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People. Planet. Profit – Creating a Sustainable Future

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Barack Obama first U.S. president to visit a Siemens factory

It happened just weeks ago: President Barack Obama was the first U.S. president to visit a Siemens factory and he made two things very clear: First: In a time of crisis, we have to bet on the future. We should not drop our heads. Instead, we should rise to meet these challenges. And second: If we want to create a sustainable future, we have to blaze a trail. We have to revive the pioneering spirit!

While President Obama was speaking to Siemens employees in the video, it is clear that his words are directed at an entire generation, at all of us. He spoke of the challenges of our time. I believe the biggest challenge of our time is climate change, and that our generation's biggest responsibility is to make the transition to a sustainable economy.

Right now, we're still recovering from global economic crisis. The economies of a number of countries, such as BRIC and Middle East, have been on a growth pattern for some time. European countries have been slower in returning to growth. While the outlook for export-driven economies has become more positive, a number of countries are still struggling with large government deficits, which threaten the stability of the euro. As a result, many European countries have been forced to reduce public spending.

These are big challenges! But I am confident that politics and business will meet them in the short term. If there is one lesson we learned from the global economic crisis, it's that we must look farther than the short term. And the long-term challenges coming our way are much bigger than the current economic crisis!

We have to find answers to the world's toughest questions

Global socioeconomic trends such as demographic change, urbanization and climate change – they all raise tough questions. For example: How can we provide affordable, high-quality healthcare to increasing numbers of elderly people? How can cities expand their infrastructures, improve living conditions – and at the same time, save costs and resources? How can we meet the rapidly rising energy demand worldwide, and at the same time, reduce CO₂ emissions?

We have to find answers to these questions, if we want mankind to thrive. Sustainability is thinking and acting with a view to long-term development.

Technological innovations are the strongest levers to reduce greenhouse gas emissions

The central question is: How can we act more sustainably? From my point of view, sustainable action has to encompass three dimensions: It has to protect our environment and conserve natural resources, that's our planet. At the same time, it has to support our economic activities. That's profit. And it has to improve quality of life, that's the people dimension.

It's a fact that our planet's climate is changing. To me this is the biggest challenge we face. I am not an expert on ecosystems, but I would like to comment on the potential economic consequences of climate change. The former chief economist of the World Bank, Lord Nicholas Stern, has predicted that annual global GDP could be up to 20 percent lower than it would otherwise be, if we do not fight climate change. To give you a reference: the economic crisis cost us about 2 percent of global GDP in 2009.

We have to fight climate change. And we must fight it on a global as well as local level. On a global level, we should continue to pursue a binding global climate agreement, with clear reduction targets and control mechanisms. This would create a level global playing field. I believe Europe should lead this effort. We are already leaders in green technology and in environmental regulation. The EU target of "20-20-20 by 2020" shows that Europe is indeed taking action. By 2020, we will reduce greenhouse gas emissions by 20 percent. We will meet 20 percent of our total energy demand with renewable energy and we will reduce our energy consumption by 20 percent.

But one thing is also clear: Europe cannot prevent climate change alone. The outcome of the Copenhagen Climate Change Conference in December last year was disappointing, and it showed: There's still a long way to go on the global level!

The battle against global warming will be decided in cities

But we can't let that stop us. Instead, we should do everything we can on the local level. Here, cities play a key role: Today, more than half of the world's population lives in cities. By mid-century, it will be almost two thirds. And cities already account for 75 percent of global energy consumption and for 80 percent of greenhouse gas emissions! With this in mind, the question how we shape the infrastructures of our cities becomes even more important. City infrastructures are aching from years of heavy usage, ever increasing numbers of inhabitants and tight budgets. The supply of energy, water or transport, as well as buildings and healthcare need to be improved in terms of capacity, quality and resource efficiency. And again, Europe can lead the way.

Our unique Environmental Portfolio is both economical and ecological

As the European Green City Index shows, some European cities have been very successful in making their infrastructures sustainable. Siemens commissioned the Economist Intelligence Unit to conduct this study last year. Two examples, how creative cities can be in creating sustainable infrastructures: Example number 1 is just outside Berlin. Germany's capital has renovated more than 170 public buildings during the last years, installing efficient heating, air conditioning, water and lighting technologies. These new technologies now save 36,000 tons of CO₂ per year. That's equivalent to 9,000 cars, driving 20,000 kilometers per year. There's another benefit: Berlin does not pay for the retrofitting. Rather, the new technologies pay for themselves – through energy cost savings of around 6 million euros per year. Berlin used an energy contracting model, in this case with Siemens, to finance the retrofitting.

Example number 2 is London. Britain's capital has ambitious CO₂ reduction targets. Its Climate Change Adaptation Strategy aims to reduce emissions by 60 percent during the next fifteen years, compared to 1990 levels. A key lever in achieving these targets will be wind power. In the Thames estuary, London's authorities have started to build the London Array offshore windpark. When completed in 2012, London Array will be one of the largest offshore wind parks in the world. It could be supplying enough power for up to 750,000 homes. That's about one quarter of the homes in the Greater London area. And London Array will reduce CO₂ emissions by 1.9 million tons per year. It would take a forest twice the size of Berlin, to absorb this amount of emissions. An ambitious project! As market and technology leaders in offshore wind power Siemens will contribute to its success.

These two examples show what's possible if we join forces and shape the environment we live in. They show that technology provides the answers to the toughest questions of our time. And that these answers are already available today. Developing and deploying sustainable technologies is a triple win: For our environment, because these technologies make our use of resources more efficient and reduce CO₂ emissions. For our economic activities, because these technologies pay for themselves by reducing costs. And for green technology companies, because they generate revenue.

Two developments have converged to open a window of opportunity: The most severe economic crisis of the last 80 years has forced us to rethink how we do business. At the same time, green technology enables us to generate economic growth.

Siemens has the world's largest portfolio of green, efficient technologies

I believe all of us understand the importance of profit for our companies and economies. If we grow profitably: We have the financial means to give back to the people who invested in our businesses. We have the means to invest in jobs. And we have the means to invest in the development of innovative technologies – our future.

Siemens is a good example of that: We have the world's largest portfolio of green, efficient technologies. Our technologies helped to reduce global CO₂ emissions by 210 million tons last year. That's equivalent to the annual emissions of New York, Tokyo, London and Berlin put together. Last fiscal year, our green portfolio generated revenue of 23 billion euros – that's a growth rate of 11 percent. Amidst the crisis! It also helped us to increase our total workforce by 4,000 people in the past two years. And our solid businesses allowed us to continue our investments in Research & Development. Last year, we invested 3.9 billion euros in R&D. That's 5 percent of our total revenue. In comparison: The EU spends 1.9 percent of its GDP on research.

Our Environmental Portfolio is a significant growth driver

The prospects for dynamic “green growth” look good. The global market for environmental technologies is forecast to grow by 6.5 percent per year. During the next ten years market volume is expected to double to more than 3 trillion euros. That's great news for green technology companies. However, to be able to achieve this profitable growth, companies have to be No. 1 or 2 in the market. You have to be a market and technology leader. On a global scale, Europe and Germany are in leading positions, respectively with 45 percent and 16 percent global market shares in green technologies. The question is: How long will we maintain this leadership position? There are many other players who strive for exactly the same. The future race for green leadership will be tough.

Two examples: President Obama made it very clear during his visit in Iowa that: “The country that leads the clean-energy economy will be the country that leads the 21st century global economy.” And his government has earmarked 100 billion dollars out of its 800 billion dollar stimulus program to boost America's green growth, to create green jobs, and to promote green research and development.

A few days after President Obama's visit, we were honored by the visit of China's Premier Wen Jiabao at our production site in Tianjin. Here the Premier renewed the commitment of the Chinese government to the targets of the current Five Year Plan. He put particular emphasis on one measure of the Five Year Plan: "Resources utilization efficiency will be improved considerably while energy consumption per unit GDP will be lowered by 20 percent."

Both leaders put the shift to a greener, resource efficient and thus more sustainable economy at the top of their agendas. And both leaders will support the companies and infrastructures in their countries accordingly. So, we can be sure that we will be competing against many new and strong competitors in the race for green leadership. And the key to winning this race is people.

Our employees are the backbone of our success

Siemens is a sustainable company – we have survived and thrived for 163 years. And we will continue to do so. Our employees are the backbone of this success. We currently have more than 400,000 employees in approximately 190 countries across the globe. About 100,000 hold green jobs. About 90,000 are engineers or scientists. About 30,000 work in R&D. Last fiscal year, our people came up with 7,700 inventions, that's 32 inventions per working day. We currently hold 56,000 patents, about 16,000 of them for green technologies. That's the result of hard work. But the people of Siemens make it possible. They blaze the trail.

Our people are our pioneers! For example in projects like Desertec: No one has ever tried before to transmit power from renewable energies spread all over the African deserts, all the way to Europe. Our people will do! Or in innovative fields like smart grids and electric mobility. It's been Siemens' employees that developed the first electric car in Germany, back in 1905. The "Electric Victoria" was driving through the streets of Berlin. Today, the people of Siemens work to improve power grids and electric motors to make E-cars a reality on the streets worldwide. There are many fields, where Siemens employees show their innovative talent.

And Siemens is committed to developing these talents. We focus on keeping our talent pipeline filled – we need the best, to develop the best answers for the toughest questions of our time.

One way to develop our talent is by encouraging them to participate in the programs of the European School of Management and Technology. As one of the founders of ESMT, we have supported the school's work from the beginning. We are very proud of this. We value that ESMT fosters developing fresh ideas and interdisciplinary research. We encourage and support the intensive exchange between business and academia. We envision ESMT to be a competitive international management school. And we expect ESMT to develop excellent, innovative and responsible leaders – leaders who have the skills needed to develop tomorrow's sustainable societies.

Another way to develop our talent so that we are able to fill demanding positions throughout Siemens is vocational training. Siemens is one of the largest private sector providers of vocational education in Germany. We offer training positions for some 10,000 young people each year. In the last three years, we also offered 750 training positions for disadvantaged young people who had not yet obtained training positions – due to poor academic performance or weak basic skills. In total, we invest around 160 million euros per year in our training programs. This is our investment in the future. Highly qualified people are our most important asset! They are our pioneers – the pioneers of our company and of our society!

Our generation faces tough challenges, challenges arising from the current economic crisis and from global trends like urbanization and climate change. Our future depends on our willingness and ability to step forward and meet these challenges. We can meet these challenges by developing and deploying innovative, efficient and sustainable technologies. This is what industry does best. But we cannot meet these challenges without a clear course toward sustainability in the governance of our societies. Governance must support economic activity but equally protect our natural environment and improve quality of life for people. If we want to thrive, all of us must join together and make our societies sustainable – for our own sake and for the sake of future generations.