



Sustainability
Report 2010



Sustainability Report 2010

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In this report, 'ASML' is sometimes used for convenience in contexts where reference is made to ASML Holding N.V. and/or any of its subsidiaries in general. It is also used where no useful purpose is served by identifying the particular company or companies.
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Message from the CEO

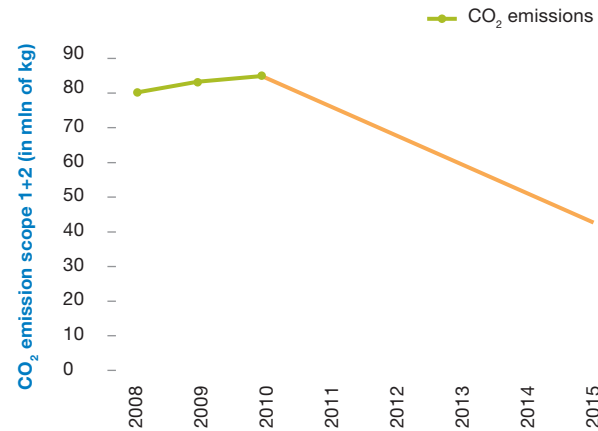
Dear stakeholder,

In our 2009 sustainability report, we set our sustainability targets for 2015. Our strategy is focused on four areas:

1. Sustainable Operations, by providing safe and healthy employees' working conditions as well as operational environmental performance through continuous reduction of energy intensity and through an increased percentage of clean energy used, both aimed at reducing our CO₂ footprint.
2. Sustainable Products, by enabling the continuation of the historical trend to improve transistor power consumption through the enabling of circuit geometry 'shrink', the continuation of the historical trend to improve energy efficiency of our scanners per bit produced, and the continuation of the safety performance track record of our scanners in use at customers.
3. Sustainable Value Chain, by initiating regular coordination with our suppliers to improve sustainability performance targets, and by monitoring adherence to the agreed sustainability performance of our suppliers.
4. Sustainable Culture, by providing employment that inspires our highly skilled work force and respects their cultural and individual differences, and by supporting a balanced contribution between our employees and the communities in which we operate.

In 2010, we strengthened our sustainability organization, resources and processes, we made progress in all focus areas and drew up a roadmap for achieving our 2015 targets.

^{1, 2, 3, 4} For notes see page 5.



Graph 1 CO₂ emission and targets

Sustainable Operations

We took a number of steps in 2010 to cut our CO₂ emissions:

- Energy savings measures in the new cleanroom 5D in Veldhoven, reducing future CO₂ intensity of this facility.
- The implementation of a cogeneration plant in our manufacturing center in Wilton, Ct., in the United States, which, when fully in line in 2011, will improve the targeted energy efficiency of this production site by 19%.
- A CO₂ reduction plan for the ASML Center of Excellence (ACE) in Linkou, Taiwan, which will improve the targeted energy efficiency of the site by 34%.

These actions among others have contributed to a successful reduction of our carbon footprint, per unit of activity: For 2010, our emission increase of 3.5% is considerably smaller than the rise in output: our factory increased production by more than 180%, from 70 machines in 2009 to 197 machines in 2010, in response to strong demand for our products as the semiconductor industry staged a fast recovery from the global recession. In 2011, for our main Veldhoven campus, we will begin

purchasing green electricity and we will also develop a broader energy plan, contributing to improve the world-wide energy efficiency¹ of ASML by 10%. These initiatives will set us on a trajectory to meet our target of halving our CO₂ emissions within five years.

Sustainable Products

Every new generation of our machines enables our customers to manufacture integrated circuits with smaller sizes or alternatively higher number of functions per unit of area. Referred to as 'shrink' in the industry, this further makes possible faster processors and lower power chip designs: a 1 Gigabyte of computer memory (DRAM) made in 2010 consumed roughly half the amount of power than chips made two years previously; we expect the power consumption to halve again in two years.²

Given the sheer size of the \$298 billion semiconductor market, even a small energy saving per chip can have a large impact: One of our customers has calculated that if all the memory in the world's 32 million servers were to be replaced by very energy-efficient chips, the savings could amount to 68 million tons of CO₂ emissions per year.³ This is about 800 times more than the total CO₂ emissions of ASML itself.

Further to the end product manufactured on our machine being more energy efficient, we are also able to produce these new generation of integrated circuits with machines using decreasing energy per bit produced: for instance, the total fab the energy required to produce one NAND memory cell, has dropped from more than 160 nWh/bit in 2006 to less than 40 nWh/bit last year. EUV, the next-generation lithography technology, will continue this trend. Even though the EUV system itself will use more energy than the previous generation of lithography machines, we expect that the energy needed to produce one computational logic bit will fall by roughly two thirds.⁴

Higher system throughput, also pursued, additionally helps our customers cut their energy bill per circuit produced: upgrades to our current state-of-the-art volume chip lithography system, the TWINSCAN NXT:1950i, will take productivity from 150 wafers per hour to 175 wafers per hour in 2011 to 200 wafers per hour in 2012, reducing the energy needed to expose one wafer by more than 10 percent.

Value chain

45 key suppliers met our sustainability requirements in 2010, we are currently strengthening those requirements and expanding them to a larger group of 200 suppliers in 2011. We applied for membership of the Electronics Industry Citizenship Coalition (EICC) and adopted its code of conduct for global electronics supply chains. We are committed to rolling out the EICC code of conduct to our supply chain and will commence supplier cascading in 2011.

Culture

We are a large contributor in the development of highly and uniquely skilled engineers and researchers: our industry required set of skills is certainly unique, and we spend very large amount of time and investment inducing and training employees to teach them the science of Lithography, based on Optical, Mechanical and Mechatronics expertise. We estimate the average induction and training for a Manufacturing employee to be 9 months to 1 year, and for an R&D engineer to be 1 to 2 years.

As a result of a worldwide employee survey, we launched initiatives to further improve employee satisfaction and ease of work. These include plans to reduce bureaucracy, give employees better access to information they need to work effectively, and enhanced career planning and personal development. The next survey is scheduled for 2011.

Outside the company, we expanded our internship and scholarship programs. ASML offers 40 scholarships for foreign masters students and hosted 104 interns in 2010, 38% more than in 2009. We plan to nearly double the number of interns next year. As of late 2010, we are also able to offer internships directly to students from outside the European Union, with ASML arranging for the necessary residency and work permits.

We also have an extensive training program for foreign workers, whereby each world-wide based Customer Service engineer would spend several weeks at headquarters to learn key skills necessary to support this technology in remote areas.

As a mid-sized company, and beyond its impact on creating skills world-wide, ASML focuses on its immediate environment for society contribution: ASML has funds available for local charity and a program of support of local involvement by our employees in community services.

By executing this pragmatic strategy, ASML is confident that it will reach its business objectives of leadership, growth and profitability, while supporting its sustainability responsibilities.

Eric Meurice

President and Chief Executive Officer,
Chairman of the Board of Management
ASML Holding N.V.

Veldhoven, March 2011

¹ Page 16: 'environmental impact of our machines'

² Page 11: 'energy use and CO₂ emission'

³ Samsung, July 2010.

⁴ Comparing the 28 nanometer node to the 14 nanometer node. For more details, see page 16: 'Shrink and throughput – reducing customers' energy use'

About ASML

ASML is a world leader in the manufacture of advanced technology systems for the semiconductor industry. The company offers an integrated portfolio for manufacturing complex integrated circuits (also called ICs or chips). ASML designs, develops, integrates, markets and services advanced systems used by customers – the major global semiconductor manufacturers – to create chips that power a wide array of electronic, communication and information technology products. ASML technology transfers circuit patterns onto silicon wafers to make integrated circuits. This technology is central to making integrated circuits smaller, faster and cheaper. Our technology is known as optical lithography. ASML systems are called steppers and Step & Scan systems (scanners). They use a photographic process to image nanometric circuit patterns onto a silicon wafer, much like a traditional camera prints an image on film. With every generation, the complexity of producing integrated circuits with more functionality increases. ASML technology is supported by process solutions, enabling customers to gain and sustain a competitive edge in the marketplace. In this process of serving our customers, ASML relies heavily on its supply chain.

ASML's corporate headquarters is in Veldhoven, the Netherlands. Manufacturing sites and R&D facilities are located in Wilton (CT-USA), Linkou (Taiwan) and in Veldhoven, the Netherlands. Technology development centers and training facilities are located in Japan, Korea, the Netherlands, Taiwan and the United States. ASML provides optimal service to its customers via over 60 sales and service organizations in 16 countries, among which also China and Israel. Founded in the Netherlands in 1984, the company is publicly traded on Euronext Amsterdam and NASDAQ under the symbol ASML.

⁵ Total R&D investments include investments made with government grants.

Table 1	General indicators ASML	2008	2009	2010
	Net sales	2,954	1,596	4,508
	R&D investments ⁵	538	495	553
	Number of payroll employees in FTEs	6,930	6,548	7,184
	Number of temporary employees in FTEs	1,329	1,137	2,061

Sustainability strategy and management

At the end of 2009, ASML decided to strengthen its sustainability policy and set a number of objectives to be reached by 2015. These objectives were outlined in our 2009 sustainability report. During 2010, our sustainability efforts were structured in four areas:

- Defining specific targets in our identified four strategic domains (Operations, Products, Value Chain and Culture).
- Establishing and effectively running a sustainability organization and governance.
- Capturing significant achievements in each area
- Developing and executing roadmaps and action plans to reach our 2015 targets.

Sustainability strategy

ASML's business strategy is based on maintaining and further developing its position as a technology leader in

semiconductor lithography. ASML executes its strategy through customer focus, strategic investment in R&D and operational excellence with a responsibility for sustainability towards its stakeholders. To effectively manage the execution of this responsibility, the sustainability strategy rests on four strategic domains as mentioned in our CEO's foreword:

- Sustainable Operations.
- Sustainable Products.
- Sustainable Value Chain.
- Sustainable Culture.

Sustainability targets

In our 2009 sustainability report, we took a big step in formulating targets that are key to improving our sustainability performance. These targets underpin our achievements and roadmaps in this report as well. The table 2 shows short-term (2011) and long-term (2015) targets. For transparency, we have also included key indicators that have no target but are closely monitored by our Sustainability Board. Detailed discussion on targets and data will be given in the four following chapters.

Besides these quantified targets, ASML also closely monitors a set of key performance indicators that do not have specific targets but are relevant to our sustainability performance. Where an upward trend can be observed, this is largely due to the almost threefold production increase in 2010. See the table 3.

Stakeholder engagement

ASML's sustainability strategy is based on input from its main stakeholders. Our senior and executive managers are regularly involved in stakeholder dialogues across a range of business and company topics.

In 2010, ASML requested feedback from our main stakeholders on our 2009 sustainability report and 2010 sustainability activities. Regarding investors, we received detailed feedback from investor analysts SAM (from the Dow Jones Sustainability Index), FTSE4Good, VBDO, Oekom Research, Vigeo and Eumedion, as well as large Dutch pension funds. We also organized meetings with governmental bodies including the Community of Veldhoven, the Province of Noord-Brabant, the Dutch Ministry of Economic Affairs and Agentschap.NL.

Table 2	Target indicator	2008	2009	2010	Target 2011	Target 2015
	Sustainable Operations					
	CO ₂ -emissions (x10 ⁶ kg) ⁶	78.4	82.5	85.4	-10% vs 2010	- 50% vs 2010
	Non-hazardous waste Veldhoven (%)	62	52	55	65	90
	Hazardous waste Veldhoven (%) ⁷	73	79	77	80	80
	Employee Safety Accident Rate ⁸	0.29	0.33	0.14	- 25%	<0.10
	Sustainable Product					
	Product Safety Accidents ⁹	1	2	1	≤2	t.b.d.
	Customer energy use (nWh/Bit) ¹⁰	71	49	31	25	10
	Machine energy efficiency - NXT (kWh/wafer) ¹¹	n/a	n/a	0.45	n/a	2012: 0.41 (-10%)
	Machine energy efficiency - NXE (kWh/wafer) ¹²				9.0	6.0 (-33%)
	Sustainable Value Chain					
	EICC compliant suppliers ¹³	0	39	45	200	275

Employee feedback came from e-mail conversations, intranet communications and regular dialogue with the ASML Works Council in Veldhoven.

Major outcomes of the stakeholder analysis include, but are not limited to: safety and environmental performance of our machines, community involvement, work-life balance, green energy, campus and mobility, supply chain sustainability and reducing CO₂ emissions. These issues are addressed in this report. For more detail on our stakeholder activities and input, see chapter Stakeholders input on page 35.

Sustainability organization and governance

ASML Holding N.V. is incorporated under Dutch law and has a two-tier board structure. Executive responsibility for the management of ASML lies with the Board of Management. The Supervisory Board – composed of independent, non-executive members – supervises and advises the Board of Management in performing its management tasks. While retaining overall responsibility,

⁶ These are the scope 1 and 2 CO₂ emissions stemming from operational consumption of electricity, natural gas and other fuels. Of the scope 3 emissions, which include CO₂ emissions from transportation, supply chain-related activities and products, we estimate that around 85% is emitted as a result of energy use by our machines in operation at customer sites. We have taken several initiatives to manage those emissions, related to shrink and throughput improvements. For a detailed discussion of the energy use of our machines, see page 16.

⁷ The waste indicators represent the recycling percentage. An

important part of our hazardous waste is resist waste. Because it is technically not feasible to recycle this material, we dispose of it by controlled incineration. In 2011, ASML will reduce the amount of resist waste which can lead to higher targets.

⁸ This indicator represents the lost time accidents ratio. In 2008 and 2009 corrections of the reported ratios had to be made due to the fact that some accidents with small injury were taken into account for the calculation of this indicator, whereas these accidents did not lead to lost working days. Target is 25% year on year improvement of target previous year, with 0.10

as long term target ratio.

⁹ The indicator represents 'Product related Lost Time Accidents at client sites'. There is no target for 2015, as ASML will introduce in 2011 a more refined target indicator to ensure product safety.

¹⁰ This indicator was introduced in 2010, reflecting the effect of shrink on the energy our customers need to produce one NAND memory cell.

¹¹ This indicator reflects the effect of productivity improvements on the energy our customers need to expose one wafer. The NXT is our current state-of-the art immersion lithography system used in volume production of semiconductors.

Table 3

Key performance indicator	2008	2009	2010
Operation			
Fuels Purchased (TJ)	316	317	365
Electricity Purchased (TJ)	459	498	538
Water use	681	692	686
Total waste materials disposed (x 1,000 kg)	1,103	796	1,216
Number of accidents with injury	60	53	57
...of which lost time accidents	17	20	10
Product			
Number of systems sold	151	70	197
Culture			
Employee turnover (%)	6.4	8.5	5.6
Absenteeism Europe (%) ¹⁴	3.0	2.9	3.1
Absenteeism US (%)	2.7	2.7	2.3
Absenteeism Asia (%) ¹⁵	0.7	0.5	0.5
Workforce by gender (Men / Women in %)	89 / 11	89 / 11	90/10
Non product related training hours per payroll FTE ¹⁶	27	7	11
Total direct donations to community and charitable organizations (x1000 EUR) ¹⁷	807	645	669

¹² Same as 11. Specific measures to achieve 2015 objective are identified on page 18: 'total system energy use'. EUV is our next generation litho systems.

¹³ This indicator represents the number of suppliers that are compliant with the EICC sustainability requirements for the supply chain. In 2009 and 2010 an ASML assessment of the respective 39 and 45 suppliers was performed, but not formally checked for EICC compliancy. This indicator consolidates three separate indicators on environment, health and safety and social aspects, used in the 2009 report.

¹⁴ Figures are for ASML Netherlands only – which represents over 95% of our European workforce.

¹⁵ In some countries, such as Japan, sick leave is deducted from the annual leave quota so illness-related absenteeism is recorded as 0%.

¹⁶ 2009 numbers have been corrected due to change in scope definition (was # Non-product related classroom training hours divided by # training attendees. Changed from participants to total # payroll FTE).

¹⁷ This indicator reflects donations by the ASML Foundation and direct sponsoring of community activities by ASML.

the Supervisory Board assigns certain of its tasks to its four committees: the Audit Committee, the Remuneration Committee, the Selection and Nomination Committee, and the Technology and Strategy Committee. Members of these committees are appointed from among the Supervisory Board members.

The Remuneration Committee reviews and proposes to the Supervisory Board corporate objectives and targets relevant to the compensation of the Board of Management. For 2011, the Remuneration Committee has set sustainability targets for the Board of Management, in line with the Sustainability Report described focus, action plan and targets .

The Supervisory Board has prepared a profile on its size and composition: it is subject to explicit composition requirements in terms of economic and social knowledge and experience, but not environmental knowledge and experience. The Supervisory Board addresses sustainability at least once a year.

The Board of Management currently consists of five members. It is chaired by the CEO while responsibility for ASML's sustainability policy lies with the Chief Operations Officer (COO). The COO chairs the Sustainability Board, and is responsible for formulating and mandating worldwide sustainability policies, and deploying a global sustainability management system.

In 2010, the ASML Board of Management decided to expand the Sustainability Board and established a new Corporate Sustainability department to coordinate and execute sustainability policies. Following the publication of the Sustainability Report 2009 on March 19 2010, the Sustainability Board met formally twice in 2010. These meetings focused on defining the renewed mandate, installing the sustainability dashboard and roadmap, assigning responsibilities throughout the ASML organization and calling for the execution of various analysis and action plans. From 2011 on, the Sustainability Board will meet at least four times a year. The composition of the Sustainability Board is presented in table 4.

The Board of Management has given the Sustainability Board a mandate to:

- review and recommend sustainability policies and management systems.
- authorize plans or make recommendations to the Board of Management.
- guide management on objectives and targets
- provide oversight and guidance on sustainability performance and targets.
- oversee sustainability risk management reviews
- monitor stakeholder relations.
- review major business decisions for their sustainability impact and make recommendations.

The Sustainability Board also determines the scope, provides input, and recommends board adoption of this sustainability report. All ASML sectors involved in executing our sustainability roadmap are closely monitored by the Sustainability Board.

Sustainability achievements in 2010

In 2010, the Sustainability Board developed and deployed a sustainability policy and roadmap, leading to multi-year programs and specific improvement projects. This resulted in a wide range of results and improvements including:

Sustainable operations

- Increased management attention to safety issue management, contributing to the Lost Time Accident rate falling by more than 50%.
- Implementation of energy-saving measures in the new cleanroom 5D in Veldhoven, reducing future local CO₂ intensity.
- Implement a cogeneration plant in Wilton, USA, when fully operational in 2011, making power generation more efficient and reducing targeted future local CO₂ intensity by 19%.
- Implementation of a CO₂ reduction plan in Linkou, Taiwan, improving energy efficiency and reducing targeted future local CO₂ intensity by 34%.
- A decision to re-use 50% of sulphuric acid in Veldhoven, reducing the volume of hazardous waste.

Table 4	Sustainability Management	Sustainable Operations	Sustainable Products	Sustainable Supply Chain	Sustainable Culture
	Chairman (COO) Secretariat (Corporate Sustainability)	Manufacturing & Logistics Wilton USA Linkou Taiwan IT	System Engineering	Quality & Process Improvement Sourcing Sales Customer Support	Human Resources & Organization Communications

Sustainable products

- A quick-scan Life Cycle Analysis of the TWINSCAN NXT:1950i.
- First shipment of NXE 3100 to customer, enabling long term continuous shrink and reduction energy use per bit.
- Highest R&D spend per employee for companies with more than 5,000 employees in Europe.

Sustainable value chain

- Establishing an improved supplier sustainability review, aiming to ensure proper environmental and social behavior of our suppliers.
- Application for membership of the Electronic Industry Citizenship Coalition, developers of the international standard Code of Conduct for sustainable supply chains.

Sustainable culture

- Execution of three worldwide improvement programs to increase employee satisfaction and productivity.
- Hosting 104 interns in 2010, 38% more than in 2009, expanding ASML's capacity to attract and retain highly qualified talent.

Sustainability roadmap

The Sustainability Board has adopted a roadmap through 2015 that will enable ASML to reach all of its targets and measure performance on its main KPIs. This roadmap consists of several action plans for our four strategic domains.

Sustainable operations

- Increased management attention to safety issue management, contributing to the Lost Time Accident rate falling by more than 50%.
- Implementation of energy-saving measures in the new cleanroom 5D in Veldhoven, reducing future local CO₂ intensity.

- Implement a cogeneration plant in Wilton, USA in 2011, making power generation more efficient and reducing targeted future local CO₂ intensity by 19%.
- Implementation of a CO₂ reduction plan in Linkou, Taiwan, improving energy efficiency and reducing targeted future local CO₂ intensity by 34%.
- A decision to re-use 50% of sulphuric acid in Veldhoven, reducing the volume of hazardous waste.

Sustainable products

- Upgrade the TWINSCAN NXT platform, that will in 2012 reduce the energy consumption to expose one wafer with 10%.
- Implementing a number of energy saving measures in our existing development activities of our machines.
- Develop and execute product safety improvement plans.

Sustainable value chain

- Implement and execute our improved supplier sustainability review from 45 to 200 suppliers.
- Be an active applicant member in the EICC with a view to gaining full membership in 2012.
- Non Product Related Supplier Strategy will be set and implemented.

Sustainable culture

- Increase the number of university internships from 104 to 200 in 2012.
- Conduct a new 'me@ASML' employee survey, to verify the effectiveness of measures taken in 2010.
- Update worldwide strategy on community involvement.
- Increase employee awareness of our Code of Conduct.
- Develop campus and mobility roadmap in Veldhoven.

Risk management and business continuity

No major or moderate sustainability risks that would require changes to ASML's sustainability strategy and targets (such as climate change risks) were identified in

2010. Our internal risk management and control system is based on identifying external and internal risk factors that could influence our operational and financial objectives. It contains a system of monitoring, reporting and operational reviews. All material risk management activities are discussed with the Audit Committee and Supervisory Board. Major risk factors – including those specific to the semiconductor industry, ASML or its shares – are disclosed in our annual reports. These risks include, but are not limited to: economic conditions, product demand and semiconductor equipment industry capacity, worldwide demand and manufacturing capacity utilization for semiconductors, manufacturing efficiencies, new product development, customer acceptance of new products and reliance on a limited number of key component suppliers.

The ASML Board of Management and senior management conduct an annual review of key strategic risks and define mitigating actions. This risk review is based on the 'ASML Risk Universe' – a framework of formal risk definitions, including sustainability issues such as environmental risks and Health and Safety. The results of the review and progress updates are reported to the Audit Committee.

To ensure we meet our long-term commitment to customers, we introduced business continuity procedures in 2006, including emergency response plans for all ASML locations. As a result of the 2008 annual risk review conducted with the Board of Management, a Corporate Business Continuity Policy was formalized in 2009. In 2010, we developed a Corporate Business Continuity Manual that focuses on corporate-wide preventive measures and responses to loss of critical resources. Our existing detailed business recovery plans for manufacturing sites will be reviewed in 2011 to ensure contingency scenarios are in place. Business continuity is also explicitly addressed in our supply chain risk management process.

Sustainable operations

Our objective is to ensure that our employees' working conditions are safe and healthy. In addition, we continuously improve the environmental performance of our operations by developing new initiatives to prevent or reduce harmful emissions to air, soil and water.

To achieve these objectives, we have focused our sustainability activities on three areas:

- Environment.
- Safety.
- Sustainable IT.

Environment

Environmental Management is fully integrated into our business planning and decision-making by setting internal targets and monitoring environmental performance on an ongoing basis. These targets drive our activities in the areas of energy management, noise level management, soil risk management and transportation management, as well as improved training and communication on environmental matters.

ASML's environmental management system is covered by an ISO 14001 certificate. This encompasses all

worldwide activities and locations, including marketing, design, sales, installation, product support and manufacturing of wafer steppers, scanners, optics and customized lithographic equipment. Our manufacturing location in Linkou, Taiwan, was included in the scope of our ISO 14001 certificate in 2010.

We adopt new technologies and operating procedures to improve environmental performance. ASML is subject to environmental regulations in areas such as energy resource management, the use, storage, discharge and disposal of hazardous substances, recycling, clean air, water protection and waste disposal. We have taken measures to comply with these regulations in the course of our business operations.

ASML conducts centrally coordinated audits, followed by corrective actions. Based on a recent management review, Management of ASML declares that the world wide Environmental Management System of ASML complies with the basic requirements of ISO 14001:2004.

We also undergo external audits conducted by recognized certification bodies (within the scope of our environmental management system). In 2010, BSI Global performed new ISO 14001 surveillance audits at several ASML locations, concluding that in general the areas

assessed during the course of the audit were found to be effective. No non-compliances were found and only 6 minor administrative non-conformities were identified.

ASML has all the necessary environmental and safety permits for its buildings and operations at all locations. These permits are maintained, updated and checked for compliance in consultation with local authorities. In 2010 periodical compliance visits were conducted by local authorities. We remain fully compliant with legal requirements and received no fines for environmental or health and safety issues in 2010.

Energy use and CO₂ emissions

For all ASML production sites total energy use increased with 88 TJ (10.8%) from 2009. The company's worldwide electricity consumption increased by 8%, and fuel use rose by 15% percent. The relatively modest increase of energy use compared to the significant increase of sales (182%) is explained by largely fixed energy consumption of our cleanrooms such as air conditioning, water purification as well as machine and laser cooling.

In calculating CO₂ emissions from fuels and electricity purchased, we have used up-to-date emission factors per production site. Our global scope 1 and 2 CO₂ emissions rose by 2,9 metric tons (3,5%). The difference

Table 5	Energy use and CO ₂ emissions target Indicator	2008	2009	2010	Target 2011	Target 2015
	CO ₂ emissions (x10 ⁶ kg)	78.4	82.5	85.4	77 (-10%)	43 (- 50%)

Table 6	General indicators	2008	2009	2010
	Fuels purchased (TJ)	316	317	365
	Electricity purchased (TJ)	459	498	538
	Total energy used (TJ) ²¹	775	815	903

²¹ From 2010, fuel and electricity figures for ASML in The Netherlands are derived from invoices. This is an improvement on the local, uncorrected for pressure and temperature meter-derived figures used previously. The 2008 and 2009 figures have been adjusted for consistency. Fuels used by ASML include natural gas, fuel oil, propane and hydrogen.

Table 7	Waste target indicator	2008	2009	2010	Target 2010	Target 2011	Target 2015
	Non-hazardous waste Veldhoven (%) ²²	62	52	55	n/a	65	90
	Hazardous waste Veldhoven (%)	73	79	77	n/a	80	80

Table 8	General indicators	2008	2009	2010
	Total waste materials (x 1,000 kg)	1,103	796	1,216
	...of which non-hazardous waste materials (x 1,000 kg)	950	675	1,068
	...of which hazardous waste materials (x 1,000 kg)	153	121	148

²² Veldhoven hazardous and non hazardous waste accounts for >94% of ASML's world-wide hazardous and non hazardous waste generation.

between energy use and CO₂ emissions is due to a lower CO₂ emissions factor for our Veldhoven site (0.439 kg/kWh vs 0.482 kg/kWh), as derived from the local electricity supplier.

Before any investment in new buildings or equipment, ASML performs an environmental assessment that includes energy use. ASML has a strong preference for the most energy efficient equipment when refurbishing or changing an installation. We also review the energy consumption of our installations on a regular basis.

ASML aims to halve its scope 1 and 2 CO₂ emissions by 2015 compared with 2010.

Our strategy to achieve this goal is built on two pillars:

1. While the absolute energy consumption of our operations is expected to rise (due to our new TWINSCAN NXE lithography machine, which we build and test in two new cleanrooms in Veldhoven), we plan to increase the energy efficiency of all our sites. Our objective is to save 10% of energy consumption by 2015, compared with 2010 and based on the 2010 output and product mix.
- Such a plan is already underway in Wilton, Ct., where we implement a cogeneration facility that will

make power generation more efficient and reduce targeted future local CO₂ intensity by 19%, as well as in Linkou, Taiwan, where we will reduce targeted future CO₂ intensity by 34%.

- In Veldhoven, we have already taken appropriate measures while building our new cleanroom 5D. We will also develop a new energy master plan for the 2011-2015 period.
2. The remaining part of the target will be covered by purchasing green power world wide, which will reduce the gross CO₂ footprint of the company (scope 1 and 2) independent of size and product mix. We will begin in 2011 by purchasing green power for 50% of the electricity needs of the Veldhoven campus.

Waste

We strive to minimize waste and use materials with maximum efficiency throughout our operations. Our facilities in Veldhoven, Wilton, Tempe and Linkou operate waste management plans to prevent waste, expand internal materials re-use and promote recycling. In addition, shipping materials are returned to the company for re-use.

The total amount of waste across ASML increased by 420 metric tons or 53% in 2010, mainly because we

manufactured and sold many more systems (197 compared with 70 in 2009). The non-hazardous waste increase compared to 2009 (58%) was due to an increase in production-related waste, mainly steel. The hazardous waste increase compared to 2009 (22%) is related to increased testing. 94% of all ASML waste material is disposed from our Veldhoven site.

Recycling of non-hazardous waste rose by 3 percentage points in 2010 compared to 2009, also due to the increase in production-related waste, which is easily recyclable. Hazardous waste recycling fell by 2 percentage points compared to 2009, due to the relatively high increase of non-recyclable resist waste, caused by increased testing. ASML will conduct an analysis in 2011 to determine the technical feasibility of recycling resist waste.

In 2010 approximately 74 tons of sulphuric acid has been disposed to our external waste hauling company for recycling. In 2010, ASML developed a plan aiming to re-use approximately 50% of sulphuric acid (based on 2010 disposed amounts). In 2011, we will develop and execute a worldwide waste reduction and recycling program to reach our targets of recycling 90% of non-hazardous waste and 80% of hazardous waste.

Water

ASML's water use declined by 1% in 2010. The closure of our Tempe cleanroom offset increases of 3.8% and 9.6% in Veldhoven and Linkou, which were caused by increased production.

In our 2009 sustainability report, we made a commitment to recycle more water. This remains our ambition for 2011 and beyond. In 2011, we will develop and execute a worldwide program to increase the water use efficiency in offices and industrial operations.

Other environmental aspects

Emissions to air

ASML Netherlands B.V. has held a NO_x emissions trading permit since 2009. This requires us to monitor, measure, register, verify and report our NO_x emissions. ASML Netherlands B.V. submitted its first NO_x emissions annual report in 2009. In 2010, our NO_x emissions increased to 45.2 metric tons from 39.2 metric tons in 2009.

In accordance with legal requirements, we measure and record emissions of ozone-depleting substances (e.g. CFCs). These logbooks are subject to internal audits.

Biodiversity

Industrial activities and buildings in the Netherlands are regulated by zoning plans. These plans cover environmental aspects such as soil protection, noise impact and geo-hydrological situations as well as archaeology and cultural history, flora, fauna and local air quality. ASML complies with the restrictions of the zoning plan.

- ASML's Veldhoven site has a low indicative archaeological value.
- ASML's Veldhoven site has a high groundwater level that is controlled via a drainage system connected to surrounding surface water ditches.

Table 9

Water general indicators	2008	2009	2010
Water use (1000 m ³)	681	692	686

- No protected or threatened flora has been found on our Veldhoven site. Some protected animals may be found, but ASML's activities in Veldhoven have no negative influence on the continuity of existence of these animals.

Chemicals and hazardous materials

In 2010, ASML started installing a liquid hydrogen tank in Veldhoven, to be operational in Q1 2011. The Safety Review Board evaluated all relevant installations, procedures and measurements. Emergency response plans and procedures will be updated in 2011 to take account of the new tank, and emergency drills will be held with the local fire brigade.

In constructing our systems, we mainly use non-hazardous materials such as metals, glass and modest amounts of plastics and wiring. Machines are tested by processing wafers as if in a real semiconductor factory, using various chemicals for coating and developing. Our systems use extra clean dry air (XCDA) and inert gases such as nitrogen, xenon, neon and helium for rinsing and conditioning, and hydrogen for cleaning. The use of all these gases and chemicals is monitored daily.

Environmental incidents

In 2010, two minor environmental incidents occurred in Wilton (oil spills from cars) and four minor environmental incidents occurred in Veldhoven (three gas leaks and we exceeded a water discharge limit). Local authorities were notified immediately, and decided no follow-up action was needed. No fines were levied and there was no significant impact on the environment.

Safety

ASML aims to provide safe and healthy working conditions for its employees, customers (through safe products) and suppliers (through our supply chain policy). At our manufacturing sites (Veldhoven, Linkou, Wilton), formal health and safety committees comprising management and employee representatives supervise health and safety programs. Our manufacturing sites hold monthly Safety Committee meetings to discuss various safety issues, listen to suggestions and follow up on safety initiatives.

We monitor international developments in health and safety management systems and integrate common elements into our own Health and Safety Management Systems. These include the health and safety portion of the sustainability policy and the corresponding policy manual, audits, training, standard procedures and reporting systems. Every ASML site shares its insight and experiences, allowing best practices and procedures to be adopted worldwide.

ASML campuses and our customers' facilities are industrial sites, with risks that need to be identified and tackled. We identify risks by systematically analyzing every near miss, incident and accident involving our sites or products and by performing regular audits and holding preventive, systematic reviews of risks associated with our products and working environment.

ASML conducts annual assessments, followed by corrective actions and periodic management reviews, to ensure our health and safety procedures operate effectively and efficiently. These health and safety assessments are included in our internal audits.

Table 10	Occupational accidents target Indicator	2008	2009	2010	Target 2011	Target 2015
	Employee Safety Accident Rate	0.29	0.33	0.14	- 25%	< 0.10

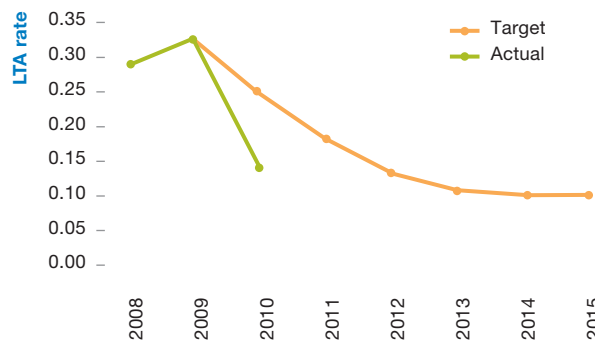
Table 11	General indicators	2008	2009	2010
	Number of accidents resulting in injury	60	53	57
	... of which lost-time accidents	17	20	10

Occupational accidents

We track all occupational accidents involving injury or illness. Although our workforce expanded in 2010 with over 1500 FTE, the number of occupational accidents resulting in injury was fairly stable. However, the accidents that occurred were less serious, as can be seen by the 50% reduction in accidents with lost time (an accident where an employee has to miss the next work day). ASML also tracks the lost-time accident ratio, and any additional accident types required by local legislation (e.g. OSHA in USA).

Our target lost-time accident ratio for 2010 was 0.25 (25% less than in 2009). We actually achieved a considerably better ratio of just 0.14. This was due to an expanded effort to analyze and follow-up near misses and accidents that did not result in personal injuries, and increased awareness for safety issues driven by the Board of Management. Our medium-term targets are shown in the graph above. We do aim to consolidate any improvement that beats the target, such as in 2010.

Our ultimate goal is zero lost-time accidents. We are pursuing that through a number of initiatives to reduce the lost-time accident rate. These will be strengthened further in a worldwide safety improvement program, which we will develop and start executing in 2011.



Graph 2 Lost Time Accident Rate:
Targets 2010 - 2015 & Actuals

Safety issue reporting

ASML aims to minimize safety incidents and accidents related to its products and way of working. To do so, we use a safety issue reporting and management process that provides detailed insight into the root causes of near misses, incidents and accidents and allows us to take appropriate actions to eliminate them.

In 2010, we introduced new safety issue reporting and follow-up targets for line management. Incidents involving injury or large material damage must be reported to the Chief Operations Officer within 24 hours and an initial root cause analysis completed within 2 weeks. Employees are also encouraged to report near misses.

In 2011, ASML will enhance this safety issue management process by:

- Rolling out a worldwide reporting tool.
- Defining, simplifying and monitoring indicators that contribute to improving the safety performance of our products and operations.
- Further align our local safety management systems and practices into one worldwide health and safety management system.

Emergency Response Teams

ASML provides EHS training for all employees, teaching them how to respond to emergencies such as fires and earthquakes. We've also established designated Emergency Response Teams (ERTs) to assist and lead other employees during dangerous situations. These teams are specially trained in first aid, building evacuations and firefighting.

For example, the Veldhoven ERT consists of 150 people. Members receive annual training and certification to act in the event of an incident. They can provide first aid, use an automatic external defibrillator and perform resuscitation. In addition, we have updated the emergency response plan for ASML Netherlands B.V, which was originally developed and implemented in 2008. The update features more detailed information on our buildings, and was necessitated by the construction of new buildings and an increase in our use of hydrogen.

Trainings

ASML provides computer-based EHS training for all employees via our Online Academy. Two courses are available: a general course for all employees and a specific course for people with technical jobs including those in cleanrooms.

2380 employees completed our general EHS training in 2010, up from 1048 in 2009. In addition, 1986 employees completed the specific EHS training, compared with 906 in 2009. These increases are due mainly to the large number of new employees recruited in 2010. Since the computer-based courses were introduced, 9544 employees have successfully completed the general training and 8417 have successfully completed the specific training.

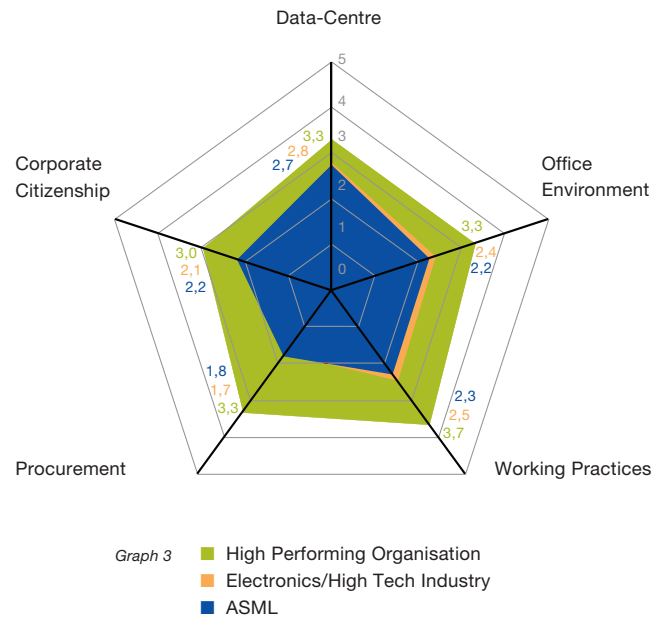
Safety Review Board

Our Safety Review Board manages new risks related to the introduction of hydrogen in our NXE systems. Board members are drawn from many different disciplines including System Development, Facility Management, EHS and Customer Support.

ASML can only use hydrogen in an installation (including an NXE system) once the Board has reviewed the design specification and procedures for that installation. In 2010, the Board reviewed several different NXE configurations and a new trailer-based hydrogen supply system for our factory. A new supply, using liquid hydrogen, was under investigation at the end of 2010. The Safety Review Board's role was also introduced to customers to ensure the safety of NXE systems.

Sustainable IT

ASML works continuously on its IT infrastructure to reduce our environmental impact and enable all our operations to improve their productivity. One example is the BRES service (Basic Remote Equipment Support). This remote control service connects ASML machines



at customer sites to the ASML intranet in a secure way, reducing travel (and hence CO₂ emissions) for our Customer Services engineers, while improving their work/life balance and real-time system control. Four additional customer locations were added to the BRES infrastructure in 2010. The total amount of connected ASML machines grew with more than 150 machines. That brings the total of connected machines to well over 1,000.

In 2010, we contracted an external expert (Accenture) to assess the sustainability of our IT. Using the Green Maturity Model as depicted in graph 3, our performance was benchmarked against the high tech industry standard in five domains: data center, office environment, working practices, procurement and corporate citizenship. Our IT scored 2.2 out of 5. By comparison, the industry average is 2.3, with high performers scoring an average of 3.3. The assessment identified several opportunities for improvement in each area.

We have developed a sustainable IT roadmap, which we will implement in 2011 and beyond. One element is the construction of a new data center in Veldhoven based on more environmentally-friendly principles with a more efficient cooling system, reducing the overall electricity demand. The new data center will be completed in the second quarter of 2011.

Sustainable products

Our objective is to continuously minimize the ecological footprint of our products by enabling shrink of semi-conductors through a sustained level of investments in R&D. We also aim to guarantee the safety performance of our products and auxiliary equipment through appropriate design. To achieve these objectives, we have focused our sustainability activities on three areas:

- Environmental impact of our machines.
- Product safety.
- Innovation management.

Environmental impact of our machines

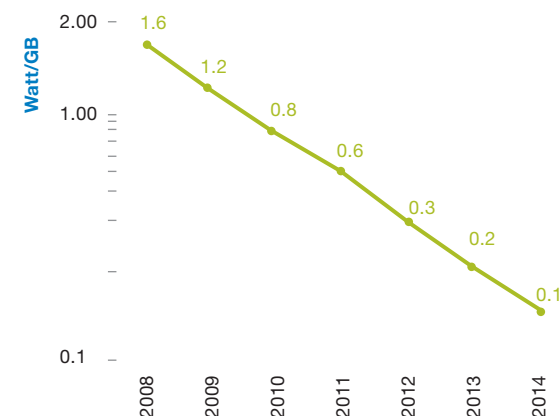
The environmental impact of ASML's machines has three broad aspects:

1. How ASML machines help to make chips more energy efficient through 'shrink' technology
2. How ASML machines help to produce more transistors per unit of energy
3. How much energy and what kind of materials are used by ASML machines.

Shrink – reducing the energy consumption of chips

ASML indirectly contributes to a huge effort to improve the energy and material efficiency of electronics by driving the miniaturization of semiconductors (a trend known in the industry as 'shrink'). Our machines allow chip makers to image finer structures on silicon wafers, boosting computing power or memory capacity per chip while keeping costs roughly stable. This trend to smaller features – and hence more transistors per chip – is referred to as 'Moore's Law' after Intel co-founder Gordon Moore. Moore's Law, which predicts that the number of transistors per chip doubles roughly every two years, has held for over 40 years.

ASML's R&D program focuses on extending Moore's Law. Using our machines, chip makers will continue to make chips smaller, faster and more energy efficient, leading to new semiconductor applications. As the graph 4 shows, the typical power consumption of state-of-the-art DRAM memory of one of our customers is falling year by year, from 1.6 Watt/GB in 2008 to 0.8 Watt/GB in 2010. Our feature shrink roadmap will enable further DRAM power consumption reduction to a predicted 0.2 Watt/GB in 2015.



Graph 4 Power use 1GB DRAM

Shrink and throughput – reducing customers' energy use

The following graph 7 shows how the energy needed to produce one computational logic bit falls as the manufacturing node shrinks (28 – 20 – 14 nm)²⁶. The graph assumes that state-of-the-art lithography equipment is used in a cost-optimized production strategy. It also shows that, although the much more energy-consuming NXE system is introduced at 20 nm and used exclusively at 14 nm, the total fab energy needed to produce one memory cell still falls rapidly with feature size.

Table 12		Environmental impact of our machines target indicator	2008	2009	2010	Target 2011	Target 2015
		Customer energy use (nWh/Bit) ²³	71	49	31	25	10
		Machine energy efficiency - NXT (kWh/wafer)			0.45	n/a	2012
		Machine energy efficiency - NXE (kWh/wafer) ²⁴				9.0	0.41 (-10%) 4.5 (-50%)
Table 13		General indicators	2008	2009	2010		
		Power consumption of 1 GB DRAM (Watt) ²⁵	1.6	1.2	0.8		

²³ This indicator was introduced in 2010, reflecting the effect of shrink on energy our customers need to produce one NAND memory cell.

²⁴ This indicator was introduced in 2010. Specific measures to achieve 2015 objective are identified on page 18: 'total system energy use'.

²⁵ Samsung, July 2010

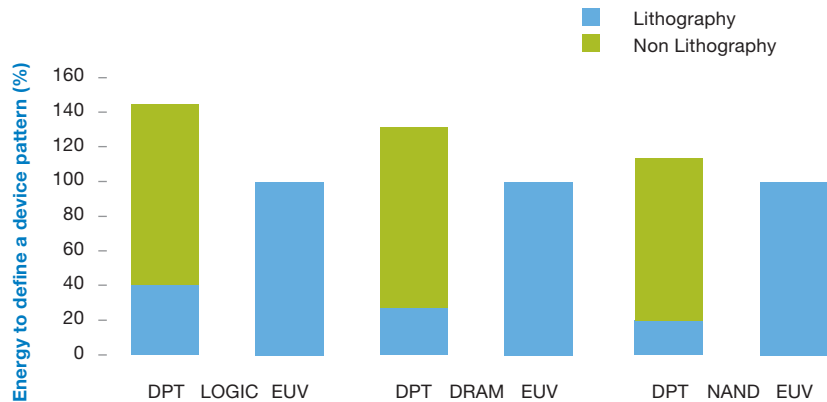
²⁶ Source: ASML

The same trend is visible when looking at how the total energy needed to produce one NAND memory cell, see graph 6. The continuing fall in energy use is a result of ASML's technology to reduce feature sizes and improve system throughput. We aim to continue this trend, and have set targets to improve energy efficiency of chips through shrink by 20% per year.

When creating structures of 20 nm resolution and smaller, the introduction of our EUV tool for high-volume production, the NXE:3300B, will have beneficial impacts on energy use of our customers when compared to creating structures with another production strategy. This effect is shown for three different markets (Logic, NAND and DRAM); see graph 5²⁷. Considering the crucial production step, the definition of a pattern on a superficial layer, it shows that one single EUV exposure requires relatively less energy than producing the same pattern with Double Patterning (DPT) because that requires additional process steps.

Energy use machines – throughput improvements

The direct energy consumption of lithography systems can also be measured in energy per cm² of wafer. This



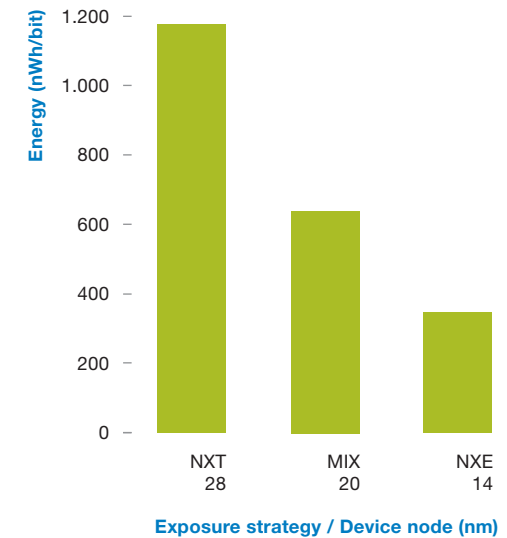
Graph 5

measurement disregards the enormous value-add through 'shrink' technologies, yet it is nevertheless used to scope the overall energy consumption of a chip factory. Within each family of systems, we continuously improve this figure, mainly by increasing system throughput, see graph 8²⁸. An update to our TWINSCAN NXT:1950i will boost throughput from 150 to 200 wafers per hour. This will reduce the energy required to exposure a wafer by approximately 10%.

Total system energy use

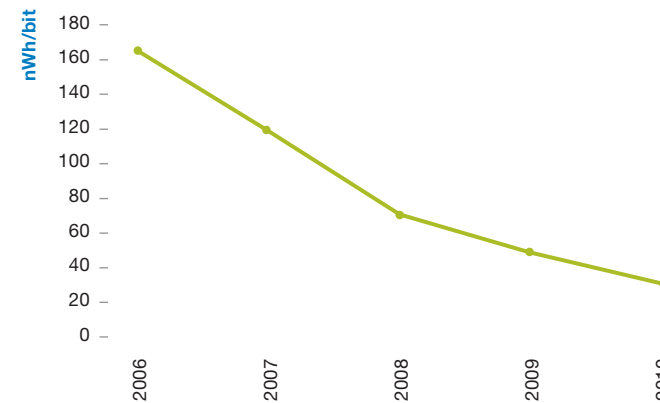
Until 2007, our machines consumed relatively little energy compared to other machinery in the semiconductor industry. The AT and XT systems typically consumed 40-50 kW in full operation. Our recently released NXT machines consume 70 kW per system, mainly due to their more advanced mechatronic positioning system with higher throughput potential.

In 2010, we shipped our first NXE:3100 system to one of our customers. This radically new generation of machines enables our customers to continue Moore's Law for the next decade, reducing the future energy use per bit. The TWINSCAN NXE platform makes a



Graph 7 LOGIC

radical jump in imaging wavelength, jumping from 193 nanometers (nm) to 13.5 nm, so-called extreme ultraviolet (EUV) light. Generating EUV light requires a new light source technology, which for fundamental physical reasons is very energy-intensive. As a result, the power consumption of our earliest NXE systems



Graph 6 Energy needed to produce NAND cell. Source: ASML

²⁷ Source: ASML
²⁸ Source: ASML



Graph 8

will be around 600 kW. One of our main R&D challenges over the coming years is to improve the energy efficiency of the NXE system by improving the energy efficiency of the light source and improving productivity (increasing throughput).

In designing and developing new lithography machines and modules, ASML strives to implement the most up-to-date technologies. This often means more energy efficient alternatives. We also aim to reduce the energy consumption of various components (including pumps, electronics and mechatronic systems) to reduce heat dissipation which can impair system performance. Specific measures we will most likely take next years to further improve the energy efficiency of our machines are amongst others direct cooling of the source, elimination of the abatement system to process hydrogen, and a reduction of vacuum pumps.

Environmental product design

In 2010, with the help of external specialist PE International, ASML performed a quick-scan Life Cycle Analysis (LCA) on one of our newest machines, the TWINSCAN NXT:1950i. This analysis looked at the machine's energy consumption throughout its life cycle, transporting the machine, the energy used during manufacture, the environmental impact of mechanical and electrical components and the end-of-life treatment. This was a quick-scan analysis and thus does not supply the same level of detail as a full LCA. However, it clearly showed that the energy used by an NXT:1950i in operation is the system's main environmental impact – much larger than all the other aspects combined. This was confirmed by PE International's parallel analysis of ASML's scope 3 CO₂ emissions. Here too, the energy used by our machines in operation was the largest contribution.

It's our policy to prevent the use of hazardous and polluting materials inside our products. We are actively involved in SEMI's activities on RoHS (Reduction of Hazardous Substances) and REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) legislation, which focuses on reducing or eliminating hazardous substances and achieve visibility of substances of very high concern (SVHCs) in electronic equipment.

On REACH, a SEMI working group is analyzing all proposed new SVHCs to see how they are used in the semiconductor industry or how they may be used in parts. To date, no substances that might affect ASML products have been identified. In 2011, we will start a project to investigate the use and reduction of hazardous substances in our new machines at 2015, and achieve visibility on the use of SVHCs.

Product Safety

Safety throughout a product's lifetime is a priority. Product safety precautions are part of our product development process, and safety measures are built into systems from the earliest design stage. Where equipment hazards can't be designed out, safeguards are incorporated into the machine to ensure no single system failure or operator error can endanger the operator, facility or environment. We monitor all product-related accidents at client sites. A product-related lost-time accident is an accident related to one of our products which results in lost work hours. In 2010, only one product-related lost-time accident occurred at a client site.

We also track safety issues at client sites. These are defined as product-related near misses, incidents that cause material or environmental damage and accidents. All reported issues are analyzed to determine the root cause, and feedback provided to prevent repeats. In total, 12 product safety issues were reported at client sites in 2010 of which 2 were involving a small injury and 1 resulted in lost work days of the victim due to a broken finger.

Our product-safety goal for 2011 is no more than two product-related lost-time accidents. During 2011, we will develop a new target for 2015 that is better suited

to reduce the total number of product-safety incidents. We will also create a comprehensive prevention plan based on root-cause analysis.

Our product safety standards include applicable regional regulations and the SEMI S2 Safety Guidelines for Semiconductor Manufacturing Equipment. SEMI S2 reviews of our equipment are performed by external assessors. These reviews address chemical, radiation, electrical, physical, mechanical and environmental hazards, as well as fires, explosions, earthquake protection, ventilation, exhaust and ergonomics. In 2010, reviews were performed on our TWINSCAN NXE:3100 lithography system and YieldStar S200 wafer metrology tool. In addition, the reviews for the TWINSCAN XT and NXT systems were updated following the introduction of the FlexRay programmable illuminator and FlexRay lens control option. The most important product safety topic in 2010 was the introduction of the TWINSCAN NXE platform. The first of these systems was shipped, and our product safety team worked with the customer on hazard evaluation and mitigation related to the new system. For this, we held workshops with the customer on topics including:

- Introduction to the safety aspects of the NXE:3100
- Safety aspects related to the system's hydrogen use
- An integrated safety risk assessment with all involved parties (customer, ASML, light-source supplier, abatement supplier and other parties).

We are also offering help with the final safety integration of the complete NXE into the customer's production set up.

Innovation

The semiconductor industry is subject to rapid technological change. To maintain our competitive position, ASML must continually develop new and enhanced systems in a timely manner. Consequently, we have always devoted a significant portion of our financial resources to R&D and expect to continue this trend. Moreover, we have established sophisticated development centers in the Netherlands, the United States and Taiwan. In 2010, we focused our R&D investment on three core programs: immersion, double patterning

Table 16

Company (> 5,000 employees)	R&D per employee (€)
ASML (semiconductors)	77,500
UCB (pharma)	72,300
Lundbeck (pharma)	71,700
Porsche (automotive)	58,100
UBIsoft Entertainment (software)	54,400
Boehringer Ingelheim (pharma)	53,300
AstraZeneca (pharma)	48,400
Sanofi-Aventis (pharma)	43,600
GlaxoSmithKline (pharma)	41,300
Merck (pharma)	40,900

Table 14

Product Safety target indicator	2008	2009	2010	Target 2011	Target 2015
Product Safety Accidents	1	2	1	≤2	t.b.d.

Table 15

Innovation general indicators ASML	2008	2009	2010
R&D investments (millions of euros)	534	495	552

and EUV. All three programs are crucial to ASML sustaining a competitive advantage. Compared to other European companies with more than 5,000 employees, ASML was the largest R&D investor per employee in 2009²⁹. In 2010, we received 29.5 million euros in grants to support our R&D effort, mainly from the Dutch Government, and also 1 million euros from the European Commission.

Networking – Open Innovation

ASML is at the heart of a cooperative knowledge network that expands capabilities for all involved. Through contacts with universities and institutes worldwide, we gain knowledge and generate new ideas. For instance, we're working with the Technical University of Eindhoven and FOM Rijnhuizen in the Netherlands and ISAN in Russia on improving EUV light sources. In China we are collaborating with Tsinghua University on MEMS (micro-electro-mechanical systems). We also support two professorships and 16 PhD students in the Netherlands.

Furthermore, we work with universities and research institutes on specific product development projects. Such industry-science interaction poses new research challenges for universities while helping companies to develop technical applications. This cross-fertilization makes development faster and ASML and its research partners stronger.

Technology partners in our supply chain (e.g. Carl Zeiss SMT, Heidenhain GmbH and Cymer) carry out their own R&D related to our products as well. We estimate that the total ASML-related R&D effort of our supply chain is in excess of 200 million euros per year.

²⁹ European Commission data, 2011

Sustainable value chain

Our objective is to continuously improve the sustainability performance of our value chain by securing upstream environmental and social conditions in our supply chain, and cooperating downstream with our customers to streamline our operations and positively influence their impact on environment and society. To achieve this objective, we have focused our sustainability activities on four areas:

- Supply chain.
- Customer relations.
- Closing the material loop.

Supply chain

The majority of the components and modules of our lithography systems is developed and manufactured by suppliers all over the world. In 2010, we spent 3.4 billion euros on goods and services from over 4,800 suppliers, up from 1.3 billion euros in 2009. With these suppliers, we jointly operate a formal strategy known as 'Value Sourcing', which aims to continuously improve quality, logistics, technology and total cost. Value Sourcing helps us maintain a world-class, globally competitive and globally present supply base.

Our Value Sourcing strategy is based on the following strategic principles:

- Our supply chain accepts our customers' requirements and adapts to suit changing customer and market needs

- Long-term relationships ensure technology and business competences are developed rapidly and maintained
- Risks and rewards are shared with our suppliers.

In recent years, ASML has worked closely with key suppliers to improve their competence in developing products and production processes. This enables us to virtually integrate suppliers in the entire product life cycle, from feasibility to last time buy. For designs that are crucial for sustainability performance, ASML plays a more explicit director role in setting targets in contracts. We expect our suppliers to take the lead in improving sustainability for current production modules and parts.

During 2010, we carried out a risk assessment to identify business risks in our supply chain. The assessment looked at three main areas: intellectual property management, supply base risk and supplier risk including, amongst other things, sustainability (Environment, Health & Safety and Corporate Social Responsibility). 233 output-critical suppliers were assessed, covering the vast majority of our output-critical spend. Results were reported to ASML's senior management, who provided guidance on risk mitigation actions. One supplier that was found to be not compliant with the sustainability criteria was removed from our preferred supply base.

To gain commitment from senior management within our supply base, we have also been actively pursuing formal compliance with ASML sustainability requirements at 45 product-related key suppliers. All these suppliers,

who together accounted for 84% of our total 2010 product-related spend, have formally committed to these requirements. ASML is committed to extend in 2011 the formal compliance towards 200 of its product-related suppliers, chemicals suppliers and those in regions where human and workers' rights are potentially at risk. In addition, ASML's Sustainability Strategy for non-product related suppliers will be set in 2011 and will be implemented accordingly.

Strengthening our sustainability requirements in the supply chain

In the second half of 2010, ASML carried out a project to further strengthen its sustainability approach to suppliers. This highlighted a need to adopt an international standard for managing sustainability at suppliers. We have decided to adopt the Electronics Industry Citizenship Coalition (EICC) Code of Conduct and have committed to rolling this out across our supply chain. Consequently, we have applied for applicant membership of the EICC and have aligned our supplier Code of Conduct with the EICC Code of Conduct.

Based on the EICC code of conduct's five risk areas (environment, health and safety, labor ethics, business ethics and management systems), we have enhanced our supply chain risk management and supplier management tools, which now cover all aspects of these five areas. The code of conduct makes clear to suppliers what ASML and the market expects, encouraging them to further embed and improve sustainability in their company and supply chain.

Table 17	Sustainable value Chain Target Indicator	2008	2009	2010	Target 2011	Target 2015
	EICC compliant suppliers	0	39	45	200 (91%)	275 (99%)

Our assessment of our suppliers' performance may trigger an audit focused on sustainability or lead to a corrective action plan to achieve the required level of compliance. The supplier audit program has been adjusted, and improved tools were developed to enable strict follow up on audit results.

Customer relations

ASML aims to build long-term relationships with our customers by supplying the right products at the right time and delivering excellent service. Through 2010, all of the worldwide top 10 chip makers by semiconductor capital expenditure were ASML customers. We also have a significant share among customers outside the top 10, and strive for continued business growth with all our customers. In 2010, we derived 80.5% of net sales from Asia, 15% from the United States and 4.5% from Europe.

With high-value products such as ours, customers expect high-quality support that is tailored to their specific needs. Our support offering includes service engineers to ensure the highest system performance, and applications specialists who support optimal (system) processing and new product implementation. Our goal is to minimize cost of ownership and maximize profits for our customers.

Like ASML, our customers are increasingly interested in sustainability and are actively driving change in the semiconductor value chain. Consequently, we work closely with customers to realize sustainability ambitions throughout the value chain.

Customer satisfaction

Customer satisfaction is a critical objective for ASML. In 2010, as in previous years, we carried out a customer satisfaction survey as part of regional technical symposia in China, Japan, Korea, Singapore, Taiwan and the USA. Representatives from all our key customers participated.

Customers were asked to rank our products and services. The final scores are used by ASML internally to continuously improve customer relations.

Our commitment to customer satisfaction was also recognized when we were once again included in the VLSI Research top 10 customer satisfaction rankings for large suppliers of semiconductor equipment. VLSI Research is an independent industry research firm. Covering 95% of the global semiconductor market, its annual customer satisfaction survey gives chip makers the chance to evaluate suppliers on equipment performance and customer service.

Logistics

Although ASML does not set explicit targets for reducing CO₂ emissions from logistics, we do have an annual target to improve cost efficiency by 10%. Logistics costs are directly related to the amount of material shipped by airplane. Reducing the weight and number of air shipments directly effects CO₂ emissions.

From 2010 our logistics costs and CO₂ emissions are likely to rise, partly due to the higher average weight of our new TWINSCAN NXT and NXE systems.

We can improve the cost- and CO₂-efficiency of our logistics through options such as:

- smarter shipping, combining shipments
- fine tuning our production and logistics planning to reduce rush shipments
- introducing new planning procedures and relocating warehouses.

Reducing shipments of empty containers

In 2009, we initiated a program to store empty shipping containers near customer sites rather than returning them to Veldhoven. In Asia, local partners clean and repair the containers, which are then used for shipments

within the region. This has greatly reduced transportation needs and associated CO₂ emissions. We continued this program in 2010.

Closing the materials loop

Very few ASML scanners get withdrawn from use. According to our tracking data, only 5-10% of the systems shipped since we began operating in 1984 have been decommissioned. Systems that are decommissioned are typically used for spare parts, and customers sell the metal contents for recycling. The limited amount of remaining waste is almost completely non-hazardous and includes plastics, wiring, glass, ceramics and composites.

Refurbishing used systems

Through our active refurbishment program, we provide a second life for ASML systems. Refurbishing a system enhances its residual value for the original customer and provides a cost-effective solution for other customers. It also generates a profit for us and underlines our commitment to systems in the field. Tools are usually sold by memory manufacturers and are bought by customers in the MEMS, compound semiconductor, LED, logic or foundry markets. In 2010 we sold 43 refurbished systems.

Re-using locking materials

Locking materials are used to secure systems safely inside their packaging for shipping. We increasingly re-use these valuable items. When a system has been installed at a customer site, the customer returns the locking materials to us. We inspect each part to see if it can be re-used. In 2010, we re-used over 27,000 locking materials, which enabled a significant reduction in landfill use and incineration at customer sites.

Sustainable culture

Our objective is to continuously improve on providing employment that inspires our highly skilled work force and respects their cultural and individual differences. In addition, we contribute to the local and global communities in which we operate. To achieve this objective, we have focused our sustainability activities in four areas:

- Human capital development.
- Ethics.
- Community involvement.
- Sustainable campus & mobility policies.

Human capital development

Our future success depends on our ability to attract, train, retain and motivate highly qualified, skilled and educated employees. We are particularly reliant on the services of several key employees including systems development specialists with advanced university qualifications in engineering, optics and computing. Competition for such personnel is intense – particularly during this economic upturn – and our challenge is to continue to attract and retain the right people.

In addition, the increasing complexity of our products results in longer learning curves for employees. At the same time, we aim to reduce cycle time of our products further and increase the profitability of our operations. Consequently, we are continuously investigating cost-effective measures to motivate and inspire employees by contributing to their professional development, ensuring a proper work-life balance and a healthy working environment.

Workforce overview

At the end of 2010, ASML's workforce totaled 9,245 full-time equivalent (FTE) payroll and temporary employees

Table 18	Workforce Overview General Indicator	2008	2009	2010
	Number of payroll employees in FTEs	6,930	6,548	7,184
	Number of temporary employees in FTEs	1,329	1,137	2,061
	Workforce by gender (% male / % female)	89 / 11	89 / 11	90/10

Table 19	As of December 31	2008	2009	2010
	Customer Support	2,389	1,910	2,236
	SG&A	667	679	727
	Industrial Engineering ³²	–	277	398
	Manufacturing & Logistics	1,731	1,639	2,475
	R&D	3,010	2,813	3,225
	Sourcing	462	367	125
	Quality & Process Improvement ³³	–	–	59
	Total employees (in FTEs)	8,259	7,685	9,245
	Temporary employees (in FTEs)	1,329	1,137	2,061
	Payroll employees (in FTEs)	6,930	6,548	7,184

³² Introduced in 2009, Industrial Engineering brings together mainly existing functions to strengthen cross-functional cooperation within ASML.

³³ Introduced in 2010, Quality & Process Improvement combines existing cross-sector quality functions into one sector

worldwide – an increase of 20% from 2009. This increase of more than 1,500 FTE jobs was due to a surge in sales, as reflected in our financial results. Our three main HR challenges in 2010 were:

- recruiting enough people with the right background and experience
- maintaining and further developing our experienced and skilled workforce
- limiting stress levels and preventing work-life balance issues.

Our workforce is made up of 7,184 FTE payroll employees and 2,061 FTE temporary employees (Flex FTEs), an 81% increase in Flex FTEs compared with 2009. Our business model of using Flex employees during upturns has allowed us to:

- quickly respond to increased customer demand in an upturn
- offer job security to most of the payroll employees during economic downturns

- use the flex workforce as an effective mechanism for fix employment recruiting.

The table 19 above shows the breakdown of payroll employees for our main business sectors.

Diversity

ASML aims to offer a fulfilling work environment for talented people of all backgrounds and genders. Our work is highly knowledge-intensive and can only be done well if employees feel supported, free and encouraged to give their best.

Our goal is to combine many different competencies into a diverse workforce. We operate an equal opportunities policy for recruitment, hiring, training, performance assessment, promotion and compensation, and do not discriminate on race, skin color, gender, age, tenure, religion, political opinion, nationality or social origin. To prevent any so-called positive discrimination,

Table 20	ASML's workforce by region and gender	Asia		Europe		USA		Total	
		2009	2010	2009	2010	2009	2010	2009	2010
	Number of payroll employees in FTEs	1,291	1,538	3,800	4,202	1,457	1,444	6,548	7,184
	Female	13%	12%	10%	10%	12%	8%	11%	10%
	Male	87%	88%	90%	90%	88%	92%	89%	90%
	Age group								
	< 30	282	408	371	357	90	90	743	855
	30-39	774	837	1585	1706	396	375	2,755	2,918
	40-49	208	258	1395	1588	487	480	2,091	2,326
	50-59	25	30	428	515	379	380	832	925
	60 +	2	5	21	36	106	119	128	160
	Total	1,291	1,538	3,800	4,202	1,457	1,444	6,548	7,184

we do not set quantitative diversity targets unless explicitly required by local legislation. The table 20 above shows ASML's workforce by region, gender and age.

Women make up 10% of our total workforce, decreasing from 11% in 2009. Despite the fact that 13.5 percent of the new hires world-wide were female in 2010, 14.2 percent of employees leaving ASML were female, mainly leaving ASML for voluntary reasons. The ASML Supervisory Board consists of six men and two women. Four members are Dutch nationals.

The 2010 figures show a slight shift towards higher age groups. In 2011, in response to discussions with labor unions, we will investigate the need for a specific policy to address this trend.

We support our diversity policy with the following programs:

- Dutch language and cultural awareness courses for foreign employees and their partners based in Veldhoven
- In the US, our Equal Employment Opportunity (EEO) Policy is applied in all recruitment, promotions and employee relations proceedings.

Table 21	Talent Management General Indicator	2008	2009	2010
	Employee turnover (%)	6.4	8.5	5.6

Talent management

Attracting talent

ASML depends on highly skilled employees. We look not just for outstanding technical abilities, but also social and leadership skills to drive our organization toward future success.

In 2010, we began connecting employer branding and recruitment activities with talent scouting and development of junior potentials. These 'pipeline' projects focused on professionalizing and enlarging ASML internships and Henk Bodt scholarships.

Together with the Eindhoven University of Technology, we offer 40 Henk Bodt scholarships for foreign masters students. In addition, we had 104 student interns in 2010 (compared with 75 in 2009). Since October 2010, it is also possible for students from outside the European

Union to do their internship directly at ASML (rather than through a Dutch university). We're aiming to have 200 interns at ASML Europe in 2012.

Retaining talent

We invest heavily in developing our technical talents, and ensuring they maintain a high level of engagement. In response to the semiconductor industry's rapid growth in 2010, we had to expand our pool of flex employees, and focused on rehiring former ASML flex employees. These people helped ASML get where it is today and have shown their talent, commitment and flexibility. During the downturn, we stayed in contact with the suppliers of our contractors and kept them informed of our business developments. In the Netherlands, rehires accounted for 48% of our 383 flex hires in 2009 and 12% of 1,179 in 2010.

	Asia		Europe		USA		Total	
	2009	2010	2009	2010	2009	2010	2009	2010
Non-voluntary	43	19	85	36	215	83 ³⁴	343	138
Voluntary	89	124	105	61	26	57	220	242
Total	132	143	190	97	241	140	563	380

³⁴ The biggest contributor to non-voluntary turnover was the sale of our US-based optics manufacturing site in Richmond (nov. 2010).

³⁵ Numbers for 2009 have been corrected due to a change in definition (the previous definition was Non-product related classroom training hours per attendee)

	2008	2009	2010
Non-product-related training hours per payroll FTE ³⁵	27	7	11

Our employee turnover (based on payroll FTE) fell from 8.5% in 2009 to 5.6% in 2010. Voluntary employee turnover (based on payroll FTE) was 3.6% (compared to 3.3% in 2009). Employee turnover in payroll heads per region is shown in table 22 above.

Compensation and benefits

ASML motivates its employees by recognizing their performance and rewarding them at a competitive level. Our global compensation and benefits framework and benchmarking methods help us respond effectively to local market trends and ensure employees in all countries have competitive and transparent reward packages.

For retirement benefits, we follow market practice and provide the mandatory benefit level required by local laws. In many countries, we also supply additional retirement benefits. For example, in the USA, we offer all employees a 401(k) plan while highly compensated employees can also benefit from a Deferred Compensation plan.

In almost all countries, we provide additional health benefits on top of a national insurance plan. These additional benefits may include outpatient treatment, hospitalization and dental care. Moreover, employees can choose to include their family in the ASML plan. In the USA,

we introduced a new comprehensive health benefits plan in 2010. Focusing on wellness, service and choice, it provides access to a large national network of medical and dental care providers without referrals.

We also have leave of absence policies for all countries. Matters such as sick leave and parental leave are regulated by local laws in most countries, but we also grant leave under our HR policy and good practices.

The Netherlands is the only country where we have collective labor agreements in place, with 96% of the total workforce covered by such agreements, corresponding to 53% of our global workforce. Senior management are not covered by collective labor agreements and have individual contracts.

Employee personal development

Performance management and development

Our annual performance management and development program is designed to get the best out of every employee by defining concise yet challenging tasks and providing support and coaching to realize them. In this way, it helps employees continuously develop their skills and potential to meet their own and ASML's future needs.

In 2010, we implemented an expanded talent and leadership review process within our Technology organization. Besides leadership skills, all our Group Leads, Project Leads and Architects are also assessed on technical and project (management) skills. This new approach covers almost 600 employees, and has been turned into a six-monthly review process that continuously assesses the potential of these employees and defines appropriate career development actions.

Stimulating leadership development

ASML excels in technical and market leadership. However, maintaining our successful market position demands strong managerial leadership as well. As of 2010, the ASML Leadership Model (and underlying leadership competencies and behaviors) is widely used to assess the leadership capabilities and growth potential of our managers. In addition, effectiveness in applying our Leadership Principles accounts for a 20% of variable pay for all exempt employees.

We have specific programs for developing managerial leadership at different levels. During 2010, the ASML Board, Executive Committee and HR team worked with external consultants McKinsey to develop and set up a leadership program for middle and senior management.

The program focuses on embedding the skills, tools and behavior needed to apply our Leadership Principles effectively. 600 managers worldwide will take part in the program from early 2011 to mid 2012. For first-time and emerging managers, we offer a separate Leadership Essentials Program.

Non-product-related training

Our non-product-related training program recorded 4,794 attendances in 2010, up from 4,200 in 2009. These figures don't include computer-based trainings. The increase is the result of additional resources and effort put into the program and its curriculum, as well as the increase in FTEs.

In 2010, we spent approximately 2.4 million euros – or 330 euros per payroll employee – on non-product-related training. Employees received an average of 11 hours training each. The corresponding figures for 2009 were: 1.8 million euros, 275 euros per payroll employee and 7 hours per employee.

Due to the economic downturn, we reduced non-product-related training in 2009, only offering business critical modules. The lead-time for planning non-product-related training means it took us some time to pick up training levels again in 2010. At the same time, however, training costs have increased (in both absolute and relative terms). Our ambitions for 2011 include creating a continuous learning environment, implementing the training curriculum globally and increasing non-product related training to 16 hours per employee.

Product- and process-related training

In 2010, we provided over 90 different classroom-based product and process trainings for payroll and temporary staff in our Customer Support and Manufacturing departments. These drew more than 4,000 participants, amounting to 5,547 work-weeks of training in total (average work week = 5 days).

Table 24	Key performance indicator	2008	2009	2010
	Absenteeism in Europe (%) ³⁶	3.0	2.9	3.1
	Absenteeism in the USA (%)	2.7	2.7	2.3
	Absenteeism in Asia (%) ³⁷	0.7	0.5	0.5

³⁶ Figures are for ASML Netherlands only – which represents over 95% of our European workforce

³⁷ In some countries, such as Japan, sick leave is deducted from the annual leave quota so illness-related absenteeism is recorded as 0%

In addition, our employees undertook 32,624 computer-based trainings on product, process and general topics. This was a significant increase from 18,982 trainings in 2009, due largely to the introduction of mandatory general trainings (e.g. on our knowledge-protection) and extra training on cleanroom access. Computer-based training is particularly useful when a large audience must be addressed in a short timeframe, and helps reduce travel.

Employee welfare

Health

Varying local legislation means illness-related absenteeism is treated differently in different countries. Therefore it is not possible to produce meaningful company-wide figures.

In accordance with Dutch labor laws, we perform annual risk assessments in the Netherlands looking at employee safety and well-being. The resulting recommendations are followed up in a local action plan.

In the USA and Asia, a sick pay benefits policy is in place. Benefits are contingent upon the employee maintaining regular contact with his or her supervisor.

To improve absenteeism further, ASML has taken a number of actions to:

1. Prevent people from falling ill
2. Act swiftly to ensure a fast recovery and help protect colleagues
3. Analyze incidents and implement measures to prevent repeats or proliferation.

Work-life balance

ASML offers numerous flexible, family-friendly working arrangements. Options available differ by country as local legislation may have specific requirements, but could include

- Flexible working hours: work eight hours between 7am and 7pm
- Work from home: supported with laptops and Internet connections
- Child care: ASML facilities with guaranteed places for children of employees
- Part-time work
- Parental, care and sabbatical leave
- Company doctors: in the Netherlands, this includes professional mental health support to tackle work related stress.

The cyclical market in which ASML operates can periodically disturb an employee's work-life balance – particularly during upturns. We are addressing this in our Customer Service department by:

- adding trained engineers to our frontline customer support
- hiring new engineers to be trained

- introducing a hardship allowance in regions with a sustained high workload
- regular management reviews of acceptable workloads with each customer
- gathering frequent feedback on employees' work-life balance.

Employee satisfaction

In 2009, ASML carried out a survey called 'me@ASML' to chart the company's strengths and weaknesses in the eyes of its employees. The survey covered a wide range of subjects including corporate culture, efficiency, management styles, interaction, work environment and career development. This 'finger on the pulse' enabled us in 2010 to define specific action plans for short-, medium- and long-term improvement.

The survey had a global response rate of 57% – or 4,343 participants – and our overall satisfaction score was 75%. The participants signaled that ASML's major strengths are a high level of creative freedom and flexibility, the exciting challenge of working with world-class technology, and a great collegiality and culture.

Areas for improvement were identified and are now being addressed through three corporate initiatives to:

- reduce bureaucracy
- improve access to relevant job-related information
- enhance career planning.

For each initiative, numerous actions were executed in 2010 and will be continued in 2011. We will also conduct a second worldwide employee survey in 2011 to verify how these actions have affected employee satisfaction.

Ethics

ASML supports the general principles of the International Labor Office's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy,

and the OECD's Guidelines for Multinational Enterprises. We conduct business on the basis of fairness, good faith and integrity, and expect the same from those parties with which we do business. We have a zero-tolerance policy to any form of discrimination by any of our employees.

Our approach is set out in our Code of Conduct which contains internal guidelines, our complaints procedure, our whistleblower policy and our Principles for Ethical Business Conduct. These Principles are the basis for our Internal Guidelines on Ethical Business Conduct and express our ethical position on issues such as:

- Respect for human rights
- Respect for the different cultural identities of our employees, stakeholders and customers
- Promoting honest, ethical conduct including in the handling of actual or apparent conflicts of interests between personal and professional relationships
- Conducting our business in good faith and with integrity
- Compliance with all applicable laws and regulations.

The Internal Guidelines apply to all our payroll and flex employees, and contain rules and practical examples. They also include certain requirements stemming from the Dutch Corporate Governance Code and the U.S. Sarbanes-Oxley Act. These requirements are mainly related to conflicts of interest, financial reporting and our whistleblower policy.

The complete Code of Conduct can be found at www.asml.com.

In addition, ASML expects its suppliers to show the same ethical behavior in their business conduct. Hence we have adopted the Electronics Industry Citizenship Coalition (EICC) Code of Conduct for rollout across our supply chain. More details can be found in chapter on value chain.

Code of Conduct awareness

Starting in 2010, all new employees receive an introduction to the Code as part of their on-boarding process. We also initiated a project to suggest simplifications and updates to our current Code of Conduct. Our Corporate Legal Department will be responsible for creating and implementing a revised Code during 2011. This will be followed by a global program to raise employee awareness of the updated Code.

Code of Conduct complaints

We encourage employees to discuss or report any behavior that may violate our Code of Conduct. Before formally filing a complaint, employees can discuss their issue with their manager, an HR manager, a Trusted Representative, a member of the relevant complaint committee or the ASML Ethics Officer.

We currently have two reporting procedures. For standard non-compliance complaints, we have three regional complaint committees and one corporate committee for issues that cannot be handled by any of the regions. A total of four complaints were filed in 2010. In three of these, detailed analysis showed that no follow-up action was required. On the fourth, appropriate actions were taken after investigation.

Where an employee suspects a fraudulent act, they should follow our whistleblower procedure. In this case, complaints should be reported to the internal accountant and are dealt with by the Audit Committee of our Supervisory Board. One whistleblower procedure was initiated in 2010. Detailed investigation showed no fraud was committed, but management did decide to change our way of working to enhance fraud prevention.

In 2011, we will combine these two processes into one unified complaints process with a new complaints committee handling all suspected Code of Conduct violations.

The new process will include an online tool that allows complaints to be reported anonymously. It will also protect the complainant's anonymity during any subsequent communication between them and the complaints committee.

Code of Conduct standards

ASML supports employees' rights to freedom of association and to form workers' organizations, as stated in our Code of Conduct.

As a global business, ASML respects the rule of law and complies with all national laws, regulations and administrative practices of the countries in which it operates. Within that legal framework, ASML conducts its activities in a competitive and ethical manner – in particular through constant compliance with competition law. No legal action regarding anti-competitive behavior was taken against us by any relevant authorities in 2010. Also, no incidents of corruption were reported in 2010.

Community involvement

ASML recognizes its responsibility to the local communities in which it operates. We seek constant dialogue with local stakeholders to determine areas of interest that benefit the community as well as ASML and its employees. Priorities vary from location to location, but our central principles for community involvement are:

- Improving technical education and awareness among schoolchildren and students.
- Helping provide an inspiring and attractive environment for our employees and families to live and work.
- Strengthening social structures.

Our global community involvement strategy falls under the remit of our Chief Financial Officer, and is coordinated by our communications department. A community involvement office provides a central framework for setting targets, selecting projects and defining priorities.

³⁸ This indicator reflects cash donated by ASML Foundation and direct sponsoring of community activities by ASML

Within this framework, individual sites choose their own community involvement activities, which are overseen by local coordinators.

ASML is also involved in local communities through funding the ASML Foundation. Established in December 2001, the ASML Foundation is an 'independent but linked' foundation registered in the Netherlands. It focuses on supporting education projects worldwide to improve economic and social self-reliance for targeted groups, primarily children.

The figure in the table 25 above is the sum of donations from the ASML Foundation to charitable organizations and sponsorship by ASML for community organizations. The slight increase in 2010 is due to increased sponsorship. For 2010, ASML set a target of donating 700,000 euros to charitable organizations. However, the funds of the ASML Foundation declined due to the global economic crisis, and its spend was less than targeted at 545,000 euros. ASML has decided not to set yearly cash targets for community spending from 2011, but instead focus on long-term indicators related to the results of community involvement.

ASML's community involvement strategy is based on five areas:

- Charity.
- Community relations.
- Educational activities.
- Corporate sponsorship.
- Volunteering.

Table 25	Key performance indicator	2008	2009	2010
	Total cash donated to community and charitable organizations (x1000 EUR) ³⁸	807	645	669

Charity

ASML's charity organization of choice is the ASML Foundation. Part of our charity program is to enable it to support education projects worldwide. In 2010, ASML contributed 300,000 euros to the ASML Foundation to maintain its funds at an adequate level, and it will repeat this contribution annually. In addition, ASML supports the ASML Foundation in kind by employing its director. ASML also participates in the Foundations' Supervisory Board. During 2010, the ASML Foundation supported nearly 30 education projects in about 15 countries. The projects supported by the ASML Foundation are followed very closely. All projects must provide regular updates and final evaluation reports focusing on results and impact.

Example of a project supported by the ASML Foundation in 2010

Organization CHILD Foundation, The Netherlands
Project Building a youth center in Moshi, northern Tanzania

Local organization: Kiwakkuki Women Group
 The youth center will provide boys and girls with increased general education focusing on extended school programs. The results are encouraging: of the almost one thousand students who had the opportunity to attend school so far, 36 have received grants to go to university.

Community relations

We aim to increase employees' pride in ASML through activities to raise the company's visibility in the community. Activities include visits, presentations and factory tours. During 2010, we organized 76 visits to our Veldhoven site, receiving 1,771 visitors (compared with 55 visits for 743 people in 2009). We also organized a number of visits to our manufacturing facilities in Linkou.

Educational activities

Our goal is to inspire children to choose a technical study. We do that by building networks, developing educational materials and co-organizing events.

- In the Netherlands, ASML is an active member of JetNet. This is a national corporate initiative, stimulated by the Dutch government, to strengthen relations between industry and schools.
- We are also a partner in Photonics Explorer, a European Union initiative to equip secondary schools with free, up-to-date educational material to excite and educate students about working with light.
- On a global level, ASML works with the RCE Rhine Meuse, an initiative from the United Nations University in Tokyo to create regions where schools, universities, industry and government cooperate to enable learning for sustainable development.

More than 70 volunteers in Veldhoven are involved in educational activities, varying from guest lessons at schools or ASML to organizing technology tournaments and school events.

Sponsorship

The ASML sponsorship program aims to support projects for underprivileged groups that enhance cultural diversity. There is a particular emphasis on technical education at all levels. Each ASML site selects and supports projects

in its local community. In 2010, ASML Veldhoven sponsored 29 projects for a total of 124,000 euros (the 2009 total was 54,000 euros).

Volunteering

Volunteer activities at ASML have a 'bottom-up' structure. Local offices organize their own activities with support from a coordinator in Veldhoven. Volunteering activities in 2010 included 120 employees from our Finance and System Engineering departments took part in a number of projects such as maintaining a children's farm and helping out at an immigrant center.

Campus and mobility

ASML strives to make its campuses sustainable places where people can work and meet in a productive, safe and pleasant way, supported by:

- Free choice in ways of commuting
- A flexible work environment (in upturns and downturns)
- Stimulus for employees to choose a healthy and sustainable way of commuting.

The sales and manufacturing upturn of 2010 meant our workforce grew rapidly. This led to traffic congestion, parking problems and office space shortages in Veldhoven. As a result, we established a steering committee comprising senior management representatives to enhance our campus and mobility policy for 2011.

In 2011, the committee will focus on

- initiating a 'Green and Social Campus' design
- stimulating the use of public transport and bicycles for commuting
- facilitating carpooling
- ensuring sufficient parking spaces and entry roads
- increasing the number of flex-working areas.

Reporting Principles

In this Sustainability Report, ASML provides an overview of its policies and programs in 2010. The report covers the ASML activities from January 1st 2010 to December 31st 2010. This report as a whole is available in digital format on www.asml.com.

This report is ASML's sixth annual Sustainability Report. The previous report was published March 19th 2010. This report covers the most material parts of our entire organization. The report is based on the GRI G3 Guidelines. The following changes have been made to the reporting process relative to 2009:

1. Adapting some Sustainability targets, including a breakdown for our targets to short term (2011) and long term (2015).
2. Identification of Roadmaps to improve our performance in every strategic domain.
3. The report has a new structure, based around the four strategic domains of Sustainability.
4. A table of definitions has been added.

This report includes restatements of some indicators disclosed in the 2009 report due to changes in measurement methods. Details supporting these restatements are documented in the applicable footnotes.

The data disclosed in this report is derived from different sources. The figures that have been adopted from the annual report have been audited in a separate process for financial results. ASML's operational environmental data is measured by external experts, reported to ASML and then consolidated by an internal management system. Scope of environmental data is limited to our manufacturing locations and excluding our field offices as these have been assessed immaterial regarding

environmental impact. Our HR department uses SAP for its data collection. Product related environmental data is retrieved from internal design documents and specifications, reflecting the current technology status and roadmaps. In addition ASML introduced in 2009 an auditing procedure on the sustainability reporting process. The intention is to further integrate this audit topic with the existing internal audit plan, which is partially based on the annual ASML enterprise risk assessment.

In the interest of conciseness, selected disclosures appear in the GRI table included in this report.

ASML consulted for this report external assurance of 'Sustainable-Business' to maintain a high level of reporting. In defining the Report Content, ASML has determined to describe all core and additional indicators of the GRI which are material, and on which ASML exercises direct control or significant influence. Topics of most priority are based mainly on stakeholder analysis, risk assessments and ASMLs Sustainability strategy, and have been reviewed and decided by the Sustainability Board of ASML. These topics are listed in the targets and KPI-section. Based on the Application Level system of GRI G3 and the reported content, ASML's self-assessment of the application level of the G3 guidelines for this Sustainability Report is A+ (last year A). Nevertheless, ASML understands that there is still room for improvement in relation to management approach and its disclosure.

The most material parts of the ASML organization is covered by an ISO 14001 environmental management system. Furthermore, the entire organization is ISO 9001 certified, which assures that ASML's primary and support processes meet strict quality standards. In preparing the data, ASML made estimates and assumptions, so actual figures may differ from estimates.

Assurance Statement

We have been engaged by ASML to provide external assurance on its Sustainability Report 2010 (further referred to as 'The Report'). The content of The Report and the identification of material issues are the responsibility of ASML management. Our assurance statement provides readers of The Report with an independent opinion on the integrity of information, based on our review of The Report and underlying systems and evidence.

Scope and Objectives

Our engagement was designed to provide moderate assurance on whether the information in The Report fairly presents ASML's efforts and performance in the reporting year 2010. Therefore, our assurance activities are aimed at determining the plausibility of information disclosed by ASML in The Report, and evidence gathering is focused at corporate level and limited sampling at lower levels of the organization.

Assurance methods and principles of auditing

We apply a structured evidence-based verification process based on international assurance standards like AA1000AS and Standard 3410N of the Royal Dutch Institute of Register Accountants, and we have ensured we cover the key qualities for external assurance described in Sustainability Reporting Guideline GRI-G3 of the Global Reporting Initiative. Our activities are detailed below.

ASML applies its own sustainability reporting criteria, based on the GRI-G3 Guidelines. We reviewed the ASML Report against these criteria, and the reporting principles and performance indicator definitions presented in The Report.

We ensured that our assurance team possesses the required competences to understand and review The Report, and adhered to the principles of auditing regarding ethical conduct, professional integrity, and independence.

Work undertaken

To come to our conclusions we performed the following activities:

- Performing a media analysis to obtain information on relevant issues for ASML raised by stakeholders in the reporting period.
- Corporate level review of systems, processes and internal controls for collection and aggregation of quantitative and qualitative information in The Report.
- Visit the Wilton production facility, to assess local systems and controls, and reliability of reported data.
- Reviewing several drafts of The Report to assess whether relevant text claims in The Report are supported by underlying evidence. We interviewed corporate staff and reviewed documentation, such as reports and minutes of meetings. We discussed changes to the draft reports with ASML and reviewed the final version of The Report to ensure that it reflects our findings.

Conclusions

Based on our work undertaken we conclude that the information in The Report provides a fair presentation of ASML's sustainability efforts and performance in the reporting year 2010.

Observations and recommendations

Without affecting the conclusions presented above, we would like to address the following commentary:

Sustainability management

The Report reflects ASML's 2010 focus on establishing a sound sustainability organization and progress with further defining challenges and priorities for its sustainability roadmap and action plans. We recommended ASML to further secure accountability and controls, and to develop measures and frequent monitoring to enable demonstrating progress against these action plans and strategy in future reports.

Reporting approach and scope

While The Report covers the most critical information required for a GRI application level A+, transparency of future reports would be further enhanced by providing more details on reporting scope and principles, the approach to prioritizing and managing key challenges and opportunities, as well as the stakeholder engagement process and outcomes in relation to sustainability strategy and policies.

The Hague, 28 March 2011

G. Appels
Director and Lead verifier
Sustainable-Business

GRI Table

Strategy and analyses

1.1	CEO statement	To our stakeholders
1.2	Key impacts, risks, and opportunities	To our stakeholders, Sustainability Management

Organizational profile

2.1	Name of organization	About ASML
2.2	Products and services	About ASML
2.3	Operational structure	About ASML
2.4	Location headquarters	About ASML
2.5	Countries where located	About ASML
2.6	Nature of ownership and legal form	About ASML
2.7	Markets	About ASML
2.8	Size of operations	About ASML
2.9	Organizational changes	About ASML, Reporting Principles
2.10	Awards	Not included in this report

Reporting parameters

3.1	Reporting period	Reporting Principles
3.2	Date previous report	Reporting Principles
3.3	Reporting cycle	Reporting Principles
3.4	Contact person(s)	ASML Contact Information
3.5	Process report content	Reporting Principles
3.6	Scope	Reporting Principles
3.7	Scope limitations	Reporting Principles
3.8	Basis for reporting on joint ventures	ASML does not participate in any joint ventures
3.9	Data measurement techniques	Reporting Principles
3.10	Re-statements	Sustainability Management & Strategy
3.11	Reporting changes	Reporting Principles
3.12	Standard Disclosures	Management Disclosure, GRI Table
3.13	Policy external assurance	Reporting Principles

Governance, Commitments and Engagement

4.1	Governance structure	Sustainability Management & Strategy
4.2	Chair of the highest governance body	Sustainability Management & Strategy
4.3	Independent members	Sustainability Management & Strategy

4.4	Mechanisms for shareholders and employees	Sustainability Management & Strategy
4.5	Remuneration highest governance body	Sustainability Management & Strategy
4.6	Processes to ensure conflicts of interest are avoided	Sustainability Management & Strategy
4.7	Expertise highest governance body	Sustainability Management & Strategy
4.8	Internally developed statements	Reporting Principles
4.9	Procedures of the highest governance body	Sustainability Management & Strategy
4.10	Performance highest governance body	Sustainability Management & Strategy
4.11	Precautionary approach	Sustainability Management & Strategy
4.12	Externally developed principles	Sustainable Culture – Ethical Management
4.13	Memberships in associations	Sustainable value chain – Supply Chain Stakeholder inputs overview
4.14	List of stakeholder groups	Sustainability Management – Stakeholder Engagement
4.15	Identification and selection of stakeholders	Sustainability Management – Stakeholder Engagement
4.16	Approaches to stakeholder engagement	Sustainability Management – Stakeholder Engagement
4.17	Key topics through stakeholder engagement	Sustainability Management – Stakeholder Engagement

Economic Performance Indicators

EC 1	Direct economic value	About ASML
EC 2	Financial implications due to climate change	Not applicable, since not identified as Risk, see Sustainability Management & Strategy – Risk Assessment
EC 3	Coverage benefit plan obligations	www.asml.com – Annual report 2010
EC 4	Financial assistance received from government	Sustainable product - Innovation
EC 6	Locally-based suppliers	Sustainable Value Chain – Supply Chain Management
EC 7	Local hiring	ASML is a technology-intensive company and sources its workforce globally
EC 8	Infrastructure investments and services provided for public benefit	Sustainable Culture – Community Involvement
EC 9	Significant indirect impacts	Sustainable Product – Environmental Impact of our machines

Environmental Performance Indicators

EN 1	Weight of materials used	Sustainable operations - Waste
EN 2	Recycled input materials	Sustainable operations - Waste
EN 3	Direct energy consumption	Sustainable Operations – Energy use & CO ₂ emissions
EN 4	Indirect energy consumption	Sustainable Operations – Energy use & CO ₂ emissions
EN 8	Total water use	Sustainable operations - Water
EN 11	Location land in protected areas	Sustainable operations – other environmental aspects
EN 12	Significant impacts on biodiversity	Sustainable operations – other environmental aspects
EN 16	Direct and indirect greenhouse gas emissions	Sustainable Operations – Energy use & CO ₂ emissions
EN 17	Other relevant indirect greenhouse gas emissions	Sustainable operations – other environmental aspects
EN 19	Emissions of ozone-depleting substances	Sustainable operations – other environmental aspects
EN 20	NOx, SOx air emissions	Sustainable operations – other environmental aspects
EN 21	Total water discharge	Sustainable operations - Water
EN 22	Total weight of waste by type and disposal method	Sustainable operations - Waste
EN 23	Total spills	Sustainable operations – other environmental aspects
EN 26	Initiatives to mitigate environmental impacts	Sustainable products – environmental impact of our machines
EN 27	Products reclaimed at end of products' useful life	Sustainable value chain – Closing the material loop
EN 28	Monetary value of significant fines	None in 2010

Social Performance Indicators – Labor Rights and Decent Work

LA 1	Breakdown of total workforce	Human Capital development – Workforce overview
LA 2	Employee turnover	Human Capital development – Workforce overview
LA 4	Employees covered by collective bargaining agreements	Human Capital development – Talent management
LA 5	Minimum notice period(s) regarding operational changes	Compliance with local laws and regulations
LA 7	Rates of injury, occupational diseases, lost days, and Absenteeism	Human Capital development – Employee welfare Sustainable operations – Safety
LA 8	Risk-control programs regarding serious diseases	No high risks identified
LA 10	Training per employee category	Human Capital development – Employee personal development
LA 13	Gender breakdown of governance bodies	Supervisory Board has seven members; two are female. All five members of ASML’s Board of Management are male.
LA 14	Ratio of basic salary of men to women	We will not disclose this information publicly, but use it for internal purposes

Social Performance Indicators – Human Rights

HR 1	Significant investment agreements that include human rights clauses	No investment agreements in 2010 have been taken.
HR 2	Screening of suppliers on human rights	Sustainable value chain – Supply Chain
HR 4	Incidents of discrimination	Sustainable Culture - Ethics
HR 5	Operations identified where freedom of association and collective bargaining may be at risk	Sustainable Culture – Ethics: None identified
HR 6	Operations identified as carrying risk for incidents of child labor	Sustainable Culture – Ethics: None identified
HR 7	Operations identified as carrying risk for incidents of forced or compulsory labor	Sustainable Culture – Ethics: None identified

Social Performance Indicators – Society

SO 1	Impact on communities	Sustainable culture – Community involvement
SO 2	Number of business units analyzed for risks related to Corruption	All business units analyzed as part of internal audit plan
SO 3	Employees trained in organization’s anti-corruption policies and procedures	Sustainable Culture – Ethics
SO 4	Actions taken in response to incidents of corruption	Sustainable Culture – Ethics:
SO 5	Public policy positions and participation in public policy development	Dedicated senior manager performs this function
SO 8	Monetary value of significant fines	Zero fines

Social Performance Indicators – Product Responsibility

PR 1	Improving health and safety impacts across the life cycle	Sustainable Product – Product Safety
PR 3	Product information and labeling	ASML systems have extensive manuals covering all aspects of operation
PR 6	Marketing communications	Practices comply with SEMI industry organization
PR 9	Monetary value of significant fines	None in 2010

Stakeholders input

Stakeholder	Customers	Suppliers	Shareholders	Employees	Industry peers	Government	Universities	Local Communities	NGOs
Who	All ASML customers	All ASML suppliers	Shareholders, bondholders and analysts, including socially responsible investors and analysts	All ASML employees and its representatives in the Work Councils	- SEMI - International Society for Optics and Photonics (SPIE), - Regional & Dutch High-tech platforms (Point One & Brainport) - Multinationals Peers	- Dutch government, Local municipalities (Veldhoven and Eindhoven, USA, Taiwan, Japan, Korea, province of Noord-Brabant, the state of Arizona and the state of Connecticut - European Commission	Eindhoven Technical University, the University of Twente, Delft Technical University, Erasmus University Rotterdam, Wuhan University, Rochester Institute of Technology, the University of Connecticut	Several primary schools & high schools, neighbors such as Maxima Hospital,	- MVO Netherlands - VBDO - SAM - Eiris - Oekom - CDP
Comm. Measures and channels	- Dedicated customer days - Account management - Customer requests - Customer Roadmaps	- Annual Suppliers day - Supplier Account Teams for key suppliers	- Annual General Shareholders meeting - VBDO meetings - Investor relations	- Quarterly formal and informal meetings with workers counsel - Employee engagement surveys - All employee and departmental meetings - Technology Conferences - Monitoring social intranet activity - Publication of articles on intranet	- Daily news monitoring - Participation in SEMI and SEMI global care working group - Sustainability workshop with a number of selected peer companies (a/o Philips, Nokia, Shell, Tata) - Various presentation on sustainability conferences	- Routines and issue-specific meetings	- Contract research - Subsidies/grant programs - AIO's/ Postdocs/ graduates	- Guided tours - educational activities at schools - Routine-meetings with neighbors	Visits, calls, seminars
Topics addressed	- EICC - Energy Use & environmental impact machines	- EICC - Sustainability questionnaires - ROHS & Reach	- Dialogue about Sustainability with big Dutch institutional investors	- Sustainability Policy - Environmental, social and safety issues	- Eco-design, Sustainable supply chain - Sustainable Mobility - Sustainability Trendspotting	- Legislation & permits - Campus development and infrastructural implications - Environmental permits assessments	Research and educational activities	Interaction with communities	General sustainability performances
Priorities for Sustainability Policy ASML	- Customer relations & satisfaction - Safety of products - Environmental performance (energy) of machines	- Supplier relations	- KPIs for Senior Management - General sustainability performance - Ranking on Sustainability lists	- CO ₂ emissions - Green energy - Employee Engagement - Work-life balance - Campus & Mobility	- Energy efficiency machines - Product safety	- Code of Conduct - Transparency reporting - Social impact / community involvement	- Long term relationships - Educational and research interaction	- Mobility issues - Social cohesion	- General Sustainability performances - Climate change

Performance indicators definitions

Indicator	Definition specific
Scope 1 CO ₂ emission	Direct emissions from sources that are owned or controlled by the company
Scope 2 CO ₂ emission	Indirect emissions associated with the generation of purchased electricity consumed by the company
Scope 3 CO ₂ emission	All other indirect emissions as a consequence of the activities of the company that occur from sources not owned nor controlled by the company.
Fuel oil purchased	Total of fuel oil purchased in 10E12 Joule
Natural gas purchased	Total of natural gas purchased in 10E12 Joule
Electricity purchased	Total of electricity purchased in KWh
Direct CO ₂ emissions	Total of CO ₂ emissions in kg calculated from purchased fuel oil and natural gas
Indirect CO ₂ emissions	Total CO ₂ emissions in kg as purchased from electricity
CO ₂ emissions	Total of CO ₂ emissions in K Tonnes calculated by adding up the direct and indirect CO ₂ emissions
Energy consumption	Total of all energy consumption in 10E12 Joule
Worked hours	Total number of working hours per period
Employee Safety Accident rate	Is referred to as Lost Time Accident (LTA) ratio and is calculated as the number of accidents resulting in one or more lost work days of the victim per 100 FTE, where our FTE headcount is normalized against the OSHA standard of 2000 work hours per FTE per year. The ASML FTE count in this calculation excludes the administrative functions in our field offices and employees from Brion.
# Output critical and sustainability critical suppliers	Product related and non product related suppliers, providing products that are considered critical for ASML's output or suppliers that are providing chemicals to ASML or are located in risk countries
Total work force	The Full time equivalent of the workforce of ASML consisting of payroll and flex.
Payroll employees	The Full time equivalent of the workforce of ASML consisting of payroll only
Temporary employees (aka Flex staff)	Employees, who are individually hired on a temporary employment contract via an employment agency. It concerns flex functions as extension of fixed capacity
Recruited payroll employees	Number of payroll employees recruited as per end of reporting period
Recruited flex employees	Number of flex employees recruited as per end of reporting period
Students involved in internship and graduates	Number of internships and graduates that ASML is hosting
Students involved in Henk Bodt scholarship program	Number of students active in the Henk Bodt scholarship program and registered in ASML headcount overview
Flex re-hires	Percentage of recruited flex employees that are re-entering into the company after a leaving in the past
Employee turnover percentage	Percentage of payroll employees (FTE) that left ASML during current reporting period
Voluntary turnover percentage	Percentage of payroll employees (FTE) that left ASML on a voluntary basis during current reporting period
Non-voluntary turnover	Percentage of payroll employees (FTE) that left ASML on a non-voluntary basis during current reporting period
Non-Product related training hours per payroll employee	The number of hours ASML payroll employees spend on average on trainings related to personal development
Non-Product related training costs per payroll employee	The costs involved for ASML payroll employees on average on trainings related to personal development
Absenteeism	Percentage of sick-leave hours from payroll employees related to the total number of hours

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