

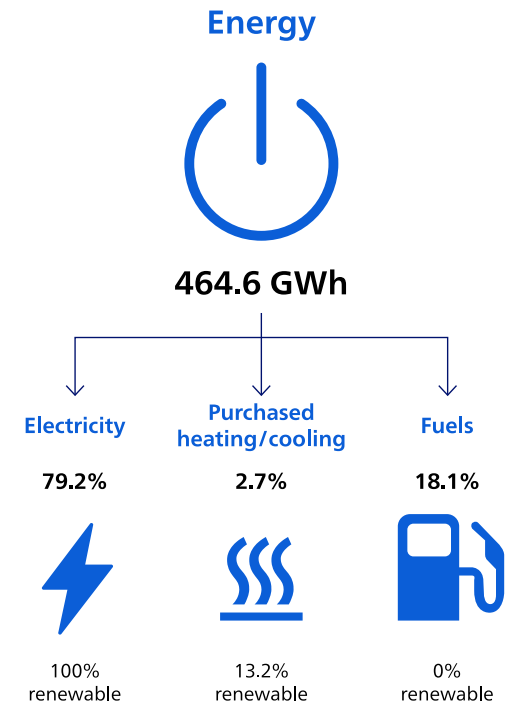
Methodology for calculating Renewable energy 2024

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 our scope 1 and 2 emissions and expanding the use of renewables. 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 the energy consumption 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.

Our renewable energy calculation is subject to its unique methodology done in accordance with RE100 standards; used for management purposes; in line with our Science Based Targets initiative submission; and subject to reasonable assurance by the external auditors of Philips.

Philips Group
Philips 2024 Energy Performance



1 Introduction

At Philips, while we focus on our purpose to improve health and well-being, we acknowledge that the healthcare industry and its corresponding energy intensity is an unneglectable contributor to climate change. This is also reaffirmed by our Double Materiality Assessment conducted in 2024. To facilitate the energy transition and contribute to climate change mitigation, Philips has several commitments towards renewable energy:

- 1 Since 2020, Philips has maintained carbon-neutral operations and will continue to do so
- 2 Since 2020, Philips has committed to sourcing 100% of its electricity from renewable source as part of its RE100 membership
- 3 Philips has committed and exceeded its ambition of sourcing over 75% of its total energy consumption from renewable sources by 2025

These efforts are supported and overseen by the Board of Management, which seeks increased transparency for its stakeholders to ensure accountability. As such, we are members of RE100 and annually disclose our energy performance via the CDP and Dow Jones Sustainability Index (DJSI).

At Philips we use several strategies to achieve our renewable energy goals, including but not limited to:

- Reducing the need for energy
- Increasing the renewable energy share
- Embedding carbon pricing in our governance

We currently do not consume any renewable fuels as part of our energy transition strategy. This approach aligns with our Science Based Targets, approved by the Science Based Targets initiative, and helps us avoid challenges associated with renewable fuels, such as limited availability, high premium, upstream emissions, and resource competition. This will be further explored over the next coming years.

2 Methodology

A robust renewable energy calculation methodology is essential for tracking our climate commitments and demonstrating credible progress to stakeholders. This standardized approach strengthens our ability to accelerate the transition to renewable energy and achieve our carbon reduction goals.

Philips monitors its renewable energy proportion on a monthly basis and takes corrective action if necessary. An independent third-party auditor assures this calculation is in line with RE100, annually. We disclose these results in our annual report and on our ESG download page.

All industrial sites and the top 80% of non-industrial sites based on their square meters report their total energy consumption on a monthly basis using our internal reporting tool. The remaining 20% of our non-industrial sites' energy consumption is extrapolated. We use an estimation method, which is based on approximations of activity using the geographic location, building type, and square meters. For more information on this please refer to the [scope 1 & 2 methodology document](#).

We define the total renewable energy consumption as the sum of renewable fuels, which is zero as justified above, renewable purchased heating/cooling/steam and renewable electricity consumed by sites under Philips financial control, reported in kWh. When we divide this by the total energy consumption we calculate the total renewable energy percentage. Since 2022 Philips renewable energy percentage has exceeded the 2025 target of 75%.

$$\text{Total renewable energy \%} = \frac{\text{Renewable fuels} + \text{renewable purchased heating/cooling/steam} + \text{renewable electricity}}{\text{Total energy consumption}}$$

2.1 Renewable purchased heating, cooling and steam

Philips defines the consumption of purchased heat, steam, and cooling from renewable sources as the use of these energy services when they are generated from natural processes. An example of renewable heating within Philips would be the implementation of a new district heating system in Klagenfurt.

2.2 Renewable electricity

At Philips we consider renewable electricity, as electricity generated and sourced from renewable energy resources.

Our renewable electricity methodology is in-line with the RE100 technical criteria. Philips renewable electricity portfolio contains self-generated non-fuel renewable electricity, in-contract renewable electricity, Power Purchase Agreements (PPAs) and Energy Attribute Certificates (EACs).

$$\text{Philips renewable electricity \%} = \frac{\text{In contract renewable electricity} + \text{self generated electricity} + \text{PPAs} + \text{EACs}}{\text{Total electricity consumption}}$$

* Please note that we apply a conservative approach in which consumed electricity is assumed to be sourced from non-renewable sources unless proven otherwise. This is done regardless of the proportion of renewables in the grid and reduces the risk of double counting.

2.2.1 Self-generated non-fuel renewable electricity

Philips has invested in multiple self-generated and consumed renewable electricity solutions. For example, in Drachten, the Netherlands, Philips uses solar panels to generate a significant portion of the electricity used at their innovation and manufacturing site. Similar installations can be found at Philips locations in Best (NL), China, India and more. By generating energy on-site, Philips reduces its reliance on external energy suppliers, lowers operational costs, and cuts carbon emissions.

2.2.2 In-contract renewable electricity

A contract with a supplier describes a conventional supply arrangement with an electricity supplier for the supply of renewable electricity. Energy and energy attributes are bundled together in their delivery to us at Philips. Energy Attribute Certificates (EACs) play a crucial role in these contracts. The suppliers may transfer these EACs to Philips or manage them by redeeming, retiring, or canceling them on behalf of Philips. If EACs are not issued, it is essential for Philips to have credible contracts that ensure their claims to using renewable electricity are verifiable and trustworthy.

2.2.3 Power Purchase Agreements

Philips engages in virtual power purchase agreements (virtual PPA - VPPA), which include a wind farm in Finland, two wind farms in the Netherlands, one wind farm in the United States and a solar farm in Italy. These are financial transactions where Philips takes on market risk linked to a generator's electricity sales and receives energy attributes in return. Philips may benefit financially and can claim the use of renewable energy through energy attribute certificates (EACs), supporting our commitment to renewable electricity usage.

2.2.4 Unbundled Energy Attribute Certificates purchased from the market

Energy attribute certificates (EACs) can be purchased alone, separate from the underlying generation they are issued to, and separate from our procurement of electricity for our operations. It is important for the EACs to come from generation within the same electricity market as the supply being decarbonized by Philips. Purchasing renewable electricity generated in one market cannot be equated to its consumption in a different market. Unbundled EACs represent an additional cost on top of Philips' regular electricity purchases, underlying Philips commitment to the renewable energy transition.

All EACs are obtained through Green-e certified Renewable Energy Certificates (RECs) in the United States, European Guarantees of Origin (GOs) from the Association of Issuing Bodies (AIB) of the European Energy Certificate System (EECS) and i-RECs for our ASEAN operations.

3 Emission factors

We assume all renewable energy will lead to no scope 1 nor 2 emissions. This is aligned with the Greenhouse Gas Protocol (GHGP). While renewable technologies have lifecycle emissions from manufacturing and installation, these are accounted for under scope 3 emissions.

