

Re-Think, Re-Frame, Re-Make: Innovating for sustainable development

10. ZIG-Planerseminar, HSLU – T&A

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Group Strategy & Alliances

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PHILIPS

Content

- Global context
 - Global trends that matter
 - Reading the signs
 - Clarifying sustainability
- Sustainability @ Philips
 - Changing perspectives
 - Philips Vision & Mission
 - The EcoVision5 program
- Innovation for sustainable development
 - Ecodesign & Green products
 - Sustainable solutions
 - System changes



2050

- 9 billion people
- High quality of life
- One planet living

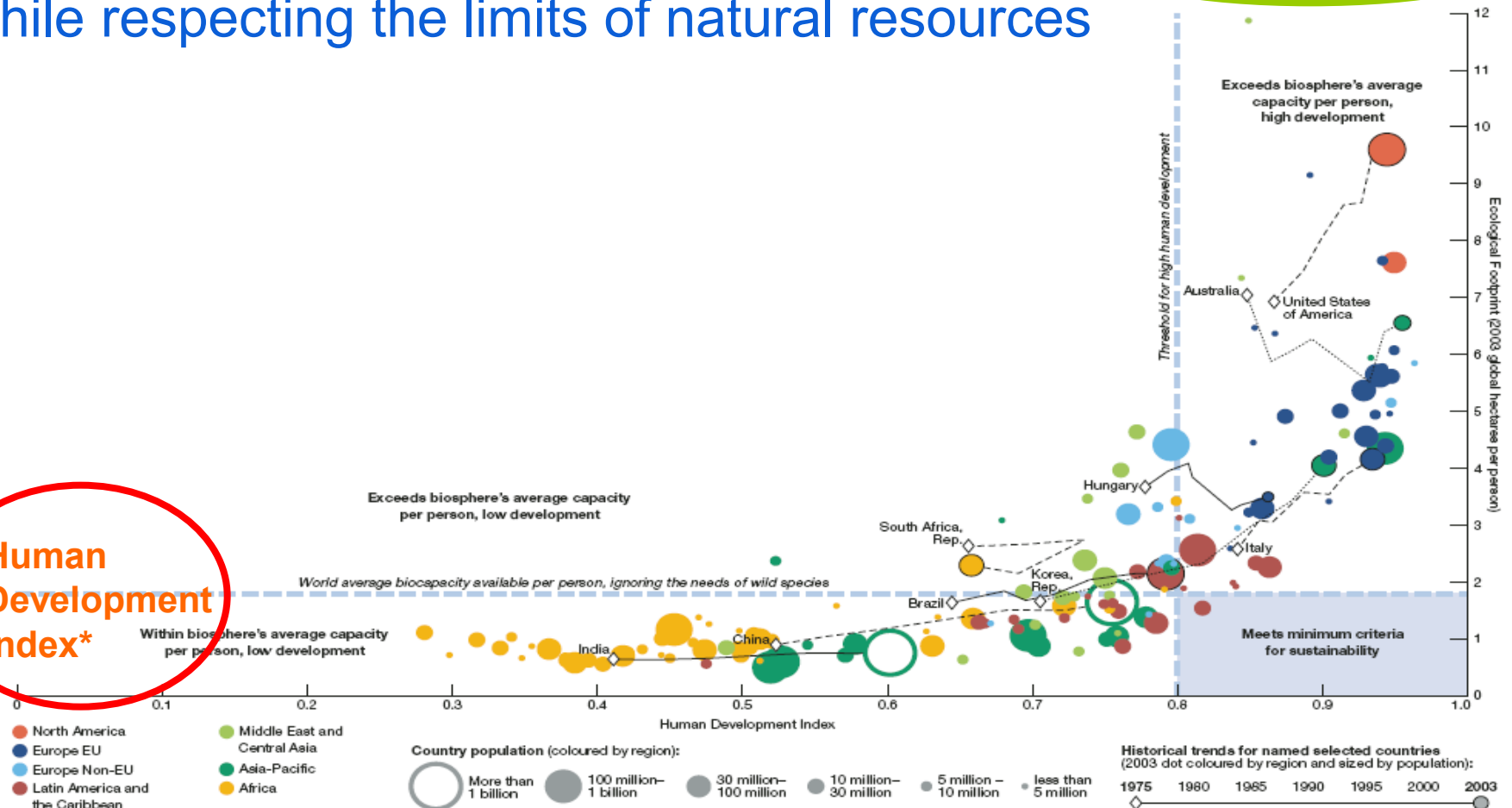


The sustainability challenge

Improving people's live while respecting the limits of natural resources

Ecological footprint

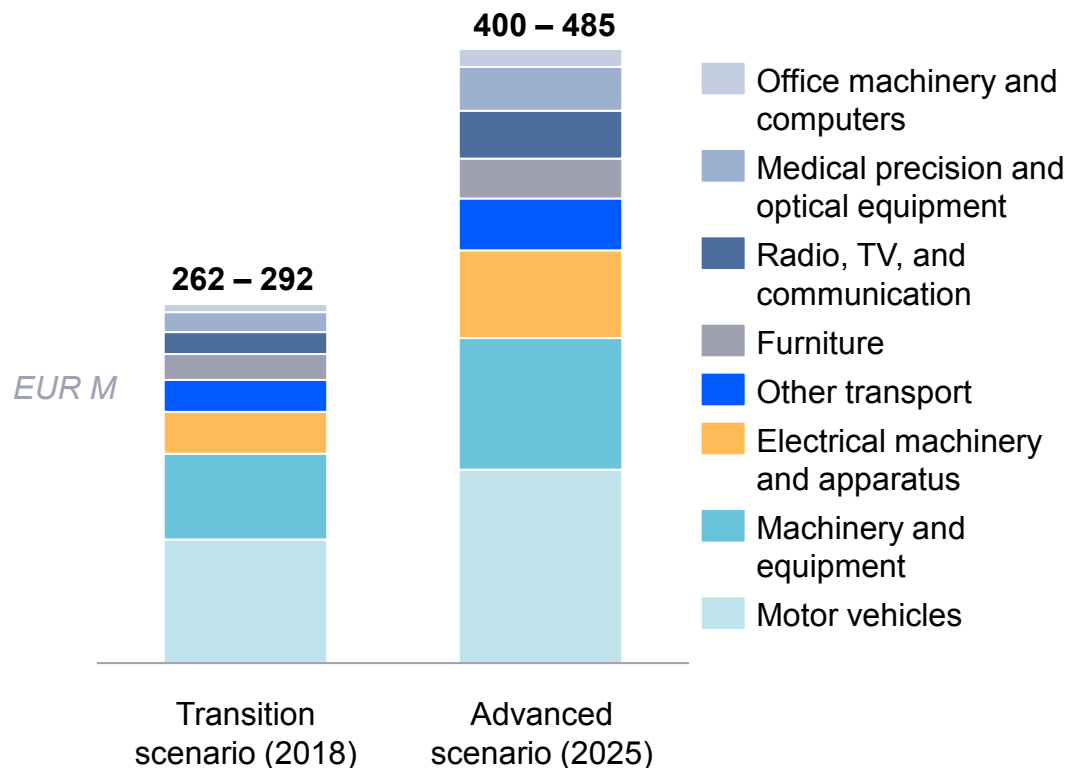
Human Development Index*



*HDI = life expectancy + education level + purchasing power

The economic opportunity: Circular models have potential of EUR 250-500 Bln annually for EU

*Net material cost savings in complex durables with medium life spans
EUR billions per year, based on current total input costs per sector, EU*



Key insights

- Decoupling economic growth from increased material flows is enabled by Circular Economy
- Circular economy requires new business models and can be source of innovation
- Successful propositions are emerging around the world, mainly in B2B
- A shift from 'owner' to 'user' for customers and from transactional to relationship sales for companies
- Reverse cycles will not only be confined within an industry but also 'cascaded' across different industries

“Traditional approaches to business will collapse, and companies will have to develop innovative solutions. That will happen only when executives recognize a simple truth: Sustainability = Innovation.”

-- CK Prahalad et al, “Why Sustainability Is Now the Key Driver of Innovation”; Harvard Business Review

Innovation is the core of our Mission and Vision

“At Philips, we strive to make the world healthier and more sustainable through innovation.”



We will be the best
place to work for people
who share our passion

Together we will deliver
superior value for our
customers and shareholders

Improving people's lives through meaningful innovation

Our EcoVision program for sustainable innovation is creating shared mid- and long-term value

EcoVision program commitments by 2015

- 50% of sales from Green Products
- More than € 2 billion Green Innovation investments
- Improve the lives of 2 billion people
- Improve the energy efficiency of our overall portfolio by 50%
- **Double the amount of recycled materials in our products and double the collection and recycling of Philips products**

Meaningful
innovation

Meaningful
innovation

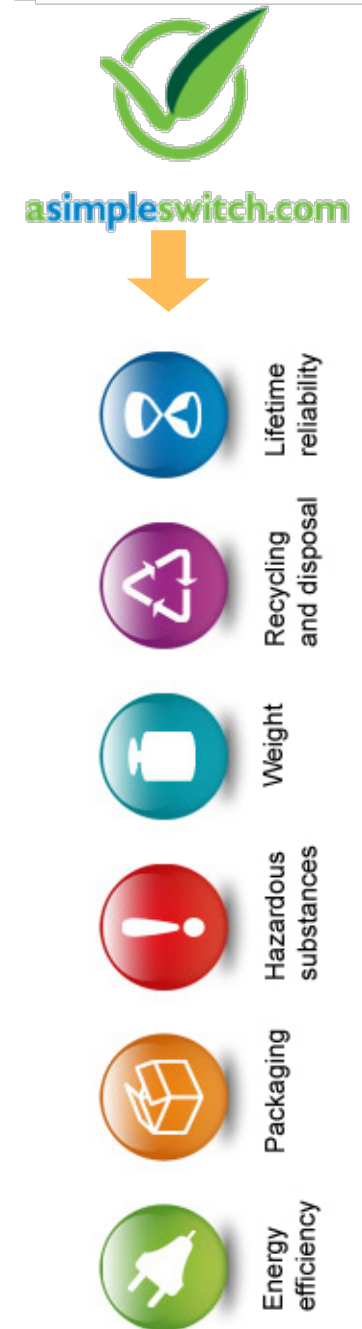
A Healthier
and more Sus-
tainable
World

Ecological dimension

Social dimension

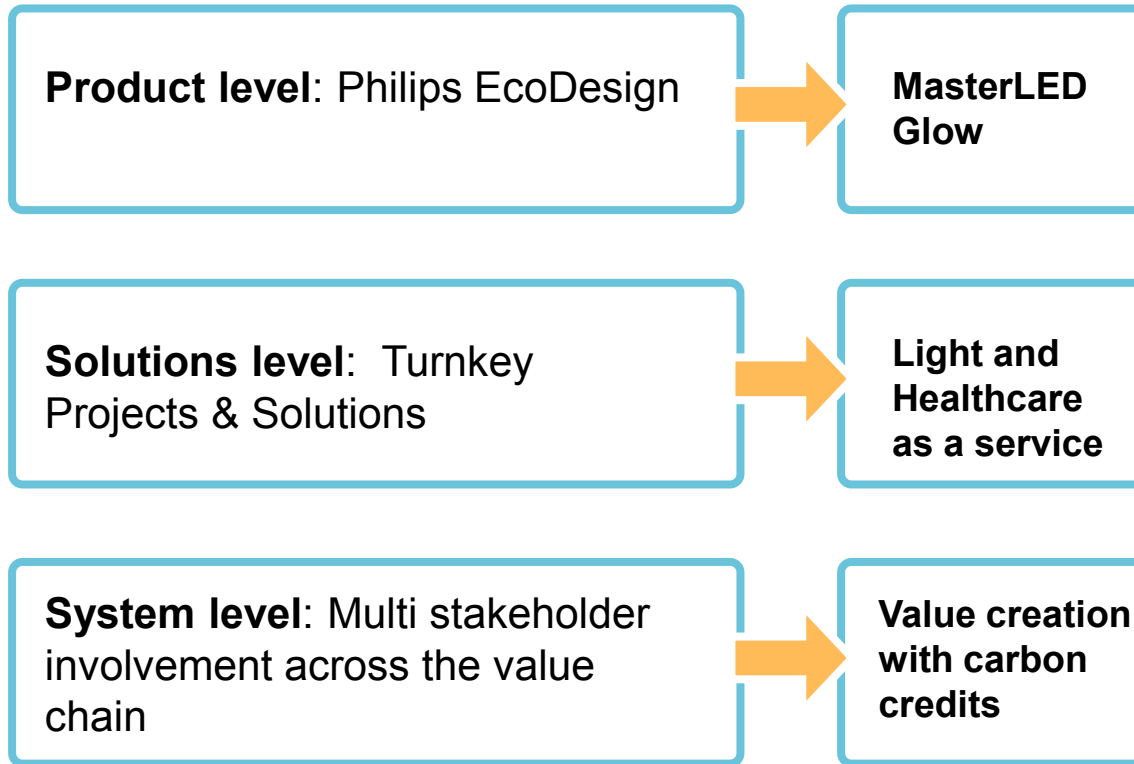
With EcoVision5 we will invest more than 2bln € until 2015 in sustainable innovation

- Philips focused on embedding EcoDesign with attention to **six Green Focal Areas**
- Starting with EcoVision4 in 2007, we invested already more than 1 bln EUR in research and development of green products and solutions and reached 39% in 2011
- Green products defined as minimum 10% improvement in at least one of the six Green Focal Areas; audited by independent external party (KPMG)



Sustainability drives innovation at many levels

Lighting examples, illustrative only



Example Re-Make (Lighting, product-level): Technology breakthrough-Master LED A19

75% energy reduction compared to incandescent lamp



25 times longer lifetime than comparable incandescent lamp



Competition Requirements

Efficacy More than 90 lumens per watt

Light Output More than 900 lumens

Wattage Less than 10 watts

Color Rendering Index More than 90

Correlated Color Temperature 2700–3000K

Form Factor Same lamp form as incandescent

Beam Distribution Equivalent to incandescent



asimpleswitch.com



Example Re-Think (business model innovation): Light as a service / “Pay per Lux”

Ambition and guiding principles

- True, ambitious and visionary partnership, with a economic interesting perspective from both sides
- Pay for use instead of pay for possession (“Performance Lease”)
- State of the art installation with LED and dynamic lighting
- Taking into account employee happiness and productivity
- Materials stay in possession of Philips (assumption: recycling costs will be paid out of material value increase)
- Disposal and/or re-use of old materials is included
- Lighting energy bill will be paid by Philips, to stimulate further innovation
- Turnkey solution, including maintenance
- Contract period of 60 months

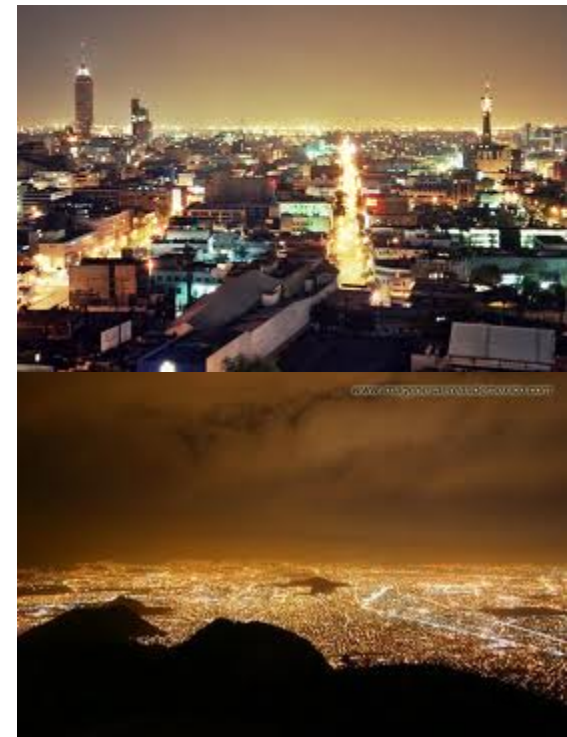
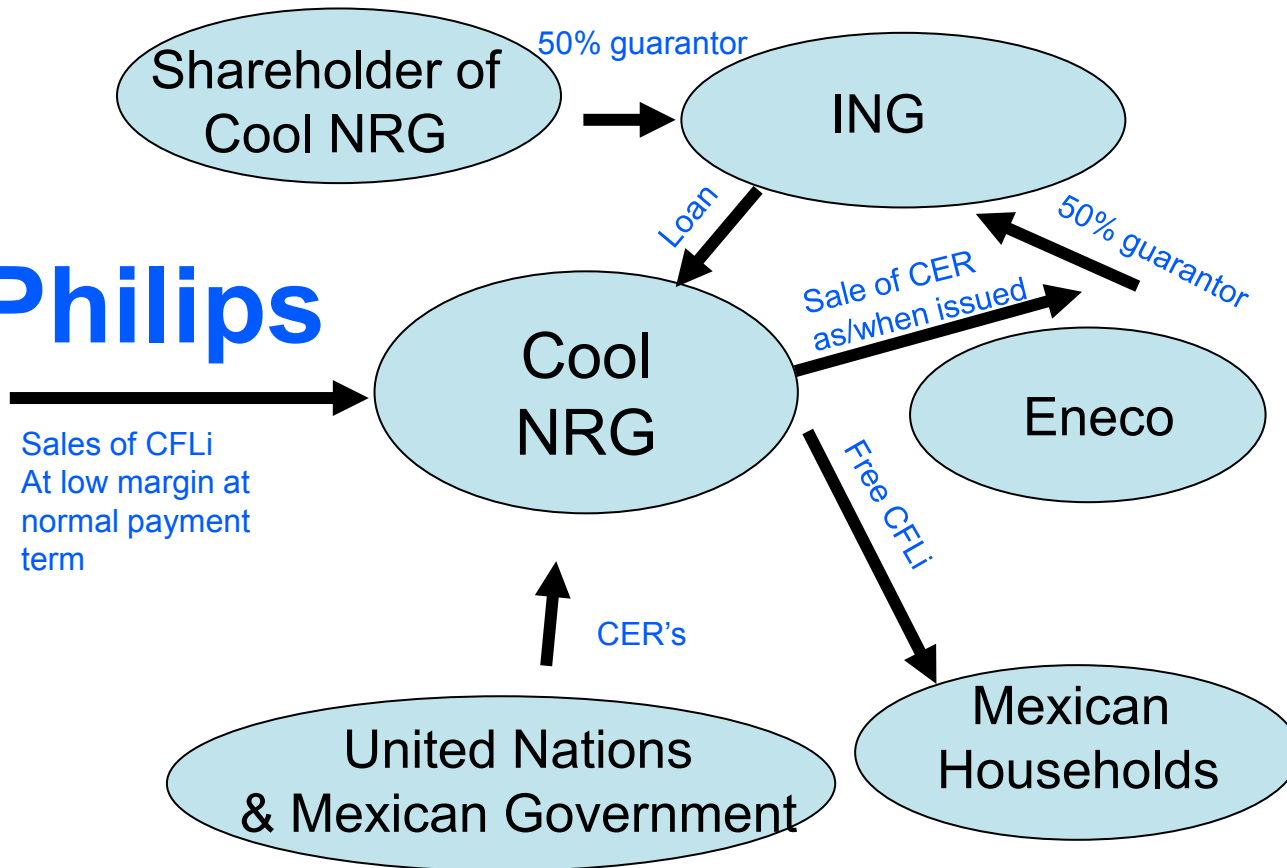


Example Re-Frame: System-innovation: Luz Verde Project Mexico

CDM-based / Carbon Emission Rights



Philips



In 2013 Philips has committed to long-term Circular Economy program with strong local and global partners including The Circle Economy, City of Amsterdam and the Ellen MacArthur Foundation

“For a sustainable world, the transition from a linear to a circular economy is a necessary boundary condition. A circular economy requires innovation in the areas of material-, component- and product reuse, as well as related business models.



By using materials more effectively, economic growth will eventually be decoupled from the use of natural resources and ecosystems.”

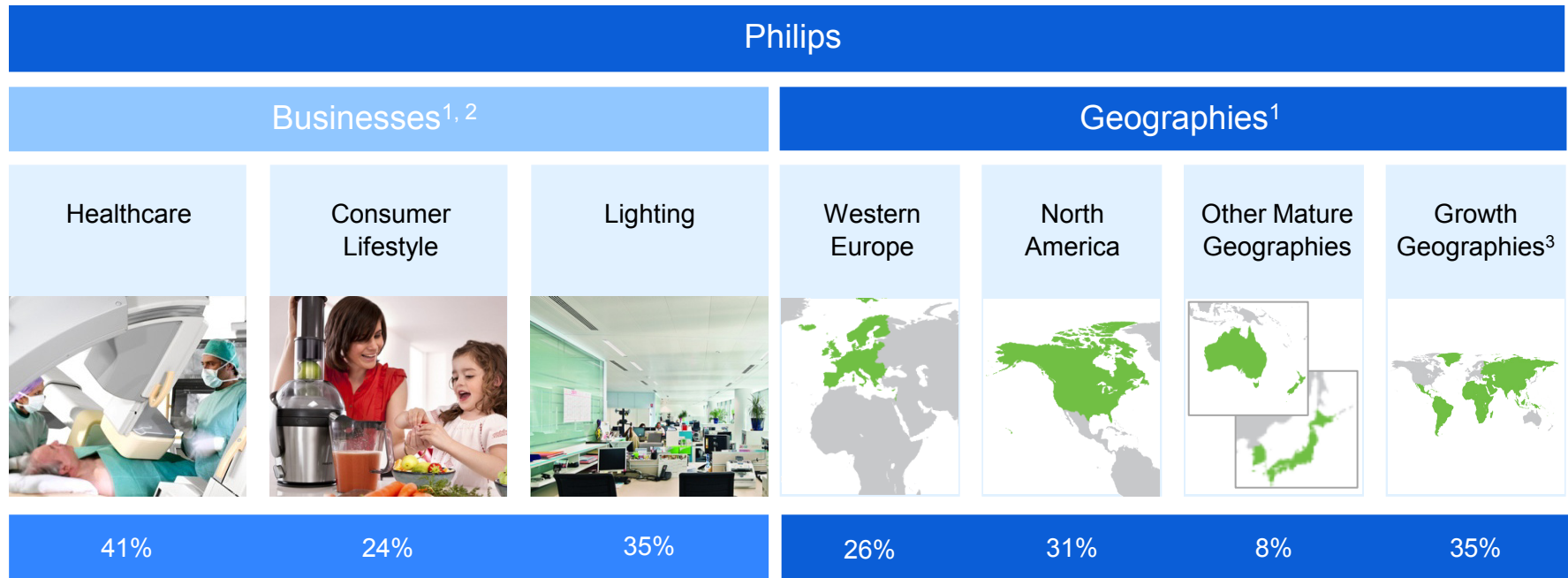
-- Frans van Houten, CEO Philips, “Unleashing the Power of the Circular Economy”;
Report Circle Economy, April 2013

Innovation for sustainable development requires to understand global trends and to Re-Think, Re-Frame, Re-Make our product, solutions and system

Q&A



Philips: A strong diversified technology company leading in health and well-being



Since 1891

Headquarters in Amsterdam, the Netherlands

€24.8 Billion

Sales in 2012.
Portfolio consists of ~65% B2B businesses

118,000+

People employed worldwide in over 100 countries

\$9.1 Billion

Brand value in 2012

7% of sales invested

in R&D in 2012
54,000 patent rights,
39,000 trademark rights,
70,000 design rights

¹ Full year 2012

² Excluding Central sector (IG&S)

³ Growth geographies are all geographies excluding USA, Canada, Western Europe, Australia, New Zealand, South Korea, Japan and Israel

Note - All figures exclude discontinued operations

Some recent awards and recognitions



Super Sector Leader Category
Personal and Household Goods
2012/2013



Eight year in a row, included in 20
most Sustainable Stocks



Best score for Supplier Sustainability
out of five multinational finalists



**Significant advancement in LED
lighting** by US Department of Energy



Top score for Carbon Disclosure
Leadership Index and the Carbon
Performance Leadership Index 2012



Environment Excellence Award for
Philips Lighting Pakistan



Global Top 10 of Newsweek
2011 ranking of greenest



"Most Responsible Company Award"
for Philips China

The ecological footprint



Global Footprint Network
Advancing the Science of Sustainability

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Footprint Basics - Overview

Humanity needs what nature provides, but how do we know how much we're using and how much we have to use?

The Ecological Footprint has emerged as the world's premier measure of humanity's demand on nature. It measures how much land and water area a human population requires to produce the resource it consumes and to absorb its wastes, using prevailing technology.

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The Human Development Index

