

KEEPING GOOD COMPANY IN TOUGH TIMES

IT'S NOT EASY BEING GREEN—or transparent, or an overall good corporate citizen—when the global economy appears to be slowing. Management and shareholders scrutinize every dollar a corporation spends; all too often, so-called socially responsible efforts—things like reducing the company's carbon footprint or building businesses in developing nations—get slashed.

But the companies that sit atop the 2008 Accountability Rating don't see sustainability as optional. "It is core to our long-term success as a business to behave in a responsible way," says Chris Burgess, senior corporate responsibility officer for Vodafone, the mobile-phone operator.

Fortune for the fourth year has partnered with AccountAbility, a London-based think tank, and CSRnetwork, a for-profit consultancy, to measure the world's 100 largest companies on their commitment to social and environmental goals. The ratings, supported by information from Asset4, the Swiss data company, look at companies' efforts to be accountable as well as the impacts they are making.

Thus Vodafone, which tops the 2008 list, wins points for its announcement this year that it will halve its carbon dioxide emissions by 2020, an initiative that will be monitored over time. But it also gets credit for an existing mobile-banking service in rural Kenya that boasts measurable results: Vodafone says it now has more than four million customers there, and the company is looking at ways to expand to other countries.

Vodafone launched the low-cost phones and banking as a corporate-responsibility effort, but the operation quickly moved into a business unit, Burgess says. Vodafone and many other accountability leaders say serving low-cost consumers isn't altruism: The companies truly believe the customers will be loyal users of their services who may consume even more products as they grow in prosperity.

To be sure, several of our top-ranked companies with exposure to the banking crisis are struggling, including No. 2 General Electric and No. 5 HBOS (see the box below for more on the banking industry). But that doesn't mean corporations should abandon responsible practices in tough times. Accountability calls for, among other things, transparency and engagement with stakeholders. Now that taxpayers are bailing out banks and insurers, those firms surely will end up being more accountable, whether they want to or not. —Stephanie N. Mehta

CALL TO ACTION
VODAFONE, NO. 1 ON THE ACCOUNTABILITY RATING, OFFERS LOW-COST PHONES AND M-PESA, A MOBILE-BANKING SERVICE, IN RURAL KENYA.



ACCOUNTING FOR THE CREDIT CRISIS

■ Warren Buffett is famous for investing in companies he can understand and for holding his stakes for the long run. With his recent investment in General Electric (No. 2 on the 2008 Accountability Rating),

will he also gain standing as a socially responsible investor?

Not exactly. Buffett's company, Berkshire Hathaway, is dead last on our list, and he's also an investor in Goldman Sachs, which fell ten spots on the index to No. 86. But if Buffett is right about GE, perhaps investors increasingly will look on other highly accountable corporations with favor.

Indeed, one could argue that account-

able companies are managing the global financial crisis somewhat better than their less responsible peers. Consider the cases of two likely survivors of the carnage: Barclays, which acquired assets from bankrupt Lehman Brothers, and Bank of America, which scooped up Merrill Lynch. Barclays ranked No. 12 on our list; Bank of America dropped a few spots to No. 70 but improved its overall accountability score by about



eight points. (For the fifth consecutive year, overall corporate accountability has continued on a modest upward trend.)

In contrast, investment banks and insurers, two of the sectors most affected by the meltdown, lagged in their accountability efforts. Their closed cultures earned them an average rating of just 36 this year.

Responsible companies do fail, of course. The British government is bailing

out HBOS (No. 5) and the Royal Bank of Scotland (No. 27). Until stronger norms or regulation demand more systemic transparency, open banks will be as vulnerable as their more secretive peers.

Meanwhile, the tech sector shot up on the accountability table. HP and IBM posted dramatic improvements in accountability, thanks to their efforts in low-carbon innovation.

So can accountability help the largest corporations survive, even thrive, in the global slowdown? Accountability doesn't buy any special treatment, but accountable corporations tend to be more transparent, and they manage downside risk well, practices any hard-nosed investor—including Warren Buffett—can admire.

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Charts TK

Rank 2008	Rank 2007	Company	Global 500 rank	Accountability score	Sector	Country
1	5	Vodafone	85	77.7	Computers and electronics	Britain
2	13	General Electric	12	70.2	Utilities and diversified industrials	U.S.
3	4	HSBC Holdings	20	67.7	Financial	Britain
4	46	France Télécom	84	67.3	Computers and electronics	France
5	8	HBOS	45	66.2	Financial	Britain
6	•	Nokia	88	63.8	Computers and electronics	Finland
7	20	Électricité de France	68	62.3	Utilities and diversified industrials	France
8	•	Suez	97	61.8	Utilities and diversified industrials	France
9	1	BP	4	61.6	Oil and gas	Britain
10	6	Royal Dutch Shell	3	61.2	Oil and gas	Netherlands
11	24	Hewlett-Packard	41	61.1	Computers and electronics	U.S.
12	2	Barclays	70	60.1	Financial	Britain
13	43	AXA	15	58.8	Financial	France
14	15	ING Group	7	58.2	Financial	Netherlands
15	38	Toyota Motor	5	57.8	Automotive	Japan
16	9	Chevron	6	57.6	Oil and gas	U.S.
17	32	Citigroup	17	57.0	Financial	U.S.
18	3	Eni	27	56.9	Oil and gas	Italy
19	33	Deutsche Telekom	64	56.0	Computers and electronics	Germany
20	11	Tesco	51	56.0	Retail and consumer goods	Britain
21	10	Daimler	11	55.9	Automotive	Germany
22	30	Toshiba	91	55.8	Computers and electronics	Japan
23	27	Ford Motor	13	55.3	Automotive	U.S.
24	16	E.ON	52	54.9	Utilities and diversified industrials	Germany
25	52	IBM	46	54.5	Computers and electronics	U.S.
26	39	Volkswagen	18	54.0	Automotive	Germany
27	37	Royal Bank Of Scotland	36	53.7	Financial	Britain
28	47	BMW	78	53.7	Automotive	Germany
29	18	Total	8	53.0	Oil and gas	France
30	26	Carrefour	33	52.8	Retail and consumer goods	France
31	51	ConocoPhillips	10	52.5	Oil and gas	U.S.
32	42	Dexia Group	19	52.0	Financial	Belgium
33	45	Fiat	71	51.8	Automotive	Italy
34	17	StatoilHydro	59	51.7	Oil and gas	Norway
35	23	Telefónica	76	51.0	Computers and electronics	Spain
36	54	Deutsche Bank	26	50.8	Financial	Germany
37	22	General Motors	9	50.8	Automotive	U.S.
38	7	Peugeot	66	50.7	Automotive	France
39	25	Nestlé	57	50.7	Retail and consumer goods	Switzerland
40	40	Société Générale	43	49.5	Financial	France
41	28	Petrobras	63	49.5	Oil and gas	Brazil
42	41	Siemens	37	49.3	Computers and electronics	Germany
43	59	BNP Paribas	21	49.3	Financial	France
44	12	BASF	73	49.1	Chemicals and materials	Germany
45	35	Aviva	69	48.5	Financial	Britain
46	64	Deutsche Post	55	48.1	Mail, freight, and delivery	Germany
47	70	Hitachi	48	47.9	Computers and electronics	Japan
48	62	Honda Motor	40	47.5	Automotive	Japan
49	48	Exxon Mobil	2	47.4	Oil and gas	U.S.
50	55	Crédit Agricole	23	46.9	Financial	France

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51	44	SK Holdings	86	46.8	Oil and gas	South Korea
52	29	Matsushita Electric Industrial	72	46.2	Computers and electronics	Japan
53	36	Fortis	14	46.2	Financial	Belg./Neth.
54	53	Credit Suisse	74	46.1	Financial	Switzerland
55	69	State Grid	24	45.9	Utilities	China
56	50	Santander	58	45.9	Financial	Spain
57	65	Allianz	22	45.7	Financial	Germany
58	31	Procter & Gamble	79	45.6	Retail and consumer goods	U.S.
59	34	Sony	75	45.3	Computers and electronics	Japan
60	63	Samsung Electronics	38	44.9	Computers and electronics	South Korea
61	56	Hyundai Motor	82	44.6	Automotive	South Korea
62	19	Repsol	92	44.6	Oil and gas	Spain
63	66	Nissan Motor	50	44.2	Automotive	Japan
64	87	Wal-Mart Stores	1	44.1	Retail and consumer goods	U.S.
65	61	Prudential	94	43.9	Financial	Britain
66	49	UniCredit Group	77	43.9	Financial	Italy
67	60	UBS	31	43.6	Financial	Switzerland
68	58	LG	67	42.7	Computers and electronics	South Korea
69	73	Verizon Communications	53	41.4	Computers and electronics	U.S.
70	68	Bank of America Corp.	28	39.5	Financial	U.S.
71	77	Nippon Tel. & Tel.	54	39.4	Computers and electronics	Japan
72	•	Lukoil	90	37.8	Oil and gas	Russia
73	96	ArcelorMittal	39	36.5	Materials	Netherlands
74	67	J.P. Morgan Chase	32	36.2	Financial	U.S.
75	97	Cardinal Health	60	35.6	Pharmaceuticals and health care	U.S.
76	72	Munich Re Group	98	35.5	Financial	Germany
77	88	McKesson	44	34.8	Pharmaceuticals and health care	U.S.
78	92	UnitedHealth Group	81	33.9	Pharmaceuticals and health care	U.S.
79	•	ThyssenKrupp	89	33.0	Materials	Germany
80	78	Metro	56	32.3	Retail and consumer goods	Germany
81	71	Assicurazioni Generali	34	32.1	Financial	Italy
82	89	Boeing	93	30.5	Automotive	U.S.
83	84	AIG	35	30.4	Financial	U.S.
84	57	Sinopec	16	30.3	Oil and gas	China
85	91	Pemex	42	29.5	Oil and gas	Mexico
86	76	Goldman Sachs Group	61	29.3	Financial	U.S.
87	80	China National Petroleum	25	29.1	Oil and gas	China
88	81	Home Depot	65	28.8	Retail and consumer goods	U.S.
89	•	CVS Caremark	80	28.6	Retail and consumer goods	U.S.
90	90	Kroger	87	28.0	Retail and consumer goods	U.S.
91	75	Merrill Lynch	100	27.4	Financial	U.S.
92	93	AT&T	29	26.7	Computers and electronics	U.S.
93	79	Morgan Stanley	62	25.8	Financial	U.S.
94	94	AmerisourceBergen	96	24.7	Pharmaceuticals and health care	U.S.
95	85	U.S. Postal Service	83	22.7	Mail and freight delivery	U.S.
96	86	Gazprom	47	22.3	Utilities	Russia
97	100	Costco Wholesale	99	19.9	Retail and consumer goods	U.S.
98	95	Valero Energy	49	19.7	Oil and gas	U.S.
99	•	Petronas	95	17.6	Oil and gas	Malaysia
100	99	Berkshire Hathaway	30	11.2	Financial	U.S.

SURVEY METHODOLOGY

The Accountability Rating measures the extent to which companies have built practices into the way they do business and how well they manage their impacts. It was first developed in 2004 by AccountAbility, the global nonprofit think tank, and CSRnetwork, an international corporate responsibility consultancy. Asset4, a Swiss data provider, works with these founding partners on the analysis of the final list. Companies earn a score in each of four categories, for a maximum of 100. The categories are:

- Strategic intent. Has the business strategy been designed under consideration of relevant social and environmental trends and impacts?
- Governance and management systems. 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?
- Operational performance. Is the company managing its most important social and environmental impacts?

The Accountability Rating examines the 100 largest companies in the *Fortune* Global 500. A team of analysts reviews all available information from these companies, including their annual reports, social and environmental reports, and websites (the cutoff date is July 15, 2008). The rating process uses a proprietary framework to ask 30 sector-specific and 145 generic questions about each company, supplemented by five overarching questions that relate the company's performance to its wider industry context.

AccountAbility, CSRnetwork, and Asset4 have clients, partners, and members among the companies surveyed. However, none of these relationships, nor any inducements, are taken into consideration during the rating process. For further information and a detailed description of the methodology, see www.accountabilityrating.com.