



Providing access to
quality healthcare
for disadvantaged
communities



Philips
Foundation

Annual Report 2018

About the Philips Foundation

The Philips Foundation is a registered charity that was established in July 2014 as the central platform for Philips' CSR activities – founded on the belief that through innovation and collaboration we can solve some of the world's toughest challenges and make an impact where it really matters.

Reflecting our commitment to United Nations Sustainable Development Goals 3 (Ensure healthy lives and promote well-being for all at all ages) and 17 (Revitalize the global partnership for sustainable development), the mission of the Philips Foundation is to **reduce healthcare inequality by providing access to quality healthcare for disadvantaged communities.**

We do this by deploying Philips' expertise, innovative products and solutions, collaborating with global NGOs, supporting social entrepreneurs' innovative healthcare solutions, and focusing the Philips workforce's volunteering activity on a single global healthcare issue for greater impact.

www.philips-foundation.com



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The Board of the Philips Foundation



Herman Wijffels
Board Member



Mirjam van Reizen
Secretary of the Board



Ronald de Jong
Chairman of the
Philips Foundation



Wim Leereveld
Board Member

Creating a lasting impact through collaboration

In 2018, the Philips Foundation made solid progress in delivering on its ambition to reduce health inequality through meaningful innovation.

The Philips Foundation drives and supports initiatives that deliver long-term value and have a lasting impact. In collaboration with key stakeholders, we seek to make quality healthcare available and affordable to people at the bottom of the socio-economic pyramid around the world. We do this by supporting United Nations Sustainable Development Goal 3, with the aim of realizing universal health coverage by 2030.

Access to healthcare is a key driver of sustainable socio-economic development. Despite tremendous progress, there is still a substantial unfulfilled need for high-quality healthcare that is affordable, equitable and efficiently managed. The piloting initiatives that the Philips Foundation drives and supports, are aimed at transforming healthcare systems. Collaborating with complementary partners – such as several national Red Cross societies, UNICEF, ICRC, Save the Children and Amref – and with specific social entrepreneurs increases the impact we can make and creates lasting value.

The Philips Foundation initiated 40 exciting new projects in 2018 to explore new models of access to care that can strengthen healthcare systems, improve outcomes, and reduce the cost of healthcare.

To date, over 150 projects are running, improving the lives of more than 10 million people.

For the first time, Philips' worldwide volunteering activities were targeted at a single healthcare goal: fighting against childhood pneumonia among children under five. The fact that about one million children under the age of five die unnecessarily every year is a potent illustration of the dangers of a lack of access to safe diagnosis and timely treatment. The program was launched in October 2018, and so far, volunteering activities of Philips employees have raised nearly €75,000, which has been doubled by the Philips Foundation to €150,000.

I would like to thank Royal Philips for its generous support of the Philips Foundation, the Philips employees involved in the volunteering activities, and the staff of the Foundation for their tireless effort in fulfilling their mission. I would also like to thank Ashoka for their ongoing efforts to empower social entrepreneurs, and the global NGOs for their commitment to explore innovative solutions in primary care settings.

Together we will reduce healthcare inequality in disadvantaged communities around the world!

Ronald de Jong, Chairman
On behalf of the Philips Foundation Board

Key figures 2018

150+

projects from 2014-2018, aimed at touching the lives of 10 million+ people worldwide

26

new access-to-healthcare projects approved, initiated by Philips country offices with local governmental and NGO offices

Total value EUR 2.3 million

23

social entrepreneurs in collaboration with Philips and the Philips Foundation

14

strategic projects initiated, all exploring ways of using health technology to strengthen and innovate elements of primary healthcare delivery

EUR 75,000

raised by the volunteering program in the first quarter of operation; Philips Foundation doubled this sum to

EUR 150,000

Employee team-volunteering program launched to leverage the capabilities of over

75,000

employees towards one global access-to-healthcare goal



“The Philips Foundation leverages the heads and hands, skills and technologies of Philips and its employees worldwide”

Margot Cooijmans, Director Philips Foundation

The Philips Foundation has always believed that through innovation and collaboration we can help solve some of the world's most difficult challenges and have an impact where it really matters. Pursuing this line, in 2018 the Philips Foundation deliberately steered its course further away from traditional donations.

As a health technology company, Philips is committed to promoting healthy lives and well-being for all at all ages. Standing shoulder to shoulder with the company, the Philips Foundation focuses on providing high-quality healthcare to communities lacking affordable and sustainable facilities. In developing and deploying solutions, the Philips Foundation leverages the heads and hands, skills and technologies of Philips and its employees worldwide, to serve the health and well-being of disadvantaged people. We do this on a not-for-profit basis.

In this report, we look back at another year of action to reduce healthcare inequality by providing access to quality healthcare for disadvantaged communities. In doing so, it is essential for us to understand and address the exact needs and issues facing people in these communities. To this end, we collaborate with partners who work with governments and other (corporate) foundations, but even more so, with the communities themselves.

Their ownership is essential for truly sustainable solutions. In support of United Nations Sustainable Development Goal 3, we focused even more, in 2018, on driving solutions leading to positive change that lasts when our financial support ends. We believe that only then will access to quality healthcare be sustainable and will communities become independent and self-supporting.

I would like to express my gratitude to everyone who has supported the work of the Philips Foundation in 2018, as well as the members of the Philips Foundation Board.

Margot Cooijmans
Director of the Philips Foundation

Our work across the world



Global partnerships

Through collaboration with international non-governmental organizations and academic parties, the Philips Foundation aims to explore innovative solutions to improve access to healthcare for disadvantaged communities. Many of our projects focus on solutions for primary healthcare, as we firmly believe that strengthening the base of the healthcare referral chain is a vital element in achieving healthy lives and promoting well-being for all.

Through our projects, we aim to build the evidence and insights that can help create a platform from which these solutions can scale to larger impact in a sustainable way.

We work with the International Federation of Red Cross and Red Crescent Societies (IFRC), several national Red Cross societies, UNICEF, Amref Health Africa and Amref Flying Doctors Netherlands, PharmAccess, Malaria Consortium and others, to explore healthcare delivery models and solutions that improve access to quality healthcare, especially in low-resource settings. We also collaborate with academic partners such as Aga Khan University, the KIT Royal Tropical Institute and Amref International University to evaluate the impact of a number of our interventions in primary healthcare.



Local projects

Philips Foundation supports projects identified by Philips' country offices, with the aim to provide sustainable-impact and scalable solutions to reduce health inequality in disadvantaged communities, through the use of Philips' innovations and expertise. These locally relevant initiatives are carried out in collaboration with NGOs. Since the launch of the Foundation in 2014, over 120 of these projects have been set up across the globe.

In 2018, we supported projects along with organizations such as the Children Heart Health Association (Turkey), Capa Medical Faculty (Turkey), Boys & Girls Club of Lawrence (USA), La Liga Contra el Cáncer (Colombia), Red Cross Society of China (China), Imaging the World (Uganda) and many more. The projects covered areas such as mother and childcare, diagnostic technology for cardiology and oncology, respiratory care, ultrasound, and education on healthy living.



Social entrepreneurship

We believe that social entrepreneurs are key to developing the most innovative approaches and solutions to tackling the world's access-to-healthcare issues. In 2018, we saw the completion of our first year of a multi-year collaboration with Ashoka. Here, we leveraged the capabilities of Philips to help 23 leading social entrepreneurs accelerate system change strategies and scaling of innovative approaches.



Employee team volunteering

In collaboration with Philips, we developed and launched an ongoing global volunteering program in Q3 2018. This involves the Philips Foundation identifying a global access-to-healthcare goal every year. Combining the capabilities of over 75,000 employees on a shared global healthcare goal makes it possible to have tangible and meaningful impact at scale. Our goal for 2018 and 2019 is to reduce worldwide child mortality rates caused by childhood pneumonia.

We have already experienced the benefit of employees becoming aware of the Philips Foundation via the volunteering program and engaging more deeply in longer-term, extra-contribution volunteering across our other Foundation programs.

Strengthening health systems to enhance access to healthcare

Improving access to healthcare in underserved settings often requires changes to healthcare systems that are not optimally designed. In 2018, the Philips Foundation started a number of projects in Africa to explore ways of using health technology to strengthen or innovate elements of healthcare delivery, with the aim of enabling better access to quality healthcare. An important focus of these programs is on strengthening primary healthcare to improve prevention, early diagnosis and treatment in communities.

In 2018, we worked with the following international non-governmental, humanitarian organizations and academic institutions to improve access to quality healthcare.



In partnership with
 International Federation
of Red Cross and Red Crescent Societies
www.ifrc.org Saving lives, changing minds.

With the **International Federation of Red Cross and Red Crescent Societies (IFRC)** and several national Red Cross societies, we work on projects that enhance the work of community health volunteers and other frontline healthcare workers.



In projects with **UNICEF**, we aim to improve the maintenance and performance of medical devices in health facilities. We are implementing a project in Kenya to develop innovative, locally designed medical devices to improve access to quality care for women, newborns and children.



In collaboration with **Amref Health Africa**, we are validating a sustainable financing model for primary healthcare delivery.



IIE AGA KHAN UNIVERSITY

In separate projects with **Aga Khan University**, **PharmAccess** and **Amref International University**, we are exploring ways to improve access to antenatal ultrasound pregnancy screening at the primary care level by testing new delivery, referral and income models. **KIT Royal Tropical Institute** is performing a study on the impact of Community Life Centers as a primary care model on the quality and the utilization of primary care in Kenya and South Africa.



With **Malaria Consortium**, a video annotation methodology is being tested as a potential reference standard for determining respiratory rate in children under five.



With our support of **Mercy Ships**, we help to deliver high-level medical care to areas where healthcare is nearly non-existent.

Improving the functionality of medical devices in Kenya

In 2018, the Philips Foundation and **UNICEF Kenya** worked together to improve the operational management of medical equipment in health facilities in Kenya. The project arose from the experience that the placement of medical devices in a healthcare facility is not enough to guarantee flawless operation over time. Service and maintenance, alerts and repairs of broken equipment, availability of spare parts and trained staff are all crucial in order to keep up the functionality of installed equipment and a facility's ability to offer the healthcare services for which it was designed.

The first phase of this project was an assessment of the current status of medical equipment in all 163 public health facilities in Kakamega County, Kenya. Using a dedicated assessment app, trained assessors collected information on the status of placement and functionality of medical devices. The baseline study showed that a quarter to a third of all equipment was not functional at the time of the assessment and much of this could immediately be addressed. Well-functioning medical equipment can be crucial to saving lives.

Based on the results of the first phase, the Philips Foundation and **UNICEF** have agreed to enter the next phase of the project, which will aim at strengthening medical equipment management in a sustainable way by introducing remote equipment monitoring, appropriate workflows and capacity building.



High-Risk Pregnancy Toolkit to support expectant mothers

Up to 20% of pregnancies are at risk and 99% of all maternal deaths occur in developing countries. **The International Committee of the Red Cross (ICRC)**, Philips Design and the Philips Foundation joined forces to help both lay and professional healthcare workers support early detection of high-risk pregnancies, and encourage referral to health facilities for safe delivery.

One result of the cooperation is a set of portable tear-resistant cards that are easy to understand for audiences with different levels of literacy.

Between 2017 and 2018, the **ICRC** deployed 2,350 sets in Cameroon, Central African Republic, Mali, Niger, Nigeria and South Sudan, reaching 1,800 traditional birth attendants.

The Philips Foundation will support a large-scale deployment of the cards in a project run by the **Kenya Red Cross** in four counties that account for the highest number of maternal deaths. It aims to reach 250,000 people and will involve a thorough assessment of the impact on health outcomes.

“The HRP cards are the result of a simple, yet meaningful, co-creation process. Following feedback from staff and communities, the cards can now be seamlessly integrated into ICRCs primary healthcare resource center and be made available to all health delegates to leverage in operations.”

– Esperanza Martinez, Head of Health, ICRC

Increasing access to ultrasound pregnancy screening

A number of projects supported by the Philips Foundation will explore ways for midwives to use mobile ultrasound technology at primary care level, underpinned by remote experts through telehealth, to enhance availability of affordable services in the underserved communities and remote areas of Kenya. Research will take place to determine whether this leads to more women taking an ultrasound before 24 weeks of pregnancy, as recommended by the World Health Organization, and improved quality of care.

In collaboration with the **Centre of Excellence in Women and Child Health of Aga Khan University**, we will explore the feasibility, impact and costs of quality antenatal care, and investigate whether setting up a full referral chain will lead to improved uptake of antenatal care services.

Meanwhile, in a project with **Amref International University** we will test the financial viability of an ultrasound delivery model through businesses of midwives. A separate project with the **PharmAccess Foundation** will investigate what price pregnant women are willing and can afford to pay for antenatal ultrasound scanning, and whether the availability and affordability of ultrasound screening stimulates pregnant women to start earlier with antenatal care.



A sustainable financing model for primary healthcare

With support from the Philips Foundation, **Amref Health Africa**, in collaboration with FMO, Philips and **Makueni County**, Kenya, have developed an innovative financing model to create a universally accessible primary healthcare coverage system. The model is based on the government partly outsourcing primary healthcare clinics and the generation of new revenue streams to improve the quality of care and uptake of services. The Philips Foundation is supporting the next phase, where the model will be tested in an implementation pilot with three primary care facilities in Makueni County, covering a catchment population of over 20,000 people.



Local projects

Expanding healthcare access one project at a time

Turkey

Awareness campaign on congenital heart disease

Philips Turkey and the Philips Foundation have teamed up with Children Heart Health Association to realize the award-winning campaign 'Picture of your heart', helping to raise awareness around congenital heart disease through real-life stories. More than 90% of children will survive with early diagnosis and the right treatment, yet most people are unaware of congenital heart disorder.

The Philips Foundation supported the work of the Children Heart Health Association and Philips Turkey by donating an ultrasound system to the Capa Medical Faculty, Department of Pediatric Cardiology in Turkey. The department can now examine children for congenital heart disease. In the first seven months, the hearts of 7,661 children were scanned.



United States of America

Educating young children on healthy lifestyles

Teaming up with the Boys & Girls Club of Lawrence, the Philips Foundation supported a project to help teach children the benefits of a healthy lifestyle.

Helped by volunteers from the Philips Andover site, the project educated more than 4,000 children living in Massachusetts, where most children fall below the poverty line, about oral healthcare, healthy cooking and the health benefits of exercising.

Through a strong set of measureable outcomes, we helped this project achieve above national levels. As a result, the Boys & Girls Club of Lawrence will share and scale this program across their network in the United States.

Colombia

Targeting prostate cancer to improve diagnosis and quality of life

In 2018, the Philips Foundation provided funds and equipment to help La Liga Contra el Cáncer raise awareness of prostate cancer and improve early diagnosis.

La Liga and the Philips Foundation aim to increase the rate of early cancer diagnosis using Philips ultrasound technology, improving the prognosis and quality of life for Colombians living with prostate cancer.

More than 30 workshops were held, with a total of 2,477 men learning about the signs and symptoms of prostate cancer and being screened for the disease.



Japan

Journey to better health across Japan

Through the organization and hosting of four symposia across Japan, the Philips Foundation, along with a wide range of stakeholders – from universities and health insurance associations to top physicians and local governments – addressed the importance of oral healthcare and raised awareness around chronic obstructive pulmonary disease (COPD) and the risks of smoking.

The events received a great deal of media coverage both in local and national outlets. Through the educational impact of the symposia and by working closely with local governments in Hokkaido, Yamanashi, Miyagi and Okinawa, we have been able to help shape future health approaches.

China

Village doctor training and first aid sponsorship

While health services in urban areas continue to improve, many rural parts of the country remain truly underserved. Teaming up with local Chinese organizations and the Red Cross Society of China, the Philips Foundation started a project to train village doctors and local healthcare providers.

Most remote villages in China lack local access to healthcare. Minor injuries and illnesses are treated with home remedies and major injuries require a trip on foot or bicycle to the nearest medical clinic. Over 2,000 village doctors have already received training in emergency care, covering millions of villages in Jiangxi, Anhui, Guangxi, Guizhou, Hubei, and Ningxia provinces.

The Philips Foundation also donated two advanced Efficia ECG monitors to two counties, in addition to 650 first aid boxes that will equip 643 village-based clinics. By donating medical devices and providing training, the project has directly benefited rural doctors and underserved locals, who can now access healthcare without having to go long distances.



Uganda

Installing ultrasound machines and training staff in low-resource settings

The Philips Foundation and Imaging the World worked together to install ultrasound systems at health centers in Gulu, north of Uganda. Three rural health clinics in Uganda can now provide pregnant women with potentially life-saving ultrasound scans thanks to the equipment of Philips and training.

The scans alert women and their caregivers to problematic pregnancies, giving soon-to-be mothers facing potential problems the chance to travel to larger medical facilities for delivery, improving outcomes for both mothers and newborns.

At the clinic level, Imaging the World trains nurses and midwives to perform ultrasound scans. Using a train-the-trainer approach, the number of medical staff in rural areas with ultrasound skills is now steadily increasing.

Social entrepreneurship

Accelerating access to care in collaboration with Ashoka



Leveraging business capabilities to support social entrepreneurs

Accelerating Healthcare Access (AHA!) is an ambitious movement led by the Philips Foundation and Ashoka social entrepreneurs (referred to as AHA! Fellows), the aim being to scale social innovation.

The Philips Foundation and Ashoka have completed the first year of a three-year collaboration to increase access to healthcare around the world, leveraging business capabilities by connecting leaders from Philips with innovative social entrepreneurs. The AHA! Fellows have created new, visionary solutions aimed at providing suitable healthcare services and, in certain cases, are driving systemic change of healthcare ecosystems to increase access to quality healthcare for all.



Selecting exciting and innovative social entrepreneurs to join AHA!

What separates a social entrepreneur from other entrepreneurs is their commitment to social impact, the bedrock of their mission and strategy. Fellows selected by the Philips Foundation and Ashoka for this partnership are innovative, inquisitive, and determined to improve access to healthcare. AHA! supports new fellows by connecting them with Philips experts (Philips Champions), providing three years' financial support and giving them access to the innovative community of AHA! Fellows focused on access to healthcare.

In the first year of the AHA! program we selected five new social entrepreneurs: Mohammed Dalwai of EMGuidance, Andrew Bastawrous of Peek Vision, Marcos lacayo of Estacion Vital, Kumar Shailabh of Uplift Mutuals, and Ngu Morcho of Yako Medical. These entrepreneurs are all accelerating access to healthcare in the underserved communities of Africa, Asia, and Latin America.



How a 'Vital station' is empowering Nicaraguans to access diagnostic data on their own health, one shopping mall at a time

New AHA! Fellow Marcos Lacayo is deeply committed to enabling Nicaraguans to take a proactive approach to managing their health. To date, his organization, Estación Vital, has provided over 282,000 health evaluations to more than 64,000 people, of whom only 20% had health insurance.

Marcos has found that, due to cultural traditions, habits and limited access to health insurance, many Nicaraguans place a low priority on their health, waiting to visit a doctor until their illness has progressed so far as to make treatment difficult – and sometimes impossible.

Estación Vital kiosks, located in shopping malls, allow users to measure their vital signs and weight. An alliance with Telefónica allows subscribers to get daily text messages from physicians and gives them access to a mobile app. With one kiosk currently in the Metrocentro mall in Managua, five more coming in malls throughout Nicaragua in the next year, and 40 to 50 kiosks planned to appear across Central America in the next five years, Estación Vital provides health education and prevention opportunities for the general public in high-traffic areas. Marcos also plans to offer low-cost health and life insurance and add a membership program, which will give access to many more health services, including appointments and home care.

Davide Sotomayor, Market Leader Latin America at Philips, is Marcos' Champion. They are exploring ways in which Estación Vital and Philips can benefit from each other's data, methods and networks, among other resources – all with the aim of increasing health outcomes for the underserved.

Combining strengths to increase impact

AHA! Collaborative Action facilitates and explores opportunities for Philips and AHA! Fellows to work together to address barriers to healthcare delivery in emerging markets. Through leveraging the business strengths of Philips and the system-changing organizations of social entrepreneurs, leaders can co-create solutions and develop win-win partnerships to reduce health inequality and build sustainable access to primary healthcare.

In the first year of the AHA! program, a cohort of five fellows was selected. Working across Asia and Africa, the fellows have been focusing on financial accessibility, child and maternal healthcare, and telehealth in order to improve accessibility. Throughout 2019, these collaborative actions will progress and deepen, with outcomes and learnings available at the end of the year.



Incentivizing community health workers (CHWs) to act as social entrepreneurs and sell health-related products to reach the last mile

After seeing the needs of individuals with declining health and observing how bureaucratic processes often cause delays in the delivery of health products to people in need, Joost van Engen founded Healthy Entrepreneurs. This organization manages the supply chain of health products, enabling local CHWs to lead their own health service businesses and allowing them the possibility to earn an income. Healthy Entrepreneurs is able to show informative videos to customers and order stock using tablet computers, expanding access to healthcare through information and related products.

In the last two years since participating in the AHA! Globalizer program and with follow-on support, Healthy Entrepreneurs has increased their number of entrepreneurs from 1,500 to 4,000. They are currently improving millions of lives in Uganda, Tanzania, Kenya, and Ghana.

As part of AHA! Collaborative Action, Joost and the Philips Foundation have shaped a joint project to pilot the entrepreneurs having an expanded basket of goods, including diagnostic tools and access to remote telehealth services, where a remote physician can share the prognosis of the test results, and prescribe relevant drugs that Healthy Entrepreneurs is able to dispense. This innovative pilot includes Vrije University and Erasmus University Rotterdam as partners.



AHA! Globalizer program

How can an organization ensure that successful solutions reach significant scale and are sustainable, by changing the system permanently? This is what the AHA! Globalizer program addresses by forming strategic advisory teams around each social entrepreneur. The teams include a mix of strategy-focused Philips employees and volunteers from strategy consultancies, who collaborate with the social entrepreneur to develop their system change strategy over a three-month period. The program culminates with a three-day summit, involving the most senior Philips executives and approximately 100 ecosystem leaders. The summit allows participants to learn from each other and make strategic connections to deliver on their refined strategies.

In 2018, 14 AHA! Fellows and 32 Philips employees, including 12 senior executives, participated in the Globalizer. The third AHA! Globalizer will take place in 2020.

“Every Globalizer gives you a larger vision and an out-of-the-box thinking approach. Globalizer is like doing a PhD in scaling and replicating your program.”

– Hilmi Quraishi, ZMQ Systems

From stroke survivor to stroke entrepreneur

Stroke Action Nigeria, Rita Melifonwu's organization, works to educate the public on stroke risk factors and treatment, while rehabilitating physical and cognitive ability for stroke survivors. Through media campaigns, community outreach, and face-to-face sessions, Stroke Action Nigeria's centers specialize in building a community for stroke survivors, offering rehabilitation services, and supporting self-sufficiency for a population that is often left behind.

While working in a UK hospital, Rita witnessed the lack of support for those experiencing strokes, which inspired her to establish a new stroke care unit and then to start Stroke Action UK and, soon after, Stroke Action Nigeria.

Since the Globalizer, Rita is working on scaling and system change strategies, piloting a franchise model where stroke survivors are trained and empowered to open their own local Stroke Action center and run all aspects of the business from community education to managing care providers. She plans to train 15 'stroke entrepreneurs' this year and a 1000 more over the next 10 years, each running their own centers across Nigeria and Africa.

For the first formal policy, Rita advocated to support stroke victims, providing a safety net for the 200,000 Nigerians each year who have strokes. This policy was signed into law in August of 2018.

“Before the Globalizer there was no policy around strokes in Nigeria. Now the 200K people per year who experience strokes will have a safety net. Without the Globalizer, I wouldn't have had the confidence to ensure strokes were covered by law.”

– Rita Milefonwu, Stroke Action Nigeria





“Working with the Philips Foundation made me proud. Experiencing that we were able to create something meaningful within eight hours was impressive.”

Sandra Petschar, Global Digital Marketing Manager, Recruitment Marketing

Employee team volunteering

Making an impact on a key global access-to-healthcare issue

Via the Employee team-volunteering program, the Philips Foundation provides the platform for all Philips employees to volunteer and make an impact on a key global access-to-healthcare issue. Employees are entitled to one full day of paid time off every year to volunteer. With a workforce of more than 75,000, Philips, together with the Philips Foundation, can make a real impact.

The focused goal for 2018 and 2019 is to reduce childhood pneumonia, a respiratory disease that can be easily prevented, diagnosed and treated. However, it remains the single biggest cause of death for children under five worldwide.

Working closely with our strong network of NGOs, such as Amref, the UN Foundation, Save the Children and the Red Cross, the Philips Foundation has identified impactful challenges including brain challenges, hands-on challenges and fundraising opportunities that will have an impact on supporting the fight against childhood pneumonia.

Volunteering impact numbers of 2018

Built and launched an employee **team-volunteering program** to leverage the capabilities of over

75,000

employees on one global access-to-healthcare goal

497

community health workers trained in Nicaragua and Malawi

682

cooking stoves provided for families in Ethiopia

Raised almost

EUR 75,000,

which the Philips Foundation doubled to

EUR 150,000

320

children treated for pneumonia in Afghanistan

9,684

children vaccinated

Up to

4,800

hours of volunteer work deployed

Financial statements

Balance sheet as at 31 December 2018

(in euros after result appropriation)

		2018	2017
		EUR	EUR
Current assets			
Cash and cash equivalents	1	14,715,761	9,833,659
Short-term receivables	2	3,502	3,500,000
Total assets		14,719,263	13,333,659
Equity			
Other reserves	3	5,674,303	3,563,067
Total equity		5,674,303	3,563,067
Current liabilities			
Accounts payable	4	2,650	1,074,843
Accrued expenses	5	9,042,310	8,695,749
Total current liabilities		9,044,960	9,770,592
Total equity and liabilities		14,719,263	13,333,659

Statement of Contributions and Expenses 2018

		2018	2017
		EUR	EUR
Contributions			
Contribution from Koninklijke Philips N.V.	7	6,700,000	3,510,000
Other contributions		9,009	411,118
Total contributions		6,709,009	3,921,118
Expenses			
Donations	8	4,447,726	8,439,529
Other expenses	9	83,097	112,053
Financial expenses	10	66,950	88,361
Total expenses		4,597,773	8,639,943
Result		2,111,236	-4,718,825

Notes

Notes to the Balance sheet and the Statement of Contributions and Expenses

General

The Philips Foundation, registered at the Dutch Chamber of Commerce with number 61055379, is a foundation under Dutch law.

Financial reporting period

These financial statements cover the year 2018, which ended at the balance sheet date of 31 December 2018. The comparative figures cover the year 2017, which started on 1 January 2017 and ended at the balance sheet date of 31 December 2017.

Basis of preparation

The financial statements have been prepared in accordance with the guidelines of RJ640 *organisaties zonder winststreven*.

Going concern

These financial statements have been prepared on the basis of the going concern assumption.

Accounting policies

General

The principles applied for the valuation of assets and liabilities and result determination are based on the historical cost convention. Unless stated otherwise, assets and liabilities are shown at nominal value. Valuation takes place at nominal value less any provision deemed necessary. Provisions for receivables are determined based on individual assessments of the collectability of receivables.

An asset is recognized in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognized in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Income is recognized in the statement of income and expenditure when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognized when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

Assets and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability. Income and expenses are allocated to the period to which they relate. Contributions are recognized in the Statement of Contributions and Expenses when the amount can be determined in a reliable manner, and collection of the related contribution to be received is probable.

Use of estimates

The preparation of the financial statements requires the Board of the Foundation to make judgments, estimates and assumptions that affect the application of accounting principles and reported amounts of assets, liabilities and income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are continually reviewed. The earnings impact of revised estimates is reflected in the period in which the estimate is revised.

Functional currency

The financial statements are presented in euros, which is the Foundation's functional currency. Transactions denominated in foreign currency are translated into euros at the exchange rate applying on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into the functional currency at the exchange rate applying on that date. Exchange differences resulting from the settlement of monetary items, or resulting from the translation of monetary items denominated in foreign currency, are recognized in the Statement of Contributions and Expenses in the period in which they arise.

Financial instruments

Financial instruments comprise only primary financial instruments, such as receivables, cash and cash equivalents and accounts payable. For the principles applying to these instruments, please refer to the treatment of each relevant balance sheet item.

Receivables

Receivables are measured at fair value at initial recognition. After initial recognition, the assets are measured at amortized cost using the effective interest method, less an allowance for uncollectible debts. This allowance is determined by individual assessment of the receivables.

Cash and cash equivalents

Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not readily available, this fact is taken into account in the measurement.

Current liabilities

At initial recognition, current liabilities are measured at fair value. After initial recognition, the liabilities are measured at amortized cost using the effective interest method.

Other reserves

Other reserves consist of the results of the previous years as well as the current year.

Notes to the Balance sheet

1. Cash and cash equivalents

Cash and cash equivalents mainly relate to current account balances on the Philips Foundation's bank account. Cash and cash equivalents are available without restrictions.

2. Short-term receivables

The short-term receivables as per 31 December 2017 relate to the contribution of Koninklijke Philips N.V. relating to 2017, which was received in January 2018. The short-term receivables as per 31 December 2018 relate to the remittances in transit sourced from volunteering fundraising and fully received in early 2019.

3. Equity

Other reserves

	2018	2017
	EUR	EUR
Opening balance	3,563,067	8,281,892
Additions (result for the year)	2,111,236	-4,718,825
Total	5,674,303	3,563,067

The other reserves consist fully of the results of both previous years as well as the current year.

4. Accounts payable

	2018	2017
	EUR	EUR
Payables in EUR	2,650	907,536
Payables in foreign currency (USD)		167,307
Total	2,650	1,074,843

The Accounts payable position on 31 December 2017 was largely related to the 2017 partnership agreement with UNICEF. During the course of 2018, we paid almost all outstanding payments, apart from two very small open positions. The Foundation is exposed to currency risk on payables that are denominated in a currency other than the respective functional currency of the Foundation. This exposure is not applicable to payables outstanding on 31 December 2018.

5. Accrued expenses

	2018	2017
	EUR	EUR
Accruals related to Market CSR projects	7,785,357	7,250,854
Accruals related to strategic projects with global NGOs	1,161,338	1,420,000
Accruals related to transfer and matching of employee contributions, amongst others to Red Cross and UNICEF	65,446	-
Other accruals	30,169	24,895
Total	9,042,310	8,695,749

The 2018 accrual for Market CSR projects relates to projects in, amongst others, Africa, India, Central & Eastern Europe, China and Spain. The accrual for 2017 relates to projects in North America, Benelux, Vietnam and Africa.

Other accruals relate mainly to consultancy and audit fees.

6. Fair value

The fair value of the financial instruments stated on the balance sheet, including receivables, cash and cash equivalents and current liabilities, is approximately equal to their carrying amount.

Notes to the Statement of Contributions and Expenses

7. Contribution Koninklijke Philips N.V.

In 2018, Koninklijke Philips N.V. made the commitment to donate EUR 6.7 million to the Philips Foundation. This contribution was received in full in 2018. The total contribution is higher than the amount of EUR 3.5 million in 2017, but equal to the amount received in 2016.

8. Donations

	2018	2017
	EUR	EUR
Donations related to strategic projects with global NGOs	2,188,908	2,374,434
Donations related to Market CSR	2,183,891	3,123,539
Donations related to employee fundraisers	74,927	
Donations to social entrepreneurship		2,941,556
Total	4,447,726	8,439,529

There are four types of donations. The first type relates to strategic projects with NGOs. The second type of donation relates to Market CSR projects proposed and implemented by Philips country offices with local partners. The third type of donation consists of employee donations for various initiatives, of which EUR 74,927 was raised through our volunteering program and doubled by the Philips Foundation. The donation to social entrepreneurship relates to the 3-year partnership with Ashoka. In line with the strategy of the Philips Foundation, donations to strategic partners like the International Committee of the Red Cross, the Dutch Red Cross and UNICEF have decreased and the focus has shifted towards donations with more direct involvement.

9. Other expenses

Other expenses in 2018 and 2017 consist of audit fees, consultancy expenses, communications costs, Board expenses and representation costs. Other expenses in 2018 are lower than 2017, mainly due to lower consultancy costs.

10. Financial expenses

The financial expenses in 2018 and 2017 consist of interest, currency results and banking fees. The currency results relate to both paid invoices denominated in foreign currency as well as the revaluation result of the outstanding accounts payable at the end of the year. In 2018, the Philips Foundation was negatively impacted by currency results of EUR 348 (versus a negative impact of EUR 23,406 in 2017). The Philips Foundation also incurred interest costs, due to the fact that the bank charged interest costs on positive bank balances (the bank account was closed in November 2018). The net interest costs in 2018 were EUR 66,950 (EUR 64,954 in 2017).

11. Personnel

As at 31 December 2018, the Foundation employed no staff members other than three Board members. The Board members receive no remuneration for their duties. Expenses can be reimbursed. In 2018, no reimbursements took place. In 2019, members of the Board will receive a fixed allowance of EUR 250 per Board meeting to cover their expenses. The Foundation's operational team consists of employees of Koninklijke Philips N.V. who are seconded to the Foundation. Their salaries and expenses are paid by Koninklijke Philips N.V.

12. Appropriation of result

The 2017 result has been added to the Other reserves in accordance with the proposal approved by the Board of the Foundation. The Board proposes to add the 2018 result of EUR 2,111,236 to the Other reserves.

Subsequent events

There are no subsequent events to report.

The Board:

Prof. Dr. M. van Reisen

Prof. Dr. H. Wijffels

Prof. R. de Jong

W. Leereveld

Amsterdam, June 28, 2019

Other information

Independent auditor's report

To: the Board of Stichting Philips Foundation

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of Stichting Philips Foundation, based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Philips Foundation as at 31 December 2018, and of its result for 2018 in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

The financial statements comprise:

- The balance sheet as at 31 December 2018
- The statement of contributions and expenses for 2018
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Stichting Philips Foundation in accordance with 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).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of the Board's 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.

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 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 Board's report.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with RJ 640. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework 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 the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the 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.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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

- 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
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to 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. 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
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Eindhoven, June 28, 2019

Ernst & Young Accountants LLP

Signed by J.C.F. Lemmens



Philips Foundation