SustainAbility

Rate the Raters Phase Five
Questionnaire for Raters
CSRHub
February 2013

Overview of Questionnaire

The questionnaire covers five areas: Rating Overview, Governance and Transparency, Inputs, Research Process and Outputs. SustainAbility developed a methodology to evaluate raters' responses in the latter four areas, and we used this to identify the good practices and areas for improvement described in *Rate the Raters Phase III: Uncovering Best Practices*. We have made our methodology available on our website for readers to use while reviewing the raters' responses.

Directions for Raters

Please use space below each question to input your answers. While we have not set a minimum or maximum number of words for your responses, please answer the questions in sufficient detail for us to understand your practices. We have included guidance notes in italics. We recognize that certain questions may not be pertinent to every rating. If you find this to be the case, please indicate this and provide a brief explanation.

0 Rating Overview

0.1.1 Rating Name

CSRHub

0.1.2 Please describe the primary objectives and motivations for your rating

CSRHub provides access to a comprehensive global database of corporate sustainability and social responsibility (CSR) ratings and information on 7,000 companies from 135 industries in 92 countries. Managers, researchers and activists use CSRHub to benchmark company progress, learn how stakeholders evaluate company CSR practices and seek ways to improve sustainability brand and performance. CSRHub's data is also used to help manage supply chains, drive cell phone and software applications, and train students in sustainability methods.

0.1.3 How do you evaluate the impact or success of your rating? If so, how?

Our basic ratings are available free via our Web site. We believe that our corporate social ratings increase the transparency of CSR progress and performance, and more openly encourage critical discussions of how companies treat their employees, impact the environment, adjust their carbon footprint, act in their community, provide innovative products and services for sustainable development, and govern themselves. Our site is part of a broad change that

relates company marketplace performance to their environmental, social and governance performance.

0.1.4   Please identify your audience or customer base, and, if possible how they use your rating in their decision making.

We have more than 7,000 users. Approximately 25% are corporate managers; 20% are advisors (consultants, accountants, lawyers, engineers); 40% are individual activists, bloggers, and researchers; 5% work for not-for-profit organizations; and 10% are students and educators. More than half of our users come from outside North America.

1   Governance and Transparency

1.1   Disclosure of methodology

1.1.1   Describe how you make available the details of your methodology to the public, rated companies and other stakeholders.

We describe our approach on our site:
http://www.csrhub.com/content/csrhub-ratings-methodology
We have also written about our methodology on our blog. For example see this three part series (this is the first post): http://www.csrhub.com/blog/2012/09/using-big-data-to-rate-corporate-social-responsibility-one-companys-approach.html .

1.2   Conflict Management

1.2.1   Do you have a policy (or guidelines, standards, etc.) that addresses conflicts of interest? If so, is it disclosed publicly?

We have no policy, but we have no products that would/could cause a conflict. We do not receive data directly from companies. We do not provide any consulting services and all of our products are 100% standard.

1.2.2   Do you disclose the relationships and independence of board members, advisory panel members, partners and/or other involved third-parties? If so, how? How do you manage conflicts of interest with these entities?

We disclose the names of our board members and advisors on our Web site. We have no business relationships with any of our board members.

1.2.3   Do you offer for-fee services to the companies that you rate (including benchmark reports)? If yes, please describe these services. How do you avoid conflicts of interest in these situations?

All visitors to our site receive some of our data free. All subscribers receive more data. If a company we rate wants more data than is available free, we ask them to subscribe.

1.2.4   Do you have any other financial relationships (e.g. sponsorships, advertising) with companies you rate?

No.

1.3   Regular Review

1.3.1   Do you have a regular approach to updating your methodology over time? If yes, describe this approach.

We periodically adjust our conversion, normalization, and weighting factors. These adjustments are infrequent (about once every six months) and do not result in major changes in our scores.

1.3.2   Describe how you communicate any changes in your methodologies to affected companies and other stakeholders, and how you work with them to adapt to and understand the implications of the changes.

Given our transparent approach to ratings, we do not have any changes that require communication. We constantly add new data and new sources to our system. However, these do not change the nature of our system and do not require any special communication by us.

1.4   Stakeholder Involvement (excluding rated companies)

1.4.1   Does the rating have an external and/or independent advisory body in place? If so, describe how this body is involved in the rating's construction and maintenance and the scoring, rating, or selection of companies.

No. We serve the same information to all of our users. Our goal is to encourage communication and transparency between all stakeholders. We do not take sides or advocate positions on issues, and do not need to have external review or advisory functions.

1.4.2   Describe how you involve / solicit feedback from external stakeholders in the development and ongoing maintenance of the rating. Please provide an example of how you revised your methodology based on stakeholder input.

We constantly receive comments and questions from our users. We answer these questions if we can and accept advice on how to make our system easier to use. We do not receive a lot of input or comments on our methodology as it is transparent and similar to GRI (to which we map).

1.4.3   How do you communicate the output / summary from this engagement? For example, do you make public the stakeholder comments?

We have published some of the compliments we have received from our users, but this is for marketing reasons. We do not have criticisms or complaints to report.

2   Inputs

2.1   Information Sources

2.1.1   Please list and describe the information sources that you utilize to develop your rating.

Please see the current list here: http://www.csrhub.com/our_data_sources

2.1.2   Please describe how this information is obtained (i.e. from publicly available documents, partner organizations, directly from companies). If your rating is based on other ratings or third-party research firms, please describe how they obtain their information.

We pay license fees for some data, some is contributed to us, and some sources allow us to scrape their data from their site or report.

2.1.3   How often do you refresh information / inputs on companies?

Monthly.

2.1.4   How do you deal with non-disclosure by companies in your rating?

We ingest about 8,400 different types of data element. In some cases, we penalize a company for not disclosing an item. In other cases we do not. Which approach we take depends on the type of data involved.

2.2   Company Engagement

2.2.1   Describe the process by which you engage / interact with the companies that you rate (i.e. frequency, nature, format).

We do not engage with companies, other than serving them as we would any other customer.

2.2.2   On average, how much time do your analysts spend engaging with each rated company on an annual basis?

None.

2.2.3   Please describe if and how feedback from rated companies is incorporated into your research and ratings process.

We do not use direct feedback from companies.

2.3   Input Verification

2.3.1   Describe your approach to verifying the information used to assess companies. Is this approach captured in any sort of policy or guidance document?

We do not verify the data we receive. However, our aggregation system allows us to avoid being influenced unduly by inaccurate outlier data items. We carefully state that we are not presenting "truth" or externally verified data, but instead "perception" and what is "generally known" about the companies we rate.

2.3.2 **Is external or third-party verification a consideration in assessing the quality of information sources? If so, please explain.**

Yes. We weight more heavily sources that verify their information.

3   Research Process

3.1   Experience and Capacity of Research Team

3.1.1 **On average, how many years of experience do your analysts (internal or contract) have working in or analyzing the industries they cover?**

We do not have industry or company analysts.

3.1.2 **Describe your approach to ongoing training and industry education for your analysts.**

We do not have them, so we can't train them

3.1.3 **On average, how many companies do your analysts cover each year?**

We do not have analysts.

3.2   Quality Management

3.2.1 **Describe your approach to ensuring quality control throughout the ratings process. Is this process documented or codified?**

We process the data we receive and seek to minimize the overall variation between the data elements we analyze. We have estimated that our overall rating is accurate within 1.8 points at a 95% confidence interval. See these blog posts for further details:

http://blog.csrhub.com/2011/09/csrhub-scores-does-a-difference-matter.html
http://blog.csrhub.com/2011/09/csrhub-scores-how-accurate-are-our-ratings.html

Since these posts were written, we have more than doubled the number of sources and the total number of data elements we have in our system. Therefore, the accuracy of our ratings has probably improved.

3.2.2 **Have your research systems or processes been certified, assured or verified by an external organization?**

No. There is no source available to do this.

3.3   Sector Specificity

3.3.1   Does your rating use the same criteria and weightings for all sectors and companies? If so, explain why.

Our scores are comparable across sectors and companies—also across geographies. However, the companies in certain sectors and geographies perform better on average than those in other sectors and geographies.

3.3.2   Describe how you take into account industry and company specific issues and context.

Our schema is aggregated to a high enough level that we do not need to make this type of adjustment. However, we do have special issue criteria that are somewhat industry-specific.

We are unable to list the criteria we use to rate companies as we ingest more than 8,000 different data elements and maintain more than 1,300 different conversion algorithms.

3.4   Basis for Rating

3.4.1   Describe the basis for your rating of companies, including how you determine what constitutes the different degrees of performance. For example, if you grade companies on an A-F scale, how do you determine these levels?

Some data elements come to us in "yes/no" format. We convert Yes into one score and No into another, based on feedback from an analysis of the other data in our system. For instance, if we find that "Yes" is correlated to a score of 75 from our other sources, we will convert Yes into a 75.

Some data elements come to us in scales or steps (e.g., from A to F). We do correlations as above for each step and determine what rating to convert it to.

Some data elements are continuous (e.g., pounds of carbon, percent of employees who are women). We create a formula that converts these continuous values into a range between 0 and 100, using conversion factors that come from comparing the data against our existing data.

Each new source contributes data on its own range of companies. As a result, we never have complete data on any one company (no company has data from all 200 of our sources on all twelve of our subcategory metrics). Therefore, all of our analysis is based on methods we have developed for comparing parts of the data from a source against parts of the data from other sources and deriving normalization, weighting and adjustment functions from these comparisons.

Please provide sufficient information for us to understand how you gauge different levels of performance in rated companies.

Our clients can compare the performance of companies at an overall level, for any of the four category scores we calculate or for any of the twelve subcategory scores we calculate. They can also compare any of these scores to the average for a company's industry or geographic region. Give the estimates we have made of the accuracy of our ratings (see above), this approach allows our users to gauge different levels of company performance.

3.4.2   Do you factor company-specific context into your rating?

Geographic, industry, and company size considerations are introduced via our normalization routines.

3.4.3   Do you incorporate external norms, standards or principles (e.g. UN MDGs, GRI, UNGC, etc.) into your rating or process? If so, describe how you use these to calibrate or assess company performance.

We integrated the thinking of approximately fifteen major systems into our schema. We map currently to GRI G3.

We give positive ratings credit to companies who are more transparent—with GRI, UNGC, and publication of a CR report being good examples of this.

3.4.4   How do you deal with unforeseen, negative company events in your ratings process (e.g. environmental incidents, ethics breaches)?

Our sources deal with it and report it to us.

4   Outputs

4.1   Validation of Results

4.1.1   Describe the steps you take to verify your rating results (including scores and reports) prior to their finalization.

When we update our results each month, we check for unusual outcomes, outliers, etc. If we find an issue, we inspect our process and adjust it before we release the month's data to our users.

4.1.2   Do you give rated companies an opportunity to review draft scores or reports?   If yes, describe this process, including timeframe given for review.

No

4.1.3   Do you have a formal policy and/or process for addressing challenges or disputes presented by companies or other stakeholders?

No. We have not had a problem with this, yet. We respond to the challenge (this does not happen often) by reminding the challenger that our ratings are based on a fully disclosed list of sources. We automatically provide our subscribers with access to most of the original detailed information that we have analyzed. Some additional data from certain paid sources may be purchased by our users from us, if they wish to review it as well.

4.2   Accessibility

4.2.1   Describe how you disclose and explain your results to rated companies. Do you share the full details of the assessment or results? If no, explain why not.

Everything is fully disclosed and transparent.

4.2.2   Describe how and to what extent stakeholders (other than rated companies) can access the details and results of your rating.

They can access everything that a company can see.