

**Speech Barbara Kux on the Global Compact Leaders Summit
Launch of ‘Caring for climate change, the Business Leadership
Platform’**

VIP Restaurant – 5 July, 12.30 – 2.00 pm

Excellencies, Ladies and Gentlemen,

19 % of the world’s electricity is consumed by lighting. By introducing new energy efficient lighting technology a reduction of 500 million tons of green house gas emissions can be achieved. This represents the CO2 transformation potential of a forest larger than the surface of Germany. So it will not surprise you that Philips, as the global market leader in Lighting, has decided to sign the Caring for Climate Change Statement of the Global Compact. But there is more to this.

*There are other reasons for us **why** we support this Climate Change Statement.*

Firstly, in a recent CO2 reduction study of McKinsey, it has been identified that energy efficient lighting is one of the most important low cost solutions for greenhouse gas reduction. Switching the older lighting currently installed globally to the latest technology would bring more than EUR 100 billion cost savings. You can therefore understand why providing energy efficient solutions in all markets we operate in have become an important part of our company strategy.

Secondly, today North America and Europe produce 70% of CO2 emissions from energy consumption. Tomorrow, emissions growth will come from new and emerging markets such as Brazil, Russia, India, China and Africa, because of more rapid population and GDP growth. These economies are likely to account for over three quarters of the increase in energy-related CO2 emissions between 2004 and 2030, according to the International Energy Agency. At the same time we know

that Climate Change can jeopardize economic growth in emerging economies, because it can threaten the basic elements of life such as access to water, food and health and the use of land and the environment. 20% of our revenues are coming from new and emerging markets and our company wants to grow with 5 - 6% per year through organic growth and acquisitions. Introducing energy efficient solutions in both developed and new and emerging markets therefore has become an important topic for us.

Thirdly, at Philips, sustainable development - or sustainability as we call it - is in our DNA. It is our company's mission since its foundation in 1891 to improve the quality of people's lives through the timely introduction of meaningful innovation. Philips has a long and successful track record for almost four decades in the area of environmental improvements, such as the invention of the energy saving lamp in 1980. We have been using our innovation strength in the environmental area and will increase that even more in the combat against climate change as a major topic for sustainable development.

*Let me now explain to you **how** we are addressing this challenge.*

What we have established as a company is the overall carbon footprint of our activities, the area of carbon emissions we can directly influence with our technologies. Only 1% of that carbon footprint* is related to our internal operational activities from buildings and logistics. The remainder of the footprint is external, and more than 90% is related to the products of our Lighting division.

[* total carbon footprint 346 Mio ton CO2 equivalents/ year; 3 Mio operational (buildings, logistics, air traffic) and 344 Mio through products]

Today, between 67% - 75% of the world's lighting utilize older, less energy efficient technology, developed before 1970, in markets where electric lighting is applied. The good news is that consumer research, for instance in Germany, shows that a switch to energy efficient lighting is one of the first measures people are willing to take. We therefore promote to consumers, businesses, governments and non-governmental organizations to go to energy efficient lighting solutions. Both in developed and in new and emerging markets where we need to apply the learning from the technology curve in the developed world right away.

We are all consumers and many solutions saving 20% up to 80% are available, also for our homes. Simply taking out an old lamp and replace it by an energy efficient new one. The biggest reduction can be gained in office and street lighting, where the current changeover rate simply is too slow: 3% per year for street lighting and 7% per year for office lighting. We as leaders from governments, non governmental organizations and businesses can play a role here and 'walk the talk'. Philips and the International Union for the Conservation of Nature and Natural Resources (IUCN) for instance are cooperating on the energy efficiency of their lighting in their eco-friendly new headquarters that are now being built in Gland here in Switzerland.

What is Philips actually doing about this ?

To reduce the external carbon footprint, Philips has since 1994 a product development process in place called EcoDesign. Results of that process are our Green Products with as top-line our Green Flagships. We drive this process in all our divisions with Key Performance Indicators and yearly targets. We have more than 200 top line Green Flagships on the market and our total portfolio of Green Products has grown to EUR 4 billion in 2006, which equals 15% of our total turnover. Our target is to

further increase our sales from Green products substantially in the next five years. Obviously, energy efficiency of our products is a key driver in our EcoDesign process.

From 2002 to 2006 we have invested EUR 400 million in green lighting technologies. We will further increase our investment in Green Innovations substantially in the next five years across our total product portfolio.

To reduce the internal carbon footprint Philips has been steadily reducing the energy consumption of its operations since the early eighties of the last century. In 2005, Philips decreased its energy consumption with 25% against the base year 2001. A similar energy efficiency improvement should be possible for the coming 5 years based on our EcoVision Program.

Our Green products will be recognizable by a Green logo and on July 3rd Philips has launched the 'asimpleswitch' brand campaign and I suggest you to visit the website www.asimpleswitch.com. Visitors will be invited to record a personal 'simple switch' pledge. Philips will track these collective pledges to change to energy efficient lighting and calculate the resulting energy and costs savings on the asimpleswitch.com website

Excellencies, ladies and gentlemen.

Sustainability is everyone's topic and rightly so, as it effects us all. It is neither the flavor of the day nor the fashion of the month. Sustainability has been on our agenda for so long because of our heritage as it makes sense for business. As a result of the topic of climate change it has now become even more important and evolved into a main business driver. We believe that Green technologies, already available and in development, will enable us to address this major challenge, providing we do it together, business, governments and non-governmental organizations. Only by cooperating together we can succeed, for instance by making a simple switch, and starting tomorrow.

Thank you.

Barbara Kux

Member GMC, Chair Sustainability Board