

The background of the entire image is a high-angle photograph of a wide, muddy brown river flowing through a deep, lush green valley. The river is flanked by steep, forested hillsides. In the distance, the river narrows and winds through more hills under a blue sky with scattered white clouds. The Philips logo is positioned in the top left corner, with the tagline and commitment text below it.

PHILIPS

Brighter Lives,
Better World

Carbon neutral

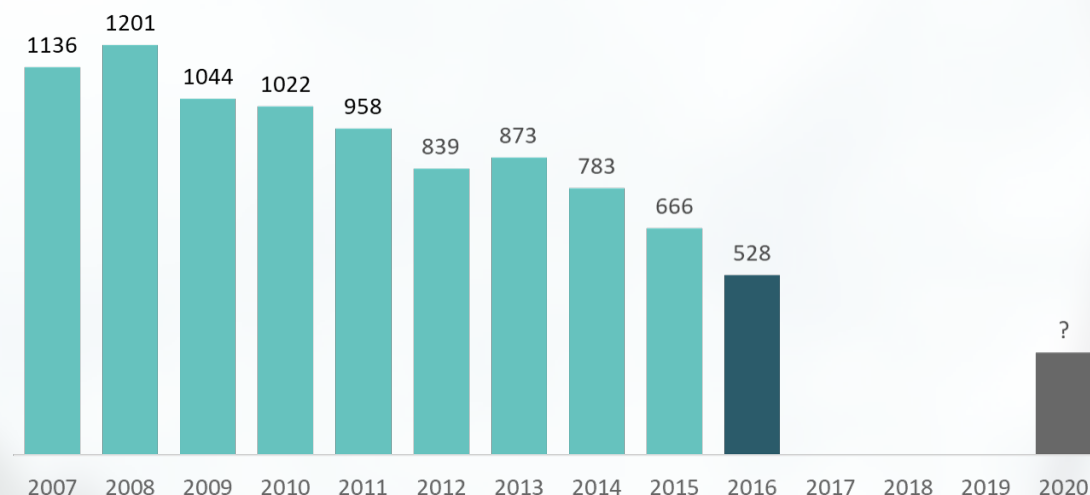
Our 2020 **carbon neutral** commitment

The road to becoming carbon neutral

Our world is changing. Population growth, resource challenges and climate change shape the planet, our business and the needs of our customers. As a global leader in lighting products, systems and services, we are taking a leading role to bring better light to the world and to help provide a more sustainable future.

As part of our overarching company vision, we have already made great strides in minimizing our impact on the environment. We have reduced our carbon footprint by 54% since 2007, and are now taking more ambitious steps: as part of our sustainability program, “Brighter Lives, Better World”, we are committed to becoming carbon neutral by 2020. This carbon neutral commitment includes compensating for the emissions generated by fossil fuel use in operations, purchased electricity, logistics and business travel¹.

Philips Lighting operational carbon footprint (kilotonnes CO₂e)



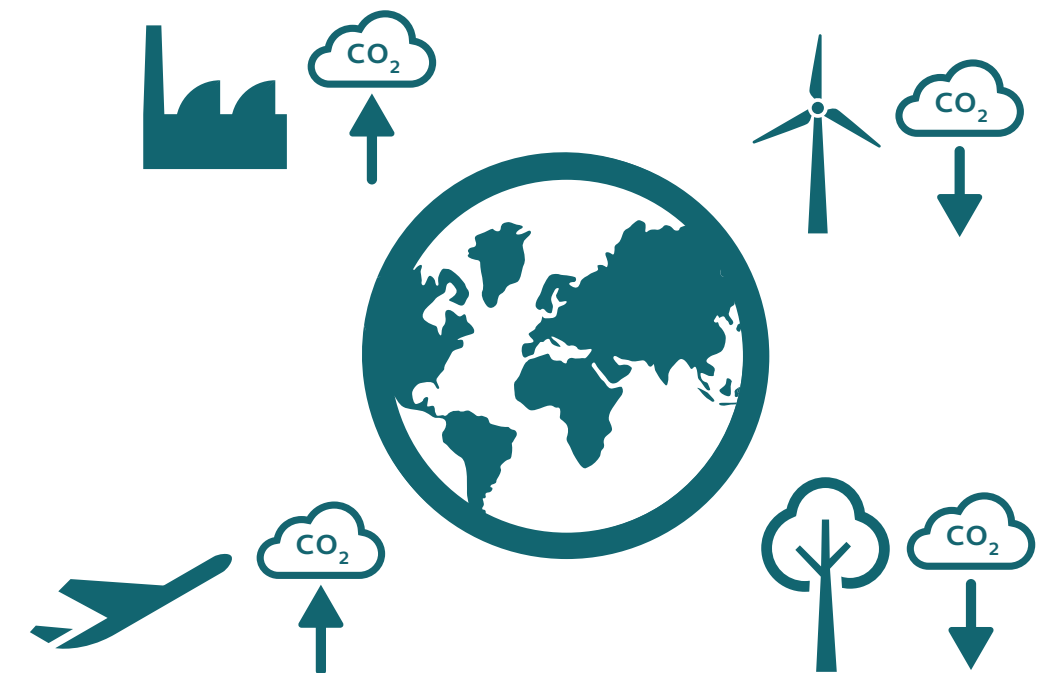
How will we achieve this goal?

We are investing in low-carbon technology and energy efficiency projects in all areas of operational activity. In parallel, we are increasingly sourcing our electricity from renewable sources – in 2020, 100% of our electricity will come from renewable sources.

While all of these efforts bring our carbon footprint down to the lowest possible level, we will still face unavoidable emissions. Therefore, we have partnered with South Pole Group² to compensate for any remaining carbon emissions, enabling us achieve the aspired carbon neutral status. South Pole Group is a global market leader in sustainability solutions – products and services that help companies reach their most ambitious climate and sustainability commitments. Thanks to this partnership, we have gained access to over a decade’s worth of experience in creating global impact through renewable power, carbon credits, and developing verified and certified emission reduction projects.

How it works

We compensate for CO₂ emissions of our activities by preventing the same amount of emissions from entering the atmosphere elsewhere. We finance emission reduction projects that issue carbon credits. Each carbon credit is a certificate that corresponds to the reduction or avoidance of one metric ton of CO₂ by that project.



We have defined standard requirements to select only carbon offsetting projects that ensure maximum impact. By using third party verification we are certain that selected projects deliver the claimed emissions reductions. At a minimum, any carbon offset project that we invest in must be certified to one of the following standards:

- Verified Carbon Standard
- Gold Standard
- United Nations Clean Development Mechanism

¹ The carbon neutral commitment includes our operational carbon footprint as defined in the Philips Lighting annual report. It covers full scope 1 and scope 2 emissions, and emissions from both logistics and business travel.

² <http://www.thesouthpolegroup.com/>

“Everyone at Philips Lighting is enthusiastic to play their part in making our company as sustainable as possible. We’re well on our way to becoming carbon neutral in all our operations by 2020, saving energy in factories and offices, optimizing our logistics and supply chain, and reducing business travel. We’ve already reduced our carbon footprint by 54% since 2007 and increased our use of renewables globally to 67%. By showing leadership on our journey to carbon neutrality, our employees are becoming ambassadors for sustainability.”

Nicola Kimm, Head of Sustainability, Environment, Health & Safety

Our carbon offsetting program

Becoming a carbon neutral company by 2020 means that we need to invest in several carbon emission reduction projects. By investing in these projects, we support communities in emerging economies to make a sustainable transition to a low-carbon economy. We select projects that, in addition to generating carbon credits, also drive social, economic, and environmental progress for the communities within which they operate.

The projects we support

Philips Lighting developed a portfolio of several carbon offsetting projects of different types, in different parts of the world. For a full overview visit the carbon neutral section of our sustainability website: www.lighting.philips.com/main/company/about/sustainability



Huóshui grouped small hydropower (China) The Rural China Grouped Small Hydro Project consists of a group of 88 small-scale hydropower plants which generate clean renewable electricity across rural south western China. The cost of building small-scale hydropower plants in remote locations is a significant barrier to their construction. These projects would not have been financially viable without the extra revenue from carbon credits. Carbon credits are used to fund social initiatives like disaster relief funds, and agricultural and education programs that are implemented in cooperation with local organizations. Agricultural workshops on growing fruit trees and other sustainable crops offer increased income opportunities for local farmers.

Cáceres and Cravo Norte reforestation of degraded land (Colombia) This pioneering forestry project entails permanent reforestation and long-term monitoring of parts of Colombia’s northeast and northwest, with a particular focus on biodiversity. The project seeks to promote sustainable management of forest resources in areas degraded by cattle grazing and mining, in a manner that fosters natural regeneration. In opposition to the common practice of reforestation through planting monocultures for tree plantations, this project by South Pole Group and Asorpar aims at restoring a real forest, with a focus on re-establishing its rich ecosystem. About 20 local tree species were planted and by today already led to the settling of another 117 plants and a multitude of animals in the now restored and still growing forest. The project has also restored new habitat for endangered animals such as jaguars, tamarins, neotropical otters, and endangered monkeys such as the grey-handed night monkey.



Kariba REDD+ forest protection (Zimbabwe) More than a third of Zimbabwe’s once majestic forests are gone. The project ensures that 785,000 hectares of forest and wildlife on the southern shores of Zimbabwe’s Lake Kariba are now being protected. Beyond saving the environment, a range of activities support the independence of local communities. Agricultural workshops, low-emission brick-making, establishing fast-growing fuel-wood plantations, and ecotourism provide employment and protect endemic wildlife including endangered Black Rhinos.



Photography: South Pole Group

