



CSRD, integrated thinking and the impact on the accountancy profession

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Financial statements

Short term
Financial value
Past performance and position
Little narrative information
Performance information of two years
No targetsetting
Mostly tangibles
Own operations

Non-financial reporting

Short, medium and long term
Value to stakeholders, using multiple capitals
Strategic and operational
Much more narrative information
Performance in context of targetsetting
Targetsetting in context of societal challenges
Intangibles
Valuechain

We are Signify

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Governance

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Corporate statements

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Signify Annual Report 2022

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

	2020	2021	2022
Income statement			
Sales	6,502	6,860	7,514
Comparable sales growth ¹	(12.7)%	3.8%	1.2%
Nominal sales growth	4.1%	5.5%	9.5%
Sales of LED-based products (as % of sales)	80%	83%	83%
Gross margin	2,499	2,671	2,732
as a % of sales	38.4%	38.9%	36.4%
Income from operations (or EBIT)	416	514	718
Net income (loss)	335	407	532
Adjusted EBITA ¹	695	795	762
as a % of sales	10.7%	11.6%	10.1%
EBITA ¹	536	636	844
Net income (loss) attributable to shareholders	325	397	523
Earnings per share in EUR	2.58	3.18	4.18
Dividend per share in EUR ²	1.40	1.45	1.50
Balance sheet			
Total assets	7,710	8,256	8,286
Shareholders' equity	2,196	2,459	2,920
Net debt ¹	1,275	1,156	1,356
Working capital ¹	313	250	564
Investments and cash flow			
Cash flow from operating activities	891	704	376
Net capital expenditure	(75)	(91)	69
Free cash flow ¹	817	614	445

¹ For a reconciliation to the most directly comparable IFRS financial measure, see chapter 18, Reconciliation of non-IFRS financial measures.

² 2022 Dividend subject to approval by the 2023 Annual General Meeting of Shareholders.

Three-year sustainability summary

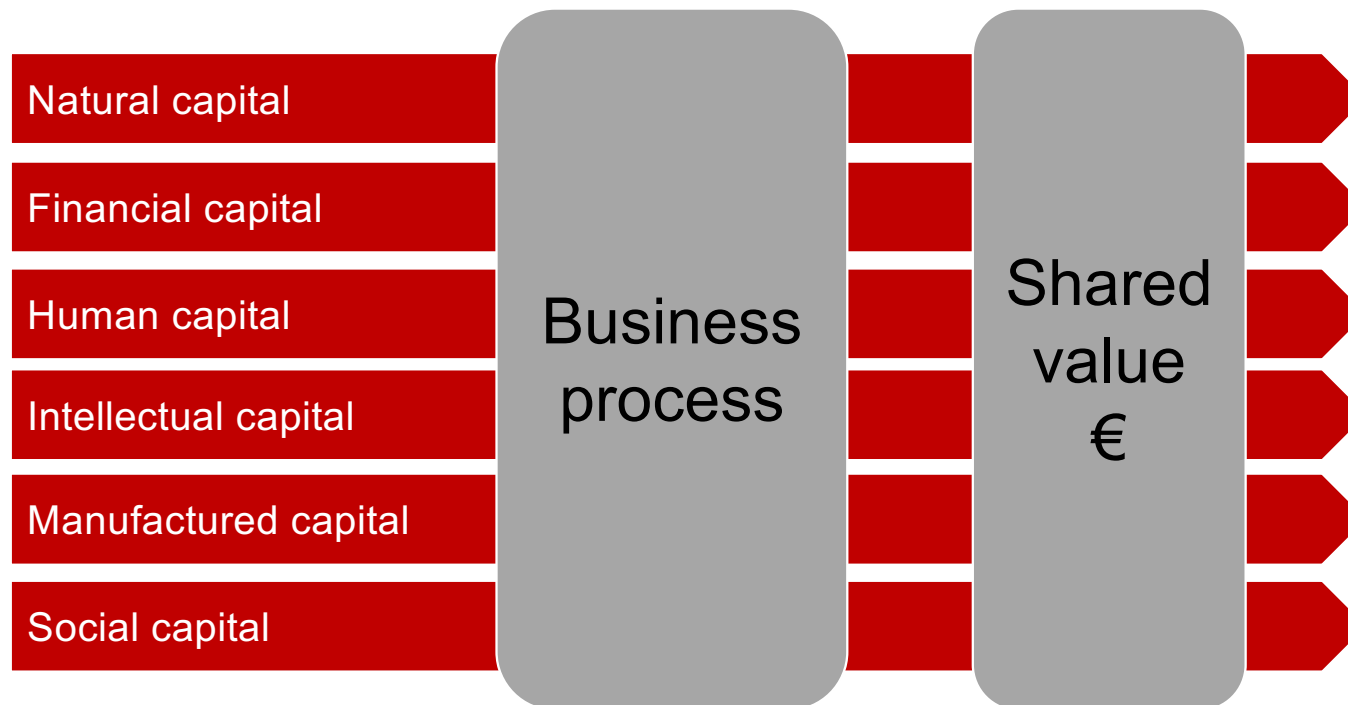
	2020	2021	2022
Sustainable innovation, as a % of adjusted research & development spend	85%	93%	90%
Brighter lives revenues, as a % of total sales ¹	–	25% - 27%	27%
Women in leadership, as a % of total leadership roles	23%	25%	28%
Employee Net Promoter Score	25	30	36
Total recordable cases, per 100 FTEs	0.22	0.17	0.16
Lost workday injuries, per 100 FTEs	0.17	0.12	0.09
Fatalities	–	–	–
Initial and continual supplier conformance audits, number of audits	73	92	79
Suppliers audits, performance rate, in %	99%	98%	94%
Lives lit, cumulative since 2017 (in million)	6	7.2	8.3
Cumulative carbon reduction over value chain, in million tonnes CO ₂ e ¹	–	On track ²	On track ²
Climate action revenues, as a % of total sales ¹	–	61% - 64%	65%
Operational gross carbon footprint, in kilotonnes CO ₂ e	260	290	252
Carbon neutral, as % of total operations	100%	100%	100%
Operational CO ₂ e intensity, in tonnes CO ₂ e per million euro sales per year	40	42	34
Operational energy consumption, in terajoules	3,728	3,630	3,811
Operational energy intensity, in terajoules per million euro sales	0.72	0.53	0.51
Renewable electricity, as a % of total electricity usage	100%	100%	100%
Circular revenues, as a % of total sales ¹	–	21% - 25%	29%
Total waste to landfill, in scope of commitment	<1%	<1%	<1%
ISO 14001 certification, as a % of all reporting organizations	82%	83%	70%
ISO 45001 certification, as a % of all reporting organizations	72%	60%	61%

¹ New Brighter Lives, Better World 2025 sustainability KPIs reported for the first time in 2021.

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

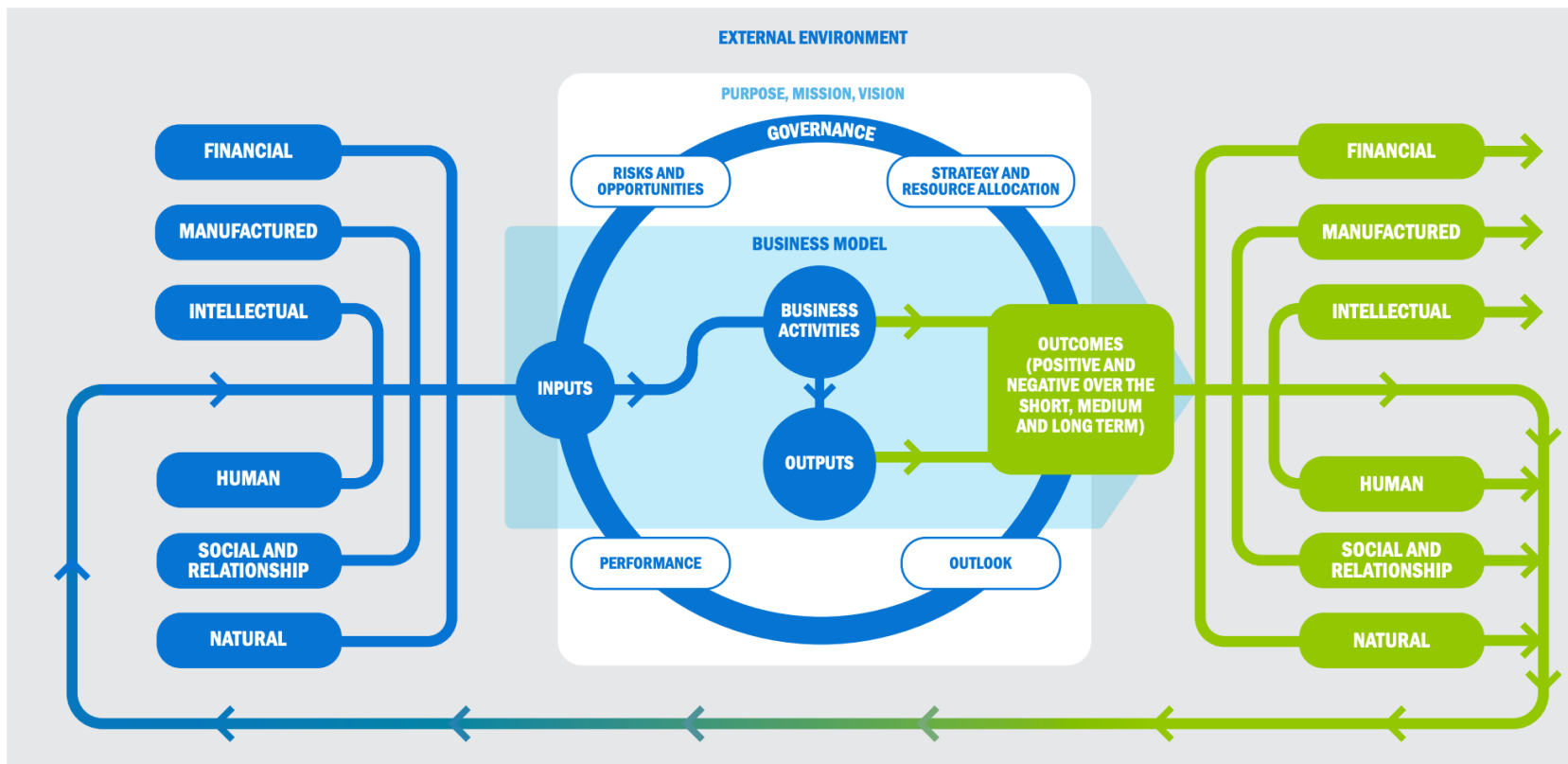
Signify Annual Report 2022

Multicapitalism – shared value- integrated reporting



Valuecreationmodel (IIRC, now ISSB)

Figure 2. Process through which value is created, preserved or eroded



Valuecreation Signify Annual Report 2022



* Based on use hours of our LED lamps & luminaires sold replacing conventional lighting and resulting in reduced electricity consumption. Avoided emissions are calculated per year for the reporting year.

Integrated reporting as umbrella



Transition sustainable economy EU - legislation

Behavior

Draft EC Corporate
sustainability due diligence
Directive (CSDDD)
Taxonomy regulation

Transparency

Corporate Sustainability Reporting
Directive (CSRD)
Sustainable Finance Disclosure
Regulation (SFDR)
Taxonomy Regulation

Financing

SFDR
Green Bonds
Credit ratings
Standards and labels

Assurance

Limited assurance engagement
CSRD and Taxonomy art. 8
disclosure

Current situation (NFRD)

Disclosure of non-financial information

Large public interest entities (PIEs)

Large public interest entities (PIEs) meeting at least two of the following criteria:

- ▶ An average number of employees for the year > 500.
- ▶ Balance sheet total > 20 million or net turnover > 40 million.



Corporate Sustainability Reporting Directive (replacing the Non-Financial Reporting Directive)

- All large companies whether listed or not
- Listed SMEs (excl. Micro-entities) more simplified standards, non-listed SMEs voluntary basis
- Legislation supported by standards, EFRAG European Sustainability Standards Setter
- European directive adopted in November 2022
- EFRAG first set of standards submitted to EC in November 2022
- Limited assurance on mandatory information
- European Single Access Point
- Application of the standards for reports covering financial year 2024 (NFRD), 2025 (all large), 2026 (SME listed)

CSRD

- Business model and strategy:
 - Resilience in relation to risks related to sustainability matters
 - Opportunities related to sustainability matters
 - Plans, including implementation actions and related financial and investment plans
 - How interests of stakeholders are taken into account and impact company on sustainability matters
- Time-bound targets and progress related to sustainability matters
- Role administrative, management and supervisory bodies and skills and expertise
- Incentive schemes related to sustainability for administrative, management and supervisory bodies
- Policies related to sustainability matters
- Due diligence process, (actual and potential) principle adverse impacts, including in the value chain, measures to prevent, mitigate or remediate these impacts
- Risks related to sustainability matters, dependencies on those matters and how risks are managed
- Indicators
- Information on key intangible resources and how the business model fundamentally depends on such resources and how such resources are a source of valuecreation
- Compliance with the European sustainability reporting standards, including information reporting process
- Assurance-report limited assurance

EFRAG appointed by European Commission as European Sustainability Reporting Standard (ESRS) Setter

CROSS-CUTTING STANDARDS				
ESRS 1 General principles		ESRS 2 General requirements		
ENVIRONMENT				
ESRS E1 Climate Change	ESRS E2 Pollution	ESRS E3 Water and Marine Resources	ESRS E4 Biodiversity and Ecosystems	ESRS E5 Resource use and circular economy
SOCIAL				
ESRS S1 Own workforce	ESRS S2 Workers in the value chain	ESRS S3 Affected communities	ESRS S4 Consumers and end-users	
GOVERNANCE				
ESRS G1 Business Conduct				

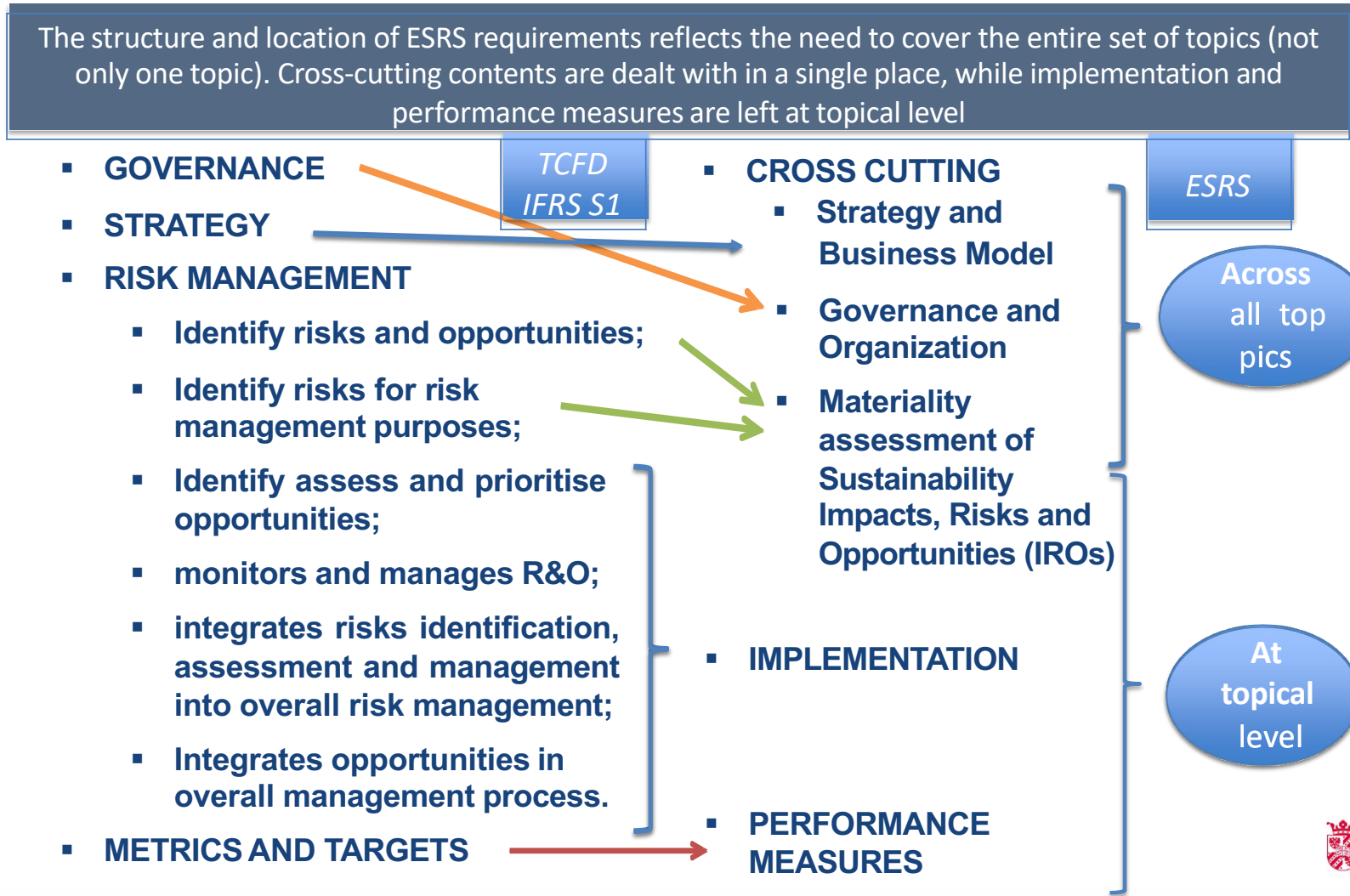
84 Disclosure requirements
1144 datapoints

Content elements
 Governance
 Strategy
 Management of Impact
 Risk and Opportunity
 Metrics and targets

Double materiality
 Financial Materiality
 Impact Materiality



Comparison international standards and European Sustainability Reporting Standards (ESRS) EFRAG



EFRAG - European Sustainability Reporting Standard - 2

Basis for preparation

Governance (GOV): the governance processes, controls and procedures used to monitor and manage impacts, risks and opportunities;

Strategy (SBM): how the undertaking's strategy and business model(s) interact with its material impacts, risks and opportunities, including the strategy for addressing them;

Impact, risk and opportunity management (IRO): the process(es) by which impacts, risks and opportunities are identified, assessed and managed through policies and actions; and

Metrics and targets (MT): how the undertaking measures its performance, including progress towards the targets it has set.

Strategy and SDGs (Annual Report 2022 Signify)

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.

2022 contribution:

- 100% renewable electricity in our operations.
- 65% Climate action revenues.



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.

2022 contribution:

- 29% Circular revenues.
- Sending 0 waste to landfill, and 89% recycling rate.
- EUR 0.2 million societal costs decreased through eliminating plastic in our consumer packaging.*



SDG 13: Climate action

We drive climate action by being carbon neutral in our operations and 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.

2022 contribution:

- EUR 3.1 million costs to society from our own environmental footprint.*
- On track to deliver against our goal of doubling the pace of the Paris Agreement's 1.5°C scenario.
- EUR 2,645 million value created to society through CO₂ avoided by shifting to LED, our offsetting projects and the conservation of biodiversity.*

Brighter Lives



SDG 3: 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 function better.

2022 contribution:

- 27% Brighter lives revenues.
- Employee NPS of 36.
- More than 6,000 Solar & LED lamps and 900 UV-C disinfection products donated to health centers.



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.

2022 contribution:

- 0.16 TRC rate and EUR 1.16 million costs to society from injuries & illnesses at work.*
- 94% supplier sustainability performance.
- EUR 346 million value to society through total shareholder returns, tax and interest payments, and EUR 1,218 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.

2022 contribution:

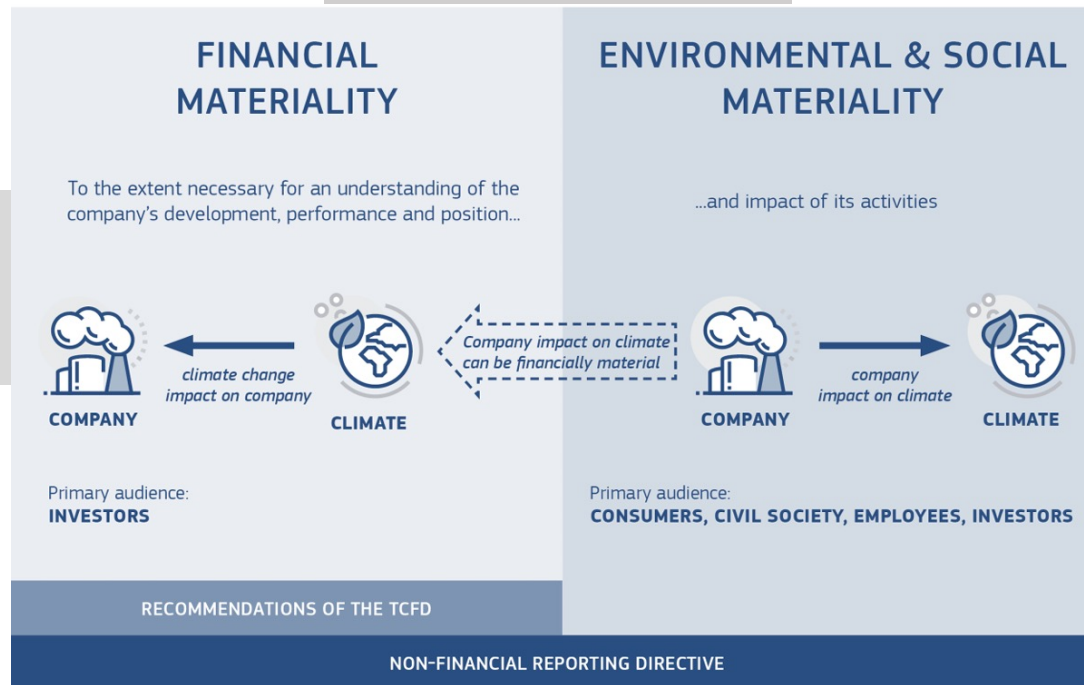
- 1.1 million lives lit, adding up to 8.3 million lives lit since 2017.
- 27% Brighter lives revenues.
- 9 humanitarian projects completed.

* For more details, please refer to our Methodology for calculating societal impact on our Sustainability downloads webpage: <https://www.signify.com/global/sustainability/downloads>.

Double materiality and its process

Stakeholders

Financial
materiality

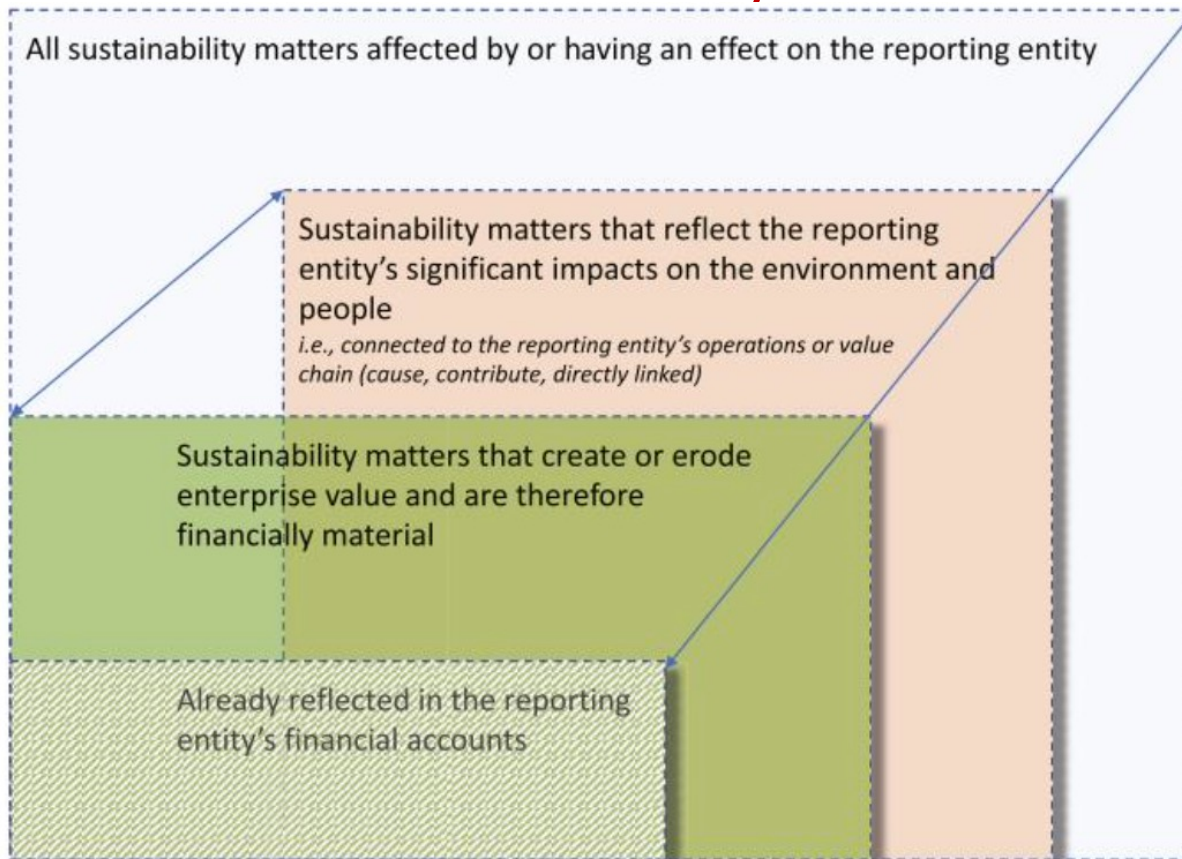


Impact
materiality

* Financial materiality is used here in the broad sense of affecting the value of the company, not just in the sense of affecting financial measures recognised in the financial statements.

Severity

EC Double materiality






Impact
Materiality

Financial
Materiality

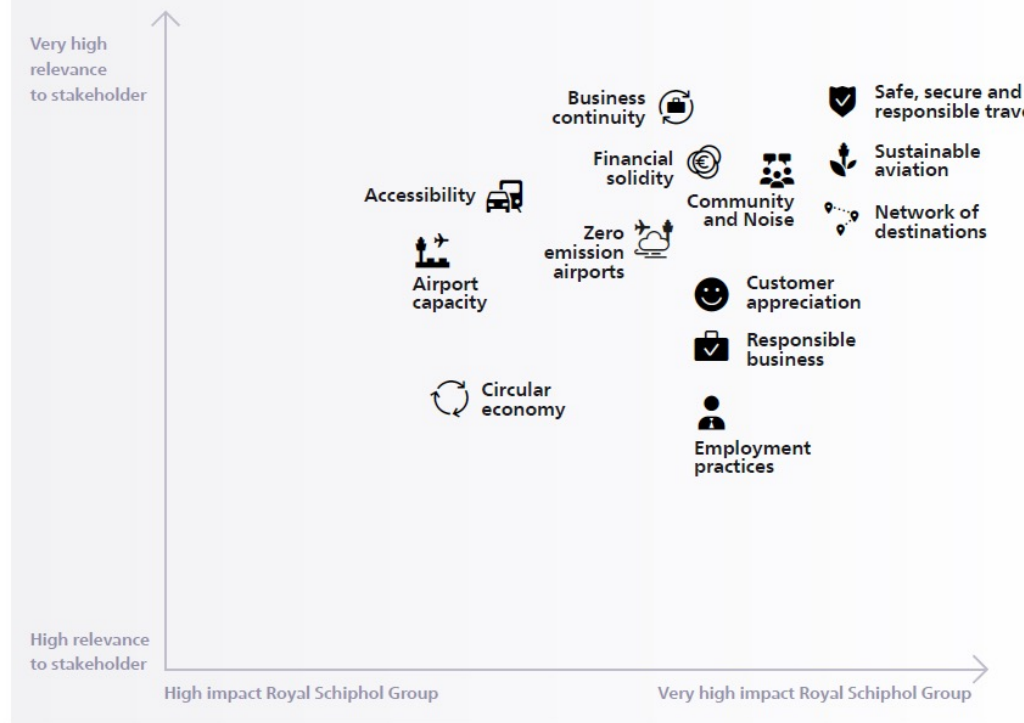
Dynamic
materiality




Materiality matrix Schiphol Annual Report 2021

Definition of material aspects

-  **Accessibility**
Ensuring sufficient landside accessibility.
-  **Airport capacity**
Availability and quality of (infrastructural) capacity.
-  **Business continuity**
Reliable and resilient operations.
-  **Circular economy**
Sustainable resources and ensuring next-life applications.
-  **Zero-emission airports**
Emissions from airport operations and ground transport. It should be noted that local air quality emissions cannot be reduced to zero.
-  **Community and Noise**
Direct community engagement and the impact of aircraft and ground noise on surrounding communities.
-  **Customer appreciation**
Meeting the needs of airport users.
-  **Employment practices**
Development and training of employees, vitality and inclusiveness.
-  **Financial solidity**
Financial robustness and shareholder value.

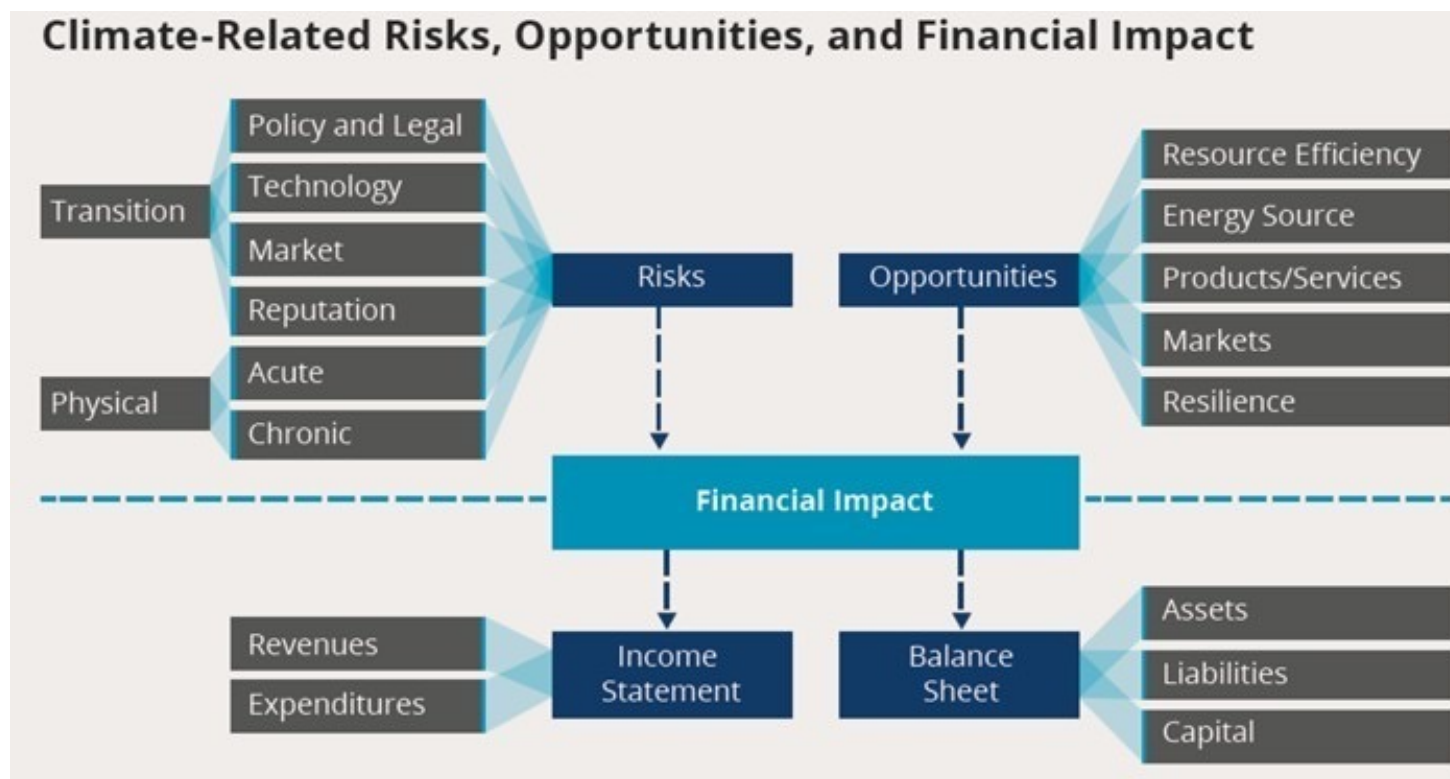
Materiality matrix 2021



-  **Network of destinations**
Quality and frequency of destinations.
-  **Responsible business**
Transparent and fair business practices.
-  **Safe, secure and responsible travel**
Safe and secure airport operations and environment.
-  **Sustainable aviation**
Driving sector-wide sustainable initiatives and international advocacy.

Risk management model TCFD incorporated in ESRS Climate related disclosures

Source: Financial Stability Board






The Netherlands: Some of the (inter)national standards and frameworks




Reporting frameworks

-  Global Reporting Initiative
-  ISSB
-  IR framework (IIRC)
-  Sustainability Accounting Standards Board (SASB)

Law and regulation

-  EU-Directive for non-financial information (in future CSRD) – Dutch company law
-  Dutch accounting standards
-  Task Force on Climate Related Disclosures - Dutch Central Bank

Benchmarks

-  Transparency benchmark
-  Tax Transparency benchmark
-  Dow Jones Sustainability Index

Behavior and management

-  ISO 26000
-  UN Global Compact
-  OECD guidelines

Draft ISSB IFRS S-1

Guiding principles

Quality:

1. Relevant-Materiality
2. Faithful representation
3. Comparability
4. Verifiability
5. Timeliness
6. Understandability

Key features include

1. Reporting entity
2. Connectivity of information

Content elements

1. Governance
2. Strategy
3. Riskmanagement (and opportunities)
4. Metrics and targets

**Subject matter
assurance CSRD**

Mandatory sustainability
information

Electronic format

Article 8 Taxonomy
disclosures

Limited assurance

International

IAASB ISAE 3000

IAASB ISAE 3410

IAASB ISAE 5000 in development

IAASB Guidance on Assurance on EER

Europe

CSRD requirements assurance and
assurance provider

Future European assurance
standards

The Netherlands

NV COS 3000

NV COS 3410

NV COS 3810

Impact accounting and auditing profession

New skillset:

Knowledge: universities, continuous education

Mindset: thinking in multiple capitals

Practice: Expanding the role of existing financial functions

Key challenges:

Connectivity between financial and non-financial information

Robust reporting processes for descriptive and quantitative non-financial information

Applying the concept of double materiality

Valuechain information

Etc

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