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2012 Sustainability Leadership Report

MEASURING PERCEPTION VS. REALITY FOR 100 PROMINENT GLOBAL BRANDS

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Welcome.

We are pleased to share with you our second annual Sustainability Leadership Report covering 100 prominent global brands.

This quantitative study – the only one of its kind – is based on ongoing global research that includes actual ESG performance data, as well as survey responses from investment professionals, purchasing managers and graduating university students measuring perceived performance. Once again we have had the pleasure of teaming with CRD Analytics and The Institute for Supply Management,® and would like to thank them for their continued support.

Since our inaugural report (June 2011), in which we pioneered the comparison of real versus perceived sustainability performance, we have received positive feedback from many of the 100 companies analyzed, as well as the press, academic and NGO communities. The report and the Brandlogic® Sustainability IQ Matrix℠ have become recognized frameworks that can help organizations manage towards sustainability leadership.

What makes the report uniquely valuable is its methodology. It compares both perceived and actual reported corporate performance on environmental, social and governance factors for 100 leading companies that collectively account for approximately 16% of gross world product. This two-pronged approach lets us look at sustainability as more than a simple, one-dimensional rank. The Brandlogic Sustainability IQ Matrix places companies in one of four categories, each with its own distinct implications for the business: *Leaders, Challengers, Promoters and Laggards*.

As we prepared this year's report, we were particularly interested to find out if there were any notable or surprising changes. Indeed, there were.

Some findings were expected. A few companies fell out of the top 100, to be replaced by others. Social factors remain twice as important as environmental and governance in forming perceptions of good corporate citizenship. Most survey respondents once again cited ESG performance as an important factor in the decisions they make.

What we did not anticipate was the way the actual and perceived scores have moved since last year. Real sustainability performance rose significantly, with almost every company measured in both years improving on this dimension. What was most interesting, however, was the fact that even as actual ESG performance improved, perceptions *fell*. We'll take a closer look at who rose, who fell and by how much later in the report.

The insights in this report are only the beginning. As companies across all industries define their own paths to corporate sustainability leadership, having a partner that understands the strategic issues across multiple dimensions is critical. Brandlogic is uniquely positioned to help your organization in this regard. We hope that you find this report useful and, we would be delighted to hear from you!

Hampton Bridwell
Managing Partner
Brandlogic

James Cerruti
Senior Partner, Strategy and Research
Brandlogic

The path to sustainability leadership

This past year we have witnessed dramatically rising interest in and commitment to corporate sustainability around the world. Corporate investment is increasing and more third parties are monitoring and analyzing environmental, social and governance (ESG) performance. The Global Reporting Initiative (GRI) is currently developing the fourth generation of its guidelines, and 2012 saw the launch of the Sustainability Accounting Standards Board (SASB), an organization that is pioneering new, industry-specific accounting standards for sustainability reporting. All of these developments underscore sustainability's rise towards the top of corporate agendas.

In this environment of increasing focus, we believe that managing the linkage between sustainability practices and corporate brands is more relevant than ever. The purpose of this study is to demonstrate a useful, quantitative methodology that can uncover risks and opportunities related to ESG and help guide brand and operational investment decisions in tandem. Based on the attention the inaugural report generated, our unique method of calculating Sustainability Reality Scores (SRS) and Sustainability Perception Scores (SPS), then comparing them to generate insight, seems to have proven its worth.

Last year's inaugural report was a snapshot. By following it up with a second look, its value is greatly increased – now, comparisons can be made through the extensive detail we've added showing how companies' actions over the past year have impacted their real performance, as well as stakeholder perceptions.

This year's study also includes some improvements based on what we learned in 2011. We both adjusted the timing of data collection and gave the covered companies the opportunity to review the real performance data utilized herein. We also replaced six companies this year to adhere to the study's selection criteria for companies to be included among our 100 prominent global brands.

This fascinating story of sustainability leadership in both action and stakeholder perception is one that will continue to evolve. Already we are seeing thought-provoking shifts. Time will tell if these become meaningful trends.

WHAT IS SUSTAINABILITY?
(HINT: IT'S BIGGER THAN "GREEN")

More and more, businesses and their stakeholders are coming to understand that sustainability is not the same thing as "green" environmental practices. It is a combination of environmental stewardship, social responsibility and corporate governance – the three factors of ESG. This is the view put forth by the Global Reporting Initiative and is also the basis of this report.

REALITY VS. PERCEPTION – WHY BOTH MATTER

Comparing real performance to stakeholder perceptions uncovers opportunities and risks in a way that single-dimension rankings cannot. The comparison highlights the critical role of brand communications, especially to "highly attentive" audiences that make critical decisions based on sustainability perceptions.

A company that does well in reality but fails to convey that information to stakeholders may lose out on a golden opportunity to influence decisions. Conversely, there is considerable risk if an enterprise is unable to live up to its perceived performance.

A unique way of looking at sustainability leadership

In both 2011 and 2012 we found that social factors are twice as important as environmental or governance factors in determining perceptions of good corporate citizenship, reaffirming that sustainability is bigger than "green."

KEY ELEMENTS OF THE PERCEPTION RESEARCH COVERING 100 PROMINENT GLOBAL BRANDS

- Stated importance of a corporation's ESG performance in decisions made by respondents, with scores weighted accordingly to produce more representative results
- Ratings of corporations' overall perceived corporate citizenship relating to ESG performance
- Discrete, objective ratings of performance on environmental, social and corporate governance factors

Our inaugural 2011 study, along with subsequent interactions with companies covered in it, established and validated a framework for ongoing measurement and management of corporate sustainability leadership. Validation of our methods was critical, because to determine the success of company efforts to improve performance it is necessary to take measurements over time using an accepted methodology.*

The annual study has three objectives:

- Provide new insights on the opportunities and risks global corporations may face in the investment community, among supply chain partners and in the market for talent. These insights are based on:
  – Degree of alignment of perceived and actual ESG performance.
  – Perceived versus actual ESG performance relative to competitors and exemplars.
  – Changes year-over-year in companies' real performance and stakeholder ratings.
- Offer objective information that may be used to identify priority areas for investment and action.
- Measure companies' progress over time on both the actual and perceived performance on ESG dimensions.

Consistent with the 2011 report, our 2012 study uses two discrete sets of data to measure actual versus perceived performance. The Sustainability Reality Score (SRS) data were provided by CRD Analytics, the creator of the NASDAQ Sustainability Index. The Sustainability Perception Score (SPS) was calculated from the results of our proprietary survey, covering three key stakeholder groups in six countries.

The SRS is based on five key performance indicators for each of the three ESG dimensions, encompassing 141 performance metrics. The source data were drawn from CRD Analytics' proprietary SmartView® 360 platform and database.

The Brandlogic Corporate Sustainability Brand Perception Survey that is the basis of the SPS asked three key stakeholder groups a series of questions covering a comprehensive range of ESG factors. Respondents were asked to rate up to seven companies on each of these factors.

*Additional detail on the study methodology, data sources and statistical notes can be found online at http://sustainabilityleadershipreport.com

Key findings for 2012 on 100 prominent global brands

This year's study revealed a striking finding: Even as Sustainability Reality Scores (SRS) increased across the board, Sustainability Perception Scores (SPS) *decreased*. Given the greater focus on sustainability, we expected the reality scores to improve, but the decline in perception was a surprise.

Of the 94 companies measured in both years, 93 improved their SRS ratings – in some cases dramatically. Approximately one fifth of companies increased their scores by over 10 points and seven of these by over 24 points on the 100-point SRS index. These gains led to a significant 9.3 point rise in the mean SRS of our 100 companies from 42.4 in 2011 to 51.7 in 2012.

In contrast, the mean score of the 100 studied companies on the SPS index dropped almost three points from 47.2 in 2011 to 44.5 this year. Of the 94 companies measured both years, 68 saw a decline in perceived sustainability performance. Twenty-seven of them fell more than five points, with twelve of these declining more than eight points.

Comparing the reality and perception scores year-to-year reflects the combined effects of increasing SRS and declining SPS:

- In 32 of the 33 cases where there remains a gap in which SRS exceeds SPS performance, that gap has widened.
- For the reverse case in which SPS exceeds SRS, in every one of the 26 instances where there remains a gap, that gap has narrowed year over year. The degree is striking. In 2011 there were 15 companies with perception-led gaps above 20 points. This year there are only two: Amazon and Facebook.
- Of 35 instances in which the nature of the gap flipped direction, 100% of the time the change was from perception leading reality to the opposite. Some of these changes were dramatic. For example, Bank of America moved its SRS up 27.7 points while its perceived performance stayed level.

These data seem to indicate that most of the 100 companies' real ESG performance has exceeded their ability or efforts to communicate this improved performance effectively, at least to the three "highly attentive" stakeholder groups covered by our study. It may also reflect increased scrutiny and skepticism by these groups. More companies are getting less credit for their sustainability efforts and it would appear that respondents have become tougher critics on an issue seen as more important than ever. (See page 15 for Importance of Good Corporate Citizenship in Decision Making.)

All surveyed stakeholder groups (investment professionals, purchasing/supply professionals and graduating college/university students) gave lower ratings to companies' perceived ESG performance. Interestingly, one group – purchasing/supply professionals – made downgrades that were on average at least twice as large as the reductions made by the other two segments.

These results underscore the criticality that companies find the appropriate channels, messaging and forms of engagement to reach crucial stakeholders and tell their stories effectively.

Even as Sustainability Reality Scores increased across the board, Sustainability Perception Scores *decreased*.

100 PROMINENT GLOBAL BRANDS– ADDITIONS AND RETIREMENTS

Each year, we reapply selection criteria that include alignment of primary marketing brand and corporate name, leading brand value, industry representation and publicly traded stock. Brands that fail to meet all criteria are removed. New brands were selected to allow more useful comparisons within industry categories.

Retirements:
- Henkel
- Kraft
- Motorola
- Nivea
- RIM – Blackberry
- 7-Eleven

Additions:
- Barclays
- Dell
- Facebook
- H&M
- John Deere
- SAP

Sources at a glance

Source of the
Sustainability Reality Score (SRS)
used in the Sustainability IQ Matrix

141 metrics[1] for rating companies

- Environmental
- Social
- Governance

5 key performance indicators per ESG dimension

- *Environmental*: Waste, energy, water, emissions, risk mitigation
- *Social*: Product responsibility, community, human rights, diversity and opportunity, employment quality
- *Governance*: Board functions, board structure, compensation, vision and strategy, stakeholder rights

1200 rated corporations

- Publicly traded
- US $500 million market capitalization or more
- Produced sustainability, corporate social responsibility (CSR), governance or other reports covering some or all E, S and G performance metrics aligned with GRI guidelines
- Ratings based on company information publicly available as of September 1, 2012

Source of the
Sustainability Perception Score (SPS)
used in the Sustainability IQ Matrix

16000+ company ratings

2500 respondents from 3 "highly attentive," crucial segments (800+ respondents in each)

- Purchasing/supply professionals
- Investment professionals
- Graduating college/university students

100 prominent global brands covering 9 of the 10 Global Industry Classification Standard (GICS®)[2] categories

- Consumer Discretionary
- Consumer Staples
- Energy (Oil and Gas)
- Financials
- Industrials and Transportation
- Information Technology
- Materials and Mining
- Pharmaceuticals/Healthcare
- Telecommunications and Internet

6 major countries covered (400 respondents in each)

- China
- Germany
- India
- Japan
- United Kingdom
- United States

[1] Numeric or Boolean

[2] Only utilities were not covered because of the generally local nature of these markets, companies and brands. GICS is a registered trademark of Standard & Poor's and MSCI.

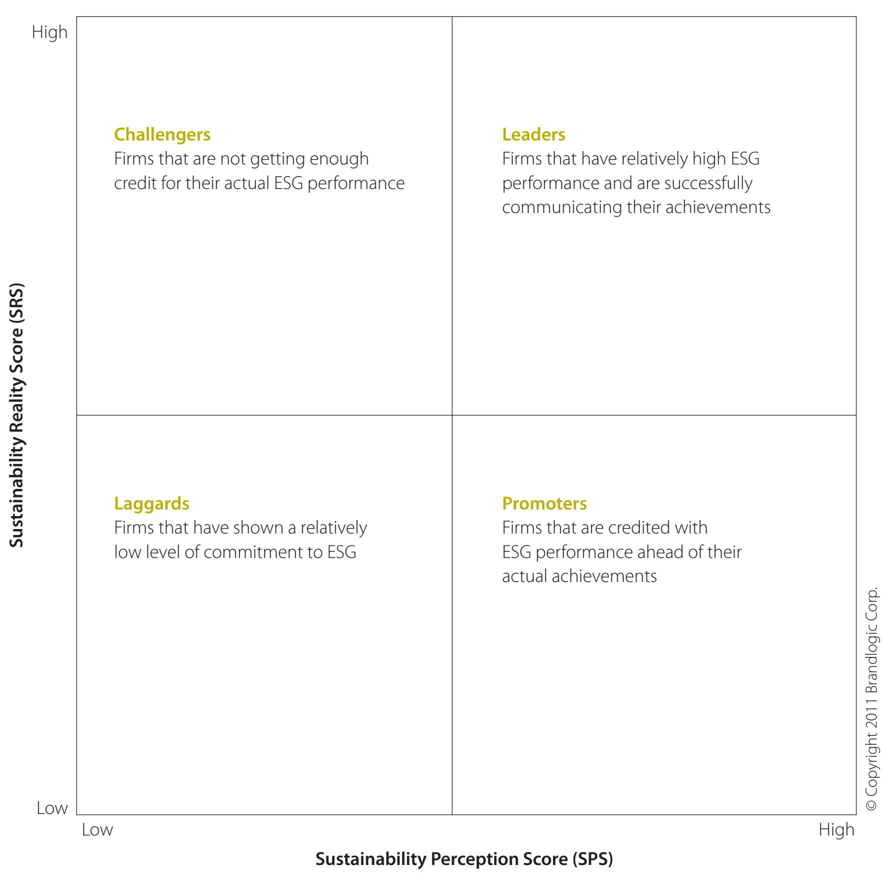
The Brandlogic Sustainability IQ Matrix℠: How we visualize sustainability leadership

The two sets of data covering perceived and actual performance for each company are easily visualized by plotting them on two dimensions. We've done this for the aggregate group of 100 prominent global brands and have also broken out the companies in nine industry sectors to allow at-a-glance comparisons with industry peers. New for 2012 is a comparative data overlay on the industry charts showing 2011 results, to make it easy to see how the scores have changed.

The Sustainability IQ Matrix is divided into quadrants to aid in identifying opportunities for improvement and ease interpretation. The *Leaders* – those that outperform the field in both actual and perceived performance – are at the upper right.

While the Sustainability IQ Matrix and the indices on which it is based are useful for comparison purposes, they do not provide actionable information in themselves. They can, however, provide a yardstick against which a company may gauge the impact of sustainability initiatives. More complete detail on the data behind the indices, including complete findings by company, key constituency, ESG factor, country and survey question may be obtained by contacting Brandlogic.

BRANDLOGIC SUSTAINABILITY IQ MATRIX



PIONEERING A MANAGEMENT FRAMEWORK

In 2011, we introduced a powerful new tool for sustainability and communications executives: Sustainability IQ. It represents a valuable methodology and framework that guides strategic decision making on a global scale.

Brandlogic Sustainability IQ Matrix℠ 2012

Real gains, perception challenges

Since 2011 there have been some significant shifts of position within and across quadrants among the 94 companies covered in both reports. For sector-by-sector positions and year-over-year movements see the industry matrices on the following pages.

We proposed in our 2011 report that the *Challenger* companies are best positioned to achieve new sustainability leadership and secure the attendant unrealized ROI through investing in effective communications and stakeholder engagement. Several companies were, in fact, able to do this.

Six companies who were *Challengers* in our 2011 study are new *Leaders* in 2012. These companies – AXA, Coca-Cola, Deutsche Bank, EADS/Airbus, GE and L'Oréal – stand out for having found ways to leverage their high real performance into correspondingly high perceived performance relative to their peers.

While no company that placed in the *Promoters* or *Laggards* quadrants in the 2011 study moved into the *Leaders* quadrant, three of our newly added companies have entered the study as *Leaders* – SAP, Dell and John Deere. The other three new additions – Barclays, Facebook and H&M – join their global brand peers as *Laggards*.

Twelve of the 2012 *Leaders* who were also *Leaders* in 2011 saw significant slippage (5 points or more) in their perceived performance: ABB, Abbott Labs, Accenture, Cisco, Colgate-Palmolive, GSK, IBM, Intel, Nokia, Novo Nordisk, 3M and Walt Disney. Another five 2011 *Leaders* slipped back to the *Challenger*s quadrant– AstraZeneca, Bayer, HP, Nike and Merck, suggesting that they are falling behind in their communications and engagement efforts.

Only two of the 2011 *Leaders*, Deutsche Telekom and Alcoa, dropped below the SRS mean in 2012. Deutsche Telekom landed in the *Promoters* quadrant while Alcoa dropped all the way into the *Laggards* quadrant. One 2011 *Challenger* – DuPont – and four 2011 *Promoters* – AT&T, BASF, Panasonic and Visa – moved to the *Laggards* quadrant this year.

There were only two companies from the *Laggards* quadrant in 2011 who raised their real performance enough to jump into the *Challengers* quadrant: Bank of America gained 27.7 points and Heineken 12.4 points. Four other 2011 *Laggards*, perhaps reflecting investment more in improving communications versus in improved real ESG performance, moved from the *Laggards* quadrant to the *Promoters* quadrant – Amazon, American Airlines, Avon and FedEx.

THE IMPLICATIONS OF THE MATRIX QUADRANTS

Leaders: Companies with above average real and perceived performance need to keep raising their game to stay ahead of peers and reap the available financial and reputational gains from their performance.

Challengers: Companies whose real ESG performance is above average and substantially ahead of their perceived performance may have opportunities to secure unrealized ROI from investments in communications and brand positioning.

Promoters: Companies with high perceived performance relative to their actual ESG performance may be putting significant value at risk if investments to improve real performance are not made.

Laggards: Companies below the mean on both dimensions are vulnerable to erosion of market position as competitors raise the bar for acceptable performance.

A look at new *Leaders*

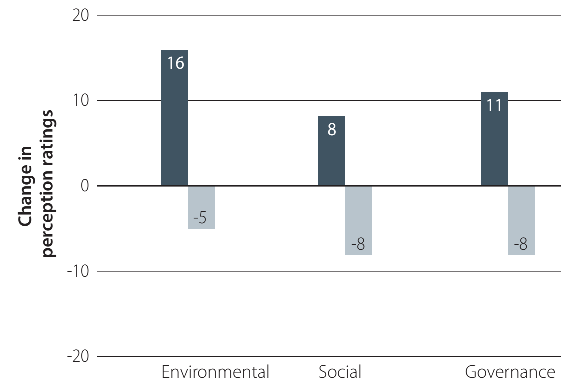
Six companies in our 2011 study emerged as new *Leaders* this year. All of them had been in the *Challengers* quadrant in 2011. All raised their real performance scores and improved their relative perceived performance. Three improved their SPS outright while the other three held relatively steady during a year when the average SPS index of the 100 companies measured fell.

THREE PERCEPTION GAINERS (BY SPS)

GE's perception scores increased across all E, S and G dimensions and all stakeholder segments. The largest increase was on the environmental dimension, which corresponds to improved real environmental performance. The GE advance to the *Leaders* group is particularly notable as it was achieved despite perceptual changes running in opposite directions in developed versus newly developed countries.

"At GE, we are committed to continuing to raise the bar. Through our ecomagination initiative we've established a global presence while remaining a very local partner for our customers. The ecomagination portfolio today includes more than 140 products and services, generating $105 billion in revenue."
– Mark Vachon, Vice President ecomagination, GE

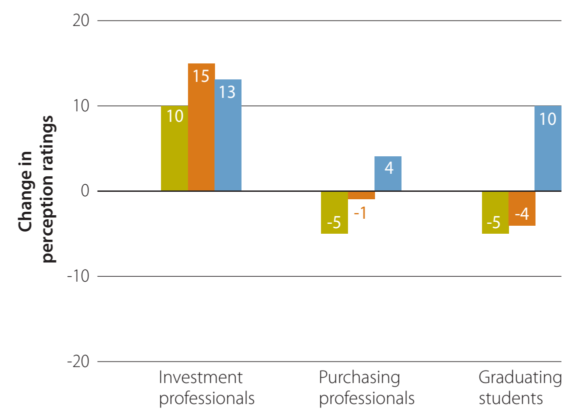
YEAR-OVER-YEAR CHANGE IN PERCEIVED PERFORMANCE: DEVELOPED AND NEWLY DEVELOPED COUNTRIES



Deutsche Bank

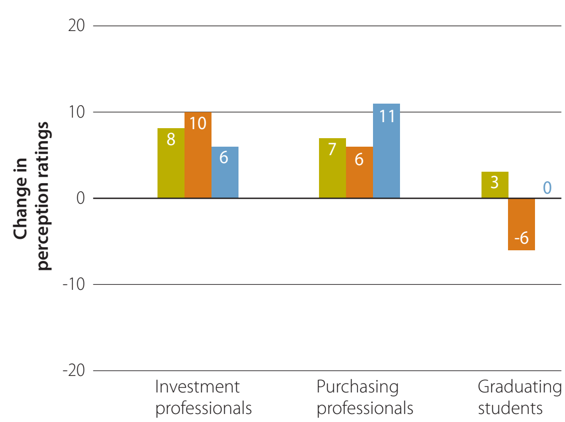
Investment professionals gave the bank ratings well above the study mean with double-digit increases on all three ESG dimensions. A large gain (9 points on average) in perceived governance performance across all three stakeholder segments led to the bank's overall increase in perceived performance.

YEAR-OVER-YEAR CHANGE IN PERCEIVED PERFORMANCE ON E, S AND G DIMENSIONS



With its perception score rising by 4.5 points over 2011, AXA achieved something matched by only one other company this year (GE, another new *Leader*). Large positive shifts in perception from last year across each dimension of sustainability were achieved among investment professionals and purchasing managers, more than offsetting a decline among graduating students. The largest increases were recorded in developed countries.

YEAR-OVER-YEAR CHANGE IN PERCEIVED PERFORMANCE ON E, S AND G DIMENSIONS

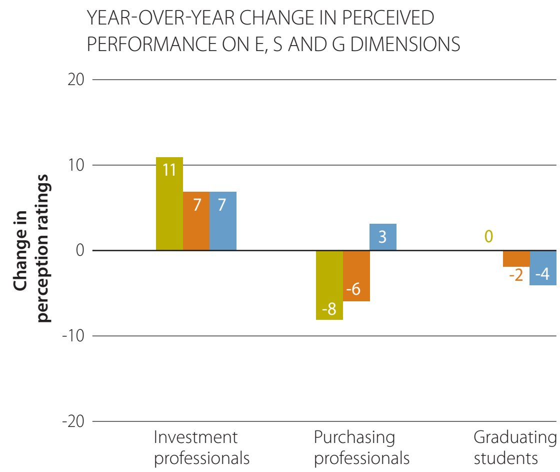


Key

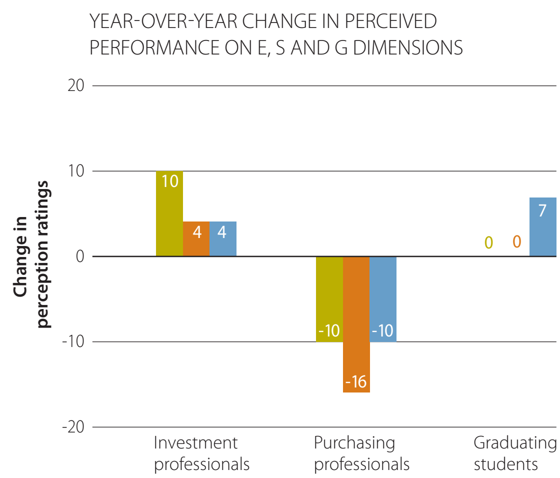
- Environmental
- Social
- Governance
- Developed countries
- Newly developed countries

THREE PERCEPTION MAINTAINERS (BY SPS)

An ascent into the *Leaders* quadrant was largely the result of holding steady against the general downward pressure on companies' perceived performance scores. It was the significant improvement of perception among investment professionals on all three ESG components, especially environmental, that pulled its SPS above the mean.



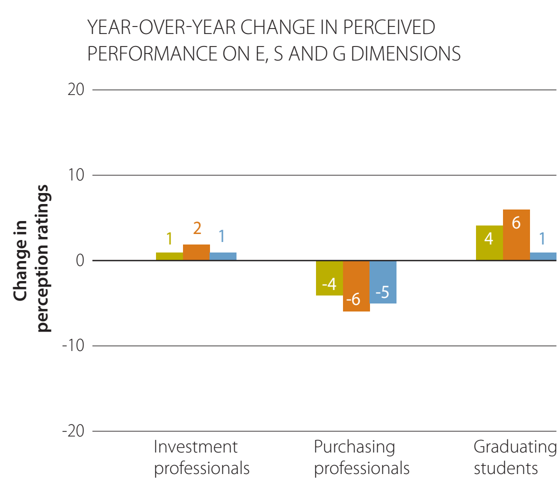
Among investment professionals, most striking was the boost in the company's perceived environmental performance. Its governance score rose considerably among graduating students, predominantly in newly developed countries. Perceptions took a significant hit among purchasing managers when compared to last year, especially on the social dimension. However, even with this decline the company's overall SPS still came in above the mean.



A steady SPS was due to improved perceptions among graduating students and to some degree investment professionals, offsetting declines among purchasing/supply professionals, especially on the social and environmental dimensions.

"We understand the value of engaging stakeholders and have increased our efforts to share and communicate our vision for sustainable, responsible and inclusive growth."

– Pamela Gill Alabaster
Senior Vice President Corporate Communications
Sustainable Development & Public Affairs, L'Oréal USA



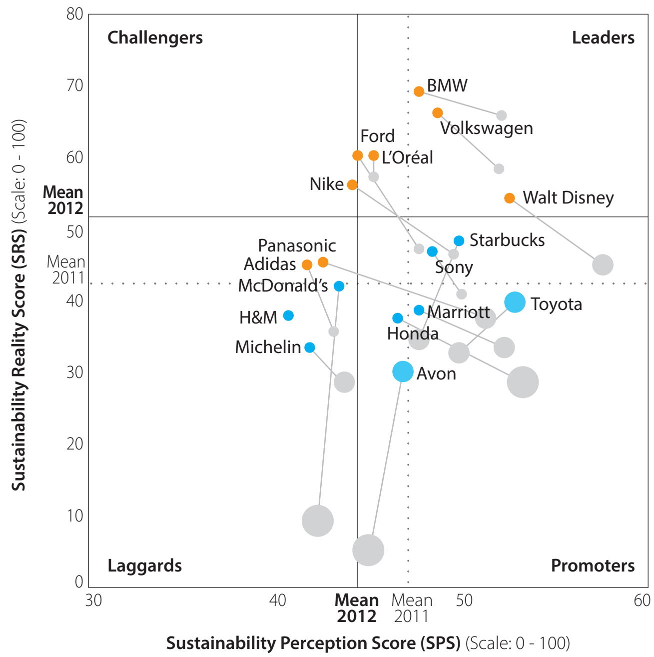
Matrices by industry

The 100 prominent global brands we cover each year span nine of the 10 Global Industry Classification Standard (GICS) categories. The remaining category, Utilities, is not included because these companies are local/regional in nature.

One of our selection criteria for inclusion in the study group is industry representation. Our goal is to provide a useful set of peers in each category for comparison purposes; indeed, the six new entrants this year were chosen from a field of otherwise-qualified candidates for this reason.

The charts in this section are organized by GICS category. This makes comparisons within category easier. It also allows the inclusion of year-on-year data so shifts over time can be seen.

SUSTAINABILITY IQ MATRIX: **CONSUMER DISCRETIONARY**



CONSUMER DISCRETIONARY

In this category, six companies achieved SRS improvements above the 9.3 point average increase. Three of these six companies and one other raised their perceived performance.

Cosmetics: L'Oréal moved from a *Challenger* in 2011 to a *Leader* in 2012. Despite a real performance score twice Avon's, L'Oréal's perceived performance still slightly lags Avon's, a *Promoter* this year.

Food service: While both McDonald's and Starbucks significantly improved on the SRS index, McDonald's remains a *Laggard* and Starbucks a *Promoter*.

Apparel: Nike, losing perceptual ground, moved back from a *Leader* to a *Challenger*, while Adidas stayed in the *Laggards* quadrant despite substantial real performance gains. H&M, joining the study this year, scored in the *Laggards* quadrant.

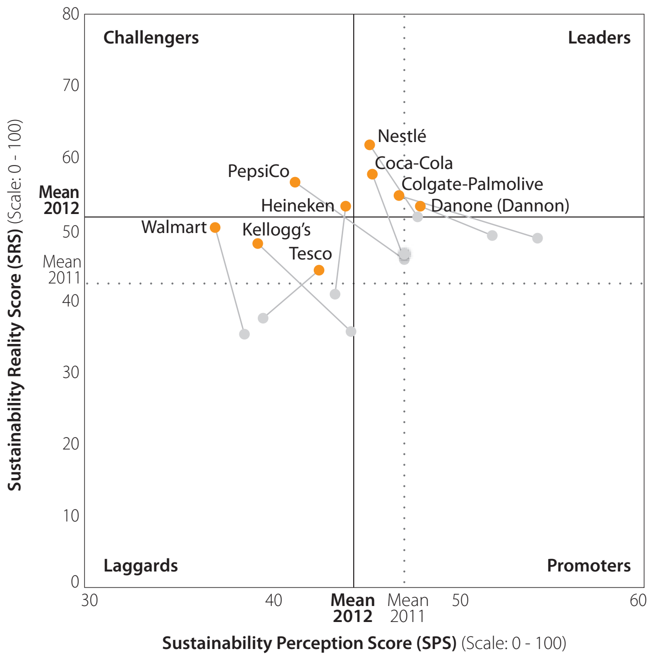
Consumer electronics: Sony remains a *Promoter*, while Panasonic shifted from the *Promoters* quadrant to the *Laggards* due to a big hit in perceived performance.

Automotive: Toyota, a *Promoter*, is the only one to improve perceived performance. In fact, its perceived performance is the highest among the group despite its having, along with Honda and Michelin, considerably lower real performance compared to *Leaders* BMW, Volkswagen and Ford.

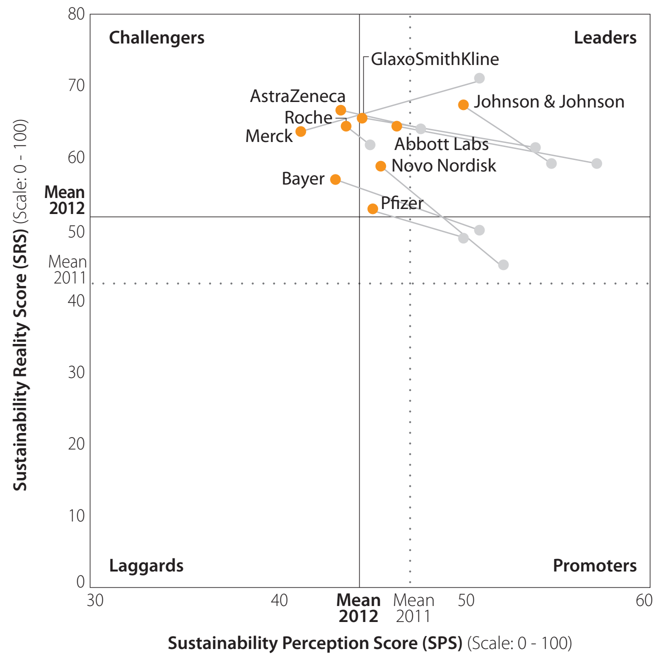
Key

2012, SRS greater than SPS	*2012, SPS greater than SRS*	*2011*
Alignment gap > 20 points	Alignment gap > 20 points	Alignment gap > 20 points
Alignment gap 10 - 20 points	Alignment gap 10 - 20 points	Alignment gap 10 - 20 points
Alignment gap < 10 points	Alignment gap < 10 points	Alignment gap < 10 points

SUSTAINABILITY IQ MATRIX: **CONSUMER STAPLES**



SUSTAINABILITY IQ MATRIX: **PHARMACEUTICALS/HEALTHCARE**



CONSUMER STAPLES

In this category six companies realized SRS performance gains above the 9.3 points study average: only two, however, achieved perceptual gains.

Beverages: Coca-Cola, PepsiCo and Heineken all made significant gains on real performance. Heineken also eked out a small gain on perception and entered the *Challengers* quadrant. PepsiCo suffered a more significant drop in perceived performance than did Coca-Cola, which moved to the *Leaders* quadrant.

Mass retail: Walmart's gain in real performance puts it ahead of Tesco on the SRS dimension in 2012. Nonetheless, Tesco's perceived performance rose while Walmart's fell. Both remain in the *Laggards* quadrant.

Food manufacturing: Nestlé and Danone (Dannon) remain *Leaders* in 2012 and Kellogg's, despite a big advance on real performance, remains a *Laggard*. Danone continues to lead Nestlé in 2012 on perceived performance even though Nestlé's real performance is significantly ahead.

Personal care: Colgate-Palmolive's improved real performance kept it above the study mean and despite a significant knock back on perceived performance it stayed in the *Leaders* quadrant.

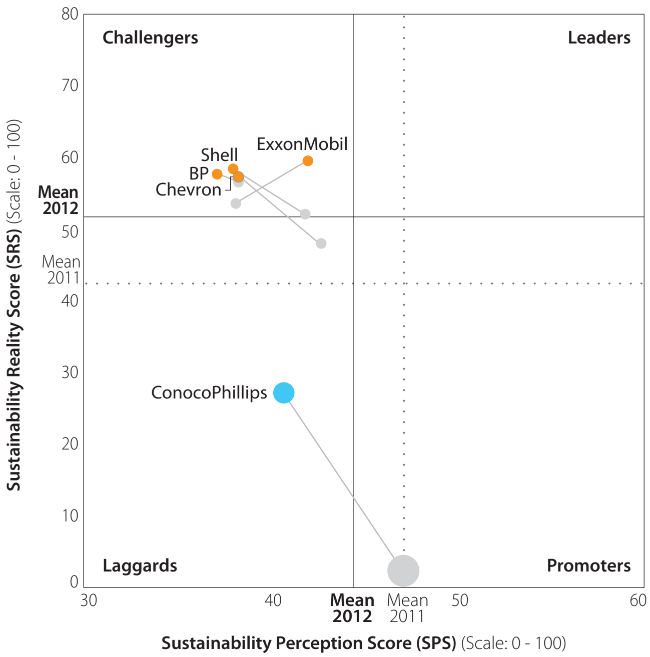
PHARMACEUTICALS/HEALTHCARE

Every one of the companies in this category experienced a drop in perceived performance, despite generally increasing real performance year-over-year. What is driving this perceptual markdown is not readily discerned. Perhaps it is partially due to erosion of its relative distinction as an industry of purpose-driven companies committed to improving societies around the globe, as companies from other industries now make similar commitments and claims.

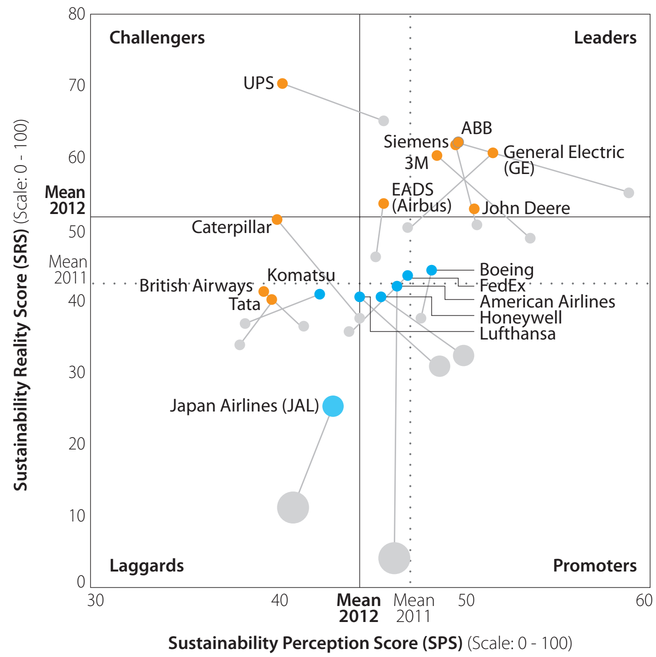
- The biggest drops in perceived performance were for Abbott Labs, Merck, GlaxoSmithKline and Bayer.
- Novo Nordisk, Johnson & Johnson and Bayer realized the largest improvements on real performance among these peers.
- Despite strong real performance, drops in perceptual performance caused AstraZeneca and Bayer to drop into the *Challengers* quadrant from their 2011 *Leaders* positions.
- Merck was the only company in the study to have its reported real performance score drop,* which, along with its perceived performance fall, pushed it back into the *Challengers* quadrant.

* This drop could be more apparent than real as it may reflect 2012 reporting gaps rather than actual performance deterioration.

SUSTAINABILITY IQ MATRIX: **ENERGY (OIL AND GAS)**



SUSTAINABILITY IQ MATRIX: **INDUSTRIALS AND TRANSPORTATION**



ENERGY (OIL AND GAS)

Four out of the five companies saw a drop in their perceived performance, despite all of them making improvements on real performance.

- Four of the five companies' real performance scores cluster closely together, with ConocoPhillips still a significant outlier. However, all five, including ConocoPhillips, have fairly similar perception scores, perhaps signaling a shared negative industry halo effect.

- ConocoPhillips had one of the largest real performance gains of all the studied companies, but it was still not enough to pull the company out of the *Laggards* quadrant into the *Challengers* quadrant with the other four.

- ExxonMobil was the only company in the group to gain on both perceived and real performance dimensions from 2011 to 2012.

INDUSTRIALS AND TRANSPORTATION

All 16 companies that were included both years realized gains in real performance scores; eight also managed perceptual gains.

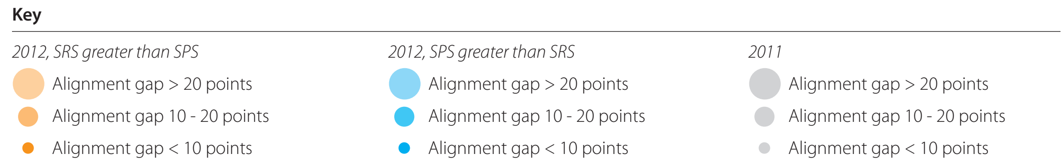
Industrial equipment, products and engineering: GE increased performance on both dimensions, moving firmly into the *Leaders* quadrant. ABB, Siemens, Honeywell and 3M all raised real performance, but lost ground perceptually. Tata managed to gain some ground on both scores, but remains a *Laggard*.

Machinery: Caterpillar made big strides versus Komatsu on real performance, but Komatsu gained on perceived performance while Caterpillar fell. Both remain in the *Laggards* quadrant. John Deere, a study newcomer, scored amongst the *Leaders*.

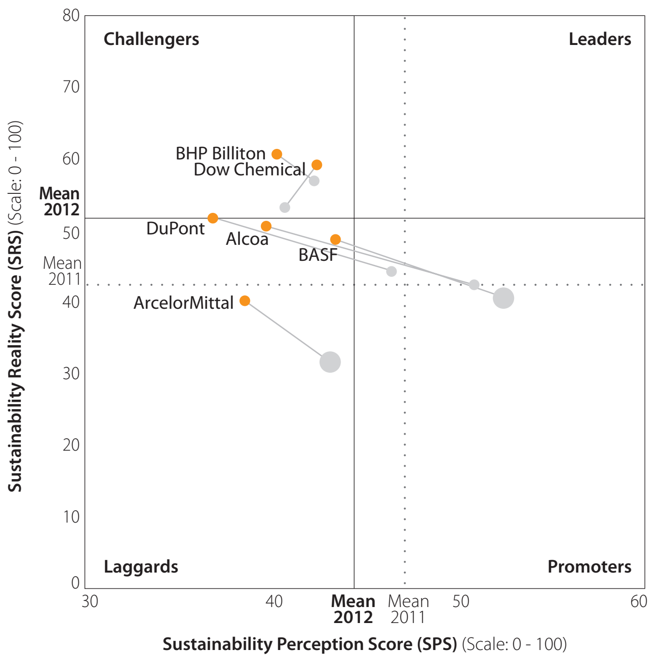
Aerospace: EADS (Airbus) pushed from a *Challenger* to a *Leader*, achieving gains on both SRS and SPS dimensions. Boeing also improved on both scores, but remains a *Promoter*.

Airlines: All performed well below the SRS mean, despite American achieving the second biggest SRS improvement (37.7 points) in the study.

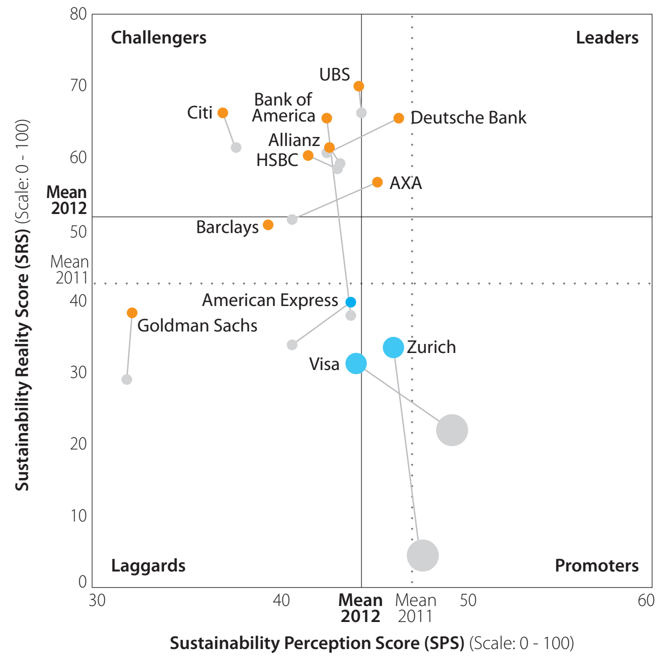
Delivery services: UPS has one of the top three real performance scores in the study, but its perceived performance keeps it among the *Challengers*. In contrast, FedEx, with real performance well below UPS, receives perceived performance scores above the mean and well ahead of UPS, placing it in the *Promoters* quadrant.



SUSTAINABILITY IQ MATRIX: **MATERIALS AND MINING**



SUSTAINABILITY IQ MATRIX: **FINANCIALS**



MATERIALS AND MINING

Three companies in this category retreated into the *Laggards* quadrant, despite all making some gains in real performance. Only one company in the group improved its perceived performance.

Chemicals: Dow Chemical raised its performance on both dimensions and remains in the *Challengers* quadrant. DuPont and BASF both suffered significant drops in their perceived performance. DuPont did not raise its real performance sufficiently to keep pace with the mean SRS rise of 9.3 points and thus was driven into the *Laggards* quadrant from the *Challengers* quadrant last year. BASF, which pulled back from the *Promoters* to the *Laggards* quadrant, continues to lead DuPont significantly on perceived performance despite achieving lower real performance.

Minerals, metals and mining: Alcoa's perceived performance suffered a large drop to below the SPS mean, while its real performance improvements were not enough to get it above the SRS mean. These two facts forced Alcoa, a 2011 *Leader*, into the *Laggards* quadrant. BHP Billiton, again a *Challenger*, and ArcelorMittal, still a *Laggard*, have similar perceived performance. This is true even though BHP Billiton's real performance score is one third higher than ArcelorMittal's.

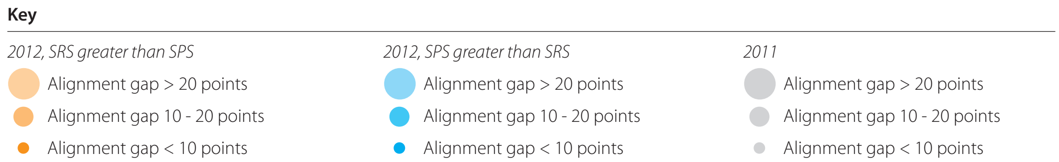
FINANCIALS

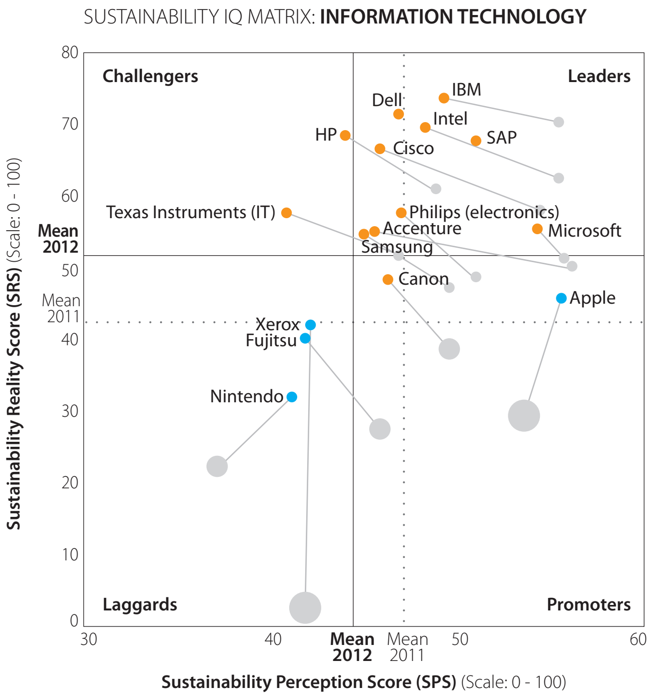
In the 2011 report there were no Financial Services companies among the *Leaders*. In 2012 that changed; two companies – a bank and an insurer – have moved from *Challengers* to *Leaders*.

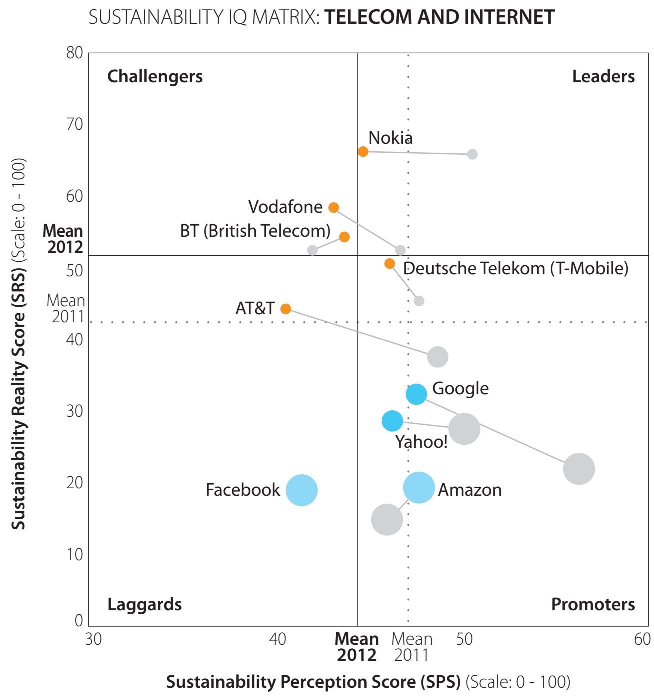
Banking: Deutsche Bank, a 2011 *Challenger*, improved both its real and perceived performance to become a 2012 *Leader*. Bank of America achieved one of the largest improvements in real performance among the studied companies, placing it convincingly among *Challengers* this year. HSBC, Citi and UBS all improved real performance, but not perceived performance and so stayed *Challengers*. Barclays, a study newcomer, placed amongst the *Laggards* along with Goldman Sachs.

Insurance: AXA, already a *Challenger* in 2011, raised its perceived performance in 2012 enough to join the *Leaders*. Allianz, whose real performance exceeds AXA's, trails its rival on perceived performance and remains among the *Challengers*. Despite the third largest year-over-year gain in real performance (28.8 points), Zurich remains a *Promoter* in 2012.

Payments: VISA advanced its real performance, somewhat closing the gap with its perceived performance. Also closing that gap was a decline in its perceived performance. This decline drew VISA back from the *Promoters* quadrant in 2011 to the *Laggards* quadrant this year. American Express, despite some gains on both performance dimensions, remains in the *Laggards* quadrant.







INFORMATION TECHNOLOGY

Of the 14 companies included in both years, only three increased their SPS, while all increased their real performance.

Computers/ IT services: IBM remains a *Leader* and received the highest SRS this year (73.8 points). HP increased its real performance but fell below the mean on perception, pulling it from *Leader* to *Challenger*. Dell enters the study as a *Leader* with real performance second only to IBM. Apple received the highest perception score of all companies (55.6 points) though its real performance continues to lag the SRS mean. Cisco, Philips and especially Accenture all lost ground perceptually but remained *Leaders*. Nintendo improved on both scores but not enough to exit the *Laggards* quadrant. Fujitsu remains a *Laggard* despite stepping up real performance.

Software: Microsoft and SAP (joining the study this year) are both *Leaders*. SAP's real performance score is significantly above Microsoft's, but its perceived performance is below.

Semiconductors: Intel, Samsung and Texas Instruments all lost ground perceptually while increasing real performance. None changed either quadrant or their position relative to the others.

Office equipment: Xerox had the greatest SRS increase of any company in the study (40.6 points), but remains a *Laggard*. Canon remains a *Promoter* despite an increase in real performance.

TELECOM AND INTERNET

This category contains three of the five lowest scoring companies on the real performance dimension. While all companies in both the 2011 and 2012 studies improved real performance somewhat, six of the eight saw their perceived performance diminish.

Telcos: Deutsche Telekom improved its real performance, but not enough to stay in the *Leaders* quadrant. AT&T's perceived performance fell, pulling the company back from a *Promoter* to a *Laggard*. BT managed to increase both scores equally and remains a *Challenger*. Vodafone, though losing some perceptual ground, raised its real performance to remain a *Challenger,* as well.

Telecom equipment: Nokia remains in the *Leaders* quadrant despite lower perceived performance putting its SPS rating just above the mean. Though a cross category comparison, it is impossible not to mention Apple here, as well. Nokia's SRS rating at 66.4 points is well above Apple's at 45.9 points, yet Apple's SPS rating outstrips Nokia's at 55.6 points versus 44.7 points.

Internet: All four of these companies – Amazon, Google, Yahoo and Facebook – score near the bottom of all the companies on real performance. Facebook has the lowest real performance score amongst the 100 companies followed by Amazon. Google, in the *Promoter* quadrant again, increased its real performance to surpass Yahoo, another repeat *Promoter*. All four of these companies' perceived performance significantly exceeds their real performance.

Importance of good corporate citizenship in decision making

Several studies have been published indicating that good corporate citizenship does not much influence consumer purchase decisions. Nonetheless, we believed that for three "highly attentive" groups – investment professionals, purchasing/supply professionals, and graduating students – good corporate citizenship would prove very relevant to their decision-making processes.

Our initial findings in 2011 among these groups aligned with this view and the 2012 findings lend additional support. An overwhelming majority – 88% – state that it is "important" in the decisions they make. This year, the percentage who state it is "extremely important" rose slightly to represent nearly half of all respondents. This overall rise, however, masks some interesting differences across countries and stakeholder segments.

Respondents in India continue to be most likely to view good corporate citizenship as "extremely important" and respondents in Japan continue to be least likely. Purchasing managers in the US increased their rating of it as "extremely important" by 8% over last year. There are similar gains among investment professionals in the UK and Germany, and an even larger one in China. One of the largest increases was observed among German students, who with a 16% gain are now aligned with their peers in the UK and US.

Investment professionals in India and Japan ran counter to trend, showing a significant year-over-year decrease in these markets, as did students in China who are now one of the least likely segments to view good corporate citizenship as "extremely important."

STATED IMPORTANCE OF GOOD CORPORATE CITIZENSHIP IN DECISION MAKING[1]

[1] Question: "When evaluating a company as a potential investment or investment recommendation, supply chain partner or employer, how important is it to you that the company act as a good corporate citizen, operating in a socially and environmentally responsible manner?" Respondents rated importance on a 5-point scale, where 1 = not at all important and 5 = extremely important.

[2] Change of intensity measures the change in the number of respondents viewing good corporate citizenship as "Extremely Important" this year as compared to those stating so last year.

[3] US sample provided by The Institute for Supply Management.™

Sustainability ratings: *100 prominent global brands*

In these tables companies are arranged in descending order of their total Sustainability Perception Score (SPS) within their Global Industry Classification Standard (GICS) category.

HOW THE 100 PROMINENT GLOBAL BRANDS WERE SELECTED

The study team endeavored to achieve a spread of leading companies across nine of the 10 major GICS (excluding utilities, as they are virtually all local/one-country brands). Companies were selected according to the following criteria:

1. Publicly traded company legally obligated to report financial performance.

2. Company's primary market brand is, or is closely associated with, the corporation's name.

3. Major global brand (i.e., among the highest in brand value in their industry sector per Brand Finance® Global 500 rankings 2012) and therefore likely to have a relatively high level of familiarity among investment professionals, purchasing/supply management professionals and graduating college/university students in the US, China, Japan, UK, Germany and India.

4. Or one of the largest international businesses and brands from one of the six countries meeting criteria 1 and 2, not in the highest rank globally by size/brand value, *but* with significant brand awareness in all or most of the other survey countries.

COMPANY NAME	SPS 2012	SPS CHANGE FROM 2011	SRS 2012	SRS CHANGE FROM 2011	QUAD-RANT	ALIGNMENT GAP
Consumer Discretionary						
Toyota	52.9	3.0 ▲	39.9	7.0 ▲	Promoter	P
Walt Disney	52.5	-5.1 ▼	54.3	9.4 ▲	Leader	R ↻
Starbucks	49.9	2.2 ▲	48.4	13.9 ▲	Promoter	P
Volkswagen	48.7	-3.3 ▼	66.1	7.8 ▲	Leader	R
Sony	48.5	-1.5 ▼	47.0	6.2 ▲	Promoter	P
BMW	47.8	-4.4 ▼	69.1	3.4 ▲	Leader	R
Marriott	47.7	-4.6 ▼	38.7	5.1 ▲	Promoter	P
Avon	46.9	1.9 ▲	30.0	24.6 ▲	Promoter	P
Honda	46.6	-6.7 ▼	37.6	9.0 ▲	Promoter	P
L'Oréal	45.3	0.0	60.3	3.0 ▲	Leader	R
Ford	44.5	-3.2 ▼	60.4	13.3 ▲	Leader	R ↻
Nike	44.2	-5.3 ▼	56.0	9.4 ▲	Challenger	R ↻
McDonald's	43.5	1.1 ▲	41.9	32.7 ▲	Laggard	P
Panasonic	42.6	-8.7 ▼	45.4	7.7 ▲	Laggard	R ↻
Michelin	41.9	-1.9 ▼	33.6	4.9 ▲	Laggard	P
Adidas	41.7	-1.4 ▼	44.9	9.1 ▲	Laggard	R ↻
H&M*	40.8	–	38.0	–	Laggard	P
Consumer Staples						
Danone (Dannon)	48.1	-3.8 ▼	53.0	4.0 ▲	Leader	R ↻
Colgate-Palmolive	46.8	-7.5 ▼	54.6	5.9 ▲	Leader	R ↻
Coca-Cola	45.5	-1.7 ▼	57.6	11.6 ▲	Leader	R ↻
Nestlé	45.3	-2.5 ▼	61.6	9.7 ▲	Leader	R
Heineken	43.9	0.5 ▲	53.3	12.4 ▲	Challenger	R ↻
Tesco	42.6	3.0 ▲	44.4	6.9 ▲	Laggard	R ↻
PepsiCo	41.3	-5.9 ▼	56.5	9.9 ▲	Challenger	R ↻
Kellogg's	39.3	-5.1 ▼	47.9	12.0 ▲	Laggard	R ↻
Walmart	37.0	-1.7 ▼	50.1	14.6 ▲	Laggard	R ↻
Energy (Oil and Gas)						
ExxonMobil	42.1	3.9 ▲	59.4	6.0 ▲	Challenger	R
ConocoPhillips	40.7	-6.4 ▼	27.3	25.4 ▲	Laggard	P
Chevron	38.3	-4.4 ▼	57.5	9.3 ▲	Challenger	R
Shell	38.0	-3.8 ▼	58.4	6.1 ▲	Challenger	R
BP	37.2	-1.1 ▼	57.7	1.3 ▲	Challenger	R
Financials						
Deutsche Bank	46.4	3.8 ▲	65.6	4.8 ▲	Leader	R
Zurich	46.1	-1.6 ▼	33.5	28.8 ▲	Promoter	P
AXA	45.3	4.5 ▲	56.5	5.1 ▲	Leader	R
UBS	44.2	-0.2 ▼	69.9	4.5 ▲	Challenger	R
VISA	44.1	-5.1 ▼	31.2	9.3 ▲	Laggard	P
American Express	43.9	3.2 ▲	39.6	5.8 ▲	Laggard	P
Allianz	42.7	-0.6 ▼	61.5	2.5 ▲	Challenger	R
Bank of America	42.6	-1.3 ▼	65.7	27.7 ▲	Challenger	R ↻
HSBC	41.5	-1.6 ▼	60.4	2.1 ▲	Challenger	R
Barclays*	39.5	–	50.5	–	Laggard	R
Citi	37.0	-0.7 ▼	66.4	5.1 ▲	Challenger	R
Goldman Sachs	32.2	0.3 ▲	38.4	9.4 ▲	Laggard	R ↻
Pharmaceuticals/Healthcare						
Johnson & Johnson	50.0	-4.7 ▼	67.2	8.2 ▲	Leader	R
Abbott Labs	46.4	-10.8 ▼	64.5	5.5 ▲	Leader	R
Novo Nordisk	45.6	-6.5 ▼	59.0	14.1 ▲	Leader	R ↻
Pfizer	45.2	-4.8 ▼	52.9	4.0 ▲	Leader	R ↻
GlaxoSmithKline	44.5	-9.3 ▼	65.6	3.7 ▲	Leader	R
Roche	43.8	-1.3 ▼	64.3	2.4 ▲	Challenger	R
AstraZeneca	43.5	-4.2 ▼	66.6	2.7 ▲	Challenger	R

COMPANY NAME	SPS 2012	SPS CHANGE FROM 2011	SRS 2012	SRS CHANGE FROM 2011	QUAD-RANT	ALIGNMENT GAP
Pharmaceuticals/Healthcare *continued*						
Bayer	43.1	-7.8 ▼	56.8	7.1 ▲	Challenger	R ↻
Merck	41.3	-9.6 ▼	63.7	-7.5 ▼	Challenger	R
Industrials and Transportation						
General Electric (GE)	51.6	4.5 ▲	60.7	10.6 ▲	Leader	R
John Deere*	50.6	–	53.0	–	Leader	R
ABB	49.8	-9.1 ▼	62.2	7.0 ▲	Leader	R ↻
Siemens	49.5	-1.2 ▼	61.7	11.2 ▲	Leader	R ↻
3M	48.5	-5.0 ▼	60.2	11.4 ▲	Leader	R ↻
Boeing	48.3	0.6 ▲	44.1	6.4 ▲	Promoter	P
FedEx	47.0	3.1 ▲	43.7	8.0 ▲	Promoter	P
American Airlines	46.5	0.2 ▲	42.0	37.7 ▲	Promoter	P
EADS (Airbus)	45.8	0.5 ▲	53.5	7.4 ▲	Leader	R
Honeywell	45.6	-4.3 ▼	40.5	8.2 ▲	Promoter	P
Lufthansa	44.5	-4.2 ▼	40.4	9.6 ▲	Promoter	P
Japan Airlines (JAL)	43.0	2.1 ▲	25.5	14.2 ▲	Laggard	P
Komatsu	42.2	4.0 ▲	40.8	4.0 ▲	Laggard	P
UPS	40.3	-5.4 ▼	70.4	5.3 ▲	Challenger	R
Caterpillar	40.1	-4.4 ▼	51.2	13.6 ▲	Laggard	R ↻
Tata	39.7	1.7 ▲	40.1	6.1 ▲	Laggard	R ↻
British Airways	39.3	-2.1 ▼	41.3	4.8 ▲	Laggard	R ↻
Information Technology						
Apple	55.6	2.1 ▲	45.9	16.6 ▲	Promoter	P
Microsoft	54.3	-1.4 ▼	55.4	4.8 ▲	Leader	R ↻
SAP*	51.0	–	67.8	–	Leader	R
IBM	49.2	-6.3 ▼	73.8	3.6 ▲	Leader	R
Intel	48.3	-7.2 ▼	69.5	6.9 ▲	Leader	R
Philips (electronics)	47.0	-4.1 ▼	57.6	8.8 ▲	Leader	R ↻
Dell*	46.9	–	71.5	–	Leader	R
Canon	46.2	-3.4 ▼	48.4	9.6 ▲	Promoter	R ↻
Cisco	45.9	-8.5 ▼	66.6	8.6 ▲	Leader	R
Accenture	45.6	-10.5 ▼	55.1	4.7 ▲	Leader	R ↻
Samsung	45.0	-4.5 ▼	54.7	7.4 ▲	Leader	R ↻
HP	44.0	-4.9 ▼	68.4	7.5 ▲	Challenger	R
Xerox	42.1	0.3 ▲	41.9	40.6 ▲	Laggard	P
Fujitsu	41.9	-4.0 ▼	40.2	12.5 ▲	Laggard	P
Nintendo	41.1	4.0 ▲	32.0	9.7 ▲	Laggard	P
Texas Instruments (TI)	40.9	-5.9 ▼	57.6	6.0 ▲	Challenger	R
Materials and Mining						
BASF	43.4	-9.1 ▼	48.9	8.4 ▲	Laggard	R ↻
Dow Chemical	42.4	1.7 ▲	59.3	6.1 ▲	Challenger	R
BHP Billiton	40.3	-1.9 ▼	60.7	3.8 ▲	Challenger	R
Alcoa	39.8	-11.1 ▼	50.7	8.2 ▲	Laggard	R ↻
ArcelorMittal	38.6	-4.6 ▼	40.1	8.5 ▲	Laggard	R ↻
DuPont	36.9	-9.5 ▼	51.6	7.2 ▲	Laggard	R ↻
Telecom and Internet						
Amazon	47.7	1.6 ▲	19.3	4.3 ▲	Promoter	P
Google	47.6	-8.7 ▼	32.3	10.4 ▲	Promoter	P
Yahoo!	46.3	-3.8 ▼	28.5	0.9 ▲	Promoter	P
Deutsche Telekom (T-Mobile)	46.1	-1.6 ▼	50.5	5.1 ▲	Promoter	R ↻
Nokia	44.7	-5.8 ▼	66.4	0.4 ▲	Leader	R
BT (British Telecom)	43.7	1.7 ▲	54.3	1.7 ▲	Challenger	R
Vodafone	43.1	-3.6 ▼	58.5	5.9 ▲	Challenger	R
Facebook*	41.5	–	18.8	–	Laggard	P
AT&T	40.6	-8.1 ▼	44.4	6.8 ▲	Laggard	R ↻

Key

- ■ Above mean
- ■ Below mean
- P Perception-led gap
- R Reality-led gap
- ↻ Reverse of last year

*One of six companies new to 2012 study; no 2011 ratings.

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  - Performance benchmarking
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- Identity and brand design

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- Employee engagement
- Stakeholder engagement

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- Reporting strategy, writing and design
- Digital and experience design
- Marketing communications
- Thought leadership communications

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