexible offers meeting differentiated customer needs from basic to advanced and responding to different regional requirements around connected lighting. The market adoption of connected technologies is captured through quarterly market analysis.
Competition	The LED lighting market has attracted many new competitors (particularly from Asia) with low-priced offerings and is at present highly competitive. This has led to increased commoditization of offerings as well as price pressure on LED products. This might impact revenues and profitability, in particular, if Signify fails to manage costs. In the area of connected lighting, the risk is that non-lighting players with broad technology platforms might enter and disrupt the lighting market.	To counter full category commoditization, Signify's strategy includes the creation of tiered offerings (e.g. B-brand and private label), and bringing renewed innovation into the commoditized LED segment (A-class LED range). Further, the company is strengthening its digital (sales) capabilities and is running saving initiatives to keep its cost base competitive. Also, Signify can make use of the Philips brand, which has a strong global reputation and brand preference to drive sales. Finally, in the connected lighting segment, the company manages to maintain a leadership position by providing a continuous stream of innovations to the market, both in hardware and software. In general, Signify has a global sales and distribution network which is difficult for any competitor to replicate. This network allows the company to quickly roll-out innovative products and services on a global scale.

Risk	Risk description	Mitigation actions
Global political and economic instability	There continues to be significant instability in both the global economical and political landscape. Polarization and trade protectionism as well as political changes might disrupt our operations and, ultimately, our sales, profit and cash flow, as Signify has commercial activities and operations in almost every country. Adverse economic and political conditions might result in lower customer demand. In particular, the continuing Russia-Ukraine war, the conflict in the Middle East, the rise of interest rates with the resulting high level of inflation, and the slower than anticipated recovery in China post COVID, have had an adverse effect on consumer and customer spending, and hence on the company's sales and profitability in 2023. Looking forward, uncertainty and volatility remain regarding adverse economic conditions and can impact the general lighting market.	At the macro level, Signify actively engages in global forums focused on the benefits of globalization. Signify is also committed to highly credible industry organizations globally to support the stabilization of global trade. In order to minimize the impact of instability on its business, Signify closely follows and reviews (geo)political and economic developments and takes these into account in both its short- and medium-term operational planning. To mitigate potential supply chain inefficiencies and/or tariff impacts arising from geopolitical tensions and trade protectionism, Signify leverages its global (manufacturing) footprint and makes adjustments to its sourcing base when needed. Inflation in Commodity and Energy prices is offset through a combination of cost savings and price increases.
Supply disruption	Signify depends on external suppliers and, to a large extent, on the production of components and LED products in Asian countries. The risk of this high dependency is that suppliers are not able to deliver (raw) materials, components or services in a timely manner for Signify to meet customer demand. Next to this, the production and shipping of products and components could be interrupted by conflicts, natural disasters, such as earthquakes, typhoons and floods caused by climate change, or pandemic diseases. Finally, increasing geopolitical tensions and trade protectionism, such as local manufacturing requirements, might disrupt the company's operations. This might limit the company's ability to leverage and draw efficiencies from its global (manufacturing) footprint. Specifically for conventional lighting, due to the decreasing demand in 2023 Signify faced a challenge to keep active dual sourcing in place, as suppliers decided to close their business. Finally, disruption of the global supply chain usually leads to increases in logistic costs, which in turn need to be offset through additional cost savings or additional pricing.	Signify has built a supplier risk plan in which atrisk suppliers are identified using criteria that take into account the geographical location of the supplier, and the technologies and processes used. In addition, Signify has enhanced regional supply capabilities to increase the share of components needed for manufacturing products for a particular region, as opposed to them being sourced from remote locations. Regular risk assessments are carried out at individual plant level, including the risks related to natural catastrophes and water scarcity. These assessments are also performed at locations of business-critical suppliers and of strategic inventories. Signify requires its sites to have robust business continuity plans for any large-scale events that can severely impact the business. These plans include sourcing from alternative suppliers, nearshoring, and increasing strategic inventories. Cost inflation due to the shortage of components, containers or labor is offset through a combination of cost savings and market price increases. The level of pricing moves is benchmarked versus key competitors.

Risk	Risk description	Mitigation actions
Innovation	The high speed of innovation and the increasing importance of digital technology in the general lighting industry requires Signify to spend considerable resources on developing new products and solutions. It also requires developing different capabilities and competences to commercialize its innovations successfully. In particular, in the fast-changing market in which the company operates, it must continuously address the needs of local customers and introduce locally relevant new products and solutions ahead of competition. Failure to bring new products and solutions to the markets in a timely fashion and to commercialize its innovations successfully would lead to the expected benefits of these investments not being delivered and, hence, this would be detrimental to both the top and bottom line of the company.	Signify invests significantly in its R&D activities. It has dedicated R&D activities to support its divisions in developing and realizing near-term innovation roadmaps, and to develop longer-term innovations with a focus on areas such as connected lighting systems, software and digital applications. Signify adapted its business structure to enable a stronger customer focus and enhanced specialization to further increase execution speed. Finally, dedicated go-to-market channels and tailored marketing approaches are in place with the aim to successfully introduce new offerings commercially. The return on innovation investments is reviewed on a quarterly basis, including speed to market, efficiency of investment and sales development versus plan.
Cyber-attacks and security breaches	As Signify becomes more digitalized, more devices and systems are connected online. This increases cyber security risk across enterprise IT, Operational Technology (OT) and our products and solutions that are delivered with Internet of Things (IoT) capabilities and accompanying (cloud-based) software applications. Should a successful cyber-attack materialize, the processes, services and systems that allow the organization to continue to operate could be impacted resulting in operational disruption, with or without ransom demands. Further, a cyber-attack could cause a data breach where sensitive, protected, personal or confidential data held by Signify are leaked or stolen. Last but not least, the cyber risk extends to the 3rd parties that Signify does business with.	Cyber risk is reviewed by the Board of Management and the Supervisory Board on a periodic basis. A dedicated cyber security team scans external developments, identifies inherent risks, and proposes plans to limit residual risk as much as possible. The Security Board aligns on the level of acceptable residual risk. Each year mandatory security and data protection & privacy awareness trainings are conducted. A security improvement roadmap has been created and the progress is monitored by the Security Board, Supervisory Board and Audit Risk Committee. Third party risk is assessed as part of this. Security measures are in place to detect attackers and to minimize the risk of them causing damage to systems and gaining access to critical data, systems and services. Business continuity plans are in place in the event of non-availability of IT systems and manufacturing sites. These business continuity plans are tested periodically. Additionally, there is a security operations team that is supported by a managed security service provider for 24x7 vigilance of security events. This team is focused on security incident management and supports security incident monitoring and response within specified SLAs. Specifically to its products and software applications, Signify develops them in-house and secures the ecosystem in conformity to security standards and best practices (ISA/IEC62443, ISO2700x, NIST).

Risk	Risk description	Mitigation actions
Digitalization	It is a strategic priority for Signify to digitalize its customer interfaces, its processes, and its offers. As such, digitalization is a key opportunity to provide higher customer service levels, more attractive customer offers, and to continue optimizing productivity through more efficient workflows. Failure to keep up with ongoing digitalization and to adapt to new technologies will lead to a gradual loss of both market share and earnings.	Over the past years, the company has stepped up its investment in digitalization. Signify has established a Digitalization roadmap for customer interfaces, processes and offers, aligned to its business strategy. Upgrading the underlying IT architecture, re-skilling its employees, and improving the overall data governance, have been identified as key enablers. Several key programs have been initiated, under the leadership of Chief Digital and Information Officer, in the areas of technology foundation, skills up-grading, enhancement in go-to-market and E-commerce capabilities. Progress against the established roadmap and the key programs is closely followed-up by the Digital Committee, a sub-committee of the Supervisory Board.
New organizational capabilities	Signify needs to build the capabilities and culture required to transform its business and deliver on its strategy, including the ambition to grow its connected lighting business and grow in new areas such as agricultural, solar, UV-C lighting and 3D printing. New capabilities are particularly relevant in the areas of digital, software development, marketing and consultative selling. Next to this, bringing advanced connected lighting offerings to the market requires highly specialized (technical) personnel. Failure to successfully develop these new and different capabilities may have a significant impact on the company achieving its long-term strategic goals.	Signify invests in the professional development of its employees through learning initiatives as well as through dedicated talent management programs that identify top talents early in their career. In addition, actions were launched to upscale commercial skills and capabilities in cooperation with the Learning@Signify Academy. Next, talent acquisition programs are in place to attract new employees with a specific focus on those (technical) areas where the company sees capability needs that cannot be developed internally. Finally, through M&A projects of various size, new capabilities are brought to the company, with retention programs being part of the due diligence and acquisition approval process.
Acquisitions and integrations	Selected acquisitions have been, and are, an important part of Signify's strategy. These acquisitions are aimed at growing the business, strengthening its supply chain or acquiring complementary technologies or new capabilities. Acquisitions always entail integration risk, which in turn could result in sales and cost synergies, strategic advantages and/or economies of scale being delayed or not fully realized.	For any acquisition, Signify follows a rigid process of confirming strategic relevance, value creation, due-diligence, and post-merger integration plan. Throughout the entire process, Signify makes sure to involve the right people from the organization, considering all vital aspects of the business. Immediately after any acquisition, a multidisciplinary team with members from both organizations is put together to ensure a smooth integration of the new business, both from a top-line synergy, a cost synergy, and a cultural integration point of view.

Risk	Risk description	Mitigation actions
Climate change	The impact of climate change generates both opportunities and challenges for Signify's existing and future lighting products and solutions portfolio. And, with a global footprint, Signify's manufacturing sites and supply chain are exposed to risks related to climate change. In line with that, Signify is seeing continued and increased attention to climate change from all sectors of society. This attention has led to additional regulations designed to reduce greenhouse gas (GHG) emissions and the adoption of more energy-efficient products and low carbon solutions.and support products that contribute to circularity. As lighting represents around 12% of global electricity consumption, the lighting industry will need to adapt to changing environmental regulations. The inability to meet customer expectations related to the energy efficiency potential of the company's LED lighting products and solutions could adversely affect the company's reputation and brand. Additionally, understanding the risks posed by climate change, and how to improve business resilience through climate change mitigation and adaptation accordingly, is imperative to secure the company's longer-term success.	As part of its Brighter Lives, Better World 2025 sustainability program, Signify is taking measures to manage climate risks and adapt its businesses. Since 2020, Signify is carbon neutral in its operations and sources 100% renewable electricity in its own operations. Investments in purchase power agreements not only contribute to emission reduction but also hedge the fluctuation of energy prices. Sustainability is an integral part of Signify's 5 Frontiers strategy. Its pillar, Growth for Sustainability, aims to address global challenges by focusing on sustainable growth areas, based on low-carbon technological innovation: Climate action, Circular economy, Food availability, Safety & security, and Health & well-being. Through its global leadership in energy-efficient lighting, Signify's portfolio is uniquely positioned to mitigate risks and capture opportunities related to climate change. For example, Signify continues to expand its Philips Ultra Efficient portfolio, the world's most efficient energy saving LED Lighting, thereby helping to reduce energy expenditure. Signify's lighting for circularity initiative is driving the development of products that can be reprinted, refurbished,reused or recycled to optimize resource utilization and reduce emissions. Following the recommendations and guidance of the Task Force on Climate-related Financial Disclosures, Signify conducts ongoing climate risk assessments in line with the four core elements of governance, strategy, risk management, and metrics and targets (for details, refer to the Sustainability Supplements to the Annual Report, available on our Sustainability downloads webpage: https://www.signify.com/global/sustainability/downloads). In 2023, Signify reduced 19% and was on track to achieve its ambitious Brighter Lives, Better World 2025 commitments (for details, refer to chapter 4, Brighter Lives, Better World.

Risk	Risk description	Mitigation actions
Concentration risk	With the acquisition of US-based Cooper Lighting (2020) and Fluence (2022), Signify's overall risk profile changed. As a result, Signify is more exposed to developments in the professional lighting market, and in particular, in the North American market. Therefore, going forward, any developments in those markets are expected to have a bigger impact on the company's results, operations and prospects. More importantly, in case of negative developments in North America, it might have a reduced ability for offsets through its other business activities and markets in which it is active.	The increased importance of the US is recognized and taken into consideration in the annual strategic planning process and risk assessment. Resources are allocated in line with both the size of the business and the future growth potential. Not only is the company focused on getting the right talent to drive the success of the US business, but also the Divisions and Functions are expected to spend a significant amount of time and energy on ensuring a successful US business. Finally, in order to address both the importance of the US business and the higher risk of global disruption, dedicated support plans have been and are being worked out for the US.

14 Statement of the Board of Management

The Board of Management has prepared this Annual Report in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and additional Dutch disclosure requirements for annual reports.

To the best of our knowledge:

- The Consolidated financial statements and Signify N.V. financial statements included in this Annual Report give a true and fair view of the assets, liabilities, financial position and profit or loss of Signify N.V. and its consolidated undertakings;
- Based on the current state of affairs and the company's strategic plan, which forecasts among others the company's future cash flows, it is justified that the financial reporting has been prepared on a going concern basis;
- The management report included in this Annual Report gives a true and fair view concerning the position on the balance sheet date and the development and performance of the business of Signify N.V. and the undertakings included in the consolidation taken as a whole during the financial year;
- The management report included in this Annual Report describes the principal risks and uncertainties that the company faces, and those that are relevant to the expectation of the company's continuity for the period of 12 months after the date of publication of this Annual Report.

The Board of Management is responsible for the establishment and adequate functioning of a system of governance, risk management and internal controls in the company. It reports on and is accountable for internal risk management and control systems to the Supervisory Board and its Audit Committee. The company has implemented a risk management and internal control system designed to provide reasonable assurance that strategic objectives are met by creating focus, integrating management control over the company's operations, ensuring compliance with applicable laws and regulations and by safeguarding its assets and the reliability of its financial reporting and its disclosures.

The company has designed its internal control system based on the Internal Control-Integrated Framework (2013) established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The company's risk management approach is embedded in its periodic business planning and review cycle and forms an integral part of business management. On the basis of risk assessments, management determines the risks and appropriate responses related to the achievement of business objectives and critical business processes. Risk factors and the risk management approach are described in more detail in chapter 13, Risk factors and risk management. Audit results, relevant investigative activities as well as significant changes and improvements in the company's risk management and internal control system are discussed with the Audit Committee and the Supervisory Board.

With respect to financial reporting, a structured self-assessment and monitoring process is used company-wide to assess, document, review and monitor compliance with internal control over financial reporting. Internal representations received from management, regular management reviews, reviews of the design and effectiveness of internal controls and reviews in company and Division, Market and Function Audit Committees, are integral parts of the company's risk management approach.

On the basis of the above, we confirm that:

- The management report provides sufficient insights into failings, if any, in the effectiveness of the internal risk management and control systems; and
- The internal risk management and control systems provide a reasonable level of assurance that the financial reporting and tax included in this Annual Report does not contain any errors of material importance.

It should be noted that the above does not imply that these systems and procedures provide certainty as to the realization of operational and financial business objectives, nor can they prevent all misstatements, inaccuracies, errors, fraud and non-compliance with rules and regulations.

February 27, 2024

Board of Management
Eric Rondolat
Javier van Engelen
Maria Letizia Mariani
Harshavardhan Chitale

Corporate statements

Table of contents

15 Consolidated financial statements

Introduction

The audited Consolidated financial statements including the notes thereon have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code.

All standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee effective 2023 have been endorsed by the EU; consequently, the accounting policies applied by Signify also comply with IFRS as issued by the IASB.

The following chapters of this Annual Report:

- 3, Creating LT value
- 4, Brighter Lives, Better World
- 5, Corporate performance
- 7, Board of Management
- 8, Supervisory Board
- 9, Supervisory Board report, subsection 9.3.2, Corporate Governance and Nomination & Selection Committee
- 11, Corporate governance
- 12, Investor Relations, section 12.2, Shareholder base, section 12.4, Capital allocation
- 13, Risk factors and risk management
- 14, Statement of the Board of Management
- 17, CSRD Disclosures
- 19, Reconciliation of non-IFRS financial measures
- 20, Definitions and abbreviations
- 21, Forward-looking statements and other information

form the management report within the meaning of section 2:391 of the Dutch Civil Code.

For "Additional information" within the meaning of section 2:392 of the Dutch Civil Code, refer to chapter 5, Corporate performance, section 5.3, Proposed distribution to shareholders, chapter 11, Corporate governance, section 11.1, Signify organization and chapter 18, Combined independent auditor’s report.

Ernst & Young Accountants LLP has issued an independent auditor’s report on the Consolidated financial statements and the Company financial statements, in accordance with Dutch law, including the Dutch standards on auditing, of Signify N.V., which is set out in chapter 18, Combined independent auditor’s report.

15.1 Consolidated statement of income

Consolidated statement of income
in millions of EUR unless otherwise stated
For the years ended December 31

	Note	2022	2023
Sales	3	7,514	6,704
Cost of sales		(4,781)	(4,146)
Gross margin		**2,732**	**2,558**
Selling, general and administrative expenses		(1,927)	(1,882)
Research and development expenses		(295)	(308)
Impairment of goodwill	15	–	–
Other business income	7	227	24
Other business expenses	7	(19)	(23)
Income from operations	4	**718**	**369**
Financial income	8	47	32
Financial expenses	8	(88)	(134)
Results from investments in associates		–	–
Income before taxes		**678**	**268**
Income tax expense	9	(145)	(53)
Net income		**532**	**215**
Attribution of net income for the period:			
Net income (loss) attributable to shareholders of Signify N.V.		523	203
Net income (loss) attributable to non-controlling interests		9	12
Earnings per common share attributable to shareholders	10		
Weighted average number of ordinary shares outstanding used for calculation (in thousands):			
• Basic		125,004	125,951
• Diluted		127,597	127,338
Net income attributable to shareholders per ordinary share in EUR:			
• Basic		4.18	1.61
• Diluted		4.10	1.59

The accompanying notes are an integral part of these consolidated financial statements.

15.2 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income in millions of EUR
For the years ended December 31

	2022	2023
Net income	**532**	**215**
Pensions and other post-employment plans:		
• Remeasurements	15	(14)
• Income tax effect on remeasurements	(5)	2
Total of items that will not be reclassified to the Income statement	**11**	**(12)**
Currency translation differences:		
• Net current period change, before tax	159	(143)
• Income tax effect	-	-
Net investment hedge:		
• Net current period change, before tax	(10)	(3)
• Income tax effect	-	1
Cash flow hedges:		
• Net current period change, before tax	(24)	25
• Income tax effect	6	(6)
Total of items that are or may be reclassified to the Income statement	**132**	**(126)**
Other comprehensive income	**143**	**(138)**
Total comprehensive income	**675**	**77**
Total comprehensive income attributable to:		
• Shareholders of Signify N.V.	663	71
• Non-controlling interests	12	6

The accompanying notes are an integral part of these consolidated financial statements.

15.3 Consolidated statement of financial position

Consolidated statement of financial position in millions of EUR As at December 31

	Note	2022	2023
Non-current assets			
Property, plant and equipment	13	699	633
Goodwill	15	2,861	2,755
Intangible assets, other than goodwill	15	700	641
Investments in associates	12	12	12
Financial assets	28	165	91
Deferred tax assets	9	418	402
Other assets	20	40	32
Total non-current assets		**4,895**	**4,566**
Current assets			
Inventories	17	1,361	1,050
Financial assets	28	-	2
Other assets	20	161	147
Derivative financial assets	28	34	14
Income tax receivable	9	56	54
Trade and other receivables	18	1,102	1,012
Cash and cash equivalents	28	677	1,158
Assets classified as held for sale		1	-
Total current assets		**3,391**	**3,438**
Total assets		**8,286**	**8,004**

15.3 Consolidated statement of financial position (continued)

		2022	2023
Equity			
Shareholders' equity	22	2,920	2,817
Non-controlling interests	12	145	129
Total equity		**3,065**	**2,947**
Non-current liabilities			
Debt	23	1,950	1,192
Post-employment benefits	25	327	322
Provisions	24	283	263
Deferred tax liabilities	9	25	20
Income tax payable	9	111	79
Other liabilities	21	160	154
Total non-current liabilities		**2,855**	**2,030**
Current liabilities			
Debt, including bank overdrafts	23	83	1,038
Derivative financial liabilities	28	42	17
Income tax payable	9	21	20
Trade and other payables	19	1,859	1,539
Provisions	24	168	206
Other liabilities	21	194	206
Liabilities from assets classified as held for sale		–	–
Total current liabilities		**2,367**	**3,027**
Total liabilities and total equity		**8,286**	**8,004**

The accompanying notes are an integral part of these consolidated financial statements.

15.4 Consolidated statement of cash flows

Consolidated statement of cash flows in millions of EUR
For the years ended December 31

	Note	2022	2023
Cash flows from operating activities			
Net income		532	215
Adjustments to reconcile net income to net cash provided by operating activities:		451	705
• Depreciation, amortization and impairment of non-financial assets	6	318	274
• Impairment (reversal) of goodwill, other non-current financial assets and investments in associates		-	-
• Result on sale of assets	7	(182)	6
• Net interest expense on debt, borrowings and other liabilities	8	41	43
• Income tax expense	9	145	53
• Additions to (releases of) provisions	24	110	243
• Additions to (releases of) post-employment benefits	25	10	23
• Other items		9	64
Decrease (increase) in working capital:		(248)	87
• Decrease (increase) in trade and other receivables	18	130	50
• Decrease (increase) in inventories	17	126	267
• Increase (decrease) in trade and other payables	19	(555)	(272)
• Increase (decrease) in other current assets and liabilities		52	42
Increase (decrease) in other non-current assets and liabilities		(24)	3
Utilizations of provisions	24	(157)	(153)
Utilizations of post-employment benefits	25	(41)	(38)
Net interest and financing costs paid		(39)	(41)
Income taxes paid		(99)	(81)
Net cash provided by (used for) operating activities		**376**	**696**
Cash flows from investing activities			
Net capital expenditures:		69	(110)
• Additions of intangible assets	15	(62)	(67)
• Capital expenditures on property, plant and equipment	13	(70)	(51)
• Proceeds from disposal of property, plant and equipment		201	8
Net proceeds from (cash used for) derivatives and other financial assets		(29)	7
Purchases of businesses, net of cash acquired	11	(297)	(13)
Proceeds from sale of businesses, net of cash disposed of		-	-
Net cash provided by (used for) investing activities		**(256)**	**(115)**

15.4 Consolidated statement of cash flows (continued)

	Note	2022	2023
Cash flows from financing activities			
Dividend paid		(188)	(210)
Proceeds from issuance of debt	23	217	233
Repayment of debt	23	(276)	(83)
Purchase of treasury shares		(48)	(7)
Net cash provided by (used for) financing activities		**(295)**	**(67)**
Net cash flows		**(175)**	**514**
Effect of changes in exchange rates on cash and cash equivalents and bank overdrafts		3	(31)
Cash and cash equivalents and bank overdrafts at the beginning of the period		847	676
Cash and cash equivalents and bank overdrafts at the end of the period	28	**676**	**1,158**

The accompanying notes are an integral part of these consolidated financial statements.

15.5 Consolidated statement of changes in equity

Consolidated statement of changes in equity
in millions of EUR

	Share capital	Share premium	Retained earnings	Currency translation differences	Cash flow hedges	Treasury shares	Total share-holders' equity	Non-controlling interests	Equity
Balance as at January 1, 2022	**1**	**2,174**	**491**	**(80)**	**(2)**	**(126)**	**2,459**	**138**	**2,597**
Net Income	–	–	523	–	–	–	523	9	532
Other comprehensive income (loss)	–	–	11	147	(18)	–	140	3	143
Total comprehensive income (loss)	**–**	**–**	**534**	**147**	**(18)**	**–**	**663**	**12**	**675**
Dividend distributed	–	–	(182)	–	–	–	(182)	(6)	(188)
Purchase of treasury shares	–	–	–	–	–	(48)	(48)	–	(48)
Delivery of treasury shares	–	(59)	16	–	–	42	–	–	–
Share-based compensation plans	–	23	–	–	–	–	23	–	23
Hyperinflation adjustment	–	–	5	–	–	–	5	–	5
Balance as at December 31, 2022	**1**	**2,139**	**864**	**67**	**(20)**	**(131)**	**2,920**	**145**	**3,065**
Balance as at January 1, 2023	**1**	**2,139**	**864**	**67**	**(20)**	**(131)**	**2,920**	**145**	**3,065**
Net Income	–	–	203	–	–	–	203	12	215
Other comprehensive income (loss)	–	–	(12)	(139)	19	–	(132)	(7)	(138)
Total comprehensive income (loss)	**–**	**–**	**191**	**(139)**	**19**	**–**	**71**	**6**	**77**
Dividend distributed	–	–	(189)	–	–	–	(189)	(21)	(211)
Purchase of treasury shares	–	–	–	–	–	(7)	(7)	–	(7)
Delivery of treasury shares	–	(35)	(22)	–	–	57	–	–	–
Share-based compensation plans	–	17	–	–	–	–	17	–	17
Hyperinflation adjustment	–	–	6	–	–	–	6	–	6
Balance as at December 31, 2023	**1**	**2,120**	**851**	**(72)**	**(1)**	**(82)**	**2,817**	**129**	**2,947**

The accompanying notes are an integral part of these consolidated financial statements.

15.6 Notes to the Consolidated financial statements

In millions of EUR unless otherwise stated

1 Basis of preparation

Signify N.V. is a public company with limited liability incorporated under the laws of the Netherlands and listed on Euronext Amsterdam under the symbol "LIGHT".

As used herein, the term Signify is used for Signify N.V. (‘the Company’) and its subsidiaries within the meaning of section 2:24b of the Dutch Civil Code.

Basis of preparation

The Consolidated financial statements as at December 31, 2023, have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code. The Consolidated financial statements are prepared by the Board of Management of the Company and authorized for issue on February 27, 2024, and will be submitted for adoption to the Annual General Meeting of Shareholders on May 14, 2024. The Consolidated financial statements have been prepared on a going concern basis.

Basis of measurement

The Consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, including derivatives (measured at fair value), assets held for sale (measured at the lower of carrying amount and its fair value less costs to sell), and defined-benefit pension plans (plan assets are measured at fair value).

Functional and presentation currency

The Consolidated financial statements are presented in euros (EUR), which is the functional and presentation currency of Signify N.V. All amounts are presented in EUR million and have been rounded to the nearest EUR million, unless otherwise stated. Due to rounding, amounts may not add up to totals provided.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the Consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates inherently contain a degree of uncertainty. Actual results may differ from these estimates.

These estimates and judgments are evaluated on an ongoing basis and are based on historical experience, current and expected future outcomes, third-party evaluations and various other assumptions that are considered reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities, as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Signify revises material estimates if changes occur in the circumstances or if there is new information/experience on which an estimate was or can be based.

The areas where the most significant judgments and estimates are made are goodwill, deferred tax asset recoverability, non-current income tax payables, revenue recognition, impairments, provisions, insurance cover asset recoverability, employee benefit obligations, inventory valuation and obsolescence provision, leases, fair value of derivatives, other financial instruments and assets and liabilities in business combinations. For further discussion on these significant judgments and estimates, reference is made to the respective accounting policies and notes within these Consolidated financial statements that relate to the above topics.

Climate-related matters

The impact of climate change generates opportunities as well as challenges for Signify’s existing and future lighting products and solutions portfolio. Sustainability is an integral part of Signify's 5 Frontiers strategy. Its pillar, Growth for Sustainability, aims to address global challenges by focusing on sustainable growth areas, based on low-carbon technological innovation: Climate action, Circular economy, Food availability, Safety & security, and Health & well-being. Through its global leadership in energy-efficient lighting, Signify's portfolio is uniquely positioned to mitigate risks and capture opportunities related to climate change.

Digital Solutions and Digital Products

Digital Solutions and Digital Products benefit from the phasing out of conventional lighting and the move to more energy-efficient LED and connected lighting. Stimulus packages, such as the EU Green Deal and the US stimulus package, are pushing for the use of more sustainable technologies. This creates a multi-year opportunity for Signify, as its product portfolio is well-positioned to capture growth from this drive for sustainability.

Conventional Products

The conventional lamps market is expected to continue to decline in the coming years due to the ongoing adoption of LED lighting technologies and regulatory changes. While the overall conventional market continues to decline, Conventional Products’ focus is on further increasing its leading market share in key segments and markets. The specialty lighting products see a much slower conversion rate to LED. The division continues to proactively manage its manufacturing footprint and reduce operational costs to optimize free cash flow.

Developments on climate-related matters for the Division were considered in preparing the Consolidated financial statements. Specifically, the key assumptions used in the annual goodwill impairment test for Conventional Products have taken into account external market assumptions, including potential phase out of products due to market conditions and legislation likely to be ratified. In the 2023 annual goodwill test, the estimated recoverable amount of Conventional Products exceeded its carrying value, therefore no impairment loss was recognized. For further details, refer to note 15, Intangible assets. In addition, Property, Plant and Equipment of Conventional Products were reviewed for impairment triggering events. Where applicable, assets were impaired to their recoverable amounts, and useful lives were adjusted accordingly.

Macroeconomic environment

The current macro economic environment poses risks and uncertainties which are closely monitored by Signify. Such risks, uncertainties and other important factors include but are not limited to: adverse economic and political developments, in particular the impacts of the Russia-Ukraine conflict, the conflict in the Middle East, the energy crisis in Europe, the recovery trajectory of the Chinese economy, component availability and cost inflation.

Goodwill

The annual impairment test performed in the fourth quarter did not result in an impairment loss being recognized. The key assumptions of the goodwill impairment test include sales growth rates, EBITA and the rates used for discounting the projected cash flows. All key assumptions were updated to reflect management’s current best estimates. For further details, refer to note 15, Intangible assets.

Intangible assets, other than goodwill

Signify monitors changes in the economic environment which could indicate that the carrying amount of the asset may not be recoverable, and performs an impairment test when an impairment trigger is identified. No material impairment was identified based on the procedures performed.

Assumptions for post-employment benefits

Macroeconomic developments impacted underlying assumptions of post-employment liabilities such as the interest rates and investment performance. Signify performed an updated quantification of the net defined benefit liability as at December 31, 2023, based on the most recent assumptions. Details of the underlying assumptions used can be found in note 25, Post-employment benefits.

Deferred taxes

In the context of macroeconomic developments, Signify has also assessed whether it is still probable that deferred tax assets recognized on the balance sheet will be realized. No material derecognition as a result of this assessment was recorded.

New operating model

On December 1, 2023, Signify announced its new operating model. The operating model and revised segments are expected to be effective in the course of 2024 and are therefore not reflected in the Consolidated financial statements as at December 31, 2023.

Changes in accounting policy

New and amended standards adopted

Signify has applied the following amendments for the first time to its annual reporting period commencing January 1, 2023:

- Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction;
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies;
- Amendments to IAS 8: Definition of Accounting estimates;
- Amendments to IAS 12: International tax reform – Pillar two model rules.

Signify changed its accounting policies in accordance with the amendments listed above. The changes did not have any significant impact on the amounts recognized in the prior period and current period.

New and amended standards not yet adopted

Several new standards or amendments to existing standards that are mandatory for reporting periods commencing on or after January 1, 2024, have been published. These standards have not been adopted early by Signify. The new standards or amendments are not expected to have a material impact on Signify in the current or future reporting periods and on foreseeable future transactions.

2 Material accounting policies

General

The accounting policies set out below have been consistently applied by Signify to all periods presented in these Consolidated financial statements.

Basis of consolidation

The Consolidated financial statements comprise the financial statements of Signify N.V. and all subsidiaries it controls (i.e. when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee). The existence and effect of potential voting rights are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. All intercompany balances and transactions have been eliminated in the Consolidated financial statements.

Business combinations

Business combinations are accounted for using the acquisition method. Under the acquisition method, the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree are recognized at the acquisition date, which is the date on which control is transferred to Signify. Signify measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interest in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Foreign currency translation

Items included in the financial statements of each of the Signify entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated statement of income, except when deferred in Other comprehensive income as qualifying cash flow hedges. The exchange differences are presented as part of Cost of sales, except for tax items and Financial income and expenses, which are recognized in the same line item as they relate to.

Upon consolidation, the assets and liabilities of non-euro entities, including goodwill and fair value adjustments at the time of the acquisition, are translated into euros at the year-end rates of exchange. The items of the statement of income of foreign activities are translated at the rates which are approximating the rates at the dates of transactions. The resulting translation differences of the net investments in foreign operations are recognized in Other comprehensive income.

Revenue recognition

Sale of goods

Revenue from the sale of goods is recognized at the point in time when the customer obtains control over the goods. For standard sale of products, control generally passes to the customer when the product is delivered and accepted, depending on the delivery conditions and incoterms. For products for which a right to return exists during a defined period, revenue is recognized by considering the historical pattern of actual returns. Return policies are typically based on customary return arrangements in local markets.

Sale of services
Signify accounts for cloud-enabled services, extended warranties and lifecycle services as separate performance obligations. Control over these services is transferred over time and revenue is recognized, in most cases, on a straight-line basis over the duration of the service period.

Transaction price
The transaction price is the amount of consideration to which Signify expects to be entitled to in exchange for transferring promised goods or services to a customer. The transaction price excludes amounts collected on behalf of third parties, such as sales taxes.

For contracts with multiple performance obligations, the total consideration of the contract is allocated to all distinct performance obligations in the contract based on their stand-alone selling prices. Stand-alone selling prices are determined based on other stand-alone sales transactions that are directly observable, when possible. If no direct observable prices are available, the stand-alone selling price is normally based on the expected cost plus a margin approach.

The transaction price may be variable due to discounts, rebates or similar arrangements. Revenue is only recognized for the part of the consideration for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Judgment is required in determining the probability and level of discounts and rebates that will be granted. The estimate is updated throughout the term of the contract.

Signify does not adjust the transaction price for the effects of significant financing component if, at contract inception, it is expected that the period between customer payment and the transfer of goods or services is one year or less. This applies to most sales transactions.

Other
Payments made to customers for distinct goods or services are excluded from revenue recognized and recorded as part of Selling, general and administrative expenses.

Signify may incur costs for obtaining a contract, including payments made to agents that depend on winning the contract. Signify applies the practical expedient from IFRS 15, allowing the incremental costs of obtaining a contract to be expensed if the associated amortization period is 12 months or less. As a result, no amounts of contract costs are recognized in the balance sheet.

Contract assets and liabilities
Contract assets mostly comprise of unbilled positions, where Signify has, partially or in full, satisfied performance obligations but not yet billed the customer. These are recorded under either Other current assets or Other non-current assets. The contract assets are transferred to receivables when the rights become unconditional, which is mostly when the customer is billed.

Contract liabilities, recorded under Other current liabilities and Other non-current liabilities, consist of customer payments received in advance, for which Signify still needs to satisfy (part of) the performance obligations. Contract liabilities mainly consist of recurring services performance obligations, such as extended warranties, life-cycle services and cloud-enabled services as well as advances for projects.

Income and expenses
Signify applies accrual accounting. This means that expenses are recognized when incurred and Income is recognized when earned, irrespective of the actual cash flows.

Consideration received from customers for shipping and handling is recognized as Sales. Shipping and handling expenses related to sales to third parties are generally recorded as Selling, general and administrative expenses. When shipping and handling are distinct performance obligations, then the related expenses are recorded as Cost of sales.

Advertising and promotion costs and costs related to the brand license fee are included in Selling, general and administrative expenses.

Inventories
Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion of inventories include direct labor and fixed and variable production overheads, considering the stage of completion and the normal capacity of production facilities. Costs of idle facility and abnormal waste are expensed. The cost of inventories is determined using the first-in, first-out (FIFO) method. Due to price erosion and technological developments, inventory valuation requires forward-looking estimates on future sales levels, future price erosion and related expected gross margin percentages. On each reporting date, management performs an analysis of net realizable values and determines the lower of cost and net realizable value to measure its inventories. The write-down is included in Cost of sales.

Financial instruments

Recognition

A financial asset or liability is recognized when Signify becomes a party to a contract that is a financial instrument. Regular way purchases and sales of financial instruments are accounted for at the trade date. Initial measurement of financial assets and liabilities is at fair value. Dividend income is recognized when declared.

Financial assets arising from insurance contracts are only recognized when it is virtually certain that reimbursement will be received if Signify settles the obligation. Signify recognizes the reimbursement as a separate financial asset.

Classification and measurement

The classification and subsequent measurement of financial assets and liabilities depends on Signify's business model for managing the financial assets and liabilities, the contractual terms of the cash flows and the solely payments of principal and interest (SPPI) test. Signify performs the analysis on an instrument-by-instrument basis. Financial assets and liabilities are classified into one of the following categories:

- Financial assets at amortized cost: The business model for these instruments is to hold them to collect contractual cash flows. This financial asset category mainly consists of Trade and other receivables. After initial recognition these financial assets are measured at amortized cost using the effective interest method, less loss allowance and net of discounts given or agreed to, if the offset requirements are met;
- Financial assets at fair value through profit or loss (FVTPL): The business model for these instruments is to hold them for trading. This financial asset category mainly consists of Signify's participations in Virtual Power Purchase Agreements and other Derivatives;
- Financial assets at fair value through other comprehensive income (FVOCI): The business model for these instruments is to hold them to collect contractual cash flows and to sell them. Fair value gains and losses are subsequently not reclassified to profit or loss following the derecognition of the investment. This category consists of minor equity investments;
- All financial liabilities except for financial liabilities at fair value through profit and loss are classified and subsequently measured at amortized cost. This financial liability category primarily consists of Debt and Trade and other payables. Financial liabilities at fair value through profit or loss mainly consists of Derivatives and Contingent consideration in a business acquisition, to which IFRS 3 applies. Contingent consideration is subsequently measured at fair value with changes recognized in profit or loss.

Netting of financial assets and liabilities

Signify presents financial assets and financial liabilities on a gross basis as separate line items in the Consolidated statement of financial position, unless the offset criteria are met.

The offsetting criteria are met if Signify has a legal right to offset financial assets with financial liabilities and if Signify intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. To meet the requirement, the right of set-off should be available today and not contingent on a future event and it should be legally enforceable for all counterparties in a normal course of business, as well as in the event of default, insolvency or bankruptcy.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- Signify has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) Signify has transferred substantially all the risks and rewards of the asset, or (b) Signify has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When Signify has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, Signify continues to recognize the transferred asset to the extent of its continuing involvement. In that case, Signify also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Signify has retained.

Impairment of trade receivables and contract assets

Signify estimates lifetime expected loss allowance for all Trade receivables and Contract assets via calculating the expected credit losses. Trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due whereby the lifetime expected credit loss on the Trade receivables is recognized based on a matrix model calculated per country, which utilizes historical recoverability data and default probability per country.

As soon as individual trade accounts receivable can no longer be collected in a normal course of business and are expected to result in a loss, they are designated as doubtful trade accounts receivable and valued at the expected collectible amounts. They are written off when they are deemed to be uncollectable because of bankruptcy or other form of receivership at the debtors. Any previously recognized expected loss is offset against the carrying amount of such trade receivable and the difference is taken as a loss accounted for within Selling, general and administrative expenses.

Derivatives and hedge accounting

At inception of the hedge relationship, Signify documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. Signify documents its risk management objective and strategy for undertaking its hedge transactions.

For foreign currency forwards, Signify designates the spot component of the change in fair value in cash flow hedge relationships. The spot component is determined with reference to the relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as forward points. It is discounted, where material. Changes in the fair value related to forward points are continuously recognized in the statement of profit or loss.

Translation exposure of foreign-currency equity invested in consolidated entities is generally not hedged. However, if a hedge is entered into, it is accounted for as a net investment hedge. Signify designates the full instrument in the hedge relationship. The result of hedging of the translation risk, using net investment hedges is recognized in the Currency translation differences within equity, as can be seen in the Consolidated statement of comprehensive income as long as the hedge is effective.

Signify measures all derivative financial instruments at fair value derived from market prices of the instruments or calculated as the present value of the estimated future cash flows based on observable interest yield curves, basis spread and foreign exchange rates. These calculations are tested for reasonableness by comparing the outcome of the internal valuation with the valuation received from the counterparty.

Signify monitors that the economic relationship between the hedged item and hedging instrument and hedge ratio is the same as the one Signify uses for risk management purposes. A prospective effectiveness test is performed to prove that the hedge is effective.

If the hedge ratio for risk management purposes is no longer optimal due to the different timing or amount of the underlying transaction, but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, Signify performs re-balancing of the hedge relationship by adjusting either the volume of the hedging instrument or the volume of the hedged item, so that the hedge ratio aligns with the ratio used for risk management purposes. Gains and losses that were accumulated in equity related to an ineffective portion of hedge, Signify records immediately in the Consolidated statement of income when such ineffectiveness occurs.

The derivatives related to transactions are, for hedge accounting purposes, split into hedges of on-balance-sheet accounts receivable/payable and forecasted sales and purchases. Gains or losses arising from changes in fair value of derivatives are recognized within Cost of sales in the Consolidated statement of income, except for derivatives that are effective and qualify for cash flow hedge accounting which are recorded in Other comprehensive income until the Consolidated statement of income is affected by the variability in cash flows of the designated hedged item. Changes in the fair value of hedges related to intercompany loans and deposits are recognized within Financial income and expenses in the Consolidated statement of income.

The derivatives used by Signify can be subject to master netting and set-off agreements with financial counterparties. In case of certain termination events, under the terms of these Master Agreements, Signify can terminate the outstanding transactions and aggregate their positive and negative values to arrive at a single net termination sum (or close-out amount). This contractual right is, among others, subject to the following:

- The right may be limited by local law if the counterparty is subject to bankruptcy proceedings;
- The right applies on a bilateral basis.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the Consolidated statement of income except to the extent that it relates to items recognized directly within equity or in Other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially-enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized, using the balance sheet method, for the expected tax consequences of temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax liabilities for withholding taxes are recognized for subsidiaries in situations where the income is to be paid out as dividend in the foreseeable future and for undistributed earnings of unconsolidated companies to the extent that these withholding taxes are not expected to be refundable or deductible.

Changes in tax rates are reflected in the period when the change has been enacted or substantially enacted by the reporting date.

Deferred tax assets

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. The evaluation of the recoverability of deferred tax assets requires judgment about the future taxable profitability of the legal entity holding the tax loss carry forward. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in the countries where the deferred tax assets originated and during the periods when the deferred tax assets become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. A lack of future taxable profits or taxable profits below the level of current estimates, may cause deferred tax assets to be impaired.

The ultimate tax effects of transactions may be uncertain for a considerable period of time, requiring management to estimate the related current and deferred tax treatments. In assessing the uncertainty, Signify considers whether it is probable that a taxation authority will accept or revise the uncertain tax treatment. Income tax payable include liabilities for uncertain tax positions which are recognized when it is probable that tax will be due. To the extent uncertain tax positions relate to deferred tax assets these are offset against each other. Actual tax assessments in relation to these uncertain tax positions may significantly deviate from estimates.

In determining the amount of current and deferred income tax, Signify takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes Signify to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax expense in the period that such a determination is made.

Provisions

Provisions are recognized if, as a result of a past event, Signify has a present legal or constructive obligation, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of time value of money. The increase in the provision due to passage of time is recognized as interest expense. Significant judgment is required in determining the amount and probability of resources outflow and discount rates used to calculate the present value of this outflow. A liability is recognized if timing and amount of the settlement can be reliably estimated.

The accounting and presentation for some of Signify's provisions is as follows:

- Restructuring related provisions - The provision for restructuring relates to the estimated costs of programs that are planned and controlled by management that materially change the scope of Signify's business or the manner in which it is conducted. A provision is recognized when Signify has a detailed formal plan for the restructuring and has raised a valid expectation that it will carry out the restructuring by starting to implement the plan, or by announcing the plan's main features to those affected by it;
- Environmental provisions - Measurement of liabilities associated with environmental obligations is based on current legal and constructive requirements. Liabilities and expected insurance recoveries, if any, are recorded separately. The carrying amount of environmental provisions is regularly reviewed and adjusted for new facts and changes in law;
- Product warranty - A provision for product warranty is recognized at the time of revenue recognition and reflects the estimated costs of replacement and free-of-charge services that will be incurred by Signify with respect to the products. The provision is based on historical warranty data and a weighing of possible outcomes against their associated probabilities;
- Litigation provisions – Liabilities and expected insurance recoveries, if any, are recorded separately. Balances are transferred to Other liabilities when the amount and timing of cash flows are no longer uncertain. Settlements which are agreed for amounts in excess of existing provisions are reflected as payables;
- Onerous contract provisions - Provisions are recognized for a contract if it is onerous. The present obligation under the contract is measured and recognized as a provision. An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Guarantees

When the potential cash outflow is possible or remote and the risk covered by a guarantee is not a financial risk, Signify applies off-balance sheet treatment to such guarantees. For example, environmental remediation and legal proceedings. When the expectation of the cash outflow becomes probable such guarantees become provisions, see guidance above.

When guarantees are covering credit risk or any other financial risk they are accounted for as financial assets and liabilities.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The useful lives and residual values are evaluated annually. The costs of property, plant and equipment comprise of all directly attributable costs (including the cost of materials and direct labor). Government grants for assets are deducted from the cost of the related asset.

Depreciation of property, plant and equipment, other than freehold land, is calculated using the straight-line method taking into account the residual values and estimated useful lives and is primarily included in Cost of sales. Freehold land is not depreciated. Gains and losses on the sale of property, plant and equipment are included in Other business income. Costs related to repair and maintenance activities are expensed in the period in which they are incurred unless leading to an extension of the original lifetime of capacity.

The expected useful lives in years of property, plant and equipment are as follows:

Building	from 5 to 50
Machinery and installations	from 3 to 20
Other equipment	from 2 to 10
Right-of-use assets	from 2 to 20

Leases

Signify entered into contracts that conveys the right to use the identified asset and as such Signify accounted for these contracts as a lessee.

Right-of-use assets

Signify recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless Signify is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, Signify recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include (in-substance) fixed payments (less any lease incentives), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by Signify and payments of penalties for terminating a lease, if the lease term reflects Signify exercising the option to terminate. In calculating the present value of lease payments, Signify uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

Signify applies the short-term lease recognition exemption to its short-term leases for real estate (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Significant judgment in determining the lease term of contracts with renewal options

Signify determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. When determining the lease term, Signify considers all relevant facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. These circumstances include Signify's strategic plans, the industrial footprint of Signify and divisions and the importance of the site to Signify's operations.

Goodwill

The measurement of goodwill at initial recognition is described under the Business combinations accounting policy above. Goodwill is subsequently measured at cost, less accumulated impairment losses. In respect of investments in associates, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such investment is allocated to the investment as a whole.

Intangible assets other than goodwill

The fair value of other intangible assets, which mainly consist of customer relations, brand names and technology based intangibles acquired through business combinations is determined using a valuation technique that estimates the fair value of an asset based on market participants' expectations of the cash flows associated with that asset over its remaining useful life. Acquired finite-lived intangible assets are amortized using the straight-line method over their estimated useful life. The useful lives are evaluated annually. Intangible assets are initially capitalized at cost, with the exception of intangible assets acquired as part of a business combination that are capitalized at their acquisition-date fair values.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized as an intangible asset when Signify can demonstrate that: the product or process is technically and commercially feasible, the costs can be reliably measured, Signify has sufficient resources and the intention to complete the development.

The development expenditure capitalized comprises all directly attributable costs (including the cost of materials and direct labor). Other development expenditures and expenditures on research activities are recognized in the Consolidated statement of income. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses. Amortization of capitalized development expenditure is charged to the Consolidated statement of income on a straight- line basis over the estimated useful lives of the intangible assets in Research and development expenses.

Amortization of other intangible assets is reported in Selling, general and administrative expenses for brand names and customer relationships and in Cost of sales for technology-based and other intangible assets.

The expected useful lives in years of intangible assets excluding goodwill are as follows:

Product development	from 2 to 5
Software	from 3 to 10
Technology	from 2 to 20
Customer relations	from 5 to 20
Brand names	from 5 to 20
Other	from 2 to 10

Impairment of goodwill and intangible assets not yet ready for use

Goodwill and intangible assets not yet ready for use are not amortized but tested for impairment annually and whenever impairment indicators require impairment testing. Signify performed and completed annual impairment tests in the last quarter of the financial year. Judgment is required when analyzing impairments triggers and tests of goodwill and intangible assets not yet ready for use. These analyses are based on the estimation of the recoverable amount. The review for impairment is carried out at the level where cash flows occur that are independent of other cash flows.

An impairment loss is recognized in the Consolidated statement of income whenever and to the extent that the carrying amount of a cash-generating unit exceeds the unit's recoverable amount, which is the greater of its value in use and fair value less costs of disposal. Value in use or fair value less costs of disposal is measured as the present value of future cash flows expected to be generated by the asset via its use or sale with deduction of costs directly associated with its use or sale.

Impairment of property, plant and equipment and finite-lived intangible assets

Property, plant and equipment and finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets to be held and used is assessed by a comparison of the carrying amount of an asset with the greater of its value in use and fair value less costs of disposal. Value in use is measured as the present value of future cash flows expected to be generated by the asset. If the carrying amount of an asset is deemed not recoverable, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the recoverable amount. The review for impairment is carried out at the level where cash flows occur that are independent of other cash flows.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if and to the extent there has been a change in the estimates used to determine the recoverable amount. The loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in the Consolidated income statement.

Pension and other employee benefits

Defined-benefit plans

Signify's retirement benefit obligation is calculated by an independent actuary, using the projected unit credit method. This calculation is performed separately for each plan by estimating the amount of the benefit that employees have earned in relation to their past services. The measurement date for all defined benefit plans is December 31. For plans with a relatively low defined-benefit obligation, Signify may decide to calculate the defined-benefit obligation with a lower frequency. The liability recognized in the Consolidated statement of financial position is the present value of these benefits at the end of the reporting period (defined-benefit obligation) less the fair value of plan assets. The defined-benefit obligation is determined by discounting the estimated future cash flows using a discount yield curve of high-quality corporate bonds with durations matching the terms of the benefits.

Pension costs in respect of defined benefit post employment plans primarily represent the increase of the actuarial present value of the obligation for post employment benefits based on employee service during the year. The increase in the defined-benefit obligation due to the passage of time and the expected return on plan assets, using the same interest rate as for the defined-benefit obligation, are included in the pension costs. Interest on the net defined-benefit obligation is recognized in Financing income and expenses in the Consolidated statement of income.

Past-service costs are recognized immediately in the Personnel costs in the Consolidated statement of income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity via other comprehensive income in the period in which they arise.

When a plan is changed, settled or when a plan is curtailed, the resulting change in the defined-benefit obligation that relates to past-service or the gain or loss on curtailment is recognized immediately in the Consolidated statement of income. Signify recognizes gains and losses on the settlement of a defined-benefit plan when the settlement occurs.

Signify presents all net defined-benefit post-employment obligations on one line within non-current liabilities on the Consolidated statement of financial position.

Defined-contribution plans

Contributions to defined-contribution plans are recognized in the Consolidated income statement in Personnel expenses as incurred.

Termination benefits

Termination benefits are payable when employment is terminated by Signify before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Signify recognizes termination benefits when they are demonstrably committed to a termination and when they have a detailed formal plan to terminate the employment of current employees without possibility of withdrawal.

Other employee benefits

Signify's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods, such as jubilee entitlements. That benefit is discounted to determine its present value. Remeasurements are recognized in the Consolidated statement of income in the period in which they arise.

Short-term employee benefit obligations are measured on an undiscounted basis. Signify recognizes a liability and an expense for bonuses and incentives based on a formula that takes into consideration the profit attributable to Signify's shareholders after certain adjustments.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and short-term highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash. Bank overdrafts form an integral part of Signify's cash management and often fluctuate from being positive to overdrawn and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Assets held for sale

Signify classifies a non-current asset (or disposal group) as held for sale if the carrying amount is expected to be recovered primarily through sale rather than through continuing use. The asset or disposal group should be available for immediate sale in its present condition, and the sale should be highly probable, evidenced by Signify's commitment to sell the asset or disposal group within one year from classification date. Signify's actions to complete the sale should demonstrate that withdrawal from the plan is unlikely. The assessment of the held for sale criteria requires judgment. Non-current assets held for sale are carried at the lower of carrying amount or fair value less cost to sell. Comparatives in the balance sheet are not changed when a non-current asset is classified as held-for-sale.

Hyperinflationary economies

When the economy of a country in which Signify operates is deemed hyperinflationary and the functional currency of a Signify entity is the currency of that hyperinflationary economy, the financial statements of such entity are adjusted so that they are stated in terms of the measuring unit current at the end of the reporting period. This involves adjustment of historical cost in purchasing power caused by inflation from the date of initial recognition to the balance sheet date. The hyperinflation adjustment is recognized directly in equity. Comparative amounts are not adjusted.

Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. Dividends are recognized as a liability in the period in which they are declared. The income tax consequences of dividends are recognized when a liability to pay the dividend is recognized.

Treasury shares that are reacquired are recognized at cost, representing the market price on the acquisition date, and deducted from equity until the shares are cancelled or reissued. When reissued, shares are removed from treasury shares on a first-in, first-out (FIFO) basis. When treasury shares are delivered under Signify's share plans, the difference between the market price of the shares delivered and the cost is recorded in retained earnings, the market price is recorded in share premium. Upon cancellation, treasury shares are deducted from the share capital at their nominal value of EUR 0.01 per share and retained earnings for the difference.

Costs including dividend withholding tax in connection with Signify's purchase of treasury shares for capital reduction purposes are recorded in retained earnings.

Share-based compensation expenses

The cost of equity-settled transactions is determined by the fair value at the grant date using an appropriate valuation model.

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognized as personnel expense, with a corresponding increase in equity, over the vesting period of the award. The cumulative expense recognized for equity-settled transactions at each reporting date reflects the extent to which the vesting period has expired and Signify's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not considered when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of Signify's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Consolidated statement of cash flows

The Consolidated statement of cash flows is prepared using the indirect method. Cash flows from derivative instruments that are accounted for as cash flow hedges are classified in the same category as the cash flows from the hedged items. Cash flows from other derivative instruments are classified consistent with the nature of the instrument. Cash flows in foreign currencies have been translated into euros using the exchange rate at the date of the cash flow. Borrowings which are repaid within the quarter, with a maturity of less than three months, are reported on a net basis in cash flows from financing activities.

Earnings per share

Signify presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the Net income (loss) attributable to shareholders of Signify N.V. by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the Net income (loss) attributable to shareholders and the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprises of restricted shares, conditional shares and performance shares granted to employees.

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and Signify will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the Consolidated statement of income over the period necessary to match them with the costs that they are intended to compensate.

3 Information by segment and main country

Operating segments are components of Signify's business activities about which separate financial information is available that is evaluated regularly by the chief operating decision maker (the Board of Management of Signify). The operating segments are Digital Solutions, Digital Products and Conventional Products. The segments are organized based on the nature of the products and services. "Other" represents amounts not allocated to the operating segments and includes certain costs related to central R&D activities to drive innovation as well as group enabling functions.

The following is an overview of Signify revenues and results by segment:

	Digital Solutions [5]	Digital Products	Conventional Products	Other [4]	Inter-segment elimination	Signify
2023						
Sales to external customers	3,937	2,117	627	23		6,704
Sales including intersegment	3,942	2,315	631	24	(210)	6,704
Depreciation and amortization [1]	(82)	(29)	(21)	(62)		(193)
EBITA [2]	**358**	**176**	**62**	**(147)**		**449**
EBITA as a % of sales	9.1%	8.3%	9.9%			6.7%
Amortization [3]						(80)
Income from operations	**285**	**170**	**62**	**(147)**		**369**
Financial income and expenses						(102)
Results from investments in associates						–
Income before taxes						**268**
2022						
Sales to external customers	4,231	2,469	793	22		7,514
Sales including intersegment	4,236	2,691	796	23	(232)	7,514
Depreciation and amortization [1]	(80)	(31)	(22)	(59)		(192)
EBITA [2]	**374**	**272**	**60**	**138**		**844**
EBITA as a % of sales	8.8%	11.0%	7.6%			11.2%
Amortization [3]						(126)
Income from operations	**256**	**265**	**60**	**137**		**718**
Financial income and expenses						(41)
Results from investments in associates						–
Income before taxes						**678**

1 Excluding amortization and impairments of acquisition-related intangible assets and goodwill.
2 Income from operations excluding amortization and impairments of acquisition-related intangible assets and goodwill ("EBITA").
3 Amortization and impairments of acquisition-related intangible assets and goodwill.
4 Considering the nature of Other, EBITA as a % of sales for Other is not meaningful.
5 Includes Intelligent Lighting Controls since March 1, 2023, Fluence since May 2, 2022 and Pierlite since April 29, 2022.

Sales between the segments mainly relate to the supply of goods. The pricing of such transactions is determined on an "arm's length basis".

Signify has no external customer that represents 10% or more of total sales.

Sales, tangible and intangible assets by main countries:

	Sales [1]		Tangible and intangible assets [1, 2]	
	2022	**2023**	**2022**	**2023**
Netherlands	655	524	604	596
United States	2,522	2,212	2,639	2,490
China	517	450	299	274
Germany	421	386	9	9
Other countries	3,398	3,132	709	660
Total countries	**7,514**	**6,704**	**4,261**	**4,029**

1 Includes Intelligent Lighting Controls since March 1, 2023, Fluence since May 2, 2022 and Pierlite since April 29, 2022.
2 Includes goodwill.

Disaggregated revenue information

Total sales consist primarily of the sales of goods to customers (2023: 97%, 2022: 97%). Remaining sales include revenue from services, and sales- and usage-based royalties. The amount of revenue recognized for the year ended 2023, from performance obligations satisfied (or partially satisfied) in previous periods, amounts to EUR 62 million (2022: EUR 64 million).

Sales by market:

	2022	**2023**
Europe	2,230	2,023
Americas [1]	2,978	2,633
Rest of the world [2]	1,709	1,522
Global businesses [3]	597	526
Total	**7,514**	**6,704**

1 Includes Intelligent Lighting Controls since March 1, 2023.
2 Includes Pierlite since April 29, 2022.
3 Includes Fluence since May 2, 2022.

4 Income from operations

	Note	2022	2023
Sales	3	7,514	6,704
Cost of materials used [1]		(3,410)	(2,816)
Employee benefit expenses	5	(1,790)	(1,961)
Depreciation and amortization	6	(318)	(274)
Shipping and handling		(460)	(369)
Advertising and promotion		(135)	(122)
Lease related expenses		(29)	(32)
Other operational costs		(861)	(763)
Other business income, net	7	208	1
Income from operations		**718**	**369**

[1] Cost of materials used includes EUR 51 million (2022: EUR 37 million) of net foreign exchange losses.

Other operational costs contain items which are dissimilar in nature and individually insignificant in amount to disclose separately. These costs contain, among others, sales related expenses, outsourcing services, mainly in IT and HR, third-party workers, utilities and repair and maintenance for fixed assets.

5 Employee benefit expenses

Personnel expenses by nature as included in the Consolidated statement of income:

	Note	2022	2023
Salaries and wages		(1,216)	(1,213)
Social securities		(202)	(217)
Defined contribution plans		(75)	(76)
Cost of termination plans		(30)	(154)
Temporary personnel		(86)	(77)
Share-based compensation	26	(24)	(18)
Other		(156)	(205)
Total		**(1,790)**	**(1,961)**

Other personnel expenses mainly relate to travel expenses, incentives and other personnel related costs. For further details on the cost of termination plans, refer to note 24, Provisions.

The average number of full-time equivalent (FTE) employees is summarized as follows:

In FTEs	2022	2023
Employees	31,693	29,612
Third party workers	3,619	3,478
Total [1]	**35,312**	**33,090**

[1] 2,082 FTEs work in the Netherlands (2022: 2,117); the remaining FTEs work abroad.

6 Depreciation, amortization and impairment

	Note	2022	2023
Property, plant and equipment	13	(167)	(160)
Software	15	(9)	(12)
Other intangible assets	15	(126)	(80)
Product development	15	(17)	(21)
Total		**(318)**	**(274)**

7 Other business income and expenses

	2022	2023
Disposal of businesses	(11)	5
Disposal of fixed assets	193	(11)
Other remaining businesses	26	7
Other business income and expenses	**208**	**1**
Total other business income	227	24
Total other business expense	(19)	(23)

In 2023, the result on disposal of fixed assets mainly relates to an expense recognized regarding a prior year real estate transaction, in "Other". In 2022, the result includes EUR 184 million income from the mentioned real estate transaction which was recognized as Assets classified as held for sale, as of December 31, 2021.

In 2023, the result on other remaining businesses includes EUR 8 million income (2022: EUR 28 million income) from the movements in the indemnification positions with Koninklijke Philips N.V. originating from the separation.

8 Financial income and expenses

	Note	2022	2023
Interest income		10	24
Change in fair value of financial assets at fair value through profit or loss	28	36	4
Other financial income		1	4
Financial income		**47**	**32**
Interest expense	23	(44)	(58)
Interest on the net defined-benefit obligation	25	(8)	(16)
Interest expense on lease liability	23	(7)	(9)
Change in fair value of financial assets at fair value through profit or loss	28	(9)	(26)
Net foreign exchange gains (losses)		(5)	(5)
Monetary gains (losses) [1]		(5)	(6)
Other financial expenses	23	(9)	(15)
Financial expenses		**(88)**	**(134)**
Financial income and expenses		**(41)**	**(102)**

[1] The monetary loss relates to hyperinflation in Turkey.

9 Income taxes

The components of income tax expense were as follows:

	2022	2023
Current tax expense	(76)	(51)
Prior year benefit (expense)	3	(2)
Current tax expense	**(73)**	**(53)**

	2022	2023
Origination and reversal of tax losses, tax credits and temporary differences	(76)	(2)
Change in tax losses, tax credits and temporary differences recognized	3	(3)
Tax rate changes	-	-
Prior year benefit (expense)	-	5
Deferred tax benefit (expense)	**(72)**	**-**

Signify's operations are subject to income taxes in various jurisdictions. The statutory income tax rates vary from 9% to 35%, which results in a difference between the weighted average statutory income tax rate and the Netherlands' statutory income tax rate of 25.8% (2022: 25.8%). A reconciliation of the weighted average statutory income tax rate to the effective income tax rate is as follows:

	2022	%	2023	%
Income before taxes	**678**		**268**	
Weighted average statutory income tax rate	(158)	(23)%	(68)	(25)%
Non-deductible expenses	(14)	(2)%	(12)	(5)%
Tax incentives and exempt income	22	3%	20	7%
Deferred tax expense related to (de)recognition of deferred tax assets - net	3	-%	(3)	(1)%
Changes in the liability for uncertain tax positions	7	1%	17	6%
Prior year tax benefit (expense)	3	-%	3	1%
Changes in tax rates	-	-%	-	-%
Other	(9)	(1)%	(11)	(4)%
Income tax expense recognized in Consolidated statements of income	**(145)**	**(21)%**	**(53)**	**(20)%**

The weighted average statutory income tax rate increased by 2% in 2023 compared to 2022.

The effective tax rate was 20% in 2023 (2022: 21%), which is lower than the statutory income tax rate of 25.8% in the Netherlands. The difference is primarily due to the impact of tax incentives and exempt income and the effect of changes in the liabilities for uncertain tax positions, offset by the impact of non-deductible expenses.

Recognized deferred tax assets and liabilities

	Assets	Liabilities	Net
2023			
Intangible assets	163	(57)	106
Property, plant and equipment	10	(40)	(30)
Inventories	51	(1)	50
Other receivables and assets	28	(12)	16
Post-employment benefits	49	–	49
Provisions	48	–	48
Other liabilities	80	(22)	58
Deferred tax assets on tax attributes [1]	85	–	85
Total allocations	**514**	**(132)**	**382**
Set-off of deferred tax	(112)	112	–
Net deferred tax assets	**402**	**(20)**	**382**
2022			
Intangible assets	205	(75)	131
Property, plant and equipment	8	(46)	(38)
Inventories	52	(1)	51
Other receivables and assets	26	(14)	12
Post-employment benefits	51	–	51
Provisions	51	(1)	51
Other liabilities	94	(24)	70
Deferred tax assets on tax attributes [1]	66	–	66
Total allocations	**554**	**(161)**	**393**
Set-off of deferred tax	(136)	136	–
Net deferred tax assets	**418**	**(25)**	**393**

[1] Tax loss carryforwards (including tax credit carryforwards).

The net deferred tax assets of EUR 382 million (2022: EUR 393 million) consist of deferred tax assets of EUR 402 million (2022: EUR 418 million) in countries with a net deferred tax asset position and deferred tax liabilities of EUR 20 million (2022: EUR 25 million) in countries with a net deferred tax liability position. An amount of EUR 114 million of deferred tax assets relates to several tax jurisdictions in which Signify has suffered a loss in the current or preceding period. Management's projections support the assumption that it is probable that the results of future operations will generate enough taxable income to utilize these deferred tax assets.

Movement in deferred tax balances during 2023 and 2022 were as follows:

	Balance as at January 1	Recognized in income	Other	Balance as at December 31
2023				
Intangible assets	131	(27)	1	106
Property, plant and equipment	(38)	6	2	(30)
Inventories	51	1	(2)	50
Other receivables and assets	12	5	(1)	16
Post-employment benefits	51	(4)	2	49
Provisions	51	(2)	(1)	48
Other liabilities	70	(1)	(10)	58
Tax loss carryforwards (including tax credit carryforwards)	66	22	(3)	85
Net deferred tax assets	**393**	**–**	**(11)**	**382**
2022				
Intangible assets	169	(31)	(7)	131
Property, plant and equipment	(32)	(11)	5	(38)
Inventories	48	(1)	4	51
Other receivables and assets	15	(3)	1	12
Post-employment benefits	58	(6)	(2)	51
Provisions	47	–	3	51
Other liabilities	75	(13)	8	70
Tax loss carryforwards (including tax credit carryforwards)	73	(7)	–	66
Net deferred tax assets	**454**	**(72)**	**12**	**393**

"Other" includes foreign currency translation differences, acquisitions and the impact of the remeasurement of the deferred tax balances relating to post-employment benefits.

At December 31, 2023, the temporary differences associated with investments, including potential income tax consequences on dividends for which no deferred tax liabilities are recognized, aggregate to EUR 270 million (2022: EUR 271 million).

At December 31, 2023, net operating loss carryforwards expire as follows:

Expiry year operating loss carryforwards

Total	2024	2025	2026	2027	2028	After 2028 but not unlimited	Unlimited
667	1	–	13	1	10	30	612

Unrecognized tax losses and tax credits
At December 31, 2023, the amount of operating loss and tax credit carryforwards for which no deferred tax assets have been recognized in the balance sheet was EUR 496 million (2022: EUR 476 million).

Out of EUR 496 million, an amount of EUR 469 million should not be limited in time, EUR 1 million will expire by 2024, EUR 3 million will expire by 2026, EUR 1 million will expire by 2027, EUR 6 million will expire by 2028 and EUR 15 million expires after 2028, but carryforward is limited in time.

Unrecognized deductible temporary differences
At December 31, 2023, the amount of deductible temporary differences for which no deferred tax asset has been recognized in the balance sheet is EUR 106 million (2022: EUR 105 million).

Classification of the income tax payable and receivable is as follows:

	2022	2023
Income tax receivable under other current assets	56	54
Income tax receivable under other non-current assets	1	1
Income tax payable under current liabilities	(21)	(20)
Income tax payable under non-current liabilities	(111)	(79)

Global tax developments - Pillar Two

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting published the Pillar Two model rules designed to address the tax challenges arising from the digitalization of the global economy. The Pillar Two model rules aim to ensure that large multinational enterprises pay a minimum level of tax on the income arising in each jurisdiction where they operate.These Pillar Two model rules have been transposed into Pillar Two legislation that has been enacted or substantively enacted as at December 31, 2023, in certain jurisdictions in which Signify operates.

The IASB issued amendments to IAS 12 clarifying that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the OECD/G20 BEPS Pillar Two model rules. Signify applied the mandatory temporary exception to the requirements of IAS 12, under which a company does not recognize or disclose information about deferred tax assets and liabilities related to the OECD/G20 BEPS Pillar Two model rules at 31 December 2023.

The Pillar Two legislation will be effective for Signify's financial year beginning 1 January 2024. Signify is in scope of the legislation and has performed an assessment of Signify's potential exposure to Pillar Two income taxes. The assessment of the potential exposure to Pillar Two income taxes is based on prior year country-by-country reporting and IFRS financial data for the constituent entities included in the IFRS financial statements of Signify. Based on the assessment, Signify can apply a transitional safe harbor in most of the jurisdictions it operates. However, there are a limited number of jurisdictions where the transitional safe harbor relief may not apply. Signify does not expect a material exposure to Pillar Two income taxes in future years based on the assessment performed.

Tax risks

Signify is exposed to tax uncertainties for which, if deemed probable, a liability is recognized in the income tax payable under non-current liabilities, and when tax uncertainties relate to deferred tax assets, these are offset against each other. These uncertainties include, among others, the following:

Transfer pricing uncertainties

Signify has issued transfer pricing directives, which are in accordance with international guidelines, such as those of the OECD. As transfer pricing has a cross-border effect, potential adjustments by local tax authorities on implemented transfer pricing procedures in a country may have an impact on results in another country. In order to reduce the transfer pricing uncertainties, monitoring procedures are carried out by Group Tax and Internal Audit to safeguard the correct implementation of the transfer pricing directives.

Tax uncertainties on general and specific service agreements and licensing agreements

Due to the centralization of certain activities in a limited number of countries (such as research and development, IT, group functions and head office), costs are also centralized. Consequently, these costs and/or revenues must be allocated to the beneficiaries, i.e. the various Signify entities. This could lead to discussions with local tax authorities if they do not accept these charges. For that purpose, service contracts such as intra-group service agreements and licensing agreements are signed with Signify group entities. Tax authorities review these intra-group service and licensing agreements and may reject the implemented intra-group charges.

Tax uncertainties due to permanent establishments

Signify may encounter tax uncertainties because of potential permanent establishments in countries where new operations are started or business models are altered. This could happen when operations in a country involve a foreign Signify organization. There is a risk that tax claims could arise on these operations in both countries.

When Signify has cross-border operations, there is a risk that tax claims will arise in all relevant countries.

Assessing the amount of tax liabilities for these tax uncertainties is highly judgmental and the timing of possible outflows, if any, is uncertain. Signify has considered the merits of its filing position in its overall evaluation of potential tax liabilities and believes it has adequate tax liabilities recorded in its Consolidated financial statements for exposures on these matters. Based on its evaluation of the potential tax liabilities and the merits of Signify's filing positions, it is unlikely that potential tax exposures over the amounts currently recorded as liabilities in its Consolidated financial statements will be material to its financial condition or future results of operations.

Tax uncertainties also include exposures with a risk assessment which are deemed lower than probable, but possible. The best estimate of the maximum amount in connection with these uncertainties is EUR 57 million. Signify believes that in connection with these uncertainties it is probable that no additional taxes will be due. Therefore, no income tax payable is recognized.

10 Earnings per share

	2022	2023
Net income attributable to shareholders of Signify N.V.	523	203
Weighted average number of ordinary shares outstanding (after deduction of treasury shares) during the year	125,004,312	125,950,998
Plus incremental shares assumed from conversions of:		
• Performance shares	1,904,807	791,331
• Conditional shares	599,885	545,112
• Restricted shares	87,966	50,288
Diluted weighted average number of ordinary shares outstanding (after deduction of treasury shares) during the year	127,596,971	127,337,729
in EUR		
• Basic	4.18	1.61
• Diluted	4.10	1.59

11 Acquisitions and divestments

Signify completed one acquisition in 2023.

Acquisition of ILC Intelligent Lighting Controls

On March 1, 2023, Signify completed the acquisition of 100% of the equity of ILC Intelligent Lighting Controls, Inc. (ILC), a market-leading U.S. manufacturer of wired control systems, expanding its connected portfolio. ILC is consolidated as part of Cooper Lighting Solutions within Digital Solutions. The acquisition is considered not material to the Consolidated financial statements. The fair value of assets and liabilities at the acquisition date was completed in 2023 and the closing settlement procedures were finalized.

Acquisition of Fluence

Fluence Bioengineering, Inc (Fluence) was acquired on May 2, 2022. In April 2023 and within the one-year purchase price accounting period, the fair value of assets and liabilities at acquisition date, the final purchase price adjustments and closing settlement accounting were finalized.

The opening balance adjustments were mainly related to an indemnification asset booked as part of the closing settlement accounting, the valuation of certain liabilities and goodwill. The changes compared to December 31, 2022, are shown in the table below.

	December 31, 2022	April 30, 2023
Goodwill	258	242
Other intangible assets	20	20
Property, plant and equipment	3	3
Net deferred tax	15	11
Trade and other receivables	10	12
Inventories	30	32
Other assets	3	11
Cash	3	3
Trade and other payables	(20)	(20)
Other liabilities	(64)	(59)
Net assets acquired	**257**	**254**

In November 2023, the closing settlement agreements were signed.

There were no divestments material to the Consolidated financial statements in 2023.

12 Interests in entities

Interests in subsidiaries

The Consolidated financial statements comprise the assets and liabilities of approximately 150 legal entities. Set out below is a list of material subsidiaries, in alphabetical order, representing more than 5% of either the consolidated company sales, income from operations or net income (before any intra-company eliminations). All the entities are 100% owned.

Legal entity name	Principal country of business
Cooper Lighting Netherlands B.V.	Netherlands
Cooper Lighting, LLC	United States of America
Signify (China) Investment Co., Ltd.	China
Signify France	France
Signify GmbH	Germany
Signify Holding B.V.	Netherlands
Signify Netherlands B.V.	Netherlands
Signify North America Corporation	United States of America
Signify Poland Sp. z.o.o.	Poland

Signify does not have subsidiaries that have non-controlling interests that are material for its Consolidated financial statements.

Investments in associates

Signify has investments in several associates, none of them are regarded as individually material. In aggregate, the carrying amount, share of profit and other comprehensive income of the associates are shown in the Consolidated statement of financial position, Consolidated statement of income and Consolidated statement of comprehensive income.

13 Property, plant and equipment

	Land and buildings	Machinery and installations	Other equipment	Prepayments and construction in progress	Total
Book value as at January 1, 2022	**450**	**167**	**59**	**49**	**724**
Of which right-of-use assets	212	–	18	–	229
Change in book value:					
Capital expenditure	61	2	15	58	136
Of which right-of-use assets	55	–	10	–	65
Assets available for use	19	24	14	(57)	–
Acquisitions	6	1	1	1	9
Of which right-of-use assets	5	–	–	–	5
Additions	**86**	**27**	**30**	**1**	**145**
Sales and disposals	(12)	(2)	(1)	–	(15)
Of which right-of-use assets	(10)	–	–	–	(10)
Divestments and transfers to assets classified as held for sale	(4)	–	–	–	(4)
Of which right-of-use assets	–	–	–	–	–
Depreciation	(83)	(38)	(33)	–	(155)
Of which right-of-use assets	(58)	–	(9)	–	(67)
Impairment	(5)	(8)	(1)	–	(14)
Of which right-of-use assets	(2)	–	–	–	(2)
Reversal of impairment	1	1	–	–	2
Of which right-of-use assets	1	–	–	–	1
Translation differences and other movements	13	(7)	10	1	16
Of which right-of-use assets	8	–	–	–	8
Total changes	**(3)**	**(28)**	**5**	**2**	**(25)**
Balance as at December 31, 2022					
Cost	1,019	1,100	472	50	2,641
Accumulated depreciation / impairment	(573)	(961)	(408)	–	(1,942)
Book value	**446**	**139**	**64**	**50**	**699**
Of which right-of-use assets	211	–	19	–	230

	Land and buildings	Machinery and installations	Other equipment	Prepayments and construction in progress	Total
Book value as at January 1, 2023	**446**	**139**	**64**	**50**	**699**
Of which right-of-use assets	211	–	19	–	230
Change in book value:					
Capital expenditure	34	2	22	48	106
Of which right-of-use assets	33	–	18	–	51
Assets available for use	11	26	19	(56)	–
Acquisitions	–	–	–	–	–
Of which right-of-use assets	–	–	–	–	–
Additions	**45**	**29**	**41**	**(9)**	**106**
Sales and disposals	(4)	–	(1)	–	(5)
Of which right-of-use assets	(4)	–	(1)	–	(4)
Divestments and transfers to assets classified as held for sale	–	–	–	–	–
Of which right-of-use assets	–	–	–	–	–
Depreciation	(82)	(35)	(32)	–	(148)
Of which right-of-use assets	(56)	–	(10)	–	(66)
Impairment	(3)	(6)	(1)	(1)	(12)
Of which right-of-use assets	(1)	–	–	–	(1)
Reversal of impairment	–	–	–	–	–
Of which right-of-use assets	–	–	–	–	–
Translation differences and other movements	(2)	(4)	(1)	(1)	(8)
Of which right-of-use assets	3	–	–	–	3
Total changes	**(45)**	**(17)**	**7**	**(11)**	**(66)**
Balance as at December 31, 2023					
Cost	1,020	1,041	486	39	2,586
Accumulated depreciation / impairment	(619)	(919)	(415)	–	(1,953)
Book value	**401**	**122**	**71**	**39**	**633**
Of which right-of-use assets	186	–	26	–	212

The impairment losses were mainly driven by manufacturing footprint rationalization. Additions of right-of-use assets include new and renewed lease contracts.

14 Leases

The carrying amounts, depreciation and additions to right-of-use assets recognized are disclosed in note 13, Property, plant and equipment. The movements of the related Lease liability are disclosed in note 23, Debt.

The following are the amounts recognized in profit or loss and cash flow:

	Note	2022	2023
Interest expense on lease liability	8	(7)	(9)
Total cash outflow for leases	4, 8, 23	(107)	(112)

15 Intangible assets

	Goodwill	Customer relationships	Technology based	Brand names	Product development	Software	Other	Total
Balance as at January 1, 2022								
Cost	3,167	1,522	413	440	163	75	10	5,790
Accumulated amortization / impairment	(703)	(1,107)	(308)	(298)	(129)	(45)	(6)	(2,597)
Book value	**2,464**	**415**	**105**	**142**	**34**	**30**	**4**	**3,193**
Change in book value:								
Additions	–	–	–	–	37	17	3	57
Amortization	–	(88)	(23)	(12)	(17)	(9)	(3)	(152)
Acquisitions	280	15	–	22	–	–	–	317
Impairment	–	–	–	–	–	–	–	–
Translation differences and other movements	117	21	(15)	8	–	–	15	146
Total changes	**398**	**(53)**	**(38)**	**18**	**20**	**8**	**15**	**368**
Balance as at December 31, 2022								
Cost	3,589	1,604	387	481	160	89	38	6,348
Accumulated depreciation / impairment	(728)	(1,242)	(320)	(322)	(106)	(51)	(19)	(2,787)
Book value	**2,861**	**362**	**67**	**160**	**54**	**38**	**19**	**3,562**
Change in book value:								
Additions	–	–	–	–	49	15	2	67
Amortization	–	(48)	(17)	(12)	(20)	(12)	(4)	(113)
Acquisitions	(6)	1	4	1	–	–	–	–
Impairment	–	–	–	–	(1)	–	–	(1)
Translation differences and other movements	(100)	(11)	–	(5)	(2)	–	–	(119)
Total changes	**(107)**	**(58)**	**(13)**	**(16)**	**27**	**3**	**(1)**	**(166)**
Balance as at December 31, 2023								
Cost	3,466	1,034	354	393	205	103	38	5,594
Accumulated amortization / impairment	(711)	(730)	(300)	(249)	(124)	(62)	(21)	(2,199)
Book value	**2,755**	**304**	**54**	**144**	**81**	**41**	**17**	**3,396**

Goodwill

Goodwill as of December 31, 2023, was EUR 2,755 million. During the year ended December 31, 2023, a translation difference of EUR 100 million was mainly due to the change in the USD/EUR rate, which impacted the goodwill denominated in USD. The acquisition in goodwill relates to the Intelligent Lighting Controls, Inc. (ILC) acquisition, recognized in Digital Solutions, and the final purchase price adjustments for Fluence. Refer to note 11, Acquisitions for details.

For impairment testing, goodwill is allocated to cash-generating units, which represent the lowest level at which the goodwill is monitored internally for management purposes. The cash-generating units correspond to the operating segments.

Goodwill allocated to the cash-generating unit Digital Solutions is considered to be significant in comparison to the total book value of goodwill of Signify at December 31, 2022, and December 31, 2023. The goodwill allocated to each of the cash-generating units as of December 31, 2022, and December 31, 2023, is presented below.

	2022	2023
Digital Solutions	2,482	2,387
Digital Products	317	307
Conventional Products	63	61
Book value	**2,861**	**2,755**

The basis of the recoverable amount used of the cash-generating units is the value in use. In the annual impairment test performed in the fourth quarter of 2023, the estimated recoverable amount of the tested cash-generating units exceeded the carrying value of the units. Therefore, no impairment loss was recognized.

Key assumptions used in the impairment tests for the units were sales growth rates, EBITA and the rates used for discounting the projected cash flows. These cash flow projections cover an initial period with specific estimates from 2024 to 2026. Projections were extrapolated with declining growth rates for a period of five years, after which a terminal value was calculated. The sales growth rates and EBITA used to estimate cash flows are based on past performance, external market growth assumptions, taking into account current market conditions, and industry long-term growth averages. The applied discount rates are determined based on the weighted average cost of capital which reflects the risks relevant to the cash-generating units.

Cash flow projections for the impairment tests in 2023 and 2022 were based on the key assumptions included in the table below:

Key assumptions in %

	Compound sales growth rate [1]		
	Extra polation period	Used to calculate terminal value	Pre-tax discount rates
Digital Solutions 2023	2.4%	0.5%	11.8%
Digital Solutions 2022	2.8%	0.3%	11.6%

[1] Compound sales growth rate is the annualized steady growth rate over the forecast period.

The company has taken into account the current macroeconomic environment and assumed a lower growth expectation in the 2023 impairment test. In addition, Signify performed a sensitivity analysis and noted that a reasonably possible change in key assumptions will not result in an impairment.

Other intangible assets

The additions for 2023 contain internally generated assets of EUR 49 million for product development and EUR 15 million for software. In 2023, acquired other intangible assets are Technology of EUR 4 million, customer relationships of EUR 1 million and brand names of EUR 1 million which relates to Intelligent Lighting Controls, Inc. (ILC) acquisition in Q1 2023.

The capitalized product development costs and software, for which amortization has not yet commenced, amounted to EUR 62 million as of December 31, 2023 (December 31, 2022: EUR 50 million).

As of December 31, 2023, the carrying amount of the customer relationships originating from the Cooper Lighting acquisition in 2023 was EUR 249 million (USD 276 million) with a remaining amortization period of 16.8 years (2022: EUR 276 million, USD 294 million; 17.8 years).

16 Objectives, policies and processes for managing capital

Signify generated cash flows from operating activities of EUR 696 million in 2023. During 2023 the total cash position increased by EUR 481 million, while gross debt increased by EUR 197 million. As of December 31, 2023, the net debt/EBITDA ratio was 1.7x (December 31, 2022: 1.3x).

In line with its commitment to maintain a robust capital structure and an investment grade credit rating, Signify expects to further deleverage its gross debt and to reduce its US pension liabilities in 2024.

Signify manages free cash flow performance by continuous structural working capital initiatives and gradual costs optimization, including post-merger integration costs related to previous acquisitions.

Signify is subject to certain debt covenants, for details refer to note 23, Debt.

Free cash flows for the year ended December 31, 2023, and comparative information are presented below:

	2022	2023
Cash flows from operating activities	376	696
Cash flows from investing activities	(256)	(115)
Cash flows before financing activities	**119**	**581**
Cash flows from operating activities	376	696
Net capital expenditures:		
• Additions of intangible assets	(62)	(67)
• Capital expenditures on property, plant and equipment	(70)	(51)
• Proceeds from disposal of property, plant and equipment	201	8
Free cash flows	**445**	**586**

Working capital position as at December 31, 2023, and comparative information are presented below:

	2022	2023
Inventories	1,361	1,050
Trade and other receivables	1,102	1,012
Trade and other payables	(1,859)	(1,539)
Other working capital items	(41)	(62)
Working capital	**564**	**461**

17 Inventories

	2022	2023
Raw materials and components	552	443
Finished goods	809	608
Total	**1,361**	**1,050**

The write-down of inventories to net realizable value amounted to EUR 72 million for the year ended December 31, 2023 (2022: EUR 72 million), which includes EUR 2 million (2022: EUR 16 million) related to restructuring programs.

18 Trade and other receivables

	2022	2023
Trade receivables	1,037	967
Other receivables	66	46
Total receivables, net of value allowance	**1,102**	**1,012**

The aging of trade receivables, representing current and overdue, net of loss allowance, is as follows:

	2022	2023
Current	982	925
Overdue 1-30 days	23	20
Overdue 31-180 days	31	22
Overdue >180 days	–	–
Trade receivables, net	**1,037**	**967**

The changes in loss allowance for accounts receivable are as follows:

	2022	2023
Balance as at January 1	**(76)**	**(94)**
Additions charged to expense	(11)	(4)
Utilizations	–	12
Translation differences and other movements	(7)	4
Balance as at December 31	**(94)**	**(83)**

As per December 31, 2023, the loss allowance for accounts receivable included allowances for individually impaired receivables of EUR 75 million (2022: EUR 85 million).

19 Trade and other payables

	2022	2023
Payables to suppliers	1,242	950
Amounts payable to employees	151	198
Customer rebates and refunds related	220	188
Marketing and sales related	90	67
Materials and fixed assets related	47	50
Other payables	108	87
Trade and other payables	**1,859**	**1,539**

Certain Signify suppliers factor their trade receivables from Signify with third parties through supplier finance arrangements. As of December 31, 2023, approximately EUR 134 million (2022: EUR 172 million) of the Signify accounts payable were known to have been sold onward under such arrangement whereby Signify confirms invoices. Signify continues to recognize these liabilities as trade payables and will settle the liabilities in line with the original payment terms of the related invoices.

20 Other assets

In millions of EUR	2022	2023
Contract assets	45	36
Indirect taxes	73	67
Prepayments	42	39
Other assets	42	37
Total	**201**	**179**
From which current	161	147
From which non-current	40	32

21 Other liabilities

	2022	2023
Contract liability	215	226
Other tax liabilities	78	88
Other liabilities	61	47
Total	**353**	**360**
From which current	194	206
From which non-current	160	154

Out of the total amount of EUR 215 million recognized in contract liabilities at the end of 2022 (2021: EUR 200 million), EUR 64 million has been recognized as revenue for the year ended December 31, 2023 (2022: EUR 68 million). The non-current portion of contract liabilities is recognized over time over the duration of the contract, generally beyond 1 and up to 15 years.

22 Equity

Share capital

The Company has an authorized share capital of EUR 6 million, divided into 300,000,000 ordinary shares with a nominal value of EUR 0.01 per share and 300,000,000 preference shares with a nominal value of EUR 0.01 per share.

On December 31, 2023, the issued and fully paid share capital consisted of 128,344,238 ordinary shares with a nominal value of EUR 0.01 per share (2022: 128,344,238).

As a defense measure, Stichting Continuïteit Signify, a foundation organized under the laws of the Netherlands, has been granted the right to acquire preference shares in the Company. As of December 31, 2023, this right had not been exercised therefore no preference shares have been issued.

Dividend distribution

A proposal will be submitted to the 2024 Annual General meeting of Shareholders to pay a dividend of EUR 1.55 per ordinary share, in cash, from the 2023 net income.

In June 2023, the Company distributed a dividend of EUR 1.50 per ordinary share, representing a total value of EUR 189 million including costs.

Treasury shares

The following table shows the movements in the outstanding number of shares over the last two years:

Number of shares

	2022	2023
Balance as at January 1	**124,902,004**	**125,241,160**
Purchase of treasury shares	(1,174,595)	(289,353)
Delivery of treasury shares	1,513,751	1,363,294
Balance as at December 31	**125,241,160**	**126,315,101**

The following table shows the share transactions to cover obligations arising from share-based compensation plans (for further details refer to note 26, Share-based compensation):

	2022	2023
Shares acquired	1,174,595	289,353
Average market price	EUR 40.89	EUR 25.59
Amount paid	EUR 48 million	EUR 7 million
Shares delivered	1,513,751	1,363,294
Average price (FIFO)	EUR 28.02	EUR 41.75
Cost of delivered shares	EUR 42 million	EUR 57 million
Total shares in treasury at year-end	**3,103,078**	**2,029,137**
Total cost	**EUR 131 million**	**EUR 82 million**

Legal reserves

In accordance with the Dutch Civil Code and statutory requirements in other countries, in certain circumstances legal reserves need to be established. Legal reserves are not available for distribution to the Company's shareholders. The currency translation reserve, cash flow hedging reserve and other reserves included in retained earnings include non-distributable amounts. If any reserve has a negative balance, distributions to shareholders are restricted to the extent of the negative amount.

The total distributable reserves as at December 31, 2023, amounted to EUR 2,550 million (2022: EUR 2,589 million). For further details of legal reserves, see note D, Shareholders' equity, in chapter 16, Signify N.V. financial statements.

23 Debt

	2022	2023
Term loan (EUR)	280	501
Term loan (USD)	211	203
Eurobonds	1,268	1,271
Lease liabilities	254	237
Other debt	19	18
Subtotal	**2,032**	**2,229**
Bank overdrafts	1	0
Gross debt	**2,033**	**2,230**
Cash and cash equivalents	(677)	(1,158)
Net debt (cash)	**1,356**	**1,071**
Total equity	**3,065**	**2,947**
Net debt and total equity	4,421	4,018
Net debt divided by net debt and total equity (in %)	31%	27%
Total equity divided by net debt and total equity (in %)	69%	73%

Movements of debt were as follows:

	Term loans	Eurobonds	Lease liabilities	Other debt	Bank overdrafts	Total
Balance as at January 1, 2022	**479**	**1,265**	**249**	**11**	**4**	**2,007**
Acquisitions	–	–	5	–	–	5
Financing cash flows:						
• New borrowings	–	–	–	217	–	217
• Repayment	–	–	(68)	(208)	–	(276)
Translation difference	12	–	2	–	–	14
Other movements [1]	–	3	66	–	(3)	66
Balance as at December 31, 2022	**491**	**1,268**	**254**	**19**	**1**	**2,033**
Balance as at January 1, 2023	**491**	**1,268**	**254**	**19**	**1**	**2,033**
Acquisitions	–	–	–	–	–	–
Financing cash flows:						
• New borrowings	222	–	–	12	–	233
• Repayment	–	–	(70)	(13)	–	(82)
Translation difference	(8)	–	(2)	–	–	(11)
Other movements [1]	(1)	3	55	–	(1)	56
Balance as at December 31, 2023	**704**	**1,271**	**237**	**18**	**–**	**2,230**

[1] Other movements include additions of leases which are non-cash transactions.

Term loans and revolving credit facility

During December 2023, the Company entered into a EUR 400 million long-term loan agreement maturing in December 2026. This agreement bears interest at a variable rate based on the relevant applicable EURIBOR plus a fixed margin of 1.30%. In December 2023, EUR 222 million was received, the remainder EUR 178 million was received in January 2024.

In addition, as of December 31, 2023, the Company had outstanding term loans amounting to EUR 280 million maturing in November 2024 and USD 225 million maturing in January 2025. The EUR term loans bear interest at a variable rate based on the relevant applicable EURIBOR plus a fixed margin of 0.15%. The USD term loan bears interest at a variable rate based on the relevant applicable Term SOFR plus a margin. As of December 31, 2023, the margin on the USD term loan was 0.75% and is subject to change, depending on the public credit rating of Signify assigned by rating agencies.

As of December 31, 2023 the Company had an undrawn revolving credit facility (RCF) of EUR 500 million which is maturing in January 2027.

The term loans and RCF agreement include a financial covenant providing that Signify maintains a net leverage ratio of no greater than 3.5x. The net leverage ratio may temporarily increase to 4.0x within 12 months of the closing of material acquisitions. The covenant does not apply if Signify has at least one investment grade rating, which is currently the case, as Signify has two investment grade ratings.

Eurobonds

As of December 31, 2023, Signify had outstanding EUR 675 million of fixed rate notes due in May 2024 with an annual coupon of 2.000% and EUR 600 million of fixed rate notes due in May 2027 with an annual coupon of 2.375%.

Other debt

Other debt includes short-term borrowings which Signify repays ultimately within one year. Borrowings which are drawn and repaid within the same quarter, with a maturity of less than three months, are reported on a net basis in the movement of other debt.

24 Provisions

	Restruc-turing	Environ-mental	Product warranty	Legal	Other	Total
Balance as at January 1, 2022	**62**	**97**	**66**	**9**	**120**	**355**
Acquisitions	-	-	53	-	7	60
Additions	38	17	48	108	31	242
Utilizations	(52)	(24)	(51)	(6)	(22)	(155)
Reclassifications	-	3	-	-	(17)	(14)
Releases	(13)	(6)	(1)	(2)	(7)	(28)
Changes in discount rate	-	4	-	-	(7)	(4)
Accretion	-	-	-	1	-	1
Translation differences and other movements	-	1	(1)	(6)	-	(6)
Balance as at December 31, 2022	**36**	**92**	**115**	**103**	**105**	**451**
Short-term	30	22	81	3	32	168
Long-term	6	70	34	101	73	283
Balance as at January 1, 2023	**36**	**92**	**115**	**103**	**105**	**451**
Acquisitions	-	-	(5)	-	-	(5)
Additions	158	27	48	5	26	264
Utilizations	(69)	(10)	(49)	(2)	(23)	(153)
Reclassifications	4	-	-	-	(4)	-
Releases	(8)	(5)	(2)	(55)	(10)	(79)
Changes in discount rate	-	(6)	-	-	1	(5)
Accretion	-	2	-	1	1	4
Translation differences and other movements	-	(1)	(3)	(3)	(1)	(8)
Balance as at December 31, 2023	**121**	**99**	**103**	**50**	**95**	**470**
Short-term	114	26	40	2	24	206
Long-term	7	74	64	48	71	263

Restructuring

During the year ended December 31, 2023, additions to restructuring provision included both programs in Conventional Products (mainly in Belgium), and the structural cost reduction program.

Environmental provision

Signify is exposed to environment risks, mainly because it has been in the business of manufacturing products for more than a century. During that period, Signify has opened, discontinued and acquired many manufacturing plants and sites. Some of these plants and sites have been used for industrial purposes for decades and as such, there is a latent risk that these premises may have environmental conditions that require corrective actions as a result of such use. The environmental provisions include accrued costs recorded with respect to environmental remediation in various countries. Provisions for environmental remediation can change significantly due to the emergence of additional information regarding the extent or nature of the contamination, the need to utilize alternative technologies, actions by regulatory authorities as well as changes in judgments and discount rates. The environmental provision is expected to be utilized mainly within the next five years.

Product warranty

Manufacturing of Signify's products involves complex processes and defects might occur. In addition, it is possible that some of Signify's products may not perform as expected (for example, in terms of estimated life span and projected energy savings). These defects or shortfalls may cause Signify to incur significant warranty, support and replacement costs. The provision for product warranty reflects the estimated costs of replacement and free-of-charge services that will be incurred by Signify with respect to products sold. Signify expects the provision will be mainly utilized within the next two years.

Legal

Signify and certain of its group companies are involved in legal proceedings and claims relating to various matters including commercial transactions, alleged intellectual property infringement and product liability claims for property damage and personal injury, alleged to have been caused by failure or malfunction of Signify products. The outcome of asserted claims and proceedings, or the impact of any claims that may be asserted in the future, cannot be predicted with certainty. Signify makes a provision if payment with respect to a particular matter is probable and the amount can be estimated reliably. Signify expects the provision will be mainly utilized within the next three years. Releases from legal provisions were mainly related to the legal case as described below.

On October 5, 2022, a jury in trial court in Connecticut awarded compensation of USD 90 million in a lawsuit against Signify relating to a workplace accident that occurred in September 2017 in a warehouse leased and operated by a Signify customer, where the customer's employee was injured when struck by a pallet of Signify products that was pushed off a storage rack by a temporary worker operating a forklift at the warehouse.

In Q1 2023, Signify filed post-trial motions with the trial court challenging the jury award. On April 26, 2023,the trial judge, issued an order reducing the jury's award to approximately USD 42 million. Signify has comprehensive global liability insurance and has confirmation that the case is fully covered without reservations of rights, including interest and other cost. Both the legal provision and the insurance cover asset have been adjusted in the balance sheet as per year end without any net P&L impact. Signify continues to exercise all its rights to appeal the verdict issued in this case. To that effect, Signify has filed its notice of appeal with the appropriate Connecticut Appellate court to contest its liability this claim.

Other

Other provisions mainly comprise of provisions for onerous contracts, other taxes, self-insurance, decommissioning and provision for employee jubilee funds. Other provisions are expected to be utilized mainly within the next five years.

25 Post-employment benefits

Post-employment benefits covered in this note relate to defined-benefit pension and other post-retirement benefit plans, including defined-benefit retiree medical plans. The benefits provided by these plans are based on employees' years of service and compensation levels. Employee post-employment defined-benefit plans have been established in several countries in accordance with the legal requirements, customs and local practice.

Net defined-benefit liabilities per country

	2022			2023		
	Obligation	Plan assets	Net Liability	Obligation	Plan assets	Net Liability
Unites States	459	(351)	108	420	(323)	97
Germany	170	(15)	155	169	(15)	154
Other countries	112	(48)	64	116	(45)	71
Total countries	**741**	**(414)**	**327**	**705**	**(383)**	**322**

United States

The defined-benefit Hourly & Salaried Pension Plan in the US covers certain hourly workers and salaried workers hired before January 1, 2005 and has a net liability of EUR 43 million. The plan is closed for new entrants and since 2016 no further benefit accruals are taking place. Employees only accrue benefits in a defined-contribution plan. Signify pays the administration cost and contributions to cover the funding deficit of the Hourly & Salaried Pension Plan. The plan assets are governed by an Investment Committee. Signify also has an unfunded pension plan in place for higher salaried employees with a net liability of EUR 15 million and a post-retirement welfare plan with a net liability of EUR 38 million.

Signify reviewed the funding level of the Hourly & Salaried Pension Plan and decided to make a contribution in 2023 of EUR 5 million. Signify decided to initiate a plan termination with the intention to settle the plan liabilities in 2024 with an insurance company. This will mean that any difference between the costs of settling the plan liabilities and the plan assets will need to be funded by Signify. The financial impact on this transaction will only be known at the end of 2024 when Signify is expected to complete the buy out.

Signify expects cash outflows of EUR 7 million in 2024 for the unfunded plans.

For the funding of the deficit of the US Hourly & Salaried Pension Plan, Signify adheres to the minimum funding requirements of the US Pension Protection Act.

Germany

For employees with a salary above a certain salary threshold, there is a funded defined-benefit pension plan which has a deficit of EUR 4 million. This plan has been closed for new entrants since January 1, 2018. Since 2016, Signify no longer makes any contributions to this plan but funds the liabilities when these are paid out to retirees. New employees accrue pension benefits through a defined-contribution plan. For other closed defined-benefit plans, Signify had an unfunded liability of EUR 150 million as at December 31, 2023. Signify expects cash outflows of EUR 17 million in 2024 for the pension plans.

Cash outflows for the defined-benefit plans in countries other than the USA and Germany are expected to total EUR 12 million in 2024.

Risks related to defined-benefit plans

The defined-benefit plans expose Signify to various demographic and economic risks, such as longevity, investment, currency and interest rate risks and, in some cases, inflation risk. The latter plays a role in the assumed wage increase and in some plans with pension indexation.

The larger plans are governed by either independent boards, committees or trustees who have a legal obligation to evenly balance the interests of all stakeholders and operate under the local regulatory frameworks. These bodies are responsible for and have full discretion over the investment strategy of the plan assets, in general they manage pension fund risks by diversifying the investments of plan assets and by (partially) matching interest rate risk of liabilities.

Signify has an active de-risking strategy in which it constantly looks for opportunities to reduce the risks associated with its defined-benefit plans.

Movements of net defined-benefit liability

	2022			2023		
	Obligation	**Plan assets**	**Net Liability**	**Obligation**	**Plan assets**	**Net Liability**
Balance as at January 1	**905**	**(541)**	**363**	**741**	**(414)**	**327**
Service cost	9	–	9	10	–	10
(Negative) past service cost	–	–	–	1	–	1
Admin expenses paid	–	1	1	–	1	1
Settlements	(8)	1	(8)	(1)	–	(1)
Plan amendments	(1)	–	(1)	(4)	–	(4)
Recognized in employee benefit expenses	1	2	2	5	1	6
Interest (cost) / income	23	(15)	8	33	(18)	15
Included in Statements of Income	**24**	**(13)**	**11**	**38**	**(18)**	**21**
Actuarial gains / (losses)						
• Demographic assumptions	(1)	–	(1)	1	–	1
• Financial assumptions	(165)	129	(36)	12	(7)	5
• Experience adjustment	22	–	22	9	–	9
Exchange rate differences	44	(33)	11	(15)	13	(2)
Included in Statements of comprehensive income	**(101)**	**96**	**(5)**	**6**	**6**	**12**
Employee contributions	1	(1)	–	1	(1)	–
Employer contributions	–	(7)	(7)	–	(10)	(10)
Benefits paid						
• Benefits paid directly by employer	(34)	–	(34)	(28)	–	(28)
• Benefits paid from plan assets	(52)	52	–	(53)	53	–
Reclassifications	–	–	–	–	–	–
Other	**(86)**	**44**	**(42)**	**(80)**	**43**	**(38)**
Balance as at December 31	**741**	**(414)**	**327**	**705**	**(383)**	**322**

During 2023, US interest rates dropped by some 20 bps and this has been reflected in lower discount rates. For the Eurozone, the interest rates were some 50 bps lower at 31 December than the year before. As such, the unfunded defined benefit plans in the US and the German plans experienced the losses on the financial assumptions. For the funded plan in the US, this was offset by the effect of the interest rate hedge gains.

Plan assets allocation

The asset allocation in Signify's pension plans at December 31 was as follows:

	2022	2023
Debt securities	310	323
Equity securities	38	–
Other	67	60
Total assets	**415**	**383**

The assets in 2023 contained 16% unquoted assets. Plan assets in 2023 do not include property occupied by or financial instruments issued by Signify.

Some 84% of the total plan assets of the Signify pension plan are in the US and are invested in a well-diversified portfolio. In anticipation of the earlier mentioned intended settlement of the pension plan, the equity portfolio was sold and all assets at year-end are in the fixed income portfolio with the interest rate sensitivity of this portfolio closely aligned to that of the plan's pension liabilities. The remaining 16% of the total plan assets is mainly the market value of insured pension benefits.

Assumptions

The mortality tables used for Signify's major schemes are:

- US: Base table PRI-2012 White Collar mortality table, projected forward with future mortality improvements according to Scale MP-2021.
- Germany: Richttafeln 2018 G K. Heubeck.

The weighted averages of the assumptions used to calculate the defined-benefit obligation as of December 31, 2023, were as follows:

	2022	2023
Discount rate	4.8%	4.7%
Pension cost increases	0.5%	0.5%
Healthcare cost increases	0.5%	0.5%
Wage increases	1.1%	1.1%

The average duration of the defined-benefit obligation of the defined-benefit plans is 7.7 years.

For the defined-benefit plans in the US and Germany, the average duration is respectively 7.6 years and 7.1 years. The average discount rates for the plans in these countries are respectively 4.77% and 3.24%. The pension cost increase rate assumption for the German defined-benefit plans is 2.25%.

Sensitivity analysis

The table below illustrates the approximate impact on the defined-benefit obligation if Signify were to change key assumptions. The defined-benefit obligation was recalculated using a change of 1% in the respective assumptions which overall is considered a reasonably possible change. The impact on the defined-benefit obligation of changes in discount rate is for funded plans normally accompanied by offsetting movements in plan assets, especially when using matching strategies.

	2022	2023
Increase		
Discount rate (1% movement)	(52)	(51)
Wage change (1% movement)	5	2
Pension indexation change (1% movement)	10	9
Longevity (see explanation)	20	23
Healthcare cost change (1% movement)	5	5
Decrease		
Discount rate (1% movement)	65	59
Wage change (1% movement)	(3)	(5)
Pension indexation change (1% movement)	(8)	(8)
Longevity (see explanation)	(28)	(23)
Healthcare cost change (1% movement)	(4)	(4)

Longevity also impacts the post-employment defined-benefit obligation which is illustrated in the above sensitivity table for the impact of a 10% increase and a 10% decrease in the assumed rates of mortality for Signify's major schemes. A 10% decrease in assumed mortality rates equals improvement of life expectancy by six months to a year. Vice versa, an increase in the assumed mortality rates equals reduction of life expectancy.

26 Share-based compensation

The total share-based compensation costs for the period ended December 31, 2023, amounted to EUR 18 million (period ended December 31, 2022: EUR 24 million).

Long-term Incentive Plan

Under the Signify Long-term Incentive Plan (LTI Plan), which is equity settled, eligible employees are granted both conditional and performance shares. Conditional shares have a three-year cliff vesting period and will vest if a grantee is still employed with Signify at the vesting date.

Vesting of performance shares is conditional on the achievement of performance conditions measured over a period of three years. The performance condition measurement is based on four measures, each one of them with an equal weight of 25% of the shares:

- Total shareholder return;
- Free cash flow;
- Sustainability;
- Return on capital employed.

For the Board of Management and certain members of senior management, the LTI Plan consists of performance shares only. Shares are conditionally granted annually.

In addition to shares awarded under the Signify LTI Plan, Signify may in individual cases, such as in the hiring process of members of (senior-) management, also grant restricted shares. Restricted shares have either three-year cliff vesting period or vest gradually over the vesting period of one, two or three years.

Under the terms of the employee stock purchase plan (ESPP), employees are eligible to purchase a limited number of Signify shares at discounted prices through payroll withholdings.

Performance shares

The fair value of shares granted with the market performance condition of relative TSR is measured based on Monte Carlo simulation. The closing share price at grant date is adjusted for the present value of expected dividends during the vesting period, as participants are not compensated for Signify dividend payouts. Monte Carlo simulation takes into account market conditions expected to impact relative Total Shareholders' Return performance in relation to selected peers and the following weighted-average assumptions:

Assumptions used in Monte-Carlo simulation for valuation in %

	2023
Risk-free interest rate	2.5%
Expected share price volatility	37%

The assumptions were used for these calculations only and do not necessarily represent an indication of Signify management's expectation of future developments for other purposes. Historic volatility was measured over the same timeframe as the simulation period (weighted average 2.6 years).

The amount calculated as an expense for TSR shares is not adjusted for actual performance.

FCF, Sustainability, and ROCE related measurements are non-market performance conditions. Fair value of shares granted under FCF, Sustainability, and ROCE objective conditions equals the closing share price on the grant date, adjusted for the present value of expected dividends during the vesting period.

The amount calculated as an expense for shares granted with a non-market performance condition is adjusted for actual performance.

A summary of Signify performance shares movements and outstanding balance is presented below.

Signify performance shares

	2022		2023	
EUR-denominated	Shares	Weighted average grant-date fair value	Shares	Weighted average grant-date fair value
Balance as at January 1	**3,085,771**	**24.51**	**1,525,305**	**24.83**
Granted	657,031	35.24	829,170	20.94
Vested	(1,188,103)	24.14	(995,035)	15.97
Forfeited	(112,046)	32.10	(206,024)	35.56
Performance adjustment	(917,348)	31.22	(479,314)	25.06
Balance as at December 31	**1,525,305**	**24.83**	**674,102**	**29.68**

The performance adjustment originates from updates in the number of shares which are expected to vest in relation to the mentioned non-market performance conditions.

On December 31, 2023, estimated unrecognized costs related to non-vested performance shares amounted to EUR 12 million. These costs are expected to be recognized over a weighted-average period of 1.8 years.

Conditional shares

Fair value of conditional shares is determined by subtracting the present value of expected dividends from the closing share price on the grant date as participants are not compensated for Signify dividend payouts.

A summary of Signify conditional shares movements and outstanding balance is presented below.

Signify conditional shares

	2022		2023	
EUR-denominated	Shares	Weighted average grant-date fair value	Shares	Weighted average grant-date fair value
Balance as at January 1	**811,664**	**25.96**	**777,109**	**29.41**
Granted	260,205	32.97	341,060	21.70
Vested	(251,437)	21.87	(320,774)	16.52
Forfeited	(43,323)	29.90	(72,851)	32.64
Balance as at December 31	**777,109**	**29.41**	**724,544**	**31.16**

On December 31, 2023, estimated unrecognized costs related to non-vested conditional shares amounted to EUR 8 million. These costs are expected to be recognized over a weighted-average period of 1.8 years.

Restricted shares

Fair value of restricted shares is determined by subtracting the present value of expected dividends from the closing share price on the grant date as participants are not compensated for Signify dividend payouts.

In 2023, Signify granted 18,364 restricted shares with weighted average grant date fair value of EUR 21.61.

On December 31, 2023, estimated unrecognized costs related to non-vested restricted shares amounted to EUR 0.5 million. These costs are expected to be recognized over a weighted-average period of 0.9 years.

27 Information on remuneration

Signify considers the Board of Management and the Supervisory Board to be key management personnel as defined in IAS 24 "Related parties".

In 2023, the total remuneration costs relating to the members of Key Management amounted to EUR 6,953,570 (2022: EUR 5,113,707).

Remuneration of the Board of Management

In 2023, the total remuneration costs relating to the members of the Board of Management amounted to EUR 6,156,545 (2022: EUR 4,379,057).

Remuneration costs of Key Management - the Board of Management, in EUR

	2022	2023
Salary/Base compensation	2,187,040	2,678,188
Annual Incentive [1]	180,204	1,018,899
Long Term Incentive [2]	1,331,037	1,001,646
Pension allowances	492,986	552,755
Pension scheme costs	84,399	115,456
Other compensation [3]	103,391	144,952
Termination benefits [4]	-	644,649
Total costs	**4,379,057**	**6,156,545**

[1] Related to the performance in the year reported which are paid out in the subsequent year.

[2] Costs of performance shares and restricted shares are based on accounting standards (IFRS) and do not reflect the value of the shares at the vesting/release date. Costs include the forfeiture of the 2022 and 2023 grant for F.J. van Engelen Sousa because of his termination per April 1, 2024; the Supervisory Board decided that the 2021 LTI grant will vest in full. Costs for M.L. Mariani reflect the pro-rata forfeiture of the 2022 and 2023 LTI grants, which will vest pro-rata given the company elected not to renew her services contract. As explained in more detail on page 80 of this annual report, there is a disagreement between the company and Ms. Mariani about the treatment of these LTI grants.

[3] Mainly concern (part of) allowances to members of the Board of Management that can be considered as remuneration. In a situation where such a part of an allowance can be considered as (indirect) remuneration (for example, private use of the company car), then such part is both valued and accounted for here. The method employed by the fiscal authorities in the Netherlands is the starting point for the value stated. Net allowances are not included.

[4] The company elected not to renew the services contract of M.L. Mariani after the end of term in May 2024, and therefore, as per her services contract (which is published on the company's website), she will receive a lump sum payment of one time the annual base compensation/salary (currently estimated to be a gross amount of EUR 644,649), which is payable in June 2024.

For further information on remuneration costs, see chapter 10, Remuneration report.

Remuneration of the Supervisory Board

The remuneration of the members of the Supervisory Board amounted to EUR 797,025 (2022: EUR 734,650).

Remuneration of Key Management - the Supervisory Board, in EUR

	2022	2023
Membership [1]	495,100	541,875
Committees	162,050	170,150
Other compensation [2]	77,500	85,000
Total costs	**734,650**	**797,025**

[1] Comparatives for 2022 were revised to exclude the fees and allowances paid during the observer period of Mr. Schot for the amount of EUR 28,125.

[2] Relates to the allowance for (inter-)continental travel.

28 Financial risk management

Signify is exposed to several types of financial risks, as they arise in the normal course of business: interest rate risk, liquidity risk, currency risk, commodity price risk, credit risk and country risk. This note comprises the disclosures on Signify's financial risk management objectives, policies and procedures to monitor and manage these risks.

The summary of all financial assets and liabilities, including their classification and measurement and fair value hierarchy is presented below:

	Carried at	Gross amount recognized on the balance sheet	Amounts not offset on the balance sheet, but are subject to master netting arrangements	Net amount	Fair value hierarchy level	Estimated fair value [1]
Balance as at December 31, 2022						
Non-current financial assets [1]	amortized cost	117	–	117	–	117
Unquoted equity shares	fair value (FVOCI)	3	–	3	3	3
Trade and other receivables [1]	amortized cost	1,102	–	1,102	–	1,102
Derivative financial assets designated as hedging instruments	fair value (FVTPL)	36	(21)	15	2	36
Derivative financial assets not designated as hedging instruments	fair value (FVTPL)	44	–	44	3	50
Cash and cash equivalents		677	–	677	–	677
Debt (Eurobonds)	amortized cost	(1,268)	–	(1,268)	1	(1,220)
Debt (excluding Eurobonds) [1]	amortized cost	(765)	–	(765)	2	(765)
Derivative financial liabilities designated as hedging instruments	fair value (FVTPL)	(43)	21	(22)	2	(43)
Trade and other payables [1]	amortized cost	(1,856)	–	(1,856)	–	(1,856)
Contingent considerations	fair value (FVTPL)	(3)	–	(3)	3	(3)
Balance as at December 31, 2023						
Non-current financial assets [1, 2]	amortized cost	65	–	65	–	65
Unquoted equity shares	fair value (FVOCI)	4	–	4	3	4
Trade and other receivables [1]	amortized cost	1,012	–	1,012	–	1,012
Derivative financial assets designated as hedging instruments	fair value (FVTPL)	14	(12)	3	2	14
Current derivative financial assets not designated as hedging instruments	fair value (FVTPL)	2	–	2	1	2
Non-current derivative financial assets not designated as hedging instruments	fair value (FVTPL)	22	–	22	3	27
Cash and cash equivalents		1,158	–	1,158	–	1,158
Debt (Eurobonds)	amortized cost	(1,271)	–	(1,271)	1	(1,250)
Debt (excluding Eurobonds) [1]	amortized cost	(959)	–	(959)	2	(959)
Derivative financial liabilities designated as hedging instruments	fair value (FVTPL)	(17)	12	(5)	2	(17)
Trade and other payables [1]	amortized cost	(1,537)	–	(1,537)	–	(1,537)
Contingent considerations	fair value (FVTPL)	(3)	–	(3)	3	(3)

[1] In view of the nature, maturity or the magnitude of the amounts, Signify considers that the fair value of non-current financial assets, trade and other receivables, debt (excluding Eurobonds), trade and other payables are not materially different from their carrying value.

[2] Mainly includes the insurance cover asset as referred to in the legal section, in note 24, Provisions.

The estimated fair value of financial instruments has been determined by Signify using available market information and appropriate valuation methods. The estimates presented are not necessarily indicative of the amounts that will ultimately be realized by Signify upon maturity or disposal. The use of market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts.

The following hierarchy is applied to classify the financial assets and liabilities:

Level 1

Instruments included in Level 1 are comprised primarily of listed Eurobonds classified as financial liabilities at amortized cost. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are based on observable market data, the instrument is included in Level 2.

The fair value of derivatives is calculated as the present value of the estimated future cash flows based on observable interest yield curves, basis spread and foreign exchange rates. For further details, refer to note 2, Material accounting policies.

Level 3

If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3.

This applies for Derivative financial assets not designated as hedging instruments, which mainly relate to Signify's participations in Virtual Power Purchase Agreements. These contracts are accounted for as financial instruments (FVTPL) under IFRS 9 and valued by an external valuator on a quarterly basis. The fair value is calculated as the net forecasted cash inflows or outflows discounted to the present value. The unrealized loss in fair value of EUR 22 million (2022: EUR 26 million gain) is recorded in financial income or expense (note 8). Unobservable input data is the volume of generated wind power and the price curves of the respective electricity market.

Interest rate risk

Interest rate risk is the risk of the fair value or future cash flows of a financial instrument fluctuating because of changes in the market interest rates. Financial instruments included in the debt position create an inherent interest rate risk. Failure to effectively hedge this risk could negatively impact financial results.

Signify monitors interest rate coverage, short-term and long-term interest rate developments and has the flexibility to opt for different short-term interest periods for the variable debt instruments at roll-over dates and/or could enter into derivative financial instruments to fix interest rates for a certain period of time. As of December 31, 2023, Signify had a ratio of fixed-rate debt to total outstanding debt of approximately 68% (2022: 75%).

A sensitivity analysis conducted at reporting date shows that if interest rates were to increase instantaneously by 1% from their level of December 31, 2023, with all other variables held constant, the annualized net interest expense would decrease by EUR 6 million. This impact was based on the outstanding net floating debt position as of December 31, 2023.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk for Signify is monitored through the Treasury Risk Committee which tracks the development of the actual cash flow position and uses input from a number of sources in order to forecast the overall liquidity position.

The table below analyzes Signify's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. Interest on long-term debt is based on floating rate adjustments according to market expectations.

		Payments due by period		
	Total	Less than 1 year	Between 1 and 5 years	Over 5 years
Debt, including bank overdrafts	1,993	972	1,021	–
Interest on debt	108	52	56	–
Trade and other payables	1,539	1,539	–	–
Lease liability	237	66	145	26
Derivative liabilities	17	17	–	–
Off-balance sheet commitments	164	31	93	40
Purchase obligations [1]	414	162	252	–
Contractual cash obligations	**4,472**	**2,839**	**1,567**	**66**
Revolving credit facility (RCF)	500	–	–	–

[1] Signify has commitments related to the ordinary course of business which in general relate to contracts and purchase order commitments for less than 12 months. In the table, only the commitments for multiple years are presented, including their short-term portion.

Signify invests surplus cash primarily in money market deposits with investment graded financial institutions, and with maturities up to three months, to ensure sufficient liquidity is available to meet liabilities when due.

Signify has various sources to mitigate liquidity risk. Signify pools cash from subsidiaries to the extent legally and economically feasible; cash not pooled remains available for operational or investment needs. The table below shows details of cash and cash equivalents and bank overdrafts as of the reporting date:

	2022	2023
Cash at banks and in hand	425	358
Short-term deposits	216	768
Other cash equivalents	35	33
Cash and cash equivalents	**677**	**1,158**
Bank overdrafts	(1)	–
Cash and cash equivalents and bank overdrafts	**676**	**1,158**

Signify has a EUR 500 million revolving credit facility that can be used for general purposes. As of December 31, 2023, Signify did not have any amounts drawn under this facility.

Currency risk

Currency risk is the risk that reported financial performance, or the fair value or future cash flows of a financial instrument, will fluctuate because of changes in foreign exchange rates. Signify operates in many countries and currencies and therefore currency fluctuations may inevitably impact its financial results. Signify is exposed to currency risk in the following areas:

- Transaction exposures related to anticipated sales and purchases and on-balance-sheet receivables/payables resulting from such transactions;
- Financing exposure arising from foreign currency intercompany and external debt and deposits;
- Translation exposure of net income in foreign entities;
- Translation exposure of foreign currency denominated equity invested in consolidated companies;
- Translation exposure to equity interests in non-functional-currency investments in associates and financial assets at fair value.

It is Signify’s policy to reduce the volatility caused by foreign currency movements on its net earnings by hedging the anticipated net exposure of foreign currencies resulting from foreign currency sales and purchases. In general, net anticipated exposures are hedged during a period of 9 months in layers of 25% up to a hedge ratio of 75%, using derivatives.

Signify’s policy requires significant committed foreign currency exposures to be fully hedged, generally using forwards. However, not every foreign currency can or shall be hedged as there may be regulatory barriers or prohibitive hedging cost preventing Signify from effectively and/or efficiently hedging its currency exposures. As a result, hedging activities cannot and will not eliminate all currency risks for anticipated and committed transaction exposures.

The following table outlines the estimated nominal value in millions of EUR for transaction exposures and related hedges for Signify's most significant currency exposures as per the hedging policy horizon:

	Receivables / Sales		Payables / Purchases	
	Exposure	Hedges	Exposure	Hedges
Balance as at December 31				
Exposure currency				
CNY	27	(21)	(584)	380
PLN	47	(47)	(146)	104
USD	170	(170)	(79)	79
EUR [1]	51	(51)	(31)	31
CAD	74	(45)	–	–
MXN	7	(7)	(24)	24
GBP	11	(11)	–	–
Others	57	(57)	(6)	6
Total 2023	**444**	**(409)**	**(871)**	**625**
Total 2022 [2]	**1,621**	**(1,164)**	**(1,560)**	**1,098**

1 EUR exposures in non-EUR denominated functional currencies.
2 2022 exposures and hedges based on the hedging policy horizon of 15 months.

As of December 31, 2023, a loss of EUR 2 million was deferred in equity as a result of these hedges (2022: loss of EUR 27 million). The result deferred in equity will be released to earnings mostly during 2024 at the time when the related hedged transaction affects the Consolidated statement of income. During 2023, EUR nil million (2022: EUR nil million) was recorded within cost of goods sold in the Consolidated statement of income as a result of ineffectiveness on certain anticipated cash flow hedges.

The total net fair value of hedges related to transaction exposure as of December 31, 2023, was an unrealized liability of EUR 1 million (2022: liability EUR 14 million). An instantaneous 10% increase in the value of euro against all currencies, with all other variables held constant, would lead to a decrease of EUR 19 million in the value of the derivatives. The above sensitivity analysis includes a gain of EUR 1 million that would impact the income statement, which would partially offset the opposite revaluation effect on the underlying accounts receivable and payable, and the remaining loss of EUR 20 million would be recognized in equity to the extent that the cash flow hedges were effective.

Foreign exchange exposure also arises from intercompany loans and deposits. Where Signify enters into such arrangements the financing is generally provided in the functional currency of the subsidiary. The currency of Signify's external funding and liquid assets is matched with the required financing of subsidiaries either directly through external foreign currency loans and deposits or synthetically by using foreign exchange derivatives. In certain cases, where Signify subsidiaries may also have external foreign currency debt or liquid assets, these exposures are also hedged using foreign exchange derivatives. As of December 31, 2023, the fair value of these hedges was an unrealized liability of EUR 2 million (2022: asset EUR 6 million). An instantaneous 10% increase in the value of euro against all currencies, with all other variables held constant, would lead to a decrease of EUR 41 million in the value of the derivatives.

Translation exposure of foreign-currency equity invested in consolidated entities is generally not hedged. However, if a hedge is entered into, it is accounted for as a net investment hedge. During 2023, net investment hedges consisting of foreign currency forward contracts with nominal amount of USD 250 million matured. These hedges partially mitigated foreign currency translation risk arising from the net assets of USD functional currency subsidiaries. These hedges were fully effective, as such there was no ineffectiveness recognized in profit and loss in 2023. As at December 31, 2023, no net investment hedges were outstanding (2022: nil). Signify may enter into further net investment hedges to partially offset these risks in the future.

Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices.

Signify is a purchaser of certain base metals, precious metals and energy. Signify could hedge certain commodity price risks using derivative instruments to minimize significant, unanticipated earnings fluctuations caused by commodity price volatility. As of December 31, 2023, Signify had EUR 22 million of commodity derivatives recognized in the Statement of financial position (2022: EUR 44 million),which relate to Virtual Power Purchase Agreements. An increase of the energy prices by 10% will lead to the commodity derivatives value increase by EUR 7 million (2022: EUR 9 million).

Credit risk

Credit risk represents the loss that would be recognized at the reporting date, if counterparties failed completely to perform their payment obligations as contracted. Credit risk is present within Signify trade and other receivables and contract assets. To have better insights into the credit exposures, Signify performs ongoing evaluations of the financial and non-financial condition of its customers and adjusts credit limits when appropriate. In instances where the creditworthiness of a customer is determined not to be sufficient to grant the credit limit required, there are a number of mitigation tools that can be utilized to close the gap, including reducing payment terms, cash on delivery, prepayments and pledges on assets.

Signify invests available cash and cash equivalents and enters into financial derivative instruments with various financial institutions and is exposed to credit risk with these counterparties. Signify does not enter into any financial derivative instruments to protect against default by financial institutions.

Where possible, Signify requires all financial institutions to complete legally enforceable netting agreements under an International Swap Dealers Association master agreement or otherwise prior to trading, and whenever possible, to have a solid credit rating from generally accepted rating agencies. Signify also regularly monitors the development of the credit risk of its financial counterparties.

Signify minimizes this risk by limiting the deposits made with any single bank and by making deposits, the majority of which is with banks that have strong credit ratings.

Maximum credit risk exposure for Signify equals carrying amounts of all financial assets recognized in the Statement of financial position plus off-balance sheet guarantees provided.

Country risk

Country risk is the risk that political, legal, or economic developments in a single country could adversely impact our performance. The country risk per country is defined as the sum of the equity of all subsidiaries and associated companies in country cross-border transactions, such as intercompany loans, accounts receivable from third parties and intercompany accounts receivable.

As of December 31, 2023, Signify had country risk exposure of EUR 2.7 billion in the United States and EUR 1.3 billion in the Netherlands. Countries where the risk exceeds EUR 200 million but was less than EUR 500 million are Belgium (EUR 477 million), China including Hong Kong (EUR 446 million), Poland (EUR 388 million) and France (EUR 271 million). Countries where the risk exceeded EUR 50 million but was less than EUR 200 million are Mexico, Saudi Arabia, Spain, Canada, United Kingdom, Australia, Germany and India. The degree of risk of a country is taken into account when new investments are considered. Signify does not, however, use financial derivative instruments to hedge country risk, except for the net investment hedge as described in the currency risk.

29 Events after the balance sheet date

No subsequent events occurred that are material to Signify.

16 Signify N.V. financial statements

Introduction

Statutory financial statements

The sections Consolidated financial statements and Signify N.V. financial statements contain the statutory financial statements of Signify N.V. (the "Company").

A description of the activities of the Company, its subsidiaries and Company structure are included in the Consolidated financial statements. The corporate seat of the Company is in Eindhoven, the Netherlands, and its registered office is at High Tech Campus 48, 5656 AE Eindhoven, the Netherlands. Signify N.V. is registered in the Commercial Register of the Chamber of Commerce under number 65220692.

A list of all Signify N.V. subsidiaries and affiliated companies, prepared in accordance with the relevant legal requirements (Dutch Civil Code, Book 2, Sections 379 and 414), forms part of the notes to the statutory financial statements and is deposited at the Chamber of Commerce in Eindhoven, the Netherlands.

Accounting policies applied

The financial statements of the Company included in this section are prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. Section 362 (8), Book 2, Dutch Civil Code, allows companies that apply the International Financial Reporting Standards (IFRS) as endorsed by the European Union, in their consolidated financial statements to use the same measurement principles in their company financial statements. The Company has prepared these Company financial statements using this provision.

The accounting policies are described in chapter 15, Consolidated financial statements, note 2, Material accounting policies and are deemed incorporated and repeated herein by reference. Investments in subsidiaries in the Company financial statements are accounted for using the equity method.

The Statement of financial position included in these Company financial statements has been prepared before the appropriation of result.

16.1 Statement of income

Statement of income in millions of EUR
For the years ended December 31

	Note	2022	2023
Other income		3	–
Financial income		14	28
Financial expenses		(44)	(60)
Share in results of subsidiaries		551	234
Net income	A	**523**	**203**

16.2 Statement of financial position before appropriation of results

Statement of financial position before appropriation of results in millions of EUR As at December 31

	Note	2022	2023
Non-current assets			
Financial assets	C	4,823	4,580
Total non-current assets		**4,823**	**4,580**
Current assets			
Derivative financial assets		16	11
Amounts due from subsidiaries		5	228
Total current assets		**21**	**239**
Total assets		**4,844**	**4,819**
Shareholders' equity	D		
Share Capital		1	1
Share premium		2,139	2,120
Legal reserve: currency translation differences		67	(72)
Legal reserve: cash flow hedges		(20)	(1)
Legal reserve: other		263	266
Other reserve: treasury shares		(131)	(82)
Other reserve: retained earnings		79	382
Net income		523	203
Total shareholders' equity		**2,920**	**2,817**
Non-current liabilities			
Debt	E	1,759	1,020
Total non-current liabilities		**1,759**	**1,020**
Current liabilities			
Debt	E	–	954
Provisions		1	1
Other liabilities		1	–
Amounts owed to subsidiaries		142	–
Trade and other payables		22	26
Total current liabilities		**165**	**981**
Total liabilities and shareholders' equity		**4,844**	**4,819**

16.3 Statement of changes in equity

Statement of changes in equity
in millions of EUR

			Legal reserves			Other reserves			
	Share capital	Share premium	Currency translation differences	Cash flow hedges	Other	Treasury shares	Retained earnings	Net income	Total share-holders' equity
Balance as at January 1, 2022	**1**	**2,174**	**(80)**	**(2)**	**213**	**(126)**	**(119)**	**397**	**2,459**
Appropriation of prior year result	–	–	–	–	–	–	397	(397)	–
Net income	–	–	–	–	–	–	–	523	523
Net current period change	–	–	147	(18)	–	–	11	–	140
Legal reserves reclassifications	–	–	–	–	50	–	(50)	–	–
Dividend distributed	–	–	–	–	–	–	(182)	–	(182)
Purchase of Treasury shares	–	–	–	–	–	(48)	–	–	(48)
Delivery of Treasury shares	–	(59)	–	–	–	42	16	–	–
Share-based compensation plans	–	23	–	–	–	–	–	–	23
Hyperinflation adjustment	–	–	–	–	–	–	5	–	5
Balance as at December 31, 2022	**1**	**2,139**	**67**	**(20)**	**263**	**(131)**	**79**	**523**	**2,920**
Balance as at January 1, 2023	**1**	**2,139**	**67**	**(20)**	**263**	**(131)**	**79**	**523**	**2,920**
Appropriation of prior year result	–	–	–	–	–	–	523	(523)	–
Net income	–	–	–	–	–	–	–	203	203
Net current period change	–	–	(139)	19	–	–	(12)	–	(132)
Legal reserves reclassifications	–	–	–	–	3	–	(3)	–	–
Dividend distributed	–	–	–	–	–	–	(189)	–	(189)
Purchase of Treasury shares	–	–	–	–	–	(7)	–	–	(7)
Delivery of Treasury shares	–	(35)	–	–	–	57	(22)	–	–
Share-based compensation plans	–	17	–	–	–	–	–	–	17
Hyperinflation adjustment	–	–	–	–	–	–	6	–	6
Balance as at December 31, 2023	**1**	**2,120**	**(72)**	**(1)**	**266**	**(82)**	**382**	**203**	**2,817**

16.4 Notes to the Company financial statements

In millions of EUR unless otherwise stated

A Statement of income

Other income consists of remuneration costs of the directors of the Company and the Supervisory Board which were mostly recharged to the subsidiaries of the Company.

Financial income of EUR 28 million (2022: EUR 14 million) relates mainly to interest income on a loan of USD 500 million to one of its subsidiaries. Financial expenses of EUR 60 million (2022: 44 million) relates mainly to interest paid on Debt and related amortization of expenses.

Share in results of subsidiaries represents the share of the Company in the results of its affiliated companies.

B Audit fees

A summary of Audit fees from Ernst & Young Accountants LLP is shown below.

	2022	2023
Audit fees [1]	6.5	6.4
• consolidated financial statements	3.7	3.6
• statutory financial statements	2.8	2.8
Audit-related fees	0.4	0.5
• sustainability assurance	0.3	0.4
• other	0.1	0.1
Total [2]	**6.9**	**6.9**

[1] The audit fees included in 2023 represent the fees in relation to the audit of the 2023 financial statements.
[2] Fees charged by the Dutch organization of EY were EUR 3.0 million (2022:EUR 3.1 million).

C Financial assets

The Company has one directly-owned subsidiary, Signify Holding B.V. This investment is presented as a financial asset in the Statement of financial position using the equity method. Goodwill paid upon acquisition of investments in subsidiaries is included in the net equity value of the investment and is not shown separately on the face of the Statement of financial position.

In 2020, the Company entered into an uncommitted revolving credit facility agreement of USD 500 million with one of its subsidiaries. The available credit facility amounted to EUR 452 million as at December 31, 2023, (2022: EUR 470 million) and bears interest based on the relevant applicable Term SOFR plus a margin of 0.875% per annum. The translation differences upon revaluation to EUR for this inter-company loan are partly hedged and partly mitigated by the revaluation impact of the USD debt. For further details refer to note E, Debt.

The translation differences in 2023 of EUR 158 million (2022: unrealized gain of EUR 174 million) related primarily to the impact of translating US dollar-denominated investments into euros.

The following table shows the movements in Financial assets.

	Investments	Loans	Total
Balance as at January 1, 2022	**3,779**	**442**	**4,221**
Dividends received	(96)	-	(96)
Share in results of subsidiaries	551	-	551
Translation differences	147	27	174
Other movements	(26)	-	(26)
Balance as at December 31, 2022	**4,353**	**470**	**4,823**
Dividends received	(322)	-	(322)
Share in results of subsidiaries	234	-	234
Translation differences	(140)	(18)	(158)
Other movements	3	-	3
Balance as at December 31, 2023	**4,128**	**452**	**4,580**

D Shareholders’ equity

Share capital

The Company has an authorized share capital of EUR 6 million, divided into 300,000,000 ordinary shares with a nominal value of EUR 0.01 per share and 300,000,000 preference shares with a nominal value of EUR 0.01 per share.

On December 31, 2023, the issued and fully paid share capital consisted of 128,344,238 ordinary shares with a nominal value of EUR 0.01 per share (2022: 128,344,238).

As a defense measure, Stichting Continuïteit Signify, a foundation organized under the laws of the Netherlands, has been granted the right to acquire preference shares in the Company. As at December 31, 2023, this right had not been exercised therefore no preference shares have been issued.

Dividend distribution

A proposal will be submitted to the 2024 Annual General meeting of Shareholders to pay a dividend of EUR 1.55 per ordinary share, in cash, from the 2023 net income.

In June 2023, the Company distributed a dividend of EUR 1.50 per ordinary share, representing a total value of EUR 189 million including costs.

Treasury shares

The following table shows the movements in the outstanding number of shares over the last two years:

Number of shares

	2022	2023
Balance as at January 1	**124,902,004**	**125,241,160**
Purchase of treasury shares	(1,174,595)	(289,353)
Delivery of treasury shares	1,513,751	1,363,294
Balance as at December 31	**125,241,160**	**126,315,101**

The following table shows the share transactions to cover obligations arising from share-based compensation plans (for further details refer to chapter 15, Consolidated financial statements, note 26, Share-based compensation).

	2022	2023
Shares acquired	1,174,595	289,353
Average market price	EUR 40.89	EUR 25.59
Amount paid	EUR 48 million	EUR 7 million
Shares delivered	1,513,751	1,363,294
Average price (FIFO)	EUR 28.02	EUR 41.75
Cost of delivered shares	EUR 42 million	EUR 57 million
Total shares in treasury at year-end	**3,103,078**	**2,029,137**
Total cost	**EUR 131 million**	**EUR 82 million**

Legal reserves

In accordance with the Dutch Civil Code and statutory requirements in other countries, in certain circumstances legal reserves need to be established. Legal reserves are not available for distribution to the Company’s shareholders. The currency translation reserve, cash flow hedging reserve and other reserves include non-distributable amounts. If any reserve has a negative balance, distributions to shareholders are restricted to the extent of the negative amount.

The following table shows the limitations in the distribution of Shareholders' equity and the total distributable reserves:

	2022	2023
Shareholders' equity per December 31	**2,920**	**2,817**
Issued share capital	1	1
Currency translation reserve	67	-
Restrictions on subsidiaries to transfer funds to parent company	142	129
Capitalized development costs reserve	84	116
Revaluation reserve	34	18
Reserves required by Articles of Association	3	3
Limitations in the distribution of shareholders' equity	**331**	**267**
Distributable reserves of December 31	**2,589**	**2,550**

E Debt

Term loans and revolving credit facility

During December 2023, the Company entered into a EUR 400 million long-term loan agreement maturing in December 2026. This agreement bears interest at a variable rate based on the relevant applicable EURIBOR plus a fixed margin of 1.30%. In December 2023, EUR 222 million was received with the remainder EUR 178 million received in January 2024.

In addition, as of December 31, 2023, the Company had outstanding term loans amounting to EUR 280 million maturing in November 2024 and USD 225 million maturing in January 2025. The EUR term loans bear interest at a variable rate based on the relevant applicable EURIBOR plus a fixed margin of 0.15%. The USD term loan bears interest at a variable rate based on the relevant applicable Term SOFR plus a margin. As of December 31, 2023, the margin on the USD term loan was 0.75% and is subject to change, depending on the public credit rating of Signify assigned by rating agencies.

As of December 31, 2023 the Company had an undrawn revolving credit facility (RCF) of EUR 500 million which is maturing in January 2027.

The term loans and RCF agreement include a financial covenant providing that Signify maintains a net leverage ratio of no greater than 3.5x. The net leverage ratio may temporarily increase to 4.0x within 12 months of the closing of material acquisitions. The covenant does not apply if Signify has at least one investment grade rating, which is currently the case, as Signify has two investment grade ratings.

Eurobonds

As of December 31, 2023, Signify had outstanding EUR 675 million of fixed rate notes due in May 2024 with an annual coupon of 2.000% and EUR 600 million of fixed rate notes due in May 2027 with an annual coupon of 2.375%.

Other debt

Other debt includes short-term borrowings which Signify repays ultimately within one year. Borrowings which are drawn and repaid within the same quarter, with a maturity of less than three months, are reported on a net basis in the movement of other debt.

For the movements in debt refer to the table below.

	Term loans	Eurobonds	Other debt	Total
Balance as at January 1, 2022	**479**	**1,265**	**–**	**1,743**
New borrowings	–	–	189	189
Repayments	–	–	(189)	(189)
Translation differences	12	–	–	12
Other movements	–	3	–	3
Balance as at December 31, 2022	**491**	**1,268**	**–**	**1,759**
New borrowings	222	–	–	222
Repayments	–	–	–	–
Translation differences	(8)	–	–	(8)
Other movements	(1)	3	–	3
Balance as at December 31, 2023	**704**	**1,271**	**–**	**1,975**

F Employees

The number of persons employed by the Company at year-end 2023 was four (2022: three); all were employed in the Netherlands. For the remuneration of past and present members of both the Board of Management and the Supervisory Board, refer to chapter 15, Consolidated financial statements, note 27, Information on remuneration, which is deemed incorporated and repeated herein by reference.

G Contingent liabilities not appearing in the balance sheet

General guarantees as referred to in Section 403, Book 2, of the Dutch Civil Code, have been given by the Company on behalf of other group companies in the Netherlands. The liabilities of these companies to third parties amounted to EUR 504 million as at December 31, 2023, (2022: EUR 631 million).

There have been no other general guarantees or credit guarantees given on behalf of unconsolidated companies and third-parties.

For corporate income tax purposes, the Company is the parent of a fiscal unity that contains the most significant Dutch wholly-owned group companies. The Company is therefore jointly and severally liable for the corporate income tax liabilities of the tax unity.

H Events after the balance sheet date

For the disclosure of events after the balance sheet date, reference is made in chapter 15, Consolidated financial statements, note 29, Events after the balance sheet date, which is deemed incorporated and repeated herein by reference.

On February 27, 2024, the Board of Management authorized the statutory financial statements for issue. The statutory financial statements as presented in this report are subject to the adoption by the Annual General Meeting of Shareholders, to be held on May 14, 2024.

February 27, 2024

Board of Management
Eric Rondolat
Javier van Engelen
Maria Letizia Mariani
Harshavardhan Chitale

Supervisory Board
Arthur van der Poel
Gerard van de Aast
Sophie Bechu
Pamela Knapp
Rita Lane
Frank Lubnau
Bram Schot

17 Corporate Sustainability Reporting Directive (CSRD-Directive EU 2022/2464)

In preparation for the EU's new Corporate Sustainability Reporting Directive (CSRD), which comes into force in 2024 to replace the current Non-Financial Reporting Directive (NFRD) regulation, Signify has taken its first step towards compliance by mapping the relevant chapters with the European Sustainability Reporting Standards (ESRS) and providing additional information in this chapter 17.

This chapter includes both the disclosures on the ESRS and EU Taxonomy requirements. The first section refers to the ESRS disclosures we currently report on for our material topics and are indicated in brackets using the ESRS paragraph references. In addition, a reference table can be found at the end of this section. The information regarding the non-material topics we report against voluntarily are included in the Sustainability Supplements. Those non-material topics include water management, hazardous waste management and biodiversity. The second section of the chapter covers the EU Taxonomy requirements.

17.1 European Sustainability Reporting Standards

General disclosures (ESRS2)

Signify's sustainability statements consist of chapter 4, Brighter Lives, Better World; chapter 17 and the Sustainability Supplements 2023. The information compiled in those sections were based on specific scopes and boundaries defined in 4.1 Approach to sustainability reporting and 4.1.3 Reporting standards as well as the standards and frameworks applied [BP-1(3, 5b), B-2(15)]. Our material topics and double materiality assessment are described in 4.1.4 Materiality assessment [B-2(17a), SMB-3 (48a, 48ci, 48g)]. Specific targets and progress on material topics are included in each specific topical section of chapter 4, Brighter Lives, Better World [BP-2(17b)].

All information regarding the governance-related disclosures , is included in 7 Board of Management, 8 Supervisory Board and 9 Supervisory Board Report [GOV-1(21, 21a, 21c, 21d, 22, 22a, 22c, 23a), GOV-2(26a)]. These cover the board composition and diversity data, relevant expertise, and their oversight and management role on Signify's sustainability program and targets as well as the process. Details on the incentives and remunerations are included in 10 Remuneration [GOV-3(29, 29a, 29b, 29d)].

The approach towards the integration of our sustainability objectives and Signify's strategy including information on the risk and controls management, products strategy and financial information, are mentioned in 3.1 Creating sustainable long-term value and 15, Consolidated financial statements.

Climate change (E1)

Information regarding our material impact on climate change is provided in 4.4.1 Climate action and the disclosures on our climate-related financial risks and opportunities can be found in the Sustainability Supplements 2023. Our climate objectives and strategy were defined based on the double materiality assessment and outcomes are illustrated in 4.1.4 Materiality assessment [ESRS 2 SBM-3, IRO-1].

Signify's strategy related to climate risks and resilience analysis, the description of the types of risks, process and measures used for the assessment, and the mitigation approach are described in the Sustainability Supplements 2023 [E1 SBM-3(18, 19a, 19b, AR 7b, 19c, AR 8b)]. In addition, the management approach to our climate risks and opportunities covers the description of the process for identifying and managing the physical and transitional risks according to different scenarios covering our value chain. The management disclosures are part of 4.4.1 Climate action as well as the Sustainability supplements 2023 [IRO-1(20a, AR9, 20b, AR11a, AR11b, AR11c, AR11d, 20c, 21, AR12a, AR12c)].

Our current actions and resources are explained in 4.4.1 Climate action and include the list of current decarbonization lever types, and achieved and expected GHG emissions reductions [E1.3 (29a, 29b), E1.4 (AR30c)]. Signify's climate-related targets are also explained in that section and GHG emissions breakdown information is provided [E1.4 (33, 33a-0)].

Signify's long-term climate transition plan will be published later in 2024 and will include our approach to climate change mitigation actions, our SBTi approved targets, decarbonization levers, and relevant financial planning information [E1.1 (14, 16a, 16b, 16h, 16i, 16j)]. Our relevant policies in place to manage climate-related impact, risks and opportunities are mentioned in 4.4.1 Climate action [E1.2 (24, 25)].

In terms of specific sub-topics of climate change, we included information regarding the remuneration and leadership incentives linked to climate in 10 Remuneration report [GOV-3(13)]. Energy consumption, data and specific breakdown are provided in 4.4.1 Climate Action [E1.5 (37, 37c, AR34, AR71, 37cii, 40)]. That section also includes data and metrics related to our GHG emissions [E1.6 (44, AR46d, AR50, AR52, 48a, 49a-b, 51, 44, 52a-b, 52a-b)]. The methodology, definitions used and reporting boundaries for reported GHG emissions are defined in the Sustainability Supplements 2023 [1.6 (47, AR39b, 42c, AR46h, AR46i]. We also report on the use of carbon credits in 4.4.1 Climate action, Decarbonizing our operations [E1.7 (58, 59a, AR61, AR62b, AR62c)] and explain how it relates to our emissions reduction plan [1.7 (61b, 61c)].

On the financial effect of climate change specifically, we have been conducting annually a climate risks and opportunities assessment since 2018 which is disclosed in the Sustainability Supplements 2023. We have been working on expanding our current scope of reporting for the financial effect disclosures and will report on additional elements in 2024 [E1.9 (66a-d, AR69a, 67a, 67e, AR76, 69b)].

Circular economy (E5)

Our policy and approach to circular economy are defined in 4.4.2 Circular economy. It includes references to the policy driving our transition to a circular economy, as well as the application of circular design rules [E5.1 (15a, 20c)]. Signify has set a Circular revenues target which is explained in the same section [E5.2 (AR12a), E5.3 (24a)]. We also disclose data on weight and percentage of recycled components used to manufacture our products and circularity information regarding the packaging of our products [E5.5 (31c, 36c)]. We are further developing our disclosures on E5 to provide additional information in 2024.

Our waste management-related information is not material but is included in the Sustainability Supplements.

Own workforce (S1)

Signify's priority topics regarding its workforce were defined based on the double materiality assessment and outcomes are illustrated in 4.1.4 Double materiality [ESRS 2 SBM-3, IRO-1]. The list of policies related to our material impacts, risks and opportunities are listed in 4.3.2 Diversity, equity and inclusion, in 4.3.1 Talent and development, and in 4.3.3 Human rights [S1.1 (19, 20b), S1.2 (27a-b)]. We describe Signify's commitment and approach to human rights relevant to our workforce and specifically labor rights in 4.3.3 Human rights as well [S1.1 (20, 20a-c, 21, 22)]. For health and safety topics, we refer to our policy and management approach in 4.3.4 Safety at work [S1.1 (23)]. Signify's policies and actions on elimination of discrimination are further explained in 4.3.2 Diversity, equity and inclusion as well as specific targets adopted [S1.1 (24a-d), S1.5 (46)].

In terms of impact management, we provide details on how we manage concerns or needs from our own workforce in 4.3.5 Business ethics and refer to Signify's Integrity Code [S1.3 (32b, 32c, 32e, 38a, 38b, 38c), S1.17 (103b)].

Regarding quantitative metrics, we report on a number of data breakdowns regarding our workforce and provide details in 4.3.2 Diversity, equity and inclusion, and in 4.3.1 Talent and development [S1.6 (50a-c, 50e), S1.7 (55a), S1.9 (66a,b), 83b]. On living wage requirements, that is reported in 4.3.3 Human rights [S1.10 (69,70)]. For metrics on health and safety, we provide relevant data in 4.3.4 Safety at work [S1.14 (88b-d)].

Workers in the value chain (S2)

Our engagement with the workers in our value chain as well as our approach regarding our material impacts is described in 4.3.3 Human rights. It includes references to our human rights policy commitments relevant to value chain workers, specific activities we are running to manage actual and potential impact as well as our general approach to negative impact and remedies [S2.1 (17, 17a), S2.2 (22, 22a-b), S2.3 (27a, 27c, 27d, 28)]. We have tailored channels and programs in place and monitor their effectiveness [S2.4 (32c)].

Based on the impact assessed, we have defined actions and programs, including the Tritium and Audit Programs, training and development of key suppliers and Signify Conflict Minerals program. These activities and our aims for continued improvement are further defined in the sections Responsible supply chain and Responsible mineral sourcing under 4.3.3 Human Rights [S2.4 (33a, AR22a, AR28)]. Regarding specific human rights abuses from the extractive sector, 4.3.3 Human rights, Responsible Mineral Sourcing details our Forced Labor program and how we follow the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. The full description of our due diligence process and Signify's position on Conflict Minerals is available on our website [SBM3 (11b)].

Business conduct (G1)

While business conduct is not part of the most material topics for 2023, it remains a key strategic topic for Signify against which we are committed to voluntarily report on. 4.3.5 Business ethics specifically outlines our approach and commitments to business ethics which includes references to existing mechanisms for identifying, reporting and investigating concerns in contradictions to our Code of Conduct, as well as trainings and procedures to prevent, detect and address incidents of corruption and bribery [G1.1 (10a, 10e, 10g), G1.3 (18a)].

Regarding our supply-side contractual partners, we provide details on the social and environmental criteria used for selection processes in 4.3.3 Human Rights [G1.2 (15b)]. Concerning Signify political engagement and contributions, we provide details in the Sustainability supplements 2023 [G1.5 (29b-d)].

ESRS references table

ESRS	Description	Signify reference
BP1 (3)	Disclosure of general basis and scope applied for preparation of sustainability statement	Sustainability supplements 2023
BP1 (5b)	Scope of consolidation of consolidated sustainability statement is same as for financial statements	Sustainability supplements 2023
BP2 (15)	Disclosure of reference to standards and frameworks applied	4.1 Approach to sustainability reporting
BP2 (17a)	List of sustainability matters assessed to be material	4.1.4 Materiality assessment
BP2 (17b)	Description of time-bound targets set related to sustainability matters assessed to be material and progress achieved	4.1.2 Program targets
GOV1 (21)	Information about composition and diversity of members of administrative, management and supervisory bodies	7 Board of Management, 8 Supervisory Board
GOV1 (21a)	Number of executive members	7 Board of Management
GOV1 (21c)	Information about members' experience relevant to sectors, products and geographic locations of the company	7 Board of Management, 8 Supervisory Board
GOV1 (21d)	Board gender diversity ratio	7 Board of Management, 8 Supervisory Board, 9 Supervisory Board Report
GOV1 (22)	Information about roles and responsibilities of administrative, management and supervisory bodies	7 Board of Management, 8 Supervisory Board, 9 Supervisory Board Report
GOV1 (22a)	Information on identity of administrative, management and supervisory members responsible for oversight of impacts, risks, opportunities	7 Board of Management, 8 Supervisory Board
GOV1 (22c)	Description of management role in governance process, controls and procedures used to monitor, manager and oversee impacts, risks and opportunities	4.1.1 Sustainability Governance
GOV1 (23a)	Information about sustainability-related expertise that bodies and members either directly possess or can leverage	9 Supervisory Board Report
GOV2 (26a)	Disclosure of whether, by whom and how frequently administrative, management and supervisory bodies are informed about material impacts, risks and opportunities	4.1.1 Sustainability Governance
GOV3 (29)	Incentive schemes and remuneration policies linked to sustainability matters for members of administrative, management and supervisory bodies exist	10 Remuneration Board of Management
GOV3 (29ab)	Description of key characteristics of incentive schemes and specific sustainability-related targets or impacts used to assess performance	10 Remuneration report
GOV3 (29d)	Percentage of variable remuneration dependent on sustainability-related targets and/or impacts	10 Remuneration report
GOV5 (36a)	Description of scope, main features and components of risk management and internal control processes and systems regarding sustainability	Sustainability supplements 2023
SBM1 (40)	Disclosure of information about key elements of general strategy that relate to sustainability matters	3.1 Creating sustainable long-term value
SMB1 (40ai)	Description of significant groups of products and services offered	3.3 Value created
SBM1 (40b)	Total revenue	15 Consolidated financial statements

ESRS	Description	Signify reference
SBM3 (48a)	Description of material impacts resulting from materiality assessment	4.1.4 Materiality assessment
SBM3 (48ci)	Disclosure of how material negative and positive impacts affect or are likely to affect people and the environment	4.1.4 Materiality assessment
SBM3 (48g)	Disclosure of changes to material impacts, risks and opportunities compared to previous reporting period	4.1.4 Materiality assessment
E1 SBM3 (18)	Type of climate-related risks	Sustainability supplements 2023
E1 SBM3 (19a)	Description of scope of resilience analysis	Sustainability supplements 2023
E1 SBM3 (19b)	Process for conducting the resilience analysis and the date	Sustainability supplements 2023
E1 SBM3 (AR7b)	Time horizons applied for the resilience analysis	Sustainability supplements 2023
E1 SBM3 (19c)	Description of the results from the resilience analysis	Sustainability supplements 2023
IRO1 (20a)	Description of process for impacts on climate change	4.4.1 Climate action, section Climate leadership
IRO1 (20b)	Description of process for identifying physical risks	Sustainability supplements 2023
IRO1 (AR11a)	Climate-related hazards have been identified over short-, medium- and long-term time horizons	Sustainability supplements 2023
IRO1 (20c)	Description of process for identifying transition risks	Sustainability supplements 2023
IRO1 (21)	Explanation of how the climate scenario were used to inform the identification and assessment of physical risks	Sustainability supplements 2023
E1 (16a)	Targets compatible with limiting of global warming to 1.5 degrees Celsius	4.4.1 Climate action, section Climate leadership
E1 (16b)	Decarbonization levers	4.4.1 Climate action, section Decarbonizing our operations
E1 (16e)	Explanation of any objective or plans (CapEx, CapEx plans, OpEx) for aligning economic activities (revenues, CapEx, OpEx) with criteria established in Commission Delegated Regulation 2021/2139	17.2 EU Taxonomy
E1 (16j)	Progress in implementing the transition plan	4.4.1 Climate action, section Decarbonizing our operations
E1.3 (29b)	Achieved GHG emission reductions and expected GHG emissions reductions	4.4.1 Climate action, section Decarbonizing our operations
E1.4 (33)	Process to set GHG emissions reductions targets	4.4.1 Climate action, section Climate leadership
E1.4 (34a-b)	Table GHG emissions breakdown	4.4.1 Climate action, section Decarbonizing our operations
E1.5 (37)	Total energy consumption own operations	4.4.1 Climate action, section Energy use in operations
E1.5 (37c)	Energy consumption from renewable energy	4.4.1 Climate action, section Energy use in operations
E1.5 (AR34)	Percentage of renewable sources in total energy consumption	4.4.1 Climate action, section Electricity
E1.5 (40)	Energy intensity	4.4.1 Climate action, section Energy use in operations
E1.6 (44)	Table GHG emissions breakdown	4.4.1 Climate action, section Double the pace
E1.6 (AR39b)	Description of methodology to measure GHG emissions	Sustainability supplements 2023
E1.7 (58)	Use of removals and carbon credits	4.4.1 Climate action, section Decarbonizing our operations
E1.7 (61b)	Explanation of how carbon neutrality does not reduce the achievement of GHG emissions reduction target strategy	4.4.1 Climate action, section Decarbonizing our operations
E5.1 (20c)	Description of application of circular design	4.4.2 Circular economy, section Accelerating the transition

ESRS	Description	Signify reference
E5.1 (AR12a)	Description of contribution to circular economy	4.4.2 Circular economy, section Accelerating the transition
E5.3 (24a)	Description of how targets relate to increase of circular design	4.4.2 Circular economy, section Accelerating the transition
S1.1 (20)	Description of relevant human rights policy commitments relevant to own workforce	4.3.3 Human rights
S1.1 (20a)	Disclosure of general approach in relation to respect for human rights including labor rights, of people in its own workforce	4.3.3 Human rights
S1.1 (20b)	Disclosure of general approach in relation to engagement with people in its own workforce	4.3.1 Talent and development, section Employee engagement
S1.1 (21)	Disclosure of whether and how policies are aligned with relevant internationally recognized instruments	4.3.3 Human rights
S1.1 (22)	Policies explicitly address trafficking in human beings, forced labor or compulsory labor and child labor	4.3.3 Human rights
S1.1 (23)	Workplace accident prevention policy or management system is in place	4.3.4 Safety at work, section Health and Safety performance
S1.1 (24a)	Specific policies aimed at elimination of discrimination are in place, see 4.3.2 Diversity, equity and inclusion	4.3.2 Diversity, equity and inclusion
S1.1 (24b)	Grounds for discrimination are specifically covered in policy, see 4.3.2 Diversity, equity and inclusion	4.3.2 Diversity, equity and inclusion
S1.1 (24d)	Disclosure of whether and how policies are implemented through specific procedures to ensure discrimination is prevented, mitigated and acted upon once detected, as well as to advance diversity and inclusion	4.3.5 Business ethics, section Substantiated concerns
S1.3 (32b,c)	Disclosure of specific channels in place for its own workforce to raise concerns or needs directly with undertaking and have them addressed	4.3.5 Business ethics, section Signify's Integrity Code
S1.3 (32e)	Disclosure of how issues raised and addressed are tracked and monitored and how effectiveness of channels is ensured	4.3.5 Business ethics, section Signify's Integrity Code
S1.6 (50a)	Employees gender breakdown	4.3.2 Diversity, equity and inclusion
S1.6 (50c)	Number and percentage of employee turnover	4.3.1 Talent and development, section Employment
S1.7 (55a)	Number of non-employees in own workforce	4.3.1 Talent and development, section Employment
S1.10 (69)	All employees are paid adequate wage, in line with applicable benchmarks	4.3.3 Human rights, section Living wage
S1.10 (70)	Percentage of employees paid below the applicable adequate wage	4.3.3 Human rights, section Living wage
S1.13 (83b)	Average number of training hours per person	4.3.1 Talent and development, section Employment
S1.14 (88b)	Number of fatalities in own workforce as result of work-related injuries and ill health	4.3.4 Safety at work, section Health and Safety performance
S1.14 (88c,d)	Number and percentage of recordable work-related accidents for own workforce	4.3.4 Safety at work, section Health and Safety performance
S1.17 (103b)	Number of complaints filed through channels for people in own workforce to raise concerns	4.3.5 Business ethics, section Signify's Integrity Code
S2.1 (17, 17a)	Description of relevant human rights policy commitments relevant to value chain workers	4.3.3 Human rights, section Responsible Supply Chain
S2.2 (22a, b)	Disclosure of how perspectives of value chain workers inform decisions or activities aimed at managing actual and potential impacts	4.3.3 Human rights, section Supplier sustainability performance
S2.3 (27a)	Disclosure of general approach to and processes for providing or contributing to remedy where undertaking has identified that it connected with a material negative impact on value chain workers	4.3.3 Human rights, section Supplier sustainability performance

ESRS	Description	Signify reference
S2.3 (27c)	Disclosure of processes through which undertaking supports or requires availability of channels	4.3.3 Human rights, section Supplier sustainability performance
S2.3 (27c)	Disclosure of how issues raised and addressed are tracked and monitored and how effectiveness of channels is ensured	4.3.3 Human rights, section Supplier sustainability performance
S2.3 (28)	Disclosure of how it is assessed that value chain workers are aware of and trust structures or processes as way to raise their concerns or needs and have them addressed	4.3.3 Human rights, section Supplier sustainability performance
S2.3 (32c)	Description of additional initiatives or processes with primary purpose of delivering positive impacts for value chain workers	4.3.3 Human rights, section Supplier sustainability performance
S2.3 (33a)	Description of approach to identifying what action is needed and appropriate in response to particular actual or potential material negative impact on value chain workers	4.3.3 Human rights, section Trainings and development
S2.4 (AR28)	Disclosure of aims for continued improvement	4.3.3 Human rights, section Responsible supply chain
SBM3 (11b)	Disclosure of geographies or commodities for which there is significant risk of child labor, or of forced or compulsory labor, among workers in undertaking’s value chain	4.3.3 Human rights, section Responsible mineral sourcing
G1.1 (10a)	Description of the mechanisms for identifying, reporting and investigating concerns about unlawful behavior in contradiction of its code of conduct	13.1 Risk factors and risk management, Integrity Code
G1.1 (10e)	Undertaking is committed to investigate business conduct incidents promptly, independently and objectively	13.1 Risk factors and risk management, Integrity Code
G1.1 (10g)	Information about policy for training within organization on business conduct	13.1 Risk factors and risk management, Integrity Code
G1.2 (15b)	Disclosure of how social and environmental criteria are taken into account for selection of supply-side contractual partners	4.3.3 Human rights, section Responsible supply chain
G1.3 (18a)	Information about procedures in place to prevent, detect and address allegations or incidents of corruption and bribery	17. Combined independent auditor's report, Our focus on fraud and non-compliance with laws and regulations
G1.5 (29b)	Information about financial or in-kind political contributions	Sustainability supplements 2023

17.2 EU Taxonomy

The European Commission has established the EU Taxonomy as an important enabler to scale up sustainable investments and make the EU carbon neutral by 2050. At Signify, we want to be a catalyst for change, and are committed to doubling our positive impact on the environment and society. We continuously seek opportunities to increase our portfolio of products and solutions to contribute to a more sustainable future.

Proof of this is the evolution of the percentage of LED-based revenues over the last 10 years, from just 29% in 2013 to 85% in 2023. This transition has moved us away from being a company based on conventional lighting ,a low energy-efficient technology, to become a LED company. This shift has been made possible, among other things, by continued investment in R&D dedicated to sustainable innovation. In 2023, we invested EUR 271 million in sustainable innovation, representing 88% of Signify's R&D expenditure.

Similarly, in order to achieve lighting products, systems and services that maximize (re)usability, serviceability and upgradeability and minimize value destruction with the aim of preserving value and avoiding waste, we developed the circular revenue objective. The goal is to ensure that 32% of total revenues by the end of 2025 come from products internally identified as circular (for more information, see section 4.2 Sustainable innovation). In addition, in 2023, Signify launched a refurbishment service as part of the professional portfolio with the ambition of expanding it in the coming years.

The EU Taxonomy reporting framework

The European Commission has developed a catalog of economic activities to determine if they substantially contribute towards a sustainable economy based on criteria – known as the EU Taxonomy. Companies must use this classification system to assess if their business activities are sustainable. For its financial year 2023, Signify discloses eligibility and alignment on the first two environmental objectives (Climate Change Mitigation and Climate Change Adaptation) and also eligibility for the remaining four objectives (Water and Marine Resources, Transition to a Circular Economy, Pollution Prevention and Control and Biodiversity and Ecosystems).

Signify's economic activities

The definitions of the Taxonomy are broadly formulated which leaves room for companies to interpret it for their business activities. We applied judgment, interpretations and assumptions based on currently available information. Future guidance could result in more accurate definitions and other reporting obligations, which could impact our future Taxonomy reporting.

The analysis of Signify's economic activities in the context of the EU Taxonomy has revealed the following lighting activities that contribute to the environmental objectives:

Climate Change Mitigation

- 3.5 Manufacture of energy efficiency equipment for buildings. We allocate manufacturing of LED and Connected technologies for Indoor spaces to this economic activity;
- 3.6 Manufacture other low-carbon technologies that result in substantial GHG emission reductions in other sectors of the economy. We allocate manufacturing of LED and Connected technologies for Outdoor spaces to this economic activity;
- 7.3 Installation, maintenance and repair of energy efficiency equipment. We allocate installation, maintenance and repair activities of lighting products such as lamps and luminaires, without controls, for indoor spaces to this economic activity;
- 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings. We allocate installation, maintenance and repair activities of lighting systems, such as luminaires with control modules, for indoor spaces to this economic activity. The system might also include sensors, triggers, software, on-site or cloud connectivity.

Transition to a Circular Economy

- 1.2 Manufacture of electrical and electronic equipment. We allocate here manufacturing of electrical and electronic equipment and their related activities, mostly related to lighting, including LED technology and also conventional lighting;
- 5.1 Repair, refurbishment and remanufacturing. We allocate services offered to customers to repair, refurbish or remanufacture lighting products and related items;
- 5.2 Sale of spare parts. We allocate manufacturing of components aimed to replace an existing part of a final products;
- 5.5 Product-as-a-service and other circular use and result-oriented service models. We allocate products and related services that are marketed under a “Light as a service” and other pay-per-use business models.

The analysis has not revealed any activities that contribute to the four other environmental objectives namely; climate change adaptation, water and marine resources, pollution prevention and control and biodiversity and ecosystems.

Signify's 2023 assessment

The EU Taxonomy defines Turnover, Capital Expenditure (CapEx) and Operating Expenditure (OpEx) as the key performance indicators that must be reported on. The financial figures relevant for Signify's EU Taxonomy reporting are based on the IFRS consolidated financial statements for fiscal year 2023. Allocation formulas have been used for CapEx and OpEx. If possible, figures have been directly assigned to an economic activity.

To prevent double counting on eligibility towards the Transition to a Circular Economy and Climate Change Mitigation objectives, we have allocated respectively, the Turnover, CapEx and Opex that are contributing to both objectives to Climate Change Mitigation. By adopting this approach, we can ensure that none of the economic values are counted twice.

Our data collection processes have been improved in 2023, allowing more granularity on the mapping of aligned products.

Turnover

The eligible turnover is defined as the part of the net turnover derived from products or services, including intangibles, associated with Taxonomy-eligible economic activities. The following list sets out Signify's Taxonomy-eligible turnover, contributing to the following environmental objectives:

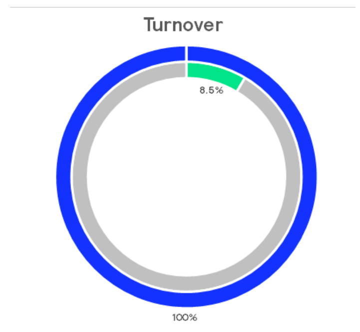
Climate Change Mitigation:

- Turnover of the manufacturing of LED and Connected technologies, for Indoor spaces (3.5) and Outdoor spaces (3.6);
- Turnover of the installation, maintenance, and repair of energy-efficient lighting, without controls (7.3) and with control modules (7.5).

Transition to a Circular Economy

- Turnover of the manufacturing of electrical and electronic products (1.2 and 5.5), components (5.2), and related activities (5.1).

This resulted in EUR 6,704 million of Taxonomy-eligible turnover (A.1+A.2, see graph) in 2023. Of the Taxonomy-eligible turnover, EUR 571 million met the screening criteria used to measure the substantial contribution to the environmental objectives (A.1). This includes our products in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369; automation and controls systems and sensors; outdoor luminaires aimed at demonstrating substantial life-cycle GHG emission savings quantified by an external third party with verification due in 2024; and the installation, maintenance and repair of energy-efficient light sources and lighting control systems. When data requirements for alignment reporting are not met, the associated revenues have not been considered as aligned.



Signify uses the European Product Registry for Energy Labelling (EPREL) as the starting point for determining the highest two populated classes, as required. For product groups that are incomplete or misleading in EPREL, we looked at our portfolio's energy labels distribution. As a conclusion, Signify defines the highest two populated classes as follows:

- A & B classes for lamps and consumer luminaires;
- C & D classes (on luminaire level) for professional indoor luminaires;
- C & D classes for color controllable lamps.

CapEx

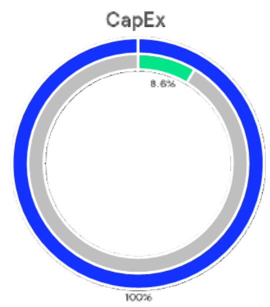
The Taxonomy-eligible CapEx is defined as the capital expenditure:

- Related to assets or processes that are associated with Taxonomy-eligible economic activities;
- Part of a plan to expand Taxonomy-eligible economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned;
- Related to the purchase of output from Taxonomy-eligible economic activities and individual measures.

The following list sets out Signify's Taxonomy-eligible CapEx contributing to the environmental objectives:

- Climate Change Mitigation: CapEx related the manufacturing of LED and Connected technologies, for Indoor spaces (3.5) and Outdoor spaces (3.6), and the annual turnover of the installation, maintenance and repair of energy-efficient lighting, without controls (7.3) and with control modules (7.5);
- Transition to a Circular Economy: CapEx related the manufacturing of electrical and electronic products (1.2 and 5.5), components (5.2), and related activities (5.1);
- CapEx that is part of a plan (CapEx plan) to expand these Taxonomy-eligible economic activities, or expenditures that will allow Taxonomy-eligible activities to become Taxonomy-aligned (i.e. new production lines and extension of production capacity of LED, connected technologies and product refurbishment);
- CapEx related to the purchase of output from Taxonomy-eligible economic activities and individual measures (i.e. freight vehicles and company cars acquired or taken as a lease, lease contracts for new or renovated buildings, energy efficiency improvement measures in buildings, purchase of energy-efficient equipment for buildings, solar panels installation, maintenance and repair, and data processing, hosting and related activities).

Of the Taxonomy-eligible capital expenditures of EUR 180 million (A.1+A.2), Signify used the Taxonomy-aligned turnover proportion per business unit as allocation formula to calculate the Taxonomy-aligned CapEx of EUR 15.5 million (A.1).



OpEx

The Taxonomy-eligible OpEx is defined as the operational expenditures:

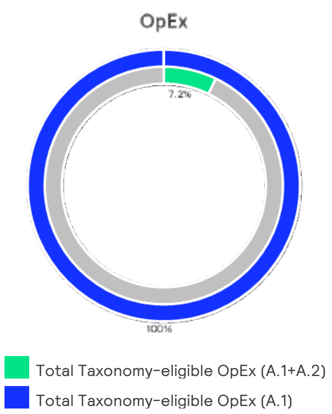
- Related to assets or processes that are associated with Taxonomy-eligible economic activities;
- Part of a plan to expand Taxonomy-eligible economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned;
- Related to the purchase of output from Taxonomy-eligible economic activities and individual measures.

The following list sets out Signify's Taxonomy-eligible operational expenditures, contributing to the environmental objectives:

- Climate Change Mitigation: OpEx related the manufacturing of LED and Connected technologies, for Indoor spaces (3.5) and Outdoor spaces (3.6), and the annual revenue of the installation, maintenance

- and repair of energy-efficient lighting, without controls (7.3) and with control modules (7.5);
- Transition to a Circular Economy: OpEx related the manufacturing of electrical and electronic products (1.2 and 5.5), components (5.2), and related activities (5.1);
- OpEx related to expand these Taxonomy-eligible economic activities as well as expenditures that will allow non-eligible activities to become Taxonomy-eligible (i.e. research in new lighting technologies, repairability options);
- OpEx related to the purchase of output from Taxonomy-eligible economic activities and individual measures (i.e. day-to-day servicing of assets of property, plant and equipment).

Of the Taxonomy-eligible operational expenditures of EUR 497 million (A.1+A.2), Signify used the Taxonomy-aligned turnover proportion per business unit as allocation formula to calculate the Taxonomy-aligned OpEx of EUR 36 million (A.1)



Eligibility and alignment disclosures for turnover, CapEx and Opex

	2021			2022			2023		
	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx
Taxonomy-eligible and aligned (A.1)	**n.a.**	**n.a.**	**n.a.**	**11%**	**12%**	**11%**	**8.5%**	**8.6%**	**7.2%**
Climate Change Mitigation	n.a.	n.a.	n.a.	11%	12%	11%	8.5%	8.6%	7.2%
Transition to a Circular Economy	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Taxonomy-eligible but not aligned (A.2)*	**n.a.**	**n.a.**	**n.a.**	**72%**	**71%**	**63%**	**91.5%**	**91.4%**	**92.8%**
Climate Change Mitigation	n.a.	n.a.	n.a.	72%	71%	63%	76.4%	77.8%	70.2%
Transition to a Circular Economy	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	15.0%	13.6%	22.6%
Total Taxonomy-eligible activities (A=A.1+A.2)	**83%**	**85%**	**76%**	**83%**	**83%**	**74%**	**100%**	**100%**	**100%**
Climate Change Mitigation	83%	85%	76%	83%	83%	74%	85.0%	86.4%	77.4%
Transition to a Circular Economy	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	98.2%	99.3%	100.0%
Total Taxonomy-non-eligible activities (B)	**17%**	**15%**	**24%**	**17%**	**17%**	**26%**	**-%**	**-%**	**-%**
Total (EUR million)	**6,860**	**213**	**456**	**7,514**	**238**	**492**	**6,704**	**180**	**497**

* To avoid overlapping in eligibility between Circular Economy and Climate Change Mitigation, we report all shared eligibility between both objectives as Climate Change Mitigation.

Do No Significant Harm criteria

The EU Taxonomy Regulation establishes that an economic activity must Do No Significant Harm (DNSH) to any of the other environmental objectives. To conduct that assessment, we have gathered information about our measurements, processes and policies for each of the DNSH criteria covering the economic activities 3.5, 3.6, 7.3 and 7.5. The assessment confirmed that we meet the requirements of the DNSH criteria.

DNSH to Climate Change Adaptation

We performed a climate risk and vulnerability assessment to identify potential physical and transition risks in our value chain (upstream and downstream). Regarding the physical risks, we have analyzed all the climate-related hazards listed in appendix A from Annex 1 of the EU Taxonomy and focused on assessing physical risks relevant to Signify's manufacturing sites, warehouses and distribution centers, namely riverine flooding, coastal flooding, drought, tropical cyclones, and heatwave for the short-term (2025) and two long-term (2050) scenarios. The two long-term scenarios cover a below 2°C or SSP1-2.6 scenario – taking the sustainable road, and an above 4°C or SSP5-8.5 scenario – fossil fueled development path. In the 2023 assessment, no material risks have been identified. For more details on our Climate risk and vulnerability assessment, refer to our TCFD reporting in the Sustainability Supplements to this 2023 Annual Report.

DNSH to Sustainable use and protection of Water and Marine Resources

For all our operations, Signify follows the local environmental regulation and has developed local studies about water impact when relevant based on the sites' operation and location. We operate in accordance with the international standards ISO 14001 and ISO 45001, as stipulated in our EHS Policy.

In 2023, we conducted an in-depth nature impact assessment across our value chain, which considered water-related impact pathways leveraging the WWF Biodiversity & Water Risk Filters; specifically looking at freshwater ecosystem use, marine ecosystem use, water use, and water pollutants. Regarding marine waters, we have not identified any significant risks across our operations. We identified that 1% of all sites face potential risks regarding water pollution and ground water abstraction. These sites have manufacturing functions and already have environmental impact management processes and containment protocols for hazardous materials in place. We plan to work further on increasing the actions to prevent potential future impacts where deemed material.

DNSH to Transition to a Circular Economy

Our circular economy growth area, which is part of Signify's 5 Frontiers strategy, is focused on developing lighting products, systems, and services that are highly durable and can be repaired, refurbished, reused, or recycled. This approach helps to preserve value and avoid waste. In fact, Signify has been sending zero manufacturing waste to landfill since 2020. This achievement is reinforced by our Sustainability Policy, which is designed to shift towards a more circular economy, with responsible consumption and production in mind, contributing to SDG12.

To further improve our sustainability performance, we have implemented a mandatory Sustainable Design Procedure for all R&D organizations and businesses. This procedure aims to increase the sustainability benefits of our portfolio and promote responsible practices.

In addition to these efforts, Signify participates in Collection and Recycling Service Organizations (CRSOs) to establish a dedicated infrastructure for the collection and recycling of conventional lamps, LEDs, and luminaires. We also continuously extend our serviceable luminaires portfolios and undertake successful remanufacturing projects, with a new remanufacturing services offering launched.

Signify is committed to using recycled and bio-circular materials in our products. We have extended the use of these materials in the professional luminaires segment and in the 3D-printed portfolio. Furthermore, our responsible packaging initiative saves 2,500 tonnes of plastics on a yearly basis. The packaging requirements strongly direct us to use at least 80% recycled paper and/or ensure responsible renewable sources (e.g. FSC, SFI, PEFC).

Through our commitments, procedures, and current activities, Signify mitigates the risk of harming the objective of transitioning to a circular economy. For more information about our actions towards a this topic, refer to subsection 4.4,2 Circular Economy.

DNSH to Pollution Prevention and Control

Signify has a strict policy regarding pollution and prevention control. We control the use and disposal of all raw materials necessary for our operations, following all the local regulations. Signify requires all its suppliers to communicate all substances in their components and to comply with the stipulations that we have listed in our Regulated Substance List (RSL). For more information about pollution and prevention control, refer to the Sustainability Supplements 2023.

DNSH to Protection and restoration of Biodiversity and Ecosystems

Regarding the protection of biodiversity and ecosystems, all our sites follow at minimum the local environmental regulations and all sites located within the EU comply with mandatory Environmental Impact Assessments (EIAs) requirements. In 2023, as mentioned above, we conducted an in-depth impact assessment across the value chain and looked specifically at impact pathways related to biodiversity. The pathways included terrestrial ecosystem use, soil pollution, waste generation and wildlife disturbance.

We identified that 2% of all sites were located within the zone of influence to protected areas and at risks of potentially contributing to soil pollution and wildlife disturbance. These risks are currently mitigated by policies in place, such as the Biodiversity Policy, as well as environmental impact management processes and containment protocols for hazardous materials. Regarding the risks in our supply chain, we identified our seven priority commodities and are engaging with the key suppliers that face potential risk of impacting terrestrial ecosystem use. We are working on improving the responsible sourcing policy as well as adopting mitigation measures to minimize the risks of impact. We are working on developing more and better biodiversity friendly lighting solutions and we are planning to activate awareness of users about light and its impact on wildlife as well as partner with non-profit organizations to fund conservation efforts. For more information about biodiversity and ecosystems, refer to the Sustainability Supplements 2023.

Minimum Social Safeguards

The Minimum Social Safeguards (MSS) provision of the EU Taxonomy Regulation requires companies involved in environmentally sustainable economic activities must also meet criteria for responsible business conduct already outlined in the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the Fundamental Conventions of the International Labour Organisation (ILO) and the International Bill of Human Rights. We assessed the coverage of our codes and standards to the principles and policies under the MSS of the EU Taxonomy. Based on Signify's interpretation of the guidance on MSS, the assessment confirmed that we meet the requirements of the MSS criteria. In addition, the company is committed to a continuous improvement of its human and labor rights performance.

Complementary information

The detailed results following the format of the Taxonomy Regulation can be found in the following pages. Signify understands and appreciates the fact that the EU Taxonomy framework is in constant evolution, and that the company’s reporting obligations will continue to grow and evolve over the next years. Assessment of the 2023 results is pending further EU Taxonomy's market practice and comparability. Signify is committed to increasing its taxonomy-eligibility and taxonomy-alignment percentages independently of regulatory developments.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities	CODE	Turnover	Proportion of turnover, year 2023	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year 2022	Category enabling activity	Category transitional activity
Text		**EUR million**	**%**	**Y; N; N/EL**						**Y/N**						**Y/N**	**%**	**E**	**T**
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Taxonomy-eligible and aligned activities (Taxonomy-aligned)																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	354	5.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	3.0%	E	
Manufacture other low carbon technologies that result in substantial GHG emission reductions in other sectors of the economy	CCM 3.6	201	3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	7.8%	E	
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	1	–%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.1%	E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	15	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.1%	E	
Total Turnover from taxonomy-eligible and aligned activities (A.1)		571	8.5%	8.5%	–%	–%	–%	–%	–%	Y	Y	Y	Y	Y	Y	Y	11.0%	E	
Of which Enabling		571	8.5%	8.5%	–%	–%	–%	–%	–%	Y	Y	Y	Y	Y	Y	Y	11.0%	**E**	
Of which Transitional		–	–%	–%						Y	Y	Y	Y	Y	Y	Y	–%		**T**
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)*				**EL; N/EL**															
Manufacture of energy efficiency equipment for buildings	CCM 3.5	3,646	54.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								57.10%		
Manufacture other low carbon technologies that result in substantial GHG emission reductions in other sectors of the economy	CCM 3.6	1,478	22.1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								15.00%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	–	–%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								–		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	–	–%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								–		
Manufacture of electrical and electronic equipment	CE 1.2	1,008	15.0%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								n.a.		
Repair, refurbishment and remanufacturing	CE 5.1	–	–%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								n.a.		
Sale of spare parts	CE 5.2	0.3	–%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								n.a.		
Product-as-a-service and other circular use- and result-oriented service models	CE 5.5	–	–%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								n.a.		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		6,133	91.5%	76.4%	–%	–%	98.2%	–%	–%								72.1%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		6,704	100%	85.0%	–%	–%	98.2%	–%	–%								83.1%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		–	– %																
Total		6,704	100%																

* To avoid overlapping in eligibility between Circular Economy and Climate Change Mitigation, we report all shared eligibility between both objectives as Climate Change Mitigation.

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities	CODE	CapEx	Proportion of CapEx, year 2023	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year 2022	Category enabling activity	Category transitional activity
Text		EUR million	%	Y; N; N/EL						Y/N						Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Taxonomy-eligible and aligned activities (Taxonomy-aligned)																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	9.6	5.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	3.4%	E	
Manufacture other low carbon technologies that result in substantial GHG emission reductions in other sectors of the economy	CCM 3.6	5.5	3.0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	8.7%	E	
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	–	–%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.1%	E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	0.4	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.1%	E	
Total CapEx from taxonomy-eligible and aligned activities (A.1)		15.5	8.6%	8.6%	–%	–%	–%	–%	–%	Y	Y	Y	Y	Y	Y	Y	12.4%	E	
Of which Enabling		15.5	8.6%	8.6%	–%	–%	–%	–%	–%	Y	Y	Y	Y	Y	Y	Y	12.4%	**E**	
Of which Transitional		–	–%	–%						Y	Y	Y	Y	Y	Y	Y	–%		**T**
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)*				EL; N/EL															
Manufacture of energy efficiency equipment for buildings	CCM 3.5	99.8	55.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								56.70%		
Manufacture other low carbon technologies that result in substantial GHG emission reductions in other sectors of the economy	CCM 3.6	41	22.5%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								14.00%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	–	–%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								–		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	–	–%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								–		
Manufacture of electrical and electronic equipment	CE 1.2	25	13.6%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								n.a.		
Repair, refurbishment and remanufacturing	CE 5.1	–	–%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								n.a.		
Sale of spare parts	CE 5.2	–	–%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								n.a.		
Product-as-a-service and other circular use- and result-oriented service models	CE 5.5	–	–%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								n.a.		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		165	91.4%	77.8%	–%	–%	99.3%	–%	–%								70.8%		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		180	100%	86.4%	–%	–%	99.3%	–%	–%								83.1%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		–	– %																
Total		180	100%																

* To avoid overlapping in eligibility between Circular Economy and Climate Change Mitigation, we report all shared eligibility between both objectives as Climate Change Mitigation.

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic activities	CODE	OpEx	Proportion of OpEx, year 2023	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year 2022	Category enabling activity	Category transitional activity
Text		EUR million	%	Y; N; N/EL						Y/N						Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Taxonomy-eligible and aligned activities (Taxonomy-aligned)																			
Manufacture of energy efficiency equipment for buildings	CCM 3.5	22	4.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	3.1%	E	
Manufacture other low carbon technologies that result in substantial GHG emission reductions in other sectors of the economy	CCM 3.6	13	2.5%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	7.9%	E	
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0	–%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.1%	E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	1	0.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.1%	E	
Total OpEx from taxonomy-eligible and aligned activities (A.1)		36	7.2%	7.2%	–%	–%	–%	–%	–%	Y	Y	Y	Y	Y	Y	Y	11.3%	E	
Of which Enabling		36	7.25	7.2%	–%	–%	–%	–%	–%	Y	Y	Y	Y	Y	Y	Y	11.3%	**E**	
Of which Transitional		–	–%	–%						Y	Y	Y	Y	Y	Y	Y	–%		**T**
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)*				EL; N/EL															
Manufacture of energy efficiency equipment for buildings	CCM 3.5	248	49.9%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								50.60%		
Manufacture other low carbon technologies that result in substantial GHG emission reductions in other sectors of the economy	CCM 3.6	101	20.3%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								12.30%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	–%	–%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								–		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	–%	–%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								–		
Manufacture of electrical and electronic equipment	CE 1.2	112	22.6%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								n.a.		
Repair, refurbishment and remanufacturing	CE 5.1	–%	–%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								n.a.		
Sale of spare parts	CE 5.2	–%	–%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								n.a.		
Product-as-a-service and other circular use- and result-oriented service models	CE 5.5	–%	–%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								n.a.		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		461	92.8%	70.2%	–%	–%	100%	–%	–%								62.9%		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		497	100%	77.4%	–%	–%	100%	–%	–%								74.1%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		–	–%																
Total		497	100%																

* To avoid overlapping in eligibility between Circular Economy and Climate Change Mitigation, we report all shared eligibility between both objectives as Climate Change Mitigation.

18 Combined independent auditor's report

On the 2023 financial statements and sustainability information

To: the Annual General Meeting of Shareholders and Supervisory Board of Signify N.V.

Our opinions

Financial statements

We have audited the financial statements 2023 of Signify N.V. (hereafter: the Company), based in Eindhoven, the Netherlands. The financial statements comprise the consolidated and company financial statements.

In our opinion:

- The accompanying Consolidated financial statements give a true and fair view of the financial position of Signify N.V. as at December 31, 2023, and of its result and its cash flows for 2023 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and with Part 9 of Book 2 of the Dutch Civil Code;
- The accompanying Company financial statements give a true and fair view of the financial position of Signify N.V. as at December 31, 2023, and of its result for 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Sustainability information

We have performed a reasonable assurance engagement on the sustainability information in the annual report 2023 of Signify N.V. based in Eindhoven, the Netherlands (hereafter: the Annual Report). The scope is described in the section "Our Scope" of our report.

In our opinion, the sustainability information presents fairly, in all material respects:

- The policy with regard to sustainability matters;
- The business operations, events and achievements in that area in 2023

in accordance with the applicable criteria as included in the section "Criteria".

Basis for our opinions

Financial statements

We conducted our audit of the financial statements in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section "Our responsibilities" of our report.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Sustainability information

We have performed our reasonable assurance engagement on the sustainability information in accordance with Dutch law, including Dutch Standard 3810N, 'Assurance-opdrachten inzake duurzaamheidsverslaggeving' (Assurance engagements relating to sustainability reporting), which is a specified Dutch standard that is based on the International Standard on Assurance Engagements (ISAE) 3000, "Assurance engagements other than audits or reviews of historical financial information". Our responsibilities in this regard are further described in the section "Our responsibilities" of our report.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our independence

We are independent of Signify N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our scope

Financial statements

The Consolidated financial statements comprise:
- The consolidated statement of financial position as at December 31, 2023;
- The following statements for 2023: the consolidated statement of income, comprehensive income, cash flows and changes in equity;
- The notes comprising material accounting policy information and other explanatory information.

The Company financial statements comprise:
- The Company statement of financial position as at December 31, 2023;
- The Company statement of income for 2023;
- The notes comprising a summary of the accounting policies and other explanatory information.

Sustainability information

The sustainability information is included in sections 3.2 Our impact, 3.3 Our value created, 5.2 Sustainability performance and sections 4.1 to 4.4 of the Sustainability statements of the annual report, excluding the section Responsible Tax Policy as included in paragraph 4.3.5 Business Ethics.

In preparation for the EU's new Corporate Sustainability Reporting Directive (CSRD), which will come into force in 2024 and will replace the current Non-Financial Reporting Directive (NFRD) regulation, Signify voluntarily provided information on the Corporate Sustainability Reporting Directive (CSRD) in chapter 17 of the Annual Report. This information is not included in our scope.

Limitations to the scope of our assurance engagement on the sustainability information

The sustainability information includes prospective information, such as ambitions, strategy, plans, forecasts, expectations and estimates. Prospective information relates to events and actions that have not yet occurred and may never occur. We do not provide assurance on the assumptions and achievability of this prospective information.

With regards to the Company's sustainability information, the 2019 baseline is based on Signify's best estimates available at the time of the start of the Brighter Lives, Better World 2025 doubling commitments in 2021. The 2019 baseline assumptions are excluded from the scope of our reasonable assurance engagement on the sustainability information. We refer to chapter 4, Sustainability statements, subsection 4.4.1 of the Annual Report for more information.

In the sustainability information, the calculations to determine societal impact as included in section 3.3 of the Annual Report are mostly based on assumptions and sources from third parties. The assumptions and sources used are explained in the document "Supplements to the Annual Report 2023" as available on the website of Signify N.V.

We have determined that these assumptions and external sources are appropriate, but we have not performed procedures on the content of these assumptions and external sources.

The references to external sources or websites in the sustainability information are not part of the sustainability information as included in the scope of our assurance engagement. We therefore do not provide assurance on this information.

Our opinion is not modified in respect of these matters.

Criteria

The criteria applied for the preparation of the sustainability information are the GRI Sustainability Reporting Standards (GRI Standards) and the criteria supplementally applied as disclosed in section 4.1 Approach to sustainability reporting of the Annual Report 2023 of Signify N.V.

The sustainability information is prepared in accordance with the GRI Standards. The GRI Standards used are listed in the GRI Content Index as published on the website of Signify N.V.

The comparability of sustainability information between entities and over time may be affected by the absence of a uniform practice on which to draw, to evaluate and measure this information. This allows for the application of different, but acceptable, measurement techniques.

Consequently, the sustainability information needs to be read and understood together with the reporting criteria applied.

Information in support of our opinion on the financial statements

We designed our procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

Signify N.V. is a global provider of lighting solutions. The group is structured in components and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment. We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit procedures is influenced by the application of materiality. Our audit engagement aims to provide assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to error or fraud. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the (economic) decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our conclusions.

Materiality	EUR 26 million
Benchmark applied	Approximately 4% of adjusted earnings before interest, tax and amortization (Adjusted EBITA)
Explanation	Based on our professional judgment we consider earnings-based measures as the most appropriate basis to determine materiality. Adjustments are made to earnings before interest, taxes and amortization for elements that are not directly related to the operational performance of the company as disclosed in chapter 19, 19. Reconciliation of non-IFRS financial measures.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 1.3 million, which are identified during the audit, are reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit of the financial statements

Signify N.V. is at the head of a group of entities. The financial information of this group is included in the Consolidated financial statements.

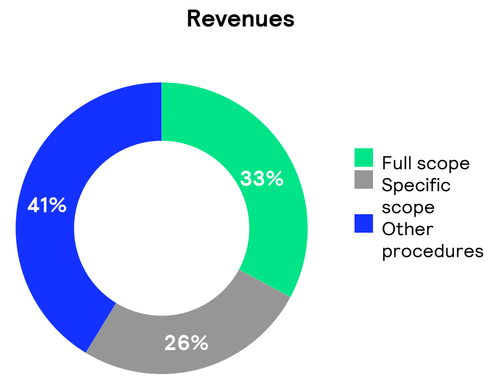
Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

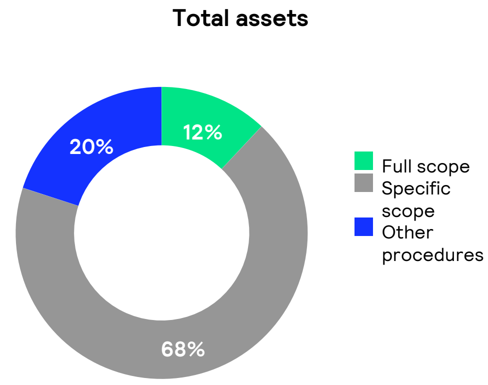
Our group audit mainly focused on significant group entities following our assessment of the risk of material misstatement to Signify N.V.'s Consolidated financial statements. We have selected two components that required an audit of all financial information (Full Scope Components). We have selected 26 components requiring audit procedures on specific account balances that we considered to have the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile (Specific Scope Components). We have:
- Performed audit procedures ourselves at 10 Specific Scope Components;
- Used the work of other EY member firms for two Full Scope Components and 16 Specific Scope Components outside the Netherlands;
- Centrally performed audit procedures on accounting areas that are managed centrally such as goodwill, acquisitions, legal claims and treasury.

As a result of our scoping, our actual coverage varies per account balance. In addition, the level of detail of our audit procedures per account balance varies depending on our risk assessment.

Of the remaining components, we performed risk-based data analytics procedures to respond to potential risks of material misstatements to the financial statements.

Accordingly, our coverage of the group's Revenues and Total Assets can be summarized as follows:





By performing the procedures mentioned above at components of the group, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the Consolidated financial statements.

Teaming and use of specialists

We ensured that the audit teams both at group and at component level included the appropriate skills and competences that are needed for the audit of a listed client in Signify's industry. We included specialists in the areas of IT audit, forensics, treasury and income tax and have made use of our own experts in the areas of valuations and actuaries.

Our focus on climate related risks and the energy transition

Climate change and the energy transition are high on the public agenda. Issues such as CO_2 reduction impact financial reporting, as these issues entail risks for the business operation, the valuation of assets (stranded assets) and provisions or the sustainability of the business model and access to financial markets of companies with a larger CO_2 footprint. The Sustainability statements summarize, among other topics, Signify's commitments and obligations and how the company is addressing climate-related and environmental risks.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the possible effects of the energy transition are taken into account in estimates and significant assumptions, as disclosed in note 1, Basis of preparation of the Consolidated financial statements, as well as in the design of relevant internal control measures by Signify N.V. Furthermore, we read the report of the Board of Management and considered whether there is any material inconsistency between the non-financial information in chapter 4, Brighter Lives, Better World and the financial statements.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes.

We refer to chapter 13, Risk factors and risk management, for management's (fraud) risk assessment and section 9.2 of the Supervisory Board report in which the Supervisory Board reflects on this (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower-procedures and incident registration.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud and misappropriation of assets. As Signify N.V. is a global company, operating in multiple jurisdictions, we also considered the risk of bribery and corruption. In close co-operation with our forensic specialists we evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We addressed the risks related to management override of controls. For these risks we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in note 1, Basis of preparation of the Consolidated financial statements. We have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties.

The following fraud risk identified did require significant attention during our audit:

Presumed risk of fraud in revenue recognition	
Fraud risk	We presumed that there are risks of fraud in revenue recognition. We evaluated that revenue from sales of goods gives rise to such risks, specifically related to cut-off. We describe the risk assessment and audit procedures responsive to the presumed risk of fraud in revenue recognition in the description of the key audit matter “Improper revenue recognition”.

We considered available information and made enquiries of the Board of Management and other relevant executives, directors (including internal audit, legal, compliance and heads of Divisions) and the Supervisory Board.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We performed audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations, including bribery and corruption that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with management, reading minutes, inspection of internal audit and compliance reports, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations from the Board of Management and management of operating companies that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in note 1, Basis of preparation, of the Consolidated financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future. We discussed and evaluated the specific assessment with management exercising professional judgment and maintaining professional skepticism.

We considered whether management's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

The key audit matters were addressed in the context of our audit procedures for the financial statements and to conclude thereon, and we do not provide a separate opinion on these matters.

The following key audit matters are excluded or new compared to the key audit matters included in our last year's auditor's report:

Key audit matter	Change	Reason for change
Valuation of inventories and related obsolescence provision	Excluded	The risk that inventories and related obsolescence provision is incorrectly valued decreased following the decline in inventory levels and softened supply chain disruptions and related uncertainties.
Valuation of goodwill	New	The risk of goodwill impairment increased following the decrease in headroom (difference between the recoverable amount and its carrying amount) in the annual impairment test.

We identified the following key audit matters.

Risk	Our audit approach	Key observations
Improper revenue recognition		
Revenue from the sale of goods is recognized at the point in time that the customer obtains control of the goods. For standard sale of products, control generally passes to the customer at the time the product is delivered and accepted, depending on the delivery conditions. The company focuses on sales as one of the key performance measures which could create an incentive to recognize revenues in the incorrect period due to the pressure employees may feel to achieve desired results. Further reference is made to note 2, Material accounting policies, of the Consolidated financial statements. We assessed that improper revenue recognition for the sale of goods, specifically relayed to cut-off, represents a key audit matter.	Our audit procedures included: • The assessment of the appropriateness of the company's revenue recognition accounting policies; • Obtaining an understanding of the design of key controls in the revenue recognition process; • The use of data analytics to audit key risk areas and identify exceptional or unusual revenue streams and patterns; • Detailed testing of significant sales contracts; • Performing cut-off procedures to ensure revenue is recognized in the correct period.	We concur with the revenue recognized in the financial statements.

Risk	Our audit approach	Key observations
Valuation of uncertain tax positions (assets and liabilities)		
At December 31, 2023, uncertain tax positions are recognized as part of the net deferred tax assets of EUR 382 million and the income tax payable under non-current liabilities of EUR 79 million. Further reference is made to note 9, Income taxes, of the Consolidated financial statements. The ultimate tax effects of transactions may be uncertain for a considerable period of time, requiring management to estimate the related current and deferred tax treatments, resulting in uncertain tax positions. The accounting for uncertain tax positions is a focus area in our audit as the company has extensive international operations and is required to make judgments and estimates. These judgments and estimates relate to, among others, the tax risks as disclosed in note 9 of the Consolidated financial statements on the valuation of deferred tax assets and liabilities for uncertain tax positions.	Together with our tax experts we evaluated the tax accounting in various jurisdictions the company operates in, taking into account the impact of the local jurisdictions. We specifically focused on the tax uncertainties as disclosed in note 9 of the Consolidated financial statements. We evaluated and challenged the company's judgments and estimates of uncertain tax positions resulting from ongoing local tax audits and legislative developments, and relevant historical and recent judgments. Where possible, we compared information provided by management to corroborative or contradictory information. We also assessed the adequacy of the company's disclosure included in note 9 of the Consolidated financial statements, in respect of deferred tax assets and other tax liabilities related to tax uncertainties.	We concur with the judgements and estimates made by management relating to the valuation of uncertain tax positions (assets and liabilities), and conclude the related disclosures to be sufficient.

Risk	Our audit approach	Key observations
Valuation of goodwill Division Digital Solutions		
At December 31, 2023, the total carrying value of goodwill Division Digital Solutions amounted to EUR 2,387 million, representing 30% of total assets. Goodwill is allocated to Cash Generating Units (CGUs), which correspond to the operating segments as disclosed in note 1 of the Consolidated financial statements. Goodwill is tested for impairment annually and whenever impairment indicators are identified. Further reference is made in note 15, Intangible assets of the Consolidated financial statements. The risk of a potential impairment of goodwill increased, considering the current business environment and the impact thereof on the company's performance. We specifically identify the impairment risk to the Division Digital Solutions, as this division is mostly affected by current business developments and represent the largest part of the total amount of goodwill of Signify. The determination of the recoverable amount of goodwill is complex, given the significant judgment and estimation uncertainty related to assumptions in the model used to determine whether the recoverable amount of goodwill is appropriate. The most significant assumptions used within the model to support the recoverable amount of goodwill are sales growth rates, EBITA margins and rates used for discounting projected cash flows. Therefore we consider this a key audit matter.	We assessed and tested the assumptions, methodologies, and data used by the company in its impairment test, by comparing these to external data such as the Company's share price, expected inflation rates, discount rates and implied growth rates. We validated that the forecasted cash flows used in the valuation are consistent with the approved strategic plans and evaluated the historical accuracy of management's estimates that drive the assessment, such as the expected growth rates and EBITA margins. We performed sensitivity analyses by stress testing the key assumptions in the impairment test to determine the degree to which these assumptions would need to change before the carrying amount exceeds its recoverable amount. We included in our team a valuation expert to assist us in these audit activities. We assessed the adequacy of the company's disclosure around goodwill as included in note 15 of the Consolidated financial statements as well as the company's accounting policies that are more critical in nature as included in note 2 of the Consolidated financial statements.	We concur with management's conclusion that no impairment of goodwill is required as at December 31, 2023, and conclude the related disclosures to be sufficient.

Information in support of our opinion on the sustainability information

Materiality

Based on our professional judgment we determined materiality levels for each relevant sustainability matter. When evaluating our materiality levels, we have considered quantitative and qualitative aspects as well as the relevance of information for both stakeholders and the company.

We have agreed with the Supervisory Board that misstatements which are identified during the assurance engagement and which in our view must be reported on quantitative or qualitative grounds, would be reported to them.

Our key assurance matters

Key assurance matters are those matters that, in our professional judgement, were of most significance in our assurance engagement on the sustainability information. We have communicated the key assurance matters to the Supervisory Board. The key assurance matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our assurance engagement on the sustainability information as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following key assurance matters are excluded or new compared to the key assurance matters included in our last year's auditor's report:

Key assurance matter	Change	Reason for change
Scope 3 CO_2e emissions	New	Signify discloses Scope 3 CO_2 emissions related to the energy usage of sold products, as this is the most material element of scope 3 for the company. The number of scope 3 CO_2e emissions is included in the Annual Report for the first time in 2023. Due to the complexity of calculating Scope 3 emissions for Signify's wide range and diverse lighting products portfolio (with different estimated wattage and life time), there is a risk that the disclosed number of Scope 3 CO_2e emissions is incorrect.

Climate-related matters, ESG developments and the energy transition are high on the public agenda. Signify's ambition, commitments, obligations and achievements with regards to these matters are disclosed in the Annual report 2023, including the Sustainability Statements. Further reference is made to chapter 3 Creating long-term value. For carbon emissions, as part of the "Double the pace of the Paris Agreement" disclosed in as presented in subsection 4.4.1, Climate action, we identified the following key assurance matters:

Risk	Our assurance approach	Key observations
Carbon footprint and Impact revenues (Circular revenues and Brighter Lives revenues)		
In our assurance engagement we have considered the risk of sustainability information being presented too optimistically. We specifically considered this to be applicable for Carbon footprint and Impact revenues (Circular revenues and Brighter Lives revenues), as these are the most material topics in Signify's Materiality Matrix, which concerns the outcome of the stakeholder dialogue, and Signify's own commitments. In addition, certain criteria are relevant for Signify's long-term incentive scheme. Therefore we consider this a key assurance matter. Further reference is made to Signify's Brighter Lives, Better World 2025 program in chapter 3.1 Our strategy of the Annual Report.	Our reasonable assurance procedures included: • Obtain an understanding of the process in obtaining relevant data for carbon footprint and Impact revenues and consolidating in the sustainability information; • Evaluate whether the self-developed criteria for Impact revenues are suitable and consistently applied; • Sampling to obtain suitable assurance evidence that the products underlying the Impact revenues are sustainable, based on the applicable criteria; • Sampling to obtain suitable assurance evidence (external and internal documentation such as invoices for carbon footprint and conversion factors), that reported information reconciles with underlying records of the company; • Reconcile the presented carbon footprint and Impact revenues with underlying records; • Reconcile the relevant financial information used in calculating Impact revenues with the financial statements; • Make inquiries of management and assess that the sustainability information is relevant, suitable, accurate and presented in a balanced matter in the Sustainability statements and in the Annual Report; • Assess whether the disclosure of the criteria related to carbon footprint and Impact revenues are sufficient for proper understanding by the reader.	We concur with the carbon footprint and Impact revenues as presented in section 4.1 and subsections 4.3.8 and 4.4.2 of the Annual Report.

Risk	Our assurance approach	Key observations
Scope 3 CO_2e emissions		
For Signify, CO_2e emissions are the most material component for the scope 3 determination in the value chain of the company. Out of these CO_2e emissions, the vast majority lies in the product use phase (as presented in subsection 4.4.1 of the Annual Report). The scope 3 CO_2e emissions related to this use phase are primarily based on the estimated wattage and lifetime of Signify's lighting product portfolio. While Signify is currently working on a centralized system to maintain and store this data, the development of products and registration of (historic) wattage/lifetime information is decentralized. The lighting product portfolio exists out of thousands of products globally, with many differences in estimated wattages and lifetimes. Furthermore, due to upgrades of existing products, the introduction of new products and acquisitions and divestments, Signify's product portfolio changes continuously. Therefore, we consider the determination of Scope 3 CO_2e emissions a key assurance matter.	Our reasonable assurance procedures included: • Obtain an understanding of the process in obtaining relevant data for CO_2 emissions and consolidating in the sustainability information; • Perform an analytical review on the scope 3 CO_2e emissions; • Confirm that estimated wattage and lifetime are the key inputs used in the scope 3 CO_2e calculation related to the use phase of lighting products; • Sample on the used estimated wattages and lifetime in the product dataset to obtain suitable assurance evidence (internal documentation such as product leaflets), that reported information reconciles with underlying records of the company and to confirm the source data is in line with the reporting criteria; • Assess whether the disclosure of the reporting criteria related to scope 3 CO_2e emissions are sufficient for proper understanding by the reader, including the inherent uncertainties related to estimated wattages and lifetimes.	We concur with the Scope 3 CO_2e emissions as presented in subsection 4.4.1 of the Annual Report.

Report on other information included in the Annual Report

The Annual Report contains other information in addition to the financial statements, the sustainability information included in chapter 3 and 4 and our auditor's reports thereon. The other information comprises:

- The report of the Board of Management;
- The remuneration report;
- Other information required by Part 9 of Book 2 of the Dutch Civil Code;
- Corporate Sustainability Reporting Directive in chapter 17;
- Corporate Governance report.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements;
- Contains the information as required by Part 9 of Book 2 for the report of the Board of Management and the other information as required by Part 9 of Book 2 of the Dutch Civil Code and as required by sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code for the remuneration report.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the report of the Board of Management in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code. Management and the Supervisory Board are responsible for ensuring that the remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the Supervisory Board as auditor of Signify N.V. (formerly: Philips Lighting N.V.) on July 15, 2016, as of the audit for the year 2016 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

Our services are only related to the audit of the financial statements or audit related services.

European Single Electronic Reporting Format (ESEF)

Signify N.V. has prepared the Annual Report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to Regulatory Technical Standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion the Annual Report prepared in XHTML format, including the (partially) marked-up consolidated financial statements as included in the reporting package by Signify N.V., complies in all material respects with the RTS on ESEF.

Management is responsible for preparing the Annual Report, including the financial statements, in accordance with the RTS on ESEF, whereby management combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the Annual Report in this reporting package complies with the RTS on ESEF.

We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting). Our examination included among others:

- Obtaining an understanding of Signify N.V.'s financial reporting process, including the preparation of the reporting package;
- Identifying and assessing the risks that the Annual Report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including:
  - Obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared in accordance with the technical specifications as included in the RTS on ESEF;
  - Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

Description of responsibilities

Responsibilities of management and the Supervisory Board

Financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRSs and Part 9 of Book 2 of the Dutch Civil Code.

As part of the preparation of the financial statements, management is responsible for assessing Signify N.V.'s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on Signify N.V.'s ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing Signify N.V.'s financial reporting process.

Sustainability information

Management is responsible for the preparation and fair presentation of the sustainability information in accordance with the criteria as included in the section "Criteria", including the identification of the stakeholders and the definition of material matters. Management is also responsible for selecting and applying the criteria and for determining that these criteria are suitable for the legitimate information needs of stakeholders, considering applicable law and regulations related to reporting. The choices made by management with respect to the scope of the sustainability information and the reporting policy are included in section 4.1 Approach to sustainability reporting of the Annual Report.

Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements and the sustainability information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the sustainability reporting process of Signify N.V.

Our responsibilities

Financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Sustainability information

Our responsibility is to plan and perform the assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our opinion.

Our assurance engagement has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material fraud and errors during our assurance engagement.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, regulations for quality management systems) and accordingly maintain a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

An informative summary of the work performed as the basis of our opinions is included in the Annex to the combined independent auditor's report.

Amsterdam, February 27, 2024

Ernst & Young Accountants LLP

A.E. Wijnsma

Annex to the combined independent auditor's report

Work performed

The sections "Information in support of our opinion on the financial statements" and "Information in support of our opinion on the sustainability information" in the combined independent auditor's report should be read in conjunction with the information in this annex as the basis for our opinions.

Financial statements

Our audit to obtain reasonable assurance about the financial statements (consolidated and company) included amongs others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Sustainability information

Our assurance engagement to obtain reasonable assurance about the sustainability information included amongst others:

- Performing an analysis of the external environment and obtaining an understanding of relevant sustainability themes and issues, and the characteristics of the company.
- Evaluating the appropriateness of the criteria applied, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the company's materiality assessment and the reasonableness of estimates made by management.
- Obtaining an understanding of the systems and processes for collecting, reporting and consolidating the sustainability information, including obtaining an understanding of the internal control environment relevant to our assurance engagement, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Identifying and assessing the risk that the sustainability information is misleading or unbalanced, or contains material misstatements, whether due to fraud or error. Designing and performing further assurance procedures responsive to those risks, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our opinion. These procedures consisted amongst others of:
  - Making inquiries of management and relevant staff at corporate and business level responsible for the sustainability strategy, policy and results.
- Reading minutes of the meetings of management, the Supervisory Board and of other meetings that are important for the content of the sustainability reporting.
- Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information.
- Determining the nature and extent of the procedures to be performed for the group components and locations. For this, the nature, extent and/or risk profile of these components are decisive. Based thereon we selected the components and locations to visit, taking into account experience from previous visits. The visits to production sites in Poland and the United States are aimed at, on a local level, validating source data and to evaluate the design, implementation and operation of controls.
- Evaluating the suitability of assumptions and sources from third parties used for the calculation of the societal impact as included in the section 3.3 of the annual report and further explained in the Methodology for societal impact calculations.
- Obtaining assurance evidence that the sustainability information reconciles with underlying records of the company.
- Evaluating relevant internal and external documentation, on a sample basis, to determine the reliability of the information in the sustainability information.
  - Evaluating the data and trends in the information submitted for consolidation at corporate level.
- Reconciling the relevant financial information with the financial statements.
- Reading the information in the annual report that is not included in the scope of our assurance engagement to identify material inconsistencies, if any, with the sustainability information; and
- Evaluating the overall presentation, structure and content of the sustainability information; and
- Evaluation whether the sustainability information as a whole, including the sustainability matters and disclosures, is clearly and adequately disclosed in accordance with the criteria applied.

Communication

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit of the financial statements and the assurance engagement on the sustainability information and significant audit or assurance findings, including any significant findings in internal control that we identify during our audit and assurance engagement. In this respect we also report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this combined independent auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that might reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters and key assurance matters: those matters that were of most significance in the audit of the financial statements and the assurance engagement on the sustainability information. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

19 Reconciliation of non-IFRS financial measures

Explanation of non-IFRS financial measures

Certain parts of this Annual Report contain financial measures that are not measures of financial performance or liquidity under IFRS. These are commonly referred to as non-IFRS financial measures and include items such as comparable sales growth, adjusted gross margin, adjusted indirect costs, EBITA, adjusted EBITA, free cash flow and other related ratios.

Although the non-IFRS financial measures presented are not measures of financial performance or liquidity under IFRS, the company uses these measures to monitor the underlying performance of its business and operations. These measures have not been audited or reviewed by the company's external auditor. Furthermore, these measures might not be indicative of the company's historical operating results, nor are such measures meant to be predictive of the company's future results. These measures are presented in this Annual Report because the company considers them an important supplemental measure of its performance and believes that these and similar measures are widely used in the industry in which it operates as a means of evaluating a company's operating performance and liquidity.

Comparable sales growth

The company discloses comparable sales growth as a supplemental non-IFRS financial measure, as the company believes that the presentation of comparable sales growth is a meaningful measure for investors to evaluate the performance of the company's business activities over time. The company determines comparable sales growth by deducting the percentage figures for changes from the nominal change of sales. Interaction effects between currency movements, changes in consolidation, regulatory changes and changes in accounting standards (second order effects) are not taken into account. The company presents comparable sales growth on both a Division and Market basis. Comparable sales growth is also used by the company as a key financial measure to assess the operating performance of the Divisions and Markets.

Sales growth composition per business in %

	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2023 versus 2022				
Digital Solutions	(5.4)	(3.1)	1.5	(6.9)
Digital Products	(10.5)	(3.8)	0.0	(14.2)
Conventional Products	(18.4)	(2.5)	0.0	(20.9)
Signify	**(8.3)**	**(3.3)**	**0.8**	**(10.8)**
2022 versus 2021				
Digital Solutions	7.8	7.3	5.0	20.1
Digital Products	(3.8)	4.4	0.0	0.7
Conventional Products	(12.6)	4.6	0.0	(7.9)
Signify	**1.2**	**6.0**	**2.4**	**9.5**

Sales growth composition per market in %

	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2023 versus 2022				
Europe	(8.7)	(0.6)	–	(9.3)
Americas	(8.9)	(3.2)	0.5	(11.6)
Rest of the world	(4.7)	(7.6)	1.3	(11.0)
Global businesses	(14.4)	(1.5)	4.1	(11.8)
Signify	**(8.3)**	**(3.3)**	**0.8**	**(10.8)**
2022 versus 2021				
Europe	3.9	0.4	0.4	4.7
Americas	3.2	12.2	0.0	15.4
Rest of the world	(1.5)	4.1	3.9	6.5
Global businesses	(9.2)	4.5	14.6	9.9
Signify	**1.2**	**6.0**	**2.4**	**9.5**

EBITA and Adjusted EBITA

The company discloses EBITA, Adjusted EBITA and Adjusted EBITA ratio as supplemental non-IFRS financial measures, as the company believes these are meaningful measures to evaluate the performance of the company's business activities over time. The company understands that these measures are used by analysts, rating agencies and investors in assessing the company's performance. The company presents EBITA, Adjusted EBITA and Adjusted EBITA ratio on a Division basis. The company also believes that the presentation of EBITA, Adjusted EBITA and Adjusted EBITA ratio provide useful information to investors on the development of the company's business and enhance the ability of investors to compare profitability across the Divisions. In the case of EBITA, the company believes that it makes the underlying performance of its businesses more transparent by factoring out the amortization and impairment of acquisition-related intangible assets and goodwill, which arises when acquisitions are consolidated by the company. In the case of Adjusted EBITA and Adjusted EBITA ratio, the company believes that these measures make the underlying performance of its businesses more transparent by factoring out restructuring costs, acquisition-related charges and other incidental charges which are not directly related to the operational performance of a Division. EBITA, Adjusted EBITA and Adjusted EBITA ratio are also used by the company as key financial measures to assess the operating performance of the Divisions.

Adjusted EBITA to Income from operations (EBIT) in millions of EUR

	Signify	Digital Solutions	Digital Products	Conventional Products	Signify Other
2023					
Adjusted EBITA	670	422	205	129	(86)
Restructuring	(167)	(32)	(25)	(51)	(59)
Acquisition-related charges	(14)	(15)	–	–	1
Incidental items	(40)	(17)	(4)	(16)	(2)
EBITA	**449**	**358**	**176**	**62**	**(147)**
Amortization [1]	(80)	(74)	(6)	–	(1)
Income from operations (EBIT) [2]	**369**	**285**	**170**	**62**	**(147)**
2022					
Adjusted EBITA	762	424	297	116	(75)
Restructuring	(64)	(15)	(11)	(34)	(4)
Acquisition-related charges	(27)	(27)	–	–	–
Incidental items	173	(8)	(14)	(22)	217
EBITA	**844**	**374**	**272**	**60**	**138**
Amortization [1]	(126)	(118)	(7)	–	(1)
Income from operations (EBIT) [2]	**718**	**256**	**265**	**60**	**137**

1 Amortization and impairments of acquisition related intangible assets and goodwill.
2 For a reconciliation to income before taxes, refer to note 3, Information by segment and main country, in chapter 15, Consolidated financial statements.

Adjusted gross margin and Adjusted indirect costs: adjusted SG&A costs and adjusted R&D costs

The company discloses adjusted gross margin, adjusted SG&A costs and adjusted R&D costs as a supplemental non-IFRS financial measure. The company believes they are a meaningful measure to evaluate the company's gross margin, adjusted SG&A costs and adjusted R&D costs on a comparable basis over time. The measures factor out restructuring costs, acquisition-related charges and other incidental charges attributable to cost of sales, SG&A and R&D costs which are not directly related to the operational performance of the company. Adjusted gross margin, adjusted SG&A and Adjusted R&D are also used by the company as key financial measures to assess the operating performance of the company.

Income from operations to Adjusted EBITA in millions of EUR

	Reported	Restructuring [2]	Acquisition-related charges	Incidental items [3]	Adjusted
2023					
Sales	6,704	–	–	–	6,704
Cost of sales	(4,146)	62	3	36	(4,044)
Gross margin	**2,558**	**62**	**3**	**36**	**2,660**
Selling, general and administrative expenses	(1,882)	81	11	(1)	(1,791)
Research and development expenses	(308)	24	–	–	(284)
Indirect costs	**(2,191)**	**105**	**11**	**(1)**	**(2,075)**
Impairment of goodwill	–	–	–	–	–
Other business income	24	–	(2)	(11)	10
Other business expenses	(23)	–	2	16	(5)
Income from operations	**369**	**167**	**14**	**40**	**590**
Amortization [1]	(80)	–	–	–	(80)
Income from operations excluding amortization (EBITA)	**449**	**167**	**14**	**40**	**670**
2022					
Sales	7,514	–	–	–	7,514
Cost of sales	(4,781)	43	6	25	(4,708)
Gross margin	**2,732**	**43**	**6**	**25**	**2,806**
Selling, general and administrative expenses	(1,927)	21	18	11	(1,877)
Research and development expenses	(295)	–	–	–	(294)
Indirect costs	**(2,222)**	**21**	**19**	**11**	**(2,171)**
Impairment of goodwill	–	–	–	–	–
Other business income	227	–	(1)	(218)	8
Other business expenses	(19)	–	3	10	(6)
Income from operations	**718**	**64**	**27**	**(173)**	**636**
Amortization [1]	(126)	–	–	–	(126)
Income from operations excluding amortization (EBITA)	**844**	**64**	**27**	**(173)**	**762**

[1] Amortization and impairments of acquisition-related intangible assets and goodwill.
[2] Restructuring cost were EUR 167 million for the year ended December 31, 2023. These consisted of EUR 150 million of employee termination benefits and EUR 18 million of other costs elated to restructuring programs.

[3] Incidental items are non-recurring items by nature and are related to impairment and other non-cash charges/gains related to operations in Russia and Ukraine, a one day FX loss from the devaluation of the Argentine peso by the Argentinian government, separation costs, transformation costs, real estate gain/loss, legal cases, incidental warranty costs, environmental provisions for inactive sites and the discounting effect of long-term provisions.

Free cash flow

The company discloses free cash flow as a supplemental non-IFRS financial measure, as the company believes it is a meaningful measure to evaluate the performance of the company's business activities over time. The company understands that free cash flow is broadly used by analysts, rating agencies and investors in assessing the company's performance. The company also believes that the presentation of free cash flow provides useful information to investors regarding the cash generated by the company's operating activities after deducting cash outflows for additions of intangible assets, capital expenditures on property, plant and equipment and proceeds from disposal of property, plant and equipment. Therefore, the measure gives an indication of the long-term cash generating ability of the company's business. In addition, because free cash flow is not impacted by purchases of businesses, it is less volatile than the total of cash flows from operating and investing activities. Free cash flow is also used by the company as a key financial measure to assess the operating performance of the company.

Composition of cash flows in millions of EUR

	2022	2023
Cash flows from operating activities	376	696
Cash flows from investing activities	(256)	(115)
Cash flows before financing activities	**119**	**581**
Cash flows from operating activities	376	696
Net capital expenditures:		
• Additions of intangible assets	(62)	(67)
• Capital expenditures on property, plant and equipment	(70)	(51)
• Proceeds from disposal of property, plant and equipment	201	8
Free cash flows	**445**	**586**

Free cash flows in millions of EUR

	2022	2023
Digital Solutions	321	458
Digital Products	170	291
Conventional Products	56	99
Other [1]	(101)	(263)
Signify total	**445**	**586**

[1] Non-allocated free cash flow items (e.g. tax, interest and central functions).

Net debt

The net debt position as a percentage of the sum of the company's equity (shareholders' equity and non-controlling interests) and net debt are presented to express the financial strength of the company. The company understands that this measure is used by analysts, rating agencies and investors in assessing the company's performance.

Composition of net debt to total equity in millions of EUR unless otherwise stated

	2022	2023
Short-term debt	83	1,038
Long-term debt	1,950	1,192
Gross debt	**2,033**	**2,230**
Cash and cash equivalents	(677)	(1,158)
Net debt	**1,356**	**1,071**
Shareholders' equity	2,920	2,817
Non-controlling interests	145	129
Total equity	**3,065**	**2,947**
Net debt and total equity	4,421	4,018
Net debt divided by net debt and total equity (in %)	31%	27%
Total equity divided by net debt and total equity (in %)	69%	73%

Working capital

The company discloses working capital as a supplemental non-IFRS financial measure, as the company believes it is a meaningful measure to evaluate the company's ability to maintain a solid balance between growth, profitability and liquidity. Working capital is broadly analyzed and reviewed by analysts and investors in assessing the company's performance. This measure serves as a metric for how efficiently a company is operating and how financially stable it is in the short term. It is an important measure of a company's ability to pay off short-term expenses or debts.

Working capital to total assets in millions of EUR

	2022	2023
Working capital	**564**	**461**
Eliminate liabilities comprised in WoCa:		
• Trade and other payables	1,859	1,539
• Derivative financial liabilities	42	17
• Other current liabilities	194	206
Include assets not comprised in WoCa:		
• Non-current assets	4,895	4,566
• Income tax receivable	56	54
• Current financial assets	–	2
• Cash and cash equivalents	677	1,158
• Assets classified as held for sale	1	–
Total assets	**8,286**	**8,004**

20 Definitions and abbreviations

Acquisition-related charges
Costs that are directly triggered by the acquisition of a company, such as transaction costs, purchase accounting related costs and integration-related expenses.

Adjusted EBITA
EBITA excluding restructuring costs, acquisition-related charges and other incidental charges.

Adjusted EBITA margin
Adjusted EBITA divided by sales to third parties (excluding intersegment). "Operational profitability" also refers to this metric.

Adjusted gross margin
Gross margin, excluding restructuring costs, acquisition-related charges and other incidental items attributable to cost of sales.

Adjusted indirect costs
Indirect costs, excluding restructuring costs, acquisition-related charges and other incidental items attributable to indirect costs.

Adjusted research and development (R&D) expenses
Research and development expenses, excluding restructuring costs, acquisition-related charges and other incidental items attributable to research and development expenses.

Adjusted selling, general and administrative (SG&A) expenses
Selling, general and administrative expenses, excluding restructuring costs, acquisition-related charges and other incidental items attributable to selling, general and administrative expenses.

Ballasts
Lamp control gear inserted between the supply and one or more discharge lamps, which, by means of inductance, capacitance or a combination of inductance and capacitance, serves mainly to limit the current of the lamp(s) to the required value.

Brighter Lives revenues
Revenues measured as a percentage of total revenues coming from all products, systems and services contributing to Food availability, Safety & security or Health & well-being.

Capital employed
The sum of equity and net debt (excluding pension liabilities).

Carbon footprint
Carbon footprint is expressed in CO_2-equivalent or carbon dioxide equivalent, which is a quantity that describes, for a given mixture and amount of greenhouse gas, the amount of CO_2 that would have the same global warming potential (GWP), when measured over a specific timescale (generally 100 years). Signify measures its carbon footprint over its value chain (scope 1, 2 and 3), which include emissions from industrial sites, non-industrial sites, business travel, logistics, purchased goods and services, capital goods, fuel- and energy-related activities, employee commuting, waste generated in operations, end of life treatment of sold products, and use of sold products. Our carbon neutrality commitment covers Signify operations, meaning scope 1, 2 and part of scope 3 for Business travel and logistics. Signify net operational carbon footprint = Signify gross operational carbon footprint - Amount of carbon offset through our carbon offsetting programs.

Circular revenues
Revenues measured as a percentage of total revenues coming from products, systems and services designed to preserve value and avoid waste categorized as Serviceable luminaires (incl. 3D printing), Circular components, Intelligent systems or Circular services.

Compact fluorescent light (CFL)
CFLs usually combine a fluorescent light with an incandescent fixture.

Comparable sales growth
The period-on-period growth in sales excluding the effects of currency movements and changes in consolidation and other changes.

Conventional lamps
Non-LED based light-emitting light sources, including incandescent lamps, halogen lamps, fluorescent lamps and high-intensity discharge lamps.

Conventional luminaires
Light fixtures with a conventional socket (e.g. a screw socket for a conventional lamp or LED lamp).

Custom duties
Tax imposed on imports and exports of goods charged to Signify's Consolidated Statement of Income. Typically, these are reflected in customs declarations and tend to be payable, and are paid, regularly (often monthly) throughout the year, shortly after the submission of the declaration. These form part of operating costs.

EBIT
Income from operations.

EBITA
Income from operations excluding amortization and impairment of acquisition-related intangible assets and goodwill.

EBITDA
Income from operations excluding depreciation, amortization and impairment of non-financial assets.

Effects of changes in consolidation and other changes
In the event a business is acquired (or divested), the impact of the consolidation (or de-consolidation) on the company's figures are included (or excluded) in the comparable figures. Other changes include regulatory changes and changes originating from new accounting standards.

Effects of currency movements
Calculated by translating the foreign currency financials of the previous period and the current period into euros at the same average exchange rates.

Electronics
Units that regulate the current going through a light source.

Employees
Employees of Signify at period end expressed on a full-time equivalent (FTE) basis.

Employee Net Promoter Score (NPS)
The Net Promoter Score methodology is used to measure employee engagement. Employees are asked to rank how likely it is that they would recommend our company as a great place to work. The scoring for this answer is based on a 0 to 10 scale. Those who respond with a score of 9 to 10 are called Promoters. Those who respond with a score of 0 to 6 are labeled Detractors. Responses of 7 and 8 are labeled Passives. The NPS is calculated by subtracting the percentage of employees who are Detractors from the percentage of employees who are Promoters.

Fluorescent lamp
A lamp which produces light with an electric current conducted through an inert gas producing ultraviolet light that is invisible to the human eye.

Free cash flow
Net cash provided by operating activities minus net capital expenditures. For Divisions, Digital Solutions, Digital Products and Conventional Products, free cash flow excludes items not allocated to the operating segments, such as interest paid (or received), income taxes paid and costs (or income) for central functions.

Global Reporting Initiative (GRI)
The Global Reporting Initiative is a network-based organization that pioneered the world's most widely used sustainability reporting framework. GRI is committed to the framework's continuous improvement and application worldwide. GRI's core goals include the mainstreaming of disclosure on environmental, social and governance performance.

Gross debt
The sum of short-term debt and long-term debt.

Gross margin
Sales minus cost of sales.

Halogen lamp
A type of incandescent lamp with a capsule that holds a special halogen gas composition around the heated filament to increase the efficacy of the incandescence.

High-intensity discharge lamp (HID)
A type of conventional lamp that uses electricity arcs between two electrodes to create an intensely bright light where mercury, sodium or metal halide gas act as the conductor.

Incidental charges
Any item with an income statement impact (loss or gain) that is deemed to be both significant and not part of normal business activity. Other incidental items might extend over several quarters within the same financial year.

Incandescent lamp
A conventional lamp that produces visible light by heating a tungsten filament inside a glass bulb usually filled with an inert gas.

Income tax paid
Income tax paid by Signify in tax jurisdictions, based on income on a cash basis.

Indirect costs
The sum of Selling, general and administrative and Research and development expenses.

International Standardization Organization (ISO)
The International Standardization Organization is the world's largest developer and publisher of International Standards. ISO is a network of the national standards institutes of more than 160 countries, one member per country, with a Central Secretariat in Geneva, Switzerland, that coordinates the system. ISO is a non-governmental organization that forms a bridge between the public and private sectors.

LED
Light-emitting diode.

LED-based sales
Sales provided by products, systems and services based on LED lighting technologies.

LED drivers
Lighting electronics that convert input power into a current that remains constant despite fluctuations in voltage.

LED lamp
A solid-state semiconductor device that converts electrical energy directly into light.

LED luminaires
Light fixtures where LED modules are integrated into the luminaire as a light source and cannot be separated from the luminaire by the user.

LED modules
Light generating units around which luminaires are built for the purpose of emitting distributed patterns of light.

Light-as-a-Service contract
Contracts enabling an integrated solution for customers where customers pay for the provision of light to their premises, while the company plans and builds the lighting infrastructure and ensures its performance until the end of the contract.

Lighting services
Services offered to customers building on a lighting system and enabled by data.

Lighting systems
The combination of luminaires, controls and software. The automation and related controls of lighting within a room, building or outdoor facilities for end users.

Luminaire
Electrical devices that produce, control and distribute light. Also called light fixtures. They consist of one or more light sources, lamps or sockets that connect the lamps to the electrical power (as well as drivers in some luminaires), and the mechanical components required to support or attach the housing.

Net capital expenditures
Additions of intangible assets, capital expenditures on property, plant and equipment and proceeds from disposal of property, plant and equipment, and intangible assets.

Net debt
Short-term debt, long-term debt minus cash and cash equivalents.

Net leverage ratio
The ratio of consolidated reported net debt to consolidated reported EBITDA for the purpose of calculating the financial covenant for the term loans and revolving credit facility. The financial covenant shall remain suspended so long as Signify has either a public or private investment grade credit rating.

Non-governmental organization (NGO)
A non-governmental organization is any non-profit, voluntary citizens' group which is organized at a local, national or international level.

OEM
Original equipment manufacturer.

On track to deliver against our ambitious goal of doubling the pace of the Paris Agreement's 1.5°C scenario
In our Brighter Lives, Better World 2025 sustainability program, we commit to doubling the pace of the Paris Agreement's 1.5°C scenario to reduce emissions over our entire value chain by the end of 2025, comparing to the 2019 baseline. This means we aim to achieve the emission reduction goals laid out in the Paris Agreement's 1.5°C scenario for 2031 by 2025, six years early. With this scenario, the Paris Agreement suggests that companies must reduce their emissions by 4.2% year on year. In other words, by the end of 2025, we will reduce our scopes 1, 2, and 3 emissions by 40% compared to our baseline year 2019. To track progress, we are comparing Signify actual and projected carbon footprint every year from 2021 to 2025. Based on the 80% coverage of all Signify data from sold portfolio, we have estimated our 2022 value chain CO_2. By extrapolating the remaining 20% within each product family, we calculated our 100% value chain CO_2 and concluded that we are 4% ahead on our projected carbon footprint for 2022. Comparing to the 2019 baseline, we have already achieved 30% emissions reduction across our value chain (vs. 40% by the end of 2025). With an estimated a 5% error rate for 2022 (10% in 2021), we have achieved between 27% and 34% emissions reduction across the value chain (vs. 40% by the end of 2025), which means that we are on track towards our 2025 targets.

Other taxes
Other taxes comprise environmental taxes, property taxes and other contributions to governments in the form of taxes. This also includes dividend withholding tax payments on behalf of our shareholders.

Payroll taxes
This comprises all payroll taxes including social security contributions, both in Signify's capacity of employer, which form part of operating costs, and in the form of remittance to government on behalf of employees. Typically, these taxes are reflected in payroll tax returns made to governments and tend to be payable, and are paid, regularly (often monthly) throughout the year, shortly after the submission of the return.

R&D expenses
Research and development expenses.

Renewable electricity
Percentage of total electricity usage from renewable sources.

Responsible Business Alliance (RBA)
The Responsible Business Alliance (RBA, formerly known as Electronic Industry Citizenship Coalition) was established in 2004 to promote a common code of conduct for

the electronics and information and communications technology (ICT) industry. The RBA now includes more than 100 global companies and their suppliers.

Restructuring costs
The estimated costs of initiated reorganizations that have been approved by the company, and which generally involve the realignment of certain parts of the organization. Restructuring costs include costs for employee termination benefits for affected employees and other costs directly attributable to the restructuring, such as impairment of assets and inventories.

Return on capital employed
Income from operations adjusted for tax at the effective tax rate, divided by the year-on-year average capital employed.

SG&A expenses
Selling, general and administrative expenses.

Signify
Signify N.V. (the "Company") and its subsidiaries, within the meaning of Section 2:24b of the Dutch Civil Code.

SOFR
Secured overnight financing rate (SOFR) administered by the Federal Reserve Bank of New York (or any other person which takes over the administration of that rate) published by the Federal Reserve Bank of New York (or any other person which takes over the publication of that rate).

Supplier sustainability performance
The supplier sustainability performance rate represents the percentage of suppliers in risk countries with an audit score of at least 90 out of 100 points.

Sustainable innovation
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.

Switch
Wall-mounted devices designed to (i) change the electric connections among its terminals or (ii) engage with the pins of a plug and having terminals for the connection of cables or cords (i.e. socket contacts).

Total Recordable Case rate
Number of injuries and illnesses sustained at work that result in medical treatment, restricted work, lost work-days, or fatality, divided by 100 FTEs.

VAT
Value-added tax (VAT) including similar indirect taxes such as Goods and Service tax (GST) and Sales tax. The VAT contributions in a jurisdiction is the balance between output VAT and input VAT. These taxes form part of a VAT tax return made to the government and tend to become payable, and are paid, regularly (often quarterly) throughout the year shortly after submission of the VAT tax returns.

Weighted average statutory income tax rate
The aggregation of the result before tax multiplied by the applicable statutory tax rate without adjustment for losses, divided by the company result before tax.

Women in leadership
Percentage of women in relation to the total population in compensation grades H22 and above. It includes employees with or without a defined end date, international assignees and members of the Board of Management.

Working capital
The sum of Inventories, Trade and other receivables, Other current assets, Derivative financial assets minus the sum of Trade and other payables, Derivative financial liabilities and Other current liabilities (excluding dividend related payables).

Zero waste to landfill
It refers to manufacturing sites diverting their manufacturing waste to recycling or incineration, instead of to landfill. To determine waste to landfill in scope of our commitment we exclude the following categories: chemical waste, hazardous waste, one-time waste and regulated waste. To achieve "zero (manufacturing) waste to landfill", the amount of non-hazardous manufacturing waste being disposed directly to landfill should be <1% of total waste.

21 Forward-looking statements and other information

Forward-looking statements and risks & uncertainties

This document contains forward-looking statements that reflect the intentions, beliefs or current expectations and projections of Signify N.V. together with its subsidiaries, including statements regarding strategy, estimates of sales growth and future operational results.

By their nature, these statements involve risks and uncertainties facing Signify and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties. Such risks, uncertainties and other important factors include but are not limited to: adverse economic and political developments, in particular the impacts of the Russia-Ukraine war, the conflict in the Middle East, the energy crisis in Europe, the expected recovery trajectory of China post COVID, component shortages, cost inflation, rapid technological change, competition in the general lighting market, development of lighting systems and services, successful implementation of business transformation programs, impact of acquisitions and other transactions, reputational and adverse effects on business due to activities in environment, health & safety, compliance risks, ability to attract and retain talented personnel, adverse currency effects, pension liabilities, and exposure to international tax laws. Refer to chapter 13, Risk factors and risk management, for discussion of material risks, uncertainties and other important factors which might have a material adverse effect on the business, results of operations, financial condition and prospects of Signify.

Such risks, uncertainties and other important factors should be read in conjunction with the information included in the Annual Report.

Additional risks currently not known to Signify or that Signify has not considered material as of the date of this document could also prove to be important and might have a material adverse effect on the business, results of operations, financial condition and prospects of Signify or could cause the forward-looking events discussed in this document. Signify undertakes no duty to and will not necessarily update any of the forward-looking statements in light of new information or future events, except to the extent required by applicable law.

Market and industry information

All references to market share, market data, industry statistics and industry forecasts in this document consist of estimates compiled by industry professionals, competitors, organizations or analysts, of publicly available information or of Signify's own assessment of its sales and markets. Rankings are based on sales unless otherwise stated.

Non-IFRS financial measures

Certain parts of this document contain non-IFRS financial measures and ratios, such as comparable sales growth, adjusted gross margin, EBITA, Adjusted EBITA, free cash flow, and other related ratios, that are not recognized measures of financial performance or liquidity under IFRS. The non-IFRS financial measures presented are measures used by management to monitor the underlying performance of the Signify business and operations and, accordingly, they have not been audited or reviewed. Not all companies calculate non-IFRS financial measures in the same manner or on a consistent basis and these measures and ratios might not be comparable to measures used by other companies under the same or similar names. A reconciliation of these non-IFRS financial measures to the most directly comparable IFRS financial measures is contained in this document. For further information on non-IFRS financial measures, see chapter 19, Reconciliation of non-IFRS financial measures.

Fair value information

In presenting Signify's financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid on the balance sheet date. When quoted prices or observable market values do not exist, fair values are estimated using valuation models that we believe are appropriate for their purpose. They require management to make significant assumptions with respect to future developments that are inherently uncertain and might therefore deviate from actual developments.

Critical assumptions used are disclosed in the financial statements. In certain cases, independent valuations are obtained to support management's determination of fair values.

IFRS basis of presentation

The financial information included in this document is based on International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), as explained in significant accounting policies, unless otherwise indicated.

Statutory financial statements

Chapter 15, Consolidated financial statements and chapter 16, Signify N.V. financial statements, contain the statutory financial statements of Signify N.V.

Regulated information

This document contains regulated information within the meaning of the Dutch Financial Markets Supervision Act.

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