PHILIPS

Carbon Reduction Plan

Supplier name: Philips   **Publication date:** November 2023

Commitment to achieving Net Zero

Royal Philips NV achieved Carbon Neutrality in its operations (All Scope 1+2, and Business Travel and Logistics) in 2020.

In 2021 we raised the bar and committed to reducing CO_2 emissions in our entire value chain in line with a 1.5°C global warming scenario based on Science Based Targets.

Philips is committed to achieving Net Zero by at least 2050 and was the first health technology company to have targets approved by the Science Based Targets initiative in 2018. We resubmitted our plans in 2022 and our SBTi certificate is published on the Philips ESG Downloads website. With these targets, on a global scale, we commit to reduce our CO2-equivalent emissions from our sites by 75% by 2025, and 90% by 2040 (compared to 2015 levels), as well as reducing indirect (scope 3) greenhouse gas emissions across our entire value chain by 42% by 2030 (compared to 2020 levels) in line with the 1.5 °C global warming trajectory.

Baseline Emissions Footprint

Baseline emissions are a record of the greenhouse gases that have been produced in the past and were produced prior to the introduction of any strategies to reduce emissions. Baseline emissions are the reference point against which emissions reduction can be measured.

Please note, we have provided the figures below initially for Philips Global business, and in the second table, for our work in the UK.

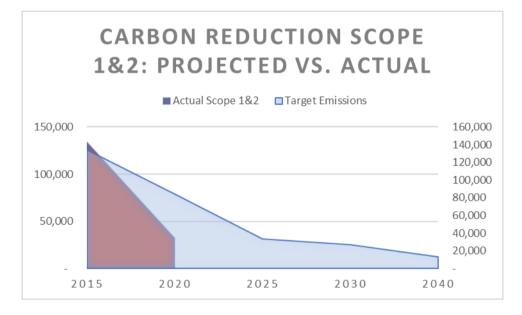| Baseline Year: 2015 for Scope 1 and 2, and 2020 for Scope 3 (Philips Global emissions)	
Additional Details relating to the Baseline Emissions calculations.	
Baseline year emissions: 2015 for Scope 1 and 2, and 2020 for Scope 3	
EMISSIONS	**TOTAL (tCO$_2$e)**
Scope 1	34,896 (2015)
Scope 2	99,275 (2015)
Scope 3 (Included Sources)	9,234,592 (2020) (Purchased Goods and Services, Business Travel, Downstream Transportation & Distribution and Use of Sold Products)
Total Global Emissions	Scope 1 and 2 2015: 134,171 Scope 3 2020: 9,234,592
Baseline Year: 2020 for (Philips UK)	
Additional Details relating to the Baseline Emissions calculations.	
Baseline year emissions: 2020	
EMISSIONS	**TOTAL (tCO$_2$e)**
Scope 1	287 (tCO$_2$e)
Scope 2	0
Scope 3 (Included Sources)	**A** Upstream transportation and distribution = 2,126 (tCO$_2$e) **B** Waste Generated in Operations = 42,105 (tCO$_2$e) Use of Sold Products = 32,397 (tCO$_2$e) Purchased Goods and Services = 9,708 (tCO$_2$e) **C** Business Travel = 1,703 (tCO$_2$e) Lease cars = 1,540 (tCO$_2$e) Air travel = 163 (tCO$_2$e) **D** Employee Commuting = 300 (tCO$_2$e) **E** Downstream Transportation & Distribution = 3,334 (tCO$_2$e)
Total UK Emissions	49,855 (tCO$_2$e)

Current Emissions Reporting

Reporting Year: 2022 for UK	
EMISSIONS	**TOTAL (tCO$_2$e)**
Scope 1	3 (tCO$_2$e)
Scope 2	0 (tCO$_2$e)

Scope 3 (Included Sources)	**A** Upstream transportation and distribution = 925 (tCO$_2$e)
	 B Waste Generated in Operations = 29,013 (tCO$_2$e)
	   Use of Sold Products = 18,870 (tCO$_2$e)
	   Purchased Goods and Services = 10,143 (tCO$_2$e)
	 C Business Travel = 1,300 (tCO$_2$e)
	   Lease cars = 1,011 (tCO$_2$e)
	   Air travel = 289.5 (tCO$_2$e)
	 D Employee Commuting = 229 (tCO$_2$e)
	 E Downstream Transportation & Distribution = 904 (tCO$_2$e)

Total Emissions	32,374 (tCO$_2$e)

Emissions reduction targets

On a global basis, Royal Philips commits to reduce absolute scope 1 and scope 2 GHG emissions by 75% by 2025 and by 90% by 2040 compared to the baseline year 2015. Philips also commits to reduce absolute scope 3 GHG emissions from purchased goods and services, business travel, downstream transportation and distribution, and use of sold products by 42% by 2030 from a 2020 base year.

We project that we will meet our commitments, therefore scope 1 and 2 emissions will reduce by 75% by 2025 compared to the baseline year 2015, and scope 3 carbon emissions will decrease by 42% by 2030 compared to the baseline year 2020.

Progress against these targets to date can be seen in the graph below:

Carbon Reduction Projects

Completed Carbon Reduction Initiatives

The following environmental management measures and projects have been completed or implemented since the 2015 baseline. The global carbon emission reduction achieved by these schemes equate to 96,682 tCO$_2$e, a 97% reduction against the 2015 baseline and the measures will be in effect when performing the contract. All of our ESG activities fall under three pillars: Health and Well-being for all,

Philips taking Climate Action

As of 2020, all Philips' sites are 100%-powered by electricity from renewable sources. Most of that comes from projects we helped to create, such as the Los Mirasoles windpark in the US and the Krammer and Bouwdokken windfarms in the Netherlands.

In Europe, Philips is securing renewable electricity supply through consortium-led power purchase agreements. To reach 100% renewable electricity usage globally, we purchase renewable electricity within the markets or via local utility companies. We are also committed to sourcing over 75% of our total energy consumption from renewable sources by 2025, gradually phasing out fossil fuels from our entire operations.

We are reducing our use of air freight and have signed a five-year strategic Carbon Pact with Maersk that integrates both our companies' longstanding commitments to reduce CO2 emissions within our value chain by 2020, focusing on reducing emissions through fuel efficiency.

Building on our existing ambitious company-wide climate commitments, Philips are targeting steep reductions and eventual elimination of the climate impact of our ocean freight globally. By 2040, we aim to only purchase ocean freight services powered by scalable zero-carbon fuels, a timeframe that is squarely aligned with a Paris Agreement 1.5°C trajectory. Philips was the first healthcare company to sign the Cargo Owners for Zero Emission Vessels (coZEV) pledge.

We have an award-winning Supplier Sustainability Programme and in October 2021 we announced additional actions within this that will increase the contribute to our wider climate action goals. The new goal is for at least 50% of Philips suppliers (based on spend) committing to science-based targets (SBTs) for CO_2 emissions reduction by 2025. If successful, this major push to decarbonize our supply chain will have an impact seven times greater than the reduction of CO_2 emissions from our own operations.

Philips has set targets to reduce emissions from air travel – which is the largest contributor in our business travel emissions. Each business and market organisation within the company has specific targets which are monitored on a monthly basis. These targets are in line with our ESG commitments to take action on climate change.

As part of our global initiative to reduce mobility CO_2 emissions to 0% by 2025, Philips introduced a new lease car policy in the Netherlands in January 2022 which only allows electric vehicles. A project to implement the same in other European markets has already started. In the UKI organisation, the company car fleet will transition to a fully Hybrid or EV only fleet by 2025. Average CO2 emissions for the UKI car fleet have fallen from 99g/km to 37g/km in 2022. A move to a fully EV solution will follow, once the country's infrastructure supports this. Current estimate is pre-2030.

Philips' ongoing focus on making its Real Estate more sustainable and energy efficient resulted in the Head Quarters in Amsterdam (Breitner Tower) receiving an improved rating from BREEAM-NL. The upgraded score from a three-star (Very good) to a four-star (Excellent) rating is mainly due to a better score on energy due to a more efficient elevator system in the building. In other recent renovations lighting and other installations were renewed to make the Amsterdam office more sustainable, which also contributed to the building's improved Energy Label. Renovations for the building included equipping it with green walls, a green roof, and Philips LED lighting with sustainable switching and energy label A.

In the future we hope to implement further measures such as:
- We are also working with our customers to decarbonize healthcare, starting with assessing their current impact/footprint, investigating reduction opportunities using energy-efficient equipment, changing behaviour, and also introducing renewable electricity offerings in the customer proposition (e.g via REGOs or vPPAs).
- Expanding renewable energy generation in Europe. Philips created a consortium with Heineken, Signify and Nouryon and signed a 10-year virtual PPA with windfarm company Neoen. Together, the consortium members will be securing an estimated 330 Gigawatt hours of additional renewable energy in Europe per year.

Philips driving the Circular Economy

Philips has an active EcoDesign process though which we aim to create products and solutions that have significantly less impact on the environment over their whole lifecycle. We have been performing Life Cycle Assessments (LCAs) since 1990. These LCAs provide insight into the lifetime environmental impact of our products and are used to steer our EcoDesign efforts and to build on our EcoDesign and EcoHero solutions portfolio. Our most significant eco-design improvements have been realized in energy efficiency and product and packaging weight reduction.

At the 2018 World Economic Forum in Davos, Philips made a commitment to fully close the loop on all large medical systems equipment that became available to us by 2020. We successfully delivered on this pledge, and we are now extending this commitment. One of our ambitious corporate targets for 2025 is to close the loop by offering a trade-in on all professional medical equipment (either refurbished at Philips or locally recycled in line with Philips' policies).

Our Circular Edition program makes refurbished equipment available for Magnetic Resonance, Image Guided Therapy, Computed Topography, Mobile Surgery and Ultrasound systems. Systems refurbished under the Circular Edition program have the same high-quality standards and support as new systems from Philips and they are future proofed by enabling access to the same upgrades as new systems. With less energy and fewer raw materials consumed in refurbishment than in new production, Philips Circular Edition customers can also feel confident that they are contributing to both a lower carbon footprint and a fundamental part of a future-proof ecosystem that helps clinicians to provide high quality care to a larger population.

We believe that circularity is a powerful strategy to reduce carbon emissions and recognise that circular business models offer significant benefits to our planet, our customers, and the societies we serve and depend on. As part our ESG commitments and doing business responsible and sustainably, we set the goal of generating 25% of our global revenues through circular models by 2025 (in 2021 we delivered 16%).

Declaration and Sign Off

This Carbon Reduction Plan has been completed in accordance with PPN 06/21 and associated guidance and reporting standard for Carbon Reduction Plans.

Emissions have been reported and recorded in accordance with the published reporting standard for Carbon Reduction Plans and the GHG Reporting Protocol corporate standard[1] and uses the appropriate Government emission conversion factors for greenhouse gas company reporting[2].

Scope 1 and Scope 2 emissions have been reported in accordance with SECR requirements, and the required subset of Scope 3 emissions have been reported in accordance with the published reporting standard for Carbon Reduction Plans and the Corporate Value Chain (Scope 3) Standard[3].

This Carbon Reduction Plan has been reviewed and signed off by the board of directors (or equivalent management body).

Signed on behalf of the Supplier:

Managing Director, Philips UK and Ireland

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[1] https://ghgprotocol.org/corporate-standard
[2] https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting
[3] https://ghgprotocol.org/standards/scope-3-standard