

Philips' Corporate Emission Accounting Methodology

Scope 3 – Category 1:
Purchased goods and services

At Philips, while we focus on our purpose to improve people's health and well-being, we acknowledge that the healthcare industry is a major contributor to climate change and waste. As such we are committed to pave the way for a low-emission future by reducing not only our scope 1 and 2 emissions, but also our indirect scope 3 emissions. This effort is supported and overseen by the Executive Committee, which seeks increased transparency for its stakeholders to ensure accountability.

We account for 100% of scope 1 and 2 emissions from operations over which Philips or one of its subsidiaries has operational control, but not for emissions from operations in which Philips owns an interest but does not have operational control. By contrast, scope 3 emissions are derived from indirect activities outside Philips control, meaning calculations also include non-operated assets.

Of the 15 scope 3 subcategories, we account for Philips' five most material categories, which together make up 95% of our scope 3 emissions. These are: purchased goods and services (category 1), upstream transportation and distribution (category 4), business travel (category 6), downstream transportation and distribution (category 9), and use of sold products (category 11).

Each scope and scope 3 category is subject to its unique methodology elaborated on in its own document. All calculations are in line with the Greenhouse Gas Protocol; used for management purposes; in line with our Science Based Targets initiative submission; and subject to reasonable assurance by the external auditors of Philips.

Scope 3



Category 1
Purchased
goods and
services



Category 6
Business travel



Category 4 & 9
Upstream and
downstream
transportation
and distribution



Category 11
Use of sold
products

Scope 3 – Category 1: Purchased goods and services

1 Introduction

The category “Purchased goods and services” includes any emissions generated by the consumption of raw materials, components, packaging, and services that are acquired to create and distribute Philips products. This only includes production-related goods (e.g., components and parts) and all services. Emissions from non-production related goods (e.g., canteen supplies) are currently excluded and not material. All goods calculations are done in conjunction with the Environmental Profit & Loss (EP&L) statement. For more information on the EP&L methodology please check the [ESG download page](#).

2 Methodology

To calculate the emissions (in tonnes CO₂-equivalent) from purchased goods and services a mix of the “average data method” and “spend based method” is applied. This estimates emissions by collecting data on a relevant unit and then multiplying this by corresponding emission factors.

$$\text{Tonnes CO}_2\text{-e} = \text{Unit of good or service} \times \text{Emission factor}$$

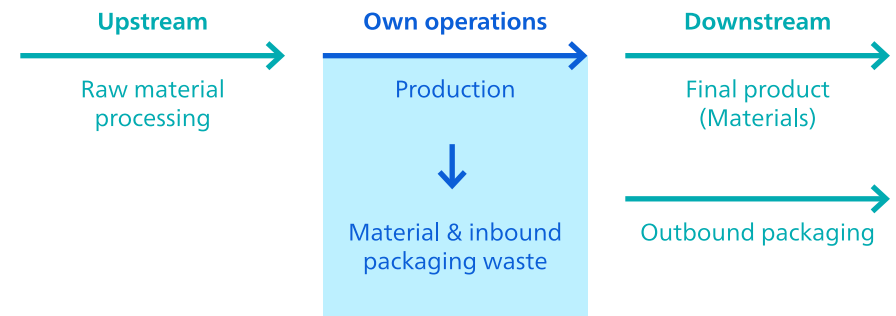
2.1 Purchased goods

Emissions from purchased goods are determined using weight as relevant unit and the number of units sold. Rather than inspecting the resource inflow we therefore focus on material outflows, and as such assume that total material inflow is equivalent to all material outflows. We are therefore also not leveraging any supplier or customer specific data for our purchased goods calculations.

The material composition and associated weight are known per reference product, which functions as a proxy for a group of similar products with comparable material compositions, by doing a Life-Cycle Assessment (LCA). The total mass per material used per reference product (including packaging) is first classified according to its impact type (e.g., battery, metals, etc.) and then more granular by its material composition (e.g., Battery NiMH, Copper, etc.). Both input sources are then leveraged to match the material information to a corresponding emission factor from Ecoinvent¹. This is done for the raw material supply, packaging, and material processing.

Please note that not all products are within our reporting scope. For more information on this please refer to the EP&L methodology available via the ESG download page.

In contrast, the total weight from outbound production waste that is caused due to resource inefficiencies is collected and reported by each manufacturing site in full via the Philips environmental reporting system. Production-related waste per material is then mapped to a corresponding emission factor from Ecoinvent¹ which is used to estimate emissions from outbound production waste. Please refer to the EP&L methodology for more information on the scope of the outbound production waste.



2.2 Purchased services

For emissions from purchased services (including IT services, marketing, consultancy, and alike) spend is used as relevant unit. This is based on the Environmental Economic Input Output (EEIO) methodology and based on data collected internally via our spend management system. No supplier specific data is used in calculating these emissions. The spend per Vendor, spend category, vendor country and vendor year of activity is multiplied with an average emission factor from EXIOBASE².

The total Philips spend is periodically consolidated and internally classified using Philips classification of goods and services (CLOGS) system. Each spend category is then mapped to an emission scope/category. Spend that is mapped to purchased services is then multiplied with an EXIOBASE emission factor using the vendor type as key determinant.

¹ <https://ecoinvent.org/>

² <https://www.exiobase.eu/>

3 Emission factors

Components and material specific emission factors are determined using EcolInvent (v3.9.1). These factors are regularly updated and consider the sourcing as well as raw material processing.

The impact of purchased services is in contrast based on an input output model. To derive emissions the Exiobase² database (v3.8.2) is leveraged, which factors in all activities connected to the corresponding service.

4 Global Warming Potentials

In accordance with international reporting requirements, emissions from each of the gases is weighted by its Global Warming Potential (GWP), so that total Greenhouse Gas emissions can be reported on a consistent basis. For all our purchased goods emissions the GWPs are used from the IPCC sixth Assessment Report. For our purchased services emissions the GWPs are a mix of the IPCC fifth Assessment Report and sixth Assessment Report.

