

Annual Report 2017



Philips Lighting
Foundation

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Introduction and welcome

Welcome to the Philips Lighting Foundation which got established in 2017. The first annual report offers us the opportunity to look back on the last year.

As we are aware, more than a billion people in the world still live without access to safe, reliable electric light. When the sun goes down, daily life comes to a halt.

This year, our first half year in operation, has been an important one, in which, we have worked to lay the foundations of long-term sustainable change while delivering meaningful real-time impact to many local communities worldwide. In 2017, 10 projects were approved by the Philips Lighting Foundation Board in various off-grid and partial-grid communities. Our approach is more local, wherein we work with local social enterprise and NGO partners to train and build local capacity around the projects to ensure empowerment and ownership from the community. These projects provide distribution to last mile, training, finance, technology and knowledge to actors that are bringing affordable, relevant clean technology to meet the lighting needs of last mile communities. By supporting our partners, we facilitate the creation of a market driven ecosystem for sustainable light access. Whether, this is through grant capital as seed funding for rural entrepreneurs in India, technical training for solar engineers in Uganda or participating in Acumen's Pioneer Energy Investment Initiative. Each project was evaluated for scalability and sustainability and impact. This report provides an overview of various stages of progress, as well as our 2017 financial reporting. Thank you for your support now and in the future. Through innovation in Lighting access and collaboration, we can solve some of the world's toughest challenges and create a brighter, happier, more sustainable future for all.

In the next 3 years, we hope to achieve the milestone of lighting the lives of 3 million people by 2020.

Thank you for your support now and in the future. Through innovation in Lighting access and collaboration, we can solve some of the world's toughest challenges and create a brighter, happier, more sustainable future for all.



Dr Shalini Sarin

On behalf of the Philips Lighting Foundation Board

Foundation Vision, Mission Strategy & Governance

Our Vision

To unlock the extraordinary potential of light for brighter lives and a better world.

Light is a fundamental part of our lives. With a flick of a switch, it transforms darkness into places where people can work, learn and create. More than a billion people do not have access to electric light. For these communities, the productive day ends at sunset. Mobility after dark is limited and simple activities like accessing sanitation can be dangerous. Children cannot study. Shops cannot do business. Emergency relief workers cannot help people.

Many families who can't obtain or afford electric light instead burn coal, wood, kerosene or candles for illumination. These fuels can be costly and dangerous - 1.5 million people die annually from using kerosene lamps, which cause fires and respiratory illnesses.

The Philips Lighting Foundation is an organization dedicated to supporting underprivileged and underserved communities around the world by enabling access to light. When pursuing this mission, the Foundation expects to leverage on Philips Lighting's expertise and knowledge to help develop and provide easily-accessible, sustainable lighting solutions that create meaningful impact on people's lives. Together with partners from selected non-governmental and governmental organizations, we do not aim to generate profit, but to build valuable new knowledge and networks - and drive social innovation.

Our Mission

To enable sustainable access to light for under-served communities.

The Philips Lighting Foundation aims to help fragile and developing communities by building valuable new knowledge and capacity to drive social innovation creating last mile solutions for access to light.

Within three years of its establishment, the Foundation aims to have made measurable impact in chosen communities by enabling social innovation projects through donating expertise and innovation resources. The Philips Lighting Foundation strives to be recognized within the international development and government communities as a voice that has a valid opinion in societal discussions and debates.

Our Strategy

We help to create positive change in developing and disaster-affected locations by focusing our efforts in three key areas:

- Lighting lives: extending the day for off-grid or underserved communities through lighting interventions.
- Lighting entrepreneurs: Enterprise and technical skills training to enable communities to take ownership of lighting interventions and to facilitate capacity development for communities to meet their needs through local supply.
- Humanitarian lighting: planning and providing lighting solutions for humanitarian relief projects.

Lighting Lives

The Lighting lives pillar aims to bring light to communities that are not connected or underserved by the grid. For the billion plus people living off-grid the only light they have after sunset is from smoky fuels, candles, kerosene, wood or coal. All of these are expensive, some are unhealthy, and a few are downright dangerous. Inadequate access to light is also holding back communities and countries from growth and progress. The costs are incalculable, and the impact is felt across the board — socially, economically, and culturally. In short, the overall quality of people's lives can be enhanced, often significantly, by simply enabling consistent access to light.

Lighting Entrepreneurs

Better lighting stimulates productivity and entrepreneurship. We are helping communities build capacity to take ownership of lighting solutions and offering technical training and support for the development of business skills. Lighting Lives can have a long-term impact only if communities have required skills to operate and maintain lighting products that they get access to. Local people are then able to take ownership and limit their dependence on external agencies for operations and maintenance in the long term. In order to facilitate this transfer of knowledge, Philips Lighting Foundation enables technical and enterprise skills training to develop and support entrepreneurs who can bridge the crucial gaps in servicing the lighting needs of the last mile communities.

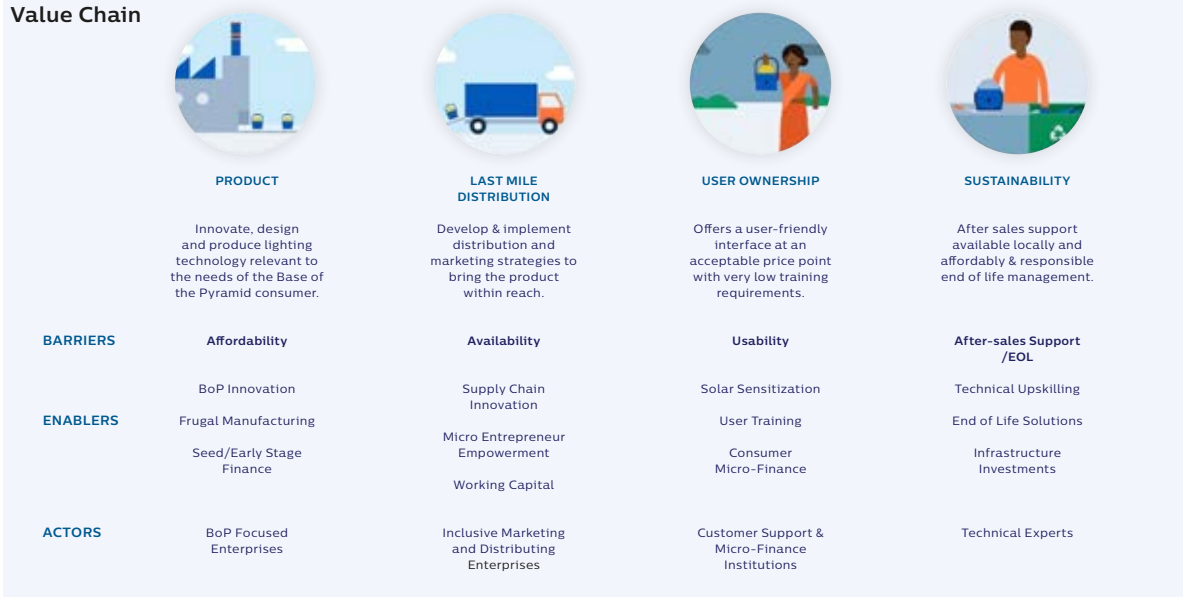
Humanitarian Lighting

Philips Lighting Foundation offers material and logistical assistance to communities that have been impacted by humanitarian crises, focusing primarily on providing lighting infrastructure and expertise.

	OFF-GRID	PARTIAL GRID	HUMANITARIAN
WHERE	<ul style="list-style-type: none"> Rural villages Remote communities 	<ul style="list-style-type: none"> Urban & rural tier-2 towns Larger villages where less than 4 hours of day energy supply 	<ul style="list-style-type: none"> Refugee camps Disaster settings
WHAT	<ul style="list-style-type: none"> Solar lanterns and home systems Solar street light Solar systems for public institutions 	<ul style="list-style-type: none"> LED bulbs LED luminaires for institutional lighting Solar standalone public lighting 	<ul style="list-style-type: none"> Solar lanterns and home systems Solar street light Solar systems for public institutions LED
WITH WHOM	<ul style="list-style-type: none"> NGO Social enterprises Training institutes Local authorities Micro finance institutions 	<ul style="list-style-type: none"> NGO Social enterprises Public service institutions Installers Sustainability actors 	<ul style="list-style-type: none"> Disaster relief organizations Aid agencies

Mapping the access to light value chain surfaces the opportunities and challenges of enabling sustainable solutions for access to light in communities that are underserved by the grid. Through our projects, we partner with and support intermediaries across the value chain, ranging from manufacturers, distributors, technical training institutes & financing agencies. We see it as our role to link these value chain intermediaries, to foster an ecosystem approach to tackling their barriers to growth and scalability. This approach helps structurally address weaknesses across the entire value chain so that one link helps to strengthen the next link in the chain. We aim to take learnings from successful interventions in one community and apply them across multiple contexts in numerous countries.

Access to Light Value Chain



Governance

The Foundation is led by a Management Board comprised of four members with a majority independent from Philips Lighting.

Foundation Board



Shalini Sarin
Chairperson



Pieter de Haan
Board member



Jacqueline Cramer
Board member



Bas van Abel
Board member

Operations team

The Management Board delegates the daily operations to the Foundation Director who reports and is accountable to the Board. This Foundation Director is supported by an operations team seconded to the Foundation by Philips Lighting.



Prajna Khanna
Director



Yue Cui
Program Manager

Projects 2017



1. Pioneer Energy Investment Initiative – Acumen

This grant capital facility to the Acumen Pioneer Energy Investment impact investing fund to support 10-15 energy start-ups aiming to reach people with low purchasing power over the course of a three-year period (2017-19), and support these investments to overcome challenges to growth, impact, and sustainability for up to ten years after the initial investment. Acumen's investment professionals work with each portfolio company to help create a financially sustainable enterprise and help attract a later-stage purchaser or investor.

2. Lending to solar entrepreneurs – KIVA

Helping grassroots entrepreneurs in solar energy/lighting sector to receive loans to finance their business needs. This is facilitated through the Kiva crowd lending platform, which leverages the internet and a wide network of field partners.

3. Brighter Lives brighter futures – China Environmental Protection Foundation

Improving learning conditions for schools located in underdeveloped regions by improving lighting conditions in classrooms. By retrofitting the classroom lighting and providing training to the local students, we aim to make a significant impact on the students' learning experience, studying time, and awareness on lighting and energy conservation. Schools that the project focuses on are primarily located in underserved middle and west China. Lighting quality is often overlooked in these schools, which negatively impacts the local students in terms of learning efficiency.

4. Saral Jeevan Saheli's program – Frontier Markets

Through this partnership, we aim to bring a sustainable solution to the local community for having access to public lighting and home lighting systems while reducing the use of kerosene. Business and technical training enable women to become entrepreneurs for solar energy products. Working capital will be provided to these women to bridge the finance gap when starting their businesses. One trained Solar (entrepreneur) Saheli will serve around 100 household in her village, and connect local people to consumer micro-financing. In addition, solar powered public lighting is to be supplied to Community Service Centers in the villages to enable post dark social economic activity.

5. Women's clean energy entrepreneur empowerment program – Solar Sister

Providing rural Tanzanian women a sustainable livelihood opportunity, combined with ongoing life skills, business and technology training. Jointly we will also bring access to light to families in the Maasai areas through the solar lighting library program.

6. Lighting up Zambia – SolarAid

Supporting SolarAid's sales agent training program in Zambia, as well as its market catalyst activities, to bring sustainable, reliable and affordable access to light to the local communities.



We contribute to SDG 7 – Affordable and clean energy. Our focus on enabling access to reliable and sustainable access to electrical lighting is supported by access to affordable, reliable, sustainable and modern energy for all. Access to light/ energy can significantly contribute to achieving the other 16 SDGs.



7. Solar technicians training Academy – Village Energy

A travelling solar academy program, carried out by Village Energy through the Foundation funding, will train young people in rural Uganda with technical and sales skills and place them in the solar last-mile distribution or service network. This is combined with grant capital that Village Energy uses as a revolving loan facility for customers of their solar installations.

8. Light up the future – China Environmental Protection Foundation

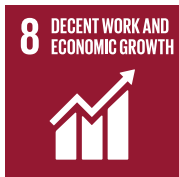
Providing solar street lighting to villages to enable the community members access to clean energy lighting technology, enhanced safety and livelihood opportunities after sunset.

9. Lighting lives at the last mile – Dharmalife Foundation

Training and mentoring Lighting Entrepreneurs at the village level in solar lights and increasing the adoption of solar based lighting solutions by last mile communities. Entrepreneurs will be supported with market activation with activities like the annual “Lighting up Young Minds” campaign and “Lighting Libraries” to educate schools and communities about conservation of energy by the use of solar lights.

10. Disaster relief hurricane Harvey & Irma

Supporting the community re-build effort after hurricane Harvey and Irma, by matching the donation by Philips Lighting employees in the US and Mexico.



We contribute to SDG 8 – Decent work and economic growth. By underpinning every intervention with technical and business skills training and supporting the development of market eco-systems where local need is met through local supply.



Financial report

Balance sheet

in EUR
31 December 2017

		2017
Current assets		
[1] Cash and cash equivalents	1.556.660	
[2] Receivables	2.100.000	
Total assets		3.656.660
Equity		
[3] Other reserves	3.648.989	
[4] Current liabilities	7.671	
Total equity and liabilities		3.656.660

Statement of income and expenses

in EUR

		2017
Income		
[6] Contributions	4.200.000	
[7] Other contributions	440	
Total income		4.200.440
Expenses		
[8] Donations	(550.505)	
[9] Other expenses	(665)	
[10] Financial expenses	(281)	
Total expenses		(551.451)
Result		3.648.989

Notes to the Balance sheet and the Statement of income and expenses

General

Stichting Philips Lighting Foundation, having its legal address at Herikerbergweg 102, 1101 CM Amsterdam, is a foundation under Dutch law.

Financial reporting period

The Philips Lighting Foundation has been incorporated on 19 June 2017. These financial statements cover the year 2017, starting at 19 June 2017 and ending at 31 December 2017. As 2017 has been the year of incorporation of the Philips Lighting Foundation, no comparative figures with previous year are included. The book year 2018 will start at 1 January 2018 and will end at 31 December 2018.

Basis of preparation

The financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code.

Application of Section 396, Book 2 of the Netherlands Civil Code

The Foundation has applied the exemptions in accordance with Section 396, Book 2 of the Netherlands Civil Code.

Going concern

These financial statements have been prepared on the basis of the going concern assumption.

Accounting policies

General

The principles applied for the valuation of assets and liabilities and result determination are based on the historical cost convention. Unless stated otherwise, assets and liabilities are shown at nominal value. Valuation takes place at nominal value less any provision deemed necessary. Provisions for receivables are determined based on individual assessments of the collectability of receivables.

An asset is recognized in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognized in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Income is recognized in the statement of income and expenses when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses

are recognized when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

Income and expenses are allocated to the period to which they relate. Contributions are recognized in the statement of income and expenses when the amount can be determined in a reliable manner, and collection of the related contribution to be received is probable.

Use of estimates

The preparation of the financial statements requires the Board of the Philips Lighting Foundation to make judgments, estimates and assumptions that affect the application of accounting principles and reported amounts of assets, liabilities and income and expenses. For example, estimates are required to determine the most realistic value of the accruals as well as of the off-balance sheet commitments. Actual results may differ from these estimates. The estimates and underlying assumptions are continually reviewed. The earnings impact of revised estimates is reflected in the period in which the estimate is revised.

Functional currency

The financial statements are presented in euros, which is the Foundation's functional currency. Transactions denominated in foreign currency are translated into euros at the exchange rate applying on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into the functional currency at the exchange rate applying on that date. Exchange differences resulting from the settlement of monetary items, or resulting from the translation of monetary items denominated in foreign currency, are recognized in the statement of contributions and expenses in the period in which they arise.

Financial Instruments

Financial instruments comprise only primary financial instruments, such as receivables, cash and cash equivalents and accounts payable. For the principles applying to these instruments, please refer to the treatment of each relevant balance sheet item.

Receivables

Receivables are measured at fair value at initial recognition. After initial recognition, the assets are measured at amortised cost using the effective interest method, less a provision for uncollectible debts. These provisions are determined by individual assessment of the receivables.

Cash and Cash Equivalents

Cash and cash equivalents are stated at nominal value. They are all readily available. If cash and cash equivalents are not readily available, they will be reclassified to other current assets.

Current liabilities

At initial recognition, current liabilities are measured at fair value. After initial recognition, the liabilities are measured at amortised cost using the effective interest method.

Off-balance sheet commitments

An off-balance sheet commitment is recognized when the Philips Lighting Foundation signed a contractual agreement, but when the related activities relate to future years and therefore have not started yet. The activities are therefore not reported in the balance sheet nor in the statement of income and expenses.

In case the Board of the Philips Lighting Foundation approved a donation, but no contractual agreement has been signed yet, this approval will be classified as an "intention" and not as a formal off-balance sheet commitment.

Other Reserves

Other reserves consist of the results of the previous years as well as the current year.

Notes to the Balance sheet

[1] Cash and cash equivalents

Cash and cash equivalents relate to the current account position with ING Bank. Cash and cash equivalents are available without restrictions.

[2] Receivables

The receivables relate to the received commitment of Philips Lighting Holding N.V. to donate €2.1 million to the Philips Lighting Foundation in 2018. As the donation agreement has been signed by Philips Lighting Holding N.V. in 2017 and the receipt is probable, the full amount is recorded in 2017.

[3] Equity

The other reserve consist fully of the results of the current year. During 2018 the other reserve will mainly be used for commitments which have to be paid in 2018. Due to the value of activities planned for the coming years, the Philips Lighting Foundation might show a planned loss in the near-term future. The negative result will then be subtracted from the other reserves.

[4] Current liabilities

The accrual is related to the agreement made by the Philips Lighting Foundation to match the employee contributions for the fundraiser in US and Mexico in 2017.

	2017
Accrual US	5.446
Accrual Mexico	2.224
	7.671

[5] Off-balance sheet commitments and intentions

In 2017 the Philips Lighting Foundation committed itself to various other projects. We distinguish two types of commitments:

Off-balance sheet commitments

Projects which are formally committed through signing of an agreements after the Board of the Philips Lighting Foundation did approve the project.

in EUR

		2018
Project name	Partner	
Pioneer Energy Initiative	Acumen	250.000
Brighter lives brighter future	China Environmental Protection Foundation	100.000
Saral Jeevan Saheli's program	Frontier Markets	158.167
Women's clean energy entrepreneur empowerment program	Solar Sister	55.000
		563.167

Intentions

Projects which are formally approved by the Board of the Philips Lighting Foundation, however for which the contract with the partner has not yet been signed.

in EUR

		2018
Project name	Partner	
Lighting up Zambia	Solar Aid	102.000
Solar Technicians Training Academy	Village Energy	130.000
Light up the future	China Environmental Protection Foundation	200.000
Lighting lives at the last mile	Dharma Life	150.000
		582.000

Notes to the statement of income and expenses

[6] Contributions Philips Lighting Holding B.V.

On 9 May 2017 Philips Lighting Holding N.V. made the commitment to donate €2.1 million to the Philips Lighting Foundation in 2017. These contributions were received in full in 2017.

On 21 December 2017 Philips Lighting Holding N.V. also committed itself to donate €2.1 million to the Philips Lighting Foundation in 2018. The donation will be made in three separate and equal tranches of €700,000 and will be paid in April 2018, July 2018 and October 2018.

[7] Other contributions

In the course of 2017 Philips Lighting Foundation received some contributions from Philips Lighting employees for a total amount of €440.

[8] Donations

The donations done by the Philips Lighting Foundation during 2017 all received prior approval by the Board of the Philips Lighting Foundation.

in EUR

		2018
Project name	Partner	
Pioneer Energy Initiative	Acumen	250.000
Platform to support entrepreneurs	Kiva	100.000
Empowering local entrepreneurs Rajasthan	Frontier Markets	127.834
Lighting the way Tanzania	Solar Sister	65.000
Disaster relief hurricane Harvey & Irma		7.671
		550.505

[9] Other expenses

The other expenses in 2017 consist of costs related to the incorporation of the Foundation.

[10] Financial expenses

The financial expenses in 2017 consist of banking fees.

[11] Personnel

As at 31 December 2017, the Foundation had, other than four board members, no staff members employed. The Board Members receive no remuneration for their duties. Expenses can be reimbursed. In 2017, no reimbursements took place. The Foundation's operational team consists of employees of Philips Lighting Holding N.V. who are seconded to the Foundation. Their salaries and expenses are paid by Philips Lighting Holding N.V.

[12] Financial expenses

The Foundation have not engaged in post balance date transactions outside of normal business transactions.





Philips Lighting
Foundation