



Stewart Investors
Sustainable Funds Group

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Is Europe leading the way in sustainable business?

Europe is seldom considered the most exciting place to invest. This is mainly because European index returns – a proxy for average market returns – have been modest over most time frames. But Europe offers some excellent investment opportunities for active investors willing to seek out its treasures.

Europe is home to many high quality companies, including some of the world's leading sustainability companies. The region has spawned outstanding renewable energy, energy efficiency, healthcare and bioscience companies, as well as a growing number of dynamic technology businesses. Many of these companies are solving difficult problems, meeting vital needs, and helping society do more with less. They are also well positioned to benefit from changing consumer preferences and increased investment in sustainability projects.

What makes Europe a leader in sustainability?

Firstly, the region is home to a large number of established companies with long histories, many of which are controlled by foundations or families who operate with intergenerational time horizons and measure success in decades, not months or years.

The best of these long-term company stewards constantly adapt and evolve their businesses so they remain relevant today and into the future. They grasp sustainability risks and opportunities, and show resolve and patience in addressing them. They focus on gaining and maintaining the respect of all of their stakeholders – customers, suppliers, employees, shareholders, and the communities in which they operate. And they are able to manage the difficult job of balancing the sometimes-competing interests of these different stakeholder groups.

Secondly, cultural and social norms in Europe have created a climate in which sustainable business ideas and innovations can flourish. Environmental and social consciousness, a concern for future generations, and a

willingness to operate with long-term time horizons, all go hand in hand. These concepts are mutually reinforcing and create an environment in which the best sustainability companies can thrive.

Thirdly, many European countries have had sustainability regulations and policies in place for decades, which have helped to establish best practices. The European Union¹ (EU), for example, has been a driving force for reducing global carbon emissions, and was the first region to commit to being carbon neutral by 2050. More than one-third of the EU's recent €750 billion economic recovery package has been earmarked for climate-related expenditure. The European Investment Bank also plans to make 50% of loans available for sustainable activities by the end of 2025, and to mobilise €1 trillion of green investment by 2030.²

A great example of a company that is flourishing in this environment is Tomra³, a Norwegian business that makes automated recycling, reverse vending and sensor-based sorting technologies. Tomra was founded in the 1970s when the Planke brothers invented a machine that could quickly and easily take back beverage bottles for re-use. Since then, Tomra has supplied 82,000 reverse vending machines across more than 60 markets, enabling 40 billion drinks containers to be collected for recycling, instead of ending up as litter or in landfills.⁴

Tomra's sorting machines inspect and sort millions of agricultural products every hour, helping improve efficiency and safety, ensure quality, and reduce waste. The company's entire business model is built around the idea of a circular economy, making it well placed to benefit from sustainability tailwinds associated with increased investment in sustainable infrastructure and changing consumer habits.

The Danish bioscience company Chr. Hansen is also a leader in its field, and is a company that benefits from long-term stewardship from the Novo Nordisk Foundation.

The company develops microbes and enzymes for the food, nutritional, pharmaceutical and agricultural industries. Their ingredients improve the yield, taste, nutritional value and shelf life of a wide range of foods, and help to replace artificial additives with natural alternatives. Their plant health products also allow farmers to eliminate or reduce their use of pesticides, helping safeguard the environment, consumers and local communities.

Alfen is another industry leader and operates at the heart of the sustainable energy and decarbonisation revolution. It supplies smart grids, electric vehicle charging stations and energy storage systems – essential building blocks of the clean electricity grids and transportation networks required for sustainable economies and societies. Alfen is already a market leader in the Netherlands and is expanding throughout northern Europe and Scandinavia.

In short, although Europe is seldom considered an exciting investment destination, it is home to some world-beating companies that are particularly well positioned to benefit from, and contribute to, a more sustainable future. For active investors willing to seek out the highest quality sustainability companies, Europe offers some excellent opportunities for attractive investment returns.

Lorna Logan

Rob Harley

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¹ Source: [European Commission, 2050 long-term strategy](#)

² Source: [European Commission, Recovery plan for Europe](#)

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⁴ Source: [Tomra.com](#)

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