

Rate the Raters Phase Five Questionnaire for Raters

Trucost

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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

Trucost Environmental Register

0.1.2 Please describe the primary objectives and motivations for your rating

Trucost provides data and insight to help its clients understand the economic consequences of natural capital dependency across company operations, supply chains, product and investment portfolios.

We provide robust, standardized and quantitative environmental impact data that facilitates a deep understanding of the natural capital risks and opportunities of companies and their supply chains.

Find out more at www.trucost.com

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

We evaluate the impact and success of our analysis in several ways:

- **Annual research process:** we engage annually with all companies in the Trucost research universe providing the opportunity to either confirm or improve our research
- **Client survey:** we conduct a biannual survey to assess client satisfaction and identify opportunities to improve our research
- **Advisory panel:** we have an academic advisory panel of leading academics in the fields of economics and the environment who advise on our research methodology and its ongoing development
- **Peer review:** we work collaboratively with clients, research partners and members of the academic community that embed Trucost data in their own research, products and services and teaching curricula
- **Data uptake:** we closely monitor uptake of our data, for example,
 - Trucost data has been used to assess natural capital risk and opportunity of investment funds worth \$2.7trillion
 - Newsweek has selected Trucost data for the fourth year running to inform the environmental performance metric of its annual Green Rankings

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

Trucost has been helping companies, investors, governments, academics and thought leaders to understand the economic consequences of natural capital dependency for over 12 years.

We provide industry leading data and insight to help users assess risk and opportunity from natural capital dependency, including greenhouse gas emissions, water use, land use, pollutants and waste.

Our data is used by our clients in many ways to support their specific needs and requirements, but improved understanding of corporate natural capital impacts is a universal feature.

Companies: measure, manage, report, and benchmark natural capital dependency across operations, products and supply chains.

Investors: identify environmental risk and opportunity across companies, sectors, regions, indices and investment portfolios.

Governments: implement sustainable procurement across departments and regions.

Academics: embed environmental performance data and analytics in teaching curricula.

Thought leaders: deliver robust research into the economic consequences of natural capital dependency.

For a list of Trucost's products and services see: <http://www.trucost.com/our-services>

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 publicly disclose our methodology on our website (<http://www.trucost.com/methodology>). In addition, each company is given the opportunity to review our research calculations via a secure online portal. Companies can either confirm Trucost research or provide new information to improve Trucost calculations before it is incorporated into Trucost's research.

Our methodology is also detailed in the public reports and rankings in which we are involved (<http://www.trucost.com/publications>).

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 do not believe that we have any conflicts of interest since we do not employ a scoring system; rather we provide completely objective measurements of environmental performance. The only way that a company can improve its position in any ranking or weighting in an index where our data is used is by reducing its environmental impact, normalized by revenue and/or by improving their disclosure practices. The services we offer companies only allow them to more easily measure and monitor these impacts. These products and services range from simple tables, which convert consumption or expenditure information into environmental data, to modules which allow companies to measure the environmental impacts embedded within their supply chains.

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?

Yes. Current affiliations of Board Members and Advisory Panel members are available in their bios on our website. We also publish information about our partnerships on our website.

<http://www.trucost.com/board-members>

<http://www.trucost.com/advisory-panel>

<http://www.trucost.com/partners>

How do you manage conflicts of interest with these entities?

Not applicable.

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?

Trucost is an objective, non-partisan, quantitative data provider focused on researching and standardizing environmental impact data (metric tons of emissions, or quantities of natural resources used). Our clients purchase our services to measure, better understand and manage their natural capital impacts.

The only way that a company can improve its position in any ranking or weighting in an index where our data is used is by reducing its environmental impact, normalized by revenue and/or by improving their disclosure practices. The services we offer companies only allow them to more easily understand and measure their environmental impacts.

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.

Trucost undergoes an annual internal review of its data/research process. Emission/intensity figures are also reviewed on an on-going basis. Trucost's independent advisory panel provides ongoing guidance and advice on methodology improvements (<http://www.trucost.com/advisory-panel>).

In addition, we conduct a biannual survey to assess client satisfaction and identify opportunities to improve our research process.

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.

Trucost's public methodology is kept up to date online (<http://www.trucost.com/methodology>) and is communicated to companies as part of its annual engagement process.

Improvements in emission factors/intensities increase accuracy, but the research process remains the same year on year due to the fact that our data is purely a quantitative assessment of environmental 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.

Trucost has an independent advisory panel that provides guidance and advice on our methodology (<http://www.trucost.com/advisory-panel>).

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 launched an annual survey in October to identify opportunities to improve our research process. We have also incorporated a live feedback loop within our research process to ensure any queries can be instantly resolved. Following feedback from our stakeholders, we have replaced our postal engagement process with an online portal to enable multiple company

representatives to more easily provide additional data and/or comments when verifying or improving our research.

We also broadened the scope of our research to collect environmental performance data across company value chains (where available), including financed emissions by the investment community following the publication of the [GHG Protocol's Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#).

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

We update stakeholders via our annual research process and also publish information on our website.

2 Inputs

2.1 Information Sources

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

Trucost aggregates data across over 700 environmental impacts. These data points include emissions and impacts that fall into 22 major categories (see below). Trucost reviews and incorporates relevant company disclosures (both from public sources, and provided directly to Trucost) into its research.

Where companies do not measure or disclose environmental performance data, Trucost uses a detailed sector level analysis and numerous datasets including pollution and toxic release inventories, geological survey data, US Bureau of Economic Analysis data and UN Food and Agriculture Organization (FAO) data to estimate operational and supply chain environmental impacts according to a company's geographical distribution and/or technology.

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.

As per Trucost's methodology (<http://www.trucost.com/methodology>), Trucost uses a variety of company data from sources such as Factset or Dun & Bradstreet, and incorporates any adequate company reported data in public sources including; company reports, online, or through the Carbon Disclosure Project (Trucost is a Gold CDP Data Partner). Furthermore Trucost contacts the company to verify the data and invites them to provide additional environmental impact data where it is available. Trucost analysts validate and authenticate any amendments or further disclosures made by the company.

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

Company data is aggregated on an annual (financial year) basis, and is updated on an on-going basis, as additional data is available.

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

Trucost's methodology (<http://www.trucost.com/methodology>) provides comprehensive and standardized environmental impact data for all researched companies. Where a company does not disclose operational or supply chain environmental impact data, Trucost fills data gaps with advanced environmental input-output modeling.

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).

Trucost researches each company annually for each financial year. Trucost contacts companies via email or letter to provide an opportunity to review data via a secure online research platform. At the end of that process a report of the company's environmental data is provided to ensure complete transparency. Companies may contact Trucost at any point to request and update their environmental data.

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

This depends significantly on the level of sophistication and needs of individual companies. As part of our annual engagement process Trucost sector specialist analysts will work collaboratively with companies to support them in understanding the research methodology and providing accurate data. This can range from our standard outreach where information is provided to companies for their verification to 10 or more hours. We have 26 analysts and research 4500 companies annually. On average each company needs 0.5-1 analyst day to research, control for quality, engage and verify.

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

Each analysed company is invited to verify or refine the environmental data Trucost has aggregated. Trucost analysts validate and authenticate any amendments or further disclosures made by the company. We do not use questionnaires. We provide a secure online portal outlining the company's environmental impacts we've calculated by standardizing any available company disclosures and filling in any gaps using company specific operational data. We provide information about the source of each data point throughout our engagement process. Companies can either confirm or improve Trucost's calculations via this portal.

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 have developed a robust verification process which includes independent analyst quality checks, identification of data outliers and sector level comparisons. We also engage directly with companies as part of our research process to verify our assessments. This approach is published on our website: http://www.trucost.com/environmental_data

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

We request this information as part of our research process. In addition, we verify the accuracy of company disclosure by comparing those disclosures with the results of our own company level business activity/sector research. Where discrepancies are found we enter into a dialogue with the company to establish the reason for any difference.

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?

3-5 years on average.

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

We have close relationships with many higher education institutions from which we recruit our research team members. Our analysts in India are all qualified accountants. Senior analysts have produced a robust and comprehensive training program for new recruits and research team members are encouraged and supported in obtaining on-going training and certification.

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

On average analysts research over 4,500 companies representing 93% of global markets by market capitalization each year.

3.2 Quality Management

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

Trucost has developed a robust verification process that includes independent analyst quality checks, identification of data outliers and sector level comparisons. Trucost also engages directly with companies as part of its research process to verify its assessments.

Trucost has a documented internal quality assurance process that is used for all companies researched. At least three research analysts work on each company's data, conducting the financial assessment, conducting the environmental assessment, and reviewing the others work.

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

Yes. Our data is used by many partner organizations including Mercer, Standard and Poor's, UBS, and the UNPRI. As such our methodology and processes are subject to very close scrutiny. The methodology was used by the UK Government to establish environmental reporting guidelines for UK businesses and each of the criteria (outlined below) was scrutinized by the relevant section heads within the Department for Environment, Food and Rural Affairs

(Defra). We have an on-going research contract with the UK Environment Agency (equivalent to the US EPA) to monitor the adequacy of UK listed company reporting against these guidelines. The methodology has been awarded an International Patent by the US Patent and Trademarks Office.

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.

Trucost applies a consistent research methodology to all companies in the database with the objective of producing data that is comparable across sectors and geographies. However, not all companies will have the same impacts (i.e. Nuclear Waste is not a relevant environmental impact for all companies) or employ similar technology. The first part of our research process is to establish the material impacts of each company by conducting a sector benchmarking assessment, standardizing disclosures, and then weighting each impact by the associated (but often external) environmental damage costs.

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

Trucost's research is very much specific to each company as they are individually partitioned into their granular business activities. Trucost assigns companies into one or more of 464 different sectors (each company may be in multiple sectors depending on the complexity of its operations). This research allows Trucost to address the real complexity of businesses. We monitor each company against a total of 700+ possible impacts that fall into 22 broad groups. 80% of companies have 5 or fewer impacts that are material. These are the 22 groups:

Emissions to air

1. Greenhouse Gases
2. Acid Rain, Eutrophication and Smog Precursors
3. Dust and Particles
4. Ozone Depleting Substances
5. Volatile Organic Compounds
6. Metal emissions to air

Impacts to water

7. Nutrients and Organic Pollutants
8. Metal emissions to water

Impacts to land

9. Pesticides and Fertilisers
10. Metal emissions to land
11. Acids and Organic Pollutants
12. Waste (Landfill, Incinerated and Recycled)
13. Radioactive Waste

Resource use

14. Water Use and Abstraction
15. Natural Gas
16. Oil
17. Metals

- 18. Coal
- 19. Minerals
- 20. Aggregates
- 21. Forestry
- 22. Agriculture

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?

Trucost does not apply a grading system to its environmental data. Companies can be examined by their environmental impact however the user of the data wishes. For example, the user can evaluate by the company's absolute emissions, intensity (normalized by revenue, EBITA, company headcount, per unit of production, etc.), and whether a company discloses an environmental impact or not.

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

Yes. All of our data is company specific to the most detailed level possible. As a core part of our analysis we will granularly assess the sectors of operation of each company and assure that the data is comprehensive in scope for each company's global operations. This granular classification of each company into its individual business activities then informs the benchmarking and assessment of their environmental impacts.

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.

Trucost incorporates 3rd party verified data that meets global standards where it is available; however, our research analysts will also work with companies to maximize the use of robust disclosure data.

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

These are incorporated through our standard research process when they relate to changes in the environmental impacts of companies (For example oil spills, or emission leaks).

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.

As per above and methodology (<http://www.trucost.com/methodology>). Each analysed company is invited to verify or refine their environmental data by supplying additional data to Trucost,

which Trucost quality checks and standardizes, and then provides an updated data sheet to the company.

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.

Yes, companies are provided with the opportunity to review their environmental data as part of Trucost's annual research process. This is provided directly to company contacts where available, and to the company secretary in other cases. The company is initially given a soft deadline of 4 weeks to provide feedback. If companies respond to the request for feedback with a date that updated data will be made available, the additional data available is included at that time.

For particular research projects (like the Newsweek Green Rankings) a hard deadline is set of 10 weeks to 3 months.

In addition, companies are welcome to contact Trucost at any time to request information about their data and provide additional data.

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

Yes. As mentioned above we have a strict verification/dispute resolution process. The only conflict is when Trucost may not believe that disclosed data is adequate or accurate, and if unresolvable with the company we will disallow data that we believe to be inaccurate. Our methodology specifically allows us to quality-check company disclosures.

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.

Following Trucost's annual engagement with companies, Trucost provides companies with an environmental report outlining the data Trucost holds on companies including the source of information and any normalization/standardization techniques that have been employed to render the data comparable. Trucost also provides contact details to facilitate ongoing communication with companies regarding Trucost data and methodology at the time of sending the report.

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

Trucost has partnerships with a number of stakeholder organizations where we freely provide this data for their internal review and feedback. Find out more at:

<http://www.trucost.com/partners>