

KODAK'S RECORD OF ENVIRONMENTAL RESPONSIBILITY

For 120 years, Eastman Kodak Company's business was "photographic" and centered around the manufacture of film related products. Countless birthdays, vacations, world events, and other memories have been preserved and shared on Kodak film and paper. Hollywood movies have been providing entertainment for many decades, while Kodak medical and dental x-ray film has been serving the health care needs of people the world over for more than a century. Documents by the billions have been recorded on Kodak microfilm and other Kodak commercial document management products. Kodak aerial films have mapped earth and space. All these activities and more were made possible by the complex chemical technologies of film-making. But all that is changing. Today, digital imaging is moving rapidly to the forefront replacing traditional film, not only in consumer picture-taking, but in medicine, document management, and printing.

In 1981, Kodak invented the first prototype digital camera. With its EasyShare line of digital cameras, Kodak brought ease-of-use to the market and is now the #2 seller of digital cameras worldwide. Kodak is now a digital company, with the majority of its sales from digital products..

Kodak expects to continue selling film for some time to come – as long as there is customer demand. At the same time, in response to lower demand, especially for consumer film, Kodak has consolidated operations and closed several manufacturing plants devoted to traditional photographic products. There are environmental impacts involved in both film and digital technologies, and these impacts need to be managed effectively and responsibly. The expectations of our customers, neighbors, and employees are high in this regard.

Thousands of Kodak employees and retirees live in Rochester, New York, metro areaour company's home and site of our largest manufacturing facility – Kodak Park. So, not surprisingly, Rochester is where many of our environmental efforts are still focused. We raise our families here. Our children are enrolled in every school in the community. We not only have a moral interest, but a vested interest in making sure that our operations are protective of human health and the environment. The same can be said of all Kodak factories around the world.

Kodak is committed to meeting or exceeding the environmental expectations of our neighbors and the community and we work closely with the appropriate local, state, and national authorities as we manage our responsibilities.

At Kodak Park, we believe strongly that environmental improvement is best accomplished when the public is involved and informed. To this end, we maintain a Neighborhood Information Center staffed with knowledgeable people to keep our neighbors up to date on issues and actions that may affect them. A Community Advisory Council, which includes local residents, community leaders, educators, and environmentalists, meets monthly to review our projects and activities and provide input.

We offer the following detail on how Kodak people are working to ensure that Kodak is a safe place in which to work and that our factories are surrounded by safe neighborhoods in which to live. While this report focuses primarily on Kodak Park in Rochester, New York, the same basic principles generally apply to all Kodak facilities around the world.

Overview

The company has manufacturing facilities on six continents, but our largest and oldest facility is “Kodak Park” in Rochester, New York. Indeed, it is the largest industrial site in the northeastern United States. With 11,000 employees and hundreds of contractors, Kodak Park is the largest employer at a single manufacturing site in New York State and among the largest exporters of manufactured goods. Each Kodak Park employee creates another job in stores, restaurants, and other businesses in the surrounding area. In fact, Kodak Park has been a major industrial “engine” that has helped drive employment and economic development in the Rochester area for more than 100 years.

Started in 1891 by company founder George Eastman, Kodak Park is nearly four miles long and up to a mile wide with some 125 manufacturing buildings. The facility has 40,000 miles of pipelines, 30 miles of roadways, its own railroad, two power plants, its own wastewater treatment plant, and a fire department.

Because of the scope of manufacturing activity that takes place in Kodak Park, it should not be surprising that emissions and discharges are proportional to its size. In terms of total reportable emissions and discharges, Kodak Park is the largest among manufacturing companies. However, air emissions have declined by 85% since 1987. .

The people who operate Kodak Park today are the fifth or sixth generation to work at this site. Today’s employees must balance the pressures of global competition along with the demand for responsible site improvement from a legacy of previous generations who, though acting responsibly in their time, operated the factory when there were few, if any, environmental regulations.

Progress through planning

Kodak Park’s decline in discharges could not have been achieved without considerable planning. We have a structured management system to manage our environmental responsibilities worldwide. All of our major factories around the world must conform to the same set of Kodak Health, Safety, & Environment Performance Standards. This helps ensure that all our facilities perform responsibly by complying with environmental regulations and honoring our commitments to the communities in which we operate.

Kodak’s Health, Safety, & Environment (HSE) organization manages Kodak’s environmental plans, policies, and programs. On staff are more than 200 scientists, including physicians, chemists, toxicologists, industrial hygienists, hydrogeologists, engineers, and others whose job is to ensure that we continue to make measurable improvements in the health, safety, and environmental aspects of our products, services, and operations. Their primary mission is to protect the health and safety of our employees, our neighbors, and our customers, and to help ensure compliance with regulations.

Meeting our environmental goals

In 1999, and again in 2004, Kodak announced goals to further reduce emissions, conserve natural resources, and reduce energy usage. . Within two years, Kodak had met all of the

manufacturing-focused that had been targeted for completion by the end of 2008. Therefore, in 2006, Kodak announced new goals reflective of the digital company it has become. The new goals focus on the areas of social responsibility, product responsibility and operational responsibility.

Source reduction and “clean production” practiced here

Few consumer products can be manufactured by any company without creating hazardous wastes. For Kodak, the challenge is to find ways to reduce the generation of waste, while managing it on-site in the most effective and responsible manner possible.

Source reduction is the major focus of our efforts to reduce our environmental impacts. In 2006, Kodak reported that it had reduced manufacturing waste by 24% in only two years, exceeding five-year target of 20%. At Kodak Park, we operate one of the largest closed-circuit manufacturing loops in the world. We recycle and reuse about 90 percent of the chemicals we use. While some wastes cannot be avoided or eliminated, less waste generated means less to be incinerated, treated, or disposed.

Discharges to water decline

Kodak Park has been making steady progress in reducing its impact on the Genesee River, a northward flowing watershed which runs past the east end of the factory complex. Our focus is on preventing waste from being generated in the first place rather than simply putting better controls on the wastes as they pass through our wastewater treatment plant. (Due to the nature and size of our operations, we are the only company along the Genesee River to operate our own wastewater treatment plant.) Nitrates, a relatively non-toxic material, comprise most of Kodak’s water discharges. The amount of nitrates in Kodak’s wastewater discharges are within the drinking water standard.

An extensive New York State Department of Environmental Conservation (DEC) study of the river in the early 1990s found that it has “a healthy abundance” of aquatic life, including a smallmouth bass nursery just downriver from the Kodak Park wastewater treatment plant.

In response to a Washington, D.C.-based environmental group report that labeled the Genesee River “heavily polluted,” an article in the Rochester, NY *Democrat & Chronicle* Sept. 26, 1996 opened by stating, “The legally permitted discharges of toxic chemicals into the Genesee River—including those from Eastman Kodak—do not endanger human health or the environment, state officials said yesterday.”

While the river is designated as “impaired” by DEC and occasionally the beaches along Lake Ontario near the river are closed for short periods during the summer, these conditions are caused primarily by pollution from agricultural and urban runoff and are not related to materials that come from Kodak.

Air emissions reduced sharply

Like water, most chemicals will evaporate on exposure to the air. As they do so, they change from a liquid to a gaseous state and, on discharge from a building, become what is commonly referred to as “air emissions.” Kodak has made significant progress in reducing air emissions. Overall reportable air emissions from Kodak Park have been reduced 85 percent since 1987.

One chemical that has been the subject of considerable attention is Methylene chloride. It is vital to the manufacture of film, having been the primary solvent used to manufacture film base since the mid-1940s. While the company uses millions of pounds of the chemical each year, more than 99 percent is reused over and over again through one of the world’s largest closed-loop recycling systems. As a result of this and other initiatives, airborne emissions of methylene chloride have decreased 96 percent since 1987.

Also known as “dichloromethane,” the chemical has been used in paint removers and other common products for years. It is classified as an animal carcinogen and as a “probable” human carcinogen, despite the fact that no study has found evidence that it causes cancer in humans. As with many of the chemicals we use, however, we take precautions to handle this material safely and responsibly.

For more than 15 years, Kodak has been measuring levels of methylene chloride in the air at five locations surrounding Kodak Park. Samples are taken every eight days at each location, with an annualized average reported each year. In 2005, the annual average air concentration was well under the 8 parts per billion concentration judged by scientific experts to provide a high margin of safety over a lifetime of continuous exposures.

For a more complete picture of our emissions, please visit www.kodak.com/go/hse and click on the Kodak Park Environmental Annual Report.

Odors in local neighborhoods have been diminishing in intensity and frequency

Most chemicals have odors and odors, if uncontrolled, can be a nuisance. In 2003, a committee of Kodak operators, hygienists, chemists, and engineers was formed to address the problem of reducing, and where possible, eliminating the odors that occasionally reach the neighborhoods. The efforts of this team resulted in a substantial reduction in reported odor concerns from neighborhoods most impacted by odors in the past.

But it is not just chemicals that create odors in the neighborhoods surrounding the factory site. At Kodak Park, most odors result from bacterial decomposition in cooling towers and at the company’s wastewater treatment plant. We continue to work to eliminate or reduce the impact of all sources of odors.

Reducing dioxins and furans

Kodak is not waiting for the national scientific debate about the relative toxicity of dioxins to be resolved before taking aggressive steps to ensure that emissions are reduced as much as possible.

While there are 210 different forms of dioxins, it's important to note that only one – TCDD – has been classified as a human carcinogen. Two other forms of dioxins are suspected animal carcinogens, but many of the other forms of dioxin are up to 1,000 times less toxic than TCDD. Almost all of the dioxins generated at Kodak Park are of the less toxic forms.

At Kodak Park, the extremely small amount of all dioxins emitted in any year (equivalent in weight to about half a standard paperclip) come from various sources, including incineration, the burning of coal for steam and electric power, diesel truck emissions, and from some of our thermal processes. This is why it would be impossible to eliminate all sources of dioxin emissions within Kodak Park.

Control technology recently installed on our chemical waste incinerator has further cut air emissions of dioxins from that source by at least 80 percent. In fact, recent test results demonstrate that emissions from the incinerator are less than half the limit allowed by the EPA.

The EPA and the DEC consider Kodak's incinerators to be operating in a manner that is protective of human health.

It is also worth noting, that of all the nation's sources of dioxins, most originate non-industrial sources, especially backyard burn barrels. This is in contrast to the less than one-half of one percent of dioxins that comes from all the hazardous waste incinerators in the nation combined.

Incinerators provide means to most effectively destroy certain wastes

Over the past decade, Kodak Park shut down two incinerators – one that burned trash and the other that was used to reclaim silver from scrap film and photographic paper – because alternatives were developed to more efficiently manage those waste streams.

However, there are no viable alternatives at this time that would permit us to shut down either of our two remaining incinerators, both used to destroy hazardous wastes. Indeed, the EPA requires certain hazardous wastes to be incinerated because it is the safest and most efficient way to destroy them. Our incinerators comply with all current regulatory standards. Recent tests have shown that Kodak's chemical waste incinerator destroys at least 99.99 percent of the organic material fed into it. For many materials, the destruction efficiency is even greater

Protecting public health

Of the many health studies of Kodak Park and the surrounding neighborhoods performed over the last 20 years, none has found evidence that emissions are causing any significant health impacts.

In addition, the New York State Department of Health over the past several years has issued a series of cancer incidence maps, some by zip code. These maps examined the incidence of

certain cancers in Monroe County (Kodak's home), as well as those in all other counties in New York State. While the incidence of a few cancers was below average, some were average, some were slightly above average, and two cancers—leukemia in adult males and prostate cancer—were 30 percent or more above average. Such statistical variations were typical of for counties across the state. With regard to Monroe County, it's important to note that the State Department of Health made no suggestion of a link to emissions from Kodak or to industry in general.

In the early 1990s, two studies of cancer incidence were conducted by the State Department of Health. The first, in 1991, looked at seven types of cancer. While finding no statistical difference in pancreatic cancer rates for men, it showed a modest statistically higher rate in women living near Kodak Park compared to Monroe County, but NOT when compared to the general NY State population. Both study findings were “suggestive, but not conclusive” and did not show a causal link between exposure and cancer risk.

At that time, the Monroe County Department of Health stated, “It is important to remember that the vast majority of pancreatic cancers in the study area of Rochester and suburban towns of Greece and Irondequoit occurred outside the exposure area near Kodak Park. In fact, more than 80 percent of the women with pancreatic cancer in this study did not live near Kodak Park.” And smoking, a known risk factor for such cancers, was not considered in this study.

All new products evaluated for toxic materials

Since 1991, the company has had a strategy in place to address the potential environmental impact of imaging products and systems as they are used and when they are discarded at the end of their life cycle. Known as the Imaging Product Environmental Impact Strategy (IPEIS), specific targets are established for raw materials, design, manufacture, distribution, customer use and customer disposal. In the mid-1990's, IPEIS was expanded to cover non-silver imaging consumables, equipment products, film and paper base materials and packaging. IPEIS is one of the key programs in the company's ISO 14001-registered Environmental Management System.

In addition to IPEIS, Kodak routinely uses the EPA's recently developed P2 Assessment Framework for screening chemicals in the early stages of development of new products. The Framework, which Kodak helped develop, aids in the prediction of a chemical's potential health and environmental effects very early in development so that hazards and waste can be avoided. The Framework is useful to minimize the generation of hazardous wastes while developing and manufacturing safer and more sustainable products. Other benefits include reduced product cycle time, reduced time to market, and significant savings in waste management costs.

100% compliance with all regulations, while difficult, is our objective

Kodak's corporate policy requires compliance with all environmental regulations. While most violations are procedural and do not have any impact on the environment, the reality is that with ever-changing requirements and the sheer volume of state and federal regulations today, 100% conformance is extremely difficult for all of industry, not just Kodak. There are literally tens of thousands of details within the regulations, with every detail in need of close attention in order to ensure compliance. Despite the complexities, Kodak Park turned in a better than 99%

compliance record based on the company's own Title V Clear Air Act permit compliance assurance system. While most violations are discovered by us and self-reported, some are discovered by government oversight inspectors. (For a list of fines paid by Kodak as a result of violations, refer to our annual environmental report on-line at www.kodak.com/go/hse.)

Other environmental performance measures

Kodak has been making steady, measurable, and substantial environmental progress for many years. We've made many commitments to the communities in which we operate and we've kept every one of them. Here are a few additional Kodak Park accomplishments:

- In 2005, more than 750 million pounds of scrap materials, including solvents, plastics, wood, metals, and other by-products of manufacturing were recycled and reused, making Kodak Park one of the largest recyclers in New York State.