



2012 Good Company Index: It (Still) Pays to Be Good

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2012 Good Company Index™

It pays to be good in business. The bar to be judged a worthy firm is rising. And it takes vigilance for companies to remain near the top of the list.

These are among the key takeaways from the 2012 Good Company Index (GCI). We created the original GCI metric as a feature of our book *Good Company: Business Success in the Worthiness Era*. It assesses companies on their performance as employers, sellers and a stewards of the planet and communities.

In the book, we said the characteristics of a good company would be increasingly crucial to business success, as people worldwide demand greater worthiness from the companies in their lives. The toughest standard of evidence—companies' own stock market performance—continues to convince us that a new Worthiness Era has dawned.

When we released the inaugural Good Company Index last year, we limited our assessment to Fortune 100 companies. This year, we have expanded our coverage to 300 of America's largest public companies (84 were assigned full grades, 216 received "Quick Grades"; see Appendices A and B for full lists of grades).

Among the Fortune 100, the 2012 GCI crowns a new leader: Time Warner. Last year's highest-ranked company, Disney, slid significantly.

Part of the reason for movement in the rankings has to do with the GCI's higher standards. Time Warner shone, and Disney failed to, in two new areas of the GCI that reflect emerging public expectations of companies: solid ethics and transparency in political spending.

Despite having to clear a higher bar, a handful of large companies repeated a strong performance on the GCI from 2011 to 2012. FedEx, Procter & Gamble, American Express, Intel, Cisco Systems, United Parcel Service, and Best Buy all earned at least a solid B both years.

These quite-worthy firms represent a diverse set of industries. But overall, some industry-specific patterns are clear from the 84 Fortune 100 firms to which we were able to give full Good Company grades (complete data were not available for the other 16). No energy or chemical company scored above a C+. Meanwhile technology firms earned roughly 30 percent of the A and B grades—a disproportionate share considering the number of tech firms in the Fortune 100 companies we graded.

The same trends hold in the broader Quick Grades we calculated for an additional 216 companies in the Fortune 500. Three of the seven companies receiving Quick Grades of F were oil or chemical businesses.

It would be a mistake, though, to write off worthiness as merely an industry characteristic. The data show that even for companies in the same industry, goodness is a competitive advantage. We now have two years of stock performance data for companies following their initial Good Company Index grades (assigned in June 2010). Companies in the same industry with higher Good Company grades have outperformed their peers by a wide margin.

For the twelve pairs of companies in the same industry in which one scored a full letter grade above a competitor (i.e. a grade of B versus a C), the stock price of the company with the higher grade outperformed that of its competitor with the lower grade by an average of 30.2 percentage points over the 2-year period following the initial assignment of Good Company grades.

The message as we release the 2012 Good Company Index is clear. The Worthiness Era has arrived.

METHODOLOGY

In calculating our 2012 Good Company Index grades for Fortune 100 firms, we first determined company scores on the three major components of the index: employer, seller, and steward. These component scores are based on data from a variety of sources. To measure performance as a Good Employer, we considered ratings on employee feedback site Glassdoor.com as well as *Fortune's* list of the Best Companies to Work For. Our Good Seller score came from wRatings, a database of customer ratings on some 4,000 public companies.

For the Good Steward rating, we examined the following sources: the *Newsweek* Green Rankings of America's 500 largest companies on their environmental performance; the Dow Jones Sustainability North America Index, compiled by asset management firm SAM, which lists the top 20 percent of large public companies in North America on sustainability criteria; the *New York Times* list of top CEO compensation; a report on corporate tax dodgers by Citizens for Tax Justice and the Institute on Taxation and Economic Policy; Ethisphere Institute's list of the World's Most Ethical Companies; and a report on political accountability by the Center for Political Accountability and The Wharton School at the University of Pennsylvania. In addition, we conducted our own study of regulatory actions and sanctions against companies, primarily penalties and fines levied by federal government agencies in the United States.

We assigned positive or negative points to companies based on their performance on these measures and then tallied the totals. The range of total possible scores ran from -9 to 8. Corresponding Good Company Index letter grades were assigned as follows:

5 or higher	A- to A+
2 to 4	B- to B+
-1 to 1	C- to C+
-3 to -2	D to D+
-4 or lower	F

We assigned "full" Good Company Index grades for the 84 Fortune 100 companies for which we had the most complete data. To 216 other companies in the Fortune 500, we assigned Quick Grades, derived from three sources for which we had data on the largest range of firms: Glassdoor.com (employer), wRatings (seller), and the *Newsweek* Green Rankings (steward, scored slightly differently than in the full grades).

Full detail on the methodology behind the Good Company Index is available in Appendix C and on our Web site: www.goodcompanyindex.com. Additional discussion of the concepts behind our ratings is available in *Good Company: Business Success in the Worthiness Era* (Berrett-Koehler, 2011).

A New Best Company

It's Time Warner's time at the top. The media company stands alone at the pinnacle of the 2012 Good Company Index. It earned a grade of A-, the only A grade earned by any of the Fortune 100 companies this year. Although Time Warner had a middle-of-the-road score as a seller, it earned positive marks as an employer and had particularly strong results as a steward of communities and the planet.

As a traditional media company trying to reshape itself to serve audiences that are increasingly online and mobile, Time Warner has faced challenges in recent years. CEO Jeffrey Bewkes has streamlined operations, cutting some jobs along the way. But Bewkes has shown he is willing to bear some of the cost-cutting as well. He told the *New York Times* he was willing to give up his office with a coveted view of Manhattan's Central Park, calling Time Warner's corporate headquarters near the park an "indulgence."

And employees overall believe the company to be a decent one to work for. Time Warner's score at employee feedback site Glassdoor.com was 3.4 out of 5, placing it in the top quarter of Fortune 100 companies we ranked. One employee posting at Glassdoor called Time Warner a "Great place to work," adding that "management seems to know what it's doing and communicates that message well with employees at the company. Benefits are strong."

Another sign of Time Warner's worthiness as an employer can be seen in the company's new chief of the Time Inc. magazine division, Laura Lang. A recent *New York Times* profile indicates she embodies key traits of good leadership: setting a smart digital strategy to reverse declining operating income and revenue, avoiding major layoffs, and communicating extensively with employees in a series of meetings in offices throughout the country and in London. "The point of the process was to say we're not going away in a room and shutting the door and whispering," Lang told the *New York Times*.

That same spirit of transparency helped Time Warner earn high marks as a steward. The company ranked in the top tier of organizations on the CPA-Zicklin Index of Corporate Political Accountability and Disclosure. Time Warner also earned points as a Good Steward for its inclusion on the Ethisphere Institute's list of the World's Most Ethical Companies and the Dow Jones Sustainability North America Index, as well as its high score on the *Newsweek* ranking of companies' environmental performance.

Significantly, Time Warner didn't lose any points for running afoul of the law in the last five years (the period included in our ratings). In our first Good Company Index, Time Warner scored a B-, its score negatively affected by a 2005 incident in which it agreed to pay \$300 million to settle fraud charges by the U.S. Securities and Exchange Commission. Among other allegations, the SEC said Time Warner overstated online advertising revenue and the number of its Internet subscribers. We did not turn up significant penalties or fines against the company since then, indicating it has played by the rules—a fundamental feature of a good steward.

As Time Warner has gone to the head of the class, Disney has moved back to the middle of the pack. The entertainment giant saw its Good Company Index grade fall from an A, the top score in the inaugural ranking, to a C+. Disney's performance as an employer continued to be solid, but its rating as a seller slipped and its marks as a steward dropped dramatically. For instance, it didn't earn any points in our new categories of political accountability and ethics.

Disney was also dinged for excessive CEO pay. We consider extravagant CEO pay to be a sign of lack of restraint and against the spirit of good corporate stewardship. According to a *New York Times* study of top executive compensation, Disney CEO Robert Iger raked in \$31.4 million in 2011—placing him in the top 5 among CEOs in the Fortune 100 firms we ranked. (As it happens, Disney had flirted with losing a point on our inaugural Good Company Index for its CEO pay: it ranked sixth, with Iger's 2009 compensation of \$21.6 million coming in just behind the \$21.9 million pay of fifth ranked Abbott Laboratories CEO Miles White.)

We do not mean to declare that Disney has gone from being a "good" company to a "bad" one. But the firm that claims to operate the "happiest place on earth" appears to have work to do to make all of its stakeholders happy.

A Higher Standard of Worthiness

The 2012 Good Company Index has a slightly different methodology from the inaugural index. While some might initially see this as "moving the goal posts," we think our changes reflect the ever-evolving understanding of what it means to be a worthy company. In particular, we made some changes in how we assessed companies as stewards.

We believed it was important to capture a company's political transparency, especially in the wake of the landmark Supreme Court *Citizens United* ruling, which removed key political spending restrictions on corporations. The effects of this ruling have been quite visible in the 2012 presidential election. Unlimited independent corporate spending in the political arena threatens to undermine important elements of the democratic process, making transparency in this arena a vital characteristic of worthy stewards.

Such information was not available for our first rankings. But a recent joint effort of the Center for Political Accountability and the Carol and Lawrence Zicklin Center for Business Ethics Research at The Wharton School at the University of Pennsylvania has resulted in the CPA-Zicklin Index of Corporate Political Accountability and Disclosure, which rates how companies currently handle and report on their political spending.

We also added an ethics element. The Ethisphere Institute's World's Most Ethical Companies recognizes companies with outstanding performance on criteria including programs for complying with laws, governance, corporate citizenship, and a culture of ethics. The significance of a company-wide ethical ethos is growing in light of continuing corporate scandals that harm communities. Among the most recent ones: allegations of extensive bribery in Mexico by Wal-Mart officials, evidence that Barclays and possibly other banks rigged a key international interest rate, and accusations that Standard Chartered bank

violated rules designed to uphold sanctions against Iran. Ethics matter, and our 2012 Good Company Index better reflects their importance.

Another change to the index holds corporations to a more rigorous standard with respect to taxes. Our initial index examined use of tax havens by companies as reported by the U.S. Government Accountability Office in 2008. But relying on that report not only carried the risk of outdated information, but also meant examining just one way companies may have shirked their fair share of taxes.

The “Corporate Taxpayers & Corporate Tax Dodgers 2008-10” report from Citizens for Tax Justice & the Institute on Taxation and Economic Policy offers an improved method for assessing companies and their approach to tax fairness. In particular, the report lists major companies that paid no income tax in 2008, 2009, and 2010. We subtracted a point from a company’s Good Steward score if it had two or more years of zero income tax payments in that three-year period. We recognize that use of tax havens and other schemes for avoiding U.S. taxes may be perfectly legal. But the public has shown decreasing patience for companies that take advantage of loophole after loophole to avoid paying a “fair share” of taxes, especially when the United States and other countries are struggling with significant public deficits.

We also dropped an element of our stewardship grade that we believed was fast becoming outdated. The “contribution” section of our index awarded companies points if they systematically gave back to the community in some fashion, and if they did so in a way that used their “core competencies” such that the philanthropy made an optimal impact. We don’t mean to suggest that contributions such as financial gifts and volunteer efforts are no longer important. On the contrary, what’s variously known as “corporate social responsibility,” “corporate giving” and “corporate citizenship” is increasingly a baseline expectation of all large companies today. In fact, most companies have programs along these lines. This is good news. But it also means it is not necessary to reward companies on our Index for making contributions.

Our decision to drop this category had the most significant effect on companies that had earned two full points in the inaugural index for their contribution. This includes Disney. Disney continues to do many good works. But it, like all other companies, has to clear an increasingly high bar.

Consistently Good

Although Disney’s grade dropped, other Fortune 100 companies repeated strong performances on the Good Company Index. As mentioned above, FedEx, Procter & Gamble, American Express, Intel, Cisco Systems, United Parcel Service, and Best Buy all earned at least a solid B on both the 2011 and 2012 editions of the index (see Table 1 below).

Table 1. “Consistently Good” Companies, 2011-2012

Company Name	2012 Good Company Index					Previous Year	
	2012 Good Company Grade	2012 Good Company Score	Employer	Seller	Steward	2011 Good Company Grade	2011 Good Company Score
American Express	B	3	2	0	1	B	3
Best Buy	B	3	0	0	3	B	3
Cisco Systems	B	3	2	-1	2	B+	4
FedEx	B	3	1	1	1	A-	5
Intel	B	3	2	0	1	B+	4
Procter & Gamble	B+	4	2	0	2	B+	4
United Parcel Service	B	3	0	0	3	B+	4

Procter & Gamble stands out as a particularly worthy company, having achieved a B+ in both years. As with Time Warner, it had a neutral mark with respect to customers. But the consumer products giant earned high marks as an employer thanks to a Glassdoor.com rating of 3.8 of 5. P&G also made a solid showing as a steward, with a high score on the *Newsweek* Green Rankings and membership in the Dow Jones Sustainability North America Index.

FedEx slipped some from an A- to a B. This was a rare year that the shipping specialist did not make the *Fortune* Best Companies to Work For list, which cost it a point in our scoring system. But FedEx did rate highly enough with employees at Glassdoor.com to earn one point as a Good Employer. It also stood out for good customer service at wRatings. And with a variety of environmental initiatives, a number of which we discussed in *Good Company*, FedEx scored highly on the *Newsweek* Green Rankings.

Apple bears special mention. Although it didn’t earn a solid B in both years of the index (it had a B- last year), it was one of the top three index performers this year along with Time Warner and P&G. Apple earned a B+, on the strength of a top good seller score, a high *Newsweek* Green Ranking, and lofty employee ratings at Glassdoor.com. Only a demerit for giving CEO Tim Cook the largest pay package of any company in the rankings prevented Apple from earning an A- grade.

Apple clearly has delighted customers with innovative products and services such as the iPad, FaceTime and Siri. But we find ourselves a bit troubled with the company’s high rating as an employer given evidence in recent years of less-than-decent treatment of Apple’s extended workforce in overseas factories run by partners. We have yet to find a reliable, comprehensive source of data on companies’ outsourced workers to include in our index calculations, though. Lacking such a data source, we can only rely on the enthusiasm direct employees have for Apple. And we also trust that the “technology-fueled people power” we discussed in

Good Company—forces such as social media tools and a culture of personal disclosure—will continue to push Apple to improve the treatment of workers in its supply chain.

Industry Leaders and Laggards

Apple isn't alone in the technology industry in relying on supply chain partners with poor labor rights records. But apart from that shortcoming, the tech sector overall stands out as particularly worthy based on its Good Company Index performance. Of the 84 Fortune 100 companies receiving full Good Company Grades, 13 percent are technology firms. Yet a substantially higher percentage (33 percent) of the 21 A or B grades earned went to tech firms. Companies in the technology field are particularly likely to be Good Employers—Apple, Google, Intel, Cisco Systems, and Microsoft all earned our maximum score as an employer.

A similar pattern holds for the broader universe of Fortune 500 companies we assessed with Quick Grades. A disproportionate number of tech companies earned As and Bs among this group as well. These included data storage specialist EMC, test equipment maker Agilent Technologies, and computer chipmaker Texas Instruments.

The tech industry's strong performance has much to do with its famed workplace perks (think gourmet chefs in the company cafeteria), a generally strong commitment to employee training, and smart management practices such as Google's "20 percent time"—where employees have the freedom to spend a day a week on a project of their choosing.

On the other end of the spectrum are the oil and gas and chemical industries. Chevron was the highest-rated Fortune 100 firm in those industries, with a C+. On the strength of a strong Good Employer score, it once again beat out its peers on the index. Hess scored a C, while Exxon Mobil, Marathon Oil, Sunoco, and Dow Chemical all received a C-. Valero Energy, ConocoPhillips, and DuPont each rated a D+. It is roughly the same story in the larger set of companies receiving Quick Grades. Sempra Energy, a gas utility, was the only energy industry company to earn a B. And energy and chemical companies were heavily represented in the scores of D and F.

As they did in the inaugural Good Company Index, these companies tended to do poorly as stewards on the 2012 index. That is partly due to a habit of getting into trouble with authorities. Our research into regulatory actions found that oil and chemical companies often paid significant penalties and fines for such bad behavior as allegedly violating the Clean Air Act—which led Exxon Mobil to agree to pay \$2.4 million in 2010.

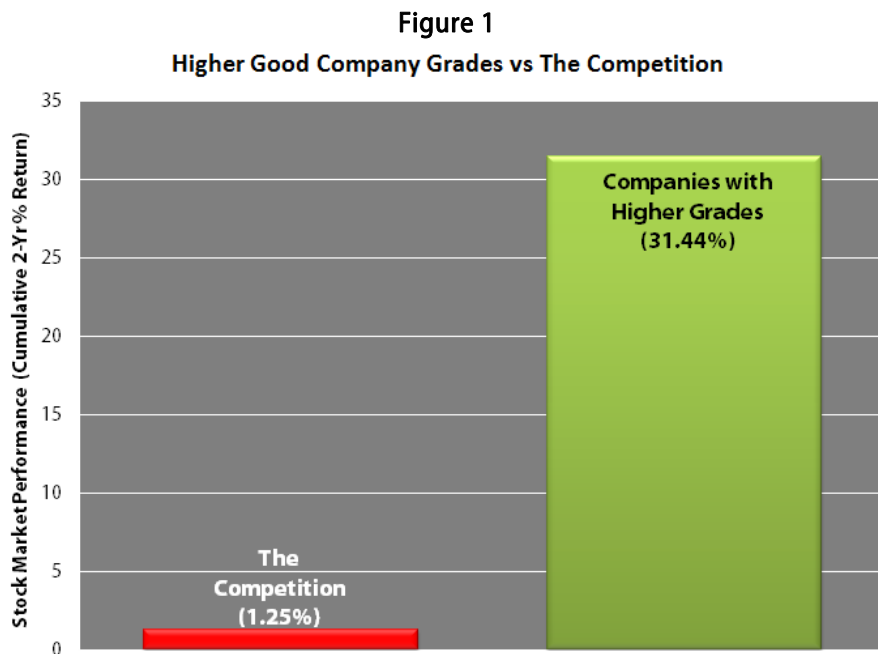
Energy and chemical companies also frequently lost points for a less-than-stellar performance as sellers. That may be partly related to consumers distrusting these industries for their records on the environment and partly related to long-running suspicions of price gouging. Such criticisms may not always be fair. But it's clear that the oil-and-gas, energy, and chemical sectors have a ways to go to win over customers and to clean up their records as stewards of the environment.

Stock Market Performance

Despite the disparate grades of the tech and energy sectors, it would be misguided to dismiss Good Company Index scores as merely rewarding some industries while punishing others. Our research has found that even within industries, higher scores on the index predict better stock performance.

We originally assigned Good Company Index grades to Fortune 100 companies in June 2010 (those grades were reported as the 2011 Good Company Index, reflecting the year in which our book was published). As we did last year on the one-year anniversary of the Index, this year we again examined all "industry-matched pairs" (two companies in the same industry) in the Fortune 100 in which the companies' Good Company grades differed by one or more full grade levels (for example, a grade of B versus a grade of C).

Those companies with higher Good Company grades significantly outperformed their competitors in the first year and then further extended that outperformance in the second year. The stock price of the company with the higher grade outperformed that of its competitor with the lower grade by an average of 30.2 percentage points cumulatively over the 2-year period (see Figure 1 below).



In addition, we found that in 83 percent of the pairs (10 of 12), the higher-ranked company outperformed the other over the 24-month period. For example, the stock value of Verizon (grade of C+ in June 2010) outperformed AT&T (grade of D+) by 21.7 percentage points during that period, 76.5 percent to 54.8 percent.

The Lower Road Does Not Compute

For a more in-depth exploration of the ways goodness fuels business success, compare the worthiness and the stock performance of computer industry rivals Hewlett-Packard and IBM.¹ HP has been the less good of the two firms. Its original Good Company Index grade was a C vs. IBM's B+. And it seems to have paid a price for being less worthy.

To be sure, HP isn't all bad. It has shown itself to be a solid steward through extensive recycling programs and a green manufacturing methodology. But it has been a less-than-stellar employer over the past decade or so.

In the book, we define a good employer as one that is exacting, caring, and inspiring. On at least two of these three criteria, HP appears to have fallen short. With multiple rounds of massive layoffs, the company has shown a degree of callousness to workers as well as ignored evidence that downsizing generally does not lead to success.

And the vision put forward by its executives has been less than stirring. HP's recent "Everybody On" slogan misses the historical moment: People now want the companies in their lives to make the world better, not just create new stuff for the whole world to use. HP's leaders also have let employees down with faulty strategies. The company has focused largely on cutting production costs on personal computers, has taken only halting steps into the mobile device world, and has seemed to lose touch with its proud tradition of technology innovation. In that sense, the company hasn't lived up to its longtime motto: "Invent."

IBM, on the other hand, has set a sound strategy tied to helping companies makes sense of "big data." And it has voiced a corresponding vision that's compelling to both customers and employees: building a "smarter planet." IBM has cut jobs as well over the past decade. And it may ax more U.S. jobs in the months ahead. But it also has sought to ease or avoid employee pain through steps such as a program to help workers shift to careers in other fields.

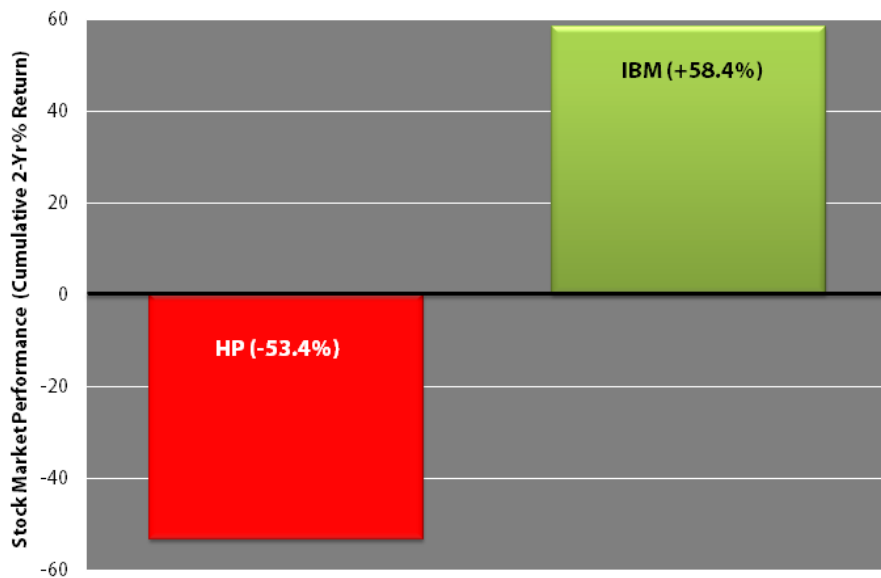
Not surprisingly, IBM employees rate their company higher than HP workers rate theirs at feedback site Glassdoor.com. HP's Glassdoor score two years ago was 2.6 out of 5, while IBM's was 3.1—a difference that helped determine their respective Good Company grades. And their scores at Glassdoor continue to show a good employer gap: HP's score has edged up slightly to 2.7 while IBM's is a consistent 3.1.

The worthiness difference between HP and IBM helps explain the dramatic difference in their stock performance since we first gave them Good Company Index grades. The stock value of IBM increased by a cumulative 58.4 percent during the two-year period compared with a decrease of 53.4 percent in HP over the same time, for a 111.8 percentage point outperformance for IBM (see Figure 2 below).

¹ A version of the HP-IBM story first appeared at Workforce.com.

Figure 2

IBM versus HP, 2-year cumulative returns



Goodness may not account for all of this divergence but the HP-IBM story strongly suggests that, increasingly, the lower road does not compute.

Vigilance Required

While Good Company Index grades are a predictor of stock performance, there's nothing permanent about a company's level of goodness. In fact, AT&T and Verizon swapped positions in the 2012 index. AT&T earned a C and Verizon a D+. And of course Time Warner climbed up the index while Disney fell.

The message is that it takes vigilance and persistence to become and remain a good company. That's especially true as societal standards rise for companies, standards that are mirrored in measurements like the Good Company Index.

But the payoff to worthiness is worth the effort. Stock performance is an objective yardstick that demonstrates the competitive advantage of being a good company. And underlying those Wall Street wins are these benefits enjoyed by worthy firms: more energized employees, more enthusiastic customers, and more empathetic communities. Those features not only help boost the bottom line in the short run, but create a virtuous cycle. Workers, customers, and investors increasingly will be drawn to companies that do right by their stakeholders as the Worthiness Era takes hold. In this emerging economic age, people are choosing the companies in their lives in the same way they choose the guests they invite into their homes: they are demanding that companies be "good company."

The 2012 Good Company Index is the latest evidence yet that companies now have to be good to be great.

THANK YOU!

Our sincere thanks to Gary Williams of wRatings for making available to us wRatings customer ratings for the Fortune 500, to SAM for making available to us the list of companies included in the Dow Jones Sustainability North America Index, and to Glassdoor.com, for providing a database of all their Fortune 500 company scores. In addition, we greatly appreciate all the wonderful work done by the creators of the many publicly-available data sources we incorporated into our Good Company Index rankings.

Appendix A
Good Company Grades (Fortune 100)¹

¹ For complete scoring details for each company, please see the Ratings section of our website www.goodcompanyindex.com.

Company Name	2012 Good Company Index					Previous Year	
	2012 Good Company	2012 Good Company	Employer	Seller	Steward	2011 Good Company	2011 Good Company
	Grade	Score				Grade	Score
3M	C	0	0	-1	1	B-	2
Abbott Laboratories	C	0	0	1	-1	B-	2
Aetna	C+	1	0	0	1	C	0
AIG	D+	-2	0	0	-2	(not included)	
Allstate	C-	-1	-1	0	0	B-	2
Amazon.com	C+	1	0	1	0	(not included)	
American Express	B	3	2	0	1	B	3
AmerisourceBergen	C	0	0	0	0	C	0
Apple	B+	4	2	2	0	B-	2
AT&T	C	0	-1	0	1	D+	-2
Bank of America	C-	-1	0	0	-1	C	0
Best Buy	B	3	0	0	3	B	3
Boeing	C-	-1	1	-1	-1	C+	1
Cardinal Health	C	0	0	0	0	C+	1
Caterpillar	C+	1	1	0	0	B	3
Chevron	C+	1	2	-1	0	C+	1
Cisco Systems	B	3	2	-1	2	B+	4
Citigroup	C-	-1	-1	0	0	C-	-1
Coca-Cola	C	0	0	0	0	C	0
Comcast	C-	-1	0	-1	0	C-	-1
ConocoPhillips	D+	-2	0	-1	-1	D	-3
Costco Wholesale	B	3	2	0	1	C	0
CVS Caremark	D+	-2	-1	0	-1	D	-3
Deere	B-	2	1	0	1	B-	2
Dell	C+	1	0	0	1	B	3
Delta Air Lines	C+	1	0	0	1	(not included)	
Dow Chemical	C-	-1	0	-1	0	C-	-1
DuPont	D+	-2	0	-1	-1	C	0
Express Scripts	D+	-2	-2	0	0	(not included)	
Exxon Mobil	C-	-1	0	0	-1	F	-4
FedEx	B	3	1	1	1	A-	5
Ford Motor	B	3	1	0	2	B-	2
General Dynamics	D+	-2	0	-1	-1	C-	-1
General Electric	B-	2	2	-1	1	B	3
Goldman Sachs Group	C+	1	2	0	-1	B	3
Google	B	3	2	0	1	(not included)	
Hess	C	0	0	-1	1	C-	-1
Hewlett-Packard	C-	-1	-2	0	1	C	0
Home Depot	C	0	0	0	0	C+	1
Honeywell International	D	-3	0	-1	-2	C	0

Company Name	2012 Good Company Index					Previous Year	
	2012 Good Company	2012 Good Company	Employer	Seller	Steward	2011 Good Company	2011 Good Company
	Grade	Score				Grade	Score
Humana	B-	2	0	0	2	C	0
IBM	B-	2	0	0	2	B+	4
Ingram Micro	C	0	0	0	0	C	0
Intel	B	3	2	0	1	B+	4
JP Morgan Chase	D+	-2	0	0	-2	C	0
Johnson & Johnson	B	3	1	1	1	B-	2
Johnson Controls	B-	2	0	0	2	C+	1
Kraft Foods	C+	1	0	0	1	B+	4
Kroger	C-	-1	-1	0	0	B-	2
Lockheed Martin	C+	1	1	0	0	B-	2
Lowe's	C-	-1	0	0	-1	B-	2
Marathon Oil	C-	-1	1	0	-2	D	-3
McKesson	D	-3	-1	0	-2	C+	1
Medco Health Solutions	C+	1	0	0	1	D+	-2
Merck	B-	2	0	1	1	(not included)	
MetLife	C+	1	0	0	1	C+	1
Microsoft	B-	2	2	0	0	B	3
Morgan Stanley	C+	1	1	0	0	B-	2
Northrop Grumman	C-	-1	0	0	-1	C	0
Oracle	D	-3	0	-1	-2	(not included)	
PepsiCo	B-	2	0	1	1	B	3
Pfizer	C+	1	0	1	0	C	0
Procter & Gamble	B+	4	2	0	2	B+	4
Prudential Financial	C+	1	1	0	0	D	-3
Rite Aid	D	-3	-2	0	-1	D	-3
Safeway	C	0	-2	0	2	C+	1
Sears Holdings	D	-3	-2	-1	0	D+	-2
Sprint Nextel	C+	1	0	-1	2	C-	-1
Sunoco	C-	-1	-1	0	0	F	-5
Supervalu	C-	-1	-1	0	0	C-	-1
Sysco	C-	-1	-1	0	0	C	0
Target	C+	1	0	0	1	B-	2
Time Warner	A-	5	1	0	4	B-	2
Tyson Foods	D	-3	-1	0	-2	C-	-1
United Parcel Service	B	3	0	0	3	B+	4
United Technologies	C	0	0	-1	1	B-	2
UnitedHealth Group	C-	-1	-2	0	1	C	0
Valero Energy	D+	-2	1	-1	-2	F	-4
Verizon Communications	D+	-2	-1	0	-1	C+	1
Walgreen	C	0	0	0	0	B-	2

Company Name	2012 Good Company Index					Previous Year	
	2012 Good Company	2012 Good Company	Employer	Seller	Steward	2011 Good Company	2011 Good Company
	Grade	Score				Grade	Score
Wal-Mart Stores	C	0	-1	0	1	C	0
Walt Disney	C+	1	1	-1	1	A	6
WellPoint	C+	1	0	0	1	C	0
Wells Fargo	C-	-1	0	0	-1	B-	2

Appendix B
Good Company “Quick Grades” (Fortune 101-500)¹

¹ For complete scoring details for each company, please see the Ratings section of our website www.goodcompanyindex.com.

2012 Good Company Index Quick Grades

Company Name	2012 Quick Grade	Total Quick Score	(Quick) Employer	(Quick) Seller	(Quick) Steward
Advance Auto Parts	C	1	0	1	0
Advanced Micro Devices	B	2	0	0	2
AECOM Technology	D	-2	-2	0	0
Aflac	C	0	-1	0	1
Agilent Technologies	B	3	1	0	2
Air Products & Chemicals	C	0	1	-1	0
Alcoa	C	-1	-1	0	0
Allergan	B	3	0	1	2
Altria Group	B	2	1	1	0
American Electric Power	C	1	2	0	-1
Ameriprise Financial	D	-2	0	0	-2
Amgen	B	4	1	2	1
Anadarko Petroleum	C	-1	1	0	-2
Aon	C	0	0	0	0
Apollo Group	C	0	-1	0	1
Applied Materials	C	1	-1	0	2
Arrow Electronics	C	-1	-1	0	0
Assurant	C	-1	-1	0	0
AutoNation	D	-2	-2	0	0
AutoZone	C	0	-2	2	0
Avery Dennison	C	-1	0	-1	0
Avis Budget Group	C	-1	-2	0	1
Baker Hughes	D	-2	-1	-1	0
Bank of New York Mellon Corp.	D	-3	-2	0	-1
Barnes & Noble	C	0	0	0	0
Baxter International	B	2	-1	1	2
BB&T Corp.	C	0	0	0	0
Becton Dickinson	B	3	0	1	2
Bed Bath & Beyond	D	-2	-2	0	0
Big Lots	D	-2	-2	0	0
Biogen Idec	A	5	2	1	2
BlackRock	D	-2	0	0	-2
Boston Scientific	C	0	0	0	0
Bristol-Myers Squibb	B	4	1	1	2
Broadcom	C	-1	0	-1	0
C.H. Robinson Worldwide	C	-1	-1	0	0
Cablevision Systems	C	-1	-1	0	0
Cameron International	D	-2	1	-1	-2
Campbell Soup	B	2	2	0	0
Capital One Financial	C	1	1	0	0
CarMax	C	0	0	0	0
CB Richard Ellis Group	C	0	0	0	0

2012 Good Company Index Quick Grades

Company Name	2012 Quick Grade	Total Quick Score	(Quick) Employer	(Quick) Seller	(Quick) Steward
CBS	C	0	0	0	0
Celanese	F	-4	-1	-1	-2
CenturyLink	D	-3	-2	-1	0
Charles Schwab	D	-2	0	0	-2
Chesapeake Energy	C	-1	2	-1	-2
Cigna	C	1	0	0	1
Clorox	C	1	1	0	0
Cognizant Technology Solutions	B	2	0	0	2
Colgate-Palmolive	C	1	2	0	-1
Community Health Systems	C	-1	-1	1	-1
ConAgra Foods	C	1	1	1	-1
Constellation Energy	C	0	0	0	0
Corning	B	2	2	0	0
Coventry Health Care	D	-2	-2	0	0
CSX	C	0	0	0	0
Cummins	C	1	1	0	0
Danaher	F	-4	-2	-1	-1
Darden Restaurants	C	1	1	0	0
DaVita	C	0	-1	1	0
Dean Foods	D	-3	-2	0	-1
Dick's Sporting Goods	C	-1	-1	0	0
Dillard's	D	-2	-2	0	0
DirecTV	C	-1	-1	0	0
Discover Financial Services	C	0	0	0	0
DISH Network	D	-2	-2	0	0
Dollar General	D	-3	-2	0	-1
Dollar Tree	D	-3	-2	0	-1
DTE Energy	D	-2	-1	0	-1
Duke Energy	C	1	2	0	-1
Eaton	C	1	1	0	0
eBay	C	0	-1	0	1
Ecolab	D	-2	-2	0	0
Eli Lilly	B	2	0	1	1
EMC	B	3	1	0	2
Emerson Electric	C	0	0	0	0
Estée Lauder	C	-1	-1	0	0
Exelon	C	1	1	0	0
Expeditors Int'l of Washington	C	-1	0	0	-1
Family Dollar Stores	D	-2	-2	0	0
Fidelity National Financial	D	-2	-2	0	0
Fidelity Nat'l Information Services	D	-2	-2	0	0
Fifth Third Bancorp	C	0	0	0	0

2012 Good Company Index Quick Grades

Company Name	2012 Quick Grade	Total Quick Score	(Quick) Employer	(Quick) Seller	(Quick) Steward
FirstEnergy	D	-2	0	0	-2
Fluor	B	2	2	0	0
Foot Locker	C	0	0	0	0
Franklin Resources	F	-4	-2	0	-2
Freeport-McMoRan Copper & Gold	D	-2	0	-2	0
GameStop	D	-3	-2	0	-1
Gannett	D	-2	-2	0	0
Gap	B	2	2	-1	1
General Mills	B	2	2	0	0
Genworth Financial	C	-1	-1	0	0
Gilead Sciences	C	0	-1	1	0
Goodrich	C	0	0	0	0
Goodyear Tire & Rubber	C	-1	-1	0	0
Halliburton	C	-1	0	-1	0
Harley-Davidson	C	-1	0	0	-1
Harris	C	1	0	0	1
Hartford Financial Services	B	2	0	0	2
Health Net	C	0	0	0	0
Henry Schein	C	0	0	0	0
Hershey	C	0	0	1	-1
Hertz Global Holdings	D	-2	-2	-1	1
Hormel Foods	C	0	0	1	-1
Illinois Tool Works	C	0	0	0	0
International Paper	C	-1	0	-1	0
ITT	C	-1	0	-1	0
J.C. Penney	C	1	0	0	1
Jacobs Engineering Group	C	-1	-2	0	1
KBR	C	1	0	0	1
Kellogg	C	0	0	0	0
KeyCorp	D	-2	0	0	-2
Kimberly-Clark	C	1	-1	1	1
Kohl's	B	2	0	0	2
L-3 Communications	C	0	0	0	0
Laboratory Corp. of America	C	-1	-2	1	0
Limited Brands	C	0	0	0	0
Macy's	C	-1	-1	0	0
Manpower	C	1	-1	0	2
Marsh & McLennan	C	0	0	0	0
MasterCard	C	0	0	0	0
Mattel	C	0	1	0	-1
McDonald's	C	0	0	0	0
McGraw-Hill	C	1	-1	0	2

2012 Good Company Index Quick Grades

Company Name	2012 Quick Grade	Total Quick Score	(Quick) Employer	(Quick) Seller	(Quick) Steward
MeadWestvaco	C	-1	0	0	-1
Medtronic	B	3	0	1	2
Micron Technology	C	-1	-1	0	0
Mohawk Industries	C	-1	-1	0	0
Monsanto	C	-1	2	-1	-2
Mosaic	F	-4	0	-2	-2
Murphy Oil	F	-5	-2	-1	-2
National Oilwell Varco	D	-2	0	-1	-1
Navistar International	C	1	-1	0	2
NCR	D	-2	-2	0	0
Newell Rubbermaid	C	-1	0	0	-1
Nike	B	2	2	0	0
Nordstrom	C	1	1	0	0
Norfolk Southern	C	-1	0	0	-1
Occidental Petroleum	D	-2	0	-1	-1
Office Depot	B	2	0	0	2
OfficeMax	D	-2	-2	0	0
Omnicare	D	-2	-2	0	0
O'Reilly Automotive	B	2	1	1	0
Paccar	D	-2	-2	0	0
Parker Hannifin	C	-1	0	-1	0
PetSmart	C	-1	-1	0	0
PG&E Corp.	C	0	0	0	0
Pitney Bowes	D	-2	-2	0	0
PNC Financial Services Group	C	0	0	0	0
Polo Ralph Lauren	C	-1	-1	0	0
PPG Industries	D	-2	0	-1	-1
Praxair	C	-1	0	-1	0
Principal Financial	C	1	1	0	0
Progress Energy	D	-2	0	0	-2
Progressive	C	0	0	0	0
Qualcomm	B	2	2	-1	1
Quest Diagnostics	C	1	-1	1	1
R.R. Donnelley & Sons	C	-1	-1	0	0
RadioShack	D	-2	-2	0	0
Raytheon	C	1	0	0	1
Regions Financial	C	-1	0	0	-1
Republic Services	F	-4	-2	0	-2
Reynolds American	C	0	0	0	0
Rockwell Automation	C	0	0	0	0
Rockwell Collins	C	-1	-1	-1	1
Ross Stores	D	-2	-2	0	0

2012 Good Company Index Quick Grades

Company Name	2012 Quick Grade	Total Quick Score	(Quick) Employer	(Quick) Seller	(Quick) Steward
Ryder System	C	0	-1	0	1
SAIC	B	2	0	0	2
SanDisk	C	-1	-1	0	0
Sanmina-SCI	D	-2	-2	0	0
Sara Lee	C	0	0	0	0
Sempra Energy	B	2	2	0	0
Shaw Group	D	-2	-2	0	0
Sherwin-Williams	C	1	1	0	0
Southern	C	0	2	0	-2
Southwest Airlines	B	2	2	0	0
St. Jude Medical	C	1	0	1	0
Stanley Black & Decker	D	-2	-2	0	0
Staples	C	1	-1	0	2
Starbucks	C	1	1	-1	1
Starwood Hotels & Resorts	C	0	0	0	0
State Street Corp.	C	-1	-1	0	0
Stryker	C	0	0	0	0
SunTrust Banks	D	-2	-1	0	-1
Tech Data	C	0	0	0	0
Tenet Healthcare	C	-1	-1	0	0
Terex	C	-1	0	0	-1
Texas Instruments	B	2	1	0	1
Textron	D	-2	-1	-1	0
Thermo Fisher Scientific	D	-2	-2	0	0
Time Warner Cable	D	-2	-1	-1	0
TJX	D	-2	-2	0	0
Travelers Cos.	B	2	0	0	2
TRW Automotive Holdings	C	-1	0	0	-1
U.S. Bancorp	B	2	0	0	2
Union Pacific	C	0	0	0	0
United Continental Holdings	D	-3	-2	0	-1
United States Steel	F	-4	-2	0	-2
Unum Group	B	2	1	0	1
URS	C	0	0	0	0
Viacom	C	0	0	0	0
Visa	D	-2	-2	0	0
W.W. Grainger	C	0	0	0	0
Washington Post	D	-2	-2	0	0
Waste Management	D	-2	-1	0	-1
Western Digital	C	-1	-1	0	0
Western Union	C	0	0	0	0
Weyerhaeuser	C	0	0	0	0

2012 Good Company Index Quick Grades

Company Name	2012 Quick Grade	Total Quick Score	(Quick) Employer	(Quick) Seller	(Quick) Steward
Whirlpool	C	0	0	0	0
Whole Foods Market	B	2	1	0	1
Xcel Energy	C	1	2	0	-1
Xerox	C	1	-1	0	2
Yahoo!	C	1	0	0	1
Yum Brands	C	-1	0	-1	0

Appendix C
Scoring Methodology

Full Grades (Fortune 100)

In calculating the “full” Good Company Index scores and grades for Fortune 100 companies included in this report, we used data from a variety of sources that, in our view, reflect key elements of good company behavior, as we describe in our book *Good Company: Business Success in the Worthiness Era* (Berrett-Koehler, 2011).

A full list of sources is included at the end of this appendix. (The most up-to-date information on the Good Company Index can always be found at www.goodcompanyindex.com.)

We assigned positive or negative points to companies based on their performance on each measure (specifics described below) and then tallied the totals to yield a total score, which was then converted into a grade, as indicated in Table C-1.

Table C-1
Overall Good Company Grades and Corresponding Numerical Scores

Grade	Score
A+	7 or higher
A	6
A-	5
B+	4
B	3
B-	2
C+	1
C	0
C-	-1
D+	-2
D	-3
F	-4 or lower

For data from some sources, companies were ranked from high to low into *octiles*, or eighths, which were used to assign category scores that make up the Good Company Index ratings. For example, a company that falls in the top 12.5 percent (the equivalent of the top one-eighth of the overall distribution) would be in the first, or top, octile. A company that falls between 75 percent and 87.5 percent would be in the second octile, and so on.

In general, full Good Company grades were only assigned to those companies for which full data were available from *all* sources (two exceptions, for the political accountability and tax dodger scores, are described below).

Good Employer

Glassdoor.com. For companies with at least 25 employee reviews on Glassdoor.com as of April 2012, we assigned a score from -2 to 2, based on where a company falls into the overall ratings, relative to the score ranges listed below. (These are based on octiles that were calculated for the *Good Company* book in June 2010 for Fortune 100 companies.)

Glassdoor Score	# Points Assigned
3.6 or higher	2
3.4 to 3.5	1
3.0 to 3.3	0
2.8 to 2.9	-1
2.7 or lower	-2

Fortune 100 Best Companies to Work For. If the company is listed on the 2012 *Fortune* 100 Best Companies to Work For list, the company was assigned 1 point, subject to a maximum score of 2 total points for Good Employer.

Good Seller

wRatings. Good Seller scores are calculated based on the octile into which a company falls (relative to the entire wRatings company database) in a custom rating calculated by wRatings using customer evaluations of *quality*, *fair price*, and *trust*.

wRatings Octile	# Points Assigned
1st	2
2nd	1
3rd to 6th	0
7th	-1
8th	-2

Good Steward

Environment

Newsweek Green Rankings. Points were assigned based on a company's octile ranking among 500 companies included in the 2011 *Newsweek* Green Rankings.

Newsweek Green Octile	# Points Assigned
1st or 2nd	1
3rd to 6th	0
7th or 8th	-1

Dow Jones Sustainability North America Index. If the company is included in the Dow Jones Sustainability North America Index (as of July 19, 2012), the company was assigned 1 point.

Penalties/Fines

Authors' Database. Based on our own compilation of penalties and fines (primarily assigned by the federal government in the United States) between 2007 and 2012, if the company paid fines between \$1 million and \$100 million, the company was assigned –1 point.

If the company paid fines greater than \$100 million, the company was assigned –2 points.

Restraint

CEO Compensation. If CEO compensation is among the 5 highest among the Fortune 100 on the June 2012 *New York Times* report, the company was assigned –1 point.

CTJ/ITEP Corporate Tax Dodger. If the company was listed as one of the companies that paid zero (or "negative") taxes in at least 2 of the 3 years included in the November 2011 report "Corporate Taxpayers and Corporate Tax Dodgers: 2008 to 2010," the company was assigned –1 point. (If a company was not included in the report, it was assigned zero points.)

CPA-Zicklin Political Accountability. If the company was listed in the "Top Tier" (score of 75 or greater, indicating greater accountability and disclosure) in the October 2011 report "The CPA-Zicklin Index of Corporate Political Accountability and Disclosure," the company was assigned 1 point. (If a company was not ranked in the report, it was assigned zero points.)

Contribution.

Ethisphere Most Ethical Companies. If the company was included in the 2012 Ethisphere Most Ethical Companies list, the company was assigned 1 point.

“Quick Grades” (Fortune 101 to 500)

In addition to calculating “full” Good Company Index grades for Fortune 100 companies, we also expanded the number of companies included in our rankings for 2012 by assigning “Quick Grades” to those companies in the Fortune 500 for whom data were available on each of three key components of the full Good Company grading system:

- Glassdoor.com (Employer)
- wRatings (Seller)
- *Newsweek* Green Rankings (Steward, focused on Environment)

Many of the other Good Company Index scoring components only rank the very largest companies, and therefore were not applicable for most companies smaller than the Fortune 100.

For “Quick Grades,” we assigned and tallied positive or negative points to these companies based on their performance on each measure as described below, and assigned grades based on Table C-2. Due to the more limited nature of the information included for these companies, we did not include “+” or “-” grades, only full letter grades.

Table C-2
Good Company “Quick” Grades and Corresponding Numerical Scores

Grade	Score
A	5 or 6
B	2 to 4
C	-1 to 1
D	-2 to -3
F	-4 to -6

Good Employer Quick Score

Glassdoor.com (same formula as for full grades). For companies with at least 25 employee reviews on Glassdoor.com as of April 2012, we assigned a score from -2 to 2, based on where a company falls into the overall ratings, relative to the score ranges listed below. (These are based on octiles that were calculated for the *Good Company* book in June 2010 for Fortune 100 companies.)

Glassdoor Score	Quick Points Assigned
3.6 or higher	2
3.4 to 3.5	1
3.0 to 3.3	0
2.8 to 2.9	-1
2.7 or lower	-2

Good Seller Quick Score

wRatings (same formula as for full grades). Good Seller Quick Scores are calculated based on the octile into which a company falls (relative to the entire wRatings company database) in a custom rating calculated by wRatings using customer evaluations of *quality, fair price, and trust*.

wRatings Octile	Quick Points Assigned
1st	2
2nd	1
3rd to 6th	0
7th	-1
8th	-2

Good Steward Quick Score

Newsweek Green Rankings (different than full grades formula). Points were assigned based on a company's octile ranking among 500 companies included in the 2011 *Newsweek* Green Rankings. Scores were expanded for this component from the formula used for "full" grades (-1 to 1 point range) to a range of -2 to 2. This ensured that the employer, seller, and steward categories each had an equal number of potential points for Quick Grade purposes.

Newsweek Green Octile	Quick Points Assigned
1st	2
2nd	1
3rd to 6th	0
7th	-1
8th	-2

Sources

Good Employer

- Data compilation (April 2012) provided to authors by Glassdoor (www.glassdoor.com).
- *Fortune's* 2012 list of Best Companies to Work For.
http://money.cnn.com/magazines/fortune/best-companies/2012/full_list/

Good Seller

- Custom rating (2010-2011 data) provided to authors by wRatings (www.wratings.com).

Good Steward

- *Newsweek* 2011 Green Rankings.
<http://www.thedailybeast.com/newsweek/2011/10/16/green-rankings-2011.html>
- July 2012 list of companies included on Dow Jones Sustainability North America Index, provided to authors by SAM (<http://www.sustainability-index.com>).
- Penalties/fines compiled by authors, 2012, through systematic review of 2007 to 2012 sanctions listed on U.S. Government agency Web resources plus review of major additional fines/penalties (national or European Union) during the same period.
- *New York Times* compilation of 2011 compensation for 200 chief executives, June 16, 2012.
<http://www.nytimes.com/interactive/2012/04/08/business/executive-compensation.html>.
- "Corporate Taxpayers & Corporate Tax Dodgers: 2008-2010," Citizens for Tax Justice and Institute on Taxation and Economic Policy," November 2011.
<http://www.ctj.org/corporatetaxdodgers/CorporateTaxDodgersReport.pdf>
- "The CPA-Zicklin Index of Corporate Political Accountability and Disclosure," October 2011.
<http://www.politicalaccountability.net/index.php?ht=a/GetDocumentAction/i/5800>
- Ethisphere's 2012 World's Most Ethical Companies.
<http://www.ethisphere.com/wme/>