

Interview with the President

With the “Vision 2010” strategic plan you’ve given stakeholders a clear blueprint of what you want Philips to be in 2010.

Yes, we have shared the next steps to grow the company further into a global leader in the areas of Healthcare, Lighting and Consumer Lifestyle. These steps aim to further position Philips as a market-driven, people-centric company with a strategy and a structure that fully reflect the needs of its customers and create value for shareholders.

How does sustainability fit in?

It is at the center of our strategy and rightfully so. At Philips we focus on our mission of improving the quality of people’s lives. You can see this across the spectrum of our products and services. We aim to improve health and wellbeing, which are essential ingredients for creating sustainable societies. We also make a distinct contribution in energy efficient lighting. This is all right at the heart of sustainability.

So sustainability contributes to growth and value creation.

Absolutely. Initially people thought of it as a cost factor, which indeed it is when you treat it as an add-on. However, if it’s designed into the way you do things

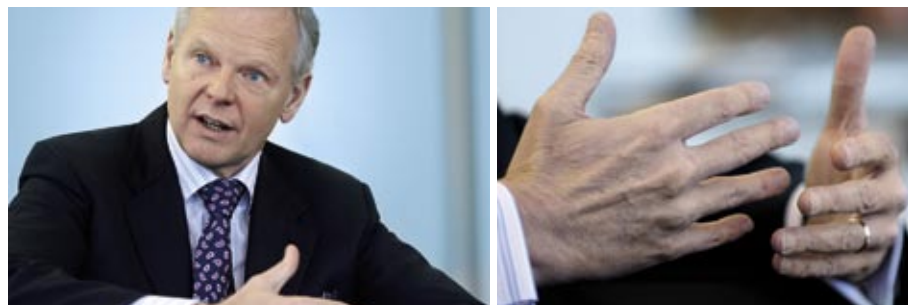
from the beginning as it is here at Philips, it saves you money because you’re operating more effectively. So today we recognize that sustainability offers significant business opportunities.

How do you go after those opportunities?

One way is through our EcoVision programs. Our latest EcoVision program, which is our fifth multi-year plan, sets targets to expand our revenues from Green Products, increase spending on Green Innovations, and improve the energy efficiency of our facilities.

We have been designing eco-friendly products for many years throughout our product range. Our products are designed to outperform their predecessors and competitors in terms of their ecological footprint. We want to provide people with Green Products that make it easy for them to contribute to saving our planet.

To do that, we have committed to doubling our investments to EUR 1 billion in Green Innovations in the next five years. We have already invested EUR 400 million in Green Lighting Technology during the last five years. You can see the results in our energy efficient lighting solutions that offer long lifetime and low energy consumption. This reduces end-of-life-issues along with greenhouse gas emissions.



“Our mission is at the heart of sustainability.”

Gerard Kleisterlee President



So in terms of growth opportunities, we are convinced that combining the principles of economic growth and environmental stewardship will offer long-term rewards to all of our stakeholders.

Let's turn to healthcare. What differentiates Philips in this area?

The biggest advantage we can offer is through the close relationship between our Healthcare and Consumer Lifestyle activities. Firstly, the direction we are looking to extend to is wellbeing. Healthcare starts with prevention and a healthy lifestyle. Secondly, the most costly aspect of healthcare is late discovery and late treatment. Currently healthcare systems are reactive. We want to make a difference there as well – to help move healthcare from being reactive to being truly proactive.

How do you help bring about that shift?

We are moving to the direction of keeping people healthy in addition to our diagnostics and our other professional healthcare solutions. We can contribute by helping people live a healthy lifestyle. Our appliance activity does that. For example, our kitchen appliances can very much contribute to this by helping people prepare healthy meals and fresh juices. Or consider the connection between oral care and overall health. We can make a difference through maximizing the unique set of resources that we have in our company.

During 2007 you participated in stakeholder forums around the world. What have you learned from these conversations?

The purpose of these forums is not for participants to listen to Philips, but for Philips to listen to them. And for us, together, to envision solutions to the challenges we face in the areas of energy efficiency and healthcare.

From the Philips perspective, it's easier to make ourselves relevant in the energy efficiency discussion. It's at the heart of the debate around climate change. After all lighting accounts for 19% of global electricity use. As the world's leading lighting supplier our contribution to meeting this challenge is very straightforward.

And what did you learn from the healthcare stakeholder forums?

With healthcare there are multiple issues and more stakeholders. Our contribution overall is modest when you consider that we are just a relatively small part of the total healthcare value chain, in addition to doctors, hospitals, pharmaceutical companies, insurers, etc. So this is a more complex debate.

As a business we need to ensure that everything we do reflects what our customers want and need. We *must* make healthcare accessible and affordable for everyone, not only in advanced markets but also in new and emerging markets. Governments and insurers must also do their part. In turn we have to cooperate with governments, international organizations and non-governmental organizations in order to be effective.

I believe that a marriage of stakeholder needs and meaningful, cohesive policies will lie at the heart of successful strategies to meet the healthcare challenge.

Clearly sustainability requires an ever-increasing focus on the outside world. What does that mean in terms of the supply chain?

We have had a robust process in place since 2003 to involve our suppliers in sustainability. Our suppliers sign up to the same standards we adhere to and we conduct audits at supplier sites in new markets to ensure they do indeed live up to those requirements. If there are issues, we work with our suppliers to resolve them.

“We will continue to be proactive.”

Multinational corporations have significant purchasing power and can make a large contribution by raising awareness, and encouraging and supporting suppliers in new, developing markets to raise their standards.

What about customers and consumers?

Retailers have an important role to play in educating consumers and we share that responsibility. We need to supply them with the tools they need in marketing and on the retail shelf. For example, we can provide information through point of sale material about the reduced total cost of ownership of our products that offer increased energy efficiency.

Our consumer website asimpleswitch.com shows that solutions for reducing energy consumption can be as simple as changing a light bulb. We supported the Live Earth concerts on July 7, 2007, to reach an estimated 2 billion people and inspire them to make a difference on the issue of climate change.

What do you believe is the role of leaders in sustainability?

Business leaders like political leaders in this context have the same job to do. We need to create awareness and come up with sustainable solutions for the problems we face as a society. Business will create the products

and services; politicians need to provide the enabling conditions. At Philips we will continue to be proactive.

Industry for too long was seen as a source of problems. We need to correct that and show that we are part of the solution. When you are sustainable from the start, as I said, business is in a good position to contribute.

Look at what's happening in terms of demographics with population growth and aging. Now think about what that will mean to the world's resources. We need technological breakthroughs to deal with these challenges and ensure a sustainable future. Such breakthroughs can only come from industry. Businesses have R&D and make the investments in new technologies and new solutions – as we have done over the years and will continue to do.

What do you see ahead for sustainability at Philips?

With “Vision 2010” and the focus on our portfolio – Healthcare, Lighting and Consumer Lifestyle – sustainability will have an even more prominent place. It's a key element of how we do business. With this portfolio health and wellbeing is ever more at the heart of what we do. It's about quality of life and the quality of the environment we live in.

