

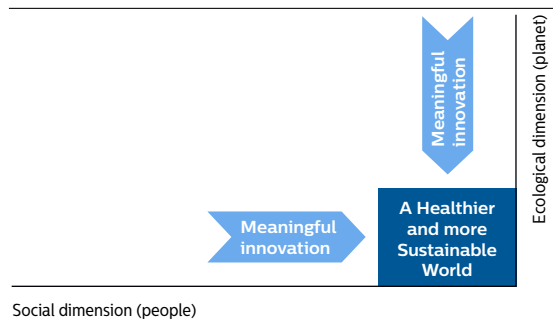
Improving energy efficiency of Philips products

Methodology for calculating EcoVision Leadership KPI

At Philips, we strive to make the world healthier and more sustainable through innovation. Our goal is to improve the lives of 3 billion people a year by 2025.

To guide our efforts and measure our progress, we take a two-dimensional approach – social and ecological – to improving people’s lives.

Philips Group
Lives improved dimensions
2015



Products and solutions from our portfolio that directly support the curative (care) or preventive (well-being) side of people’s health determine the contribution to the social dimension. As healthy ecosystems are also needed for people to live a healthy life, the contribution to lowering the impact of the ecological dimension is determined by means of our Green Product portfolio, which is primarily focused on improving energy and resource efficiency.

This document describes the methodology and metrics used to calculate the key performance indicator “Improving energy efficiency of Philips products”, as well as the different data sources used. By “improving the energy efficiency of Philips products” we will improve the ecological footprint of our products. The EcoVision performance is part of the assurance assignment of KPMG.

KPMG’s assurance report can be found here: [chapter 14.4 of the Annual Report 2015](#).

Relevance

Various studies show that most of the energy consumed by our products is not consumed during the manufacturing process but rather during the time in use. This is true for the majority of our products. Moreover, we know that approximately 19% of the world’s

electricity is used for lighting¹. As such, our conclusion is that focusing on improving the energy efficiency of our products can help our customers to reduce their ecological footprint significantly.

Methodology

The most significant proportion (over 97%) of the energy consumed by our products is attributable to our Lighting products. The remaining 3% is split between Consumer Lifestyle and Healthcare products. This underlines the leading role of our Lighting products in global carbon footprint reduction. The focus in our calculations is therefore on Lighting products, and we use the lumen/ watt indicator to better reflect the impact of the Lighting products sold in a given year. This serves to eliminate factors such as currency exchange rates and price developments from the results of the calculations.

Owing to the long list of products in the Lighting portfolio, we use an average wattage per product category based on reference products or Philips’ expert opinions. Next, we calculate the annual energy consumption per product category by multiplying the product category wattage by the annual operational hours and the annual sales volumes. Operational hours are based on market surveys, external references, and expert opinions. The total light output (lumen) is calculated in a similar way, by multiplying the light output per product category of a representative product by the annual operational hours and annual sales volumes.

Lastly, to arrive at the energy efficiency rate, we divide the total light output (lumen) by the total energy consumed (watt). As sales of energy-efficient lighting products increase, the lumen per watt will improve.

The Healthcare and Consumer Lifestyle sectors also focus on developing more energy-efficient products through their EcoDesign process. Together with the medical imaging industry under the umbrella of COCIR and under the EU ErP Directive, Philips Healthcare is voluntarily working to reduce the amounts of energy consumed by its medical imaging diagnostic equipment.

Metrics and data sources

The metrics and data sources we use to calculate energy efficiency improvements are as follows:

- Products sold per year – derived from our financial systems.

Improving energy efficiency of Philips products

- Usage scenarios – scenarios as in the LCAs, industry standards, and expert opinions: for example, consumer energy-saving lamps are used for 1,000 hours a year, while many professional lighting applications use a value of 3,500 hours.
- Representative products – the best-selling products in a product category selected from Philips' product portfolio based on products sold.
- For Lighting this covers 9 product categories such as GLS (incandescent) lamps, Halogen and LED.

Scope

The products and services that are out of scope are:

Healthcare

- Customer services and software

Consumer Lifestyle

- Unpowered products (e.g. accessories and baby bottles)

Lighting

- Special Lighting (owing to the diversity in the product portfolio and low volume)
- Projector lamps for beamers (low volume)
- Controls
- All sales of fixtures/luminaires if sold without a lamp or electronic ballast
- Services
- Components

Philips Group
Energy efficiency lm/W

2010	2011	2012	2013	2014	2015
35.9	37.6	39.3	40.1	40.5	44.5

In line with the discontinued operations presentation in the Group financial statements regarding the Lumileds and Automotive business, we have excluded this data from the consolidated Sustainability data if relevant. The exclusion of Lumileds and Automotive has a limited upward effect on the energy efficiency of the portfolio.

Next steps

We used opinions from Philips' in-house experts and estimates for some elements of the KPI models. As such, our calculations include an inherent degree of uncertainty. The figures reported are Philips' best estimates. As our understanding improves, the methodology might be adjusted in the future.