

Rethinking the future

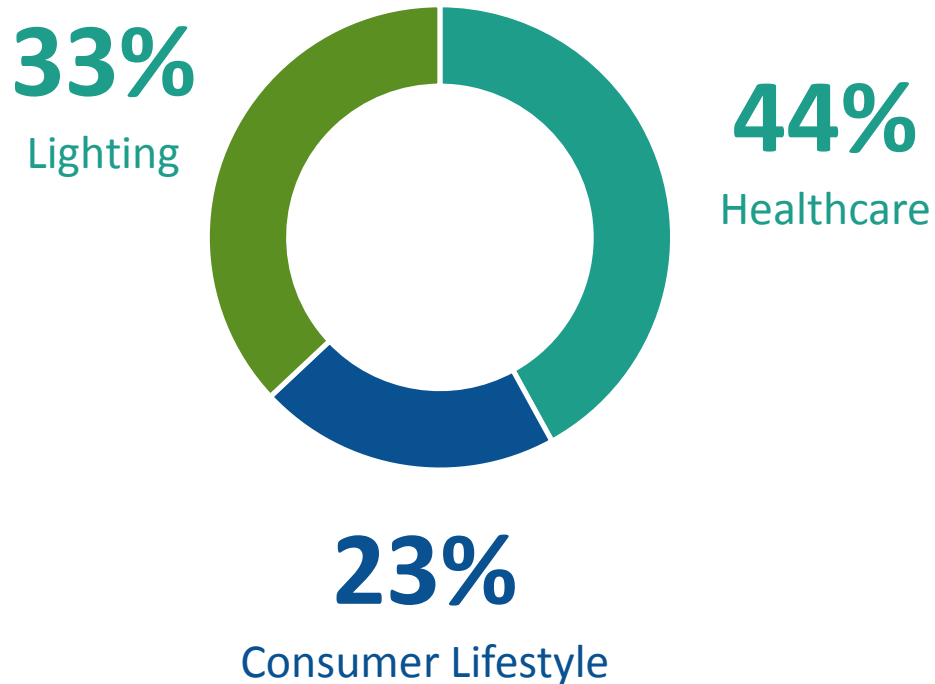
Our transition towards a circular economy

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Royal Philips



Est. **1891**

Headquarters in
Amsterdam, Netherlands

105,000+

Employees worldwide
in 100+ countries

€ 21.4 billion

Sales in 2014
Portfolio ~70% B2B

\$10.3 billion

Brand value in 2014

PHILIPS


We strive to make the world healthier and more sustainable through innovation

We're aiming to improve the lives of

**three billion
people**

a year by 2025






For a sustainable world, the transition from a linear to a circular economy is essential. A circular economy aims to decouple economic growth from the use of natural resources by using these resources more effectively.

Frans van Houten, CEO, Philips

Sustainability?



93 Manufacturing Sites
all over the globe

Cost of Material used 7,3
Billion €

Water used 3.1 million
m³

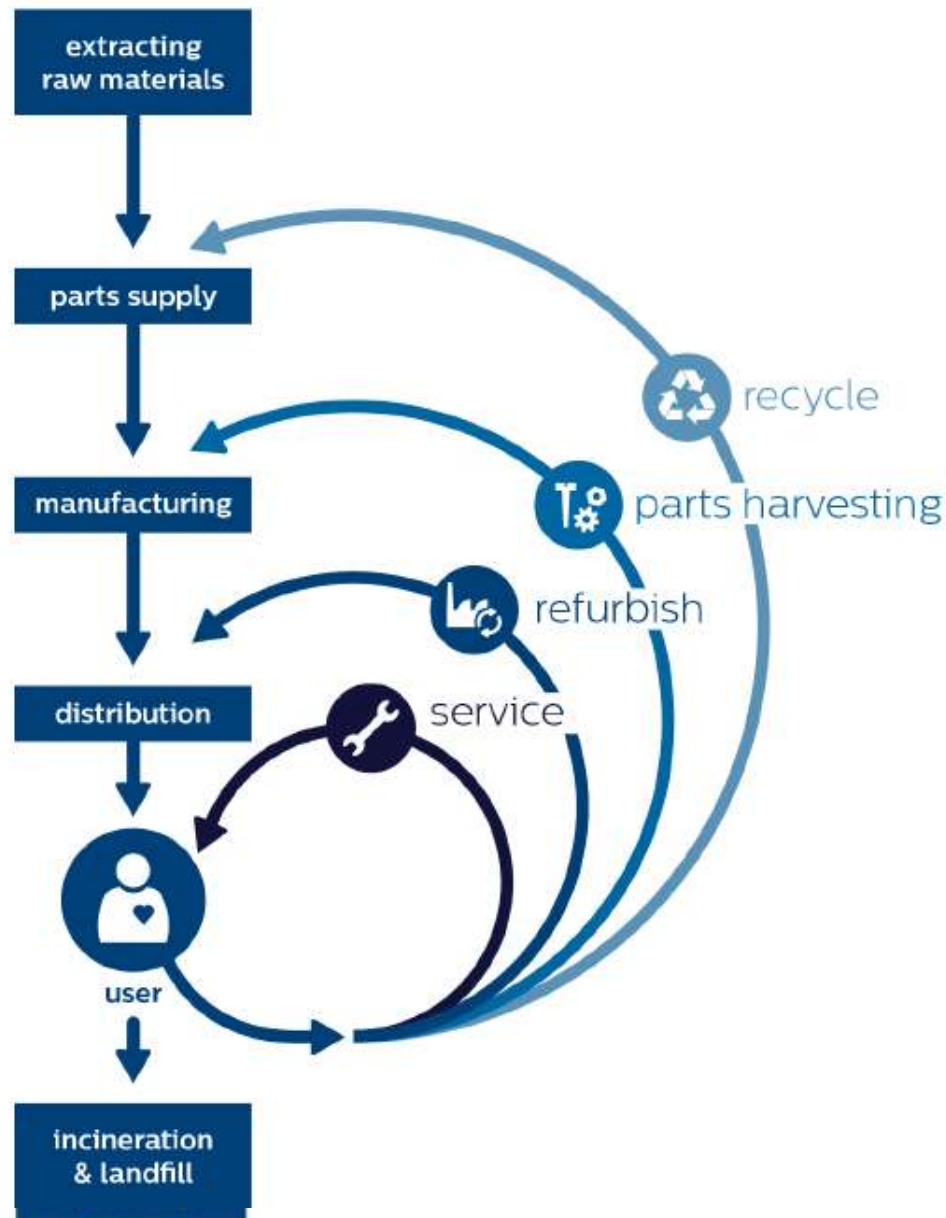
Energy used in
manufacturing 11,26
terajoules

75.0 kilotonnes as
manufacturing waste

CO₂ Emission 1,375
kilotonnes

14,500 kilotonnes
(estimated) products put
on the market

the circular economy



The four enablers for a circular economy



business models



design



collaboration



reverse logistics

- Drive internal Engagement
- Thought Leadership and collaboration
- Generate Proof point & metrics
- Embed in Philips organization

Strategy and activities: Health Systems



business models

- Introduce service and solution propositions
- Explore performance based business models



design

- Design for re-use and residual value
- Develop a modular platform approach



collaboration

- Expand capacity and skill building
- Leverage existing infrastructure



reverse logistics

- Develop smart logistics
- Initiate and advise to adapt legislation





Refurbishing solutions for MRI systems

Philips Healthcare, 2014

Due to limited MRI renting capacity in the University Clinic in Lübeck, the Gross Grönau radiology department decided to purchase their own MRI system while keeping their budget considerations into account.

With the Diamond Select program, this relatively small radiology practice did not exceed their budget, whilst they are able to set themselves apart from the other clinics.

Philips gives pre-owned certified components a second life: the 3000 kilo magnet is refurbished and certified for serviceability period of at least 10 years, and the system is fully upgradeable. The refurbished MRI systems reduce up to 50% energy consumption by PowerSave over comparable systems.

MRI systems in the Diamond Select program provide access to performance levels of latest state-of-the-art Philips technology for a more affordable price.

Strategy and activities: Lighting Solutions



business models

- Scale up service business
- Develop sales tools for circular value propositions



design

- Expand the portfolio of circular products
- Implement a circular economy scorecard



collaboration

- Co-create and cooperate with like-minded companies
- Enhance customer relationships with customized solutions



reverse logistics

- Extend possibilities for take back and recycling
- Enhance collaboration with recyclers and distributors





25 garages in Washington D.C., USA, upgraded from outdated and inefficient light fixtures to state of the art LED technology through a lighting performance contract.

Making garages safer, brighter & more efficient

Philips Lighting, Washington DC, USA, 2014

Over 15,000 lighting fixtures are converted to an innovative, custom designed LED lighting solution that reduces energy usage by 68 percent, or 15 million kWatt hours per year and allows real time data on energy consumption.

This service will not only make the garages brighter and safer for WMATA's 66,000 daily parking garage customers, it will save over 11,000 metric tons of CO2 emissions.

This lighting as a service solution provides WMATA with a way to improve both safety and user experience in their garages, with none of the up-front costs as the service is paid for through energy savings. As a result, the WMATA infrastructure was upgraded to the newest LED lighting technology, without long-term impact on capital and operating budgets.

For Philips, this deal offers future opportunities in the form of a long term relationship with the customer, as well as possible new contracts with 500 transit authorities.

Strategy and activities: Personal Health



business models

- Explore access over ownership
- Capture new business in new market segments



design

- Design for recycled plastics
- Design for repair



collaboration

- Co-develop recycled material with suppliers
- Develop new business models with consumers



reverse logistics

- Repair of products over replace
- Develop trade-in campaigns

Design for reparability and modularity



Senseo coffee machine was designed to be built from 13% recycled plastic. This brings a 20% cost saving for its production material.

Circular economy thinking has already resulted in recycled materials becoming an integral part of product design. By co-creating with recycled materials organizations, we can use our expertise to improve the quality of materials. Moreover Philips has also started to adjust design practices so products can be increasingly modular. This results in better ease of repair, longer lifetimes and, ultimately, improved environmental footprints. Exploring our opportunities in the transition from access over ownership, we can capture new markets and foster the development of new business models with customers.

An additional source of value lies in refurbishing or remarketing market returns. By giving these products new purpose we can potentially shift from a replace to a repair strategy. Collaboration across the value chain enables reverse logistics and possible trade-in campaigns. With this strategy we aim to retain the value of our products and decrease the amount of waste.



EcoVision Program

Philips Group Sustainability commitments 2014

	target 2015	baseline year
Green Product Sales	50% of total sales	
Lives Improved	2 billion	
Green Innovation		
- Investments	EUR 2 billion (cumulative)	2010
- Energy Efficiency	50.3 Lumen/Watt (up 50%)	2009
- Materials		
- Collection & Recycling	45,000 tonnes (up 100%)	2009
- Recycled content	15,000 tonnes (up 100%)	2009
Green Operations		
- CO ₂ reduction	40%	2007
- Health & Safety	0.26 Lost Workday Injury Cases per 100 FTE	
Supplier Sustainability ¹⁾	72% compliant	

¹⁾ For more information see sub-section 14.2.5, Supplier Indicators, of this Annual Report

Our results

EcoVision4 target achieved in 2012

increased share of renewable sources

Green Innovation EcoVision program

Operational Energy Efficiency improved 2%

successful Green Lease car program

Green products equal 52% of sales

25% operational CO2 emissions reduction

80% of our total industrial waste was recycled

energy efficiency programs in our industrial sites

EUR 463 million invested in Green Innovation

