

BEST 50 CORPORATE CITIZENS

Seventh annual ranking
of Canada's largest
and most influential
companies

by Melissa Shin
With research by
Bernice Tong,
Ada Puiiu,
and Daniel Caunter

PHOTO: Greg Judelman



Turn to the page 20
for the results of the
2008 Corporate Knights
Best 50 Corporate
Citizens Ranking

THE SKINNY

Highlights from the S&P/TSX 60 companies in the 2008 ranking
(numbers refer to 2007 year unless specified)

- \$9.8 billion** → the corporate tax gap
- \$4.9 billion** → tax gap decrease from previous year
- \$99.4 billion** → corporate income before taxes
- \$3.7 billion** → corporate income increase from previous year
- \$5.8 billion** → the pension gap
- \$36 billion** → pension gap decrease from previous year
- 1.37 million** → number of employees
- \$81 billion** → total profits
- \$7.9 million** → average CEO compensation
- 2.39 percent** → profits consumed by total compensation of top three paid execs from each firm
- 34** → number of companies with SD-related board committees
- 10** → companies with no female board members
- 52** → companies with no visible minority board members
- 0** → female CEOs

PHOTO: Dana Bartekoske



ARE YOU ON THE LIST?

Using “best of” programs to validate commitment to corporate responsibility

by Valerie Chort

FLIP THROUGH ANY MAGAZINE THESE days and you’re bound to find some sort of “best of” list. From best employer rankings to this magazine’s own Best 50 Corporate Citizens program, the proliferation of these lists can be overwhelming. There appears to be considerable time and resources dedicated to both participating in and publicizing the various surveys and rankings. But what impact, if any, do they have on the organizations making the list?

“Best of” rankings influence the behaviour of a spectrum of inter-connected stakeholders, each using these results to influence decision-making processes. As public demand for corporate responsibility continues to grow, stakeholders look to these lists to provide insights into businesses that appear to value sustainability and responsibility.

For proof, look no further than institutional investors. With nearly 20 per cent

What a difference action today can have on tomorrow.

Congratulations to this year's
Best 50 Corporate Citizens in Canada winners

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of global investments controlled by institutional investors, their decisions can have a dramatic and immediate effect on company share price. The Carbon Disclosure Project (CDP), an independent not-for-profit organization that represents investors with a combined total of \$57 trillion (US) in assets under management, sends an annual survey to organizations to derive information on risks and opportunities presented by climate change. Given the increased interest in good disclosure, the CDP5 Canada Report, issued in 2007, included a list of 16 Climate Disclosure Leaders. The disclosed actions of these companies can not only influence future investment decisions, but they also set a benchmark to which other companies can strive.

In the limelight themselves, the organizations on these “best of” lists are influenced by their own rankings and that of their competitors. To make the list again or improve on their current standing, organizations identify gaps in their own processes, culture and behaviour using the program criteria and best practices by which they are judged. The competitive drive for superiority and increased market share influence them to improve policies and set targets that address key indicators and hopefully maintain their ranking in future years.

Organizations that don’t make these lists can be influenced to create new sustainability policies, initiatives, and targets. Watching the success of rivals can motivate organizations to do better.

By touting program results in marketing materials, organizations assure customers and potential hires of their commitment to excellence in corporate responsibility and sustainability.

Add to this Generation Y’s interest in corporate responsibility. A high ranking can often lead to better employee retention rate—a strategic consideration for organizations facing a talent crunch.

As long as these programs use sound and transparent methodologies, they will continue to have a level of trust and credibility in the marketplace and impact the future behaviour of both organizations and their stakeholders. **CK**

Valerie Chort is Partner and National Leader, Corporate Responsibility & Sustainability Services for Deloitte.

GROWING UP

Redefining the Best 50 Corporate Citizens in Canada

by Melissa Shin

SIX YEARS AGO, CORPORATE KNIGHTS broke new ground with our inaugural Best 50 ranking, the first annual ranking of its kind in Canada. The Enron scandal, now immortalized in business school curricula the world over, had just shocked an adolescent economy into a strange new adulthood. Weeks after we released our ranking, the Securities and Exchange Commission launched an investigation into WorldCom’s multi-billion-dollar accounting fraud.

Amidst this doom and gloom came a ranking that highlighted the good things that Canadian companies were doing. Reaction to the Best 50 ranged from hearty praise to outrage over the chosen fifty. One of that year’s ranked companies told us there was “no need” for our ranking and that publishing the results in .pdf form on the website would have sufficed.

For the most part, though, companies were quick to ask how they could be considered for the following year’s list, and some even started to ask for advice on how to better their citizenship record.

Six years ago, Corporate Canada was ready for change.

But what *has* changed since then?

For one thing, our definition of citizenship has broadened. The meaning of corporate citizenship has morphed from philanthropy on the side to how corporations can change the world for the better through their core competency, whether by providing low carbon green transport solutions via trains by CP, or building wind turbines by GE, or financing more geothermal power by the banks.

Our ranking has evolved with the times to include key performance indicators (KPIs) that get to the bottom of corporations’ impact on society. For instance, if we are talking about banks, making hybrid vehicles available to top executives is nice, but a poor substitute for a thorough investment program in renewable energy.

We’ve also moved away from using the term “corporate social responsibility” to de-

scribe citizenship, favouring “responsible business” instead. CSR implies a siloed section of the company that works separately from the “mainstream” divisions

GONE WITH THE WIND

Disappearing acts since the inaugural 2002 Best 50

- ❖ Zenon Environmental Inc. (General Electric)
- ❖ Husky Injection Molding Systems Ltd. (Onex Corp)
- ❖ BC Gas Inc. (Fortis Inc.)
- ❖ Clarica Life Insurance (Sun Life Financial)
- ❖ Four Seasons Hotels (privately owned by Microsoft Chairman Bill Gates and Prince Al-Waleed bin Talal of Saudi Arabia)
- ❖ Creo Products Inc. (Kodak)
- ❖ Dofasco Inc. (ArcelorMittal)
- ❖ Cognos Inc. (IBM)
- ❖ Falconbridge (Xstrata plc)
- ❖ Noranda (Xstrata plc)

like finance or product development. But it’s clear that the best companies integrate citizenship consciously into their entire operations—from the frontlines to the C-suite, from beginning to end of the product lifecycle.

In short, the Best 50 have raised the bar for themselves.

CLIMATE Q&A CHANGE

we're listening.  we're responding.

At Suncor Energy, we take this responsibility seriously. We were one of the first energy companies to take action on climate change – and this year we're responding directly to questions on the issues associated with meeting North America's growing energy demands.

Suncor's 2008 Progress Report on Climate Change details what we've done, where we stand on some of the big climate change questions and where we're headed – in managing our own emissions, developing new technologies and pursuing renewable energy alternatives to help reduce greenhouse gas emissions.

61 million*
tonnes of CO₂ prevented from entering the atmosphere through GHG management efforts

25%*
decrease in GHG emission intensity company-wide

44%*
decrease in GHG emission intensity at oil sands

\$750 million
actual and planned investments in renewable energy

*Suncor's progress to the end of 2007 (compared to 1990 baseline).

To find out more about Suncor's decade of action on climate change, read the report at www.suncor.com/climatechange



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As the only offsetter with a fully integrated value chain, Borealis knows exactly where your offsets come from. We supply Canadian businesses with the highest quality offsets available by creating bio-diverse forest ecosystems that absorb and permanently store carbon. For quality offsets that are additional and verified, visit us at borealisoffsets.com

BOREALIS
Quality carbon offsets

On the other hand, the Best 50 aren't as Canadian as they used to be. Many of the firms we assessed back in 2002 have been absorbed by global conglomerates or each other.

Zenon Environmental Inc., our very first Best Corporate Citizen, is now a subsidiary of General Electric. Other disappearing acts include Inco (now Vale Inco), Alcan (Rio Tinto Alcan), Falconbridge and Noranda (Xstrata), Ultramar (Valero), Novelis (Hindalco), Tim Hortons (TDL Group), Dofasco (ArcelorMittal), Cognos (IBM), and Abitibi-Consolidated (AbitibiBowater).

We've had to decide whether or not to continue to assess these companies as Canadian, and for the most part, we have. After all, these companies employ thousands of Canadians—so they should be accountable to us.

So is this ranking indicative of the best corporate citizens in Canada, or of the best operations in Canada? Is it possible to be a "citizen" when profits and taxes are going back to foreign governments? Of the Best 50, 34 are Canadian-owned and operated firms, but time will tell how long this will remain the case.

All is not lost. Thomson Reuters Corp, vaulting 83 spots from last year, acquired Reuters in April 2008. In doing so, Thomson also acquired Reuters' social and environmental track record, including its partnership with Planet Ark, one of the key quality comprehensive sources of environmental happenings. The company has a Chief Environment Correspondent and a network of environmental journalists. The Reuters Foundation also partners with the Com+ Alliance of Communicators for Sustainable Development, a group of international organizations committed to using communications to advance sustainable development projects.

Loblaw Companies Limited (LCL), another Canadian mainstay, increased its score this year thanks to the printing of its inaugural sustainability report. This report highlighted its innovative local food initiatives and private-label PC Organics and PC Green product lines. The company is also making strides in measuring its carbon footprint and has an environmental flagship store. LCL is also piloting several renewable energy projects, one of which involves reclaiming heat from refrigeration systems to heat stores.

Clearly, there are opportunities for Canadian firms to step up and claim a spot on the Best 50. There is a niche ready and waiting for the nice guys to fill with envi-



IBM: #1 IN 2008

While IBM may not be the first company that comes to mind when you think of a good corporate citizen, this technology giant has been quietly asserting its dominance over the past few years. A combination of stellar baseline and KPI scores moved IBM from eleventh to first. Its 13-member board of directors, which includes three women and three visible minorities, was the most diverse in its sector. The company also had strong pension health and quality.

IBM's KPI score was second to none, and it scored tops in energy efficiency of products, eco-social product innovation, proportion of products with SD differentiation, and active technology transfer to the developing world. The company's various initiatives demonstrate a marked commitment to creating a more sustainable planet.

The company announced in May 2007 that it would devote \$1 billion annually to products and services that can increase the energy efficiency of the average data center by as much as 42 per cent, through an initiative called Project Big Green.

An example of IBM's technology transfer to the third world is its World Community Grid, created through the donation of IBM hardware, software, technical services and expertise. The Grid helps global communities of volunteers to accelerate research on everything from climate change in Africa to global pandemics.

ronmentally sound, responsibly sourced products and services created by well-paid, healthy employees from a variety of backgrounds.

At the same time, the Best 50 shouldn't rest on their laurels. There's reason to celebrate, but we haven't reached optimal sustainability yet—there's certainly room for improvement, and we encourage even our top-ranked companies to continue to strive for better.

As we explained in 2002, those that didn't make the list aren't demons, and let us not forget their admirable initiatives. In fact, we expect to see some of them on the list in coming years. After all, the changes this year are proof that no company is guaranteed a spot on the Best 50. But they're also proof that everyone has a chance.

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BEST 50

CORPORATE CITIZENS

R	CORPORATION NAME	SECTOR	ASSETS \$M	REVENUE \$M	PROFIT \$M	EMPLOYEES
1	IBM	IT	\$120,431.00	\$101,260.00	\$10,890.00	386,558
2	Petro-Canada	Oil and Gas	\$23,852.00	\$21,496.00	\$2,733.00	5,603
3	McKesson Canada	Healthcare	\$23,943.00	\$99,640.00	\$941.00	31,800
4	Rio Tinto Alcan	Mining	\$37,154.00	\$29,700.00	\$7,310.00	31,854
5	Loblaw Companies Limited	Retail	\$13,674.00	\$29,407.00	\$330.00	140,000
6	Hydro One	Utilities	\$12,790.00	\$4,655.00	\$399.00	6,207
7	BC Hydro and Power Authority	Utilities	\$12,845.00	\$4,197.00	\$407.00	4,300
8	Domtar Corp.	Forestry	\$4,955.00	\$4,017.00	\$328.00	8,360
9	Westport Innovations Inc.	Industrials	\$59.63	\$61.35	\$(11.31)	198
10	General Electric	Industrials	\$795,337.00	\$172,980.00	\$21,900.00	327,000
11	Nexen Inc.	Oil and Gas	\$18,000.00	\$7,361.00	\$1,595.00	3,200
12	Hydro-Québec	Utilities	\$64,852.00	\$12,330.00	\$2,907.00	23,069
13	Mountain Equipment Co-op	Retail	\$146.22	\$239.07	\$-	1,120
14	Thomson Reuters Corp.	Comm. & Media	\$22,831.00	\$7,538.00	\$4,004.00	33,000
15	ArcelorMittal Dofasco	Mining	\$105,686.00	\$105,220.00	\$10,370.00	311,466
16	Stantec Inc.	Industrials	\$813.56	\$959.48	\$69.28	7,800
17	Cascades Inc.	Forestry	\$3,769.00	\$3,994.00	\$95.00	14,000
18	Sherritt International Corporation	Mining	\$5,464.50	\$1,388.70	\$370.40	4,900
19	Vancouver City Savings C.U.	Financials	\$14,094.87	\$352.83	\$28.33	2,408
20	Mouvement des caisses Desjardins	Financials	\$144,059.00	\$9,635.00	\$1,122.00	40,345
21	Home-Depot	Retail	\$44,324.00	\$77,350.00	\$4,210.00	221,770
22	Transcontinental Inc.	Comm. & Media	\$2,369.60	\$2,326.30	\$120.60	15,000
23	CN	Transport & Logistics	\$23,460.00	\$8,063.00	\$2,158.00	21,685
24	Ballard Power Systems Inc.	Industrials	\$298.69	\$75.03	\$(57.30)	500
25	Alberta-Pacific Forest Industries Inc	Forestry	\$113,221.71	\$43,136.10	\$3,526.80	54,000
26	Shoppers Drug Mart Corporation	Retail	\$5,644.04	\$8,478.38	\$493.63	47,450
27	Direct Energy Marketing	Utilities	\$23,099.48	\$31,842.41	\$2,936.39	33,908
28	Royal Bank of Canada	Financials	\$600,346.00	\$41,307.00	\$5,492.00	65,045
29	Canadian Pacific Railway Ltd.	Transport & Logistics	\$13,365.00	\$4,903.50	\$946.20	15,382
30	Catalyst Paper Corporation	Forestry	\$2,453.40	\$1,818.50	\$(31.60)	3,500
31	Ford Motor Company	Autos	\$279,264.00	\$168,860.00	\$(2,380.00)	246,000
32	Tembec Inc.	Forestry	\$2,655.00	\$3,182.00	\$(49.00)	8,000
33	Bank of Montreal	Financials	\$366,524.00	\$20,344.00	\$2,131.00	36,000
34	Dell	IT	\$27,561.00	\$61,130.00	\$2,950.00	82,700
35	Sun Life Financial Inc.	Financials	\$187,496.00	\$21,190.00	\$2,288.00	14,759
36	Potash Corporation of Saskatchewan Inc.	Chemicals	\$9,716.60	\$5,416.00	\$1,103.60	5,003
37	Suncor Energy Inc.	Oil and Gas	\$24,167.00	\$18,178.00	\$2,832.00	5,766
38	Teck Cominco Limited	Mining	\$13,573.00	\$6,625.00	\$1,615.00	8,850
39	Tim Hortons Inc.	Retail	\$1,797.13	\$1,941.72	\$269.55	86,390
40	Costco Wholesale Corp.	Retail	\$19,606.58	\$64,400.15	\$1,082.77	100,000
41	SNC-Lavalin (Groupe)	Industrials	\$6,485.39	\$6,783.44	\$153.20	18,700
42	BCE Inc.	Comm. & Media	\$37,797.00	\$20,264.00	\$4,057.00	54,034
43	Canadian Tire Corporation Ltd.	Retail	\$6,742.70	\$8,621.40	\$417.60	56,464
44	Manitoba Hydro-Electric Board	Utilities	\$10,964.00	\$2,140.00	\$122.00	5,600
45	Great-West Lifeco Inc.	Financials	\$118,388.00	\$25,965.00	\$2,111.00	19,000
46	Epcor Power LP	Utilities	\$1,852.40	\$632.00	\$30.80	3,500
47	Hewlett-Packard Company	IT	\$88,699.00	\$107,670.00	\$7,850.00	172,000
48	Dupont	Chemicals	\$34,131.00	\$31,200.00	\$3,220.00	60,000
49	Xstrata-Falconbridge	Mining	\$43,559.00	\$28,542.00	\$11,271.00	56,000
50	Enbridge Inc.	Utilities	\$19,907.40	\$12,233.80	\$707.10	5,518

LEGEND:

R: Rank. Baseline Score: The weighted average score in the baseline indicators (see methodology notes on p. 23). KPI Score: The weighted average score in the Key Performance Indicators (see p. 23) for each sector. Total Score: The aggregate final score for the Best 50 ranking.

Sector rankings in the indicators being scored (see page 23 for definitions)

BASILINE SCORE	KPI SCORE	TOTAL SCORE	SECTOR COUNT	TAX	PENSION QUALITY	PENSION HEALTH	BOARD GENDER	BOARD MINOR.	BOARD INDEP.	BOARDSD COM/TEE	C-SUITE PAY	SHARE. CONFL.	LABOUR REL.	WORK STOP.
82.29	91.57	86.93	9	3	2	1	1	1	1	--	3	1	9	No
92.73	79.49	86.11	16	1	3	8	1	3	2	1	3	1	1	No
71.26	100.00	85.63	4	--	2	2	1	1	2	--	--	1	1	No
87.22	81.25	84.24	19	1	1	15	8	6	18	1	1	1	19	No
77.83	88.60	83.21	19	1	6	7	6	4	19	1	15	1	1	No
90.07	75.56	82.81	16	3	1	1	2	3	4	1	1	1	1	Yes
79.33	84.44	81.89	16	--	3	9	1	1	4	1	--	1	1	No
86.57	77.09	81.83	8	1	1	4	3	3	4	1	1	8	1	No
68.59	94.95	81.77	11	1	--	--	9	3	4	--	8	1	11	No
73.60	89.90	81.75	11	11	1	1	1	1	8	1	1	1	1	No
69.60	93.85	81.72	16	6	8	6	12	3	10	1	8	1	1	No
74.43	88.89	81.66	16	--	4	1	4	3	3	1	--	1	1	Yes
68.48	94.74	81.61	19	9	--	--	2	4	1	--	--	1	19	No
79.88	82.27	81.08	11	1	5	3	7	2	7	--	2	1	11	No
74.96	85.94	80.45	19	1	9	12	10	1	15	--	--	1	19	No
74.38	86.52	80.45	11	1	--	--	4	3	8	--	7	1	11	No
85.43	73.75	79.59	8	1	4	1	4	3	7	1	2	1	1	No
75.22	82.37	78.80	19	8	10	1	3	3	12	1	7	1	1	No
73.18	84.33	78.75	21	4	17	16	1	2	1	1	--	1	21	No
76.52	80.17	78.34	21	6	4	1	14	8	18	--	--	1	1	No
83.68	71.93	77.81	19	1	--	--	15	4	2	--	3	1	19	No
68.21	86.82	77.52	11	1	9	10	5	2	7	--	5	1	1	No
67.43	87.50	77.46	8	5	1	1	5	3	1	1	2	7	1	Yes
74.76	79.39	77.07	11	1	3	4	5	2	2	--	8	1	11	No
59.73	94.42	77.07	8	--	--	--	5	1	--	--	--	1	8	No
78.77	75.00	76.88	19	1	7	5	1	4	3	--	10	1	19	No
80.39	73.33	76.86	16	1	10	1	6	3	15	1	--	1	16	No
63.95	88.33	76.14	21	10	9	13	8	4	5	1	7	15	21	No
64.71	87.50	76.11	8	8	2	6	3	4	2	1	1	1	1	No
81.00	70.87	75.94	8	1	3	5	5	2	5	1	4	1	1	No
84.71	65.38	75.05	6	2	1	5	2	3	2	1	--	1	1	No
68.14	81.67	74.90	8	5	2	6	5	3	2	1	4	1	1	No
70.60	79.17	74.88	21	9	6	1	5	6	1	--	8	1	21	No
64.84	84.15	74.50	9	4	--	--	4	2	7	--	4	1	9	No
63.75	84.67	74.21	21	10	2	15	4	8	8	--	12	1	21	No
65.00	83.33	74.17	5	4	3	1	2	2	5	1	2	1	1	No
69.00	79.23	74.12	16	12	4	7	5	3	3	1	6	1	1	No
63.52	84.38	73.95	19	14	3	5	2	2	8	--	6	1	1	Yes
79.34	68.42	73.88	19	1	--	--	7	4	6	--	9	1	19	No
86.28	61.40	73.84	19	1	--	--	12	3	14	--	1	1	19	No
84.20	63.10	73.65	11	1	6	2	2	3	1	1	3	1	11	No
57.02	90.00	73.51	11	9	2	9	6	2	1	--	1	11	1	No
85.21	61.40	73.31	19	1	--	--	9	4	7	1	10	1	1	No
58.41	87.78	73.09	16	--	12	1	12	3	1	--	--	1	1	No
73.21	72.67	72.94	21	10	1	1	18	8	4	--	2	1	21	No
71.25	74.44	72.85	16	7	--	--	14	3	1	1	8	1	1	No
64.88	79.33	72.11	9	5	3	1	2	3	3	--	5	1	9	No
80.00	63.67	71.83	5	3	1	1	4	1	1	1	--	1	1	No
80.89	62.72	71.81	19	1	5	13	11	6	18	1	2	1	1	Yes
66.47	76.67	71.57	16	11	8	1	15	3	12	1	3	1	1	No

NOTE: Ikea's KPI score was sufficient to qualify for the Best 50 but the lack of sufficient data in the baseline indicators excluded it from consideration.

LEGEND: The numbers in the columns above represent each company's ranking (Olympic style) among its peers in the applicable sector. A 1 means the company had best-of-class performance in the indicator. Work Stoppages Indicator is a penalty indicator. A 'Yes' in this column means the company had points deducted from their baseline score for person-days lost due to work stoppages.



SECTOR DASHBOARD

THE FOLLOWING TABLES CONTAIN SELECTED highlights from the results collected in the Corporate Citizenship Database™ for the 2008 Best 50 ranking. The tables on this page show selected standardized information from the Baseline Indicators for each sector ranked.

Autos

Average 3-yr tax gap / employee (negative = no gap)	\$6,314.83
Average pension fund fair value / employee	\$39,838.41
Average ratio of unfunded pension liability to total assets	8.60%
Total comp. of top 3 paid execs from each firm / profits	n/a

Chemicals

Average 3-yr tax gap / employee (negative = no gap)	\$33,648.75
Average pension fund fair value / employee	\$320,385.48
Average ratio of unfunded pension liability to total assets	-0.37%
Total comp. of top 3 paid execs from each firm / profits	1.18%

Communications & Media

Average 3-yr tax gap / employee (negative = no gap)	\$17,000.75
Average pension fund fair value / employee	\$134,228.38
Average ratio of unfunded pension liability to total assets	0.67%
Total comp. of top 3 paid execs from each firm / profits	0.62%

Financials

Average 3-yr tax gap / employee (negative = no gap)	\$26,748.92
Average pension fund fair value / employee	\$61,445.68
Average ratio of unfunded pension liability to total assets	-0.04%
Total comp. of top 3 paid execs from each firm / profits	0.28%

Forestry

Average 3-yr tax gap / employee (negative = no gap)	\$751.69
Average pension fund fair value / employee	\$76,796.63
Average ratio of unfunded pension liability to total assets	2.32%
Total comp. of top 3 paid execs from each firm / profits	-125.90%

Healthcare

Average 3-yr tax gap / employee (negative = no gap)	(\$938.61)
Average pension fund fair value / employee	\$18,204.49
Average ratio of unfunded pension liability to total assets	0.11%
Total comp. of top 3 paid execs from each firm / profits	0.78%

Utilities

Average 3-yr tax gap / employee (negative = no gap)	\$7,947.64
Average pension fund fair value / employee	\$345,712.93
Average ratio of unfunded pension liability to total assets	0.10%
Total comp. of top 3 paid execs from each firm / profits	0.67%

Industrials

Average 3-yr tax gap / employee (negative = no gap)	\$34,610.12
Average pension fund fair value / employee	\$149,465.40
Average ratio of unfunded pension liability to total assets	-0.019621
Total comp. of top 3 paid execs from each firm / profits	0.12%

Mining

Average 3-yr tax gap / employee (negative = no gap)	\$13,009.84
Average pension fund fair value / employee	\$60,953.75
Average ratio of unfunded pension liability to total assets	0.94%
Total comp. of top 3 paid execs from each firm / profits	0.27%

IT

Average 3-yr tax gap / employee (negative = no gap)	\$24,115.91
Average pension fund fair value / employee	\$99,743.19
Average ratio of unfunded pension liability to total assets	-0.20%
Total comp. of top 3 paid execs from each firm / profits	0.17%

Retail

Average 3-yr tax gap / employee (negative = no gap)	(\$225.16)
Average pension fund fair value / employee	\$6,121.39
Average ratio of unfunded pension liability to total assets	0.26%
Total comp. of top 3 paid execs from each firm / profits	0.32%

Oil and Gas

Average 3-yr tax gap / employee (negative = no gap)	\$314,921.67
Average pension fund fair value / employee	\$156,617.45
Average ratio of unfunded pension liability to total assets	0.52%
Total comp. of top 3 paid execs from each firm / profits	0.26%

Transport

Average 3-yr tax gap / employee (negative = no gap)	\$4,601.44
Average pension fund fair value / employee	\$61,558.72
Average ratio of unfunded pension liability to total assets	0.10%
Total comp. of top 3 paid execs from each firm / profits	0.43%

Deloitte has reviewed the ranking process undertaken based on the information available for selected key performance indicators. No assurance was provided.

DEFINITIONS & METHODOLOGY NOTES

The methodology used to determine the Best 50 Corporate Citizens in Canada

THE METHODOLOGY FOR THE BEST 50 Corporate Citizens is based on environment, social and governance indicators found in the public domain. The scoring includes baseline indicators, and sector-specific key performance indicators. The baseline indicators are worth 50 per cent of the final score. The KPIs are worth 50 per cent. The ranking for each indicator is based on each company's sector rank. Where necessary, the most suitable normalizer available was used (throughput, revenues, employees, assets). This year, the pollution indicators were removed.

There are dozens of Key Performance Indicators (KPIs) that fall under three categories: environment, social, and governance. For each Corporate Knights Sector, the Primary Key Performance Indicators account for 50 per cent of a company's overall score. For multinational companies with no listing on the TSX, information is used from their global parent company. In the case of KPIs for multinational companies, international data is assessed but with a strong weighting towards Canadian operations.

The weightings and full details for the baseline and KPI indicators are available for purchase in the form of Sector-Specific Reports on demand by contacting the Corporate Knights Sales Group at sales@corporateknights.ca.

BASELINE INDICATORS

Tax — The company's average tax gap over the past 3 years / # of employees. Rationale: When a company obtains a break from their tax bill, in effect the State has invested in that company. It is reasonable to expect a return on that investment in the form of increased social welfare, measured in the number of full time jobs sustained by the company.

Pension Quality — The closing fair value of the defined benefit plan / the total number of employees. Rationale: The extent to which a company provides strong pension benefits to the majority of its workforce can influence morale and generate greater loyalty from employees, which helps productivity and reduces turnover rates.

Pension Health — The ratio of the company's unfunded pension to total assets. Rationale: This number gives an indication of the company's ability to honour its pension fund obligation.

Board Diversity — The percentage of directors who are women and/or visible minorities. Rationale: A company that wants to attract and retain the best and brightest must show there are no glass or white ceilings.

Board Independence — The percentage of directors who are unrelated and the percentage of key committee(s) (audit and compensation) that are chaired by an independent director. Rationale: A strong independent board can provide valuable perspective and checks that help a company stay focused and steer it away from strategic risks.

Full SD Committee — The number of board level committees tasked specifically with environmental issues, social license to operate, sustainability, safety, public policy or corporate responsibility. Rationale: Mak-

ing sustainability part of the formal purview of the board helps to provide oversight over broad stakeholder issues from the company's top leadership, which enhances a company's ability to both manage risk and seek out related strategic opportunities for profit.

C-Suite Pay — The mean total salary of top three paid officers divided by the company's profits. Rationale: Companies that divert excessive compensation to just a few executives in relation to the company's earnings may suggest conflicts of interest and sub-optimal resource deployment.

SECONDARY BASELINE INDICATORS

Shareholder Conflict — The number of shareholder resolutions that were withdrawn (resolved) by the filer minus the shareholder resolutions that were omitted by the company or that gained over 7.5 per cent of the vote at the AGM over the past three years. Rationale: Companies that resolve concerns by shareholders demonstrate better stakeholder relations.

Work Stoppages Penalty — Person-days lost as a per cent of total employees in most recent year (only counts if more than 500 person-days lost). Rationale: Labour disruptions impose costs on many stakeholders and generally do not increase the goodwill between management and workers. This can lead to delays and lower productivity.

Labour Relations — A company receives a score in this category if a significant portion of their employees have a collective bargaining agreement or if no worker strife (not including work stoppages) has been documented in media reports over the past year. Rationale: Companies that have cordial labour relations tend to perform better.

PRIMARY KEY PERFORMANCE INDICATORS

COMM. AND MEDIA

- Waste minimization initiatives
- SD differentiation of media

FINANCIALS

- Proportion of sustainable assets under management
- Liability management
- Sustainable governance / public policy influence

RETAIL

- Supply chain standards
- Eco-social product innovation
- Facility waste reduction and conservation

FORESTRY

- Green power from biomass (volume)
- Eco-social product innovation
- Accident rate (lost time accident)
- Forest Stewardship Council certification in Canada

OIL AND GAS

- GHG intensity
- Water intensity
- Renewable energy portfolio

IT

- EICC member
- Downstream impact: energy efficiency of products
- Eco-social product innovation
- Active technology transfer to developing world
- Prevention / mitigation of hazardous substances
- Proportion of products with SD differentiation

UTILITIES

- Greenhouse gas intensity of energy production
- Renewable energy portfolio
- Demand side conservation effectiveness

CHEMICALS

- Energy efficiency of production
- Downstream impact: environmental and human toxicity
- Eco-social product innovation

MINING

- Energy efficiency of production
- Downstream impact: environmental and human toxicity
- Eco-social product innovation
- Proportion of products with SD differentiation
- Green energy use
- Human rights / security understanding
- Accident rate (lost time accident)
- Fatalities on the job in the last five years
- Extractive industry transparency initiative (where applicable)
- Waste diversion

INDUSTRIALS

- Waste minimization programs
- Downstream Impact: Energy efficiency (products), safety, lifecycle eco-design, eco-social hazardous substances/environmental and human toxicity
- Eco-social product innovation
- Proportion of products with SD differentiation
- Green energy use
- Waste diversion
- Supplier SD development program

TRANSPORT

- Fleet efficiency
- Accidents

AUTOS

- Fleet efficiency
- Energy efficiency programs
- Energy efficiency of products

HEALTHCARE

- SD innovation and responsible business practices

UPS AND DOWNS

Westport Innovations Inc.

(▲ from #71 to #9)

This environmental technology firm, which enables vehicles to operate on clean-burning alternative fuels, began to outshine its peers this year, and its KPI score was the highest in the industrials sector. While the company has yet to post a positive net income, it is steadily moving towards profitability—a sign that cleantech is surely gaining ground in Canada.

Shoppers Drug Mart Corp.

(▲ from #91 to #26)

Our Best Corporate Citizen in 2006, Shoppers fell off the list in 2007 but regained ground this year due to increased KPI and baseline scores. Its KPI score increased significantly thanks to its supply chain audits and private-label organic and environmentally-friendly cleaning product lines. Its baseline score was boosted thanks to a reduced tax gap and greater gender diversity on its Board of Directors.

Enbridge Inc.

(▼ from #15 to #50)

Just squeezing in at spot 50, Enbridge faced tough competition from its sector peers. Its KPI score fell as other utilities invested heavily in renewable energies, while Enbridge's initiatives remained relatively unchanged. Its baseline scores strengthened slightly, but not enough to keep it in the top half of the Best 50.

Royal Bank of Canada

(▼ from #1 to #28)

The financial sector as a whole suffered this year. As a result of unfavourable economic events such as the subprime mortgage crisis, RBC along with other banks paid less cash taxes than previous years, and registered a bigger gap between what they paid and what their statutory obligation to pay was. RBC also had three sustainability-related shareholder resolutions put forth in the past year that received more than 5 per cent support. RBC's KPI score, however, remained relatively unchanged, thanks in large part to its leadership role in financing renewable energy.

Domtar Corp.

(▲ from #32 to #8)

Domtar Inc. became Domtar Corp. in fiscal 2007 and now reports in USD to the SEC. The company paid out a whopping \$112 million in cash taxes last year on a \$99 million net income. When combined with its excellent pension rating, Domtar's baseline score jumped. Domtar's fine paper business is now part of Weyerhaeuser, a company ranked 73 on this year's list. Maybe it could learn a thing or two from its Canadian counterpart, especially in the area of Forest Stewardship Council certification (see our Food Issue for related analysis).

RETAIL ON THE MOVE: KPI FOCUS

The retail sector as a whole moved up this year as a result of adding another KPI—facility waste reduction and conservation. Up until this year, it wasn't easy to rank retailers on these initiatives, but the recent wave of ecologically directed consumer consciousness has caused these companies to be much more transparent and vocal about their waste diversion efforts.

Companies like Mountain Equipment Co-op and Starbucks have traditionally made responsible business a part of their operations. MEC's environmentally-friendly product lines and extensive factory auditing allowed it to score well in the retail KPI, but it was their biodegradable bags, garment recycling, green buildings, and energy conservation programs that boosted them to the top spot in the retail sector. Starbucks, whose baseline indicators weren't strong enough to put them in the Best 50, nevertheless has superb supply chain auditing practices and does a GHG emissions inventory. Starbucks also purchased renewable energy credits in the equivalent of 20 per cent of its energy usage in its company-operated American and Canadian stores.

Other initiatives by Canadian retailers include LEED-certification of stores (Empire), in-store recycling of CFL bulbs (Home-Depot), and Carbon Disclosure Project participation (Alimentation Couche-Tard). Most retailers are also moving towards encouraging and selling reusable shopping bags.

Two notable exceptions to our retail stars are the Forzani Group and Jean Coutu, neither of which includes their responsible business practices in their literature.

OTHER INITIATIVES OF NOTE

Canadian Tire:

Since 1990, Canadian Tire has substantially reduced the amount of transportation packaging material being sent to landfill by implementing aggressive pallet re-use and packaging recycling programs.

Tim Hortons:

In Tim Hortons' coffee-growing regions, there are 720 students enrolled in Tim Hortons-supported schools.

Wal-Mart:

Wal-Mart announced 22 on-site solar commitments in 2007.

Costco:

One of the warehouse design styles Costco commonly builds is consistent with the requirements of the Silver Level LEED Standard.

Sears:

Its Home Services business offers the "Efficient Home" services program, which helps make a home energy efficient, healthy and automated.

METHODOLOGY NOTES

CRITERIA FOR INCLUSION IN THE BEST 50

As of December 31, 2007 to qualify for 2008: In TSX 60, Top 50 on FP500 or ROB1000 Publicly available indicators for at least half of the major indicators.

Additional companies with significant operations in the following high-impact sectors were also added (communications, chemicals, utilities, retail, mining, oil & gas, finance, forestry, retail).

For multinational companies with no listing on the TSX, information is used from their global parent company. In the case of KPIs for multinational companies, international data is assessed but with a strong weighting towards Canadian operations.

The scoring methodology used was similar to last year's with some exceptions (see full methodology available at www.corporateknights.ca). This year, the pollution and C-Suite diversity indicators were not used. **CK**