



PHILIPS

Sustainability

Our approach to **sustainability**

Making the world healthier and more sustainable through innovation

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Our Vision

Philips is a technology company that strives to improve people’s lives and make the world healthier and more sustainable through innovation.

We provide Healthcare, Consumer Lifestyle and Lighting solutions for individuals, communities and business customers. We believe that innovation must be based on a deep understanding of people’s needs and have a positive impact on their lives.

Our goal is to improve the lives of 3 billion people a year by 2025. Meeting billions of people’s needs through technology means re-imagining the way we live. It means developing new approaches to healthcare that promote prevention rather than simply treating illness; a focus on energy-efficiency and innovations that are more intuitive, effective, affordable and accessible.

Philips recognizes the global challenges we as a society are facing, and takes a dual approach – social and ecological – to the way we operate and innovate as a company.

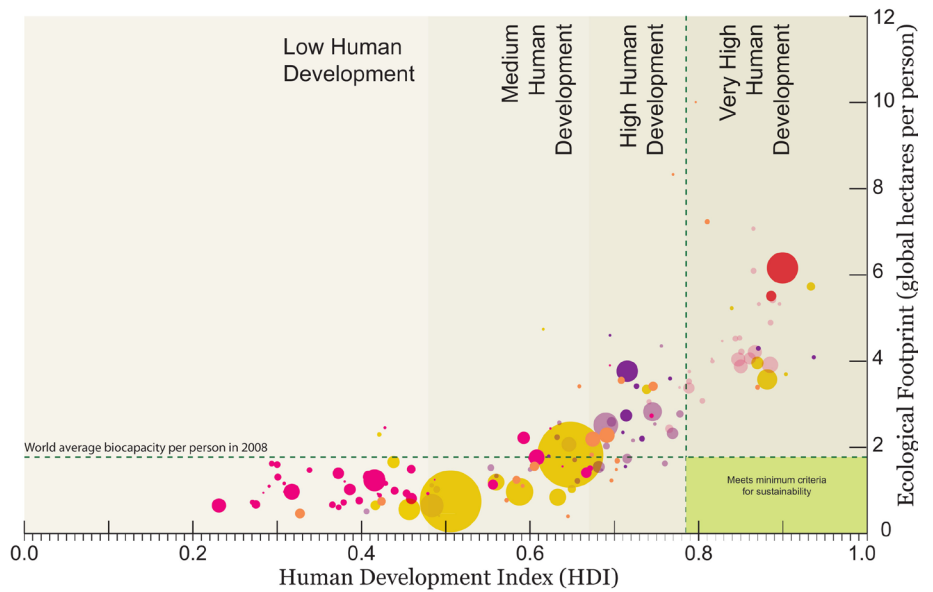
In developing our approach, we adopted the WWF Living Planet Report². This report looks into the Human Development Index (HDI)³ as well as the ecological footprint of each nation on this planet. As the graph shows, most developed countries have a high ecological footprint (vertical axis) but there is still a large portion of the world’s population who are in need of further development (horizontal axis). If all countries are to continue developing with the current rate of resource consumption, we will face the challenge of resource scarcity. Our model outlines Earth’s finite amount of natural resources and the need for smarter solutions to meeting human needs.

Fulfilling our goal requires a new way of doing business that moves away from the traditional linear economy (take-make-break) towards a holistic, circular economy.⁴

We strive to do this by creating innovative products and business solutions that generate value through the regeneration of products, parts and materials that we collect, refurbish and reuse. We work collaboratively with suppliers, peer groups, recycling companies and civil society organizations to rethink business models. In this way, we are responding to the changing needs of our customers and to global challenges.

9 billion

By 2050, there will be nine billion people on the planet – all wanting a high quality of life that must be achieved within the limitations of the Earth’s resources.¹



↑ The UN Human Development Index is a measure of a country’s achievements based on economic, health and social indicators

¹ Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2012 Revision, <http://esa.un.org/unpd/wpp/index.htm>

² The WWF Living Planet Report is the world’s leading, science-based analysis of the health of the Earth’s ecosystems and biodiversity and the impact of human activity on the planet: http://wwf.panda.org/about_our_earth/all_publications/living_planet_report/

³ UN Human Development Index: a measure of a country’s achievements based on economic, health and social indicators, using measures such as GDP per capita, life expectancy, education and literacy rates.

⁴ In 2013 Philips became a strategic partner of the Ellen MacArthur Foundation – the leading organization on the concept of the circular economy.

Our Approach

Our current approach is rooted in decades of activities and experience in finding sustainable solutions.

Right from the beginning, our founders focused on the importance of social responsibility by building schools and houses as well as setting up sports clubs and trainings for the benefit of employees and the communities they live in. We have focused on environmental sustainability since the 1970s, continuously looking for ways to improve our operations, products and supply chains.

Today, we drive sustainable innovation by considering both the needs of people and the ecological capacity of the planet. We strive to improve people's health, well-being and quality of life, while reducing the ecological impacts of our products, solutions and operations.

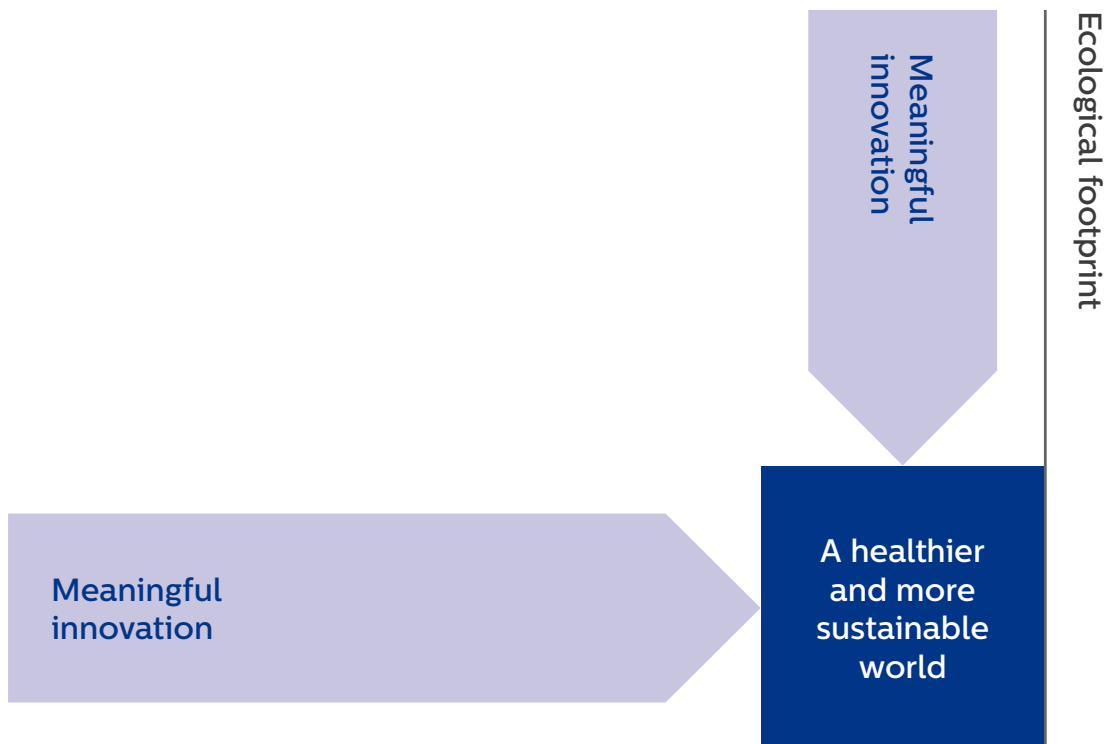
Philips Lighting, for example, contributes to sustainability through energy-efficient solutions and safety in urban areas. Consumer Lifestyle continues its work on material use and healthier lifestyle solutions. Our Healthcare investments reflect the increasing interest in innovative solutions that improve patient outcomes, expand access to care and reduce environmental footprints. Across all our sectors, we apply circular economy thinking to close the materials loop and move towards new business models.

Our approach has two focus areas:

I. Healthy People – we innovate to deliver products and solutions that improve people's health and well-being as well as investing resources to address social challenges and create healthy communities.

II. Sustainable Planet – we invest in the development of green technologies and products, take action to reduce the ecological footprint of our operations and supply chain as well as strive for an injury-free and illness-free work environment.

The two focus areas of our approach, Healthy People and Sustainable Planet, create value for our business and drive Philips' long-standing tradition in sustainability.



Healthy people

↑ *Our innovations enable more people to be healthy, live well and enjoy life, while supporting a more sustainable lifestyle.*

The two focus areas of Philips' approach to sustainability

Our approach to sustainability considers both the needs of people and the ecological capacity of the planet.

We create value by delivering products and solutions that have a positive impact on the health and well-being of the people touched by them as well as on the planet. We continue investing in operational improvements as well as supporting communities to lead better lives.

Our vision:

Making the world **healthier** and more **sustainable** through **innovation**

Our goal:

Improving the lives of **3 billion** people a year by **2025**

Our approach

I. Healthy People

We innovate to deliver products and solutions that improve people's health and well-being as well as investing resources to address social challenges and create healthy communities

Access to Care

Well-being

Supporting Society

II. Sustainable Planet

We invest in the development of green technologies and products, take action to reduce the ecological footprint of our operations and supply chain as well as strive for an injury-free and illness-free work environment

Green Innovation

Green Operations & Supplier Sustainability

Circular Economy

I. Healthy People

We innovate to deliver products and solutions that improve people's health and well-being as well as investing resources to address social challenges and create healthy communities.



828 million people live in urban slums around the world, mainly in emerging markets and developing countries. Despite their tremendous need, many people here cannot access healthcare services.⁵



Access to Care

Philips is a leading provider of medical equipment to hospitals and clinics around the world. We believe in providing holistic healthcare solutions, and in bringing the benefits of healthcare provision effectively and affordably to as many people as possible.

We are doing this in various ways, including professional and technical healthcare education to achieve a better diagnosis and patient outcomes when using our products. Philips offers professionally refurbished equipment in order to provide high quality and at the same time affordable healthcare systems.

↑ Case Study

Increasing awareness and access to breast cancer screening

According to INCA (Brazilian National Institute of Cancer), approximately 52,000 women are in Brazil are diagnosed with breast cancer every year. In 2013, in partnership with local Health departments and the Delfin Group, one of Brazil's premier clinical specialists in the early diagnosis of breast cancer, Philips Brazil conducted more than 12,366 free mammograms in the communities of Salvador (BA), Maceió (AL) and Barueri (SP).

In the Middle East, we launched the Healthy Women, Healthy Families roadshow in 2012, offering breast screening and an education program dedicated to women's healthcare in Oman and UAE.

↑ Case Study

Creating a qualified and trained healthcare workforce in Africa

With our strong dedication to Mother and Childcare for over 40 years, Philips is committed to the UN Millennium Development Goals of reducing child mortality rates and improving maternal health. We aim to create and support a qualified and trained healthcare workforce in Africa and have developed strong partnerships with leading academic institutions to deliver regular, customized clinical training.

1,200 healthcare practitioners across Africa received clinical training during our 2012 Cairo to Cape Town roadshow. In Kenya, we teamed up with local non-profit organizations to provide free ultrasound screening for 150 expectant mothers living in the outskirts of Nairobi.

⁵ World Health Organization http://www.who.int/gho/urban_health/determinants/slum_residence_text/en/

Health spend to double

Western governments' spending on health is expected to double as a result of aging populations, medical advances and lifestyle trends.⁶



Well-being

Philips is dedicated to responding to consumers' aspirations all over the world, inspiring and enabling them to be healthy, live well and enjoy life.

We deliver experiences in touch with the social and emotional needs of our customers in their homes and tailored to variable local needs around the world. From a cup of coffee in the morning, to a healthy meal in the evening. Whether it's using the best sonic technology to care for your teeth or an innovative laser guided beard trimmer; Philips innovation matters to our users and improves their lives – every day.

↑ Case Study

Healthy and bright smiles

Evidence suggests that there is a link between oral healthcare and systemic health, with findings linked to cardiovascular disease, diabetes and adverse pregnancy outcomes. Philips is supporting people to manage their oral health with the Philips Sonicare AirFloss

↑ Case Study

Preparing healthier food

People are increasingly conscious about their diet, opting for less oil and fat content in their food. With the Philips AirFryer, an innovative device that uses Rapid Air to cook rather than large amounts of oil, we provide people with a way to prepare healthier fried foods with less fat as well as baked goods and grilled meats, without compromising on taste.

⁶ OECD (2013), 'What Future for Health Spending?', OECD Economics Department Policy Notes, No. 19 June 2013. <http://www.oecd.org/economy/health-spending.pdf>



1 in 5

Nearly 20% of people around the world do not have access to reliable lighting.⁷



Supporting Society

We are committed to supporting communities by investing our resources in programmes that address some of the world's biggest social challenges. Our programs focus on disaster relief, community investment and social innovation.

Disaster Relief

Working together with Philips offices, employees and relief organizations in affected countries, we provide expertise in healthcare, energy and logistics as well as crucial equipment and financial donations.

Community Investment

Philips employees can give something back to their local community through our volunteer program.

Social Innovation

This pilot program uses Philips' expertise in innovation, technology, healthcare and energy to create products and solutions for developing countries' social, health and energy issues.

↑ Case Study

Helping underprivileged school children live healthier lives

SimplyHealthy@Schools is Philips' global community program helping underprivileged school children live healthier lives. The program engages 8 to 12 year olds on topics such as the environment, air, light, water, oral hygiene and exercise, to help improve their mental and physical well-being and overall performance. We also provide a free lighting upgrade to the schools we visit. In 2013, Philips employees travelled to 113 schools in 24 countries, touching the lives of over 13,000 students.

↑ Case Study

Enabling social and economic activities after sunset

In 2013, Philips began to install over 100 Community Light Centers across Africa and South America. Community Light Centers are about the size of a small soccer pitch lit by a new generation of highly efficient solar-powered LED lighting systems. Once the sun sets, the solar-powered lights come on and enable social and economic activities to continue into the evening. Our work to light up off-grid communities continues.

⁷ World Energy Outlook http://www.worldenergyoutlook.org/media/weowebsite/energydevelopment/2012updates/Measuringprogressstowardsenergyforall_WEO2012.pdf
<http://www.worldenergyoutlook.org/resources/energydevelopment/accesstoelectricity/>

II. Sustainable Planet

We innovate, take action and measure our progress in three key areas- Green Innovation, Green Operations & Supplier Sustainability, and Circular Economy.

Green Innovation

Green Innovation is the research and development (R&D) of new generations of green products and technologies.

Philips has a long sustainability history stretching all the way back to our founding fathers. We launched our first EcoVision program in 1998 which focused on operations and products. We then continuously expand the scope to include sustainability in our supply chain and the social dimension of products and solutions.

Our Green Innovation program focuses on the development of new generations of Green Products and Green Technologies. In 2013 Philips invested some EUR 509 million in Green Innovation, with the strongest contribution from Lighting mainly stemming from investments in LED.

We drive sustainability in all aspects of product creation through our EcoDesign process. The six green focal areas of EcoDesign enable us to offer our customers Green Products; they are products that can help reduce costs, energy consumption and CO₂ emissions.

Our target was to have 50% of total Philips' sales in 2015 come from Green Products. At year-end 2013, Philips' Green Products sales reached 51% of the year's total sales.

Our employees are instrumental in Philips being a truly sustainable company. Internally, we carry out activities and training sessions on sustainability and innovation.

Green focal areas



Energy consumption



Packaging



Substances



Weight



Recycling and disposal



Lifetime reliability

Leading a global switch to LED lighting

Philips is leading a global switch to LED lighting that will bring multiple benefits - economically and environmentally. Innovations in new LED lighting technology could provide energy savings up to 80% in many applications.

LED lighting applies EcoDesign principles in several ways such as waste reduction, recyclability, the use of materials and resources. LED bulbs use less energy than most other types of lamps, last longer (which means less frequent replacement and therefore reduced waste), is mercury-free, and can be housed in special luminaires designed for easier disassembly and recycling.

The versatility of LED lighting also contributes to making cities more inviting for tourism, increases citizen's sense of safety outdoors and improves productivity at our workplaces. In addition, LED technology, when combined with the latest solar and battery developments, can provide practical light for one third of the world's population who currently live without electricity.

640 power stations

A global switch to LED lighting would reduce energy consumption by 40%, save €128bn and cut 670m tonnes of CO₂ emissions. This is equal to the annual output of 640 medium-sized power stations!⁸



Program	EcoVision targets 2015
Green Innovation	<ul style="list-style-type: none"> Investment of EUR 2 billion, cumulative 55% of total sales coming from Green products Improve the energy efficiency of our total product portfolio by an average of 50%
Green Operations & Supplier Sustainability	<ul style="list-style-type: none"> 40% CO₂ reduction 0.26 lost work day injury cases per 100 FTE 72% suppliers compliant to Philips' supplier sustainability requirements
Closing the Materials Loop	<ul style="list-style-type: none"> Double global collection, recycling amounts and recycled materials in products compared to 2009.

↑ Case Study

Reducing the environmental impact of lighting and cutting costs in Buenos Aires

With green concerns and tight budgets at the forefront of the debate, cities are seeking new ways to manage energy while enabling safety. Controls and dimming products like Philips Starsense and CityTouch provide consumption tracking software and dimming and brightening tools for conditions-based remote lighting control, ensuring safety, visibility and a reduction in light pollution.

In Buenos Aires, Philips is converting more than 70% of the city's street lights to LED technology. The new LED-based lighting will enable energy savings of over 50% for the city, a significant reduction in CO₂ emissions every year, and offers a lifetime that is five years longer than conventional lighting.

⁸ The Climate Group Clean Revolution Campaign



2.5 planets

The world is currently consuming over 2.5 times the amount of resources than the Earth can sustainably support.⁹



Green Operations

Philips has been working to improve its operations since the 1970s. Our Green Operations program focuses on climate change, water, waste recycling and chemical substances.

Our main target is to reduce carbon emissions by 40% by 2015. We are minimizing our ecological footprint through energy efficiency measures, green IT and renewable energy. We are investing in new machinery to reduce our water consumption and waste.

Our Workplace Innovation program¹⁰ – which supports flexi-time working – and green travel plans enable our employees to contribute to our carbon reduction target. All employees have a responsibility to ensure we achieve our goal of world-class occupational health and safety performance.

↑ Case Study

Encouraging positive change in our supply chain

Global metals and minerals extractives supply chains face multiple sustainability issues, particularly in countries afflicted by conflict. Philips collaborates closely with industry-wide initiatives to find innovative solutions to these problems.

For example, we are a member of the EICC (Electronic Industry Citizenship Coalition) and GeSI (Global eSustainability Initiative), which aim to positively influence the social and environmental conditions in the metals extractives supply chain.

Philips is one of a group of industry partners brought together by the Dutch government that initiated a conflict-free tin sourcing program in South Kivu, an eastern province of the DRC. The Conflict Free Tin Initiative introduced a tightly controlled conflict-free supply chain of tin outside the influence of the rebels.

↑ Case Study

Clean power for sustainable manufacturing

In 2012, we unveiled a 2-megawatt wind turbine in Fall River, Massachusetts, to meet around 70% of the power requirements for our Lightolier manufacturing plant, which makes lighting products for the retail and hospitality sectors. The renewable energy project is part of Lightolier's plan to create a net-zero manufacturing facility. Its other recent sustainability initiatives have reduced electricity use by 40%, water by 78%, natural gas by 36% and volatile organic emissions by 98%.

Supplier Sustainability

We require our suppliers to share our commitment to sustainability and have designed programs to engage and support them on a shared journey towards continuous improvement.

The Philips' Supplier Sustainability Declaration is part of all purchasing contracts and includes expectations on ethical behavior, working conditions and environmental management. By 2015, our goal is to have 72% of our suppliers adhere to our sustainability requirements.

⁹ The WWF Living Planet Report is the world's leading, science-based analysis of the health of the Earth's ecosystems and biodiversity and the impact of human activity on the planet: http://wwf.panda.org/about_our_earth/all_publications/living_planet_report/

¹⁰ We continue to focus on reducing CO₂ emissions from our non-industrial sites by using our facilities in the most efficient way, for instance through our Workplace Innovation programme which enables flexi-working.

Unlocking the value of a circular economy

Over US\$ 1 trillion of potential business value could be unlocked in the transition to our circular economy.¹¹



Circular Economy

For a sustainable world, we see the transition from a linear to a circular economy as a necessary boundary condition. A circular economy aims to decouple economic growth from the use of natural resources and ecosystems by using those resources more effectively.

It is a driver for innovation in the areas of material-, component- and product reuse, as well as new business models such as solutions and services. In a Circular Economy, the more effective use of materials enables the creation of more value, both through cost savings and by developing new markets or expanding existing ones.

In 2013, Philips started its circular economy approach and became a global partner of the Ellen MacArthur Foundation, the leading organization on the concept.

Key characteristics of this approach are customer access over ownership, business model innovations, reverse cycles and logistics, innovations for material-, component-, and product reuse, products designed for disassembly and serviceability.

¹¹ Ellen MacArthur Foundation

↑ Case Study 'Pay per lux' – a new way of delivering light

Philips has developed a new concept to deliver lighting as a service. 'Pay per lux' is a business model where our business customers pay only for the light they use, not for lighting equipment. They pay a service fee for the light we provide, while Philips retains ownership of the fixtures and fittings. For the duration of the contract, we install, maintain and upgrade the lighting system as needed. At its end of life, we recycle the equipment and close the materials loop. This proposition gives customers access to the most energy-efficient lighting solutions while recycling and reusing the materials reduces our environmental footprint.

Closing the Materials Loop

By 2015, we aim to double the collection and recycling of end-of-life products, as well as double the amount of recycled materials used in Philips products compared to 2009.

In 2013, we included 14,000 tons of recycled content in our products by focusing on the material streams plastics, aluminium, refurbished products, and spare parts harvesting depending on the relevance in each sector. Over 330 tons of recycled plastics were used in vacuum cleaners and almost 250 tons in irons.

↑ Case Study Refurbishing medical products to close the materials loop

As healthcare budgets come under increasing pressure, care facilities are seeking ways to extend their resources without compromising on quality. The driving goal behind the Philips Diamond Select program is to make first-rate medical equipment available at a lower cost by offering high quality refurbished, upgraded and tested systems with full warranty. We are investigating how we can create an even greater residual value for Philips medical equipment and its customers, so it's easier to maintain, upgrade, refurbish or remanufacture products.

We calculate our performance by multiplying the weight of the recycled plastics per product and the number of products sold. Information on the amount of recycled polymers in plastics is provided by our suppliers.

Philips supports the setup of recycling infrastructures together with industry partners, where we share a common strategy in creating sustainable financing schemes which guarantee the effective and environmentally sound collection and recycling of WEEE.

Measuring Progress

Our Lives Improved model guides our efforts and measures our progress on improving people's lives.

Our overall goal is to improve the lives of 3 billion people a year by 2025. We deliver products and solutions for the health and well-being of everyone touched by them as well as contributing to a healthier planet with our product portfolio.

We measure this in terms of the number of people touched by our Care, Well-being and Green products. These product portfolios are dependent on our continuous investment in new products and solutions as well as improvements to the way we manufacture them – both as a company and in collaboration with our suppliers.

Care – products and solutions that directly support the curative (care) side of people's health

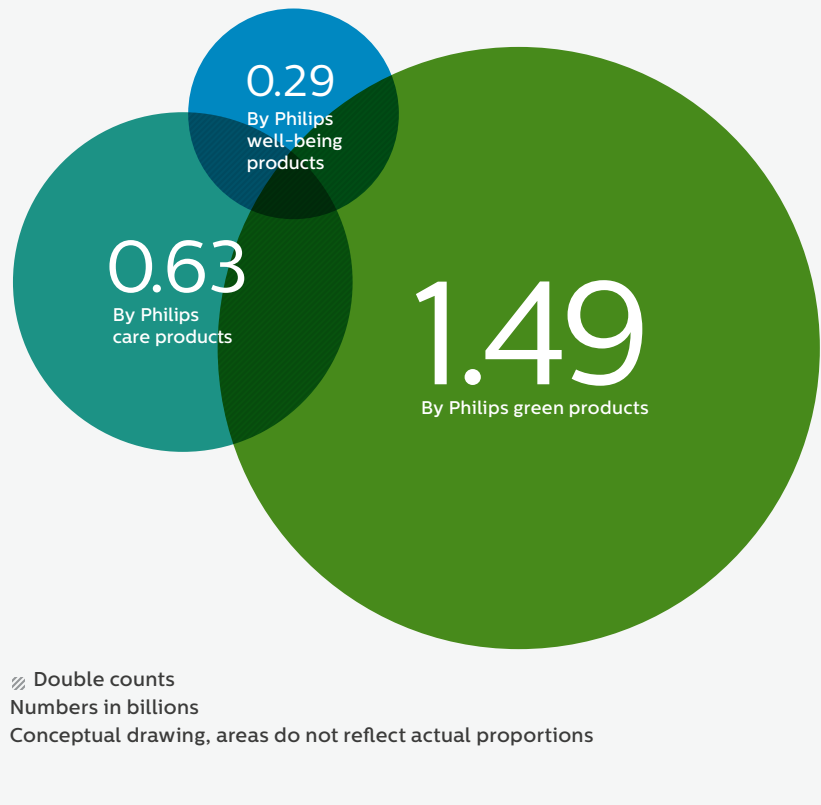
Well-being – products and solutions that support healthier lifestyle choices

Green Products – focused on improving energy and resource efficiency.

Calculating Lives Improved

We calculate the number of Lives Improved based on the quantity of Green, Care and Well-being products sold. We calculate the average lifetime of these products and multiply the figures to determine the number of people touched by our products. After elimination of double counts – people touched multiple times – we arrived at 1.8 billion lives improved in 2013. This is an increase of 100 million compared to our total baseline of 1.7 billion people a year, established in 2012.¹²

Lives Improved by Philips in 2013
1.8 billion (double counts eliminated)



↑ Lives Improved is calculated based on the quantity of Green, Care and Well-being products sold.

¹² Please go to www.philips.com/sustainability for a more detailed version of the Lives Improved methodology.

Philips is making strong progress on its goals in making the world healthier and more sustainable. This is just a snapshot of some of our achievements. For information see our integrated annual report, featuring our financial, social and environmental performance.

www.philips.com

You can learn more and keep up to date with new developments at www.philips.com/sustainability or by emailing philips.sustainability@philips.com.

1.8 billion
Lives improved
(baseline 1.7 b in 2012)

14,000 tonnes
Recycled materials
used in products

Philips is included in the 2013 Dow Jones Sustainability Index (DJSI)



Practice Greenhealth
Philips received the 2014 “Champion for Change” Award for delivering resource-efficient healthcare solutions to our clients and assisting them in improving their environmental performance.



€509m
Invested in
Green Innovation
R&D in 2013

51%
Green Products in
2013 (% as part of
total sales)

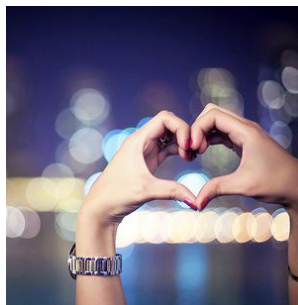
Carbon Disclosure Project
Philips received a 100 out of 100 score for its 2013 Carbon Disclosure results and was awarded an ‘A’ for its overall carbon performance.



Philips continued to be included in Corporate Knights 2014 list of ‘Global 100 Most Sustainable Corporations in the World’.



80%
Of our industrial
waste in 2013 is
recycled



Interbrand Top 50 Best Green Brands
Philips is fastest riser amongst technology brands in the 2014 Interbrand’s annual top 50 Best Global Green Brands, moving up from 23rd to 14th position.



Notes:

Notes:

