

Rate the Raters Phase Five

Questionnaire for Raters

Two Tomorrows

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

Tomorrows Value Rating (TVR)

0.1.2 Please describe the primary objectives and motivations for your rating

To provide examples of best practices in management, governance, strategy, engagement and innovation to clients, and to provide a platform by which to compare/contrast these examples of best practice.

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

Publicly, we measure impact by recognition among our client base. Internally, we measure impact based on back-end sales of services that integrate benchmark information from the rating and TVR database.

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

Medium to large corporations across a variety of sectors. TVR is most often used to provide best practice examples for program development, to inform reporting practices, to provide background to assurance projects, to benchmark metrics and targets against peers, etc.

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.

The full rating questions and scoring criteria are publicly available on the TVR website. Summary results and more detailed research papers on specific areas of interest are also published on the website. Top level summaries of scoring and recommendations are available to any rated or other company for free – this service is advertised on the website. Comparisons and detailed recommendations to other company scores (via benchmark report) are available for a fee.

<http://www.tomorrowvaluering.com>

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?

Discussion of our practices to prevent conflict of interest is provided in the Statement of Methodology – downloadable from the website www.tomorrowvaluering.com.

Our revenue model is not based on front-end funding – i.e. there is no ‘pay to be rated’ mechanism. Funding only occurs through sales of benchmark reports. Two Tomorrows has clients within the rated companies, however, our team has no incentive to rate our clients ‘higher’ as our clients expect constructive and honest feedback to drive best practice and our clients do not pay to be rated.

We also maintain embedded controls in the methodology through peer review (i.e. if the project manager for BP rates BP, there will be an additional peer review from a rater that is not involved in the BP projects).

Additional details are available in the Methodology Statement

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?

A full list of the raters and Directors is provided on the TVR website. Currently there are no third parties involved in the TVR – although we are evaluating this possibility based on stakeholder feedback.

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?

The TVR data is used in a variety of situations for our clients – benchmark reports, reporting practices, background for assurance, system implementation, metric and target development, etc. These are all paid services. The public rating has no bearing on these services as our clients are not paying for ‘scores’ – they are paying for insight into best practices and access to the database that underlies the TVR.

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

None

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 undertake an annual criteria revision. The revision includes updating and amendments to criteria questions, scoring frameworks and the companies to be included in the public rating. The revision is intended to fulfill one of the TVR Principles: that the standard for comparison should be best practice and therefore ratings should continually evolve to measure against best practice.

We gather feedback from interested clients and other contacts through informal communications, feedback on benchmark reports and email communication with all publicly rated companies. We are open to additional feedback, but have had limited feedback from non-corporate stakeholders to date.

Feedback is compiled and summarized by the TVR Director. This information, plus feedback from the Two Tomorrows consulting team is used to form recommendations for updates/amendments to the criteria, population, scoring framework, etc. The Director amends the TVR based on these recommendations.

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.

The methodology, including updates, is sent out to rated companies before research starts each year. Note that the population of rated companies changes from year to year and so this list changes as well. Updates to the methodology are also posted on the website for any interested party.

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. This possibility is under consideration.

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 solicit formal feedback from clients that conduct benchmarking using the TVR criteria. We also solicit feedback from anyone downloading the results or methodology from the TVR website. We offer to present top level feedback to any company that is interested and will receive informal feedback during these conversations. We occasionally receive feedback from academics or other organizations that have used the criteria.

All feedback is compiled and reviewed by the TVR Director. This feedback, combined with feedback from the rating/consulting team is considered during the revision process each year.

In the past, key feedback from clients has included:

- Implement scoring to reflect actual performance as opposed to evaluation of systems only. Result: criteria question 2 now measures performance against top five material issues
- Build in criteria to make different sectors comparable – i.e. acknowledge that oil and gas is inherently more 'risky' than industrial warehousing. Result: criteria questions 1 and 3 include aspects inherent to the nature of the business and sector.
- The value of the benchmarks is in the expertise of the rater – make the criteria more qualitative and expert-driven as opposed to quantitative/ yes-no driven. Result: we reduced the number of questions but made them broad, qualitative and expert driven. We also shifted raters to exclusively senior consultant level and above. We also published the names and experience of the full rating team.

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

Not directly. We have acknowledged that changes to the methodology reflect stakeholder feedback and give examples in the methodology statement, but specific feedback is not listed or attributed.

2 Inputs

2.1 Information Sources

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

Publicly available information posted by the rated companies: sustainability reports, form 10-k, 20-f and annual financial reports, corporate websites.

In 2011, we also used a set of public ratings to determine the companies to be included in the Global TVR list. We did not however use the criteria of these ratings.

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.

Directly from companies. Only information published by companies in the public domain is used.

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

Annually

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

A core principle of the TVR is that companies should be transparent. Therefore we treat non-disclosure as a 'zero score'.

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 email companies to be rated before research begins to explain that:

- They will be rated
- We give a list of the materials we have in hand and ask if there are any additional sources of publicly available information that they would like us to consider
- A brief description of the rating, changes to the methodology and a link to the website
- The email address of the TVR Director for any questions

During the research, there is no contact with the rated companies as part of the rating process.

Shortly before publication of results, we email companies again to inform them of their score.

Following publication, we outreach to rated companies to offer the free top level feedback and to attempt sales of benchmarking services.

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

The Director handles all company communications during the research.

Each company assessment takes between 0.75 – 2 days of rater time.

Free feedback sessions with interested companies require approximately 1 day per company (last year we conducted approximately 30 of these feedback sessions).

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

Described above – rated companies and other companies that utilize the benchmark service are the primary source of feedback for the rating.

We do not send out questionnaires or surveys.

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?

Information sources (publicly disclosed company information) are not verified by the TVR team. We have embedded scoring benefits to companies that have information assured.

We do not use any information outside of that published by companies except to provide context and background for the rater.

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

Yes, as above. Several criteria questions require assurance against stakeholder principles (materiality, balance, inclusivity, responsiveness, accuracy) to achieve full score.

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?

All of the research team have over 5 years experience. Average is approximately 10 years experience. Quality control is conducted at Director level and above with average 15 years experience.

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

Our 'analysts' are the Two Tomorrows consulting team. All of the rating team are senior consultant level or higher. They have full time training and education in the field through client practice. Additional training and education is provided through the Two Tomorrows employee development practice including (as required) professional certifications, conferences and training courses.

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

Each year we rate approximately 100 companies in the public rating. The rating team is 6-8 consultants. Therefore, average number of ratings per rater is roughly 14.

3.2 Quality Management

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

Quality control process is detailed in the downloadable methodology statement at <http://www.tomorrowvaluering.com>.

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

None

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.

Yes. Based on feedback we added two criteria questions that assess the 'risk and history' of sectors and companies. These are used to allow comparability between sectors. Our stakeholders were keen to be able to compare systems and practices between sectors to identify best practice while maintaining some level of comparability in score. Other stakeholders felt that oil and gas companies and other 'risky' sectors should be scored lower due to the inherent nature of their operations.

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

As above – see criteria questions 1, 2 and 3 to see how we integrate inherent risk and performance history into the scoring.

Downloadable from www.tomorrowsvaluerating.com

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?

Criteria for determining scores are included in the rating criteria. The TVR is inherently qualitative/expert driven. So we have defined multiple elements within each scoring band and it is up to the rater to balance these elements when assigning a score.

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

For some issues. For example, the five material issues used to define practice are sector and company specific (e.g. water is important for heavy industrial, but not in the top five for retail). All rated companies are global in scope, so regionality is generally not relevant. For the material issues selected, this context is embedded in the criteria questions. However, outside of the top material issues, we do not evaluate context or response.

Note that the limitation to the 'top five' issues was also a stakeholder feedback – from the rating team – in an effort to streamline the ratings process. For internal benchmarks we expand this list to include any issues that the client wishes to evaluate.

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 rating are heavily integrated with the AA1000 APS (a result of the rating history and co-development with AccountAbility). Principles for ISO 26k, UNGC, UNMDG, UNPRI and UN Voluntary Principles are embedded into the criteria questions and used to define the 'top five' material issues. Finally, one criteria question asks whether the rated company subscribes/abides by international frameworks – although we leave the selection of which framework up to the company.

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

One criteria question asks whether the company has a history of incident/accident/violation, etc.

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.

The key challenge in an expert driven rating is consistency between raters. The TVR Director, with assistance from a Two Tomorrows Director, undertake a reconciliation process to compare scores, identify outliers, etc. This process occurs throughout the research to bring commonality in interpretation of practices between raters during the research.

Additional details of this process are described in the downloadable methodology statement. <http://www.tomorrowvaluering.com>

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.

Companies are informed of results prior to publishing, but we do not seek feedback on the score.

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

We make scores available to any rated company. If a challenge or dispute is raised, we make the rater and moderator available to discuss and justify the scoring. Where an error has been made, our policy is to post a correction on the TVR website.

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.

As noted above. We disclose scores to companies shortly before publication. We offer (free) top level summary and recommendation to any interested company (including scoring against each criteria question).

In the public domain, we publish tiered scores for each company rated (e.g. Aaa, Aa levels). We also publish summary and sector level scores in each domain. As of 2011, we do not publish individual percentage scores in the public domain (these are available to rated companies).

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

The main outlet for results are www.tomorrowsvaluerating.com. The website contains results, detailed methodology and the full criteria questions and scoring elements. We will also publish research articles based on the findings through media outlets such as www.greenbiz.com. Occasionally we will receive inquiries from interested parties that we respond to on a case by case basis (e.g. academic research requests).