

Rate the Raters Phase Five

Questionnaire for Raters

Maplecroft Climate Innovation Indexes

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

[Maplecroft Climate Innovation Indexes \(CIIs\)](#). A family of three "tradable" indexes that include:

- The Maplecroft CII Benchmark (Bloomberg ticker: [CICOMP](#)) – 346 of the largest US companies screened from c.1,300 companies
- The Maplecroft CII Leaders (Bloomberg ticker: [CII](#)) – the 100 top performing companies from the Maplecroft CII Benchmark
- The Maplecroft CII US 100 (Bloomberg ticker: [CI100](#)) – the 100 largest US companies by free-float market capitalisation

0.1.2 Please describe the primary objectives and motivations for your rating

Climate change is one of the key business and economic issues of our time; affecting operations, markets, supply chains and distribution networks. Companies that successfully innovate and manage climate-related opportunities and risks are better equipped to operate in this future growth environment.

The CIIs provide investors and stakeholders with insight into the activities of leading US companies and address the compelling case for climate-related innovation and carbon management as leading indicators of future financial performance. The CIIs are not typical Environmental, Social and Governance (ESG) indexes. They assess performance across both ESG and core business processes including responsiveness to emerging climate change, legislation, Research and Development (R&D) activities to seek opportunities and competitive advantage. They also take into account political risk, resource security and climate-related risks in a company's value chain i.e. country risks. This research addresses the development of new products, processes and services in response to changing consumer trends; cross-industry partnerships that help mold existing technologies into new applications; innovative approaches to understanding, modeling and influencing the policy environment; and proficiency in organisational learning that enables companies to identify, disseminate and profit from new ideas and best practices.

The CIIs prioritise companies that embed climate-related innovation in their operations and value chains, as well as companies that create unique disruptive innovations. It is these companies that are more likely to generate sustained competitive advantage. The CIIs have a strategic aim: to drive investment in these "winners" i.e. companies that are part of the climate change "solution".

Quote: "The Maplecroft Climate Innovation Indexes make an important contribution to understanding the importance of innovation to succeed in the fast evolving future growth environment worldwide". Jim O'Neill, Chairman of Goldman Sachs Asset Management

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

Maplecroft uses a number of criteria to evaluate the impact and success of the CIIs:

- (1) The financial performance of each index currently "trading" on Bloomberg - where the CIIs are out-performing leading competitors indexes; see <http://www.maplecroft.com/cii/performance>
- (2) Investor interest in using or licensing the CIIs for use in financial products e.g. Exchange Traded Funds
- (3) The interest of participating companies i.e. engagement from companies during the research/rating phase, as well as take up on the results and acting on findings
- (4) Ongoing interest and feedback from other stakeholders e.g. non-governmental organisations (NGOs) and inclusion in the "Rate the Raters" process.

Quote from participating company: "Great questions and, from our perspective, thanks for this useful exchange. We get a lot of these requests, but no one ever engages [like Maplecroft does]" Thomas A. Niemann, Head of Sustainability & Environmental Policy at Ford Motor Company

Quote from participating company: "Thank you so much for your feedback. This is extremely helpful – it's both interesting information and a good justification for our participation. We'll look forward to seeing the official results" Alex Michalko, Corporate Responsibility at the Walt Disney Company

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

Our primary audience includes investors and "participant" companies. Investors use our ratings both to:

- (1) Prioritise or select companies for investment
- (2) To appraise company performance, put in place loan conditionality or "screen" country and company risks.

Participant companies use the CII and engagement process as a means of:

- (1) Learning more about the emerging expectations of stakeholders and investors
- (2) Obtaining third party insight on their own performance, as well as
- (3) Benchmarking against peers. Many participating companies set up defined action plans and programmes of work to improve their CII performance over time.

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.

Detailed information, including company scores and rankings in the CII is currently available in the public domain via Bloomberg terminals and <http://www.maplecroft.com/cii>. In addition, participating companies are able to access their own scorecard and completed questionnaire, further details of the CII background methodology, factsheets and a presentation of key findings free of charge via Maplecroft's website. Information on company performance is available to 3,000-4,000 investors per month free of charge from the Bloomberg terminals.

Maplecroft also runs a series of webinars throughout the year and engages directly with each company during the rating process, providing an opportunity for companies to comment on our initial assessment and ensuring that they are aware of the free of charge resources.

Although companies are able to access their own completed questionnaire, they are not able to view the questionnaires of other companies as these frequently include commercially sensitive information.

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?

Yes, key elements include:

- (1) Not accepting sponsorship of the index to ensure that it remains independent
- (2) The requirement for analysts to disclose shares in companies they might be asked to rate i.e. to avoid rating companies where they have a vested interest

(3) Not offering research or consultancy to improve the standing of a participating company.

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?

Yes. The advisory working panel includes Bloomberg and Maplecroft. This is fully disclosed in the public domain. There are also a number of informal advisors including experts in the field e.g. Jim O'Neill. Maplecroft is currently appraising the establishment of a formal Advisory Panel of independent monitors that will oversee entries and exits from the index on each rebalancing cycle.

None of these entities proposed for formal advisory capacity are rated companies, as such there have been no conflicts of interest to date. Since Bloomberg is not in the CIIs, we see no conflict of interest in that relationship. Those individuals proposed for inclusion in the formal Advisory Panel represent academic and NGO organisations; thus have no commercial interests but do have expertise in the areas of climate change, innovation, economics and emerging markets.

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?

No. We do not offer for fee services on any of the CII work for companies that we rate. Participants receive, at no charge to them, a completed version of their questionnaire and their scorecard. Participants also do not pay to participate in the CIIs. Maplecroft does not accept any index or event sponsorships from participating companies. Note that a small additional fee is charged for benchmarking or wider access to data if requested, purely to cover additional time costs to provide information.

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

Yes. Maplecroft provides an online library of country risk resources. This is an entirely separate product offering and is available in the public domain in accordance with a fixed price list to any organisation including educational institutions, NGOs, the UN and private-sector companies. We do not see this as a conflict of interest. [Our website](#) also discloses any foundation funding from, for example, the UN Global Compact Foundation (which in turn is funded by the GE Foundation) on human rights dilemmas for business, the Nike Foundation on the empowerment of girls and young women and the NorthStar Foundation on HIV/ AIDS. These are quite distinct projects and existed before the development of the CII programme of research. We do not have any sponsorship arrangements for the CIIs.

1.3 Regular Review

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

Yes. Our methodology is continuously updated as we work to improve our rating assessment. CII Cycle 3 was launched in April 2012. This built on the work of Cycle 2, launched in September 2010 and Cycle 1, launched in January 2010. Maplecroft analysts reflect on the methodology, results and process during and after each cycle of implementation, with a view to

refining our 100 question tool and investment thesis. As part of this process of continuous improvement, Maplecroft is planning to further develop the methodology for Cycle 4. It is partly for this reason that our engagement differs from that of similar ratings exercises.

Initial assessments/ratings are completed by Maplecroft analysts using public domain information from company websites, third party sources and news feeds. This is then qualified through direct engagement with member companies via telephone interviews and email correspondence. All work is thoroughly peer reviewed both within Maplecroft (by peers) and with the company directly, ensuring that assessments are an accurate representation of the participating company's strategies and programmes for climate-related innovation.

Methodology is updated at the beginning of each cycle following internal and external feedback and reviews of new trends in energy management, climate change and other relevant corporate strategies. Cycle 2 saw the inclusion of new questions on lifecycle analysis, carbon footprinting as well as other carbon/energy insight tools. In Cycle 3, updates were made in a number of areas including ethical value chain management, organisational learning and adaptation to physical climate change risks. Cycle 4 will take into account feedback from participating companies and investors to include an update to the emissions reduction pillar of the CII.

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.

All changes are communicated to companies at the beginning of and throughout the research/rating process. This is done through our factsheets, our website and through emails, telephone conversations and webinars. Changes are also communicated and explained to companies on completion of each rating during the review of scores from one cycle to another. Maplecroft engages directly with companies and explains how and why amendments to the questionnaire/rating process might have impacted their performance.

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.

Yes. The advisory working panel includes Bloomberg and Maplecroft. This is fully disclosed in the public domain. Bloomberg is actively involved in the review of rated companies, the testing our "investment thesis" as well as ensuring the rigour of our research process and results. This is done largely through a formalised peer review process as well as frequent meetings and discussions during the rating period.

Bloomberg (as an independent, objective entity) also calculates and implements the three "tradable" indexes on Bloomberg terminals. The selection of companies is done by Maplecroft based on a strictly applied, objective pre-screening process that initially identifies all US listed companies with a free-float market capitalisation of over \$1B and then applies a disclosure screen based on the involvement of companies in climate related programmes. All companies that pass these two screens are included in the rating and index process, with top performers in our questionnaire being attributed a greater percentage of the index. The CII US 100 is an even simpler screening as it includes the 100 largest US companies by market capitalisation.

There are also a number of informal advisors including experts in the field e.g. Jim O'Neill. Maplecroft is currently appraising the establishment of a formal Advisory Panel of independent monitors that will oversee entries and exits from the index on each rebalancing cycle.

Note: Maplecroft is a member of the UN Principles for Responsible Investment initiative and as such adheres to its six key principles and guiding actions. See: <http://www.unpri.org/principles>.

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.

Our rating questions and indices are revised and reviewed before each cycle, based on input from the working advisory panel, as well as external experts and participants. CII Cycle 2 saw a number of changes based on stakeholder input, for example new questions were added to reflect emerging agendas, a new online questionnaire tool was developed and implemented and further guidance was developed for analysts (and integrated into an internal online tool). We also assessed the weighting of individual questions and introduced a new section on lifecycle analysis. In Cycle 3, we further updated our questionnaire and guidance documents to reflect changing trends, for example in relation to ethical value chain management, organisational learning and adaptation to physical climate risks. In Cycle 4 we are intending to respond to feedback from participating companies and investors by updating our approach to assess company emissions reductions and undertaking a further review of the CII questionnaire.

Following the release of CII Cycle 3, Maplecroft hosted three CII webinars, which provide participating companies and other interested stakeholder an overview of the CII methodology and results. A panel discussion during each webinar provides an opportunity for panelists to provide feedback on the CII and to initiate discussions around areas of interest. In addition, there is an opportunity for all participants to ask questions at the end of the webinar.

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

A wide range of resources are publicly available via <http://www.maplecroft.com/cii>. This includes the scores and rankings of all companies included in the CII, as well as further details of the background methodology. In addition, all participating companies are able to access both their own scorecard and completed questionnaire, further information on background methodology and presentation slides providing an insight into the results of the CII.

Maplecroft engages directly with each company during the rating process, providing an opportunity for companies to comment on our initial assessment and ensuring that they are aware of the free of charge resources.

Maplecroft also communicates the outputs of this engagement through its Ethical Insight and Global Risk Forecast Publications. Ethical Insight is a free of charge fortnightly digest of corporate responsibility, ESG news events and is read by an estimated 55,000 individuals every fortnight.

2 Inputs

2.1 Information Sources

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

The CII assessment is a bespoke rating tool, developed by Maplecroft. The tool follows a management systems approach and is based on international environmental and carbon accounting standards including ISO 14001, ISO 14064, the Greenhouse Gas Protocol, the UN Global Compact and others. Scores are therefore awarded where companies have policies and procedures in place to promote low-carbon innovation within their organisations. The development of the CII rating system has incorporated thousands of individual sources and documents and years of experience doing similar research at the Universities of Bath and Warwick, and at Maplecroft with the World Economic Forum.

A typical company rating will be based on:

- (1) All information included on a company's website e.g. annual reports, sustainability reports, Communications on Progress to the UN Global Compact as well as press releases, case studies, interviews, stakeholder viewpoints and narrative text throughout the site
- (2) Further information obtained from the public domain including newspapers (e.g. the Times, Wall Street Journal, Washington Post, New York Times, BBC website), NGOs (such as WWF and Greenpeace), international organisations (e.g. the Pew Centre)
- (3) Subscription services such as Factiva
- (4) Further supporting information received directly from the company during our telephone interviews/engagement and ongoing email correspondence.

Note: The latter enables us to obtain insight into "work in progress" innovations not yet present in the public domain. Each rating takes around 1-2 days to complete and is a thorough assessment. This is then refined through direct engagement with participating companies as well as internal peer review.

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.

Our ratings are in no way based on other ratings or third-party research firms. All rating assessments are produced internally by Maplecroft analysts and in partnership with the respective participating company. This includes the use of thousands of individual sources and documents.

Information gathered from the sources outlined above (e.g. publicly available information on company websites, news sources, NGOs, subscription services and stakeholder viewpoints) is gathered through desk-based research. In addition, companies are contacted directly for engagement, with each company invited to answer specific questions either by email or through a teleconference.

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

Our CIIs were completed/refreshed twice in 2010 i.e. there were two CII cycles. A further update of the CII's was completed in April 2012. The CII questionnaire is currently in the process of

being updated for Cycle 4. Each cycle involves an intense period of rating and correspondence with companies, involving analysis of documents that may not be in the public domain and the opportunity for companies to review their CII questionnaire. Engagement with companies and the "refreshing" of information can take up to 3 months per company (due to ongoing correspondence and the sometimes lengthy interview process).

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

Our initial scoring is based on public disclosures:

- (1) Preliminary scores are produced by Maplecroft analysts following review of publicly available information including annual reports, sustainability reports, websites, UNGC Communications on Progress and any other relevant, reliable public disclosure
- (2) Analysts use guidance and are trained on how to interpret the questions as well as the type of evidence that merits scoring (e.g. through training programmes and mentoring by Professor Alyson Warhurst and Dr. Kevin Franklin, respected authorities in this area of research)
- (3) Analysts use a conservative scoring principle so that when evidence is absent, ambiguous or insufficient the lowest relevant score is given until further evidence comes to light and clarification is possible
- (4) Maplecroft's direct engagement with companies aims to mitigate against the risk that companies score highly by virtue of disclosure alone, rather than performance
- (5) During this engagement with companies initial scores are confirmed and developed through in-depth interviews and correspondence with company specialists. This confirms accuracy of desk-based research, enables participation and builds transparency and interest in the CII
- (6) This methodology provides significant insight into company processes and helps identify areas of strength and weakness; capturing performance and strategy not yet communicated to wider audiences.

A company's decision not to engage fully or at all in the process may lead to a lower score. Over time Maplecroft seeks to gradually increase the proportion of companies that engage. In Cycle 3, approximately one third of companies in the CII universe responded to requests for engagement, with this figure increasing to approximately three quarters of the 100 leading companies.

Maplecroft uses expert peer review throughout the scoring to ensure that analysts are scoring consistently and accurately. Peer review is also employed during our engagement with participating companies to validate final scores based on the evidence gathered and to ensure rankings are a truthful representation of the analysis.

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).

Companies are engaged during each cycle of the CIIs and therefore have been contacted for engagement three times to date. This engagement may include multiple email exchanges and teleconferences throughout the CII assessment process with specialists across a number of departments within a company. An initial assessment of each company is undertaken by Maplecroft analysts before the company is contacted. This initial assessment is based on publicly available information and information from past engagement. This allows for the

engagement process to focus on gaps in our understanding of company performance and avoids companies having to repeat information that is either in the public domain already or has been discussed during previous engagement. Where possible, companies are asked to provide supporting documentation for information provided through engagement.

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

Completion of the initial CII questionnaire takes around 1-2 days. This is circulated to participating companies for feedback over a period of typically 3-6 months. Analysts will typically engage with a company through a teleconference of around one hour and through numerous email exchanges. Teleconferences often involve multiple individuals from a number of departments in the participating company and are attended by two Maplecroft analysts.

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

All feedback is incorporated into our research and ratings process. During the engagement with companies, initial assessments are confirmed and developed through in-depth interviews and correspondence with company specialists. This confirms the accuracy of desk-based research, enables participation and builds transparency and interest in the CIIs (in Cycle 3, the engagement response rate among CII Leaders was 76%). This methodology also provides significant insight into company processes and helps identify areas of strength and weaknesses; capturing performance and strategy not yet communicated to wider audiences. The engagement process is used to (a) amend the initial answers to questions as compiled by Maplecroft analysts and (b) answer questions where there is no information in the public domain.

Details of the CIIs methodology are available at:
http://www.maplecroft.com/cii/index_methodology

Participating companies are able to request a completed copy of their CII questionnaire, which provides details of the evidence and analysis behind their scores for each question.

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?

The CIIs have an extensive internal online guidance resource (est. 75pgs long). This is available to analysts and is built into our online questionnaire. Maplecroft also uses expert peer review throughout the scoring to ensure that analysts are scoring consistently and accurately. Peer review is also employed during our engagement with participating companies to validate final scores based on the evidence gathered and to ensure rankings are a truthful representation of the analysis. We are fortunate in that some of our research team and internal peer reviewers are very experienced - Professor Alyson Warhurst and Dr. Kevin Franklin.

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

Yes. Companies where external verification or certifications have been achieved (by a recognised authority e.g. KPMG and PwC) are seen to have already been "checked". This applies only to a narrow sub-section of questions e.g. the existence of environmental policy is

accepted (without evidence being required) if the company is certified to ISO 14001. Most questions in our questionnaire tend not to be externally certified as such require evidence to be provided to Maplecroft analysts (where requested).

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?

Principal analysts have at least 5-10 years experience in the field or industry area. All Maplecroft analysis is completed in-house i.e. there is no subcontracting to organisations so as to ensure that there is no question of individuals completing the analysis being unknown or poorly qualified.

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

All analysts have at least a Masters degree or equivalent in the area of research, as well as expertise on the issues they're assessing. An extensive guidance document (est. 75pgs) is available and integrated into our online questionnaire tool. Maplecroft also implements a mentoring scheme as well as in-house training of analysts. The mentoring scheme includes direct one-to-one training and peer review with one of four senior partners each of which has demonstrable, long term experience on ESG research as well as in-field experience in auditing (e.g. SA 8000 and ISO 14001). Analysts have the opportunity to attend external courses as well as conferences to further their understanding of the issues and industry of specialization. Maplecroft seeks to ensure analysts focus on consistent sectors, thereby building their awareness of trends, commonalities in research and ensuring that scores are allocated consistently.

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

Maplecroft undertakes an estimated 350 – 400 in-depth ratings per year, including the rating process for the CIIIs and other company rating products such as the human rights benchmark. Each rating takes 1-2 days. We have a "niche" approach to ratings. Our focus is not on the number of ratings (or number of companies) but rather on quality, ensuring the assessment and analysis is both comprehensive and 100% current. All ratings are appraised again before delivery to a client including an assessment of key recent events as well as stakeholder viewpoints.

3.2 Quality Management

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

The CIIIs have an extensive internal guidance resource (est. 75pgs long) available to analysts. The scoring methodology is 100% documented, codified and built into our online questionnaire tools. This relates to the exact scoring for each question. Maplecroft uses expert peer review throughout the assessment and scoring process to ensure that analysts are scoring consistently and accurately. Peer review is also employed during our engagement with participating

companies to validate final scores based on the evidence gathered and to ensure rankings are a truthful representation of the analysis.

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

No. Bloomberg has undertaken reviews through the process of developing an "index calculating" partnership with us for these indices. The CIIs are not formally assured or verified but are thoroughly peer reviewed with the methodology transparently available in the public domain. Maplecroft ensures all feedback on our ratings and systems are systematically reviewed internally, with a view to amending and improving our work. Transparency of methodology and process also enables users to clearly understand both our investment thesis as well as how scores/ratings were achieved.

See <http://maplecroft.com/cii/introduction/> for more information on the CIIs.

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.

No. Our questions and weightings are the same but the assessment criteria are different. Our work to date has found that most sectors are working in most areas, and that even issues traditionally considered not relevant to certain sectors are being addressed by the more advanced companies e.g. retail brands, banks, utility companies, logistics businesses are all developing new climate-related products and services. We thus use relevant criteria for each sector when answering questions, and have guidance notes that advise analysts on how to appraise companies depending on their sector. This enables us to fairly assess the innovativeness of companies within each sector as well as capture what each sector might be doing regarding innovation. Our rating also takes account of country and sector risk exposures for each sector and company, based on the company footprint and the nature of the business activity, as these vary significantly and thus require different levels of risk management by companies.

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

This is one of the most critical parts of the Maplecroft methodology. Our ratings also take account of country and sector risk exposures for each sector and company, based on the company footprint. Maplecroft uses its bank of over 500 country risk indices to identify the most relevant and material risks by country and sector and to align these with a company's value chain footprint i.e. those geographies (down to local level) where it operates, procures from or distributes to. Our questions are consistent across sectors, but the assessment criteria are different and are tailored to (a) both the geographic risk exposures of each company as well as (b) the sector. We have guidance notes that advise analysts on how to appraise work of companies depending on their sector.

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?

Our methodology is disclosed on http://www.maplecroft.com/cii/index_methodology and summarised in our recent White Paper. The Maplecroft CII questionnaire is based on international environmental and carbon accounting standards including ISO 14001, ISO 14064, the Greenhouse Gas Protocol and others. Questions have been further validated by Maplecroft following more than five years of in-field auditing, piloting and refinement with leading-edge global brands. Companies in the Maplecroft CIIs have been systematically rated using a fully transparent process that scores each company across five pillars of climate-related performance:

1. Management through policies, disclosures, targets, verification and supply chain processes
2. Mitigation of carbon emissions through policy responsiveness, partnerships and efficiency
3. Emissions reductions in greenhouse gas (GHG) emissions by reporting scope
4. Innovation of new technologies or initiatives that capitalise on climate-related opportunities
5. Adaptation by modeling climate impacts and changing company strategy and operations

The scoring of each company is completed by Maplecroft analysts using numerous relevant public domain disclosures. This is supplemented by direct engagement with each company to validate the initial scoring and fill gaps. Questions are systematically scored, peer reviewed and quantified by experienced analysts. Together this analysis ensures an objective, accurate and up-to-date account of a company's climate-related innovation and carbon management performance. The emphasis on engagement provides insight into company processes and enables two-way dialogue to identify areas of strength and weakness, thereby capturing performance and strategy not yet communicated to wider audiences.

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

Yes. Our ratings also take account of country and sector risk exposures for each sector and company, based on the company footprint. Maplecroft uses its bank of over 500 country risk indices to identify the most relevant and material risks by country and sector and to align these with a company's value chain footprint i.e. those geographies where it operates, procures from or distributes to. Our questions are the same but the assessment criteria are different and are tailored to (a) both the geographic risk exposures of each company as well as (b) the sector. All assessment criteria are included in an internal guidance document.

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.

Yes. The selection of companies is done by Maplecroft based on a strictly applied, objective pre-screening process that we developed in collaboration with Bloomberg (who contributed financial criteria) (1) initially identifies all US listed companies with a free-float market capitalisation of over \$1B (2) applies a disclosure screen based on the involvement of companies in climate related programmes. All companies that pass these two screens are included in the rating and index process. The disclosure screen includes an appraisal of the following norms, standard or principles:

- Member of US Climate Action Partnership

- Member of US Climate Registry
- Publishes GHG emissions data (e.g. data available through BBG terminal)
- Signatory of UN Global Compact (incl. UNGC Caring for Climate Initiative)
- It has also considered an involvement in the US Environmental Protection Agency Climate Leaders initiative

In addition, our CII rating tool follows a management systems approach and is based on international environmental and carbon accounting standards including ISO 14001, ISO 14064, the Greenhouse Gas Protocol and others. Scores are therefore awarded where companies have policies and procedures in place to promote low-carbon innovation within their organisations.

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

The CII questionnaire takes into account evidence of material prosecutions for non-compliance with legislation, regulation, consent or permits. A typical company rating will be based on:

- (1) All information included on a company's website e.g. Annual Reports, Sustainability Reports as well as press releases, case studies, interviews, stakeholder viewpoints and narrative text throughout the site
- (2) Further information obtained from the public domain including newspapers, NGOs, international organisations
- (3) subscription services such as Factiva
- (4) further supporting information received directly from the company during our telephone interviews/engagement and ongoing email correspondence.

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.

Our initial scoring is based on public disclosures:

- (1) Preliminary scores are produced by Maplecroft analysts following review of publicly available information including annual reports, sustainability reports, websites, UNGC Communications on Progress and any other relevant, reliable public disclosure
- (2) Analysts use guidance and are trained on how to interpret the questions as well as the type of evidence that merits scoring
- (3) Analysts use a conservative scoring principle that means when evidence is absent, ambiguous or insufficient the lowest relevant score is given until further evidence comes to light and clarification is possible
- (4) Maplecroft's direct engagement with companies aims to mitigate against the risk that companies score highly by virtue of disclosure
- (5) During this engagement with companies, initial scores are confirmed and developed through in-depth interviews and correspondence with company specialists (as detailed above). This confirms the accuracy of desk-based research, enables participation and

builds transparency and interest in the CII (in Cycle 3, the engagement response rate among CII Leaders was 76%)

- (6) This methodology provides significant insight into company processes and helps identify areas of strength and weakness, therefore capturing performance and strategy not yet communicated to wider audiences.

Over time Maplecroft seeks to gradually increase the proportion of companies that engage. Maplecroft uses expert peer review throughout the scoring process to ensure that analysts are scoring consistently and accurately. Peer review is also employed during our engagement with participating companies to validate final scores based on the evidence gathered and to ensure rankings are a truthful representation of the analysis.

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.

Initial scores are confirmed and developed through in-depth interviews and correspondence with company specialists (as detailed above). This confirms the accuracy of desk-based research, enables participation and builds transparency and interest in the CII. Completion of the initial CII questionnaire takes around 1-2 days. This is circulated to participating companies for feedback over a period of typically 3-6 months. Analysts will typically engage with a company through a teleconference, usually lasting around one hour and through numerous email exchanges.

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

Yes. Initial scores are confirmed and developed through in-depth interviews and correspondence with company specialists (as detailed above). This confirms accuracy of desk-based research, enables participation and builds transparency. It also enables participants to engage with us in a conversation about their rating in advance of the final assessment and result. This conversation includes a clear and transparent discussion of scoring. Maplecroft does not change scores once the results have been finalized, have been issued to the public and are trading on Bloomberg. We continue to discuss scores with participating companies. Where companies provide further evidence that might improve their score, this is logged for the next cycle of our CII implementation.

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.

Yes 100%, this is part of our policy. Absolutely everything is disclosed and there is plenty of opportunity for discussion. All participating companies are able to access to their scorecard and completed questionnaire, as well as a factsheet and additional information on the methodology and results. Maplecroft runs a series of webinars throughout the year and engages directly with each company during the rating process. For Cycle 3, we invited guest panelists from leading companies to participate in our results presentations and to share information about their ongoing initiatives and their future outlook for climate innovation. Panelists included representatives from General Electric, Covanta, Johnson Controls, Advanced Micro Devices, United Technologies, Weyerhaeuser, Praxair and CA Technologies. In addition, Maplecroft fully responds to all follow up questions and comments following the release of each cycle of the CII, always offering the opportunity to speak by phone in addition to any response by email.

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

The full details of company scores and rankings for CII Cycle 2 and 3 are publicly available via [Maplecroft's website](#). In addition, participating companies are able to access a pdf and online scorecard providing additional insight into their score and ranking. Following CII Cycle 1, we became concerned about requests for information from consultancies, which could be used for the development of new business, in existing client projects as well as to evolve their own rating work. Maplecroft now invites consultants to disclose their interests in advance of us providing access to the data.