



JANUARY 29, 2007

COVER STORY

## Beyond The Green Corporation

Imagine a world in which eco-friendly and socially responsible practices actually help a company's bottom line. It's closer than you think

Under conventional notions of how to run a conglomerate like Unilever, CEO Patrick Cescau should wake up each morning with a laserlike focus: how to sell more soap and shampoo than Procter & Gamble Co. (PG) But ask Cescau about the \$52 billion Dutch-British giant's biggest strategic challenges for the 21st century, and the conversation roams from water-deprived villages in Africa to the planet's warming climate.

The world is Unilever's laboratory. In Brazil, the company operates a free community laundry in a São Paulo slum, provides financing to help tomato growers convert to eco-friendly "drip" irrigation, and recycles 17 tons of waste annually at a toothpaste factory. Unilever funds a floating hospital that offers free medical care in Bangladesh, a nation with just 20 doctors for every 10,000 people. In Ghana, it teaches palm oil producers to reuse plant waste while providing potable water to deprived communities. In India, Unilever staff help thousands of women in remote villages start micro-enterprises. And responding to green activists, the company discloses how much carbon dioxide and hazardous waste its factories spew out around the world.

As Cescau sees it, helping such nations wrestle with poverty, water scarcity, and the effects of climate change is vital to staying competitive in coming decades. Some 40% of the company's sales and most of its growth now take place in developing nations. Unilever food products account for roughly 10% of the world's crops of tea and 30% of all spinach. It is also one of the world's biggest buyers of fish. As environmental regulations grow tighter around the world, Unilever must invest in green technologies or its leadership in packaged foods, soaps, and other goods could be imperiled. "You can't ignore the impact your company has on the community and environment," Cescau says. CEOs used to frame thoughts like these in the context of moral responsibility, he adds. But now, "it's also about growth and innovation. In the future, it will be the only way to do business."

A remarkable number of CEOs have begun to commit themselves to the same kind of sustainability goals Cescau has pinpointed, even in profit-obsessed America. For years, the term "sustainability" has carried a lot of baggage. Put simply, it's about meeting humanity's needs without harming future generations. It was a favorite cause among economic development experts, human rights activists,

and conservationists. But to many U.S. business leaders, sustainability just meant higher costs and smacked of earnest U.N. corporate- responsibility conferences and the utopian idealism of Western Europe. Now, sustainability is "right at the top of the agendas" of more U.S. CEOs, especially young ones, says McKinsey Global Institute Chairman Lenny Mendonca.

#### **MORE THAN PR**

You can tell something is up just wading through the voluminous sustainability reports most big corporations post on their Web sites. These lay out efforts to cut toxic emissions, create eco-friendly products, help the poor, and cooperate with nonprofit groups. As recently as five years ago, such reports—if they appeared at all—were usually transparent efforts to polish the corporate image. Now there's a more sophisticated understanding that environmental and social practices can yield strategic advantages in an interconnected world of shifting customer loyalties and regulatory regimes.

Embracing sustainability can help avert costly setbacks from environmental disasters, political protests, and human rights or workplace abuses—the kinds of debacles suffered by Royal Dutch Shell PLC ([RDS](#)) in Nigeria and Unocal in Burma. "Nobody has an idea when such events can hit a balance sheet, so companies must stay ahead of the curve," says Matthew J. Kiernan, CEO of Innovest Strategic Value Advisors. Innovest is an international research and advisory firm whose clients include large institutional investors. It supplied the data for this *BusinessWeek* Special Report and prepared a list of the world's 100 most sustainable corporations, to be presented at the Jan. 24-28 World Economic Forum in Davos, Switzerland.

The roster of advocates includes Jeffrey Immelt, CEO of General Electric Co. ([GE](#)), who is betting billions to position GE as a leading innovator in everything from wind power to hybrid engines. Wal-Mart Stores Inc. ([WMT](#)), long assailed for its labor and global sourcing practices, has made a series of high-profile promises to slash energy use overall, from its stores to its vast trucking fleets, and purchase more electricity derived from renewable sources. GlaxoSmithKline ([GSK](#)) discovered that, by investing to develop drugs for poor nations, it can work more effectively with those governments to make sure its patents are protected. Dow Chemical Co. ([DOW](#)) is increasing R&D in products such as roof tiles that deliver solar power to buildings and water treatment technologies for regions short of clean water. "There is 100% overlap between our business drivers and social and environmental interests," says Dow CEO Andrew N. Liveris.

Striking that balance is not easy. Many noble efforts fail because they are poorly executed or never made sense to begin with. "If there's no connection to a company's business, it doesn't have much leverage to make an impact," says Harvard University business guru Michael Porter. Sustainability can be a hard proposition for investors, too. Decades of experience show that it's risky to pick stocks based mainly on a company's long-term environmental or social-responsibility targets.

Nevertheless, new sets of metrics, which Innovest and others designed to measure sustainability efforts, have helped convince CEOs and boards that they pay off. Few Wall Street analysts, for example, have tried to assess how much damage Wal-Mart's reputation for poor labor and environmental practices did to the stock price. But New York's Communications Consulting Worldwide (CCW), which studies issues such as reputation, puts it in stark dollars and cents. CCW calculates that if Wal-Mart had a reputation like that of rival Target Corp. ([TGT](#)), its stock would be worth 8.4% more, adding \$16 billion in market capitalization.

Serious money is lining up behind the sustainability agenda. Assets of mutual funds that are designed to invest in companies meeting social responsibility criteria have swelled from \$12 billion in 1995 to \$178 billion in 2005, estimates trade association Social Investment Forum. Boston's State Street Global Advisors alone handles \$77 billion in such funds. And institutions with \$4 trillion in assets, including charitable trusts and government pension funds in Europe and states such as California, pledge to weigh sustainability factors in investment decisions.

Why the sudden urgency? The growing clout of watchdog groups making savvy use of the Internet is one factor. New environmental regulations also play a powerful role. Electronics manufacturers slow to wean their factories and products off toxic materials, for example, could be at a serious disadvantage as Europe adopts additional, stringent restrictions. American energy and utility companies that don't cut fossil fuel reliance could lose if Washington joins the rest of the industrialized world in ordering curbs on greenhouse gas emissions. Such developments help explain why Exxon Mobil Corp. ([XOM](#)), long opposed to linking government policies with global warming theories, is now taking part in meetings to figure out what the U.S. should do to cut emissions.

Investors who think about these issues obviously have long time horizons. But they encounter knotty problems when trying to peer beyond the next quarter's results to a future years down the road. Corporations disclose the value of physical assets and investments in equipment and property. But U.S. regulators don't require them to quantify environmental, social, or labor practices. Accountants call such squishy factors "intangibles." These items aren't found on a corporate balance sheet, yet can be powerful indicators of future performance.

If a company is at the leading edge of understanding and preparing for megatrends taking shape in key markets, this could constitute a valuable intangible asset. By being the first fast-food chain to stop using unhealthy trans fats, Wendy's International Inc. ([WEN](#)) may have a competitive edge now that New York City has banned the additives in restaurants. McDonald's Corp. ([MCD](#)), which failed to do so, could have a future problem.

Rising investor demand for information on sustainability has spurred a flood of new research. Goldman Sachs, Deutsche Bank Securities ([DB](#)), UBS ([UBS](#)), Citigroup ([C](#)), Morgan Stanley, and other brokerages have formed dedicated teams assessing how companies are affected by everything from climate change and social pressures in emerging markets to governance records. "The difference in interest between three years ago and now is extraordinary," says former Goldman Sachs ([GS](#)) Asset Management CEO David Blood, who heads the Enhanced Analytics Initiative, a research effort on intangibles by 22 brokerages. He also leads Generation Investment Management, co-founded in 2004 with former Vice-President Al Gore, which uses sustainability as an investment criterion.

Perhaps the most ambitious effort is by Innovest, founded in 1995 by Kiernan, a former KPMG senior partner. Besides conventional financial performance metrics, Innovest studies 120 different factors, such as energy use, health and safety records, litigation, employee practices, regulatory history, and management systems for dealing with supplier problems. It uses these measures to assign grades ranging from AAA to CCC, much like a bond rating, to 2,200 listed companies. Companies on the Global 100 list on *BusinessWeek's* Web site include Nokia Corp. ([NOK](#)) and Ericsson ([ERIC](#)), which excel at tailoring products for developing nations, and banks such as hsbc Holdings ([HBC](#)) and abn-Amro ([ABN](#)) that study the environmental impact of projects they help finance.

Some of Innovest's conclusions are counterintuitive. Hewlett-Packard ([HPQ](#)) and Dell ([DELL](#)) both rate AAA, for example; market darling Apple ([AAPL](#)) gets a middling BBB on the grounds of weaker oversight of offshore factories and lack of a "clear environmental business strategy." An Apple spokesman contests that it is a laggard, citing the company's leadership in energy-efficient products and in cutting toxic substances. Then there's Sony Corp. ([SNE](#)) vs. Nintendo. Wall Street loves the latter for a host of reasons, not least that its Wii video game system, the first to let users simulate actions such as swinging a sword or tennis racket, was a Christmas blockbuster. Sony, meanwhile, has a famously dysfunctional home electronics arm, and was embarrassed by exploding laptop batteries and long delays in bringing out its PlayStation 3 game console. Nintendo's stock has more than tripled in three years; Sony's has languished.

#### **WEIGHING THE EFFORTS**

Viewed through the lens of sustainability, however, Sony looks like the better bet. It is an industry leader in developing energy-efficient appliances. It also learned from a 2001 fiasco, when illegal cadmium was found in PlayStation cables bought from outside suppliers. That cost Sony \$85 million, says Hidemi Tomita, Sony's corporate responsibility general manager. Now, Sony has a whole corporate infrastructure for controlling its vast supplier network, helping it avert or quickly fix problems. Nintendo, a smaller Kyoto-based company focused on games, shows less evidence of the global management systems needed to cope with sudden regulatory shifts or supplier problems, says Innovest. A Nintendo spokesman says it meets all environmental rules and is "always reviewing and considering" the merits of new global sustainability guidelines.

BP seems to disprove the sustainability thesis altogether. CEO John Browne has preached environmentalism for a decade, and BP consistently ranked atop most sustainability indexes. Yet in the past two years it has been hit with a refinery explosion that killed 15 in Texas, a fine for safety violations at a refinery in Ohio, a major oil pipeline leak in Alaska, and a U.S. Justice Dept. probe into suspected manipulation of oil prices. Browne has recently announced his retirement. BP's shares have slid 10% since late April. Exxon's are up around 12%.

Innovest still rates BP a solid AA, while labeling Exxon a riskier BB. And PetroChina? Innovest gives it

a CCC. Here's why: BP wins points for plowing \$8 billion into alternative energies to diversify away from oil and engages community and environmental groups. Exxon has done less to curb greenhouse gas emissions and promote renewables and has big projects in trouble spots like Chad. "I would still say Exxon is a bigger long-term risk," says Innovest's Kiernan. Petro- China is easier to justify. Begin with its safety record: A gas well explosion killed 243 people in 2003; another fatal explosion in 2005 spewed toxic benzene into a river, leaving millions temporarily without water. PetroChina has been slow to invest in alternative energy, Innovest says, and its parent company has big bets in the Sudan.

Do Innovest's metrics make a reliable guide for picking stocks? Dozens of studies have looked for direct relationships between a company's social and environmental practices and its financial performance. So far the results are mixed, and Kiernan admits Innovest can't prove a causal link. That's little help to portfolio managers who must post good numbers by yearend. "The crux of the problem is that we are looking at things from the long term, but we're still under short-term review from our clients," says William H. Page, who oversees socially responsible investing for State Street Global Advisors.

### TALKING A GOOD FIGHT

Yet Kiernan and many other experts maintain sustainability factors are good proxies of management quality. "They show that companies tend to be more strategic, nimble, and better equipped to compete in the complex, high-velocity global environment," Kiernan explains. That also is the logic behind Goldman Sachs's intangibles research. In its thick annual assessments of global energy and mining companies, for example, it ranks companies on the basis of sustainability factors, financial returns, and access to new resource reserves. Top-ranking companies, such as British Gas, Shell, and Brazil's Petrobras ([PBR](#)), are leaders in all three categories. For the past two years, the stocks of elite companies on its list bested their industry peers by more than 5%—while laggards underperformed, Goldman says.

Still, BP's ([BP](#)) woeful performance highlights a serious caveat to the corporate responsibility crusade. Companies that talk the most about sustainability aren't always the best at executing. Ford Motor Co. ([F](#)) is another case in point. Former CEO William C. Ford Jr. has championed green causes for years. He famously spent \$2 billion overhauling the sprawling River Rouge (Mich.) complex, putting on a 10-acre grass roof to capture rainwater. Ford also donated \$25 million to Conservation International for an environmental center.

But Ford was flat-footed in the area most important to its business: It kept churning out gas-guzzling SUVs and pickups. "Having a green factory was not Ford's core issue. It was fuel economy," says Andrew S. Winston, director of a Yale University corporate environmental strategy project and co-author of the book *Green to Gold*.

The corporate responsibility field is littered with lofty intentions that don't pay off. As a result, many CEOs are unsure what to do exactly. In a recent McKinsey & Co. study of 1,144 top global executives, 79% predicted at least some responsibility for dealing with future social and political issues would fall on corporations. Three of four said such issues should be addressed by the CEO. But only 3% said they do a good job dealing with social pressures. "This is uncomfortable territory because most CEOs have not been trained to sense or react to the broader landscape," says McKinsey's Mendonca. "For the first time, they are expected to be statesmen as much as they are functional business leaders." Adding to the complexity, says Harvard's Porter, each company must custom-design initiatives that fit its own objectives.

Dow Chemical is looking at the big picture. It sees a market in the need for low-cost housing and is developing technologies such as eco-friendly Styrofoam used for walls. CEO Liveris also cites global water scarcity as a field in which Dow can "marry planetary issues with market opportunity." The U.N. figures 1.2 billion people lack access to clean water. Dow says financial solutions could help 300 million of them. That could translate into up to \$3 billion in sales for Dow, which has a portfolio of cutting-edge systems for filtering minute contaminants from water. To reach the poor, Dow is working with foundations and the U.N. to raise funds for projects.

Philips Electronics ([PHG](#)) also is building strategies around global megatrends. By 2050, the U.N. predicts, 85% of people will live in developing nations. But shortages of health care are acute. Among Philips' many projects are medical vans that reach remote villages, allowing urban doctors to diagnose and treat patients via satellite. Philips has also developed low-cost water-purification technology and a smokeless wood-burning stove that could reduce the 1.6 million deaths annually worldwide from



pulmonary diseases linked to cooking smoke. "For us, sustainability is a business imperative," says Philips Chief Procurement Officer Barbara Kux, who chairs a sustainability board that includes managers from all business units.

Such laudable efforts, even if successful, may not help managers make their numbers next quarter. But amid turbulent global challenges, they could help investors sort long-term survivors from the dinosaurs.

By Pete Engardio, with Kerry Capell in London, John Carey in Washington, and Kenji Hall in Tokyo

## Who's Doing Well by Doing Good

**SOME LEADERS** What does it mean to say a company, its products, or its processes are "sustainable"? Here is a list of top-rated companies by industry:

AUTOMOBILES		COMMUNICATIONS EQUIPMENT	
<b>TOYOTA</b>	The maker of the top-selling Prius hybrid leads in developing efficient gas-electric vehicles.	<b>NOKIA</b>	Makes phones for handicapped and low-income consumers. A leader in phasing out toxic materials.
<b>RENAULT</b>	Integrates sustainability throughout organization. Has fuel-efficient cars and factories.	<b>ERICSSON</b>	Eco-friendly initiatives include wind- and fuel-cell-powered telecom systems in Nigerian villages.
<b>VOLKSWAGEN</b>	A market leader in small cars and clean diesel technologies.	<b>MOTOROLA</b>	Good disclosure of environmental data. Takes back used equipment in Mexico, U.S., and Europe.
COMPUTERS & PERIPHERALS		FINANCIAL SERVICES	
<b>HEWLETT-PACKARD</b>	Despite board turmoil, the company rates high on ecological standards and digital tech for the poor.	<b>ABN AMRO</b>	Involved in carbon-emissions trading. Finances everything from micro enterprises to biomass fuels.
<b>TOSHIBA</b>	At forefront of developing eco-efficient products, such as fuel cells for notebook PC batteries.	<b>HSBC</b>	Lending guidelines for forestry, freshwater, and chemical sectors factor in social, ecological risks.
<b>DELL</b>	Among the first U.S. PC makers to take hardware back from consumers and recycle it for free.	<b>ING</b>	Weights sustainability in project finance. Helps developing nations improve financial institutions.
HEALTH CARE		HOUSEHOLD DURABLES	
<b>FRESENIUS MEDICAL CARE</b>	Discloses costs of its patient treatment in terms of energy and water use and waste generated.	<b>PHILIPS ELECTRONICS</b>	Top innovator of energy-saving appliances, lighting, and medical gear and goods for developing world.
<b>IMS HEALTH</b>	Places unusual emphasis on environmental issues in its global health consulting work.	<b>SONY</b>	Is ahead on green issues and ensuring quality, safety, and labor standards of global suppliers.
<b>QUEST DIAGNOSTICS</b>	Has diversity program promoting businesses owned by minorities, women, and veterans.	<b>MATSUSHITA ELECTRIC</b>	State-of-the-art green products. Eliminated 96% of the most toxic substances in its global operations.
OIL & GAS		PHARMACEUTICALS	
<b>ROYAL DUTCH SHELL</b>	Since Nigerian human rights woes in '90s, leads in community relations. Invests in wind and solar.	<b>ROCHE</b>	Committed to improving access to medicine in poor nations. Invests in drug research for Third World.
<b>NORSK HYDRO</b>	Cut greenhouse gas emissions 32% since 1990. Strong in assessing social, environmental impact.	<b>NOVO NORDISK</b>	Sells diabetes drugs in poor nations at deep discounts. Helps upgrade clinics, public education.
<b>SUNCOR ENERGY</b>	Ties with aboriginals help it deal with social and ecological issues in Canada's far north.	<b>GLAXO-SMITHKLINE</b>	One of few pharmas to devote R&D to malaria and TB. First to offer AIDS drugs at cost.
RETAIL		UTILITIES	
<b>MARKS &amp; SPENCER</b>	Buys local product to cut transit costs and fuel use. Good wages and benefits help retain staff.	<b>FPL</b>	Largest U.S. solar generator. Has 40% of wind-power capacity. Strong shareholder relations.
<b>HOME RETAIL GROUP</b>	High overall corporate responsibility standards have led to strong consumer and staff loyalty.	<b>IBERDROLA</b>	Since Scottish Power takeover, renewable energy accounts for 17% of capacity. Wants that to grow.
<b>AEON</b>	Environmental accounting has saved \$5.6 million. Good employee policies in China and SE Asia.	<b>SCOTTISH &amp; SOUTHERN</b>	Aggressively discloses environmental risk, including air pollution and climate change.

**SOME LAGGARDS** Concentrating on the bottom line makes companies postpone important changes. It can also lead to poor public relations. Here are a few companies that received lower marks:

<b>ALLEGHENY ENERGY</b> Reliance on coal poses risk if U.S. passes greenhouse gas rules.	<b>GENERAL MOTORS</b> Trails Toyota and Honda in fuel-efficient cars. High reliance on SUVs.	<b>PETROCHINA</b> Lacks transparent environmental programs. Safety record includes fatal gas leak and benzene plant explosion.	<b>WAL-MART</b> The mass retailer has made great strides with ambitious green initiatives (page 57), but the company's image remains tarnished by criticisms of labor and offshore sourcing practices.
<b>BANK OF CHINA</b> Hit by recent corruption cases, but bank says it has since improved governance.	<b>NINTENDO</b> Slow to grapple with how emerging environmental, safety, and labor standards will affect offshore suppliers.	<b>SURGUTNEFTEGAZ</b> Plagued by shareholder suits. Lacks public environmental policy.	

# Toyota: How the Hybrid Race Went to the Swift

Toyota ([TM](#)) not only makes more profit than any other automaker but also enjoys the best reputation for producing clean-running, fuel-efficient vehicles. Its gas-electric hybrid Prius is a public relations juggernaut and the centerpiece of a lineup with an average fuel efficiency of 28.9 miles per gallon, second only to Honda's fleet average. General Motors Corp. ([GM](#)) and Ford Motor Co. ([F](#)), which sell more pickup trucks and SUVs than Toyota, lag behind in fuel economy, with averages of 24.6 and 24.1 mpg, respectively, for their fleets.

As Toyota prepares to motor past Ford as the world's second-largest carmaker, it has become a textbook case on how a green reputation delivers a competitive edge. In the five years since the Prius' U.S. debut, Toyota's brand value has surged by 47%, to \$28 billion, according to Interbrand. In the same period, Ford has been beset with numerous troubles, including a failure to meet its goals for SUV mileage gains or to exploit its well-regarded Escape hybrid. Its brand value fell 70%, to \$11 billion.

How did Detroit blow it? More than anything, through inertia. For 20 years, GM and Ford earned outsize profits on supersize trucks and SUVs. And following the infamous failure of GM's EV1 electric car, a high-tech, high-cost econo-box seemed like anything but a good bet.

Detroit simply didn't see the potential for Toyota's odd little electric-gas car when the Prius made its debut in Japan 10 years ago. When energy prices spiked, Toyota was ready with a high-tech offering that many consumers embraced. Today, even if hybrids aren't exactly cost-effective, consumers keep buying them. From a few thousand sold in the U.S. in 2000, Toyota expects to move 250,000 hybrids next year. "We didn't appreciate the image value of hybrids," concedes GM's research and development chief, Larry Burns. "We missed that."

There's an ironic side to all this. In the U.S., GM sells more models that get more than 30 mpg than any other carmaker. And two Ford SUVs, the Expedition and Explorer, go farther on a gallon of gas than do Toyota's like-size models. "Toyota's fame for hybrids allows consumers to believe every one of its vehicles is the most fuel-efficient in its category—even if it isn't," says marketing consultant Dan Gorrell.

Now, GM has announced a plug-in Saturn hybrid and an advanced plug-in electric Chevy car. Both come ahead of any similar moves from Toyota. But GM has also set and missed such goals in the past. The value of green, it seems, only accrues when the rubber meets the road.

By David Kiley

# Wal-Mart: Big Strides To Become The Jolly Green Giant

Companies adopt green strategies for different reasons. By CEO H. Lee Scott Jr.'s own admission, the changeover at Wal-Mart Stores Inc. ([WMT](#)) began in self-defense. Surveys showed that the retail giant's image had taken such a beating that some customers were staying away.

So Scott huddled with environment-alists, hired consultants, and came up with goals that astonished even some activists. He vowed to use 100% renewable energy, drastically reduce waste through recycling, and sell "sustainable" products that are more environmentally friendly. "Wal-Mart is implementing one of the most aggressive sustainability strategies I have ever seen," says Frank Dixon, adviser to both Innovest Strategic Value Advisors and Wal-Mart.

Although the effort began as image-burnishing, "we started seeing it as a business strategy," Scott explains. Cutting energy use is saving money, and consumers appreciate Wal-Mart's forays into organic cotton products and coffee certified to have earned farm workers a decent wage.

Switching stores to more efficient bulbs and adding skylights for natural light has trimmed Wal-Mart's electricity bill by 17% since 2002. Using less packaging on house brand toys will save \$2.4 million annually in shipping costs. Even Wal-Mart's push to slash America's electricity use—and thus greenhouse gas emissions—by selling 100 million compact fluorescent bulbs a year has a bottom-line benefit. Customers would save \$3 billion, "and the expectation is that those savings would come back in terms of purchases," says Brown University ecology professor Steven Hamburg.

Whatever Wal-Mart's motivations, many environmentalists are thrilled with the company's plans because of its massive clout. "They can have more impact than a bunch of smaller, more noble players," explains one. Wal-Mart's commitment to sell fish certified as caught in sustainable fisheries is doing more to protect stocks than government rules could, suggests Manish Kumar, CEO of The Fishin' Co., a major supplier: "It has brought an about-face in the mindset of the entire supply chain."

Wal-Mart still faces an uphill battle. A 2005 Innovest report on the company gave it the lowest rating. An update to that report will rank it higher, but far from the top. "Their failings on the social side are so strong," says Innovest analyst Elizabeth Lipton. Wal-Mart responds that its labor and health-care policies are little different from those of competitors, and that low employee costs help keep prices down.

Yet the labor issues may be difficult to lay to rest. And even on the environmental front, "they are certainly not sustainable now," says Natural Resources Defense Council President Frances Beinecke. "Their goals are bold, but they have just begun."

By John Carey

## GlaxoSmithKline: Getting AIDS Drugs To More Sick People

When Jean-Pierre Garnier took over as CEO of GlaxoSmithKline ([GSK](#)) seven years ago, the company's reputation on corporate social responsibility was at its nadir. As part of a coalition of 39 pharmaceutical companies, the drugmaker was suing Nelson Mandela's South African government for voiding patents on prescription drugs. Mandela's top priority was giving desperately sick patients access to HIV treatments, and GSK—the world's largest supplier—was standing in the way. "It was a public relations disaster," Garnier concedes.

The experience convinced Garnier that GSK should lead the crusade to improve access to medicine. In 2001, GSK became the first major drugmaker to sell its AIDS medicines at cost in 100 countries worldwide. And it has granted eight licenses to local companies to produce generic versions of these medicines.

In fact, GSK sells 90% of its vaccines, in volume terms, at not-for-profit prices to customers in the developing world. In 2005, it set a new paradigm in the vaccine industry. It chose Mexico over other, wealthier nations as the launch pad for Rotarix, a new vaccine against gastrointestinal rotavirus. "We wanted to get the vaccine to the children who needed it most," Garnier explains.

Creating medicines for the Third World while still posting a profit required fancy financial footwork. GSK has formed 14 different partnerships with the World Health Organization and other nongovernmental bodies, and with philanthropies such as the Bill & Melinda Gates Foundation. These programs provided funding for research on two different HIV vaccines, new treatments for tuberculosis, and a pediatric vaccine against malaria. In the latter case, a collaboration with the Gates Foundation and a group called the Malaria Vaccine Initiative led to a vaccine that provides a minimum of 18 months of protection against malaria. It could be on the market within four years. "The commitment [of GSK] to developing a malaria vaccine is outstanding," says Dr. Tore Godal, the former head of the Global Alliance for Vaccines & Immunization (GAVI).

Garnier says efforts such as these give the company several advantages over its rivals. Top scientists are drawn to GSK because they want their research to make a difference. Doing good, and being

admired for it, also boosts general morale at the company, he says. "This creates a more aligned and engaged workforce, which helps us outperform our competitors."

By Kerry Capell

## SUSTAINABILITY LEADERS



### Leading the Sustainability Charge

*Here's a sample of companies whose visionary practices will be top of mind at the World Economic Forum in Davos, Switzerland*

The word "sustainability" may evoke fuzzy stereotypes of do-gooders putting ideals ahead of profits. But for today's global corporations, it's an essential modus operandi. The idea is to build mutually beneficial relationships with customers, employees, and investors for many years -- not just this quarter. A classic example is Unilever's program to provide free medical care in developing markets. This creates immediate goodwill and helps build a future generation of healthier, wealthier consumers with a soft spot for Unilever brands.

Such thinking will be on display at this month's World Economic Forum in Davos, Switzerland, attended by a Who's Who of the world's business, political, academic, and media elite. Sustainability is the best way forward in a world where new sales will increasingly come from developing markets and where key resources are likely to be in short supply. Innovest Strategic Value Advisors, a financial consultancy, has codified this thinking into an analytical model that rates companies according to dozens of sustainability measures. The following slides showcase Innovest's top three picks across 10 industry sectors. To see Innovest's full list of Global 100 most sustainable corporations, [click here](#).

## AUTOS

### Renault, VW, Toyota

Innovest gave Toyota top honors for converting environmental virtue into market share. Though not the first with a hybrid gas-electric car in the U.S. -- that honor goes to Honda, with its Insight -- Toyota is the global leader in developing and promoting the technology. After introducing the Prius in 2000 and pricing it to sell at a loss, the





Japanese automaker today offers six different hybrids and claims to be earning a profit on the technically sophisticated vehicles. Toyota hopes to sell 250,000 units by 2010. European auto giants Renault and VW earn kudos from Innovest for their commitment to designing eco-minded cars, from fuel-sipping diesels to models designed for easier recycling.

## COMPUTERS & PERIPHERALS

Hewlett-Packard, Toshiba, Dell



In the high-speed world of electronics design and manufacturing, Hewlett-Packard and Dell stand out for their efforts to “green up” not just their own operations, but those of their numerous suppliers and contractors. HP's long-standing practices in these areas let the \$92 billion behemoth nimbly adapt to new European e-waste rules that aim to eliminate toxic metals and make tech gear easier to recycle. In Japan, Toshiba has met similar standards and also plans to double the company's overall “eco-efficiency” by 2010, from 2000 levels.

## FINANCIALS

ABN Amro, HSBC, ING

It's no surprise that financial institutions would be good at accounting for their green practices. Still, how can a



bank be sustainable? London-based HSBC, the world's biggest bank, says it furthers environmental and social causes by tinkering with lending and investing terms. Innovest says ABN Amro's due diligence on environmental, social, and governance matters is among the world's best. That focus has led the Netherlands-based bank into new markets, such as “environmental impairment” insurance, which protects businesses against the effects of environmental mishaps. At ING, another Dutch financial powerhouse, a similar strategy has seeded a growing micro-lending practice in emerging markets.

## HEALTH CARE

Fresenius Medical Care, IMS Health, Quest Diagnostics

Germany's Fresenius and New Jersey's Quest Diagnostics both stand out for promoting wellness. The two have managed to help improve their products by focusing on sustainable design and business practices. In Fresenius dialysis systems, for example, the company tracks the cost per treatment in terms of energy, water use, and waste generated. Each year, it tries to trim these measures, while at the same time improving the dialysis system's performance and the company's profits. As a provider of sales management and market research services, IMS Health in Fairfield, Conn., doesn't have a big environmental footprint, yet has made sustainability a central value.



## HOUSEHOLD DURABLES

Philips Electronics, Sony, Matsushita Electric



Amsterdam-based Royal Philips Electronics earned a top spot in Innovest's rankings for transparency in reporting on its environmental and social practices and for developing green products. The company promotes energy-efficiency, helping to win market share in everything from light bulbs to flat-panel televisions. And in its health-care unit, Philips is improving public health in developing markets such as rural India with satellite-linked health-care clinics on wheels. In Japan, Sony and Matsushita also sell energy-sipping products. Both companies run sophisticated recycling operations, and Sony also powers some manufacturing operations in Japan

with wind power.

## OIL & GAS

Royal Dutch Shell, Norsk Hydro, Suncor Energy.

Few industries have learned to live with as many risks as the energy sector. Devastating environmental mishaps, like Exxon's Valdez oil spill, can start with a single human error. Or financial markets can turn hostile in an instant based on political events. The weather can also erase years' worth of profits in a day: think of Hurricane Katrina in the Gulf of Mexico. Leaders in the energy sector understand that good work can mitigate some of the damage. Innovest singled out Royal Dutch Shell for its willingness to acknowledge the risks posed by climate change and to hedge by investing in renewables, and in research and development. It's a similar story at Norway's Norsk Hydro, which is researching carbon sequestration. At Canada's Suncor, to avert conflict over energy projects in the Far North, executives appointed native people to the board of directors to give this constituency a voice in decision-making.



## PHARMACEUTICALS



Roche, Novo Nordisk, GlaxoSmithKline

Balancing contrary goals -- earning healthy profits while making drugs affordable to the poor -- is one of Big Pharma's most daunting global challenges. All three of the drugmakers here score well by tackling this problem head on. Switzerland's Roche has committed to setting up local factories in sub-Saharan Africa and other impoverished regions to produce generic HIV/AIDS medicines. GSK, based in London, is the sole company with a team of scientists researching tuberculosis, malaria, and

HIV/AIDS, all three priority-diseases as identified by the U.N.'s World Health Organization. Novo Nordisk is working to make its diabetes products available worldwide. The Danish company has also developed a sustainable diabetes-care model for developing countries that aims to slow or reverse the onset of diabetes, rather than merely sell drugs to treat the disease.

## RETAIL

### Marks & Spencer, Home Retail Group, Aeon

A top retailer in Europe, London-based Marks & Spencer has a comprehensive corporate social responsibility program designed to support the environment while delivering safe and ethical products. A major vendor of prepared foods, the company sources produce locally as much as possible, cutting transportation costs and related greenhouse gas emissions. Collaboration with nongovernmental organizations, local organizations, and nearby residents has helped Home Retail Group, another British retailer, expand its network of general merchandise shops and do-it-yourself building suppliers. As one of Japan's top retailers, Aeon has tried to reduce its impact on the communities where it operates by lowering energy use and waste streams.



## UTILITIES

### FPL Group, Iberdrola, Scottish & Southern Energy



In just a few years, FPL Group, the parent of Florida Power & Light, has emerged from its home market to develop solar and wind energy projects that span 24 states -- more than any other big energy player in the U.S. The Jupiter (Fla.) utility is also regarded as a leader in communicating such efforts to its shareholders. Across the Atlantic, Scottish & Southern Energy, based in Britain, sets a high standard for clean energy, as well: Renewable assets represent 17% of its total capacity. At Spain's Iberdrola, one of Europe's fastest-growing diversified utilities, renewable energy

is a top growth goal too. Already one of the Continent's largest wind developers, the Bilbao-based utility is pursuing wave power and is developing some of the world's largest offshore wind farms.

### Nokia, Ericsson Telephone, Motorola

Nokia and Ericsson sit at the heart of Europe's push to produce less toxic, more reusable products. Both cell-phone makers have placed top-level executives on teams that monitor social and environmental issues. At Ericsson, the process has led to "design for environment" rules that tally up a new cell-phone's total costs, from design to disposal, and then try to reduce them. The calculation includes total energy consumption, material usage, and end-of-life recycling. In the U.S., Motorola is a leader in taking back dead gear. And its annual sustainability report -- something of a rarity among American peers -- makes the Schaumburg (Ill.)-based company a pacesetter in tracking and reporting concerns about environmental, health, safety, and related social issues.





# The Global 100

## Role models in sustainable business practices

The Global 100 is a list of publicly-traded companies based on research and analysis on 1,800 companies by Innovest. The companies below are deemed to have the best developed abilities, relative to their industry peers, to manage environmental issues and to take advantage of new business opportunities in this area.

		Sustainability Performance						Company Information	
Company Name	Innovest Category	Combined IVA Rating	Strategic Governance*	Human Capital*	Environment*	Stakeholder Capital*	Country	Market Cap**	Sector
ABN AMRO HOLDING NV (AABA)	Banks - Europe	AAA	9.40	8.80	7.59	8.10	Netherlands	60,674	Financials
ACCOR (AC)	Hotels Restaurants & Leisure	AAA	9.40	9.40	7.35	8.20	France	16,341	Consumer Goods
ADECCO SA (ADEN)	Human Resource & Employment Services	AAA	7.70	6.70	5.78	7.30	Switzerland	12,454	Financials
ADIDAS SALOMON AGENCY (ADS)	Textiles, Apparel & Luxury Goods	AAA	9.90	9.00	7.98	9.40	Germany	9,905	Consumer Goods
ADVANCED MICRO DEVICES (AMD)	Semiconductor Equipment & Products	AAA	8.70	9.30	8.35	9.00	United States	10,813	Technology
AGILENT TECHNOLOGIES INC (A)	Electronic Equipment & Instruments	AAA	8.70	7.50	6.65	8.20	United States	13,878	Technology
AIR FRANCE-KLM (AF)	Airlines	AAA	8.30	8.00	7.32	8.00	France	11,996	Transportation
ALCAN INC (AL)	Metals & Mining	AAA	8.70	6.70	7.52	8.30	Canada	16,844	Materials
ALCOA INC (AA)	Metals & Mining	AAA	9.00	7.00	7.57	7.00	United States	24,938	Materials
AMERICAN INTERNATIONAL GROUP INC (AIG)	Insurance - N. America	AAA	4.50	6.40	5.79	4.30	United States	185,048	Financials
ATLAS COPCO AB (ATCO'A)	Industrial Machinery	AAA	8.30	7.70	7.46	9.00	Sweden	20,015	Industrial Goods
BASF AG (BAS)	Diversified Chemicals	AAA	9.10	9.70	7.29	9.40	Germany	47,830	Chemicals
BAXTER INTERNATIONAL INC (BAX)	Health Care Equipment & Supplies	AAA	8.30	7.70	7.55	9.00	United States	30,622	Healthcare
BENESSE CORPORATION (9783)	Diversified Consumer Services	AAA	9.50	8.80	5.60	7.40	Japan	3,869	Consumer Goods
BRITISH AIRWAYS PLC (BAY)	Airlines	AAA	8.40	6.10	7.65	7.20	United Kingdom	12,061	Transportation
BRITISH LAND COMPANY PLC (BLND)	Real Estate Management & Development	AAA	8.80	6.20	8.49	8.40	United Kingdom	16,633	Real Estate
BRITISH SKY BROADCASTING GROUP PLC (BSY)	Broadcasting & Cable TV	AAA	7.50	8.60	7.64	8.60	United Kingdom	17,834	Media
BT GROUP PLC (BT.A)	Integrated Telecommunication Services	AAA	8.00	6.70	5.87	8.00	United Kingdom	50,783	Telecommunications
CABLE & WIRELESS PLC (CW.)	Alternative Telecommunication Carriers	AAA	6.70	6.00	5.13	7.70	United Kingdom	7,770	Telecommunications
CENTRICA PLC (CNA)	Gas Utilities	AAA	8.30	8.60	7.51	9.10	United Kingdom	24,823	Utilities
COCA COLA COMPANY (KO)	Beverages & Tobacco	AAA	7.30	3.70	6.91	7.00	United States	113,112	Consumer Goods
DAIKIN INDUSTRIES LIMITED (6367)	Building Products	AAA	6.70	5.70	7.21	7.30	Japan	8,899	Industrial Goods
DAIWA SECURITIES GROUP INC (8601)	Diversified Financials - Asia	AAA	8.80	8.10	8.07	8.90	Japan	15,779	Financials
DENSO CORP. (6902)	Auto Components	AAA	10.00	9.40	7.95	9.40	Japan	32,249	Automotive
DEXIA (DEXB)	Banks - Europe	AAA	8.40	9.00	7.59	8.40	Belgium	31,747	Financials



Click column heading once to reorder from highest to lowest. Click twice to reorder from lowest to highest.

Company Name	Innovest Category	Combined IVA Rating	Strategic Governance*	Human Capital*	Environment*	Stakeholder Capital*	Country	Market Cap**
DIAGEO PLC (DGE)	Beverages & Tobacco	AAA	9.30	6.70	6.42	8.70	United Kingdom	52,659
EAST JAPAN RAILWAY COMPANY (9020)	Surface Transport	AAA	7.70	5.30	7.54	7.70	Japan	27,790
EASTMAN KODAK COMPANY (EK)	Leisure Equipment & Products	AAA	8.30	7.00	7.02	7.30	United States	7,363
ELECTROCOMPONENTS PLC (ECM)	Trading Companies & Distributors	AAA	8.40	5.60	6.00	7.50	United Kingdom	2,482
ENBRIDGE INC (ENB)	Gas Utilities	AAA	9.70	8.70	8.10	3.70	Canada	11,879
FPL GROUP INC (FPL)	Electric Power Companies - N. America	AAA	6.60	7.20	7.79	8.60	United States	21,999
FRESENIUS MEDICAL CARE AG (FME)	Health Care Providers & Services	AAA	7.70	8.30	8.39	6.00	Germany	13,064
GAMESA CORP. TECHNOLOGICA (GAM)	Industrial Machinery	AAA	8.70	8.00	8.05	8.30	Spain	6,627
GENERAL ELECTRIC COMPANY (GE)	Industrial Conglomerates	AAA	5.70	6.00	7.84	7.30	United States	387,172
GENZYME CORP. (GENZ)	Biotechnology	AAA	6.70	6.90	5.71	7.80	United States	16,662
GOLDMAN SACHS GROUP INC (GS)	Diversified Financials - N. America	AAA	7.30	8.00	5.05	6.30	United States	84,762
GOOGLE INC (GOOG)	Internet Software & Services	AAA	8.30	7.00	5.51	8.30	United States	149,157
GROUPE DANONE (BN)	Food Products	AAA	7.00	8.00	7.24	7.30	France	39,760
GRUPO FERROVIAL SA (FER)	Construction & Engineering	AAA	9.20	8.60	8.78	9.50	Spain	13,159
HBOS PLC (HBOS)	Banks - UK & Ireland	AAA	7.60	7.10	5.05	7.70	United Kingdom	82,992
HENKEL AG (HEN)	Household & Personal Products	AAA	7.70	7.80	7.34	7.30	Germany	21,200
HEWLETT-PACKARD COMPANY (HPQ)	Computers & Peripherals	AAA	9.70	8.10	8.18	10.00	United States	114,818
HOLMEN AB (HOLM/B)	Paper & Forest Products	AAA	8.00	7.20	7.89	5.20	Sweden	3,648
HSBC HOLDINGS PLC (HSBA)	Banks - UK & Ireland	AAA	5.50	5.20	6.81	6.00	United Kingdom	210,739
IBERDROLA SA (IBE)	Electric Utilities - Intl	AAA	8.30	8.00	8.31	8.50	Spain	38,304
INDITEX SA (ITX)	Specialty Retail	AAA	7.30	8.30	7.14	8.70	Spain	32,737
INDRA SISTEMAS SA (IDR)	IT Consulting & Services	AAA	9.30	6.80	3.06	7.60	Spain	3,466
ING GROEP NV (INGA)	Diversified Financials - Europe	AAA	8.80	7.80	8.62	7.90	Netherlands	96,612
INSURANCE AUSTRALIA GROUP (IAG)	Insurance - Asia	AAA	9.00	7.90	7.58	9.00	Australia	7,981
INTEL CORP. (INTC)	Semiconductor Equipment & Products	AAA	8.00	7.30	8.62	10.00	United States	121,663

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Company Name	Innovest Category	Combined IVA Rating	Strategic Governance*	Human Capital*	Environment*	Stakeholder Capital*	Country	Market Cap**
INVESTA PROPERTY GROUP (IPG)	Real Estate Investment Trusts	AAA	7.20	7.50	8.63	7.40	Australia	2,893
JOHNSON MATTHEY PLC (JMAT)	Metals & Mining	AAA	4.70	9.00	7.71	6.00	United Kingdom	6,015
JP MORGAN CHASE & COMPANY (JPM)	Diversified Financials - N. America	AAA	7.70	7.00	6.42	6.30	United States	165,781
KESKO CORP. (KESBV)	Food & Drug Retailing	AAA	8.70	9.70	7.27	7.40	Finland	4,967
KINGFISHER PLC (KGF)	Specialty Retail	AAA	9.00	4.70	7.14	9.00	United Kingdom	10,910
KURARAY COMPANY LIMITED (3405)	Commodity Chemicals	AAA	9.00	9.70	6.94	9.30	Japan	4,370
LAFARGE (LG)	Construction Materials	AAA	9.70	9.00	8.54	9.50	France	25,594
LAND SECURITIES PLC (LAND)	Real Estate Management & Development	AAA	8.40	8.80	8.58	8.30	United Kingdom	20,762
MARKS & SPENCER GROUP PLC (MKS)	Multiline Retail	AAA	7.60	6.90	7.19	9.60	United Kingdom	24,001
MAYR-MELNHOF KARTON AG (MMK)	Containers & Packaging	AAA	7.30	7.30	7.22	5.70	Austria	2,019
MITSUBISHI HEAVY INDUSTRIES LIMITED (7011)	Industrial Machinery	AAA	8.00	7.00	7.49	7.00	Japan	15,244
NESTE OIL CORPORATION (NES1V)	Oil & Gas Refining & Marketing	AAA	9.30	8.30	6.23	8.70	Finland	7,308
NIKE INC (NKE)	Textiles, Apparel & Luxury Goods	AAA	8.60	9.20	8.15	10.00	United States	24,905
NIPPON YUSEN KK (9101)	Surface Transport	AAA	6.30	7.00	7.23	7.00	Japan	9,075
NOKIA CORPORATION (NOK1V)	Communications Equipment	AAA	7.70	8.30	7.72	8.70	Finland	79,677
NOMURA HOLDINGS INC (8604)	Diversified Financials - Asia	AAA	8.20	8.30	7.76	7.60	Japan	36,121
NOVO NORDISK A/S (NOVO/B)	Pharmaceuticals	AAA	8.10	8.40	7.46	8.60	Denmark	26,342
NOVOZYMES A/S (NZYMB)	Specialty Chemicals	AAA	9.00	7.00	8.26	9.00	Denmark	5,508
NTT DOCOMO INC (9437)	Wireless Telecommunication Services	AAA	6.30	6.50	6.88	6.50	Japan	71,772
PAGESJAUNES (PAJ)	Publishing	AAA	8.30	8.00	7.05	8.70	France	5,405
PEARSON PLC (PSON)	Publishing	AAA	9.00	8.80	5.95	8.70	United Kingdom	12,153
PHILIPS ELECTRONICS KON (PHIA)	Household Durables	AAA	9.60	7.90	7.22	9.10	Netherlands	45,289
PINNACLE WEST CAPITAL CORP. (PNW)	Electric Power Companies - N. America	AAA	8.00	7.60	7.24	7.60	United States	5,020
RICOH COMPANY LIMITED (7752)	Electronic Equipment & Instruments	AAA	6.80	6.00	8.36	7.00	Japan	14,845
ROCHE HOLDINGS LIMITED (ROG)	Pharmaceuticals	AAA	7.70	9.00	7.49	8.60	Switzerland	159,450

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Company Name	Innovest Category	Combined IVA Rating	Strategic Governance*	Human Capital*	Environment*	Stakeholder Capital*	Country	Market Cap**
ROYAL BANK OF CANADA (RY)	Banks - N. America	AAA	9.70	9.80	9.03	9.40	Canada	59,107
ROYAL DUTCH SHELL PLC (RDSB)	Integrated Oil & Gas	AAA	7.70	7.30	7.89	9.00	United Kingdom	216,995
SAINSBURY (J) PLC (SBRY)	Food & Drug Retailing	AAA	8.10	6.80	8.11	6.10	United Kingdom	13,856
SAP AG (SAP)	Software	AAA	8.70	8.00	6.18	8.40	Germany	65,937
SCA AB (SCA'B)	Paper & Forest Products	AAA	9.30	6.60	7.97	7.30	Sweden	12,226
SCANIA AB (SCV'B)	Construction & Farm Machinery & Heavy Trucks	AAA	7.00	4.90	7.02	6.70	Sweden	13,810
SCHLUMBERGER LIMITED (SLB)	Energy Equipment & Services	AAA	10.00	9.00	6.41	9.30	Netherlands Antilles	69,750
SCOTTISH & SOUTHERN ENERGY PLC (SSE)	Electric Utilities - Intl	AAA	8.70	6.70	8.22	8.40	United Kingdom	24,825
SEVERN TRENT PLC (SVT)	Public Services	AAA	6.30	7.20	7.98	6.00	United Kingdom	4,351
SMITH & NEPHEW PLC (SN.)	Health Care Equipment & Supplies	AAA	9.00	9.30	7.37	7.70	United Kingdom	9,841
STOREBRAND ASA (STB)	Insurance - Europe	AAA	8.10	7.10	6.82	7.40	Norway	3,061
SUN LIFE FINANCIAL INC (SLF)	Insurance - N. America	AAA	9.60	8.40	7.29	7.70	Canada	23,317
SWISS REINSURANCE COMPANY (RUKN)	Insurance - Europe	AAA	8.70	5.00	8.09	7.70	Switzerland	31,407
TOPPAN PRINTING COMPANY LIMITED (7911)	Commercial Services & Supplies	AAA	9.00	10.00	8.39	9.20	Japan	7,310
TOYOTA MOTOR CORP. (7203)	Automobiles	AAA	8.00	6.30	7.82	6.70	Japan	214,943
TRANSCANADA CORP. (TRP)	Gas Utilities	AAA	9.30	6.70	7.48	8.80	Canada	16,316
UNIBAIL HOLDING SA (UL)	Real Estate Investment Trusts	AAA	8.00	9.00	7.87	8.30	France	11,088
UNILEVER PLC (ULVR)	Food Products	AAA	8.70	7.30	7.47	8.00	United Kingdom	83,082
UNITED TECHNOLOGIES CORP. (UTX)	Aerospace & Defense	AAA	8.30	7.30	7.42	7.70	United States	62,909
VESTAS WINDSYSTEMS A/S (VWS)	Electrical Equipment	AAA	9.30	9.70	8.22	9.00	Denmark	7,483
WALT DISNEY COMPANY (DIS)	Movies & Entertainment	AAA	8.70	7.50	7.54	6.70	United States	70,721
WESTPAC BANKING CORP. (WBC)	Banks - Asia	AAA	9.00	6.30	9.21	10.00	Australia	34,532
WHITBREAD PLC (WTB)	Hotels Restaurants & Leisure	AAA	9.70	9.30	7.79	8.40	United Kingdom	7,159
WIMPEY (GEORGE) PLC (WMPY)	Homebuilding	AAA	8.10	8.60	7.35	7.50	United Kingdom	4,363
YELL GROUP PLC (YELL)	Advertising	AAA	9.00	9.60	8.58	9.50	United Kingdom	8,551

Innovest's ratings, known as Intangible Value Assessment (IVA) ratings, are based on 4 main pillars: Strategic Governance, Human Capital, Environment and Stakeholder Capital. Each pillar is weighted differently depending on the industry sector to which the rated company belongs, as the principal extra-financial risks faced by firms vary between sectors. For example, a financial services firm faces vastly different non-traditional risks than does an integrated oil & gas company. Firms receive a score of between 1 and 10 for each pillar. These scores, in turn, are attained by aggregating sub-scores for a number of factors underpinning the pillars, including traditional corporate governance, management and strategic decision-making systems for sustainability issues, labor relations, and workplace policies such as diversity. The factors also include environmental management systems, environmental performance on a range of key indicators, stakeholder relations, regulatory and legal issues, community relations, supply chain management, and emerging market performance on issues such as bribery and social and environmental controversies. The resulting IVA score is expressed as a letter grade ranging from AAA to CCC.

\*\*The ratings provided in this table are current as at 31 December 2006. Market cap is in millions of U.S. dollars as of Jan. 9, 2007.

Innovest updates all of its industry sectors throughout the year with the result that each sector is updated at least once annually. The ratings above may thus not be representative of the most current Innovest analysis