

Philips' Corporate Emission Accounting Methodology

Scope 3 – Category 6: Business travel

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 6: Business travel

1 Introduction

Business travel represents any mode of transportation that is used by employees for business purposes and operated by a third party, excluding commuting. As it is directly influenced by our employees travel choices, we have a high degree of controllability. By encouraging the use of low emitting options such as rail travel or promoting the use of digital alternatives (e.g., Microsoft Teams) emissions can be reduced significantly in a short time span.

2 Methodology

To calculate business travel emissions (in tonnes CO₂-equivalent), we distinguish air travel and automobile travel. For automobile travel, we include leased vehicles and rented vehicles. All other modes of transportation are not considered due to their minimal usage for business purposes and negligible total impact.

2.1 Air travel

Air travel emissions are calculated using a distance-based method. Total travel distance is thereby multiplied with a distance specific emission factor to estimate total emissions.

$$\text{Tonnes CO}_2\text{-e} = \frac{\text{Passenger km} \times \text{Haul specific emission factor}}{\text{Flight coverage}} + \text{Private jet emission}$$

For all flights booked via Philips' internal travel system, the haversine distance between the departure location and destination location is calculated to determine the total kilometers traveled. Each flight is then classified as either short-haul, medium-haul, or long-haul. Short-haul meaning any route shorter than 1,500 km, medium-haul between 1,500 and 4,000 km and long-haul routes being longer than 4,000 km. The reason for doing so is because the fuel consumption of airplanes is not linear. Generally during the take-off airplanes require significantly more fuel compared to the rest of the journey. This is considered by applying different emission factors depending on the haul type. In case a flight also includes a return journey we use the one-way distance as base to determine the haul type. Stopovers are not taken into consideration in our distance calculation.

We also consider employees using out-of-channel modes to book their flights by applying a flight coverage factor. This examines the proportion of flights covered by the travel system compared to total flights paid by Philips. Please note that this is determined using a spend based approach. This analysis is done annually by the central reporting team.

Lastly, in case the C-suite team requires a private jet to quickly and securely move from one location to another the emissions are accounted for by examining the distance traveled and the airplane specific emission factor. The main difference compared to other business flights is that no passenger specific emission factor is being applied but rather the emissions caused by the entire plane are reported.

In case a flight is cancelled, for whatever reason the emissions previously calculated for that flight are subtracted from the total amount of emissions.

All air travel emissions (excluding out of channel spend) are therefore calculated using data from our suppliers and travel service providers.

2.2 Automobile travel

Emissions associated with our leased and rental fleet are calculated using either a fuel- or distance-based methodology. If fuel consumption is available a fuel-based methodology is preferred as this is considered more accurate.

$$\text{Tonnes CO}_2\text{-e} = \text{Estimate fuel consumption} \times \text{Fuel specific emission factor}$$

or

$$\text{Tonnes CO}_2\text{-e} = \text{Estimate mileage} \times \text{Fuel and car specific emission factor}$$

The estimated mileage is derived by applying a process of elimination to use the most accurate data available. First, the kilometers recorded via the fuel card are used if reasonable. In case these values seem unrealistic the last known mileage is examined. If this does not align with the lease/ rental plan and is not considered valid, the budgeted mileage of the lease/rental car provider is considered. Using this step-by-step approach ensures a conservative approach is taken that rather overstates then understates our emissions.

To estimate total fuel consumption, we leverage manufacturer specific emission intensities. This allows us to account for varying fuel efficiencies across brands and car models. As this information is not available for each car model, the following logic is applied:

- If available, use the Car model (e.g., Honda CR-V, Ford F-Series, BMW 3 Series) specific emission intensity per km per fuel
- If not available, use the brand average (e.g., Audi, Mercedes, Ford) emission intensity per km per fuel
- If not available, use the world average emission intensity per km per fuel

100% of these emissions are calculated using primary data from our lease and rental car partners.

3 Emission Factors

Both our air travel and automobile emissions are quantified using the emission factors from the Department for Business, Energy & Industrial Strategy (BEIS). These are widely applied and updated annually. Note that these factors only apply a tank-to-wheel scope.

Radiative forcing caused by airplanes is not considered due to the uncertainty surrounding the topic. Therefore, the decision was made to leverage factors that are comparable with other market players.

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 of our emissions derived from the emission factors of BEIS, the GWPs are used from the IPCC Fifth Assessment Report. The specific GWPs used by the car manufacturers to determine the emission intensities are currently unknown.

