brandlogic | CRD® Analytics

Sustainability leadership report™

Measuring perception vs. reality

2011 INAUGURAL STUDY
COVERING 100 GLOBAL CORPORATIONS

Matching actual corporate sustainability performance with perceptions among investment professionals, purchasing/supply management professionals and graduating students from the US, China, Japan, Germany, UK and India

Supported by

ISM® institute for supply management

EXECUTIVE SUMMARY

This report summarizes a study that compared perceived and actual reported corporate performance on environmental, social and governance (ESG) factors for 100 leading companies across most industries. The global study, conducted by Brandlogic and CRD Analytics, measured perceptions in six countries among three key audiences: investment professionals, purchasing professionals and graduating university students soon entering the workforce, all of whom have reasons to be *highly attentive* to the performance of corporations on ESG factors.

The goal of the study is to help those responsible for managing corporate reputation – both staff and line executives – understand the gap between perception and reality regarding their ESG performance. The study's insights offer valuable input as these professionals seek to influence key external stakeholders, helping to target communications and operational investments surrounding ESG. This report contains only high-level findings. Detailed analyses of individual companies and sectors are available separately from Brandlogic Corporation.

The study revealed a number of key findings and insights.

- Regression analysis revealed social factors were, on average across the sample, twice as significant as either environmental or governance factors in determining survey respondents' perception of good corporate citizenship in 2011.
- When asked about the importance of good corporate citizenship in respondents' decision making, we learned that an overwhelming majority – 88 percent – state that it is "important." Nearly half – 45 percent – view it as "extremely important."
- Within the overall rankings, there were some striking – and surprising – findings. For example, the perceived performance of respected companies like Google and Apple dramatically exceeded their actual ESG performance.
- From an industry sector standpoint, Pharmaceuticals stands out, with almost all surveyed companies leading in both actual and perceived performance. Several IT companies also displayed leadership in both measures.

There is an increasing, global focus on corporate sustainability practices. ESG performance is being scrutinized more closely than ever.

Today, there is a clear mandate for marketing and branding executives to do more to ensure their brand's sustainability. Its ongoing relevance and health must be established in a world of shifting societal, customer, employee and investor values.

A key question for corporate leadership involves the linkage between operational sustainability practices and the corporate brand. If ESG practices are indeed becoming more important to major constituencies, what profile should they be given in the organization's brand positioning and communications? To answer this question – and make good brand investment decisions – it is critical to obtain objective observations on the role sustainability practices play in the decision-making processes of key stakeholder groups. With appropriate measurement, leaders can prioritize sustainability initiatives using fact rather than conjecture.

Measurement also creates an opportunity to provide critical inputs on the material impact (or "materiality," in the parlance of reporting) of specific sustainability issues from the standpoints of both internal and external stakeholders. These inputs are crucial for compliance with the reporting criteria established by the Global Reporting Initiative, which produces a leading standard for sustainability reporting.

The role played by sustainable practices in stakeholder decisions represents a new and valuable input for both brand investment guidance and reporting compliance, yet this factor is not typically addressed by existing brand performance measurements. It is often necessary to modify these measurements by integrating sustainability into brand research methodologies and analytics.

An in-depth examination of currently available surveys, studies, thought leadership papers and articles on the subject of corporate sustainability revealed significant knowledge gaps. In particular, our team noted a marked lack of tools that can pinpoint where and how corporate brand- and reputation-building communications should intersect with the ESG concerns of key constituencies. In addition, there was little or no ability to identify the specific internal operational initiatives that can be aligned to address these concerns.

The research team concluded that closing these gaps could add value and clarity to corporate decision-making around sustainability investments in both operational improvements and brand communications. This inaugural study, the first of a planned annual series, is the result of our efforts to help clients fill those knowledge gaps and make informed strategic communications, as well as operational decisions around their ESG performance.

WHAT IS SUSTAINABILITY?

While sustainability is often associated with "green" environmental practices, it is increasingly being used in a broader sense. For the purposes of this study, sustainability and sustainable practices encompass social and corporate governance factors, in addition to practices relating to the environment.

What profile should ESG practices be given in brand positioning and communications?

Study background

The goal of the study is to reveal gaps between actual and perceived ESG performance.

Brandlogic and CRD Analytics recognize that corporate sustainability performance is rapidly becoming a crucial consideration among corporations' *highly attentive* key constituencies.* These stakeholder groups extend beyond end-customers/consumers and range from supply chain partners to investors, employment markets and the broader communities in which corporations operate.

The emphasis on sustainability performance by both internal and external stakeholders is having a significant impact on corporate reputation and brand management. CEOs, corporate CMOs and other corporate communications leaders are increasingly expected to manage corporate brands/reputations factoring in the material ESG issues pertaining to their companies.

Objective measurements of ESG performance are an important tool for these professionals. To this end, CRD Analytics has developed its proprietary SmartView™ 360 platform to score, rank and rate actual corporate performance on ESG factors along with financial performance. SmartView™ 360 utilizes 175 performance metrics across all ESG and financial factors, 93 of which were sourced from the Global Reporting Initiative's G3.1 indicators.

For the study, this platform was leveraged to generate discrete scores for environmental, social and governance performance, which served as the basis of a Sustainability Reality Score (SRS) for each company. While this fact-based score provides important insight into a corporation's actual performance on ESG factors, complementary measures of *perceived* performance among many of the crucial constituencies have, until now, been largely lacking.

The overarching goal of the study is to reveal potential perceptual gaps, or discontinuities, between actual and perceived ESG performance by measuring corporations' reputations for performance on key ESG factors and comparing these findings to existing data on actual reported corporate performance, as tracked by CRD Analytics.

We think the study results, and the underlying methodologies, may provide CEOs, CMOs and other C-suite executives with new tools for managing corporate reputations and brands in a business environment that increasingly values good corporate citizenship.

**Note:* Numerous recent studies exploring consumer choice underscore the fact that the vast majority of consumers are not largely driven in their purchasing decisions by consideration of corporations' sustainability commitments and performance. However, the investment community, supply chain partners and graduating students all have reasons to be highly attentive to corporations' sustainability practices and are exerting significant influence on corporate behaviors/priorities over time. This is why we have focused our study around these *highly attentive* audiences.

Study objectives

This inaugural study had three primary objectives, one of which was to establish a framework for ongoing research. This is important because the initial study represents only a snapshot; to determine the success of efforts to improve performance, it is necessary to take measurements over time.

- 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:
  – The degree of alignment or misalignment of *perceived* versus *actual* ESG performance.
  – *Perceived* versus *actual* ESG performance relative to competitors and exemplars.

- Provide an objective basis for companies to take internal initiatives that address the highlighted opportunities and risks among key constituencies by identifying specific priority areas for potential investment and action.

- Establish a statistically valid approach and benchmark for measuring progress over time on both the actual and perceived dimensions of ESG performance.

Two discrete sets of data were needed to measure actual versus perceived performance. Of these two, one set was already in existence. The research team needed to generate the second.

Brandlogic, with support from CRD Analytics and The Institute for Supply Management™ (ISM), fielded a quantitative, global *Corporate Sustainability Brand Perception Survey* with the respected research firm TNS in April 2011. The goal of this inaugural survey was to obtain initial baseline measurements on perceived ESG performance of 100 prominent corporations among three key audiences: purchasing/supply management professionals, investment professionals and graduating college/university students.

The quantitative perception survey is the source of the Sustainability Perception Score (SPS) used in this report. This value was plotted against CRD Analytics' Sustainability Reality Score (SRS) that measures corporations' actual ESG performance.

KEY ELEMENTS OF THE RESEARCH

- Ratings of corporations on their perceived performance against environmental factors
- Ratings of corporations on their perceived performance against social factors
- Ratings of corporations on their perceived performance against corporate governance factors
- Ratings of corporations' overall perceived corporate citizenship relating to ESG performance
- Stated importance of a corporation's ESG performance in decisions made by respondents

Sources at a glance

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

175 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, shareholder rights

1200 rated corporations

- Publicly traded
- US$250 million market capitalization
- Produced a sustainability or corporate social responsibility (CSR) report covering E, S and G performance metrics by March 31, 2011 for 2009 historical data.
- All companies must align with Global Reporting Initiative (GRI) G3/G3.1 Guidelines

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

16000+ company ratings

2400 respondents from 3 "most attentive," crucial segments (800 respondents in each)

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

100 prominent global corporations covering 9[2] of the 10 global industry categories (GICS®)

- Consumer Discretionary
- Consumer Staples
- Energy
- 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 Sustainability IQ Matrix

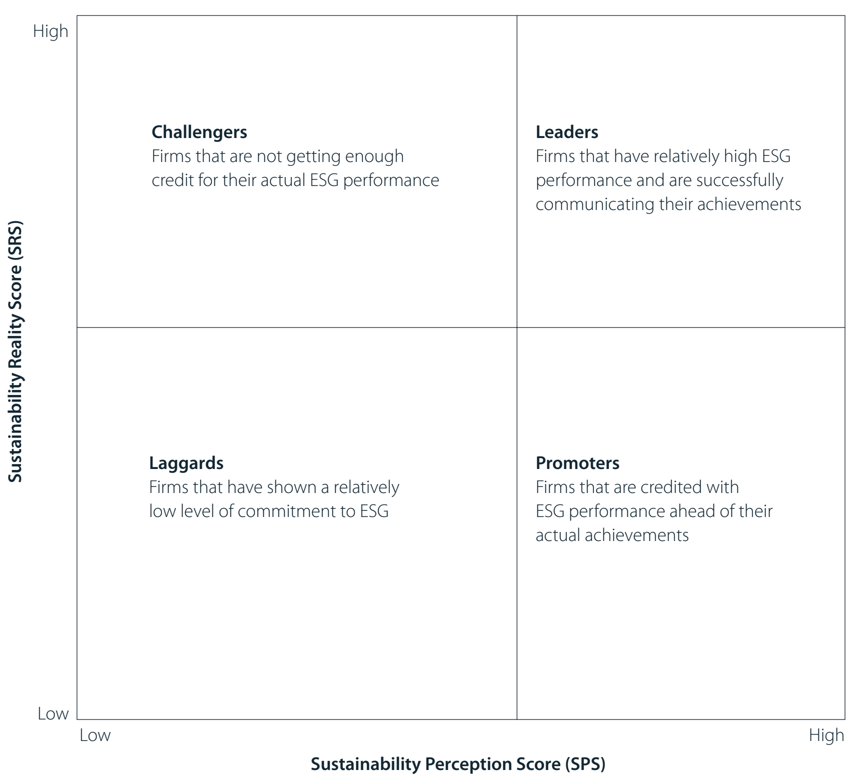
The two sets of data covering perceived and actual performance for each company or industry sector are easily visualized by plotting them in two dimensions. Doing so reveals key opportunities for improvement in both actual and perceived performance, and also allows an at-a-glance comparison with industry peers.

The Sustainability IQ Matrix is divided into quadrants to facilitate ease of interpretation. Companies that lead the field in both actual and perceived performance are at the upper right; these are today's leaders in sustainability among the corporations studied.

The SPS and SRS raw scores measure very different things and are not directly comparable. We have reduced them to 0-100 indices to allow direct comparisons to be made. These indices are plotted on the matrix and shown in the tables on the following pages.

While the matrix and the SRS and SPS indices on which it is based are useful for comparison purposes, they do not provide actionable information. The findings in the complete study (available from Brandlogic and CRD Analytics on a customized basis) go into full detail, segregating the findings by company, key constituency, ESG factor, country and individual survey question.

SUSTAINABILITY IQ MATRIX



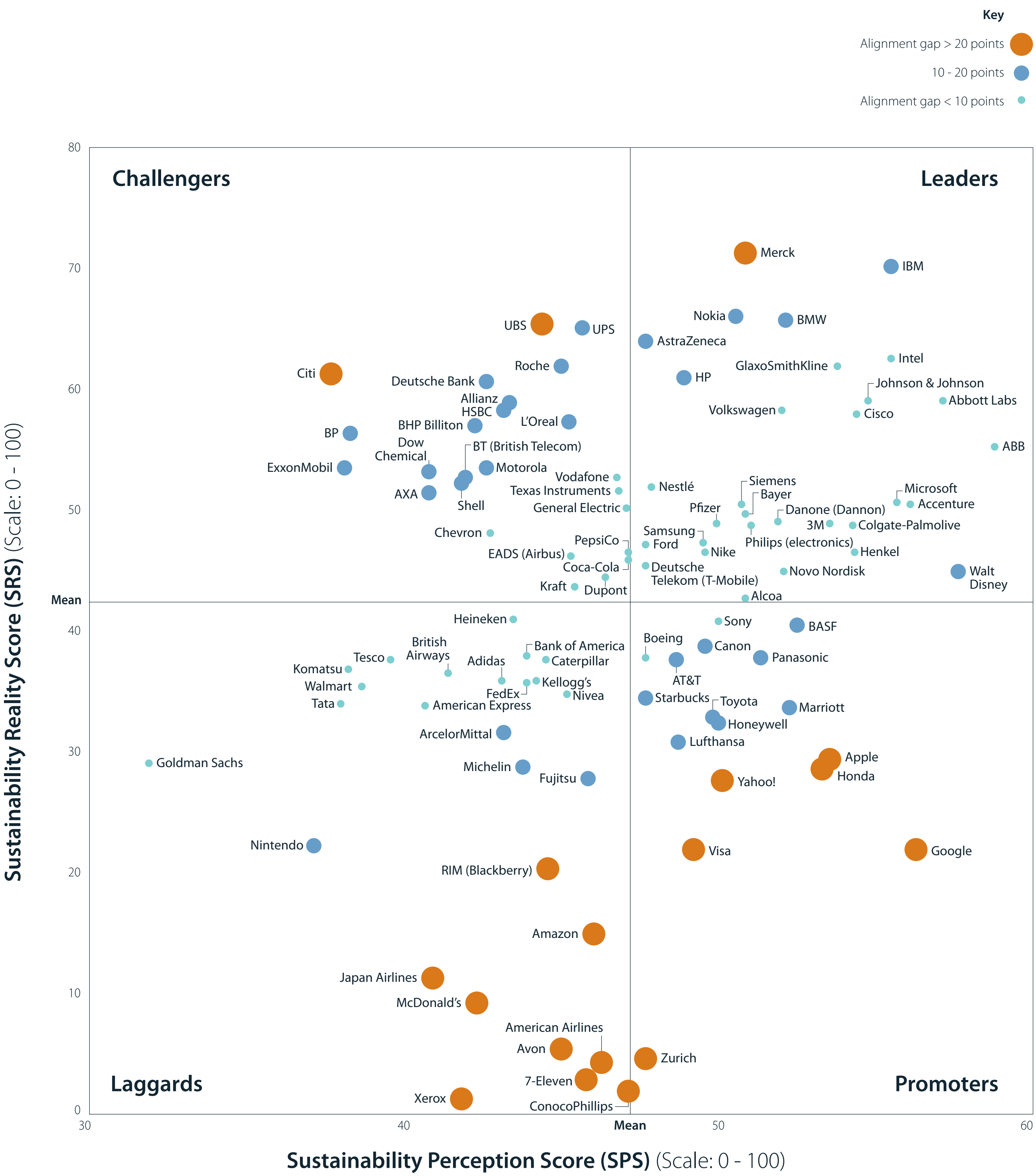
ABOUT THE SUSTAINABILITY REALITY AND SUSTAINABILITY PERCEPTION SCORES

Sustainability Reality Score (SRS)
Using its proprietary SmartView™ 360 platform and database, CRD Analytics measured each of the companies included in the study. Discrete measures of environmental, social and governance performance were generated, which served as the basis of each company's calculated SRS value. Each of the three ESG performance areas comprised five key performance indicators, with a total of 175 quantitative and qualitative performance metrics.

Sustainability Perception Score (SPS)
To generate raw data for the SPS index, the *Corporate Sustainability Brand Perception Survey* asked a series of questions related to ESG factors. These covered issues including diversity and gender equality, business ethics, community impact, resource management and environmental impact, and commitment to measuring and reporting corporate ESG performance. For each statement, respondents were asked to rate up to seven companies on a five-point scale indicating how well the statement described the company.

As with the SRS, separate environmental, social and governance indicators were calculated, then weighted using regression analysis and aggregated to generate the total Sustainability Perception Score (SPS).

Sustainability IQ Matrix: *Global 100 Prominent Brands*



Observations on top-line results

A large gap between SPS and SRS scores is an indicator of opportunity or risk that can help guide future sustainability efforts. It should be understood that these data are indicative, but not directly actionable.

Companies whose SRS score is well above average and substantially exceeds their SPS score may be able to secure unrealized ROI from sustainability investments. This is because key constituents who view sustainability as important are, at least in part, making critical decisions based on inaccurate or incomplete knowledge. *Some companies to spot:* UPS, Roche, UBS, HSBC, Allianz, Citi, British Telecom, BHP Billiton, Dow Chemical and ExxonMobil.

The reverse also applies. Those with high perception scores relative to reality may have significant value at risk if this gap persists. This is because they may be benefiting financially (in valuation, cost of capital, etc.) from under-estimation of their ESG vulnerability based on inaccurate assumptions of performance, which more thorough scrutiny may reveal. *Some companies to spot:* Google, Apple, Honda, Marriott, Visa and Walt Disney.

Those with below-average performance on both measures may not suffer from a perception gap, but they are vulnerable to erosion of market position as competitors with more sustainable practices step into ESG leadership positions and raise the bar for acceptable performance in their category. *Some company comparisons to consider:* Goldman Sachs versus Deutsche Bank , UBS or HSBC; Fedex versus UPS, and American Airlines versus British Airways.

Some companies may be particularly vulnerable. For them, not only is perceived ESG performance substantially ahead of actual performance, but the latter is amongst the lowest recorded by the study. *Companies to spot:* ConocoPhillips, Zurich, American Airlines, 7-Eleven, Avon, Xerox, McDonald's, Japan Airlines and Amazon.

In some instances companies with relatively high scores on both actual and perceived ESG performance clearly outpace competitors in their sectors. *Some company comparisons to consider:* Both IBM and HP versus Fujitsu; Nike versus Adidas, and BMW and VW versus Toyota and Honda.

In the case of Pharmaceuticals, virtually all companies measured are among the Leaders; with only Roche slightly off the pace in perception, though not in actual ESG performance. *Companies to spot:* Merck, Abbott Labs, Johnson & Johnson, GSK, AstraZeneca, Pfizer, Bayer and Novo Nordisk.

While a variety of IT, Construction Equipment and Engineering, Automotive, Consumer Products and even Telecom companies make it into the Leaders quadrant of the matrix, Financial Services firms along with Oil and Gas, Chemicals and Mining/Materials companies are notably absent (with Alcoa a marginal exception).

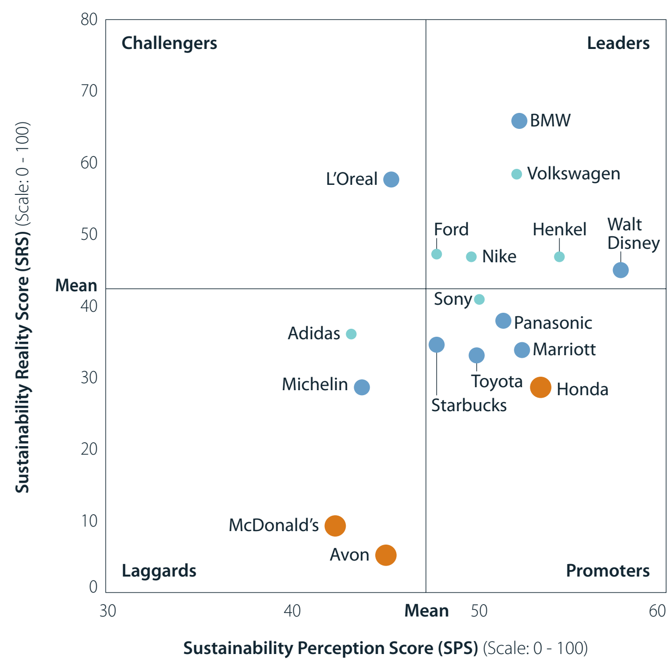
Looking at the Promoters quadrant, it is striking just how far perception can exceed actual ESG performance – in particular, for new-economy companies Google, Yahoo! and Apple, along with Honda and Visa.

Companies whose actual ESG performance is well above average and substantially exceeds their perceived ESG performance may have an opportunity to secure unrealized ROI.

Sustainability IQ Matrix: *Selected industries*

We found striking differences among industries. For example, IT has several Leaders, but many Financial Services firms are not being recognized today for their actual ESG performance.

SUSTAINABILITY IQ MATRIX: CONSUMER DISCRETIONARY



Key

Consumer Discretionary

Fully a third of these companies are rated as Promoters, far more than in other industries. In fact, they account for more than a third of Promoters across the *entire* group of Global 100 Prominent Brands.

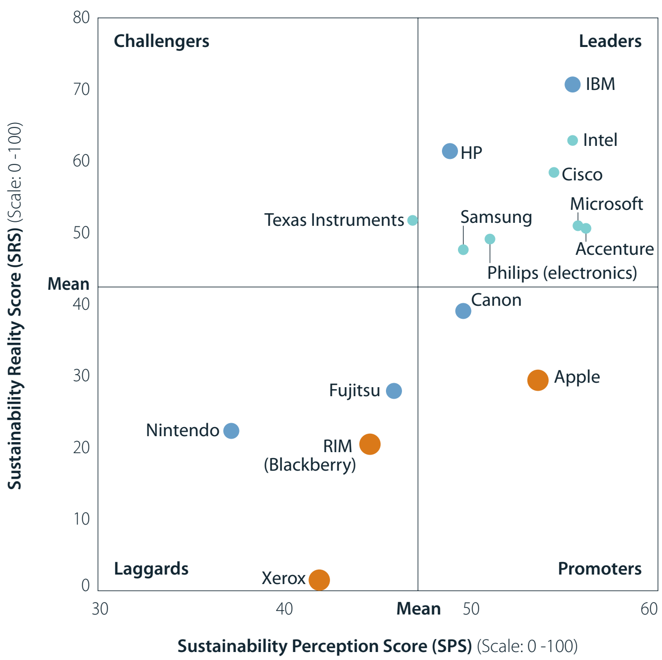
- *Cosmetics:* L'Oreal has a much higher actual ESG performance than Avon, yet both receive nearly equal scores on perceived ESG performance (SPS score).

- *Food service:* McDonald's scores amongst the lowest in the study on both actual and perceived ESG performance. Competitor Starbucks scores near the average in both dimensions, demonstrating comparative leadership.

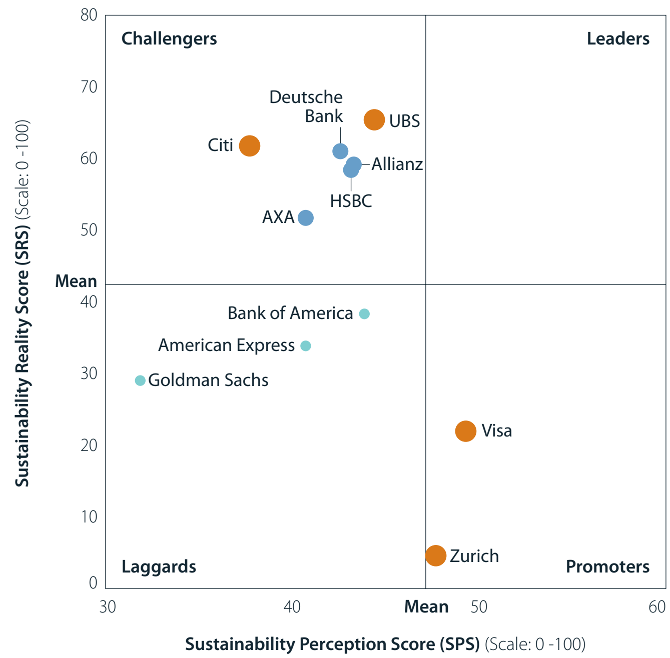
- *Apparel:* Nike's performance is above average in both actual ESG performance and perception, whereas its close competitor, Adidas, trails on both scores.

- *Automotive:* Actual ESG performance scores vary considerably among car manufacturers, although perceptual scores vary much less. Honda is perceived to lead the pack, but in fact has the lowest actual ESG performance of the measured automakers.

SUSTAINABILITY IQ MATRIX: INFORMATION TECHNOLOGY



SUSTAINABILITY IQ MATRIX: FINANCIAL SERVICES



Information Technology

There are many Leaders in this category, with only five companies perceived as performing below average. However, Xerox stands out with the lowest actual ESG performance score among the Global 100 Prominent Brands rated in the study.

- *Office equipment:* Canon significantly outperforms its primary competitor in the study, Xerox, in both actual and perceived ESG performance.
- *Computing:* Apple's actual ESG performance is much lower than perceived, indicating a high degree of reputational risk compared to others in this category. In contrast, IBM and HP are both category Leaders with perceptual performance scores in accord with their real performance scores.

Financial Services

There are no Leaders in this category and only two companies – Visa and Zurich – achieve higher than average perceived ESG performance.

- *Insurance:* Allianz and AXA both have high SRS ratings, yet Zurich, with one of the lowest actual ESG performance scores in the study, achieves a perceived ESG score both above its category rivals and above average.
- *Payment services:* American Express is a Laggard in performance and perception, while Visa, with a lower actual performance score, has a much higher perceived rating as a corporate citizen.
- *Commercial and investment banking:* On the basis of actual ESG performance, UBS, Deutsche Bank and HSBC, followed by Citi, have legitimate claims to leadership but have not achieved perceptual recognition for their efforts. Goldman Sachs, however, received the lowest perceived ESG performance score in the study and amongst the lowest scores on actual ESG performance, as well.

Sustainability ratings: *Global 100 Prominent 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.

Key
Above mean
Below mean

HOW THE GLOBAL 100 PROMINENT BRANDS WERE SELECTED

The study team endeavored to achieve a spread of leading companies across nine of the ten 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 2011) 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 2-3, 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	SRS	QUADRANT	SUB-INDUSTRY
Consumer Discretionary				
Walt Disney	57.6	44.9	Leader	Media/Entertainment/Publishing
Henkel	54.3	46.6	Leader	Household goods/Equipment
Honda	53.3	28.6	Promoter	Auto/Auto parts and supplies
Marriott	52.3	33.6	Promoter	Hospitality
BMW	52.1	65.7	Leader	Auto/Auto parts and supplies
Volkswagen	52.0	58.3	Leader	Auto/Auto parts and supplies
Panasonic	51.3	37.8	Promoter	Electronics
Sony	50.0	40.8	Promoter	Electronics
Toyota	49.8	32.9	Promoter	Auto/Auto parts and supplies
Nike	49.6	46.6	Leader	Apparel
Ford	47.7	47.1	Leader	Auto/Auto parts and supplies
Starbucks	47.7	34.5	Promoter	Food service/Restaurants
L'Oreal	45.3	57.3	Challenger	Cosmetics
Avon	45.0	5.3	Laggard	Cosmetics
Michelin	43.8	28.7	Laggard	Auto/Auto parts and supplies
Adidas	43.1	35.8	Laggard	Apparel
McDonald's	42.3	9.2	Laggard	Food service/Restaurants
Consumer Staples				
Colgate-Palmolive	54.3	48.7	Leader	Personal care/Hygiene
Danone (Dannon)	51.9	49.0	Leader	Food (manufacturers)
Nestlé	47.9	51.9	Leader	Food (manufacturers)
Coca-Cola	47.2	45.9	Challenger	Beverages
PepsiCo	47.1	46.5	Challenger	Beverages
7-Eleven	45.8	2.9	Laggard	Mass retail
Kraft	45.4	43.7	Challenger	Food (manufacturers)
Nivea	45.2	34.7	Laggard	Personal care/Hygiene
Kellogg's	44.3	35.9	Laggard	Food (manufacturers)
Heineken	43.5	40.9	Laggard	Beverages
Tesco	39.6	37.6	Laggard	Mass retail
Walmart	38.6	35.4	Laggard	Mass retail
Energy (Oil and Gas)				
ConocoPhillips	47.1	1.8	Laggard	Oil and Gas
Chevron	42.7	48.2	Challenger	Oil and Gas
Shell	41.8	52.2	Challenger	Oil and Gas
BP	38.3	56.4	Challenger	Oil and Gas
ExxonMobil	38.1	53.4	Challenger	Oil and Gas
Financials				
Visa	49.2	21.9	Promoter	Payments/Diversified
Zurich	47.7	4.6	Promoter	Insurance
UBS	44.4	65.4	Challenger	Banking
Bank of America	43.9	38.0	Laggard	Banking
Allianz	43.3	59.0	Challenger	Insurance
HSBC	43.2	58.3	Challenger	Banking
Deutsche Bank	42.6	60.7	Challenger	Banking
AXA	40.8	51.4	Challenger	Insurance
American Express	40.7	33.8	Laggard	Payments/Diversified
Citi	37.7	61.3	Challenger	Banking
Goldman Sachs	31.9	29.0	Laggard	Banking
Industrials and Transportation				
ABB	58.8	55.2	Leader	Industrial/Construction equip. and engineering
3M	53.5	48.9	Leader	Industrial products
Siemens	50.8	50.5	Leader	Industrial/Construction equip. and engineering
Honeywell	50.0	32.3	Promoter	Industrial/Construction equip. and engineering
Lufthansa	48.7	30.8	Promoter	Airlines

COMPANY NAME	SPS	SRS	QUADRANT	SUB-INDUSTRY
Industrials and Transportation *continued*				
Boeing	47.7	37.7	Promoter	Aerospace manufacturing
General Electric	47.1	50.1	Challenger	Industrial/Construction equip. and engineering
American Airlines	46.3	4.3	Laggard	Airlines
UPS	45.7	65.1	Challenger	Delivery services
EADS (Airbus)	45.3	46.1	Challenger	Aerospace manufacturing
Caterpillar	44.5	37.6	Laggard	Machinery
Fedex	43.9	35.7	Laggard	Delivery services
British Airways	41.4	36.4	Laggard	Airlines
Japan Airlines	40.9	11.3	Laggard	Airlines
Komatsu	38.2	36.8	Laggard	Machinery
Tata	38.0	34.0	Laggard	Industrial/Construction equip. and engineering
Information Technology				
Accenture	56.1	50.4	Leader	Computers/IT services
Microsoft	55.7	50.6	Leader	Software
IBM	55.5	70.2	Leader	Computers/IT services
Intel	55.5	62.6	Leader	Semiconductors
Cisco	54.4	58.0	Leader	Computers/IT services
Apple	53.5	29.3	Promoter	Computers/IT services
Philips (electronics)	51.1	48.7	Leader	Computers/IT services
Canon	49.6	38.7	Promoter	Office equipment
Samsung	49.5	47.3	Leader	Semiconductors
HP	48.9	61.0	Leader	Computers/IT services
Texas Instruments	46.8	51.6	Challenger	Semiconductors
Fujitsu	45.9	27.7	Laggard	Computers/IT services
RIM (Blackberry)	44.6	20.3	Laggard	Computers/IT services
Xerox	41.8	1.3	Laggard	Office equipment
Nintendo	37.2	22.3	Laggard	Computers/IT services
Materials and Mining				
BASF	52.5	40.5	Promoter	Chemicals
Alcoa	50.8	42.5	Leader	Minerals, metals and mining
Dupont	46.4	44.4	Challenger	Chemicals
ArcelorMittal	43.2	31.6	Laggard	Minerals, metals and mining
BHP Billiton	42.3	56.9	Challenger	Minerals, metals and mining
Dow Chemical	40.8	53.2	Challenger	Chemicals
Pharmaceuticals/Healthcare				
Abbott Labs	57.1	59.0	Leader	Pharmaceuticals
Johnson & Johnson	54.8	59.0	Leader	Pharmaceuticals
GlaxoSmithKline	53.8	61.9	Leader	Pharmaceuticals
Novo Nordisk	52.1	44.9	Leader	Pharmaceuticals
Merck	50.9	71.2	Leader	Pharmaceuticals
Bayer	50.8	49.7	Leader	Pharmaceuticals
Pfizer	50.0	48.9	Leader	Pharmaceuticals
AstraZeneca	47.7	63.9	Leader	Pharmaceuticals
Roche	45.0	61.9	Challenger	Pharmaceuticals
Telecom and Internet				
Google	56.3	21.8	Promoter	Internet
Nokia	50.5	66.0	Leader	Telecom equipment
Yahoo!	50.2	27.6	Promoter	Internet
AT&T	48.7	37.6	Promoter	Telcos
Deutsche Telekom (T-Mobile)	47.7	45.4	Leader	Telcos
Vodafone	46.8	52.6	Challenger	Telcos
Amazon	46.0	14.9	Laggard	Internet
Motorola	42.6	53.5	Challenger	Telecom equipment
BT (British Telecom)	42.0	52.6	Challenger	Telcos

Importance of good corporate citizenship in decision making

When asked about the importance of good corporate citizenship in respondents' decision making, we learned that an overwhelming majority – 88 percent – state that it is "important." In fact, almost half – 45 percent – view it as "extremely important."[1] Respondents from newly developed countries were most likely to rank good corporate citizenship as "important," with close to 100 percent stating so in India and China. Almost three quarters of Indian professionals rate it as "extremely important," the highest incidence across any sub-group. Conversely, respondents in Japan were least likely to rate good citizenship an "extremely important" consideration.

On average, graduating students were most likely to give a ranking of "important," while investment professionals were most likely to find good corporate citizenship "extremely important." Ratings by purchasing and supply management professionals tended to fall in between the other two segments. Graduating students were the good corporate citizenship champions in the US and UK, but elsewhere were less likely than their professional counterparts to place a high emphasis on good citizenship.

Q: When evaluating a company as a potential:
- investment or investment recommendation
- supply chain partner
- employer

how important is it to you that the company act as a good corporate citizen, operating in a socially and environmentally responsible manner?

STATED IMPORTANCE OF GOOD CORPORATE CITIZENSHIP IN DECISION MAKING

Key
Extremely important
Somewhat important
Neutral, not very important, not at all important

	ALL RESPONDENTS	Purchasing/supply management professionals[2]	Investment professionals	Graduating students
ALL COUNTRIES	12% / 88% (43% / 45%) (2508)	12% / 88% (43% / 45%) (832)	14% / 86% (39% / 47%) (807)	10% / 90% (48% / 42%) (869)
DEVELOPED COUNTRIES				
US	14% / 86% (40% / 46%) (415)	14% / 86% (44% / 42%) (145)	18% / 82% (40% / 42%) (135)	10% / 90% (37% / 53%) (135)
UK	18% / 82% (40% / 42%) (409)	19% / 81% (36% / 45%) (140)	24% / 76% (38% / 38%) (133)	9% / 91% (46% / 45%) (136)
Germany	16% / 84% (44% / 40%) (434)	15% / 85% (44% / 41%) (136)	13% / 87% (38% / 49%) (135)	18% / 82% (49% / 33%) (163)
Japan[3]	19% / 81% (56% / 25%) (404)	17% / 83% (59% / 24%) (135)	22% / 78% (46% / 32%) (134)	17% / 83% (64% / 19%) (135)
NEWLY DEVELOPED COUNTRIES				
China	3% / 97% (50% / 47%) (438)	2% / 98% (49% / 49%) (140)	4% / 96% (47% / 49%) (135)	4% / 96% (53% / 43%) (163)
India	4% / 96% (28% / 68%) (408)	5% / 95% (26% / 69%) (136)	4% / 96% (21% / 75%) (135)	4% / 96% (36% / 60%) (137)

[1] Respondents rated importance on a 5-point scale, where 1 = not at all important and 5 = extremely important.
[2] US sample provided by The Institute for Supply Management.™
[3] Survey was in field in Japan within 2 months of earthquake and tsunami natural disaster.

Reporting and advisory services

This report is a summary of findings from the Brandlogic-CRD Analytics study. More detailed reports with breakdowns by ESG elements and respondent group are also available from Brandlogic. These can be constructed according to your needs.

Brandlogic also offers a comprehensive set of services that can help companies leverage the study findings. We offer assistance in developing sustainable brand strategies, as well as tactical operations and communications initiatives, through:

- Assessment workshops
- Sustainability audits covering operational and communications practices
- Proprietary stakeholder research
- Material factors identification and prioritization
- Recalibration of corporate vision, mission, values and brand platforms
- Sustainability messaging by audience
- Integrated reporting
- Sustainability improvement investment prioritization

CRD Analytics provides the following reporting options:

- Corporate Executive Research Reports:
  - Industry Benchmark Reports
  - Company Focus Reports
- Buy-Side Investment Research Reports:
  - Company Snapshots
  - Sector and Industry Snapshots

CRD Analytics partners with its investment clients to:

- Screen/diagnose their portfolios
- Construct customized portfolios
- Create proprietary index-based products like Exchange-Traded Funds (ETFs) and separately-managed accounts

WEIGHTINGS, RATINGS AND OTHER STATISTICAL NOTES TO THE SURVEY

Weightings within the Sustainability Perception Score (SPS)

There are a number of alternative ways to design a reputation-related index to rank global companies. Several weighting and index construction approaches were tested. The chosen design, along with reasons for this preferred approach, are described below.

With TNS we constructed an overall perceived ESG Performance Index and three sub-indices – social responsibility, environmental responsibility and governance.

- Based on regression modeling, we found that in 2011 for each of the three publics – investment professionals, purchasing/supply management professionals and graduating college/university students – approximately half of the explainable variance could be attributed to social responsibility. The remainder was roughly equally split between the two remaining factors, environmental responsibility and governance.
- We therefore adopted an *a priori* weighting of the three sub-indices to form an overall perceived ESG Performance Index – 50 percent of the weight of the total ESG Index to be carried by the social responsibility index, 25 percent each for the environmental responsibility index and governance index. This weighting has been applied for all publics measured and across all markets covered.

Overall corporate citizenship rating

An overall perceived good corporate citizenship rating was obtained in the quantitative survey, but this measure was retained as a dependent variable and not included within the perceived ESG Performance Index for the following reasons:

1. The three E, S and G factors explain much of the variance (more than 40 percent) in the overall citizenship measure, and so are good predictors of overall perception.
2. The use of regression modeling (only possible by retaining the overall citizenship measure as a dependent variable and not as part of the index) to establish the variable weighting for the three components is more accepted by the statistical community and results in a more predictive total perceived ESG Performance Index.
3. Retaining the overall citizenship measure as a "validation variable" in future research will permit us to periodically check how well the weighted SPS index is performing. At some point in the future, re-weighting of the total perceived ESG Performance Index may be warranted due to changes in the dynamics of public perception (e.g., environmental responsibility becomes more valued relative to social factors).

Perceived ESG Performance Index utilizing top-2-box scoring

The top-2-box approach (counting 1, 2 and 3 ratings as 0, and leaving 4 and 5 ratings in the scoring) minimizes the impact of neutral scores and generates more variation overall. A simpler alternative to this scoring approach is to rely on respondent-level mean scores to calculate the sub-indices and then the total ESG Index. The primary drawback of this simpler approach is that mean scores by nature tend to cluster, often resulting in less differentiation in the final score distribution.

brandlogic

CRD Analytics

ABOUT BRANDLOGIC

Brandlogic is the leading independent brand consultancy, offering a full range of services including brand research, strategy, design, digital, communications, employee engagement and sustainability reporting. Our mission is to help clients create ideas that drive performance.

Brandlogic is a 100 percent employee-owned firm, in which each professional has a stake in the outcome. Every client engagement is led by senior-level professionals who provide the highest level of quality and client service available. For over 35 years, we've had the privilege of serving complex, global organizations such as IBM, Travelers, Chevron, UBS, Deere & Company, ARAMARK, Rockwell Collins and many others to solve their most pressing business and branding challenges.

For more information

James Cerruti
Senior Partner, Strategy and Research
Brandlogic Corporation
15 River Road, Suite 310
Wilton, CT 06897
877 565 2255 x 317
brandlogic.com

ABOUT CRD ANALYTICS

CRD Analytics is a leading provider of independent sustainability investment analytics. Using its proprietary SmartView™ 360 Platform, CRD Analytics empowers its clients with actionable and performance-driven information distilled from large sets of complex data including 200 financial, environmental, social, governance, brand perception and reputational risk. At the core are the Global Reporting Initiative's (GRI) G3.1 indicators. CRD Analytics partners with its investment clients to construct proprietary index-based products – Exchange-Traded Funds (ETFs), separately-managed accounts, mutual funds and Unit Investment Trusts (UITs).

The SmartView™ 360 platform is a proven methodology that has demonstrated financial outperformance and increased shareholder value of the sustainability performance leaders. SmartView™ 360 powers the NASDAQ OMX CRD Global Sustainability Index (QCRD), the Global 1000 Sustainable Performance Leaders on Justmeans.com and now the Southeastern Corporate Sustainability Rankings.

For more information

For more information about CRD Analytics, go to crdanalytics.com or e-mail requestinfo@crdanalytics.com.

Printed with Co-Cure, hybrid UV inks that release approximately 95% less VOCs than conventional inks.

Manufactured with 100% renewable electricity.