

07" WME 2007 Methodology

2007 | WORLD'S MOST
**ETHICAL
COMPANIES**
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ETHIS SPHERE
magazine

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The World's Most Ethical Companies™ – the 2007 Edition

Ethical leadership can and should be profitable. Through recognizing companies that pursue an ethical leadership model, the Ethisphere Council both rewards such behavior as well as motivates both winners and other companies alike to strive for future such recognition.

The World's Most Ethical Companies™ (WME) methodology analyzes companies that goes beyond making statements about doing business 'ethically', but can truly translate those words into hard action. WME winners are those that are demonstrating real and sustained ethical leadership within their industries, putting the Council's credo of "Good. Smart. Business. Profit." into real business practice.

THE ETHISPHERE COUNCIL'S DEFINITION OF "ETHICAL LEADERSHIP" IN BUSINESS
[eth-i-kuhl + lee-der-ship]

Good. Companies that proactively engage with the communities that they serve, as well as in which they operate or impact.

Smart. Companies that invest in innovation, quality and sustainable business practices that reduce resource consumption in the production or use of their products and/or increase consumer health or safety.

Business. Companies that leverage relative positions of influence to affect positive industry change.

Profit. Companies that look strategically to fairly profit from such ethical leadership business practices, as ultimately only profit ensures continuance of desired institutional behavior.

The 8 Step Information Collection and Screening Process

To gather the necessary information to measure industry leaderships against the nine criteria, Ethisphere researchers and editors screened thousands of companies across the globe through a multi-step, rigorous process.

- Step 1: Litigation and controversy/conflict analysis
- Step 2: Ethical tone analysis
- Step 3: Innovation and industry leadership analysis
- Step 4: CSR analysis
- Step 5: Pan-industry effort participation analysis
- Step 6: Governance and transparency analysis
- Step 7: Public and trade partner perception analysis
- Step 8: Ethics/compliance programs and systems analysis

Steps 1-6 narrowed the candidates to a select few per industry (Award Finalists), which were notified by mail.



Step 7 consisted of examining outside ethics stakeholders' reputation and perception of each of the finalist companies. This included sending ethics audit letters to customers and suppliers, and getting input and opinion from numerous NGOs (such as environmental and fair trade activist groups) and Socially Responsible

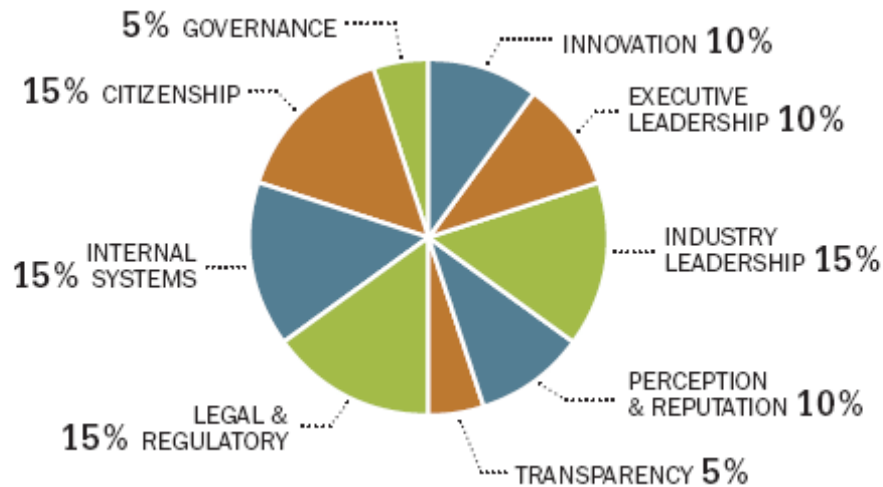
Investment (SRI) firms such as the World Business Council for Sustainable Development, ForestEthics, SustainAbility and New Alternatives Fund Inc. (see Exhibit A).

Step 8 was the final step before scoring and ranking. Step 8 is an analysis of the company's internal ethics and compliance systems. This involved dialogues with the leadership of each organization to understand how to drive an internal cultural commitment to ethics and compliance, and how it may benefit their business.

If a company is unwilling to participate in Step 8, the Council's researchers must rely on available third-party information. Should such third-party information not be available, the best that the Council can rate a company regarding internal systems is "neutral". Internal systems are a heavily weighted component; a neutral score can oftentimes unfortunately be the difference between winning and losing.

The Final Ranking and Scoring the World's Most Ethical Companies

Once all the necessary information is obtained, the companies were scored relative to industry peers on nine separate criteria. The analysis is segmented into 30 separate industries based upon SIC Codes and the nine relatively weighted criteria are shown below.



Within each industry, the companies that have a materially higher aggregate score versus their competitors, are designated as that year's "World's Most Ethical".

About the Ethisphere Council

The Ethisphere Council is an exclusive group of corporations and their leaders who are committed to the belief that ethics and profitable business are not mutually exclusive – but rather inextricably intertwined. Members of the Ethisphere Council herald from organizations that recognize that having a highly effective ethics and compliance approach is integral to their organizations' long-term sustainable business success and wish to help illuminate this fact to others through the sharing of best practices, peer review, and ongoing educational opportunities.

The Ethisphere Council helps both individuals and their organizations apply compliance, ethics, and social responsibility programs to enhance their business and career prospects. Council members come from all industries and regions of the globe and share a common commitment to **"Good. Smart. Business. Profit."**

Exhibit A.

The editors of Ethisphere Magazine and the researchers for the 2007 World's Most Ethical Companies ranking want to thank the following organizations for generously taking the time and effort to review the finalists for this year's awards, and providing feedback on which companies merit recognition for their ethical leadership practices.

SustainAbility **SUSTAINABILITY** (www.sustainability.com) is a hybrid strategy consultancy and think tank. Our mission is to inspire and support the innovation that creates tomorrow's values. We combine rigorous business insight with in-depth knowledge of the sustainability agenda in global markets, including the emerging economies. We work with business leaders to identify and manage key sustainability risks and opportunities. We are focused on six sectors: chemicals, capital markets and finance, energy, food and beverages, healthcare and the knowledge economy. For more information, contact Seb Beloe at +44 207 269 6900.

THE WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (www.wbcsd.org) is a CEO-led, global association of some 190 companies, dealing exclusively with business and sustainable development. The Council provides a platform for companies to explore sustainable development, share knowledge, experiences and best practices, and to advocate business positions on these issues in a variety of forums, working with governments, non-governmental and intergovernmental organizations. Members are drawn from more than 35 countries and 20 major industrial sectors. The Council also benefits from a global network of 55+ national and regional business councils and regional partners.



TRILLIUM ASSET MANAGEMENT CORPORATION (www.trilliuminvest.com) has been a leader in socially responsible investing for over twenty-five years. We are guided by a belief that active investing can offer good returns to the investor, while also promoting social and economic justice. Trillium Asset Management is an independent employee-owned firm, dedicated to professional, high quality, individualized service for our valued clients. Our professional staff, in four offices across the country, carries on a mission started in 1982: To help our clients meet their financial goals and have a positive impact on society through socially responsible investing.

WINSLOW MANAGEMENT COMPANY, LLC. (www.winslowgreen.com) is a registered investment advisor based in Boston, Massachusetts. Winslow has practiced green investing since 1983, and its client portfolios are composed of public companies that develop environmental solutions and companies with clean environmental operations. Winslow specializes in small-cap growth equity investing and employs a proprietary research process that integrates financial, environmental and governance analysis. The firm offers the Winslow Green Growth Fund (WGGFX), a green small-cap growth mutual fund; a hedge fund (open to qualified investors); and separately managed accounts for individuals, endowments, corporate pension plans, foundations and other institutions.

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FORESTETHICS

Because protecting forests is everyone's business

FORESTETHICS (www.forestethics.org) was founded in 1994 and is a nonprofit environmental organization with staff in Canada, the United States and Chile. Our mission is to protect endangered forests. By high-profile, public campaign work or private work behind the scenes, we show companies such as Limited Brands, Staples, Home Depot, Dell and Williams-Sonoma how they can help protect endangered forests through forest ethics that guide their purchases of wood and paper products. These forest ethics include excluding endangered forest material from the supply chain, preferring Forest Stewardship Council (FSC) certified products, increasing post consumer recycled content and choosing paper products containing processed chlorine-free fiber. We believe that protecting forests is everyone's business.

THE WOMEN'S EQUITY FUND (www.womens-equity.com) was created in 1993 to broaden the participation and collective investing power of individual investors to advance the social and economic status of women in the workplace. We believe that by screening for companies with positive policies on behalf of women, we are selecting those companies with high potential for growth and profitability. Companies that maximize the potential of all their employees, including women, are more likely to be successful in this competitive global market over the long term. For information, call 888.552.9363 or e-mail info@womens-equity.com.



THE CENTER FOR BUSINESS ETHICS

(www.stthom.edu/academics/centers/cbes) at the University of St. Thomas works with the corporate community to help business people and students make good choices that will benefit themselves, their businesses, and their community. CBES offers ethical leadership training programs and other business ethics programming. The Center is business-friendly. We believe that companies and managers have an ethical duty to protect stakeholders, including shareholders and their property rights. We recognize the important role business institutions play in developing and maintaining a democratic system. CBES also explores the effects of individual and corporate actions upon others, including the more marginal members of the community.

THE NEW ALTERNATIVES FUND

(www.newalternativesfund.com) began operation in September 1982 as the first environmental mutual fund with a significant operation in alternative energy. We seek to be affirmatively socially responsible by selecting companies that produce something that benefits the environment, including alternative energy, recycling, clean air and water, pollution prevention and conservation. Our environmentally oriented investments are positive forms of social investment.

New Alternatives Fund