

Philips 2007 Sustainability Report

Switched-on reporting

The tenth report from sustainability veteran Philips is simple but effective, says **Aleksandra Dobkowski-Joy**

Philips has taken a simplified approach to reporting in the company's "Simpler, Stronger, Greener" 2007 Sustainability Report. Report content is defined via a materiality analysis, in which Philips considers core strategic issues and global economic, environmental and social trends. The printed report consequently features three core sections, discussing energy efficiency in lighting, consumer lifestyles, and more effective and accessible healthcare.

Philips outlines its materiality analysis process and presents the resulting matrices, yet omits any discussion of direct stakeholder input. Although the chief executive's letter cites an extensive stakeholder engagement process, there is no further reference to this supposedly intensive effort. As stakeholder input is a crucial component of any materiality analysis, readers are left to wonder what portions of the analysis were actually informed by direct external input.

Nevertheless, Philips' approach is refreshing. Rather than burdening readers with every piece of information imaginable, Philips relegates coverage of employee, environmental, economic, and supply chain performance to its website. These issues, though deemed less material and thus not part of the printed report, certainly do not get short shrift. In fact, Philips offers a very transparent view into several sensitive topics. For example, the company provides a table of alleged ethics violations, broken down by type. Philips also walks readers through a comprehensive description of supply chain standards and monitoring processes accompanied by a list of violations uncovered through factory audits (of which the most frequent were related to working hours).

Materially speaking

Philips discloses that women make up only 8 per cent of executives and only 20 per cent of the "high-potential pool" of employees. As opposed to the considered and detailed information offered on supply chain and ethics, the shortage of women at the top receives very little explanation or attention, implying no sense of urgency to improve gender balance among company leadership. Philips should provide additional context and a strategic approach to address this gap in future reports.

Energy efficiency and lighting, consumer lifestyle and healthcare are the headline issues in the report. Philips begins each segment with a surprisingly comprehensive summary of sustain-

ability context, laying out drivers, challenges and opportunities. The lighting section is particularly interesting, as it presents issues from the perspective of various stakeholders. Philips asks readers to contemplate lighting as relevant to individuals, cities and urban areas, schools, governments, and even migrating birds, covering issues of energy use, carbon dioxide emissions, safety and security, productivity, and impact on biodiversity. These disparate perspectives are bound together with descriptions of Philips' research, products and services, its various partnerships and joint initiatives, and its engagement in public policy-making.

Philips further underscores the integration of sustainability into corporate strategy and operation with its Ecovision goals. These ambitious commitments, such as Philips' goal to generate 30 per cent of total revenues from "green products" over the next five years (up from 15 per cent in 2006), attach concrete targets to report narratives.

Each "material" topic receives a different level of coverage; in fact, it appears as though different authors were assigned to each section and the resulting copy was thrown together with little thought to report cohesiveness. For example, the consumer lifestyle section includes four pages of short case studies of selected products (an energy-efficient electronic toothbrush, a wood-burning stove for families in developing countries, among others) while the healthcare section adopts a completely different, healthcare-cycle approach that stretches for 17 pages. Despite these formatting hiccups, the content is clear and compelling, and so, ultimately successful.

The willingness to take reporting risks reflects Philips' veteran status. This report is Philips' tenth externally verified report and exudes a confidence and comfort with disclosure that is very often missing in sustainability communications. Indeed, Philips' self-declared GRI application level of "B+" subtly informs readers that Philips will be guided by standards but will choose to disclose what is most appropriate for the company.

In short, Philips' focus on simplicity never becomes simplistic. The company's careful attention to context ensures that the complexity and interplay of internal and external forces remain visible to readers throughout the report, regardless of the issues being discussed. That, paired with a laser-focus on material topics, makes this a report to emulate. ■



Snapshot: Philips 2007 Corporate Responsibility Report

Follows GRI? Yes, B+ self-declared application level.

Assured? Yes

Materiality Analysis? Yes

Goals? Yes

Targets? Yes

Stakeholder input? Report cites 2007 Stakeholder Forums.

Seeks feedback? No

Key strength: Focus on material issues.

Chief weakness:

Inconsistent format of main report sections.

Pleasant surprise: Inclusion of Dow Jones Sustainability Index scores over past five years, along with commentary from Sustainable Asset Management/DJSI analysis.

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