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By Dennis Schaal

This list—*CRO's 100 Best Corporate Citizens 2008*—matters.

If you think for a minute that it doesn't, then get on the phone or sit upright at your computer to listen to or read some of the phone calls and e-mails *CRO* magazine received from irate companies that found themselves MIA from the list or lower in the rankings than they would have liked.

Somewhere in a corporate boardroom or in the compliance officer's suite, rest assured that an Excel wizard is analyzing the category ranks and studying the algorithm, trying to figure out what Intel (No. 1) did right in Environment or Climate Change, or why a competitor ascended or nosedived this year in the ordering.

And, although it may be about bragging rights for some firms, for many corporations their position on *100 Best* may impact operations. It also translates into recognition for some of their policies and practices, a well-earned "attaboy" from an unbiased arbiter.

Dave Stangis, the Director of Corporate Responsibility for Intel, which has been on the list since *Business Ethics* magazine developed it nine years ago, characterizes Intel's top-of-the heap ranking as "a really strong attribution."

He adds that *100 Best* over the years has had "a huge impact internally" at the company and executives view the category scores and rankings as a significant "learning opportunity."

Business Ethics magazine published *100 Best* for the first seven years, and CRO published *100 Best* in 2007, and now presents *100 Best 2008*.

In the nine years that *100 Best* has been tabulated, just three companies—Intel, Cisco (No. 14) and Starbucks (No. 35)—have appeared on the list every year.

CRO's 100 Best Corporate Citizens 2008

Rank	Company	TICKER	AVERAGE SCORE	CLIMATE CHANGE	EMPLOYEE RELATIONS	ENVIRONMENT	FINANCIAL	GOVERNANCE	HUMAN RIGHTS	LOBBYING	PHILANTHROPY	INDUSTRY SUB GROUP
1	Intel Corp.	INTC	123.971	32	37	16	586	29	50	687	122	Electrical Components & Equipment
2	Eaton Corp.	ETN	124.509	22	20	80	417	163	32	693	127	Industrials - Diversified
3	Nike Inc.	NKE	139.004	8	138	120	359	213	80	598	57	Footwear
4	Deere & Co.	DE	139.622	47	245	128	131	213	80	719	111	Machinery
5	Genentech Inc.	DNA	149.771	8	13	25	372	50	607	652	3	Healthcare - Equipment
6	Corning Inc.	GLW	151.883	64	31	39	196	426	80	606	244	Communications Equipment
7	Humana Inc.	HUM	154.588	259	290	172	52	6	139	711	84	Healthcare - Services
8	Bank of America Corp.	BAC	157.169	22	37	235	616	107	61	548	7	Banks
9	ITT Corp.	ITT	158.918	3	340	2	357	6	98	611	354	Industrials - Diversified
10	PG& E Corp.	PCG	173.942	114	130	100	396	1	139	964	304	Utilities - Electric
11	Dominion Resources Inc.	D	174.299	119	283	61	371	163	139	673	89	Utilities - Electric
12	State Street Corp.	STT	176.560	16	380	148	256	283	90	650	76	Banks
13	Dow Chemical Co.	DOW	177.070	62	65	85	725	213	15	845	73	Chemicals
14	Cisco Systems Inc.	CSCO	178.022	32	593	20	348	6	50	524	254	Computer Hardware
15	Wisconsin Energy Corp.	WEC	178.285	104	126	35	390	365	104	930	117	Utilities - Electric
16	Progress Energy Inc.	PGN	182.054	80	244	95	482	213	139	913	9	Utilities - Electric
17	Entergy Corp.	ETR	185.671	114	44	512	207	6	90	807	206	Utilities - Electric
18	Norfolk Southern Corp.	NSC	190.148	184	74	158	370	213	139	916	141	Railtrack
19	Sun Microsystems Inc.	JAVA	191.534	80	192	130	666	29	27	648	228	Information Technology
20	Public Service Enterprise Group Inc.	PEG	191.777	184	2	339	127	327	139	844	132	Utilities - Diversified
21	IBM Corp.	IBM	192.338	47	65	40	607	283	13	781	323	Computer Hardware
22	Pepsico Inc.	PEP	193.536	80	534	117	377	6	80	527	189	Soft Drinks
23	Aetna Inc.	AET	194.934	64	192	518	163	64	139	838	119	Insurance - Health
24	Baxter International Inc.	BAX	194.992	64	79	16	199	699	80	784	263	Healthcare - Supplies
25	Burlington Northern Santa Fe Corp.	BNI	196.744	119	255	511	177	29	90	808	82	Railtrack
26	Allegheny Energy Inc.	AYE	200.818	259	23	334	59	64	139	811	426	Utilities - Electric
27	FPL Group Inc.	FPL	201.090	77	63	201	160	448	139	820	302	Utilities - Electric
28	Marathon Oil Corp.	MRO	202.719	253	79	505	49	163	57	813	168	Oil & Gas - Integrated
29	Xcel Energy Inc.	XEL	205.517	104	100	104	442	511	104	959	64	Utilities - Electric
30	Staples Inc.	SPLS	206.565	8	222	120	636	327	2	655	174	Retail - Speciality Stores
31	Southern Co.	SO	207.328	171	139	140	509	64	139	971	252	Utilities - Electric
32	Exelon Corp	EXC	207.678	104	98	126	161	448	139	626	397	Utilities - Electric
33	Raytheon Co.	RTN	209.729	16	60	62	294	64	575	953	426	Aerospace
34	Goldman Sachs Group Inc.	GS	210.269	39	616	294	126	163	19	628	208	Finance - Brokerage
35	Starbucks Corp.	SBUX	212.506	47	342	81	749	213	6	572	105	Restaurants
36	Ford Motor Co.	F	213.993	171	380	24	841	50	1	976	29	Automobiles - Cars & LCVs
37	PNC Financial Services Group Inc.	PNC	215.409	119	342	307	411	64	139	463	114	Banks
38	Applied Materials Inc.	AMAT	215.778	5	505	7	560	448	16	666	49	Semiconductor Equipment
39	Lockheed Martin Corp.	LMT	217.960	3	291	55	171	283	607	950	156	Aerospace
40	Agilent Technologies Inc.	A	218.755	64	291	13	325	805	40	660	58	Semiconductor Equipment
41	Sunoco Inc.	SUN	220.580	306	168	215	192	110	61	785	426	Oil & Gas - Integrated
42	Target Corp.	TGT	220.888	64	505	107	609	163	61	501	94	Retail
43	Intersil Corp.	ISIL	222.109	326	168	206	212	163	61	33	426	Semiconductor Equipment
44	Safeway Inc.	SWY	223.390	119	31	382	303	25	607	725	44	Retail - Food
45	FirstEnergy Corp.	FE	224.123	171	215	280	277	163	139	796	278	Utilities - Electric
46	J.P. Morgan Chase & Co.	JPM	224.518	64	139	350	498	50	19	696	426	Banks
47	Phillips-Van Heusen Corp.	PVH	224.969	326	406	388	257	6	104	33	48	Clothing & Accessories
48	Colgate-Palmolive Co.	CL	225.890	32	380	182	258	327	30	450	426	Personal Hygiene Products
49	Tiffany & Co.	TIF	226.897	119	61	217	340	647	90	669	114	Retail - Speciality Stores
50	Walt Disney Co.	DIS	230.647	39	576	94	515	110	32	814	291	Media - Broadcasting (TV & Radio)

In 2008, *CRO*—in partnership with IW Financial, a Portland, Maine, research and consulting firm that did much of the heavy lifting—tweaked the methodology to emphasize the corporate responsibility efforts of large, impactful corporations in eight categories: Climate Change, Employee Relations, Environment, Financial, Governance, Human Rights, Lobbying and Philanthropy. In so doing, we added, renamed, combined or dropped other categories, and gave Climate Change and other issues related to Environment the greatest weight because of their acute importance. For information about the methodology, see "Transparency, Policy, Performance Weighed Heavily in the Rankings".

As an aside, you won't find *CRO* or IW Financial on the *100 Best* list itself. Neither company was under consideration because the companies were not in the Russell 1000 index, our starting universe for the *100 Best* evaluations. But I believe both companies deserve a footnote mention because despite taking a few elbows by companies looking to curry favor, we stood by our principles and let the *100 Best* category data speak for themselves, watching the proverbial chips fall where they may concerning companies' rankings.

As author Kurt Vonnegut famously wrote in "Slaughterhouse Five," when things got messy, "so it goes."

As you will see, the *100 Best* rankings, which were compiled without interviewing companies under consideration, were driven by the numbers. Period.

CRO's new single-minded focus in *100 Best 2008* on large-cap, U.S.-headquartered public companies meant that 23 companies on the *100 Best 2007* list, including Green Mountain Coffee Roasters (No. 1 in 2007), weren't under consideration for the 2008 rankings. Another three companies in *100 Best 2007* weren't in the mix in 2008 because they merged with other companies or were acquired.

And, eight companies that would have secured places in *100 Best 2008* were excluded this year because of alleged transgressions that ranged from suppression of information about product risks to accounting scandals. For details, see "In the Penalty Box".

Even with those eight companies temporarily pushed aside, a spot on *100 Best* shouldn't be viewed as an automatic sainthood nomination. Among the largest companies in the United States, many of the corporations that made the list face complex regulatory issues, some cope with the consequences today of yesterday's sub-par practices, and many have very diverse businesses scattered across dozens of countries, further complicating the equation. Instead, these data-driven rankings should be seen as a way to gauge how the major players in U.S. business stack up against one another relative to their corporate responsibility programs in the real world.

Even *100 Best 2008* leader Intel, based in Santa Clara, Calif., faces antitrust regulatory probes in Korea, Europe and the U.S., as well as class-action lawsuits in the U.S., related to an Advanced Micro Devices' (AMD) lawsuit alleging that Intel violated the Sherman Act.

Intel readily addresses the issue, and is contesting the allegations. Stangis says Intel recently filed answers to questions on the issue from the European Commission, for instance, and he argues that the "push" for much of the scrutiny comes from AMD, a competitor.

And, Gap (No. 61) faced a corporate responsibility crisis in October when a published report in the U.K. alleged that the apparel retailer was using child labor in India. Gap says it quickly launched an investigation and cancelled the work order because an unauthorized subcontractor was using child labor to manufacture a GapKids product.

Gap says in 2006 it shut operations in 23 factories for violations of its Code of Vendor Conduct.

When it comes to such a Corporate Responsibility moment, we feel, the aggressiveness and appropriateness of a company's response is key.

Overall, 21 corporations that were listed in *100 Best 2007* found themselves among the *100 Best in 2008*, as well. They range from IBM (No. 21) and Pepsico (No. 22) to Motorola (No. 51) and Avon Products (No. 98).

It may surprise some that the utilities industry, frequently under fire for its massive carbon footprint and other environmental missteps, was the most heavily represented sector in *100 Best 2008*, with 19 corporations, from PG&E (No. 10) to El Paso (No. 87), among the listees.

Mark Bateman, Director of Research at IW Financial, says there is "an inherent logic" to companies from problematic industries like utilities, oil and chemicals securing positions on the *100 Best* because the rankings' methodology emphasizes and rewards the disclosure of information and policies.

Companies in these industries have more potential problems than those in supposedly "clean" industries so chemical, oil and utilities companies may be more sophisticated in addressing environmental management and human rights concerns than the financial sector, Bateman adds.

Incidentally, nine banks, brokerages or financial companies have spots on *100 Best 2008*. These rankings and the companies Financial tallies were not impacted by the companies' huge write-downs in the fourth quarter related to subprime mortgage-related debt. Most of the data for *100 Best 2008* were collected through Aug. 31, prior to the write-downs.

Other companies, like Freeport-McMoran Copper & Gold (No. 52), with its copper and gold reserves, and media conglomerate Walt Disney Co. (No. 50), were the sole representatives of their industries on the list.

Intel showed ample corporate responsibility soul, and sits solely atop *100 Best 2008* overall.

As Intel's rise to the top shows, the key to achieving optimum ranks in *100 Best* was to score well across a broad swath of corporate citizenship categories. In fact, in *100 Best 2008* only four companies (PG&E in Governance, Ford in Human Rights, Motorola in Climate Change and one of the Penalty Box companies in Philanthropy) achieved a category ranking of "1". That means that the com-

panies that scored first out of 1000 companies in Employee Relations, Environment, Financial and Lobbying had scores in other categories that dragged down their rankings, leaving them off the list of the leading 100 companies.

Intel ranked in the top 100 in five of the eight categories, scoring its best mark in Environment (which measures environmental disclosures, policies and performance) and in the top 200 in another category, Philanthropy.

IW Financial notes that "Intel believes that global climate change is a serious economic, social and environmental challenge that warrants an equally serious societal and policy response."

In 2006, Intel joined the U.S. EPA's Climate Leaders program, pledging to reduce its global greenhouse gas (GHG) emissions 30 percent per production unit from 2004 to 2010.

"Intel helped establish a goal for PFCs (perfluorocompounds) that the entire industry could support," Intel President and CEO Paul Otellini told *CRO*." It came together before Kyoto and was the first worldwide, industry-wide goal to address climate change. We view our environmental strategies as integral to the way we do business. We strive to lead by example, and to be trusted stakeholders to governments worldwide."

Otellini says Intel views sustainability "through a business lens" and such an approach can lead to a competitive advantage. "For example, we have a dedicated capital funding program for energy conservation projects," Otellini adds. "Since 2001, we have spent more than $20 million and achieved savings of more than $42 million and more than 500 million kilowatt hours."

As Intel's Corporate Responsibility Director, Stangis notes that his role is almost like an internal consultant on corporate responsibility issues.

He has found, too, that Intel's credibility on sustainability issues is far-reaching. For example, Otellini is a member of the Copenhagen Climate Council, which hopes to push for a new global treaty on climate change.

And when Stangis met with the CEO and senior staff of Woolworths, a supermarket chain in Australia, a two-hour discussion ensued about Intel's corporate responsibility initiatives.

"It is a boardroom conversation," Stangis says, referring to corporate responsibility. "It hasn't been at this level before."

Eaton (No. 2) , a diversified industrial manufacturer operating in more than 140 countries in industries ranging from aviation and military weapons to machinery and passenger cars, ranked in the top 100 in four categories and in the top 200 in two others.

The company scored its best marks in Employee Relations and Climate Change.

Alexander Cutler, the Cleveland, Ohio, company's President, CEO and Chairman, says Eaton is a "different" kind of company because of the importance it places on values, including establishing a global ethics framework, respect for the individual and a holistic approach "to doing business right."

Eaton never asks employees to compromise their personal ethics, and supports internal help and counseling phone lines, Cutler says.

He adds that about 97 percent of the company's approximately 63,000 employees complete the annual employee survey.

On the employee front, too, Eaton participates in the U.S. Occupational Safety and Health Administration's Voluntary Protection Programs.

Regarding its 22nd rank in Climate Change, Eaton's goal is to reduce GHG emissions 18 percent (adjusted for production) by 2012. And it has several employee education programs to emphasize the company's curbing of water usage and waste.

Eaton scored 80th in Environment and was among the first diversified industrial companies to earn global ISO 14001 certification for its environmental management systems.

Deere & Co. (No. 4), the farm equipment and lawn mower manufacturer headquartered in Moline, Ill., ranked in the top 100 in Climate Change and Human Rights and in the top 200 in Philanthropy, Environment and Financial.

The company ranked 80th in Human Rights. Robert Lane, Chairman and CEO of Deere, says of the company's human rights stance that it has consistent employee guidelines and a worldwide supplier code of conduct despite operating in many countries with varied cultures.

"We are often noted for the clean and safe working conditions in non-U.S. factories that we provide our employees here in the U.S.," Lane says. "For instance, I have personally had the opportunity to observe the same low emissions paint process in our China factory as we use in the U.S. factories. We maintain the same high standards and our employees embrace this commitment."

Deere earned its best category mark, 47th, in Climate Change. Lane notes that Deere in 2007 invested almost $500 million in wind energy to assist rural economies in electricity production.

"We also developed high-performance tractors with diesel engines designed and manufactured by Deere that are more fuel efficient than the models they replaced," Lane says.

For example, Deere's PowerTech Plus diesel engines, which are certified Tier 3 and Stage III-A by the EPA and European Union (EU), respectively, "boast best-in-class fuel economy as well as increased performance and power density compared with earlier engines," IW Financial states.

Lane believes that Deere's position in *100 Best* is "rewarding" and means recognition "for being a strong corporate citizen."

He notes that *100 Best* may assist employee retention and recruitment efforts. "We know from our own experience that current employees and future employees want to work for a good corporate citizen," Lane says. "This is an important trend that is showing even more strength with new employees."

Meanwhile, Motorola (No. 51), the communications company headquartered in Schaumburg, Ill., has the distinction of garnering the top ranking, among 1000 companies considered, in Climate Change.

A founding member of the Chicago Climate Exchange in 2003, Motorola in 2007 became

the first member to include all of its worldwide manufacturing sites that aren't currently covered under the Kyoto Protocol and the EU's Emissions Trading Scheme in the company's GHG-reduction commitment, says Maryann Clifford, Motorola's Ethics & Compliance Officer.

"Motorola has worked for many years to reduce its GHG emissions and mitigate contributions to global climate change," Clifford says. "This is not just the right thing to do. It also helps us reduce costs, improve operational efficiency and meet the expectations of our stakeholders."

As part of that effort, in 2007 Motorola completed a transition from managing and auditing environmental, health and safety compliance on a site-specific basis to a common system that takes in all of the company's manufacturing facilities around the world, Clifford says.

"Reporting has helped us to drive continuous improvement," Clifford says, referring to annual environmental reports.

She adds: "As the saying goes, what gets measured, gets managed."

A similar thing could be said about *CRO's 100 Best Corporate Citizens 2008:* What gets measured, managed and disclosed, gets ranked. CRO

IN THE PENALTY BOX

As we have done in the past, *CRO* did a final review of companies mathematically qualified for *100 Best 2008* and took scandals into consideration. For the first time, this year we are disclosing the reasons behind our scandal analysis. As a result of our scandal review, we put the companies below in the Penalty Box. They were involved in a recent (during the past three years) major public scandal (involving a significant government- or regulator-imposed fine; major government-initiated lawsuit; admission of guilt or conviction; major corporate governance lapse; or other comparable infraction). They would again be eligible for *100 Best* three years after the settlement, fine or culminating event.

- Bristol-Myers Squibb: A federal monitor called for the resignations in September 2006 of CEO Peter Dolan and General Counsel Richard Willard on corporate-governance grounds related to Plavix patent litigation. They indeed resigned. Also, the company agreed on Sept. 28, 2007, to pay some $516 million to settle state and federal claims of improper pricing, marketing and sales practices.
- Chevron: The company agreed Nov. 14, 2007, to pay federal authorities $30 million in connection with illegal surcharges that Chevron-contracted third parties paid to Iraq under the Oil for Food Program.
- Eli Lilly: The company in the second quarter of 2005, entered into $700 million agreement to settle product liability claims in the U.S. related to the antipsychotic drug Zyprexa. The suits alleged that Eli Lilly inadequately tested for and warned about the medication's side effects, and improperly marketed Zyprexa.
- ExxonMobil: The state of New York filed suit against the company in July 2007, seeking to force ExxonMobil to clean up a 17 million gallon oil spill from its refinery and storage operations in Brooklyn, N.Y.
- Hewlett-Packard: Chairwoman Patricia Dunn resigned Sept. 22, 2006, at the request of the board following a scandal that involved an improper investigation of boardroom leaks.
- Mattel: Citing problems with subcontractors in China, Mattel in 2007 recalled millions of toys for impermissible levels of lead paint. In 2006 and 2007, the company also recalled millions of toys that could cause a choking hazard because of the potential release of small magnets.
- Merck: The company faces numerous lawsuits and reportedly a federal grand jury probe related to accusations that it concealed data about the health risks of its painkiller, Vioxx, and used improper marketing practices. In late 2007, the company entered into a pending $4.85 billion settlement with plaintiffs alleging injuries from the drug.
- Travelers Companies: The commercial insurer said in late 2007 that it settled a shareholder suit, alleging it paid contingent commissions to brokers and engaged in bid rigging, for an undisclosed sum. Separately, Travelers agreed to a $6 million settlement with several states alleging improper insurance placement and producer compensation practices. CRO

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