

## **Environmental and Health & Safety Reporting systems**

### **Scope of reporting**

This is a description about the sustainability reporting of the Philips Group, covering the total of the consolidated Philips activities. Based on the company's consolidation criteria, the Philips Group consists of the following sectors for the reporting year 2008:

- Healthcare
- Consumer Lifestyle
- Lighting
- Innovation & Emerging Businesses; Group Management & Services.

The scope of reporting for our operational carbon footprint, health and safety, and environmental performance are described below.

All data are reported in absolute terms.

### **Operational carbon footprint**

#### **Scope**

The Philips operational carbon footprint includes:

- Industrial: manufacturing and assembly sites.
- Non-industrial: offices, warehouses, IT centers and R&D facilities.
- Business travel: lease and rental cars, train and airplane travel.
- Distribution: air, sea and road transport.

All conversion factors used to transform input data (e.g. amount of ton-kilometers) into CO<sub>2</sub> emissions are from the Greenhouse Gas Protocol. This Protocol distinguishes three scopes, the first two of which are mandatory to report on. We cover:

- Scope 1 – direct CO<sub>2</sub> emissions – is completely reported on with direct emissions from industrial and non-industrial sites.
- Scope 2 – CO<sub>2</sub> emissions resulting from the generation of purchased electricity – is completely reported on with electricity use from industrial and non-industrial sites.
- Scope 3 – other CO<sub>2</sub> emissions related to activities not owned or controlled by the company (optional category) – is reported on with business travel and distribution. Commuting, upstream distribution, outsourced activities and emissions resulting from product use are not included.

## Methodology

CO<sub>2</sub> emissions from industrial sites are reported in the EcoVision reporting system, which consists of direct emissions resulting from processes and fossil fuel combustion on site, and indirect emissions from purchased electricity, steam and heat. Emissions from industrial sites that are not yet reporting in EcoVision (see “Environmental performance” explanatory notes on page 69 of the *Philips Sustainability Report 2007*) are calculated. The calculation is based on average CO<sub>2</sub> emissions per square meter of sites from the same sector. CO<sub>2</sub> emissions from non-industrial sites are not reported in EcoVision but are calculated. This is done by calculating the energy use per square meter for six countries in Europe and multiplying this factor to the square meters of the remaining sites. The reference year for these data is 2007.

The calculations for business travel by lease and rental cars are based on kilometers and fuel usage. Emissions from business travel by airplane are calculated from the number of kilometers flown. For business travel by train currently only the spend is registered. CO<sub>2</sub> emissions were calculated from distance traveled, based on an estimate of the average distance per euro spent. Even though this is not highly reliable, it has no significant impact, being less than 0.1% of on the total carbon footprint. The reference year for this part of the scope is a mixture of 2006 and 2007, because 2007 data were not always available.

Emissions from air freight for distribution are calculated based on the amount of ton-kilometers transported between ports (distinguishing between short, medium and long hauls for air transport). Because for sea transport only data on transported volume were available, an estimate had to be made about the average weight of a container. Transportation to and from ports is not registered. This fore and aft part of air and sea transport was estimated to be around 3% of the total distance, consisting of a mix of modalities, and was added to the total emissions accordingly. Finally, road transport is the modality with the highest amount of uncertainty. Where data were available, CO<sub>2</sub> emissions were calculated based on distances and fuel use, or on ton-kilometers. If data were incomplete, the emissions were estimated based on average distances and spend. For this part of the scope the reference year was 2006.

## Health and safety

### Scope

As a general rule all the questions in the database should only be answered for employees included in BCS (Business Consolidation System).

The number of FTE is identified in BCS in accordance with definitions from the Finance Manual: both permanent personnel and temporary personnel are included.

Total permanent personnel: Personnel on a full-time basis with a labor contract for an indefinite period of time.

Total temporary personnel: Personnel (on a full-time basis) hired on a temporary basis with an employer-employee relationship between the company and the worker, or personnel employed, or personnel employed on a temporary basis via employment agencies.

### **Basis for reporting**

Data are reported on a monthly basis and validated on a half yearly basis.

### **Accounting for organizational changes**

Data for new reporting organizations that started reporting in the current reporting year are added to the divisional and thus company totals in the first quarter they are consolidated.

Data for reporting organizations that were divested in the current reporting year are taken out of the divisional and thus company totals in the first quarter they are deconsolidated.

### **Health and safety parameters to report**

Nr.	Question
q0	Total number of FTE reported on in the questionnaire by the data collector
q1	Number of MALE PERSONS comprised in the total FTE reported in q0
q2	Number of FEMALE PERSONS comprised in the total FTE reported in q0
q3	Number of NEW CASES per type of occupational illnesses for all FTE reported in
	Type of illness:
1	Infectious and parasitic diseases
2	Skin diseases and disorders
3	Respiratory conditions due to dust or toxic agents
4	Poisoning (systemic effects of toxic materials)
5	Upper limb and neck disorders
6	Back problems and lower limb disorders
7	Cancers and malignant blood diseases
8	Disorders due to mental stress
9	Noise induced hearing loss
10	Other illnesses and disorders
q4	Number of NEW CASES of Lost Workday Cases (LWC) for all FTE reported in q0
q5	Number of NEW CASES of Restricted Work Cases (RWC) for all FTE reported in q0

q6	Number of NEW CASES of Medical Treatment Cases (MTC) for all FTE reported in q0
q7	Number of occupational deaths (fatalities) related to Philips work activities

Based on these data input in the system, eight rates are calculated. These rates are explained below.

### Explanation of rates

r1-r10	Name	Explanation
r1.	Total number of persons	Sum of male and female persons
r2	Total number of Recordable Cases	Sum of all Lost Workday Cases, Restricted Work Cases, Medical Treatment Cases, Occupational Illness Cases and Fatalities
r3	Total number of Occupational Illness Cases	Sum of all Occupational illnesses
r4	Occupational Illness Case Rate	The total number of all reported occupational illnesses per 100 FTE
r5	Lost Workday Cases Rate	The total number of Lost Workday Cases per 100 FTE
r6	Restricted Work Cases Rate	The total number of Restricted Work Cases per 100 FTE
r7.	Medical Treatment Cases Rate	The total number of Medical Treatment Cases per 100 FTE
r8	Total Recordable Cases Rate	The total number of Recordable Cases per 100 FTE

## Environmental performance – EcoVision reporting system

### Environmental reporting standard

All reporting instructions, including definitions, procedures, calculation methods, etc., are included in the intranet-based EcoVision reporting and validation system.

### Basis for reporting

Data are reported and validated on half yearly basis. The environmental data in this report have been provided by our environmental reporting organizations. The following consolidation criteria have been applied:

- New acquisitions are reported after the first full year. Data for divestments that take place during the reporting year are not included.
- Environmental data are reported by each manufacturing activity owned, rented or leased and managed by Royal Philips Electronics, with 50 or more people working in production, and which is consolidated for financial reporting by Royal Philips Electronics.

### Accuracy

The conversion factors of direct Global Warming Potentials (GWP) were updated according to IPCC Third Assessment Report (TAR-06) and the reference for the conversion factors of indirect grams CO<sub>2</sub>/kilowatt hour (kWh) is the “CO<sub>2</sub> Emissions from Fuel Combustion (2006 Edition)” from the International Energy Agency Data Services.

Furnaces at Lighting sector production sites produce direct CO<sub>2</sub> emissions due to the decarbonization of dolomite and other carbonates. These emissions have not yet been included in our EcoVision reporting for manufacturing activities. We have estimated that they represent between 9% and 10% of total direct CO<sub>2</sub> emissions related to manufacturing activities, and this is included in our operational carbon footprint. We will adjust our reporting systems in 2008 to include these emissions.

### Comparability

The reference year for the EcoVision III (2006-2009) program is 2005.

### Environmental parameters to report

<b>General</b>		
		<b>Standard unit of measurement</b>
Period		[half-year]
Identification		unit number
Compliance		
Incidents		
Fines		[Euro]
Best Practices		
Self Assessment		Reporting System in place (%)
<b>Production ([sub]LOCEM)</b>		
EMS certification		[number of certificates]
Production quantities		
Energy		[kWh], [kg], [Nm <sup>3</sup> ]

Global Warming Potential (CO <sub>2</sub> equivalents)		Direct CO <sub>2</sub> [tons] Indirect CO <sub>2</sub> [tons]
Waste		[kg]
Water		[m <sup>3</sup> ]
Category I (Restricted Substances)		[kg], [Mbeq]
Category II (Hazardous Substances)		[kg]
Category III (Relevant Substances)		[kg]
Packaging		[kg]

### Supplier sustainability

Identified risk suppliers are defined as follows:

- We identified risk countries based on the Maplecroft list.
- Suppliers from those identified risk countries with whom we also spend more than EUR 100,000 are identified as risk suppliers.
- Suppliers of new ventures are included to the extent that the integration process of these ventures has been finalized. Normative integration period is two years after closure of the new venture.