SustainAbility

Rate the Raters Phase Five
Questionnaire for Raters
GoodGuide
February 2013

Overview of Questionnaire

The questionnaire covers five areas: Rating Overview, Governance and Transparency, Inputs, Research Process and Outputs. SustainAbility has developed a scoring scheme to evaluate raters' responses in the latter four areas, which we have made public on our website. We will not assign overall scores for ratings, but we will score specific criteria within the areas (e.g. Governance and Transparency). We will not make these scores public, but rather we will use them to identify good practice.

Directions

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

GoodGuide

0.1.2 Please describe the primary objectives and motivations for your rating

Provide consumers with actionable information at the point of purchase, enabling them to shop their values. Provide retailers with tools to collect product information from their suppliers and improve their sourcing decisions.

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

For our consumer products, we track a number of metrics to evaluate the success of our project – number of consumers encountering GG ratings information via our network of services, frequency of use of our services, number of information encounters that result in a purchase or switch to an alternate recommended product, etc. For our business services, we track number of clients adopting the GG platform, utilizing GG or client-customized ratings, etc.

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

Prior to GG's acquisition by Underwriters Laboratories in August 2012, our audience focus was "conscious consumers," a market segment that tries to match buying decisions to their personal issue preferences, be they environmental or social. Post-acquisition, we are developing tools and services that major retailers utilize to collect data from their supplier networks and implement their corporate sustainability goals.

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.

Our ratings methodology is publicly available in comprehensive detail at
http://www.goodguide.com/about/methodology.

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 internal policies aimed at maintaining a firewall between the company's business operations (selling information and insight services to consumer product good manufacturers and retailers) and rating operations. GoodGuide does not charge companies to provide data about their products or performance or engage with us on our rating system. Data collection and ratings generation are conducted independently of whether a company has a commercial relationship with GoodGuide.

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?

GG is a wholly-owned subsidiary of Underwriters Laboratories. UL's business conduct policy, which includes conflict of interest provisions, is available at
http://www.ul.com/global/documents/corporate/aboutul/standardsofbusinessconduct/UL-SOC.pdf

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?

Rated companies may make payments to our organization for information services (benchmarking reports and competitive analyses), software services (use of our platform to manage a custom rating system and proprietary datasets about products or suppliers), or marketing services (advertisements, sponsored content or placement, use of GoodGuide third-party endorsement in marketing collateral).

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

Companies we rate may have commercial relationships with other business units of Underwriters Laboratories.

1.3 Regular Review

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

Our ratings system includes a tiered hierarchy of ratings methods (company-level ratings on environmental and social performance, brand-level ratings on product portfolios, product-level ratings that differ by product category). The company-rating methods were substantially enhanced and modified in 2011 to incorporate stakeholder feedback. Category-specific ratings methodologies are revised as changes in scientific understanding or data availability occur.

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.**

We rely on our ratings methodology pages and blog to describe any changes made to our rating system. See http://www.goodguide.com/about/faqs

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.**

GoodGuide has a circle of external academic advisors that review aspects of our rating system, but our rating system has not been developed using formal stakeholder involvement.

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 invite feedback from both consumers and companies on all aspects of our rating system. This feedback sometimes occurs (at the commenter's initiative) in private exchanges via phone or email, but is usually conducted in public on GoodGuide's comment service - https://getsatisfaction.com/goodguide.

For a number of examples of recent changes to our rating system attributable to stakeholder comment, see http://www.goodguide.com/about/faqs.

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

https://getsatisfaction.com/goodguide.

2   Inputs

2.1   Information Sources

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

GoodGuide aggregates data from over 1,000 sources – see
http://www.goodguide.com/about/data.

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.

See details provided in previous RTR submissions: we rely on multiple types of data sources, ranging from product manufacturers to regulatory agencies to third-party licensed data providers like Thomson-Reuters Asset 4 or Lexis-Nexis. These sources vary significantly in their own data collection methodologies and commitment to publicly disclosing such methods.

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

In general: quarterly on public companies, annually on private companies.

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

Depends on the nature of the data gap. At the company-level, we track public availability of data on all GRI issues and calculate Environmental and Social Transparency scores that reflect how much information a company makes available for assessing its performance. At the product-level, we penalize data gaps that hinder the scientific evaluation of a product (e.g., personal care products that lack information about ingredients receive lower Health scores due to their inadequate ingredient disclosure).

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 interact with 90% of the companies we rate – our ratings do not require companies to actively engage with us to provide the data we use in our rating system – all our data are acquired from public or licensed sources. We interact with companies when they reach out to us with data or ratings concerns, typically via email or phone.

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

For the relatively small proportion of our rated company universe that initiates contact with us, we probably spend about 5 hours per company on addressing issues raised.

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

See http://www.goodguide.com/about/faqs for a discussion of ratings method changes in response to stakeholder feedback.

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 independently verify the information we aggregate to rate a company. We do utilize overlapping sources of data to obtain information on an issue, and have technical methods for detecting scoring anomalies that may represent data errors.

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

Our rating system attaches extra weight/higher scores to information that has been verified/certified by a third-party source. Product-level and company-level certifications are rewarded with higher scores on the issues that the certification is specific to.

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?

5 years

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

Company rating team members belong to GoodGuide's Science team, which engages in a variety of activities to develop skillsets and familiarity with various sectors, including participation in industry-wide (e.g., B Corp) and sector-specific (e.g., Outdoor apparel industry) standards development efforts.

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

Approximately 400 private companies; any analyst is also involved in reviewing ratings generated for public companies by our automated scoring systems but company-level de novo research is not required for public companies because of our reliance on SRI data feeds.

3.2 Quality Management

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

See http://www.goodguide.com/about/data and the attached document laying out our Quality Assurance Protocols. The purpose of these protocols is to establish processes that ensure that GoodGuide maintains the highest standards of data integrity and reliability. The protocol includes procedures to proactively resolve potential data issues, minimize the number of data errors that are put into production, and ensure a rapid and effective response to questions about potential data errors.

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

No

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.

We use a common ontology to rate companies based on key areas of environmental and social performance (see http://www.goodguide.com/about/ratings), but the set of indicators used in company ratings will vary by sector/product category due to differences in the types of impact associated with a manufacturing sector and data availability.

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

Sector-specific indicators are developed to address issues specific to a sector (eg., conflict minerals in electronics, or labor compliance auditing in apparel). GoodGuide's company and product rating pages identify the complete set of criteria that have been utilized to generate any rating. For example, see http://www.goodguide.com/products/213638-green-works-dishwashing-liquid

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?

GoodGuide's scoring methodology is described at http://www.goodguide.com/about/methodology. GoodGuide scores range from 0-10 and summary company scores are calculated by rolling up scores for the set of indicators available to measure environmental or social performance. Score assignment at the indicator level reflects the semantics of our rating scale (0 for worst performance, 10 for best) and the observed distribution of scores for any given indicator. The "best" of any given indicator or attribute is the company that scores better than any other company on that variable. Score aggregation at the company level also reflects indicator-specific importance weights and attribute-specific roll-up algorithms (e.g., assign the best score observed in a set of indicators for an attribute, or the average score, or the worst score.).

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

The primary company-specific information that can affect a GoodGuide rating is the relative independence of subsidiary brands. GoodGuide may rate a subsidiary of large publicly-traded parent company as if it were a separate company if there is evidence that the subsidiary has independent management as well as environmental and social policies and practices that are distinct from those of the parent company. This may be the case, for example, when a previously independent company with a strong green brand has been acquired by a larger corporation. Subsidiaries for whom such independence has not been determined receive their parent company score.

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.**

Our ratings ontology or "value tree" defines the set of attributes we use to rate company environmental or social performance. These attributes have been abstracted after an analysis of the most common standardized ratings frameworks used in these domains, including GRI. We seek to keep the information organization of the GoodGuide system roughly comparable to other standard frameworks to facilate integration of indicator data generated by other systems.

In addition, companies receive varying levels of credit for compliance with such norms, ranging from some credit for having a policy affirming an external principle to more credit for having programs in palce to implement compliance, to the most credit for having third-party verification of compliance with a norm.

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

Our key indicators include both positive (e.g., awards) and negative events (e.g., media controversies, regulatory enforcement actions, recalls, legal suits). We use fixed time periods for historical data, so negative events within the past two years will contribute to a company score, while older negative events will not.

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.**

We do both internal and external validation.

Internal validation is done in two phases:

— The first phase for review of data/ratings validation includes:
  o Size (number of characters)
  o Format (dd/mm/yyyy, etc)
  o Type (alphabetic or numeric)
  o Odd characters
  o Sign (if numeric)
  o Range (such as 1-10)
  o Limit (if an upper or lower limit is expected)
  o Presence (is expected data present)
  o Spelling
  o Specific text or numbers if limited range of options

Histograms are used for raw data to better catch anomalous data points.

⸺ The second phase of anomaly checks looks across cases for any single criterion to determine if any data/ratings looks incorrect on its face. Anomaly checks will include (as appropriate):
- o Minimum and Maximum
- o Mean, Median and Mode
- o Standard Deviation
- o Kurtosis
- o Skewness
- o 5% Percentile
- o 95% Percentile
- o % Data Points in
- o Count Missing
- o Percent Missing Data

With automation, anomalies can also be determined by comparisons with criteria from earlier versions. These additional tests may also include:

⸺ Extreme outliers (single case, % response, interquartile range score like 3*IQR)
⸺ Change in value after lengthy stability or skipping of steps (i.e. 1 to 8 in rating)
⸺ Z-scores
⸺ Expected associations between variables

External validation, includes looking at research from third-parties, discussion with GoodGuide partners (academia and NGOs), comparison against other public ratings systems (e.g., CSR Hub).

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?

If a company contacts GoodGuide to take issue with product or company ratings, our process involves ascertaining whether the issue is methodological or factual – is the company maintaining that it should not be rated on some specific indicator or attribute (or that it disagrees about the weight accorded to such a rating component) or is the company maintaining that the facts used to develop an indicator score are incorrect. If the company's issue involves methodology, we consider that feedback in the context of overall stakeholder feedback on the GoodGuide rating system. We do not implement custom modifications to our methodology in response to company criticism. If the company issue involves facts, we request that the company provide verifiable documentation for corrected information and we then integrate that correction into our next ratings update (and in some cases, feed the correction back to our SRI data providers, if it is a factual error about a public company.)

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.

Our summary ratings, the complete set of indicator scores and all data sources are disclosed on our website.

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

Any stakeholder (member of the general public or representative of a company) can access GoodGuide ratings and supporting details – we provide free access to all such information.