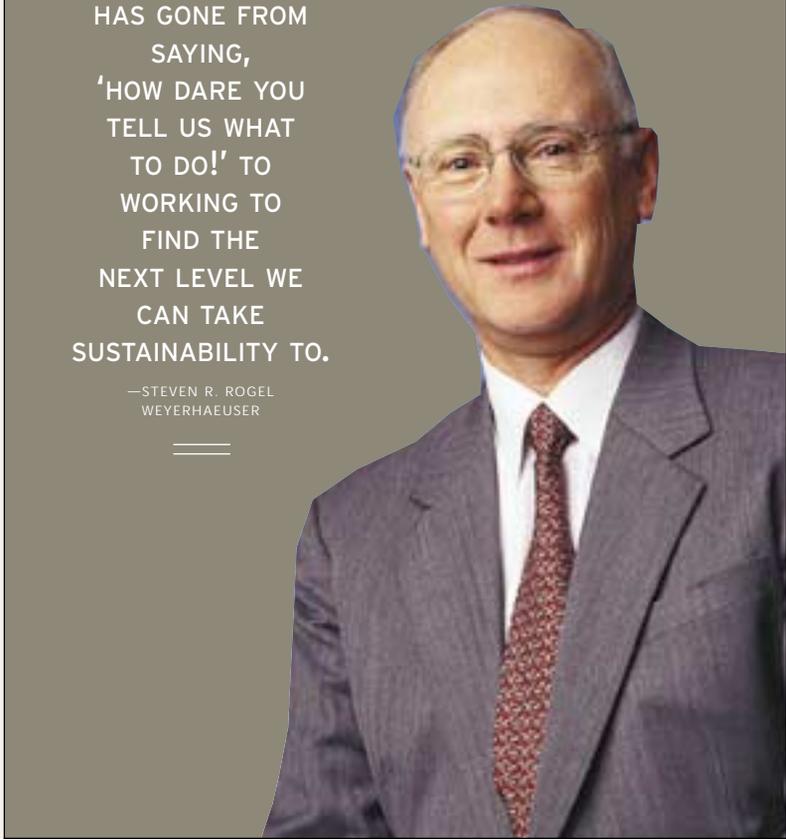


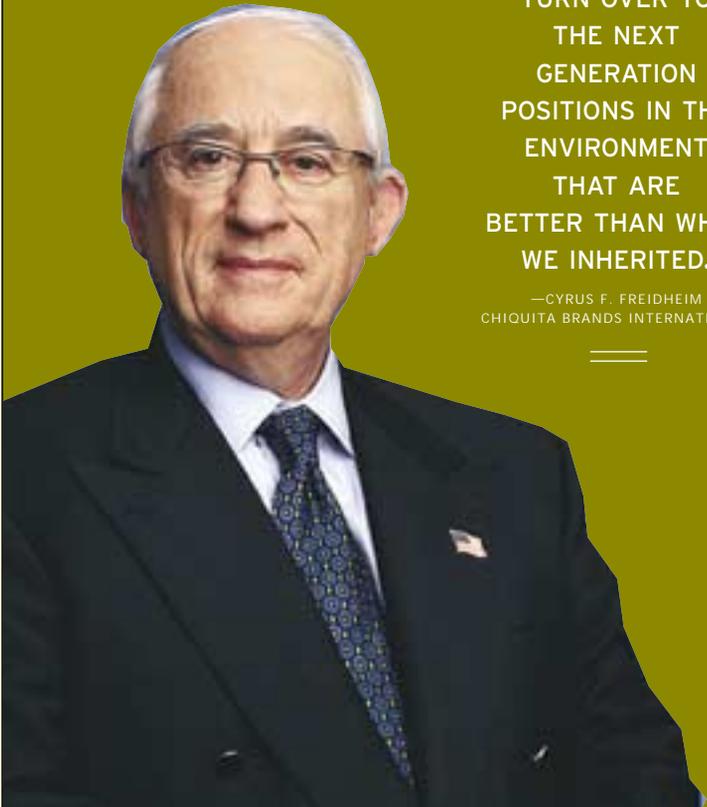
FUNDAMENTALS
DRIVING
YOUR BUSINESS—
CONCERN FOR
SHAREHOLDERS,
FOR THE
ENVIRONMENT,
FOR SOCIETY—ARE
CONSTANTS
THAT GO
ON FOREVER.

—MARK HELLERSTEIN
ST. MARY LAND & EXPLORATION



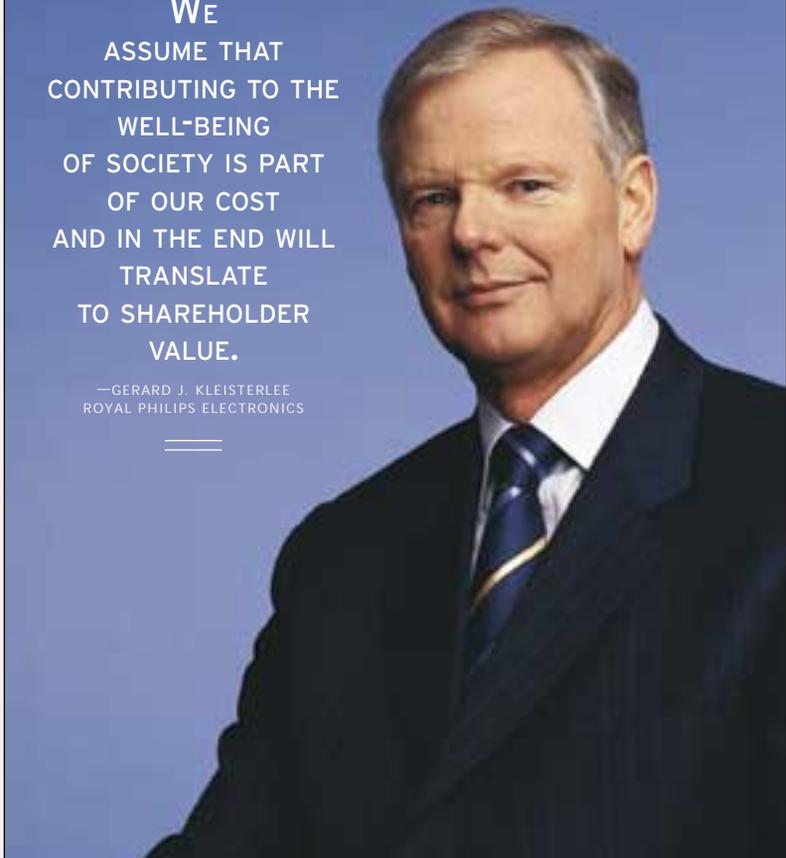
MY INDUSTRY
HAS GONE FROM
SAYING,
'HOW DARE YOU
TELL US WHAT
TO DO!' TO
WORKING TO
FIND THE
NEXT LEVEL WE
CAN TAKE
SUSTAINABILITY TO.

—STEVEN R. ROGEL
WEYERHAEUSER



WE MUST
TURN OVER TO
THE NEXT
GENERATION
POSITIONS IN THE
ENVIRONMENT
THAT ARE
BETTER THAN WHAT
WE INHERITED.

—CYRUS F. FREIDHEIM
CHIQUITA BRANDS INTERNATIONAL



WE
ASSUME THAT
CONTRIBUTING TO THE
WELL-BEING
OF SOCIETY IS PART
OF OUR COST
AND IN THE END WILL
TRANSLATE
TO SHAREHOLDER
VALUE.

—GERARD J. KLEISTERLEE
ROYAL PHILIPS ELECTRONICS



THE FUTURE OF SUSTAINED GROWTH

What business wouldn't follow policies meant to meet the needs of the present generation without compromising the ability of future generations to meet their needs? But not all companies willingly assume the cost of integrating their economic, environmental and social objectives into daily business decisions to create value for stakeholders. Recently *nyse magazine* special guest moderator Rhonda Schaffler, NYSE senior correspondent for CNNfn and CNN Business News, sat down with CEOs of four companies that



report they have embraced the principles and practices of sustainable development in an effort to provide good stewardship of resources for the future: **Chiquita Brands International Inc. (CQB)** chairman and CEO Cyrus F. Freidheim Jr.; **Royal Philips Electronics N.V. (PHG)** president and CEO Gerard J. Kleisterlee; **St. Mary Land & Exploration Co. (SM)** chairman, president and CEO Mark Hellerstein; and **Weyerhaeuser Co. (WY)** chairman, president and CEO Steven R. Rogel.

Rhonda Schaffler: TELL US WHY SUSTAINABLE GROWTH IS IMPORTANT TO YOU AND HOW YOU INCORPORATE IT IN YOUR GENERAL BUSINESS PLAN.

Steven Rogel: Sustainability is our social license to operate and our lifeblood. In 1941, Weyerhaeuser established the first tree farm in North America, and our sustainability actually goes back even prior to that.

We have to continue to plant and harvest the timber that we take, as well as sustain the land. We're very proud of the fact that we have one of the few, if not the only, renewable-resource, basic-commodity industries.

Gerard Kleisterlee: Sustainability at Philips is not just another fad, but something that is very much at the heart of our company. Our founding fathers, the two Philips brothers, cared very much about the community they lived in, and that is something that we still aspire to do.



Schaffler: THESE ARE TOUGH TIMES FOR CORPORATE AMERICA AND THE ECONOMY. HOW DO SUSTAINABILITY GOALS CHANGE DURING THIS TIME?

“We have to meet the needs of shareholders. If you don’t do that, you can’t survive.”

—MARK HELLERSTEIN,
ST. MARY LAND & EXPLORATION

Cyrus Freidheim: Yes, times are tough. But, frankly, if we use tough times as a reason for delaying or pulling back on sustainability efforts, we will never make progress. Chiquita certainly had a good excuse for reducing its commitment to and investments in sustainability when the company went through Chapter 11 in 2001, but we didn’t. Over the past several years, Chiquita has invested more than \$20 million in capital improvements to meet our new environmental and social standards.

The banana industry and Chiquita Brands were once the poster children for what not to do in the areas of the environment and human rights. In the early 1990s, however, Chiquita made a fundamental decision—to embrace sustainability as a core value in our operations.

When I came in as the new CEO in March, the first person on my doorstep was our corporate responsibility officer, Jeff Zalla. He led me through the history and the actions the company had taken. I was persuaded overwhelmingly that the company was on the right track.

In 2001, we submitted our first corporate responsibility report, which outlined our goals and our progress in reaching them. SustainAbility and the United Nations’ Environmental Program recently honored our reporting as some of the most candid they had seen and the best report on this topic of any food company in the world. So we have gone from being a pariah to a model of commitment to corporate responsibility.

Mark Hellerstein: Studies have shown a direct correlation between energy usage and per-capita income for the top 15 countries of the world. Some studies indicate that the world’s oil production will begin to decline within the next five to 10 years, and as a result, there’s a good chance the world standard of living could go down.

The challenge for St. Mary is that we’re expected to grow at a geomet-

ric pace. But how can we grow geometrically when the pie is shrinking? All the exploration and production companies are facing these realities, and, more broadly, society is facing a risk to its standards of living.

St. Mary has managed to overcome these issues through new technology. Our little piece in the equation is to continue to add value every day at every phase of our business cycle and to create new ideas that will bring on new energy, so that we can at least sustain our standard of living, and hopefully provide a transition to alternative energy sources.

Kleisterlee: I think tough times are always an agent of change. In particular the Enron and Arthur Andersen scandals have shed a new light on the role that corporations play in society and the role that executives play as stewards of corporations. Big business plays a much more important role than just satisfying shareholder needs for return on investment. We have employees to take care of, we have societies in which we live, and the shortsighted view on the next quarterly earnings may have led certain companies to disrespect some of these aspects. So this environment encourages companies to do the right things. At the end of the day, we know that a business built on a sustainability is the right thing to do.



Schaffler: HOW DO YOU HANDLE THE PRESSURE TO SAY, ‘I’M COMMITTED TO SUSTAINABILITY PROGRAMS,’ WHEN INVESTORS ARE WATCHING YOUR BOTTOM LINE SO CLOSELY?

Rogel: We’re all marked to market daily. But it is an act of faith to plant a tree that you will not harvest for 50 years. So we have a threefold problem. We have to satisfy the stock-holding community and the demands for quarterly results. We have to have a sustainable company, where we’re planting trees with as much as a 50-year life cycle before they can be harvested. And we have to deliver sustainability to today’s customers who will not buy products unless they’re environmentally sustainable.

Hellerstein: When we discussed going public 11 or 12 years ago, we talked about whether we were going to make decisions differently as a

“The return on sustainable investment, that’s tougher to measure. We hope that the consumer eventually will buy products from companies that behave in environmentally sound ways and that are respectful of human rights.”

—CYRUS FREIDHEIM, CHIQUITA BRANDS



public company. The board said, 'No, we're going to continue to make our decisions as we always have, which is to create long-term value.' The reality is, the market is reasonably efficient over time, and short-term volatility isn't going to determine your share success over the long term.

Kleisterlee: The discussion about the cost of sustainability programs reminds me of the very early days of quality improvement. Fifteen, twenty years back, the notion probably was: Quality costs money. Well, today we know that quality programs are the biggest contributor to a company's bottom line, producing millions in savings every year for companies. And I think sustainability programs will also do that.

Reading through our annual sustainability report, you see that these programs save us money, produce more attractive products, and products that use less energy, both in their production and in their useful life. In extending our reporting to the social and cultural aspects of sustainability, we assume that contributing to the well-being of society is part of our cost and in the end will translate to shareholder value.

Rogel: I agree that each of us has a definite responsibility to make our companies as efficient as possible, but I think there is a dimension that we're missing here, and that is communication with and education of the shareholding public. Increasingly, we're taking on the new obligation, particularly in light of what has happened with regard to Enron and others, to communicate well with our shareholding public. To keep our shareholders happy, they have to be educated on the drivers of our business and how well we're doing in achieving results with those drivers.



Schaffler: YOU HAVE SAID IT'S IMPORTANT TO DO THE RIGHT THING, BUT THE RIGHT THING CHANGES EVERY FEW YEARS.

Kleisterlee: The right thing doesn't change—the focus changes sometimes. But if you go through our company's history, you see the same fundamental issues on which this business was built 111 years ago coming back time and again. It comes down to the same core values at the heart of every business, which we have formulated in what we call our four D's:

Every Philips business needs to *delight* its customers, *deliver* on its commitments, *develop* its people and *depend* on ourselves and our business partners, who we consider not just customers and suppliers, but society at large. These are fundamentals that do not change over time.

Freidheim: The core of sustainable development involves two fundamental resources over which we as corporations have been given



stewardship: the environment and people. The bedrock responsibility is to turn over to the next generation a position in the environment and a position with people that are better than we inherited.

Over the years, we've all become wiser about how to treat our environment and our people. At the beginning of the 20th century in the U.S., it was not unusual to use child labor and pollute the rivers and air. We believed that was the cost of industrialization. We now know that's not the case. We're far more enlightened.

Chiquita is more than 100 years old. And it's been a rocky road. Nonetheless, I have absolutely no question that we must continue to do what's right. I agree with Gerry. Sustainability is not optional. We must give generations which follow us clean air and water. Profitability and sustainability are not in conflict. In the long run, they are even dependent on each other.

Kleisterlee: That reminds me of a discussion I had the other week with one of our European prime ministers. He said knowing what is the right thing to do is not so difficult. Doing it sometimes is difficult. In business doing the right thing and living up to the expectations of stakeholders sometimes is most difficult, especially because one stake-

CONTINUED ON PAGE 20

CEOS ON THE SUSTAINA

As a leader of a company that has made a commitment to sustainability, what effect do you expect this movement will have on business and society in the future?



Alcoa has done business for three centuries by always thinking beyond what laws require. We try to anticipate where society will be decades from now and do our best to eliminate waste on the front end rather than clean up a mess afterward. For instance, on climate change, we decided to do something, not because governments are demanding it—which they will—but **because it is the right thing to do.**

In 2000 Alcoa announced its 20-year environmental plan, which included commitment to a 25% reduction in greenhouse gas emissions from the 1990 baseline by 2010. Today we are on track to reach that goal well ahead of schedule, and we are developing new technology that may reduce those emissions substantially more.

Over time, sustainable development will demand that every business take the farsighted view, to leave behind an enterprise that is valued by society and positioned for future growth. —ALAIN J.P. BELDA, CHAIRMAN, PRESIDENT AND CEO, **Alcoa Inc. (AA)**



Governments, NGOs [nongovernmental organizations] and the public are increasingly looking to business to help provide solutions to today's problems, from climate change to provision of clean water to unemployment. Collectively, **business must become part of the solution.**

For Lafarge this means working, often with others, to provide construction materials that help reduce environmental impacts, contribute to social progress and stimulate economic development. One example is our commitment to reduce our CO₂ emissions by 20% to help fight climate change. This means increasing energy efficiency and using products endorsed by WWF [formerly known as the World Wildlife Fund]. —BERTRAND COLLOMB, CHAIRMAN AND CEO, **Lafarge S.A. (LR)**



It is no longer enough to simply meet the needs of customers, employees and shareholders. We must do more—a **true leader envisions a better world and then helps achieve it.**

That means we must make it our business, as members of a global community, to contribute to the development of sustainable solutions. That's why at Caterpillar we work every day to drive positive and lasting change throughout the world by challenging the status quo. Through initiatives that explore new alternatives, discover solutions and develop cutting-edge technology, we're making sustainable progress possible in every corner of society. Whether it comes in the form of low-emission power solutions or unique forestry techniques that meet the needs of today without sacrificing the future, Caterpillar is committed to sustainability.

A mission of sustainability and a drive for improvement guide the men and women of Caterpillar in all we do. And at the end of each day, we know the results of our work are good for our environment, our society and our business—both now and in the future. —GLEN BARTON, CHAIRMAN AND CEO, **Caterpillar Inc. (CAT)**



Forestry companies like Aracruz Celulose that use renewable raw materials (*i.e.*, plantation wood) are helping to protect the planet's native forest remnants and rich biodiversity. They are fostering the sustainable production of a series of wood-based products that mankind has come to count on—pulp, paper, furniture, building materials and much more.

We have always believed in protecting the environment and managing our tree plantations and native forests in a sustainable fashion. Besides generating wealth and social benefits for the neighboring communities, **Aracruz is not only enhancing its own business but also contributing to the well-being of society,** both today and in the future. —CARLOS AGUIAR, PRESIDENT AND CEO, **Aracruz Celulose S.A. (ARA)**



We believe that the winning companies of this century will be those that not only increase shareholder value, but increase social and environmental value. At the same time more shareowners, customers and partners will begin rewarding companies that contribute to sustainability.

By developing products and solutions that are environmentally sound, by bringing the benefits of information technology to emerging markets, by holding our company to the highest standards of business conduct and by giving back to the communities in which we operate, HP is contributing to a more sustainable future while also making HP a stronger company and the preferred IT solutions provider.

—CARLY FIORINA, CHAIRMAN AND CEO, **HP (HPQ)**



At the heart of the concept of sustainable development lies the desire to balance economic, environmental and social needs of our world today without compromising the opportunities of future generations. At BASF we want to achieve steady, high profits in a manner that maintains and extends possibilities for further growth. We believe that we will best succeed in this if we combine our business growth with environmental protection and social stability.

BASF is among a select group of international companies that have made the concept of sustainability a firm part of corporate strategy. —DR. JUERGEN F. STRUBE, CHAIRMAN, **BASF AG (BF)**



In times of globalization, growth must go hand in hand with responsible business conduct—and we have a strong will to grow. Stora Enso's goals are long-term profitability and value creation through business excellence. In our case, business excellence incorporates three pillars of sustainability: financial, environmental and social.

Several signals indicate that investors are becoming more sensitive to sustainability issues. Authorities in several European countries require pension funds to disclose how sustainable the companies whose shares they own are. We have seen new instruments that bridge sustainability issues with more traditional ways to analyze companies, such as the Dow Jones Sustainability Index and the FTSE4Good index. —JUKKA HÄRMÄLÄ, CEO, **Stora Enso Oyj (SEO)**



Sustainable development is not a choice but an absolute responsibility for any company doing business in today's global economy. Society has changed its expectations of business, and business must respond. Doing so means succeeding in all three elements of the triple bottom

line—economic prosperity, environmental stewardship and corporate social responsibility—to create increased value for all of our stakeholders: employees, customers, communities and investors. Sustainable development will spark a new wave of innovation

that will fuel future growth and drive value creation. This innovation will come as business, government and civil society come together in creative partnerships to seek new, sustainable solutions to the world's emerging needs. —WILLIAM S. STAVROPOULOS, CHAIRMAN, PRESIDENT AND CEO, **The Dow Chemical Co. (DOW)**



Unilever believes it can contribute to sustainable development by addressing economic development and protection of the environment. We do this through our presence in different countries and markets, how we conduct our operations and our willingness to develop and apply new tools across

our business activities. The societies in which we operate are increasingly holding businesses such as ours to account for this. Successful businesses will progressively integrate relevant dimensions of sustainability into all their operations.

Industry will also need to work with others in society to define how to balance competition and sustainability—collaborating to create frameworks and standards for sustainability while competing to deliver products and services within those frameworks. Partnerships engaging business, government and nonprofit organizations will play a growing role in promoting a shared learning environment, where new tools and mechanisms can be tried out in a climate of openness, transparency and cooperation. We believe this is simply part of doing business well. —ANTONY BURGMANS, CHAIRMAN, **Unilever N.V. (UN)**



holder group may prevail over others at different times. But knowing what is the right thing to do and doing it, that doesn't change.

Hellerstein: I agree that fundamental values that drive your business, whether it's returns for shareholders, concern for the environment, concern for your societal responsibilities or for your employees—those are constants that go on forever. What changes are technology and oppor-

today companies do believe in sustainable development, but not all are practicing it. I believe that, pushed by NGOs, shareholders and other stakeholders, they will. If they don't, government should intervene.

Hellerstein: It's similar to how you run a company. If you have outstanding people, you don't have to write very detailed rules on what their behavior has to be. It's the same thing with regulation. There has been a

trend to write regulations so specific that they become the wrong solution for problems at hand.

Kleisterlee: I'm a mortal who sometimes needs encouragement, and I think that's where governments play a role. In the really early days of the environmental movement, industry needed a little encouragement to see the light. But I agree that we should not end up in overregulation, and that government should create minimum standards, see to it that they are maintained and see to it that a level playing field is maintained. Other-

wise, adhering to certain standards becomes a competitive advantage or disadvantage, and I think all of us will face competition in countries where the standards are not embedded in legislation and certainly not enforced, and we have to face up to that competition.

Rogel: As we go through changes wrought by Sarbanes-Oxley, the SEC and the NYSE, I'm hearing more and more about principle-based, rather than regulation-based, management. I think that's going to be a trend for the future, and it's going to be helpful to all of us. Principle-based law allows us to more flexibly meet the needs of all constituents and still adhere to the spirit of what government is trying to get done.

Schaffler: HOW DO YOU MEASURE SUSTAINABILITY?

Freidheim: The Rainforest Alliance has come up with the Better Banana Project, nine stringent standards for environmental and social performance. To qualify for certification, we have to pass specific hurdles such as safe use of pesticides, reforestation programs, soil and water conservation, as well as fair treatment and good conditions for workers. Those standards are rigorous and measurable. We have also embraced the core



tunities. If you neglect those fundamental values, that's when the company starts to crumble, because you've neglected your reason for being.

Rogel: Business is constantly subjected to the pressures to ratchet up our performance, whether it's economic performance from shareholders or environmental performance from NGOs [nongovernmental organizations] and society. So we find that each year we have to do a little better when it comes to responsibilities beyond just making profits. We're 103 years old. In the last 35 to 37 years, my industry has moved from saying, 'How dare you tell us what to do with our land!' to working with NGOs to find the next level we can take sustainability to, and do it profitably.



Schaffler: WOULD MORE GOVERNMENT REGULATION PUT EVERYONE ON THE SAME LEVEL PLAYING FIELD?

Freidheim: As a regulator, government can be inefficient, impractical and economically damaging. But regrettably, government intervention is often necessary. Few industries or companies have led environmental movements. Most have to be dragged kicking and screaming. What we need is enlightened business, not more government regulation. I think



“The scandals shed light on the corporate role. Big business does more than satisfy shareholder needs.”

—GERARD KLEISTERLEE, ROYAL PHILIPS ELECTRONICS

International Labor Organization conventions on labor rights, signed a framework agreement with international unions and are in the process of achieving certification to SA8000, a standard for labor rights developed by another NGO, Social Accountability International.

The return on sustainable investment, that's tougher to measure precisely. Still, we have reduced costs by using fewer agrichemicals, for example, and we believe we have less risk of long work stoppages due to improved labor relations. We hope the consumer eventually will buy products from companies that behave in environmentally sound ways and that are respectful of human rights. I believe in the long term, companies that do the right thing will win.

Hellerstein: That's a valid question, and I don't think society has a very good answer. Sustainability in energy use comes down to maximizing what we're able to obtain from this one-time gift of a natural resource. A market system demands immediate efficiency, so you get immediate decisions focused on problems at hand as opposed to decisions that transcend 10 or 20 years that say we have to invest tremendously in renewable energy sources or conservation, or that ask how do we wring that last ounce of energy out in the most efficient way?

Rogel: I'm feeling really good here because I *know* our industry is sustainable. Records have been kept rigorously since the early 1900s, and we know, with the exception of urban growth, the land sustains more timber today than in 1910—we are getting higher timber yields today. If land was left untended, it would take 20% to 40% of natural forests to meet man's needs for fuel, for fire, across the world. But we also know that through sustainability we can draw that down to 5% to 10%.

Our industry in North America has created a set of guidelines that we adhere to called the Sustainable Forestry Initiative. It gets back to chemical use, to road building and stream enhancement and the like that go along with modern forestry.



Schaffler: WOULD ANY OF YOU LIKE TO SUM UP YOUR COMPANY'S POSITION ON CORPORATE SUSTAINABILITY?

Freidheim: We've made a commitment to sustainable development with capital and, most importantly, through a commitment to living our Core Values—from our top management to our farm workers. I've visited banana farms in most of the countries where we produce, and the workers feel that they are safer, and that we are a better company because of our commitment to corporate responsibility. I believe that the rest of the world is going to follow us in this commitment, which is an essential part of our debt to humanity.

Hellerstein: To sustain ourselves as a company and a vital part of society, we have to have a solid foundation of values that meets the needs of shareholders. If we don't do that, we can't survive. We have to meet the demands of our employee group, and that means we need a culture of trust. We have to attract the absolute best people, because they are the only thing that really does sustain us over the long run. It's their creativity, their execution and their passion for the business that allows us to be more competitive in the marketplace.

We don't create the demand for the ultimate product, but we do explore and produce oil and gas. It is critical that we have the procedures in place to ensure that we are doing that in an environmentally sound way. This is our obligation to society.

Rogel: The Weyerhaeuser Co. was founded by a group of partners, with Frederick Weyerhaeuser as the lead partner, and we have the minutes from their very earliest meetings. In one of those early meetings, Mr. Weyerhaeuser said: “We're doing this not for ourselves, and not for our children. We're doing it for our grandchildren.” In my way of thinking, the Weyerhaeuser Co. was founded on the notion of sustainability, and that attitude has been built into the culture ever since. If you went to the field with one of our foresters today, they would be proud to show you not just the size of the trees and the harvest, but what they do to protect the land, to protect the flora and fauna that go along with a sustainable forest. You would see that throughout the company, and we would call that our value system and our culture. □

“I'm hearing more about principle-based, rather than regulation-based, management. That's going to allow us to meet the needs of all constituents.”

—STEVE ROGEL, WEYERHAEUSER