

THE PROGRESSIVE INVESTOR

Issue 37

AN INFORMATION SERVICE OF SUSTAINABLE *Business.com*

June/ July 2006

Welcome to *Progressive Investor*/ June/ July 2006!

Table of Contents

[Welcome to
Progressive Investor!](#)

**2006 SB20:
Sustainable Businesses
Changing the World**

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

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

This is the fifth year for the SB20. This year, instead of trying to come up with a list of the very top sustainable businesses worldwide, we changed our focus a bit to highlight public companies that are Changing the World (of course, for the better).

Trying to come up with the very top companies is not only exceedingly difficult, but it means the same companies tend to be on the list year after year. This year, and going forward, we're looking for companies that have contributed to important advances in sustainability this year.

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.

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 Honorable Mentions), their sustainability activities and financial positioning.

This is the June/ July issue. We are going to take a much needed rest now and will not be producing an August issue. The next issue you receive will be in mid- September.

Have a beautiful, *warm* summer!!

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

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.

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THE PROGRESSIVE INVESTOR

Feature Story:

Introducing ... The 2006 SB20

5th Annual World's Top Sustainable Business Stocks

Public Companies Changing the World (for the better!)

This is the fifth year for the SB20, the top Sustainable Business stocks worldwide. As in past years, we worked with a group of judges who are leading sustainability stock analysts to choose the companies.

We changed the focus of our stock picks this year a bit: rather than trying to determine which 20 companies are *the top* in the world, we identified 20 companies that, through their products or actions, contributed substantially to the advance of sustainability this year.

Our goal is to create a list that showcases publicly-traded companies leading the way to a sustainable society. To make the list, companies must be strong on both the sustainable and financial side, but it is not a "buy" list (great companies don't always make great stocks) 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:

The most exciting companies in terms of how they are conducting their business, or in the technologies they are advancing that solve environmental or social problems.

Financial Criteria:

A company has a a stock price over \$1, is selling products and is profitable, or close to it. The company's stock must be considered investable by our judges.

The Judges

Our judges are some of the most respected environmental/ social analysts in the world:

Matt Patsky, Managing Director, [Winslow Green Growth Fund](#)
Patrick McVeigh, President, [Reynders, McVeigh Capital Management](#)
Max Deml, Editor & Publisher, [Oeko Invest Publishing Ltd](#)
Ton Rennen, Senior Sustainability Analyst, [Triodos Bank NV](#)

Matt Patsky is a partner at Winslow Green, known for its Winslow Green Growth Fund, a mutual fund which has produced outstanding performance. Patrick McVeigh is one of the original social advisors, having managed client SRI portfolios for some 15 years.

Max Deml publishes *Oeko Invest*, an Austrian version of *Progressive Investor*. In print (only in German) for 15 years, he has a broad view of companies from around the world, and provides an insider's perspective on European companies. Ton Rennen joins us this year from Triodos - one of world's few completely sustainable banks - with headquarters in The Netherlands. In addition to banking services, Triodos has private equity funds, microfinance funds and several mutual funds.

Before the judges conferred, we came up with the universe of companies by gathering nominations from the judges as well as other expert analysts in the field:

Terry Foecke, Managing Director, Investment Research, Materials Productivity LLC
Carsten Henningsen, Co-Founder & Principal, [Portfolio 21 Mutual Fund](#)
David Schoenwald, President, [New Alternatives Mutual Fund](#)
Mark Cox, Founder & Chief Investment Officer, [New Energy Fund LP](#)
Gerard Reid, Portfolio Manager, Hornet Renewable Energy Fund
Rob Wilder, Founder, [WilderHill Clean Energy Index](#)

We also partnered with [SiRi Company](#), an umbrella SRI research group that brings together company social/ environmental analysis from 11 research groups around the world. We are grateful to them for providing company profiles which helped us confirm and validate our analysis of nominated companies.

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.

The SB20 List

SB20 2004	SB20 2005	SB20 2006
Baldor Electric Co. (NYSE: BEZ)	Baldor Electric Co.**	Abengoa SA* (Madrid: ABG.MC)
Canon (NYSE: CAJ)	Canon **	Acciona* (Madrid: ANA.MC)
Chiquita Brands International (NYSE: CQB)	Chiquita ****	Best Water Technology* (Vienna: BWT.VI)
East Japan Railway (Tokyo: 9020)	East Japan Railway **	Conergy* (Frankfort: CGY.F)
Electrolux AB (Stockholm: ELUXB)	Electrolux ****	Energy Conversion Devices* (Nasdaq: ENER)
Green Mountain Coffee Roasters	Green Mountain Coffee Roasters	Gamesa Corporation Technologica * (Madrid: GAM.MC)
Henkel (Berlin: HEN.BE)	Henkel ****	Green Mountain Coffee Roasters ***** (Nasdaq: GMCR)

Herman Miller (NYSE: MLHR)	Herman Miller ****	Interface (Nasdaq: IFSIA)
JM Inc. (JM.ST)	Natura Cosméticos * (Sao Paolo: NATU3.SA)	JM Inc. ** (JM.ST)
Novozymes (Copenhagen: NZYM.CO)	Novozymes ****	Maxwell Technologies* (Nasdaq: MXWL)
Philips Electronics N.V.	Power Integrations** (Nasdaq: POWI)	Novartis AG * (NYSE: NVS)
STMicroelectronics (NYSE: STM)	Sharp Corp.	Ormat Technologies * (NYSE: ORA)
Svenska Cellulosa AB (Stockholm: SCAa.ST)	Sims Group* (Australia: SMS.AX)	Philips Electronics NV** (NYSE: PHG)
Swiss Re	SolarWorld * (Berlin: SWV.BE)	Precious Woods* (Geneva: SWX: PRWN)
Timberland Co. (NYSE: TBL)	STMicroelectronics ****	Renewable Energy Corp* (Oslo: REC.OL)
Triodos Groenfonds NV (Netherlands: TRIO.AS)	Swiss Re	Sharp Corp. ** (Tokyo: 6753)
United Natural Foods	Timberland Co. ***	SunPower* (Nasdaq: SPWR)
Vestas (Copenhagen: VWS.CO)	Umweltbank * (UBK.BE)	Wainwright Bank ** (Nasdaq: WAIN)
Wainwright Bank	Vestas ****	United Natural **** (Nasdaq: UNFI)
Whole Foods Market	Whole Foods Market	Whole Foods Market ***** (Nasdaq: WFMI)
		Honorable Mention: General Electric (NYSE: GE) HSBC (NYSE:HBC) ITM Power (AIM: ITM.L)

We

consider every company that's been on the list throughout the years to be a model of excellence. Some of the leaders that aren't on the list this year are core sustainability leaders: Electrolux, Canon, Chiquita, Novozymes, Vestas, ST Micro, Timberland, Henkel, Herman Miller and Umweltbank, for example. It is only our desire to present as fresh a list as possible each year that took them off the list.

Another factor in choosing companies is to have some spread among industries, and to include small and large companies from various regions of the world. 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 the sustainable businesses/ technologies that are taking us into the future - and what it takes to get there in the various industries these companies play in.

Renewable Energy Companies

Renewable energy is obviously the hottest sustainable business sector this year; half of this year's list consists of leaders in wind, solar, geothermal and biomass.

Solar companies have been the true stars over the past year. We chose **Conergy**, **REC** and

SunPower to represent the group, but we could easily have included Q-Cells, SolarWorld, Solon, ErSol, Evergreen, Suntech - the list is long. All the major players in the space have superb management, are selling everything they can make, and have great stock performance. They are fundamentally sustainably oriented companies focused on low energy prophecies, reducing and recycling waste, and delivering a product through a green brand image.

Other companies on this year's list that have a solar component, but are also involved in other areas are **Energy Conversion Devices, Sharp, Abengoa, Acciona and Gamesa**.

According to Michael Rogol, former solar analyst and consultant to the industry, the top three companies likely to become the Intel of the solar industry are Sharp, REC and Hemlock [privately held]. Add QCells and Conergy and you've got the top five. He believes they have the potential to establish a dominant market position with distinctive products and brands.

Runners up that could catch up with them are: Evergreen, Motech, SolarWorld, SunPower and Suntech.

Why did we choose Conergy, REC and SunPower? They are innovators - each in their own way - with key technologies and strategies that will move the field of solar energy forward.

Conergy is unique in that it provides everything a customer needs using solar: solar electricity, solar heat, solar hot water and solar air conditioning. It also can combine small scale wind and biofuels with solar, offering customers a complete renewable energy solution. The company has a worldwide presence and doubled revenues in 2005. They also use SunPower's panels, the best on the market right now.

REC, on the other hand, stands out because it is the most vertically integrated solar company, producing silicon, wafers, cells and modules.

"If you had an option of all the different solar panels," says Mark Cox, "you would pick **SunPower's**. The cost per watt is the lowest on the market and it's the best looking solar panel available." Matt Patsky adds that SunPower is a major player in the U.S. market and, compared to Evergreen, is a larger player that's reached critical mass.

Ton Rennen also likes ErSol, which is involved in much of the value chain as well as innovating in thin-film solar and silicon recycling. The company is also well positioned financially.

QCells is another great company with sky-high revenue, that's the most efficient solar cell-maker in the business. Its EverQ project with REC and Evergreen gets lots of praise, and QCells' stock is currently undervalued. Gerard calls them the "Toyota of the solar business." Yet, the company only makes solar cells, and could be at risk because its success is at least partially pegged to strong German solar laws. SolarWorld was on our list last year and is also a fantastic company with unbelievable stock performance.

All the judges are impressed with **Energy Conversion Devices**, which derives most of its revenues from solar, but is also very active in energy storage. Ton Rennon summarizes their feelings well: "For me, there is no company more innovative in the renewables space. Its thin film solar in particular is very important for the future." Mark Cox adds, "Both their solar and battery discoveries will have a huge impact on those markets. They have the potential to completely transform electronics. This company will be a significant player - a \$65 stock in my opinion."

Then there's **Abengoa**. Few companies are so diverse in product and as committed to social change in society. This multi-division company is involved in a diverse array of environmentally oriented business lines including solar, biomass, recycling, and desalination plants. Reading Abengoa's Sustainability Report, it's clear the company is driving sustainability throughout operations.

Abengoa designs, finances and builds all kinds of solar plants: PV, thermal, parabolic cylinder and parabolic dish collector plants. It's the world's second-largest bioethanol producer and a leading

innovator in cellulosic biomass, currently building the world's first commercial scale biomass plant. It also builds solar, biomass, and cogeneration plants for customers.

On the wind energy side, we have **Gamesa**, the world's second largest turbine manufacturer (after Vestas). Gamesa is the only major turbine manufacturer that also develops wind parks, and has a solar division. Gamesa Solar manufactures equipment and constructs solar farms on both the PV and thermal sides. GAM is also the only profitable wind company right now - even Vestas, which was on our list for four years and is a wonderful company, is struggling to return to profitability due to the turbine shortage.

One of the judges was against including **Acciona** because of its involvement in such a wide range of conventional industries, but the company is impressively transforming from its construction conglomerate roots to sustainable services, particularly renewable energy project development. It carries the distinction of being the world's third largest wind project developer and is also a major player in solar project development, with emerging interests in biodiesel/ biomass and small hydro.

For sustainability aficionados like us, Acciona warms the heart. For a company involved in so many high impact businesses from highway construction to real estate development, Acciona clearly elucidates in its 2005 Sustainability Report (its first) how it is embedding sustainability into every line of business.

Ormat is an easy choice for the SB20. The world leader in geothermal energy, Ormat is a fantastically managed company with a great stock (if you'd bought it a year ago!). Ormat designs and builds its geothermal plants and sells the electricity. One of its special strengths is its modular power unit - which can recover otherwise underutilized energy that's generated from a variety of power plants.

Energy Efficiency/ Storage

A major barrier in the mainstreaming of renewable energy is our current inability to store it for use when it's needed. Wind blows intermittently and solar works when the sun shines. In hybrid cars, when you put your foot on the brake, you make electricity, but where does it go?

Ultracapacitors are rather dull products, but they offer a very important solution to this problem. **Maxwell Technologies** is the leader in the field. Says Mark Cox: "Hybrids need large amounts of electricity very quickly and they also need to store it very quickly - you produce scads of kilowatts when you brake, which needs to go somewhere immediately - ultracaps are the perfect bucket. They capture all the energy created by braking and pump it right back into acceleration. The technology will bring down the price for hybrids."

Terry Foecke notes that Honda's coming out with a conventional car that gets 65 mpg in California next year. They did it partially using ultracaps. Although he believes Maxwell will fly high for coming years, it's pretty easy to make ultracaps, and at some point, he says, we'll get them all from China.

Matt Patsky says, "I think the technology is important and exciting. We've been putting Maxwell in our portfolios - it's ramping top line and should be profitable this year. It's hard to say a company is reasonably valued though when it's not making money yet - I wouldn't pay much more than \$22 for it."

Philips Electronics was on our list a couple of years ago and came off because of temporary financial difficulties. Some of their big expansion markets were gobbled up by the Koreans and now the Chinese," says Terry Foecke. Since then they've revised their strategy a bit, going for higher end products, for example, he says.

Terry agrees with Ton when he says, "Philips and Electrolux [on our list for four years] are the two big capital goods manufacturers where it's always easy to make the sustainability case; they have fantastic engineers really focused on it.

What's new for Philips, which has always been a leader in efficient lighting, is their recent

acquisition of Agilent's LED business, and soon after announced breakthrough efficiencies for white organic LEDs. "A big company ploughing into general illumination is exactly what you want to see," says Terry.

Sharp is the world's largest solar manufacturer, but since it still constitutes a minority of revenues, we're focusing on the efficiency side, its other strategic growth area. Humans love TVs and they're growing ever larger and more energy consuming - Sharp has a 30% share in the LCD TV market and is making a special effort to root out toxic components and make them energy efficient. In fact, 74% of Sharp's sales as a whole come from "Green Seal" products - a process the company developed based on life cycle analysis. It would be great if Sharp took more of a leadership position in product take-back.

Water

We finally have a water company on the list for the first time. It's rare to find a water company that we consider sustainable, going above and beyond just making filters and using chemicals for treatment.

Austria's **BWT Water Technology** fits the bill. Max Deml knows the CEO and is impressed by BWT's efforts and success in eliminating chemicals used in water treatment. "The company looks for environmentally and socially responsible companies to buy and has bought many European companies, but hasn't found one in the U.S. yet." They're also getting into water desalination and have a project to develop fuel cell membranes using their technology - one of the CEO's special interests, he says. Ton adds, "This is a large water company that sticks to environmental principles."

Real Estate Development

There aren't many (if any) publicly traded green building and development companies, but JM, Inc., a Swedish developer, does more than construct buildings, it builds communities.

Comments Terry Foecke, "Big companies that use green construction techniques are solving problems that will really change the world. Gigantic conventional firms look to developers like JM to find out what works."

The issue for the judges regarding JM is that much of what they do is driven by Sweden's extensive regulations which limit suburban sprawl and require energy efficient construction, among other factors. Terry says, "Sure, you can look at JM and say they're responding to regulatory drivers, but we don't have them elsewhere in the world and we might not for a long time. They are really changing the game because they're finding materials and processes that are most cost effective."

JM does go above and beyond Sweden's regulations, especially with its building materials database that informs product selection. It's a strong company with great stock performance that anyone interested in green building will want to know about.

Forestry

Precious Woods, the only publicly traded sustainable forestry company, is small company based in Switzerland. It's mission is to preserve forests through sustainable management, provide income to the people that share the forests, and to re-forest degraded pastureland in places like Costa Rica.

Max Deml says, "They are a model for the role business can play in a sustainable society - and they do it profitably."

Precious Woods operates primarily in Brazil's primary Amazon forest, and we're glad to know they are there. The company spent lots of money 14 years ago pioneering the same forestry practices that were later codified by the Forestry Stewardship Council (FSC).

It is now widely accepted that simply purchasing tropical forestlands is not enough to protect them. Only when the local population views the forest as a source of employment, of income, and of economic activity - will they protect it. PW has created thousands of new jobs in Latin America. It uses stringent, very low impact forestry methods - visiting a given area every 25 years, harvesting only five trees per hectare. PW also harvests 40 species of trees rather than only five or six well-known commercial species, another important way to maintain biodiversity.

Home Depot, Gibson Guitars and the German Government (for sea berms to protect the Baltic seacoast from erosion) are some of its biggest customers, but PW sells products worldwide: small parts for the furniture and flooring industry in Asia; small manufactured parts for barbecues, wheel barrels, hammocks and decking in the U.S.; and products for decking and marine pilings in Europe.

The company was the only IPO in 2002, a miserable year on the stock market. They were able to raise capital in such a difficult year because timberland assets tend to be negatively correlated with stock market performance.

Pharmaceuticals

Although many major pharmaceutical companies have extensive environmental management systems, such as Pfizer, Johnson & Johnson and Glaxco, it's hard to find one we really admire. Animal testing is required by law, but we're still uncomfortable with it, and even though pharmaceutical use of GMOs isn't considered the problem it is in food, which takes it off Max Deml's list.

Novartis joined our list this year because of the CEO's outspoken advocacy of climate change solutions and the new Sustainable Wage Program. The company surveyed all its workers around the world last year asking whether they were being paid a living wage. Those that weren't got immediate pay raises. Suppliers are being asked to follow suit this year.

Patrick McVeigh says, "Novartis could have a big impact on the salaries other companies pay through this program."

Ton Rennon concurs, noting that Triodos recently studied 21 pharmaceutical companies worldwide, and on a wide range of sustainability issues, Novartis took first place. Triodos doesn't invest in them however because, along with other companies like Nestle and Danon, they often violate codes that prevent aggressive marketing of breast milk substitutes in developing countries.

Natural Foods/ Natural Products

Green Mountain Coffee Roasters started by making specialty conventional coffee, but more and more its brand is associated with Fair Trade and Organic coffee. Each year, sustainable coffees become a larger proportion of sales, and are an increasingly important driver for growth. GMCR has been on our list all five years.

A couple of years ago, Green Mountain started supplying Newman's Own coffee - a key partnership, which resulted in McDonald's signing on to sell double-certified coffee (organic and fair trade) in 650 New England restaurants. "This is the start of bringing sustainable coffee to the masses," says Patrick McVeigh.

United Natural got on the list this year "under the wire." The largest natural products distributor in the U.S., UNFI was founded by pioneers in the organic food movement, and has always taken a strong stand on the importance of organic products. They are a sterling company when it comes to handling and transporting organic food, recycling and other aspects central to this kind of business.

Then why do we hear things like, "United Natural is a good company, but they aren't very innovative. For the last 10-15 years they really haven't changed much," says Max Deml.

While they have a very positive impact on the environment through their product lines, they have a

negative impact from trucking emissions produced from transporting them.

"Michael Funk, the original CEO, is now back in office; he's much more interested in the innovations we're looking for," says Matt Patsky. "In fact," he says, "they already reduced transportation costs during the last quarter because they're doing a better job on logistics, to minimize the distance they're traveling and the amount they're spending on fuel."

Meanwhile, **Whole Foods Market**, on our list every single year, continues to innovate. The world's largest retailer of organic/ natural products is an exemplary model all around - from its product lines to internal environmental practices.

Natural foods are entering the mainstream largely due to Whole Foods' success. It's not easy introducing the public to food, cleaners, personal care products they're not familiar with - Whole Foods has created an environment where a wide range of people enjoy shopping. Their private label products give WFMI high margins, but they also make products like natural shampoos inexpensive. Stores incorporate green building features, the company purchases 100% wind energy, is expanding composting programs, shows courageous caring for animals, and on and on.

Are they perfect? No, even Whole Foods has room for improvement (don't we all?) We'd love to see WFMI find innovative ways to reduce packaging, for example. Over the years, the SRI community has filed shareholder resolutions asking them, for example, to eliminate a questionable ingredient in shampoos, and to label food for GMO-content.

In a recent shareholder meeting, CEO John Mackey got annoyed, lashed back and shut down the discussion - how can the SRI community take us to task when we're doing so much? Perhaps he could have handled it more diplomatically, but we still think Whole Foods is the greatest of companies.

Banking

This year, we're putting **Wainwright Bank** back on our list. This small, regional bank that serves the greater Boston area came out with the first company-specific Certificate of Deposit (CD) issued in the United States. The beneficiary is Equal Exchange, an employee-owned pioneering Fair Trade company that sells coffee, cocoa and tea. When you purchase an Equal Exchange CD, the money goes directly to them to expand their business. WAIN is also notable for committing 40% of its commercial loans to community development.

German Umweltbank was on the list last year - another great example of a small bank that only lends to environmentally beneficial projects and companies such as wind parks, solar plants and green buildings. Most of its loans go to people who want to put solar panels on their homes.

Honorable Mentions

General Electric deserves an Honorable Mention this year because of its Ecomagination Initiative, and especially because of its symbolic impact on the world's business community. When GE talks, the world listens. GE proclaimed that green products make green (money) and that's the direction the company's going in.

Says Terry Foecke, "The fact that GE is talking about green products in terms of profits, strategy and markets is huge. I have clients all over the world who say GE is the reason they are in business."

"GE has made an incredibly meaningful contribution in the move toward sustainable business practices this year," says Matt Patsky. "I wouldn't be surprised if it becomes a top sustainable company two years from now. We'll see how aggressive the CEO is, but I can see them shedding some of their "bad" businesses off.

That's why GE isn't on the list - because the company still has too many unsustainable product lines, such as defense contracting, nuclear arms manufacturing, and nuclear plant construction

(which CEO Immelt insists is necessary and will continue to participate in).

Ton Rennon adds, "GE's been acquiring interesting companies like Zenon and Ionics in water, but it's such a huge conglomerate that is involved in all sorts of activities not related to sustainability, we would never think of investing in them.

In fact, GE has been making energy efficient, water-saving and many other sustainable products for a long time. They are a major wind, water and solar player. What's changed is they've put a new twist on them, and rolled them up into an effort they are labeling "green," and in doing so, they're saying to the business community, "this is a smart, profitable thing to do."

HSBC

We're giving HSBC an honorable mention this year for leading the big banking world on sustainable initiatives. It's the first bank to commit to being climate neutral, and more significantly, is showing the most progress in implementing the Equator Principles - which commit them to using sustainable guidelines when making financing decisions.

But what's happening on the ground? Have they stopped financing environmentally and socially destructive projects like pipelines through rainforests and huge dams? Are they clearly showing a preference for financing life-enhancing projects instead?

HSBC receives Honorable Mention because out of all the banks, it has developed the most sector policies, covering forests, dams and chemicals. Specific policies, followed by concrete targets and data on whether the goals are being met, are essential to putting the Equator Principles into practice.

According to SiRi Company's profile on HSBC, the bank continues to invest in controversial projects/companies, such as the Thai-Malaysian pipeline, polluting mining projects, and Chinese Henan Rebecca wigmaker that makes use of forced labor.

The analysts at Portfolio 21 are impressed with HSBC's progress. Says Carsten Henningsen, "We met with HSBC in London. They are definitely incorporating environmental risk assessment into the lending/investment process, especially on the project financing level. As one of the largest banks in the world, with the volume of projects they finance, you'll likely see some negative loan stories."

Ton Rennon says, "Big banks are not yet at the stage of providing convincing evidence that they apply environmental risk assessment in lending/investment processes. The most progressive banks have policies and are beginning to implement them.

"I wouldn't include any big bank on the SB20 List yet - maybe in 5-10 years," says Max Deml. "There's a 100 to 1 difference between what big and small banks like Umweltbank are doing. I'm sure there are 10-100-fold other destructive projects the banks are still financing beyond what SiRi identified."

Indeed, I learned a lot about when I participated in the conference call announcing the revised Equator Principles. In response to the question, "China is planning to dam most of its largest rivers. What role would banks that have signed onto the Equator Principles play in that?" The representative from Citicorp said, "They are going to build dams one way or the other. Our job is to make sure they are built with the greatest respect for environmental and social considerations." [Our interpretation would be that such projects would be rejected by banks].

Says Indigo Teiwes, Sustainability Analyst with Portfolio 21, "I have serious doubts about whether the Equator Principles can instill real change in the finance industry because the results completely depend on a company's interpretation and implementation. HSBC is doing far more than just signing the Principles. Its development of sector policies enables us to see more clearly exactly how it uses environmental screens in the evaluation process. HSBC also committed to becoming carbon neutral and is doing good internal environmental work.

ITM Power

Says Gerard Reid, "I will make a bold statement - ITM Power is on course to be a massive energy player." Mark Cox concurs: "Will a big carmaker suddenly announce a commercial fuel cell or hydrogen vehicle using ITM technology in the next couple of years?"

"While Ballard Power Systems spent 10 years promising fuel cells in our cars, they forgot to investigate how to make them cheap enough to actually buy," he says.

What's remarkable about ITM's technology is its ability to increase the efficiency and capacity of renewable energy production. Most people drive about 25 miles a day - what if you could generate a gallon of hydrogen by plugging your electrolyzer in overnight? The technology is actually slightly more efficient - you could get 90% or more of your daily driving distance... from renewable energy.

Yet, the judges do not feel it's responsible to put a development stage company on the SB20 List. They haven't sold a product yet - who knows if they will survive? Max Deml summarizes the group's feelings: "It's a problem to have a company on the list which may be bankrupt next year. No matter how great its prospects, companies without sales should not be on the list."

Matt Patsky elaborates, "ITM says they may have a commercial sale in 2008. They don't have a date for profitability, but my guess is it could be around 2010. There will likely be opportunities to buy the stock at less than half the price it is now over the next couple of years."

ITM's valuation is sky high. "The stock is fraught with high expectations," says Cox. "They're about to come out with predictable year numbers in July; they have lots of cash on hand, but if they don't start making revenue the stock price could drop to fifty cents."

"Some might say that a £200 million market cap is a huge amount of money to pay for a company without revenues. I would counter that by saying the company appears cheap when one considers the commercial opportunities facing the company," concludes Gerard Reid.

In Conclusion

We laughed during our judge conference call when we talked about some of the companies we were considering for the List this year. "Green Mountain Coffee is great," quipped Matt Patsky, but it's actually McDonald's that is selling the coffee." "Maybe they should go on our list," I said with tongue in cheek. Patrick McVeigh joked that since Wal-Mart is now the biggest seller of organic food, so maybe they should go on the list too.

This year we gave honorable mentions to behemoths General Electric and HSBC, companies we never would have considered several years ago. We asked each other what we thought the SB20 List would like 10 years from now. It could well be filled by some of the largest companies in the world that are just starting to take our life's work - sustainable business - to heart.

What do you think about our Honorable Mentions? Would you put GE on the SB20 List? How about HSBC to acknowledge the beginnings of real progress? Our judges were split on it, and we'd like to hear your opinion.

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[Back to index](#)

THE PROGRESSIVE INVESTOR

Feature Story:

Meet the SB20 Companies

In alphabetical order:

Abengoa SA (Madrid: ABG.MC)

Sevilla, Spain

Market Cap: €1.9 Billion (US\$2.4 billion) www.abengoa.es www.abengoabioenergy.com

Abengoa calls itself "a technology company that applies innovative solutions for sustainable development" in the infrastructure, environment and energy sectors. Operating in over 70 countries, with 10,000 employees, Abengoa has five business units: Solar, Bioenergy, Environmental Services, Information Technologies, and Industrial Engineering and Construction.

The company produces annual sustainability reports using Global Reporting Initiative (GRI) format, and is clearly driving sustainability throughout operations.

Abengoa Bioenergy, headquartered in St. Louis, Missouri, is the world's second-largest bioethanol producer - mostly from cereal crops right now, but innovating in the development of cellulosic ethanol. Expected to come online at the end of this year, the company is building the world's first commercial scale biomass plant, which will produce over 5 million liters of fuel grade ethanol a year from agricultural residues such as wheat straw.

AB Bioenergy France, in which Abengoa holds a majority stake, is building a facility in France, capable of producing 200,000 tons of bioethanol from corn and wine alcohol. In the U.S., where Abengoa is the fifth largest ethanol producer, it's using SunOpta's steam explosion technology to convert agricultural residues into ethanol, animal feed and biochemical byproducts. One of the reasons Abengoa chose SunOpta was because of its preference for partners that are also committed to sustainability.

Abengoa's solar division, Solucar Energía, designs, finances, and constructs the full range of solar plants: PV, thermal, parabolic cylinder and parabolic dish collectors. The Industrial Engineering and Construction arm builds cogeneration, solar and biomass plants for customers, many of which are in developing countries.

The Environmental Services unit, Befesa Medio Ambiente, provides industrial waste management, with an emphasis on reducing and then recycling wastes such as aluminum, zinc, and salt slag. Abengoa built the largest desalination plant in the European Union and is building four in developing countries, incorporating advances in energy efficiency.

In the ten years Abengoa has been a publicly traded company, it has achieved a compound annual growth rate of 30%.

Acciona (Madrid: ANA.MC)

Madrid, Spain

Market Cap: €7.7 billion (US\$9.8 billion) www.acciona.com

Construction conglomerate Acciona is in the midst of a transformation from its construction roots to renewable energy project development and other sustainable services. Acciona is the world's third largest wind project developer, and is involved in project development and research in biodiesel/ biomass, solar, and small hydroelectric.

It also builds homes, runs ferries, and constructs desalination plants, among other lines of business. The wind business now accounts for close to 40% of Acciona's equity value and is the main driver for the company's growth. Acciona owns over a hundred wind farms in seven countries through the Acciona Energia division.

Last year's acquisition of Spanish turbine manufacturer EHN (now called Acciona Windpower), gives it some independence from the turbine shortage, and Acciona recently took a 94% stake in Spain's third largest wind developer, Corporacion Eolica (CESA), resulting in an 18% share of Spain's rapidly expanding wind market. With 1000 MW more in the pipeline, Acciona is well along the way to reaching its goal of 4,500 MW of wind by 2010.

Acciona just opened a turbine manufacturing plant in China. Initially, it is expected to produce 400 units of 1.5 MW turbines with plans to expand to 900 units.

The company is also a major solar player, recently putting the largest PV facility in Spain into service and purchasing a majority stake in US-based Solargenix, which is building Nevada Solar One - the first commercial solar thermal plant in the U.S. In Spain, Acciona has both a biodiesel plant (soy and other oils as feedstock) and a biomass plant where straw is the feedstock.

Acciona produced its first sustainability report in 2005, which in a very detailed way, shows how it is embedding sustainability into every line of business. Although still a small percentage of its residential construction, for example, it recently built a community of 225 homes with the full range of green features from energy efficiency to rainwater recycling, using recycled materials and avoiding PVC. Its goal is to build and renovate "energetically self-sufficient" buildings. Acciona uses biodiesel in construction vehicles and machinery, and has an active program to eliminate construction waste.

Acciona grew profits by over 40% for 2005.

Best Water Technology (Vienna: BWT.VI)

Vienna, Austria

Market Cap: US\$250 million www.bwt-group.com

Best Water Technology (BWT) is one of the few sustainable water companies in the world, and is the leading provider of water technologies in Europe. Its efforts encompass the entire water cycle, 'from source back to earth,' offering custom solutions for drinking and process water, ultra-pure water, and waste water for homes, hotels, industry, and municipalities. It's also developing membranes for fuel cells.

The company, which has 2000 employees, produces efficient, ecologically optimized water treatment services that preserve resources. Its extensive environmental management system includes operations and process technology, as well as a comprehensive recycling strategy for selecting raw materials, construction and production. It also offers customers water recycling technologies that dramatically reduce water consumption and filter important minerals and other valuable substances out of process water and wastewater for reuse in the production process.

BWT's greatest contribution to the water industry are its technologies, which minimize and often eliminate the use of chemicals for drinking and wastewater treatment. The company has a very large R&D budget.

Its new filter, for example, for households and industries, relies on magnetic fields and other

technologies instead of chemicals. BWT also created a chemical-free filter for hotels and other public buildings which is 99.99% effective in preventing Legionnaire's Disease.

Best Water is a steadily growing, profitable company, and well-positioned in the stock market.

Conergy AG (Frankfort: CGY.F)

Hamburg, Germany

Market Cap: €1.5 billion (US\$1.28 billion) www.conergy.com

Conergy is one of the world's leading solar companies and is also active in biodiesel and wind energy. The company is growing via acquisitions and has a worldwide presence with 700 employees, doubling revenue in 2005.

Offering a one-stop shop for renewable energy solutions, Conergy can combine solar photovoltaics (PV), solar thermal products, biogas installations, and small wind plants for customers. Uniquely, it manufactures components and systems for all solar options - solar electricity, solar heat, solar hot water and solar air conditioning.

Conergy is also working on off-grid renewable energy, developing small-scale wind plants to be used in conjunction with other renewables in remote rural areas such as India, Korea and Mongolia. Its 8 kW wind turbines, which stand 13-19 meters high, can be installed on roofs or as stand-alone plants on farms. They produce electricity even at low wind speeds, powering appliances directly from the generator. Excess energy can be converted into usable heat. When combined with solar systems and storage batteries, they form an independent renewable energy plant.

Its latest acquisition extends Conergy's capability in providing solar thermal products for every climatic zone, but especially for the changeable weather in northern Europe. And Conergy plans to begin construction on a 100 MW solar thermal power plant in Spain this year, the largest in Europe.

Energy Conversion Devices (Nasdaq: ENER)

Rochester Hills, Michigan, USA

Marketcap: US\$1.42 billion www.ovonics.com

This innovative company, known as ECD Ovonics, has been around since 1960, and develops and commercializes materials, products and production technology for a wide range of alternative energy solutions. Major business areas are energy generation, energy storage, and information technologies. Co-founder, President, Chief Scientist and Technologist Stanley Ovshinsky, is the revered inventor behind the company's varied and deep contributions.

On the energy generation side, which accounts for 54% of revenues, the United Solar division makes cadmium-free thin-film flexible solar panels which are integrated directly into a roof. According to the company, its unique technology makes production cheaper, much more energy efficient, and results in a solar panel that captures 20% more of the sun's energy.

On the fuel cell side, Ovonic Fuel Cell is commercializing the Ovonic® Metal Hydride Fuel Cell, which provides intrinsic energy storage within the fuel cell stack. Using low-cost components, the innovation not only reduces the high cost of fuel cells, but it enables instant start, operation at low temperatures, and energy storage - necessary for applications such as vehicles, military, emergency power and for powering buildings.

On the energy storage side, Ovonic Hydrogen Systems is commercializing its metal hydride storage technology, to store and distribute ultra-clean hydrogen fuel in a stable, solid form. A safer, lower-pressure alternative to compressed-gas and liquid hydrogen storage, it can be scaled to

support a broad range of commercial applications from consumer electronics and portable appliances to vehicles, power generation, and the hydrogen refueling infrastructure.

NiMH battery technology is another ECD Ovonic's invention. The batteries store twice the energy as standard nickel cadmium (Ni-Cd) or lead-acid batteries, have a longer life and provide more power. They are maintenance free, have no memory effect, and don't contain cadmium or lead. Most major manufacturers of NiMH batteries license Ovonic Battery's technology; it holds some 225 patents worldwide.

Through a joint venture with Chevron Technology Ventures, Ovonic Battery provides batteries for a wide range of applications, such as transportation, telecommunication, uninterruptible power supply, military, and homeland security. Texaco, which has a 20% stake in ENER, is working in a joint venture in regenerative fuel cells, hydrogen storage, and NiMH batteries.

ENER expects to reach profitability in the second half of 2007.

Gamesa Corporation Technologica (Madrid: GAM.MC)

Vizcaya, Spain

Market Cap: US\$3.9 billion www.gamesa.es

Gamesa holds an 18% market share in the wind sector, making it the world's second largest turbine manufacturer (trailing Vestas with a 34% market share). Gamesa is the only major turbine manufacturer that also develops wind parks.

Over the last few years, Gamesa broadened its scope from a regional company with most of its business in Spain to a company with a worldwide presence. International sales amounted to only 1% of sales in 2002, but jumped to 44% by the first half of 2005. It remains the leading turbine supplier in Spain, one of the fastest growing wind markets. Lower manufacturing costs in Spain help GAM retain profitable margins while offering turbines at competitive prices.

GAM makes a range of turbines from 800 kW to 2.0 MW and is one of the more vertically integrated companies, building many of its own parts in 21 Spanish manufacturing facilities. Last year, it focused on expanding manufacturing to other world markets, including new plants in the U.S. and China, with plans for five in Portugal over the next five years. GAM says its order backlog will keep the factories busy for eight years!

One of its significant orders for 2005 was from U.S. developer Horizon Wind Energy - \$700 million for 600 MW of turbines to be built by Gamesa Energy USA.

The company is expanding into solar with its new division, Gamesa Solar, which manufactures equipment and constructs solar farms on both the PV and thermal sides. Gamesa also plans to enter the biofuels and small hydro markets.

In 2004, Gamesa produced its first annual report that combines sustainability and financial reporting into one document. It also joined the United Nations Global Compact which commits the company to supporting and developing the Compact's 10 principles regarding respect for human rights, labor rights, protection of the environment and the fight against corruption. In 2005, the company created a process for dismantling and subsequent recycling of wind turbines.

The company employs 7200 people and is the only profitable wind turbine manufacturer at the moment. Its profits have been lower this year, but still respectable, because of the turbine shortage that is plaguing the industry in general.

Green Mountain Coffee Roasters (Nasdaq: GMCR)

Waterbury, Vermont, USA

Market Cap: US\$300 million 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 staking a leadership position in the sale organic and fair trade coffee, which is becoming the driver for growth and its brand. Especially through its relationship with Newman's Own Organics, GMCR is bringing sustainably grown coffee to the mainstream market.

Green Mountain is aggressively increasing the proportion of sales from "double-certified" coffee - organic and fair trade. 26% of the coffee sold in the first quarter 2006 was double certified.

This year, Green Mountain started supplying 650 McDonald's restaurants in the Northeast with fair trade and organic Newman's Own branded coffee. The opportunity could grow way beyond this first group of stores. Last year, GMCR signed a deal to supply 55 Meijer supercenters (similar to Wal-Mart in the Midwest) with Newman's Own fair trade/organic coffees.

Green Mountain owns a 42% interest in Keurig, which makes a single-cup brewer, another area that is driving sales to offices and directly to individuals. Last year, GMCR announced it would supply 125 Uni-mart convenience stores with Green Mountain coffee by the cup.

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. The company has been "carbon neutral" for the past year.

On the financial side, GMCR is a strong stock with plenty of room to grow. With growth opportunities from its Keurig one-cup coffee maker business, as well as new distribution opportunities with McDonald's, Green Mountain is poised for continued success as a truly green business.

Interface, Inc. (Nasdaq:IFSIA)

Atlanta, Georgia, USA

Market Cap: US\$628 million www.interfaceinc.com

An outstanding role model through its efforts to radically reduce its environmental impact, Interface embodies the term "sustainable business." Championed by Founder and Chairman Ray Anderson, who's [epiphany](#) in 1994 drove a "stake through his heart" after realizing the damage his company was doing to the environment, he promised Interface would "be the first company that, by its deeds, shows the entire industrial world what sustainability is in all its dimensions: people, process, product, place and profits - by 2020 - and in doing so, to become restorative through the power of influence."

Since then, Ray has traveled the world preaching the word of sustainability while pushing Interface toward Mission Zero. The website says, "The climb to the top of Mount Sustainability is an arduous, but rewarding, journey. Every foothold gained begins with a self-questioning analysis of our processes and materials and the determination to achieve even better results with less, and ultimately, no impact on our environment."

One of the world's largest interior furnishings companies, Interface designs and produces modular and broadloom floor coverings, interior fabrics, and upholstery products for corporations, governments and institutions.

Carpet and upholstery are petroleum-based products, but Interface is experimenting with and commercializing oil-free alternatives that can be composted or recycled back into the same

product. Its pioneering closed-loop manufacturing process eliminates waste and emissions; the company is shifting from selling carpet to leasing flooring services, where Interface simply replaces tiles that wear out.

Interface floor coverings and fabrics are made from ever-higher percentages of post-consumer waste, using bio-based products to facilitate end-of-life recycling. When life cycle assessments showed that 90% of the CO2 emissions associated with a carpet's life occur outside the production process, Interface introduced the Cool Carpet option - accounting for 20% of carpet sold in 2005 - which enables customers to offset emissions by purchasing Renewable Energy Certificates (RECs).

13% of Interface's global energy comes from renewable sources, with four facilities operating on 100% solar electricity.

Interface struggled financially for several years, but began turning around in 2004, and is now becoming profitable again. The stock is considered a "value" play and has plenty of room to grow.

JM, Inc (JM.ST)

Stockholm, Sweden

Market Cap: SEK 8.7 billion (US\$1.2 billion) www.jm.se

Founded in 1945, JM is the fourth largest real estate and construction company in Sweden, with operations throughout Scandinavia. Specializing in residential construction, it acts as developer, contractor and manager, maintaining control of the construction process from land acquisition to finished building, from management to demolition.

The largest residential builder in Sweden, it builds mostly in university towns and metropolitan areas, often on brownfield sites. JM goes beyond even Sweden's strict environmental regulations, setting an example for the industry. It views environmental responsibility as a key strategy, integrating [The Natural Step](#) throughout the company and with sub-contractors.

JM focuses on the areas it determined have the greatest environmental impact: energy consumption during the building's use; building materials; building waste; transport and machinery; and handling contaminated land.

Unlike other builders that implement advanced green building practices for demonstration projects, JM tests them and then applies them throughout construction. Standard features include water-based, district or heat pumps for heating, advanced insulated windows and top rated efficient refrigerators, and environmentally sensitive building materials. Only environmentally-approved hydro is used during the construction phase.

JM was the first company to develop a building material rating system. Other builders followed, creating their own systems. With a grant from the EU Foundation, JM is working with the industry to harmonize the various systems into one system that can be applied across Sweden and perhaps all of Europe.

In 2005, JM was named best in the industry for CO2 emissions among all Swedish public companies. Sweden has strict regulations to lower energy consumption in buildings, high garbage taxes and strong incentives to purchase clean cars. One might say JM is simply responding to enlightened policies in converting its fleet to clean cars - and requiring suppliers to the same - in recycling all construction waste, and in its current goal to reduce energy use in buildings by 40-50%, but the results are impressive nevertheless.

Population is on the rise in Nordic countries, and with almost 60% living in metropolitan areas, there's a housing shortage. As a result, 2005 was a banner year for JM; sales reached record highs, the company became debt-free, and its stock - which pays a dividend - rose 84%.

Maxwell Technologies (Nasdaq: MXWL)

San Diego, California, USA

Market Cap: US\$340 million www.maxwell.com

Maxwell is the leading developer and manufacturer of ultracapacitors - an important enabling technology in the transition to a sustainable economy.

Ultracapacitors are electronic components that store energy as a substitute for batteries. They can be drained and recharged hundreds of thousands of times over many years without degrading their ability to hold a power charge, and typically provide much higher power delivery than batteries. They are ideal for use in wind turbines and hybrid vehicle engines.

Among other projects, Maxwell's ultracapacitors are key components in a prototype BMW hybrid engine. Maxwell recently introduced over 30 new products which reduce the cost, size and weight of ultracapacitors for a wide range of industrial and transportation applications. For example, the "C-Cell" is a new 2.5-volt cell that's the same size as the familiar C-size battery but weighs just one-third as much, and is designed for easy mounting on printed circuit boards and in other electrical devices and systems. The "D-Cell" is a flashlight battery sized cell for low-cost, backup power solutions for microprocessors that manage electrical subsystems.

On June 6, Maxwell announced it signed supply agreements with seven new distribution partners from around the globe, which will significantly expand its presence in the Asia Pacific and South Asia technology markets and strengthen its presence in Europe and North America.

Maxwell is at an inflection point, emerging from a development stage company to one with a commercial product in the marketplace. It should be profitable by the end of this year. They are expected to lead the sector until a large company comes along to buy them out.

Novartis International AG (NYSE:NVS)

Basel, Switzerland

Market Cap: US\$127 billion www.novartis.com

Novartis is the world's sixth largest pharmaceutical company, the second largest producer of generic drugs, with over 80,000 employees.

The company is a leader on both environmental and social sides, being among the first to sign the UN Global Compact, and joining with six other companies to launch the UN program, Business Leaders' Initiative on Human Rights. CEO Daniel Vasella is now pushing the envelope, taking a strong stand on living wages for employees.

Novartis produces annual sustainability reports following the Global Reporting Initiative format, with great transparency and depth of detail. Like many growing multinationals, energy use continues to increase, but energy efficiency programs make the increase proportionally much lower than the growth of business.

The company is moving toward using dedicated renewable energy and combined heat and power plants; it revised purchasing guidelines to allow payback calculations over the full lifetime of assets to encourage investments in renewables and energy efficiency technologies.

Some of its targets for 2008 include: improving water efficiency by 6%; reducing hazardous waste to landfills from the current 890 tons to under 100 tons; and reducing VOC emissions by 90%. Although two divisions have set targets for suppliers, the rest of the company has yet to do so.

On the social side, Novartis is one of two pharmaceutical companies that have a stated policy on

access to medicines. The Novartis Access to Medicine Projects provides drugs for malaria and leprosy at cost in Africa, Asia and Latin America (\$696 million worth of drugs to 6.5 million patients in 2005); the Patient Assistance Program offers assistance to patients without health insurance coverage in the U.S. and the Novartis Foundation for Sustainable Development works at policy and field levels to improve access to healthcare for the world's poorest people.

Unfortunately, even though Novartis doesn't make anti-HIV drugs, it joined with 38 pharmaceutical companies in 2001 to block a law in South Africa designed to provide HIV drugs at lower prices.

In 2005, Novartis adopted a Sustainable Wage program, defined as "the minimum pay sufficient to enable employees and their families to meet their basic material needs." The company surveyed all their workers around the world to make sure they were being paid a sustainable wage. The 93 people that weren't received an immediate wage increase. This year they are asking all suppliers to do the same.

ORMAT Technologies Inc (NYSE: ORA)

Reno, Nevada, USA

Market Cap: US\$1.4 billion www.ormat.com

Ormat is in the geothermal and recovered energy power business, building, owning, and operating geothermal power plants, and selling electricity primarily in the U.S., Guatemala, Kenya, Nicaragua, and the Philippines. It also designs, manufactures, and sells power units for geothermal plants, for recovered energy power generation; and for remote generators.

Founded in 1965, the company is the world's leader in geothermal energy, which uses the earth's warmth to generate electricity. Ormat's geothermal technology extracts hot water or steam that is vaporized and used to drive turbines.

Ormat has installed over 2500 power units in 71 countries. Its power units are modular plants with a capacity of 200 kW to 130 MW; they use locally available heat sources, including geothermal energy, biomass, solar energy and recovered energy generation. The latter is often the most cost-effective way to develop additional generating capacity and contribute to a plant's energy efficiency. Tapping otherwise unused or underutilized energy, often with environmental side-benefits, has become one of Ormat's special strengths. The re-powering technologies enable power plants to increase output without any additional fuel expense. All manufacturing operations and products are ISO 9001 and ISO 14001 certified.

The stock for this technology leader isn't cheap and has grown substantially over the past year, but the company's sales and profits constantly beat expectations.

Koninklijke Philips Electronics NV (NYSE: PHG)

Amsterdam, Netherlands

Market Cap: US\$37 billion www.philips.com

Philips Electronics is Europe's largest company with sales of 30.4 billion euros in 2005 and over 160,000 employees. It enjoys market leadership in industries including consumer electronics (33% of revenue), lighting (15% of revenue) and medical diagnostic imaging (19% of revenue).

The company is a sustainability pioneer; it was one of the first multinationals to track its environmental progress, having met its goals and raised the bar several times, and to incorporate life cycle analysis into product design, resulting in innovative breakthrough products such as the compact fluorescent.

This year, Philips bought Agilent's LED business and announced new records for lifetime and efficiency of high brightness white organic LEDs - the next revolution in lighting. Over the past five

years, the company invested 400 million euros in green lighting technologies.

In 2005, Philips launched 50 new 'Green Flagship' products, doubling sales (from 2004) to 2 billion euros for environmentally preferable products, which now total 160 products. One of its pilot projects is a low cost, off-grid rechargeable lighting system for people in the developing world.

Green Flagship products must be proven to offer substantially better environmental performance than their predecessors or closest commercial competitors on energy consumption, packaging, hazardous substances, weight, recycling & disposal and lifetime reliability.

Among 2005's additions are: digital radiography systems that cut energy consumption by 41%, Flat TVs which use 39% less energy and contain no hazardous substances; and an internal active antenna for portable TVs which uses 40% less energy.

The company has been on and off financially over the past few years, but now that consumer electronics and technology spending has improved, Philips has re-established its growth rate, and is looking at growth of 10-15% a year - impressive for such a large company.

Precious Woods (SWX: PRWN)

Zurich, Switzerland

Market Cap: CHF 305 million (US\$250 million) www.preciouswoods.com

Precious Woods is a world leader in sustainable forestry management. Its 1800 employees work in Brazil, Costa Rica, Nicaragua, Holland and Switzerland, not only managing forests sustainably, but reforesting degraded pastureland with a mosaic of teak and indigenous species.

Precious Woods was the first company to achieve Forest Stewardship Council (FSC) certification in Brazil and has since then certified all operations, including its supply chain. The company provides employment to people in economically disadvantaged regions, giving many families the prospect of a decent living by preserving the forest.

PW has two revenue streams, timber and now, emission rights. Precious Woods is the first forestry company to sell emission rights, recently selling rights for over \$US400,000 on the Chicago Climate Exchange to the World Bank. The World Bank offset 100% of its greenhouse gas emissions from its Washington DC headquarters by purchasing credits from Precious Wood's 4600 hectare reforestation project in Costa Rica. Precious Woods expects this new revenue stream to realize several million dollars in 2006.

Following a recent capital raise, Precious Woods acquired Europe's primary FSC-certified timber company, Dutch-based A. van den Berg B.V., expanding its reach there, and will soon have a stake in the largest forestry group in the Congo. It also significantly expanded its forestlands in the Amazon last year.

Precious Woods has been profitable since it went public in 2002, but experienced its most difficult year in 2005, reporting a loss. Delays in receiving harvesting permits and interrupted operations in Brazil forced the company to shut down operations in its largest timber area for several months. Illegal loggers invaded and clear cut two expanses of forest for agricultural purposes in an area known for high violence. 97 landless families threatened to occupy the forest; Precious Woods had to prove ownership of land title and clear regulatory hurdles in this delicate situation.

The company expects to be profitable again in 2006, and in fact forecasts doubling or tripling profits now that Brazil operations are up and running again, having diversified operations to Europe, and with its new emissions credits business. Not everyone can invest in Precious Woods - contact the company for details.

Renewable Energy Corp. ASA (REC.OL)

Oslo, Norway

Market Cap: 44 billion krone (US\$7 billion) www.recgroup.com

REC is the only solar company that operates across the entire value chain of the industry - it is the world's largest dedicated producer of solar-grade silicon (REC Silicon) and multicrystalline wafers (REC Wafer), and also makes cells and modules (REC Solar). Its 1100 person workforce is spread among production sites in Norway, Sweden, and the U.S.

As the largest producer of monosilane gas - an essential component of its proprietary silicon production technology - REC doesn't have to sell large volumes of by-products to keep costs down. REC's closed-loop process virtually eliminates by-products and waste.

An equal partner with Q-Cells and Evergreen Solar in the German EverQ project, REC signed a long term agreement to supply the silicon for the project, enabling it to grow from 30 - 300 MW. Its new silicon plant will be located in Moses Lake, Washington, USA and is expected to come online in 2008.

In another recent announcement, REC won a five year contract to supply solar modules to Gamesa Solar, a unit of Gamesa Corporacion Tecnologica SA. The contract, valued between €25-35 million, begins this year. It represents an important entry for REC into the Spanish market.

REC's May 2006 IPO was the biggest renewable energy IPO to date, and Norway's largest since oil group Statoil (STL.OL) listed in 2001. The oversubscribed IPO raised NOK 6.9 billion (US\$1.1 billion) on the Oslo Stock Exchange. Revenues rose 93% in 2005.

Sharp Corporation (Tokyo: 6753)

Osaka, Japan

Market Cap: US\$17.3 billion <http://sharp-world.com>

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 makes TVs, stereos, DVD players, refrigerators and the plethora of appliances that contribute to our quality of life, while also using lots of energy.

In 2004, President Katsuhiko Machida committed the company to being climate-neutral by 2010, saying that Sharp's future growth would come primarily from its solar and LCD (energy-efficient displays) businesses.

Sharp's strategy for reducing its environmental impact is by transforming all factories to "Green and Super Green Factories," by selling "Green and Super Green Products" and by increasing the proportion of sales from solar cells and modules. The company has a strong environmental and procurement policy, which extends to all suppliers.

The world's leading solar PV panel producer for six years running, Sharp makes almost 30% of the world's solar panels. In 2005, it introduced a new mass-production system for thin-film solar, which uses only a tiny amount of silicon, and which can be used in applications such as "illuminating solar panels (Lumiwall)" where they are combined with LEDs, and see-through type solar panels that permit natural light to pass through.

Its proprietary crystalline thin-film tandem cells combine amorphous silicon technology with crystalline thin-film silicon technology to boost conversion efficiency by 50% compared to existing solar cells. The company is building a facility with a 15 MW capacity to produce the cells, with plans to make them a "second pillar" of its product line.

On the product side, 188 products meet Sharp's "Green Seal" criteria of superior environmental performance - an impressive 80% of sales, up from 54% in 2004. 20% of products meet "Super

Green" standards. Targets for 2007: 90% "Green Seal" products and 35% "Super Green" products. Standards include product recyclability, use of recycled materials, chemical substances, durability, and packaging.

Besides continuing to make all the appliances it sells more efficient, Sharp is focusing on its LCD Television, where its AQUOS brand holds a 30% world market share. The enormous market for TV's is shifting from CRT TVs to flat-panel TVs - the larger they are the more energy they consume. AQUOS uses less power, and is thinner and lighter than CRT TVs of the same screen size. The AQUOS includes recycled plastic, is designed for recycling at end-of-life, and eliminates hazardous substances such as halogen-based flame retardants and hexavalent chromium.

The technology is being used in Sharp's mobile phones, notebook PCs, and monitors, and is being sold to companies that manufacture a wide variety of electronic devices and equipment.

Another innovative new product is the Water Oven, which cooks food using superheated steam, reducing excess fat and salt and preventing oxidation of nutrients such as vitamin C. Sharp's QW series of countertop dishwashers employs ordinary table salt to clean, eliminating the need for detergents. And a new "spot cleaning" function cleans just one side of the dishwasher to reduce water use for small loads. The new Kitchen Waste Composter turns food scraps into compost in a mere 24 hours.

Sharp is also educating dealers on environmental issues, having led forums in over 1000 stores since 2004, and has begun to include a section in product instruction manuals, such as LCD TVs and air conditioners, on how to use products in an environmentally conscious way.

In terms of its production facilities, as of 2004, all of Sharp's factories exceeded Green Factories standards in Japan; the next goal is for all production sites to meet the standard by 2007. Nine sites run on solar.

SunPower Corporation (Nasdaq: SPWR)

San Jose, California, USA

Market Cap: US\$1.75 billion www.sunpowercorp.com

SunPower is known for the world's best solar technology - performing up to 50% better than other systems while having the most aesthetically pleasing design, blending harmoniously into a roof.

The company's all-back contact cell technology places all the metal contacts that collect and conduct electricity on the back surface of the solar cell - away from the sunlight. The design eliminates reflective metal contacts on the front of the solar cell, significantly increasing the solar energy absorbed by the cell and eliminating the little silver lines which some believe make solar panels look unsightly.

The least expensive solar cell on the market, using the least silicon, it has a rating of 21% efficiency per watt. The company's goal is to lower the cost of solar cells to the point where a solar array has a three-year payback, eliminating the need for government subsidies.

SunPower has a five-year agreement worth \$300 million to supply its cells to SOLON AG, Germany's largest PV module manufacturer. The cells will be incorporated into SOLON's new "SOLON-Mover," a modular 9-10 kW generation system designed for use in multi-megawatt PV power plants. Each SOLON Mover is a self-contained power plant that automatically tilts and rotates with the sun, and is shipped pre-assembled to the project site.

In another five year agreement, SunPower is providing \$330 million worth of modules to PowerLight Corp., to be incorporated into advanced solar systems for commercial, government and new home residential customers worldwide.

To keep up with demand, SunPower is in the midst of expanding production capacity by over ten

times. To keep costs down however, its manufacturing plant is in the Philippines, where there are few social or environmental regulations.

Until it went public in late 2005, SunPower was a division of Cypress Semiconductor, which still holds a majority of the company. The stock has been a winner, and the company expects to be profitable this year.

United Natural Foods (Nasdaq: UNFI)

Dayville, Connecticut, USA

Market Cap: US\$1.4 billion www.unfi.com

The company began as Cornucopia, one of the pioneering natural products distributors, and has grown by acquiring regional distributors also known for their commitment to sustainability. The company's leaders are original natural foods pioneers and strongly support sustainable agriculture and the importance of organic products.

Today, United Natural has over 4000 employees and is the largest wholesale natural foods distributor in the U.S., carrying 40,000 products and supplying 20,000 customers, including super-natural chains, independent natural products retailers and conventional supermarkets.

All its distribution facilities are certified organic, with cradle-to-grave systems in place to verify and maintain the organic integrity of products that move through its distribution chain. The company uses stringent procedures to handle organic foods, clean facilities and trucks, and trucks may not transport anything but organic goods.

Genetically engineered foods are of great concern to the company. They vigilantly test products to ensure they are GMO-free and sponsored the Campaign to Label Genetically Engineered Foods to pass legislation requiring labeling.

UNFI requires its 1000 vendors to minimize packaging and shipping waste; recycles plastic wrap in warehouses, and repairs and reuses pallets. They purchase energy efficient trucks and trailers for transport, and, since 2002, all sales reps are provided hybrid vehicles.

UNFI typically donates about \$1.5 million in natural food products per year to local food banks and community organizations, and supports communities that have sustained disasters with food, bottled water and supplies.

The company maintains comprehensive recycling programs at all facilities and is implementing a major energy conservation program including energy efficient lights, cooling systems, refrigeration units, and solar power.

Since UNFI is basically a transportation company, emissions and fuel use are major issues. Over the past year, the company transitioned to regional warehouses and focused on improving transportation logistics to better serve customers, lower fuel costs and reduce emissions. It looks like it's paying off. In the first quarter of 2006, the company managed to reduce transportation costs even with sky high fuel prices.

United Natural is running a test on biofuels in its New Jersey operation, but with mixed feelings, since genetically modified corn is the dominant raw material for biofuels right now. They are sponsoring a group that's identifying local sources of raw materials such as grass clippings and wood chips to use instead.

United Natural had a great year in 2005, increasing sales by 23%. It's a strong stock in a great industry - the fastest growing sector of the food industry. The company forecasts growth of 18% for 2006 as it expands into distribution for foodservice and international sales.

Wainwright Bank: (Nasdaq: WAIN)

Boston, Massachusetts, USA

Market Cap: US\$82 million www.wainwrightbank.com

WAIN is a small regional bank that's a model for sustainable banking. 40% of its commercial loans go to community development: affordable housing, homeless shelters, HIV/AIDS service, community health centers, and environmental protection. Nearly 50% of the bank's officers are women.

Environmental criteria are routinely applied in investment decisions - WAIN has denied several loans because of poor records. In fact, the bank created a senior lending position dedicated to socially responsible community investing. It has provided loans to the Union of Concerned Scientists, Earthwatch and the Trust for Public Land's preservation of Lake Tarelton in New Hampshire, demonstrating the viability of this type of financing to other financial institutions.

Wainwright is particularly concerned where environmental issues intersect with social justice - for instance, access to open space for inner-city residents and the incidence of toxic pollutants in low-income neighborhoods.

To ensure access to community residents and to reduce urban traffic, the bank locates its retail branches in areas that are easily accessible by mass transportation (without parking lots) and offers a subsidy for employees to use public transit. It uses recycled paper exclusively, has installed energy efficient lighting and HVAC systems, and has made a commitment to opening new branches using green technologies, materials, and renewable energy.

WAIN offers "The Green Loan," which provides a 1% rate reduction on Home Equity Loans when the loan is used install solar energy.

This year, WAIN created a new financial product for investors - the first company-specific Certificate of Deposit (CD) to be issued in the United States. This first CD supports fair trade pioneer Equal Exchange, raising capital for the company and helping it retain its independence and its employee ownership structure.

Unlike funds raised by other CDs which go into a general account at the issuing bank, and might help finance a subdivision in Miami or a hotel in Las Vegas, purchasers of the Equal Exchange Certificate of Deposit know their investment goes to creating a line of credit dedicated to Equal Exchange's use. Equal Exchange has been growing 100% a year since 2002, and needs more cash each year to purchase fair-trade coffee, tea, and cocoa grown by small family farms.

WAIN is well-managed and financially solid. The stock doesn't trade a lot, but it does well.

Whole Foods Market (Nasdaq: WFMI)

Austin, Texas, USA

Market Cap: US\$9.1 billion www.wholefoods.com

As everyone knows, Whole Foods is the world's leading retailer of natural and organic foods, with 171 stores in the U.S., 3 in Canada and 7 in the UK.

Whole Foods plays a pivotal role in mainstreaming organic, locally grown foods, and other environmentally sensitive lifestyle products (it's starting to sell organic clothes and non-food items). It has proven there is a strong market for natural and organic grocery items when presented in an inviting shopping environment.

Having established themselves as a growing force in the overall food industry, conventional supermarkets are following suit, carrying an ever greater range of organic products.

Whole Foods was the first grocer to achieve national organic certification in the U.S. for all its stores. The company incorporates energy efficient and green building features in all new stores and it runs completely on wind energy - the largest corporate user of renewable energy in the U.S.

WFMI has shown strong leadership on GMOs, sustainable seafood and animals used for meat. In 2005, it founded the Animal Compassion Foundation to research and promote humane treatment of farm animals, and recently stopped selling live lobsters when it couldn't find a way to source them humanely.

WFMI has been a darling of the stock market, continuing to exceed expectations year after year, and is a core holding in most SRI portfolios. This superbly managed and well-positioned company is just starting to enter Europe and expects to double its business by 2010. Although it will face more competition from traditional supermarket chains as they increase natural food product lines, many analysts believe WFMI will continue growing for the foreseeable future.

Honorable Mentions

General Electric (NYSE: GE)

Fairfield, Connecticut, USA

Market Cap: US\$348 billion <http://ge.ecomagination.com>

In June, 2005, GE Chairman and CEO Jeff Immelt announced a plan to transform the mammoth 320,000-person company via its Ecomagination initiative. The company with the world's largest market value committed to derive a full 20% of its industrial sales from environmentally preferable products by 2010.

Immelt said, "Increasingly for business, 'green' is green. We will focus our unique energy, technology, manufacturing and infrastructure capabilities to develop tomorrow's solutions such as solar energy, hybrid locomotives, fuel cells, lower-emission aircraft engines, lighter and stronger materials, efficient lighting and water purification technology."

GE announced it would double investments in clean technologies, to the tune of \$1.5 billion annually by 2010, and that revenues from environmentally preferable products would reach \$20 billion a year by then.

The significance of this initiative can't be overstated: GE, in essence, said to the world business community, this is our future. Of course, GE sees that the market for renewable energy, clean water and efficiency will grow significantly over the next decade. But few Fortune 500 CEOs thus far see the opportunity as a true strategic path for their company, and that's why Immelt stands out.

Rather than proposing a vague agenda, he announced an initiative that has both a grand vision and specific goals and timetables. GE considers Ecomagination a brand, not just a project. That's a huge step forward because companies generally have been reluctant to market the environmental attributes of their products. Immelt sets an example for other companies to follow, encouraging them to differentiate products in the marketplace based on environmentally preferable characteristics.

GE also announced it would reduce its own footprint, increasing its energy efficiency 30% and reducing greenhouse gas emissions by 1% by 2012. Without these measures, at currently projected growth rates, its greenhouse gas emissions would increase 25% over this period.

The newly released 2005 Ecomagination Report: "Taking on Big Challenges," shows GE is ahead of schedule, logging in \$17 billion in orders from the sale of energy efficient and environmentally advanced products. Meanwhile, greenhouse emissions from operations were flat in 2005.

GE Wind produced \$2 billion in revenue; airlines purchased Ecomagination-certified aircraft

engines valued at more than \$12 billion; its new Evolution fuel-efficient locomotive sold out; and GE is building Africa's largest seawater desalination plant. The company is innovating in solar, having recently released "Brilliance," an all-in-one residential solar package, and a roof-integrated solar module for new home construction.

GE Energy Financial Services, which announced this year it would create a team focused on clean tech investments, owns and is financing the world's largest solar PV plant to date in Portugal.

GE's clean coal technology - an expected \$1 billion revenue stream by 2008 - will produce energy with emissions approaching that of natural gas. The company remains committed to nuclear power and received several orders for new plants this year.

There's still a downside to GE: it is one of the world's top four polluters, and for many people the fact that it is a major defense and nuclear weapons contractor, in addition to building nuclear plants, is a real problem.

HSBC Group (NYSE: HBC)

London, UK

Market Cap: US\$199 billion www.hsbc.com

HSBC, one of the largest banks in the world, is taking sustainable business seriously. As a signatory to the finance industry voluntary guidelines, The Equator Principles, the bank committed to include environmental and social criteria as part of project financing due diligence.

Just this week, the financial community announced it would adopt revised, more stringent, Equator Principles. They now apply to all project finance with capital costs above US\$10 million (previously US\$50 million), to project finance advisory activities (often the first step in the process), and to upgrades and expansions of existing projects. Significantly, each signatory is now required to report on the progress and performance of Equator Principles implementation on an annual basis.

HSBC is one of the few banks that have put the Principles into concrete terms by developing sector policies that screen out projects that would cause social or environmental harm. It has developed policies covering three sectors, more than any other bank: Forestry - stating a clear preference for Forest Stewardship Council certification - Dams and Chemicals.

For 2004, HSBC reports rejecting about 20% of transactions that didn't comply with the Equator Principles, and exited a number of relationships because clients lacked commitment to comply with HSBC's forestry policy.

That's a start, but according to a recent report by BankTrack and World Wildlife Fund that evaluated the concrete policies banks have developed to implement the Equator Principles, HSBC and ABN Amro got the highest scores - D+.

On the flip side, HSBC is looking to proactively invest in sustainability-focused projects, particularly low carbon energy, water infrastructure, sustainable forestry and related agricultural commodities. By funding or investing in such projects, HSBC will gain carbon credits to offset its emissions, while making sure the projects are environmentally credible, incremental and cost effective.

HSBC also stands out as the first bank to commit to becoming carbon neutral - by driving energy efficiencies throughout operations and by purchasing Renewable Energy Certificates (RECs). It is also beginning to incorporate green building practices through its pilot project in the UK for four "eco-branches."

The company is also taking an advocacy role on supporting government action on climate change solutions. It recently joined with [twelve other multi-nationals urging](#) Prime Minister Tony Blair to take urgent action and create long-term policies on climate change so that companies would feel confident in investing in appropriate technologies.

[Press Release for BankTrack/ WWF Study](#)
[Read the study](#)
[Read the NGO comments on the revised Equator Principles](#)

ITM Power (AIM: ITM.L)
Great Chesterford, UK

Market Cap: US\$250 million www.itm-power.com

This remarkable development stage company is working on making the hydrogen economy a reality. ITM's technology promises to replace hydrocarbons with renewable sources of energy - wind, wave and solar - by creating a process where renewable energy can be stored and used as needed - in cars, homes, and many other applications.

How? Through fuel cells and electrolyzers, "ITM believes it has developed and patented the keys to revolutionize the hydrogen economy."

The key is the low cost of the fuel cell membrane - ITM's is 100 times cheaper than Ballard's, Dupont's and other fuel cell manufacturers. The very simple, yet durable fuel cell architecture - which eliminates platinum, for example - also brings down the cost for production.

ITM solves the elusive storage problem - a major barrier in the way of mainstreaming renewable energy. Using its electrolyzer, wind or other forms of renewable energy can be stored and used when needed, and can be converted to hydrogen, which can then be easily adapted for automobile engines. The added benefit is that the energy can be produced at night, when electricity prices are low, and then used during costly peak hours.

Professor Marcus Newborough is joining ITM in September as Electrolyser Business Development Officer, where he will play a major role in the strategic planning and commercialization of ITM's technology. He is internationally recognized as one of the leading experts on electrolyzers and their application to renewable hydrogen production.

ITM recently announced it achieved 3,500 hours of use for the fuel cell without degradation - that means the cost of hydrogen is \$3 a gallon or \$0.10 per kilowatt hour - competitive with current fossil fuel prices.

ITM is expected to start selling products by year end. The company has enough cash for 13 years at the current burn rate and no debt. Shareholders include the Bank of New York, Fidelity, and many other major investors. ITM has a very high market cap for a company without revenues, but if its plans come to fruition, the stock is cheap considering the potential multi-billion market for electrolyzers and fuel cells. But no matter how great it looks, it's still an "if."

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THE END!!! Have a great summer

[Back to index](#)

