

THE PROGRESSIVE INVESTOR

Issue 28

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Table of Contents

[2005 SB20:
The World's Top
Sustainable Business
Stocks](#)

[Introducing the 2005 SB20:
Judges, Criteria,
Discussion](#)

[Meet the SB20:
Capsule Company Profiles](#)

Welcome to *Progressive Investor*/ July/ August 2005!

This is the fourth year for the SB20, our list of the world's top sustainable business stocks. It reflects our judges best thinking on the very top public companies worldwide that are leading our society toward a sustainable future.

When you read about the companies we chose it might look a simple process, but it really is very difficult and complex. I want to thank our judges for participating and for hanging in there through the backs and forths, and various machinations required to pick the final list.

A special thank you to Terry Foecke, who kindly makes himself available - spending many more hours than he plans - to help me with the deep research required to really tease apart what the companies are actually doing from what their public relations messages say.

The first article introduces the companies and explains why they are on the list. It hopefully gives you a sense for the discussion that went on to choose the stocks and why certain companies did not make the list each year. The second article is a capsule description of each of the twenty companies and their sustainability and financial positioning.

This is the July and August issue. We are going to take a much needed rest now. The next issue you receive will be in September.

Question for you: do you have a preference as to whether *Progressive Investor* comes out monthly or bi-monthly? Many of you tell me that it's hard for you to keep up with a monthly. I would be happy to hear that you would like to receive a news update each month, and a longer issue with features every other month. Please let me know!

For **Daily Investor News**: visit our [home page every day](#).

Do you have investment questions? Email them to me and we'll get them answered for you by our experts.

Remember, the back issues are freely available to you as part of your subscription. Here's the [Table of Contents](#) for all of them. Just [email](#) me and I will send them to you.

Enjoy and Learn!

Have a wonderful summer!

THE PROGRESSIVE INVESTOR

Feature Story:

Introducing ... The 2005 SB20 4th Annual World's Top Sustainable Business Stocks

This is the fourth year for the SB20, the top Sustainable Business stocks worldwide. Each year, we ask our judges to vote on a deceptively simple question: which companies stand out as the world leaders both in terms of sustainability and financial strength?

Our goal is to create a list that showcases the top publicly-traded companies leading the way to a sustainable society. It is not a "buy" list and it does not constitute a diversified portfolio based on industry, market cap or country allocations. It is simply a list of our favorite companies that are both strong financial and sustainability performers - at this time.

SB20 Criteria

Our judges decide on the 20 companies that make the list based on the following Sustainability and Financial criteria:

Sustainability Criteria:

A. A company is a leader - way ahead of the pack - and is actively working toward being a "model" of sustainable business by infusing sustainable practices throughout the "DNA" of the company.

OR

B. The company's products or services facilitate the transition to a sustainable economy by directly reducing environmental problems.

Financial Criteria:

A company is profitable, shows a history of healthy profitability, and is considered investable by our judges.

The Judges

Our judges are leading environmental/ social analysts and advisors:

Terry Foecke: Managing Director, Investment Research, Materials Productivity LLC

Patrick McVeigh: VP Investment Research, Lowell, Blake & Associates

Carsten Henningsen, Co-Founder & Principal, Portfolio 21 mutual fund

Matt Patsky, Managing Director; **Elizabeth Levy,** Research Analyst, Winslow Management Company, Green Growth Fund

Max Deml, Editor & Publisher, Oeko Invest Publishing Ltd

Max is new to our group of judges this year. He publishes a sister publication to Progressive Investor in German. Since our SB20 list contains many companies from Europe, Max provides a valuable European

perspective. Terry Foecke provides research for high net worth portfolios and for the Riverbridge EcoLeaders Fund. He is indispensable - he helps us understand the companies by doing intensive research, drilling down into the "bowels" of company activity. Patrick, Carsten and Liz and Matt from Winslow, actively invest in some of the companies and contribute their expertise from a portfolio manager point of view. You can [read more](#) about them and visit [Oeko Invest](#) if you can read German!

Table 1 presents the SB20 List for the past three years. The number of asterisks *** next to a company's name indicates the number of years it has been on our list. Companies on the list for the first time are highlighted in **Blue**.

Table 1. The SB20 List

SB20 2003	SB20 2004	SB20 2005
Ballard Power Systems (BLDP)	Baldor Electric Co.	Baldor Electric Co. (NYSE: BEZ) **
Chiquita Brands International	Canon	Canon (NYSE: CAJ) **
Electrolux	Chiquita Brands International	Chiquita Brands International (NYSE: CQB) ****
Fuel Cell Energy (FCEL)	East Japan Railway	East Japan Railway (Tokyo: 9020) **
Green Mountain Coffee	Electrolux	Electrolux AB (Stockholm: ELUXB) ****
Henkel	Green Mountain Coffee Roasters	Green Mountain Coffee Roasters (Nasdaq: GMCR) ****
Herman Miller	Henkel	Henkel (Berlin: HEN.BE) ****
Horizon Organic Dairy (HCOW)	Herman Miller	Herman Miller (NYSE: MLHR) ****
Itron (ITRI)	JM Inc. (JM.ST)	Natura Cosméticos (Sao Paolo NATU3.SA)
JM Inc.	Novozymes	Novozymes (Copenhagen: NZYM.CO) **
Novo Nordisk (NVO)	Philips Electronics N.V. (NYSE: PHG)	Power Integrations (Nasdaq: POWI) **
Novosymes	STMicroelectronics	Sharp (Tokyo: 6753)
Power Integrations	Svenska Cellulosa AB (Stockholm: SCaA.ST)	Sims Group (Australia: SMS.AX)
STMicroelectronics	Swiss Re	SolarWorld (Berlin: SWV.BE)
Swiss Re	Timberland	STMicroelectronics (NYSE: STM) ****
Timberland	Triodos Groenfonds NV (Netherlands: TRIO.AS)	Swiss Re (Geneva: RUKN:SWX) ****
United Natural Foods	United Natural Foods (Nasdaq: UNFI)	Timberland (NYSE: TBL) **
Vestas	Vestas	Umweltbank (UBK.BE)
Wainwright Bank	Wainwright Bank (Nasdaq: WAIN)	Vestas (Copenhagen: VWS.CO) ****
Whole Foods Market	Whole Foods Market	Whole Foods Market (WFMI) ****
Honorable Mention		Precious Woods (PRWN: SWX)

As in past years, about 15 of the 20 companies have been on the list before. The judges prefer to keep companies on the list from year to year, unless they languish in their sustainability efforts. That way leading

companies feel rewarded for their continuing efforts. We do try to include large and small companies from various regions of the world and industry sectors. Although we mostly discuss the environmental side of the sustainability equation, most, if not all of the companies also stand out on the social side.

In the end, we hope the SB20 list as a whole helps you see what sustainable businesses of the future can look like - and what it takes to get there in the various industries these companies play in.

Electrolux, Herman Miller, Swiss Re, Novozymes

These four companies are "household names" in sustainable business - they don't have to be pushed and prodded to do things right - they figure it out for themselves and coax the rest of their industry to follow suit. They are also willing to take a stand publicly as few corporations are - advocating for changes in public policy. They create models we all learn from.

"To me, says Carsten Henningsen, Portfolio 21, "this quickly separates the companies and we get to a pretty short list because now we're talking about leadership, which is essential to the definition of true sustainability in business."

We can depend on **Electrolux** to do thorough life cycle analysis of its products, always looking for ways to reduce its footprint. Its "Restricted Materials List" is now mandatory for all suppliers (which eliminates the use of toxics) and the company has increased the energy efficiency of its household appliances by about five percent every year since 1998. The company is an outspoken advocate of product takeback. And they continue to do this even when they are experiencing difficult times as they have been over the past few years.

We can depend on **Swiss Re** to take a public stand on global warming, actively reduce its own emissions and develop incentives for its customers to do the same; on **Herman Miller** to think through its business cycle's environmental impact from using advanced lifecycle analysis to design new furniture to eliminating waste; and on **Novozymes** to do the heavy lifting research to create benign enzymes that can replace synthetic chemicals for a legion of industries.

Tech Sector: Canon, STMicroelectronics, Sharp

There are many impressive candidates in the tech sector that have developed extensive environmental management systems - **Canon, Ricoh, SONY, Matsushita, Toshiba and Xerox** all deserve praise in this respect. It is no small feat for companies of this size to re-orient many thousands of employees toward thinking through the environmental impact of purchases, how they design products (lifecycle analysis) and to work toward replacing toxic components.

We chose **Canon** to represent this sector because it has the strongest profile for investors. **STMicro** has been on the list all four years because of its outspoken commitment to approach carbon neutrality and its model of abiding by its list of "10 Commandments" that cover most aspects of environmental responsibility.

Unfortunately, **Philips Electronics N.V.** (NYSE: PHG), one of the original sustainability technology innovators, came off the list this year. Explains Terry Foecke, "Philips is in the early stages of getting beaten up along the same lines as Electrolux has been. A lot of their big markets are being penetrated by cheap Asian imports, probably making them a poor investment for a few years."

New to the list this year is **Sharp Corporation**. Going forward, President Katsuhiko Machida has declared that the solar and LCD (energy-efficient displays) businesses will be the two primary directions for growth. Last year, he committed the company committed to being climate-neutral by 2010.

For the past five years, Sharp has been the world's leading producer of solar photovoltaics (PV) panels, growing the division by 64% in fiscal 2004 alone. And on the product design side, products that meet Sharp's "Green Seal" criteria now account for an impressive 74% of sales.

Of course, we wish these companies would get further on the sustainability curve faster. "At the facility level, I still don't see evidence of them doing much more than compliance," complains Terry. "Yes, they

have good environmental management systems that result in more efficient products, but it's time for them to eliminate the toxic chemicals used to manufacture the machines."

"And although we see them doing research on recycling plastics from old products to create new ones, we'd like to see them take a leadership position in product takeback," notes Carsten Henningsen.

Finally, the sector is not yet addressing its core problem: that its products encourage consumption of energy and paper. Companies need to create products that can be upgraded instead of replaced.

Leaders in Old-Line Industries

The banana and coffee industries have long standing reputations for very poor environmental and social practices. In the last few years, we've started to see it turn around thanks to the leadership of Chiquita in the banana industry, and Green Mountain Coffee Roasters in the coffee industry. That's why both companies have been on our list for all four years.

Chiquita is a marvelous turn-around story that is still in progress. Patrick McVeigh says, "Here's a company that was as unsustainable as possible and they turned themselves around by having a social mission. It's not a perfect story because they aren't organic, but it's a great model for companies that find themselves in a similar situation." They have a strong commitment to sustainable agriculture and have vigorously pursued environmental and social certification. They have received many accolades for the quality of their sustainability reports.

CQB claims (and the Rainforest Alliance backs them up) that bananas can't be grown organically in Central America because of a fungus endemic to the region. Patrick says he "buys" this, but for them to remain on the list next year, we'll be looking for them to pursue organics at least in their other product lines, like Fresh Express, a recently acquired salad company.

Green Mountain Coffee Roasters has made rapid progress over the past year, significantly increasing its Fair Trade and organic coffee selections to over 20% of revenue. It is now driving the growth for Green Mountain Coffee. Even the crew from Portfolio 21 mutual fund - who won't vote for a food company unless they are significantly involved in organics, gave them the nod this year after meeting with them.

Baldor comes from a completely different old-line industry - motor manufacturing. Motors are found in a multitude of products and buildings and use 10-20% of the world's electricity each year. Baldor's high-efficiency motors are their leading edge for growth, currently contributing to 15-20% of revenue.

"If you talk to people in the business that know Baldor," says Patrick, "they will tell you the company is known for its energy efficient motors. It's not just a small sideline. That's what their reputation is based on. They are also the ones with very respected management who really do care about the workers."

East Japan Railways is the world's largest passenger railroad and is setting an example for that industry. The transportation sector has one of the largest environmental impacts and railroads provide an important solution. EJR is driving sustainability throughout the company in many ways - from using more efficient engines to experimenting with renewable energy to power the engines.

Says Matt Patsky, "East Japan has been a great stock for us. The stock and the Japanese Yen have been going our way - a powerful combination. Earnings just keep growing."

Similarly, **Henkel**, a German chemical manufacturer, leads this old-line industry by successfully differentiating itself with its wide range of lower impact cleaning (created the first phosphate-free detergent in 1983) and adhesive products. It also integrates sustainable practices throughout its business and encourages other industry players to do the same.

Svenska Cellulosa AB (SCA), a Swedish pulp and paper company whose forestlands are all certified, and who opened Europe's first [FSC-certified](#) mill this year, came off the list because: "The global paper market is currently running to plantation-rich countries like Brazil where they can cull trees quickly and cheaply. Buying SCA's shares might be less attractive for the next few years," explains Terry.

Timberland, Whole Foods & Vestas

Timberland is undoubtedly one of the world leaders on the social side, and is just starting to make progress environmentally - beginning to use organic cotton and water-based adhesives, reform their leather tanning process and eliminate toxics. Hoping to see significant progress in the coming year, the judges kept them on our list again.

Whole Foods Market is a core holding in just about every social investor's portfolio. Matt Patsky calls them "the premier purveyor of high quality food in the United States. The largest retailer of organic/natural foods, Whole Foods has a long history of commitment to socially responsible, sustainable business practices." The company is an exemplary model all around - from its product lines to internal practices.

Vestas continues to hold its place on our list as our representative from the wind energy sector - it is the world's largest wind turbine manufacturer. Four years ago, when we started the SB20, fuel cell companies Ballard and Fuel Cell Energy were on the list, as was solar company, Astropower. At this point, the judges are choosing companies that are profitable now, rather than those that have great stories and great potential.

Explains Carsten, Portfolio 21, "Vestas is making money and doesn't need large inflows of cash which it burns through every quarter. We are a fairly conservative investment company and are invest in companies that have a good financial operating history, good balance sheets, and generate good returns for shareholders. Companies like Fuel Cell Energy have the potential to become profitable but it's too far out in the future to know for certain."

New to the SB20 List This Year

In addition to Sharp, four other companies are new to the SB20 List this year: **Natura Cosméticos**, **Umweltbank**, **Sims Group** and **SolarWorld**. **Power Integrations** was on the list two years ago and is back again.

Natura Cosméticos is the largest Brazil-based manufacturer of personal care products and is the first SB20 company from Latin America.

All the judges are excited to find a company that, as Patrick says, "opens the door to another part of our world on sustainability issues," and as Max says, "The SB20 List should contain companies from all over the world. This is a South American company that is implementing environmental management systems as a pioneer in that part of the world. That makes it more impressive than any Canon or Ricoh in a western country."

Natura is in the process of greening its product lines, and recently launched its first all-natural line, Ekos, based on a completely sustainable business model. Using locally harvested ingredients, they are establishing an economy where the indigenous people support themselves by conserving the rainforest. And they are eliminating the toxic ingredients commonly found in personal care products, which as Terry aptly notes, "can curl your toes."

He adds: Natura proves, as Precious Woods does, that what looks like a complicated business model can be simplicity itself when biodiversity and sustainability are made part of the DNA."

All the judges like **Power Integrations** because of its very nifty product that has the potential to eliminate huge amounts of wasted energy. They like it because it doesn't depend on people to "change their values" or "pay more to be green" - it's a chip that's incorporated into standard appliances and eliminates 90% of vampire power without the user doing anything differently.

Says Terry, "I don't care if they are a sustainability leader, they are cranking out a product at a price point that will get it incorporated into millions and millions of products and it will save a lot of energy. If they can do that, I don't care if they're heathens!"

Max agrees: "I think the product is more essential than any sustainable management system."

The Sims Group joins our list this year as our first representative of the recycling industry and the first company from Australia. The company is one of the world's largest steel recyclers and is setting its sights on electronics recycling as a major growth area. By growing its recycling operations worldwide, the company is integrating recycling with commerce.

Terry comments, "While I'm anti-recycling in general, believing it to usually be merely delayed landfill, I see Sims as a very appealing near-closed-loop model. They are building the infrastructure necessary for high volumes of recycling, setting the stage for significant product takeback.

They are all over metals - folding "the junk yard in every town" model into a national infrastructure that generates profits - and are extending it to just about every material other than paper. This scale gives them a lot of muscle to sign long-term profitable contracts for materials, leveling out the usually ups and downs small towns experience in trying to market recyclables. Eventually, most manufacturers will work with a company like Sims to take their products back and disassemble them, and either get it back into commerce or dispose of it properly.

When we first started the SB20, the renewable energy sector was just taking off; the attention was mostly on the wind sector, the first sector to be competitively priced with fossil fuels. A mere four years later, the landscape has changed and solar companies are the new darlings. The emergence of the solar sector is truly remarkable - many companies are now profitable producing solar equipment. The judges chose **SolarWorld**, the world's largest pureplay solar company, based in Germany, to represent the group this year.

Like Vestas, SolarWorld has a 20-year history as a pioneer in the field and is rooted in a sustainable mission and management philosophy. It tracks and reports on its energy and water consumption, waste and other environmental criteria; re-uses and recycles solar panels; and has a clear preference for suppliers with strong environmental management systems.

Umweltbank AG is a tiny German bank that only lends to environmentally-screened projects and companies such as wind parks, solar plants and green buildings.

The judges included Umweltbank as a great example of what banks can do, but, as Terry notes, the success of its model is tied to progressive German government policy. "The loans they make in many instances are to projects that are heavily subsidized by the government. What if the government pulls back on its support? To invest in Umweltbank, you would either need to understand this kind of niche banking well or have an advisor that does. And it would sure help to speak German!"

Other Notables that Didn't Make the List

Did you notice the other natural products star, **United Natural Foods**, is missing from this year's list? The stock is a winning investment, but the judges are disappointed that UNFI doesn't seem to be addressing its core environmental burden - transportation emissions.

Patrick speaks for the group when he says, "Although UNFI is certainly committed to organic agriculture and seems to be interested in increasing energy conservation at its distribution centers, essentially its a trucking company that's trucking the right product, but isn't doing anything remarkable."

Terry adds: "UNFI doesn't have an environmental management system, and doesn't talk about anything even as basic as fuel-efficient trucking and routing, alternative fuels, or alternative cooling systems. They need to do the detailed work expected of a leader in sustainable business."

JM, Inc., one of Sweden's largest real estate developers, has been on the list as a "green building" investment. It's not on this year because our judges are upping the ante - they want to see a significant percentage of its building projects incorporating advanced green features.

Notes Max: "I would be very impressed by a development company if it manages to have more than 50% of all new buildings equipped with PV and/or solar thermal roofs and other advanced environmental features. It's not clear what JM's percentage is, but it's probably below 5%."

Triodos Groenfonds NV and **Wainwright Bank** are also not on the list this year. Triodos is very sound financially; it invests in and provides loans to sustainable businesses through its Renewable Energy Development Fund, Micro-credit Fund and Fair Trade funds. The stock behaves like a bond: nearly no volatility and 3% to 4% yield per year, but it is very thinly traded. Wainwright is a small regional bank in the Northeast U.S. that is notable for committing 40% of its commercial loans to community development.

Finally, we were hoping to include **Precious Woods** (PRWN: SWX) this year. Happily, its market cap has almost doubled since its IPO to US\$160 million. This small, profitable company is the only publicly-traded sustainable forestry company in the world (based in Switzerland), but since U.S. investors cannot purchase stock in the company, we are giving it Honorable Mention.

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[Back to index](#)

THE PROGRESSIVE INVESTOR

Feature Story:

Meet the SB20 Companies

In alphabetical order:

Baldor Electric Company (NYSE: BEZ) Fort Smith, Arkansas, USA

\$850M Market Cap www.baldor.com

Baldor, which celebrates its 85th birthday this year, manufactures energy-saving industrial electric motors, drives and generators of all sizes. Its focus is on high efficiency motors in the replacement market. An efficient motor uses 20-40% less energy than an inefficient one; motors account for a significant amount of a product or building's energy consumption.

Baldor's motors are in a multitude of products, and are sold in 60 countries. They not only build efficient motors, but they wrap their business model around making this environmentally responsible product available at a price competitive with conventional inefficient motors.

Rare for an old-line manufacturer, the company is also a leader on the social side, adhering to a no lay-off policy through all the recessions. Because of their excellent employee relations, Baldor has very efficient production processes; industrial users rate them the #1 motor company.

An investment in this solid company is slow and steady and pays a dividend of 2.3%.

Canon Inc. (NYSE: CAJ)

Tokyo, Japan

\$47B Market Cap www.canon.com/environment

As a multinational electronics company, Canon has the potential for big impact. The company uses life cycle analysis to design all its products, emphasizing energy efficiency, resource conservation, minimal packaging, recycled-content, and low toxicity materials.

By designing better products, Canon reduces its own footprint and that of its customers. Canon uses Green Procurement Standards to make all purchasing decisions, also covering suppliers' environmental activities. It has a global program to remanufacture copy machines and uses local ports and railways instead of trucks whenever possible, encouraging "container round use" (sharing information on container availability with other organizations so they can be returned full).

Examples of its environmental research include the use of biopolymers (microorganisms) to make raw materials instead of petroleum, and the development of toners and inks that eliminate volatile organic chemicals (VOCs). Several buildings have received certification for energy efficient design & construction - using 35% less energy than comparable buildings.

Almost 70% of its products are certified by the world's major ecolabels and almost 100% meet Energy Star standards. Close to 100% of the copiers and ink/ toner cartridges they collect are recycled (but they don't give figures for the percent collected).

As one of the big players in the fast growing digital camera sector, Canon has a strong position in a growth industry and is a solid large cap holding.

Chiquita Brands International (NYSE: CQB)

Cincinnati, Ohio, USA

\$1.3B Market Cap www.chiquita.com

Chiquita is the first major banana company to achieve environmental and social certification of all its farms from the Rainforest Alliance Better Banana project and from Social Accountability International.

Having exited bankruptcy a few years ago, Chiquita now has a solid balance sheet. The stock has risen a lot over the past year, but still has a low valuation, which reflects the commodity nature of the banana industry. CQB is introducing new varieties of specialty bananas and other fresh fruit offerings, and it has plenty of room to grow. It just completed the acquisition of Fresh Express, a packaged salads company, to diversify its product mix.

In its latest initiative, Chiquita donated 100 hectares of rainforest in northeastern Costa Rica - part of a model initiative to establish the Mesoamerican Biological Corridor launched by six Central American states. The local population will be offered environmental education opportunities and training courses that offer new sources of income that also conserve the local ecology.

East Japan Railway Company (Tokyo: 9020)

Tokyo, Japan

\$20B Market Cap www.jreast.co.jp/e/

East Japan Railway is the world's largest passenger railroad, accounting for 30% of passenger railway transport in Japan, serving 16 million people a day. The company also provides freight transportation, operates power plants for its railroads, and is involved in other service industries such as real estate,

hotels and restaurants.

It sets an example for the industry, driving sustainability throughout the company. Its extensive range of activities to reduce EJR's environmental footprint include: using life cycle analysis to design new railcars for increased energy efficiency, reduced materials use and recyclability; making purchases based on green procurement guidelines; using ticketless technology to reduce waste and paper use; and encouraging bicycles on trains and intermodal travel. Its New Energy Train is the world's first hybrid railcar. EJR is beginning to use wind, solar and cogeneration to supply energy.

The company has replaced 72% of its railcars with a model it developed that uses half the energy of a conventional railcar. It is also working to make train stations exciting and inspiring locations as a way to revitalize cities and attract compact development.

EJR has a monopoly on Tokyo transportation. The company is financially solid and has been expanding operations resulting in steady passenger growth, while aggressively cutting costs.

Electrolux AB (Stockholm: ELUXB.ST)

Stockholm, Sweden

\$6.7B Market Cap www.electrolux.com

The Electrolux Group is the world's largest producer of appliances and equipment for kitchen, cleaning and outdoor use, such as refrigerators, washing machines, vacuum cleaners, chainsaws, lawnmowers and garden tractors, with corresponding products for professional users.

The company is a world leader in life cycle analysis and considers environmental standards as advantages rather than restrictions for product design - the more environmentally responsible, the better a product. ELUX conducts extensive research to minimize the impact of its products during production and use, and operates a product take-back program to recycle and/or refurbish old appliances. It makes some of the most water and energy efficient appliances on the market, such as a dishwasher that uses a mere four gallons instead of the usual ten.

Electrolux is a strong advocate of manufacturer responsibility for products at the end of their useful life and works aggressively to pass legislation to that effect.

Although ELUX's stock has been up double-digit percentages over the past 12 months, it has been going through hard times over the past few years. Along with the entire appliance industry, it has been suffering from higher materials costs and is shifting production to lower cost regions of the world. Because the appliance industry is highly commoditized and competition is fierce, it's difficult for ELUX to pass the costs associated with its higher standards to customers.

One of ELUX's main goals for 2005 is to institute its environmental management systems its new host countries. As Terry Foecke points out, "Electrolux has always been in some of these markets in Asia and the former Eastern Europe, so they know how to deal with being kicked around. They will be OK. And underneath it, their wonderful innovations are driving some fantastic products in their core markets, like in Europe."

Green Mountain Coffee Roasters (Nasdaq: GMCR)

Waterbury, Vermont, USA

\$250M Market Cap www.greenmountaincoffee.com

Green Mountain Coffee is a leader in the U.S. specialty coffee market, roasting and distributing over 100 varieties of organic, fair trade and proprietary blends, selling mostly wholesale to restaurants, convenience stores, supermarkets, and offices.

The company is rapidly increasing its percentage of organic and fair trade coffee which is, more and more, associated with the Green Mountain Brand. Especially through its relationship with Newman's Own Organics, GMCR is pushing the mainstream market toward sustainably grown coffee.

GMCR is ubiquitous on various "Best Companies to Work For" lists. Through its CAFE (Community Action For Employees) program, employees use paid time off to volunteer in their communities and in coffee growing communities in Central America.

On the financial side, this small company is a regional player - a strong stock holding with plenty of room to grow.

Henkel (Berlin: HEN.BE)

Dusseldorf, Germany

\$4.45B Market Cap www.sd.henkel.com/int_henkel/she/index.cfm

Henkel is the sustainability leader in the chemicals industry. In an industry known for its negative environment impact, this German chemical products manufacturer sets itself apart through its strong chemical management, waste reduction and other eco-efficiency efforts. It uses life cycle analysis to develop environmentally safe cleaners and adhesives.

Henkel believes environmentally responsible products give it a competitive advantage, motivating the company to drive eco-management throughout the business. Its 2005 Sustainability Report was ranked first by a leading European research firm.

The company has maintained a level of investment in R&D that is stellar for the chemical industry. Just some of its recent innovations include: an adhesive that binds solar cells to roof membranes; an environmentally preferable coating that prevents steel corrosion; and lead-free solder pastes used to connect cells in chips and circuitboards.

Returns on equity have been solid. While Henkel faces competition from private label brands, the acquisition of Dial is helping them transition from a chemical company to a consumer products company, and to diversify out of Europe and into the US market, providing future growth.

Herman Miller (NYSE: MLHR)

Zeeland, Michigan, USA

\$2.2B Market Cap www.hermanmiller.com

This U.S. furniture designer and manufacturer is one of the pioneers of sustainable business practices. Early on it employed The Natural Step framework to train employees and was one of the first to build a corporate headquarters using cutting edge green building practices (all its current renovations and new buildings must reach a [LEED](#) Silver designation). The company prides itself on producing zero waste, sourcing wood from sustainable forests and in creating products that minimize materials use and maximize recyclability ... and it does it all through its Environmental Quality Action Team, a cross-functional steering committee of employees.

This year, for example, Herman Miller introduced its latest design-for-environment product, the Cella chair, which is made from 33% recycled content, and is 99% recyclable (it can be disassembled in under five minutes using common hand tools). It is manufactured at the company's GreenHouse seating operations facility, which runs on renewable energy.

Herman Miller has been successful at keeping manufacturing costs low while maintaining exceptional quality by minimizing waste. HM is a strong, slow growth company for investors. The furniture industry is very cyclical, and this is a good time in the cycle.

Natura Cosméticos SA (NATU3.SA)

São Paulo, Brazil

\$3B Market Cap www2.natura.net/NaturaUniverse/En/src/index.asp

Natura is the largest Brazilian-owned cosmetics company with \$1 billion in revenues last year. It controls an estimated 20% of the Brazilian cosmetics market and is reaching out to other countries in Latin American, the U.S. and Europe. This is the company's 35th year making cosmetics, personal hygiene and perfumery products sectors. It operates through a direct sales force of about 200,000 people, similar to Avon or Mary Kay in the U.S.

Natura has received numerous awards including Best Social Report for 2003, Best Corporate Citizen, and Most Admired Company in Brazil. It has been rated as having the third most valuable brand in Brazil.

Sustainability is a priority for them. The company uses lifecycle analysis for packaging and product ingredients and it is the only Brazilian company that produces a Sustainability Report using the Global Reporting Initiative standards. Its most recent product line, Ekos, is its first foray into a completely sustainable product - its ingredients come from Brazil's rainforests, gathered by the people that live there.

Sales have been exceptionally strong, rising 33% in 2004 and 117% over the past three years. Natura has a very strong balance sheet. Its stock has done well and offers a dividend.

Novozymes A/S (Copenhagen: NZYMB.CO)

Bagsvaerd, Kobenhavn, Denmark

\$2.9BM Market Cap www.novozymes.com

Novozymes is the world leader in "green chemicals," replacing synthetic ingredients in a variety of industries with environmentally benign enzymes derived from microorganisms.

With few exceptions, Novozymes has been behind every major discovery in its field in the last 40 years and sells over 600 products around the world. It holds more than a 40% global market share for industrial enzymes.

Enzymes used in detergents, for example, enable reduced chemical use and cooler water temperatures, while enzymes used in the pulp and paper industry reduce the need for chlorine.

It supplies enzymes to the detergent, starch and textile industries; food industry (e.g. for baking and brewing) and the animal feed industry. The company plans to enter just about every industry, creating clean technologies for the pharmaceutical, wastewater and even the biorefinery industries.

Novozymes gives cash bonuses to management based on whether they meet thirteen environmental and social targets published in its annual report. The company won its second US EPA Green Chemistry Award this year for enabling enzymes to replace trans fats in food applications like margarine, baking and confectionery.

Since January 2001, Novozymes and the National Renewable Energy Laboratory (NREL) have collaborated on an \$18 million research project to dramatically cut the cost of producing ethanol from corn cellulose. In April, they announced the goal had been surpassed: by using enzymes they reduced the cost of making biomass-based ethanol fuel by 30 times!

Power Integrations (POWI)

San Jose, California, USA

\$690M Market Cap www.powerint.com

A TV or any appliance uses power even when it is turned off. This wasted "vampire" or "standby" power adds up to about 10% of total electricity use worldwide! The Lawrence Berkeley National Lab estimates that standby waste costs U.S. households over \$5 billion in electricity a year, the equivalent of 26 average sized power stations (U.S. DOE).

POWI makes a chip that improves appliance efficiency by 90%, and another reduces the energy needed to charge laptops and cell phones. Their big challenge, which they have overcome, has been to make the chip cost-competitive. The California Energy Commission and U.S. EPA recently named POWI Grand Champion in the category of Efficiency in their international design competition for power supply efficiency.

Its margins have been under a lot of pressure the last couple of years, but the company is still doing fine in terms of growing revenues and has diversified into consumer and industrial products. The downside to POWI is that it depends on the replacement cycle for electronics and the stock tends to trade as a chip stock, moving along with the semiconductor industry cycles.

Sharp Corporation (Tokyo: 6753)

Osaka, Japan

\$17B Market Cap www.sharpusa.com/about/AboutEnvironment/0,1331,,00.html

Sharp is one of the world's major manufacturers of electronics from components and semiconductors to computers, telecommunications equipment, and consumer products. The company employs over 65,000 people.

Sharp uses lifecycle analysis to create products, and is increasingly focusing the company's growth on energy efficient products, LDCs and the solar sector. It is doing innovative research on mixing plant-based plastic with waste plastic to create consumer electronics and on recycling waste plastic from consumer electronics.

In 2003, Sharp began incorporating recovered polypropylene (PP) and polystyrene (PS) from discarded household appliances such as air conditioners, TVs, refrigerators and washing machines into new products.

The company leads the world in solar PV manufacturing by a wide margin with a 27% market share, with twice the solar revenue of any other player (US\$930 million) and an impressive annual growth rate of 63%, more than twice the global rate.

Each year, solar contributes more to Sharp's overall revenue: 4-5% this year, and 6-7% expected next year, when it will be responsible for 9-17% of operating profit. The company just announced it would commence mass-production of thin-film photovoltaic modules in Japan starting this September.

Sims Group Ltd (SMS.AX)

Sydney, Australia

\$1.2B Market Cap www.sims-group.com

Sims is one of world's largest recycling companies, recycling everything from metals to plastics. Its Sims Energy division researches, installs, and develops landfill gas systems, renewable energy, and power

generation technologies.

In June, it announced the acquisition of NY-based metals recycler Hugo Neu Corp., extending its reach in North America. The combined company, Sims Hugo Neu Company LLC, will be the world's largest metals recycler and the U.S. exporter of scrap steel. A new division, Hugo Neu Recycling, will oversee post-consumer recycling, including New York City's recycling contract.

Sims operates the largest refrigerator recycling facility in the UK and recently acquired the Mirec Group of Companies, Europe's leading electronic and electrical equipment recycler. Sims is positioning itself to be a major player in end-of-life electronics and appliance recycling which is just beginning to take hold.

It is also expanding its presence in plastics recycling. It is the largest recycler of car bumpers in northern California and has moved into the refrigerator plastics and PVC/HDPE pipe recycling sectors.

The company has benefited from increased energy costs and higher steel prices. It has a low PE and a dividend yield of about 6%. As the electronics recycling part of the company grows, it will make the overall company less cyclical, and dependent on steel and energy prices.

SolarWorld AG (SWV.BE)

Bonn, Germany

\$920M Market Cap www.solarworld.de

SolarWorld is a vertically integrated solar photovoltaics (PV) manufacturer and is the largest pure play company. It envisions itself as being the Intel of PV manufacturers, integrating its wafers into every panel.

In just a few years, SolarWorld expanded from a trading company to a fully integrated solar group making all components from solar silicon to complete generating systems. The company employs more than 550 people in Germany and Sweden.

SWV has benefited from generous solar subsidies from the German government and currently holds a 15% share of the global solar PV market. More than any other player, SolarWorld is positioned to capture synergies across the supply chain.

Products are sold out for 2005 and the company nearly doubled its sales in 2004. It plans to invest more than 150 million euros (US\$197 million) over the next two years to boost capacity. The firm is about 40% controlled by the Asbeck family and it pays a dividend. Its stock shot up by 551% in 2004!

STMicroelectronics NV (NYSE: STM)

Geneva, Switzerland

\$16B Market Cap www.st.com/stonline/company/environm/index.htm

STMico is a global leader in developing and delivering semiconductor solutions across the spectrum of microelectronics applications. It is the world's ninth largest chipmaker and is the sustainable business leader in the semiconductor industry.

STM models sustainable practices in an industry notorious for toxic materials, high energy and water consumption. It is a vocal advocate of the Kyoto Protocol and plans to be CO2-neutral by 2010. Among its many environmental initiatives, the company maximizes recyclable and reusable materials in product development; has reduced water use by half since 1994, and has a goal to recycle 90% by 2005. The company has earned some 40 environmental awards over the past decade.

STM is well positioned in all the right places for semiconductors. It has seen good growth especially in

the consumer products market as well as flash memory, in this very competitive industry. STM is very dependent on Nokia, however, which accounts for 20% of its business.

Swiss Re (Geneva: RUKN.SWX)

Zurich, Switzerland

\$20B Market Cap www.swissre.com

Swiss Re is one of the world's leading reinsurers and the world's largest life and health reinsurer. As one of the world's sustainability leaders, it advocates for strong public policies to combat climate change, water scarcity, and genetically modified organisms.

The company increasingly bases its insurance premiums on clients' environmental impact. It includes questions on firms' climate change policies in renewal notices for directors' and officers' liability insurance. It will not cover claims filed against senior executives for failing to adopt adequate climate change policies, an ever-greater threat from shareholders.

The company has developed a range of products to facilitate emissions trading and conducts and publishes scientific investigations relevant to the reinsurance industry. A spokesperson from Swiss Re said: "It's only a matter of time before the market in greenhouse gases becomes more important than the stock market."

Swiss Re is financially solid and continues to grow through acquisition. Since profitability is related to how much they have to pay for claims in a given year, it is hard to predict. It also rests on whether they can raise premiums, which may be difficult if industry competition continues to be strong.

Timberland Company (NYSE: TBL)

Stratham, New Hampshire, USA

\$2.5B Market Cap www.timberland.com

Timberland is a global leader in the design and manufacture of premium-quality footwear, apparel and accessories for people who enjoy the outdoors.

Its business model is built around social change. Through its unique "Path of Service" program, employees have used their 40 hours paid time off a year to do community service in 27 countries. Their advertising campaigns, such as Give Racism the Boot, are created to raise awareness of various issues. TBL is working to reduce its environmental impacts including material use, energy use and emissions through its partnerships, Cool Air-Cool Planet and the Organic Exchange.

TBL is financially solid and has no debt. By focusing on its namesake brand and avoiding acquisitions, it has been showing excellent performance in the stock market. The downside is that competition is stiff and fickle fashion trends change, but TBL has a brand that can withstand that.

Umweltbank AG (UBK.DE)

Nuremberg, Germany

\$60M Market Cap www.umweltbank.de

UmweltBank AG, which means "Bank for Environment" in English - opened its doors in January of 1997 to specialize in environmental finance. It went public in June, 2001. This small bank serves about 40,000 customers in Germany and has a broad range of products from savings accounts to mutual funds, from

investment funds like OekoVision to insurance policies with partners like Oeco Capital Life Insurance.

The bank offers an ecological product guarantee that deposits are exclusively used to finance environmental projects at attractive interest rates. Credits are mainly issued for renewable energy production and ecological housing. The more sustainable and ecological a building project is, the lower the interest rate private debtors have to pay. Its loans go to renewable energy projects and environmentally preferable businesses. And it supports many programs including reforestation programs in Africa.

The company has a strong balance sheet and rising profits. For 2004, earnings before taxes grew 66.5% to EUR 5.1 million.

Vestas Wind Systems AS (VWS.CO)

Copenhagen, Denmark

\$2.9B Market Cap www.vestas.com

Vestas is the world's largest wind turbine manufacturer. The company is a pioneer in the wind industry and has been instrumental in its growth. It now has almost 10,000 employees.

Vestas recently approved a 3-year strategy to simplify its management structure, improve efficiency and costs. It is building two R&D centers, one in Asia and one in Denmark, and it just received approval to build its first factory in China.

In addition to the fact that its product is essential to a sustainable society, the company is committed to sustainability philosophically and works to reduce its own footprint. Wind power and other renewable energy sources run the turbine manufacturing plants. And Vestas uses lifecycle analysis to design turbines to minimize resource use and maximize energy production over their expected 20-year operational life.

Vestas is profitable and strong financially, but in this emerging industry, it is exposed to consolidation and competition and the fickle winds of government policy.

Whole Foods Market (Nasdaq: WFMI)

Austin, Texas, USA

\$7.9B Market Cap www.wholefoods.com

Whole Foods is the world's leading natural and organic foods supermarket and the first grocer to achieve national organic certification in the U.S. for all its stores. The company has 165 stores in the U.S., Canada, and the United Kingdom, and has distribution centers, regional bakeries, a seafood processing facility, and a coffee roasting operation.

Whole Foods plays a pivotal role in mainstreaming organic, locally grown foods, and other environmentally sensitive lifestyle products. WFMI has shown strong leadership on genetically modified organisms, sustainable seafood and animals used for meat, and has a priority to incorporate green building practices and renewable energy in new stores. It currently purchases or generates over 20% of its total power load from green energy.

WFMI has been a darling of the stock and continues to exceed expectations year after year. The stock sells at a very high premium. This superbly managed and well-positioned company is just starting to enter Europe and, although it will face more competition from traditional supermarket chains as they increase their natural food products lines, many analysts believe WFMI will continue growing for the foreseeable future.