

PHILIPS

sense **and** simplicity

“Factoring Carbon Emissions into the Supply Chain Decision Making Process and Annual Reporting”

Name Steven Holic

Date 4th of November 2009

MFCormick

Northwestern Engineering

The Transportation Center

“A global company of
leading businesses
creating value with
meaningful innovations
that improve peoples’
health and well-being”

A well-respected, blue-chip company for over 100 years

Globally recognized brand
(world top 50)

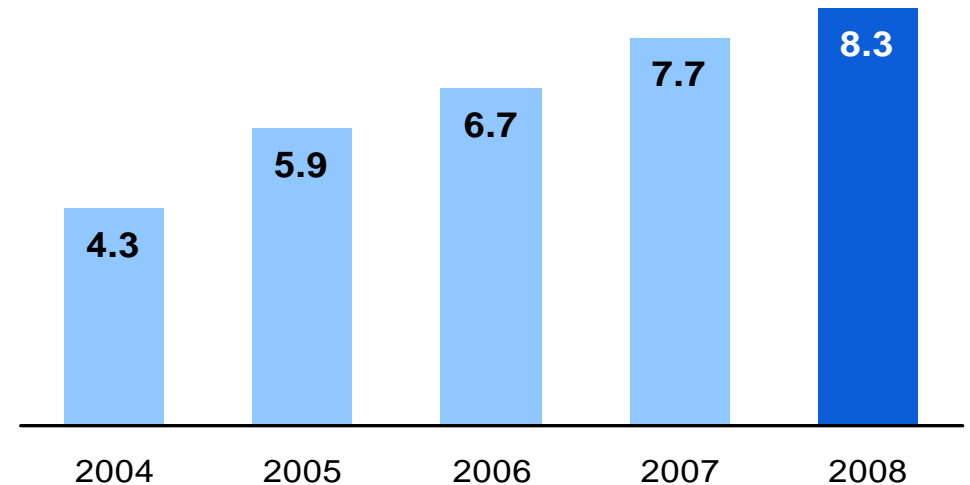
121,000 employees
in over 150 countries

Sales over EUR 26 billion
(USD 33 billion)
with 3.5 EBITA as a % of sales

€1.62 billion investment in R&D

Value of the Philips brand

Amounts in USD billions



PHILIPS

The power of Healthcare

Further strengthening our global leadership

Clinical care systems

Global market leadership for automated external defibrillators

Home healthcare solutions

No.1 provider of personal emergency response services in the US

Patient monitoring

Leadership position offering significant reduction in mortality and length of stay in ICUs equipped with VISICU eICU

Imaging systems

Cardiovascular X-ray is no.1 in overall manufacturing satisfaction

Customer services

No.1 in service performance in patient monitoring systems and ultrasound



PHILIPS

The power of Consumer Lifestyle

Focusing on differentiating leading businesses

Mother and childcare

Philips AVENT is market leader. Its feeding bottles have been clinically proven to reduce colic*

*At 2 weeks of age, babies fed with the AVENT bottle experienced less colic than babies fed with a conventional bottle

Male electric shaving

No.1, with every second shaver in the world being a Philips shaver

Power toothbrushes

Philips Sonicare is the no.1 recommended sonic toothbrush brand by dental professionals worldwide

Domestic appliances

Over one million 'healthy living' aluminum Juicers sold since launch

TVs

Philips invented the successful ambilight flat TV concept



PHILIPS

The power of Lighting

Further strengthening our global leadership

Lamps

Market leader: 1 out of every 4 lamps used worldwide is a Philips lamp

Professional luminaires

No.1 lighting 65% of world's top airports and 30% of offices, hospitals and landmarks

Consumer luminaires

Market leader and front runner in driving the switch to energy efficient lighting

LED applications

Strong presence across the complete solid state lighting chain

Automotive lighting

Leads the market, with one-in-three cars worldwide using Philips automotive lighting



Philips

Philips firmly believes that corporate responsibility and community action play a key part in responding to today's climate challenges. At Philips we use our expertise to develop sustainable solutions for people around the world.



EcoVision4

Our action program focuses on reducing the energy consumption of our products and facilities.

Philips Supply Chain CO2 reporting:

Project Background:

As part of Philips EcoVision4, which is a carbon reduction program encompassing all of Philips from manufacturing, packaging, travel and supply chain, Philips CEO has made a commitment to **reduce Philips operational carbon footprint 25% by 2012.**

For additional details see – www.philips.com/sustainability

Philips reports its **Operational Carbon Footprint** (in kilotons or CO2 equivalents) in its annual report.

2007	2008
661	669

Note: In 2008 Philips acquired Respironics and Genlyte. Without these acquisitions, Philips 2008 operational carbon footprint would have seen a 5% reduction.

Complexity of Reporting:

Philips has been **growing by acquisition**, has multiple and varied data platforms, multiple rate formats, non-contracted carriers involved in moving freight, freight paid internally and with five freight audit and payment companies.

How do we ensure the 2009 baseline considering all the acquisitions and data inputs is:

1) accurate, 2) measurable and 3) auditable and supports our 25% reduction goal over the next 2 years?

ASK NORTHWESTERN FOR ASSISTANCE !!



PHILIPS Philips & Northwestern CO2 Reporting Project:

Goals:

1. Provide Transport CO2 emissions data for 2009 annual report by Dec 15, 2009
2. Produce a report detailing the following:
 - “Is state” – data gaps, methodology, and data sources. Use this as a guide for a repeatable process for 2010.
 - Proposals on: data we should be capturing , how to standardized reporting – best in class, and how to organize for success.

Deliverables:

- October 30, 2009 – review existing data gaps and escalate as required.
- December 15, 2009 – data presented to Sustainability for review by KPMG.

Process:

Elaine Croft McKenzie (Northwestern University) and **Katherine Munroe** (Philips NAM)

1. Secure data from Philips logistics partners and carriers
2. Document data availability, gaps, and CO2 emissions
3. Provide recommendations for 2010 reporting process

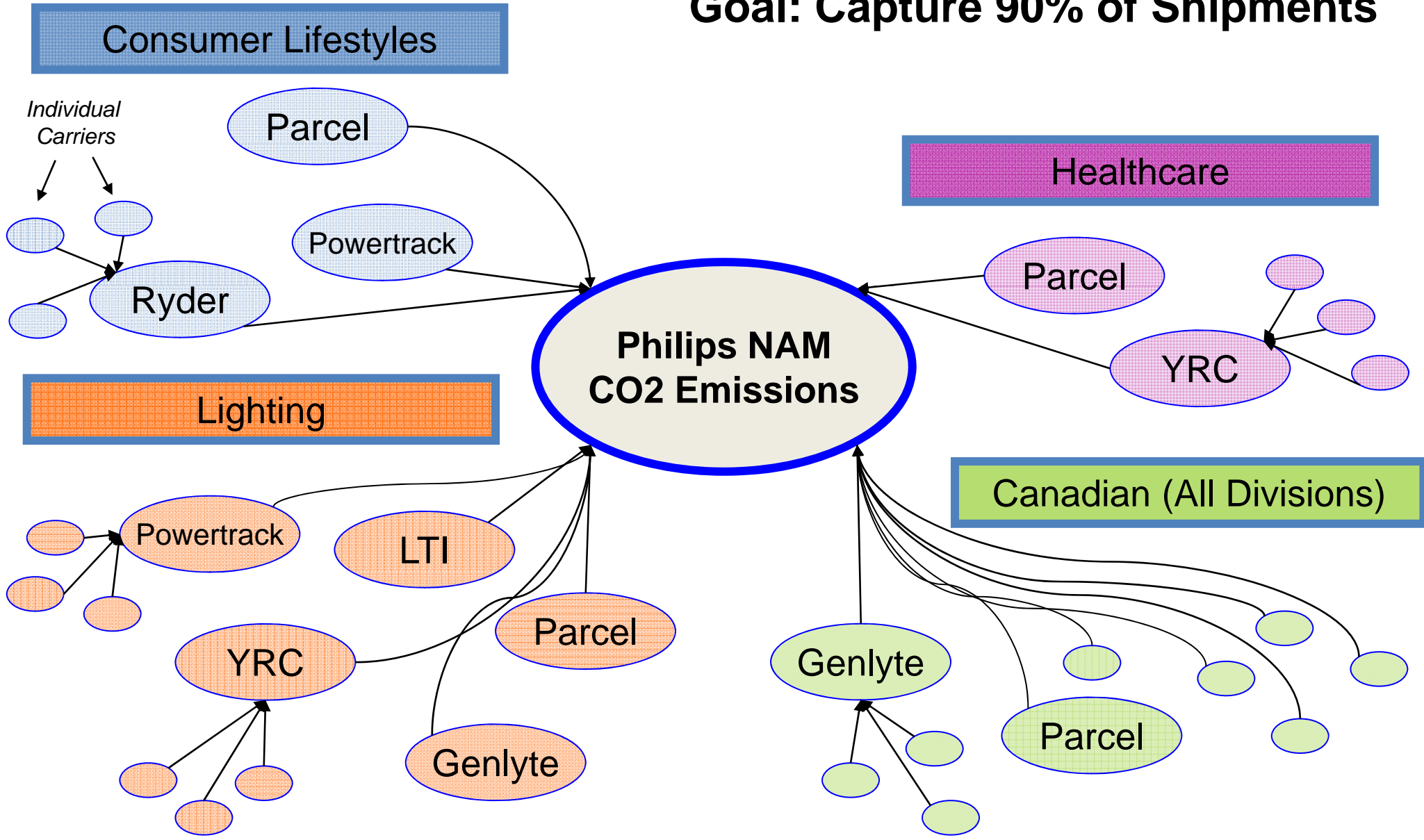
Sustainability





Philips & Northwestern CO2 Reporting Project:

Goal: Capture 90% of Shipments



PHILIPS Philips & Northwestern CO2 Reporting Project:

CO2 Reporting Project: Challenges and Mitigation Strategies

2009 Challenges

2010 Mitigation Strategies

Data Collection

Carrier participation rates
Carriers don't capture data
Time constraints

Focus on high-volume shippers
Make aware of data needs for 2010
Expanded 2010 project timeline

Emissions Calculations

Missing mileage/weight/fuel data
Missing/misreported mode

Work with carriers to improve data collection and reliability
Require increased detail in shipment mode categorization

Goal: Best-Practice Standards throughout the Supply Chain

Philips initiative and impact on Physical Distribution: New in last 2 years

A) DC optimization study:

Provide estimated CO2 impact in decision making Criteria

B) RFI & RFQ Questions

- 1) What is the status and quality of the environmental management in your company?
- 2) Are you a SMARTWAY certified carrier?

C) Logistics Contracts in Sustainability appendix

• **ENVIRONMENT**

- Supplier shall have ISO14001 registration or a plan for registration. Alternatively supplier must provide documented objective evidence of an operational environmental management system for ISO14001 or demonstrate equivalency.
- Suppliers must comply to PD requirements, including banned/hazardous substances content (minimum threshold to be defined per PD or by cross-PD leverage where applicable).

D) Question within Global supplier Rating system - Grade 1-5

Quality Contribution to Ecovision of Philips, CO2 emission reporting, Sustainability....



- Increasing political momentum around issues such as **resource scarcity, climate change, security and new regulations** brings to light critical challenges that the consumer products and retail industry will face in the coming years.
- Solutions to these challenges require new thinking, **new approaches and new collaboration** on infrastructures.

Our Green Products



Today & Tomorrow

- **Current Supply Chain designs are primarily aimed at **improving on shelf availability, reducing cost and supporting sound financial figures (ROI & Brand Equity)****
- **Future supply chain must be designed for new parameters like **CO2 emissions reduction, reduced energy consumption, better traceability and reduced traffic congestion****
- **Improved Collaboration between all parties in the value chain will be essential in to achieve more efficient and effective value chain to better serve the needs of the consumer**

Recycling



Our Approach

At Philips we know that you are concerned about electronic waste. So we are working to make it easier to make informed choices. We design our products to continuously realize improvements and reduce their overall life cycle environmental impact.

