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RY TO FIND A COMPANY these days that doesn't say it's doing good for the world. After all, with trillions of dollars flowing into socially responsible investment funds and government regulators

looming, what CEO doesn't have a ready list of charities or causes that the company supports to brandish in its favor?

But which companies have made nonfinancial goals—such as addressing climate change through reduced greenhouse-gas emissions, or helping resource-rich but troubled African states find the road to development—a serious part of the way they do business rather than a defensive afterthought?

To answer that question, FORTUNE has partnered for a third year with London think tank AccountAbility and for-profit consultancy CSR Network to rank the 100 largest global corporations by the quality of their commitment to social and environmental goals. The rankings are based on 100 metrics grouped into three process-related categories—strategy, governance, and stakeholder involvement—and a new category designed to measure how well a company actually performs.

The strategy component evaluates the extent to which a company includes social and environmental goals in its business decisions. That is important for banks, which are judged as much by those to whom they lend as by what they do. And it's why Barclays (No. 2) ranks so high. The bank commits to the Equator Principles, which discourage lending to infrastructure projects that pollute.



▶ NO. 1 BP SCORED HIGHER THAN ANY OTHER COMPANY. CLOCKWISE FROM TOP LEFT: AT LONDON CITY AIRPORT; AT A SERVICE STATION IN CHINA; AT A GREASE-STORAGE PLANT IN VIETNAM; IN LONDON

Accounting *for*

Our annual ranking of business responsibility. **BY TELIS DEMOS**



The second measure looks at the processes in place that hold executives and board members accountable for achieving non-financial goals. Take oil and gas giant BP, ranked No. 1 (up from No. 2 last year). Despite two bad accidents—a Texas refinery explosion in 2005 and an Alaska oil spill in 2006—BP scored well because it replaced several top executives at its refining and marketing subsidiary, even though the unit had record profits in 2006.

The third process component looks at how well a company responds to employees, communities where it operates, activist groups, and other stakeholders. These groups are affected by decisions just as shareholders are, but they often don't have a voice. Companies that give them a voice rank highly. That's why carbon belchers like Shell (No. 6) and the former DaimlerChrysler (No. 10) rank high. They may be responsible for a lot of pollution, but they've done a good job of reaching out to stakeholders.

The last component measures impact, not just process. With the help of Asset4, a Swiss provider of data on environmental, social, and governance performance, the rankings now consider a company's public controversies and its output of carbon per dollar of revenue. The new measure helped two oil companies—ENI (No. 3, up 25 places) and Chevron (No. 7, up 23 places)—improve dramatically. Italy's ENI ranks behind only BP in carbon efficiency among the ten biggest oil companies. Chevron reported 43 fewer spills than the previous year, and although it increased its greenhouse-gas emissions by three million tons, that was far less than its nine million ton target. Both companies also produced externally audited reports on emissions for the first time last year.

Two companies were hurt by the new impact metrics: utility Électricité de France (No. 20, down 16 places) and retailer Carrefour (No. 26, down 16 places). In 2006, EDF was embroiled in two major controversies: power outages in London and an investigation of monopolistic practices by the European Union. Carrefour faced strikes in South Korea.

Just because a company ranks poorly doesn't mean it's irresponsible. Even without nonfinancial goals in mind, corporations can achieve socially good results. Warren Buffett's Berkshire Hathaway (No. 99), for example, dumped its stake in PetroChina, a Chinese company that activists say supports genocide by pumping oil in Sudan. And companies with the best processes can find themselves in embarrassing situations. Take Barclays, which has a \$1 billion exposure to subprime debt. But on the whole, those at the top of the list stand a better chance of being as good as they aspire to be. **E**

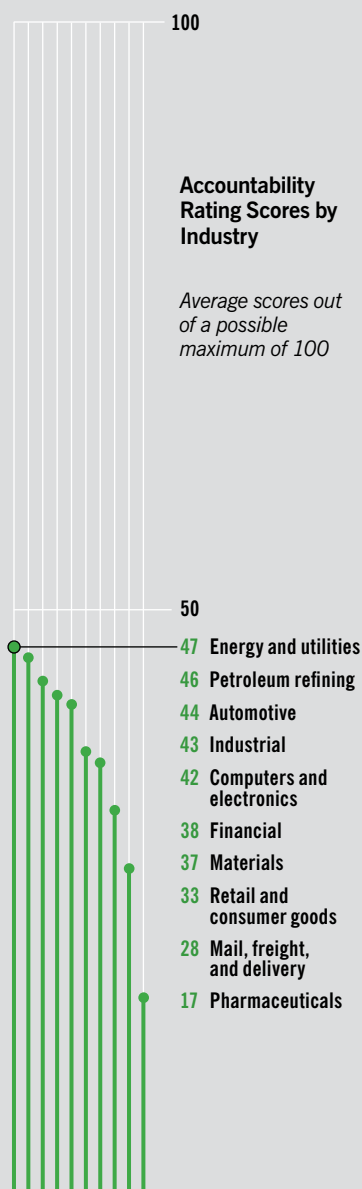
FEEDBACK tdemos@fortunemail.com

Accountability

THE 2007 ACCOUNTABILITY RATING ▼

Ranking the world's largest companies by their effectiveness as managers of corporate social responsibility issues.

HOW THE INDUSTRIES MEASURE UP



Rank 2007	Rank 2006	Company	Global 500 rank	Accountability score	Sector	Region
1	2	BP	4	75.2	Petroleum refining	Europe
2	•	Barclays	83	68.5	Financial	Europe
3	28	ENI	26	67.9	Petroleum refining	Europe
4	7	HSBC Holdings	22	67.2	Financial	Europe
5	1	Vodafone	95	66.3	Computers and electronics	Europe
6	3	Royal Dutch Shell	3	66.0	Petroleum refining	Europe
7	11	Peugeot	68	63.7	Automotive	Europe
8	9	HBOS	58	62.0	Financial	Europe
9	30	Chevron	7	61.6	Petroleum refining	Americas
10	15	DaimlerChrysler	8	60.1	Automotive	Europe
11	•	Tesco	55	60.0	Retail and consumer goods	Europe
12	•	BASF	81	59.8	Materials	Europe
13	14	General Electric	11	59.1	Computers and electronics	Americas
14	•	ABN Amro	67	57.6	Financial	Europe
15	26	ING Group	13	56.9	Financial	Europe
16	25	E.ON	53	56.5	Energy and utilities	Europe
17	•	Statoil	78	56.1	Petroleum refining	Europe
18	17	Total	10	55.1	Petroleum refining	Europe
19	•	Repsol YPF	90	54.3	Petroleum refining	Europe
20	4	Électricité de France	63	54.3	Energy and utilities	Europe
21	•	Marathon Oil	92	54.2	Petroleum refining	Americas
22	13	General Motors	5	53.4	Automotive	Americas
23	•	Telefónica	77	52.9	Computers and electronics	Europe
24	22	Hewlett-Packard	41	52.6	Computers and electronics	Americas
25	•	Nestlé	56	51.7	Retail and consumer goods	Europe
26	10	Carrefour	32	50.1	Retail and consumer goods	Europe
27	16	Ford Motor	12	50.0	Automotive	Americas
28	•	Petrobras	65	49.8	Petroleum refining	Americas
29	33	Matsushita Electric Industrial	59	49.7	Computers and electronics	Asia
30	•	Toshiba	91	49.6	Computers and electronics	Asia
31	•	Procter & Gamble	74	49.1	Retail and consumer goods	Americas
32	21	Citigroup	14	48.6	Financial	Americas
33	41	Deutsche Telekom	60	46.7	Computers and electronics	Europe
34	•	Sony	69	46.4	Computers and electronics	Asia
35	27	Aviva	50	45.8	Financial	Europe
36	29	Fortis	20	44.5	Financial	Europe
37	•	Royal Bank of Scotland	54	44.0	Financial	Europe
38	23	Toyota Motor	6	44.0	Automotive	Asia
39	19	Volkswagen	16	43.8	Automotive	Europe
40	•	Société Générale	49	43.3	Financial	Europe
41	42	Siemens	28	42.7	Computers and electronics	Europe
42	•	Dexia	36	42.5	Financial	Europe
43	38	AXA	15	41.9	Financial	Europe
44	•	SK	98	41.8	Energy and utilities	Asia
45	24	Fiat	84	41.8	Automotive	Europe
46	•	France Télécom	82	41.5	Computers and electronics	Europe
47	31	BMW	88	41.0	Automotive	Europe
48	36	Exxon Mobil	2	40.3	Petroleum refining	Americas
49	•	UniCredit Group	97	39.9	Financial	Europe
50	•	Santander Central Hispano Grp.	75	39.4	Financial	Europe

• Not on last year's list.

Rank 2007	Rank 2006	Company	Global 500 rank	Accountability score	Sector	Region
51	34	ConocoPhillips	9	39.4	Petroleum refining	Americas
52	18	IBM	42	39.1	Computers and electronics	Americas
53	•	Credit Suisse	47	39.0	Financial	Europe
54	39	Deutsche Bank	35	38.4	Financial	Europe
55	32	Crédit Agricole	18	37.6	Financial	Europe
56	•	Hyundai Motor	76	37.5	Automotive	Asia
57	57	Sinopec	17	36.2	Petroleum refining	Asia
58	•	LG	73	36.2	Computers and electronics	Asia
59	37	BNP Paribas	25	36.1	Financial	Europe
60	40	UBS	27	35.8	Financial	Europe
61	•	Prudential	79	35.7	Financial	Europe
62	44	Honda Motor	37	35.3	Automotive	Asia
63	46	Samsung Electronics	46	35.3	Computers and electronics	Asia
64	•	Deutsche Post	57	34.7	Mail, freight, and delivery	Europe
65	43	Allianz	19	34.5	Financial	Europe
66	48	Nissan Motor	45	33.2	Automotive	Asia
67	45	J.P. Morgan Chase	31	31.6	Financial	Americas
68	50	Bank of America Corp.	21	31.6	Financial	Americas
69	64	State Grid	29	31.0	Energy and utilities	Asia
70	35	Hitachi	48	30.3	Computers and electronics	Asia
71	55	Assicurazioni Generali	30	29.6	Financial	Europe
72	•	Munich Re	100	29.3	Financial	Europe
73	49	Verizon Communications	39	29.1	Computers and electronics	Americas
74	•	Altria Group	71	28.6	Retail and consumer goods	Americas
75	•	Merrill Lynch	70	28.5	Financial	Americas
76	•	Goldman Sachs Group	72	27.9	Financial	Americas
77	47	Nippon Telegraph & Telephone	40	27.7	Computers and electronics	Asia
78	•	Metro	62	27.2	Retail and consumer goods	Europe
79	•	Morgan Stanley	61	26.3	Financial	Americas
80	63	China National Petroleum	24	26.0	Petroleum refining	Asia
81	52	Home Depot	44	25.3	Retail and consumer goods	Americas
82	•	Zurich Financial Services	85	25.1	Financial	Europe
83	•	Target	96	24.1	Retail and consumer goods	Americas
84	53	American International Group	23	22.7	Financial	Americas
85	•	U.S. Postal Service	64	21.9	Mail, freight, and delivery	Americas
86	•	Gazprom	52	21.8	Petroleum refining	Europe
87	58	Wal-Mart Stores	1	20.3	Retail and consumer goods	Americas
88	54	McKesson	38	19.7	Pharmaceuticals	Americas
89	•	Boeing	87	19.3	Automotive	Americas
90	•	Kroger	80	19.0	Retail and consumer goods	Americas
91	56	Pemex	34	18.5	Petroleum refining	Americas
92	•	UnitedHealth Group	66	16.8	Financial	Americas
93	•	AT&T	86	16.7	Computers and electronics	Americas
94	•	AmerisourceBergen	89	16.7	Pharmaceuticals	Americas
95	60	Valero Energy	43	14.8	Petroleum refining	Americas
96	•	Mittal Steel	99	14.2	Materials	Europe
97	•	Cardinal Health	51	13.7	Pharmaceuticals	Americas
98	•	State Farm Insurance	93	12.8	Financial	Americas
99	62	Berkshire Hathaway	33	10.1	Financial	Americas
100	•	Costco Wholesale	94	8.9	Retail and consumer goods	Americas

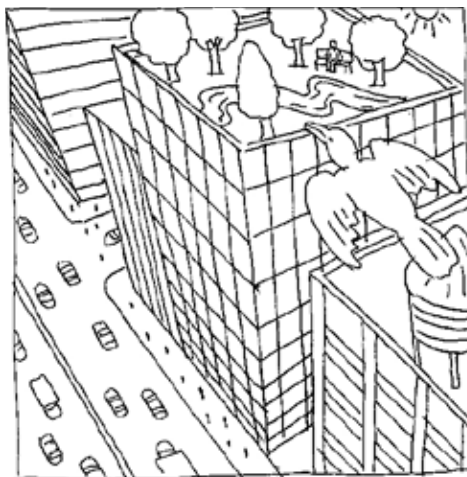
SURVEY METHODOLOGY

The Accountability Rating is a proprietary tool developed by AccountAbility, a London think tank, and CSRnetwork, a British consultancy. It measures the extent to which companies have built responsible practices into the way they do business and looks at how well they account for the impact of their actions on their stakeholders. Companies earn a score in each of four categories, for a maximum of 100. The categories are:

- **Strategy.** Does the core business strategy integrate social and environmental targets with financial ones?
- **Governance.** Do senior executives and the advisory board consider stakeholder issues when setting strategy and formulating corporate policy?
- **Engagement.** Does the company engage in dialogue with people who have an interest in, may be affected by, or may affect its business?
- **Impact.** Has the company been involved in any controversies covered by the media? What is its carbon footprint? Has it worked with other companies to engage stakeholders?

The Accountability Rating is based on publicly available information, primarily annual social and environmental reports published before July 15, 2007. The companies analyzed are the 100 largest companies in the FORTUNE Global 500 (up from 64 last year). Since the 2005 rating the methodology has evolved. The strategy domain goes beyond analysis of declared intentions and is now more focused on identifying corporate actions to address material nonfinancial issues. The impact domain is new this year and is based on information provided by Asset4, a Swiss investment-research organization. Companies are penalized for not improving their practices from year to year.

Both AccountAbility and CSRnetwork have clients, partners, and members among the companies surveyed. However, neither organization considers those relationships, nor any gifts or other influences, in evaluating the companies. Further information and a detailed statement of methodology are accessible at accountabilityrating.com.



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Inconvenient *but* True

Good isn't always profitable. **BY SIMON ZADEK**

GLOBAL CORPORATIONS are becoming more accountable. That's the only conclusion one can draw from looking at the results of this year's Accountability Rating, which sets out to assess the progress of the world's 100 largest companies in building sustainability into their businesses.

Not a single FORTUNE Global 100 company scored below 15 this year, compared with ten last year—a bottom-rung group we branded as “rearview gazers.” And the top group of “strategic leaders,” those companies scoring 56 or more, increased from 11% of the total last year to 17% this year. Overall, the mean score jumped from 39 to 43.

That improvement occurred even with the addition of a new dimension to the rankings. In previous years we rated companies on the way sustainable business practices were embedded in their strategy, corporate governance, and stakeholder engagement. This year, with the help of Swiss investment-information provider Asset4, we've added a new measuring tool that attempts to evaluate businesses not only on their internal procedures and external pronouncements but also on their actions.

The new measure is made up of three elements that in concert provide a reasonable proxy of a company's overall impact.

The first is a score based on the number of controversies a company has found itself in over the previous year, especially in countries with weak or bad governments. The second is a score based on the company's progress in reducing its carbon intensity, using data drawn from voluntary reporting. And finally a score is derived from the extent of a company's involvement in multi-stakeholder initiatives, such as the Equator Principles and the U.S. Climate Action Partnership. Taken together, this new impact component accounts for 25% of a company's overall score.

But the marked improvement in overall scores does not yet translate into financial performance—that prized alignment of business value and public good. Except in a few cases, such as GE's Ecomagination portfolio, there is no demonstrated link across the Global 100 between performance measures such as return on equity and a company's Accountability Rating.

There are at least three explanations for this inconvenient truth. First, many companies have decided that the sustainability imperative is important, but they don't yet know how to exploit it. Second, smart strategies by innovative companies have not yet fed through to market performance. (Here, HSBC and Wal-Mart stand out as companies that

have built strong sustainability positions in the past year on climate change and responsible supply chains, respectively, but have not been able to impress investors.) And third, some aspects of sustainability, desirable as they may be, simply have no business case, given what markets currently reward and penalize.

The data offer one other possible explanation. Although this year's results demonstrate that today's largest companies are trying to shift gear, history suggests that few will succeed in retrofitting their business models to succeed in tomorrow's markets. It's more likely that many of tomorrow's FORTUNE Global 100 companies are today's unknown or not-yet-existing business ventures, and will be designed from the ground up to embed sustainability into their products and processes. Our greatest opportunity as investors, employees, and consumers is to bet on those companies that move beyond fine words to deliver innovation that profitably addresses emerging social, environmental, and economic issues. The Accountability Rating will continue to provide the litmus test. ■

Simon Zadek (simon@accountability21.net) is CEO of AccountAbility, a corporate-responsibility think tank based in London. Paul Begley and Alex MacGillivray provided research assistance.