

Rate the Raters: Phase Three Methodology

Criteria / Sub-criteria	Definition	Scoring Key	Questions
1. Governance and Transparency			
1.1 Disclosure of Methodology	The degree to which a rater discloses its methodology to stakeholders (including the public and rated companies).	<p>Strong: Rater fully discloses its methodology to the public, including its selection process, information sources, criteria, areas of evaluation, scoring schemes, assumptions and rules. This information allows the user to fully understand and replicate how the rating is constructed.</p> <p>Moderate: Rater mostly discloses its methodology (including some of the aspects mentioned above) to rated companies, or makes public a moderate degree of detail on its methodology. This information allows the public to generally comprehend how the rating is constructed.</p> <p>Weak: Rater provides little to no detail on its methodology to the public or to rated companies.</p>	<p>1. Describe how you make available the details of your methodology to the public, rated companies and other stakeholders.</p> <p>Information request: If your methodology is publically disclosed, or if you feel comfortable sharing it with us, please attach a copy with your submission. We will keep this confidential if it is not in the public domain</p>
1.2 Conflict Management	How well a rater avoids and manages potential conflicts of interest in the ratings process.	<p>Strong: Rater has formally articulated its approach to managing conflicts in a policy, guidelines or some other written document. The policy covers key aspects such as services and the independence of partners. In addition, the rater provides no services – related or unrelated to the rating – to rated companies.</p> <p>Moderate: Rater has informally captured its approach to managing conflicts (e.g. in its</p>	<p>1. Do you have a policy (or guidelines, standards, etc.) that addresses conflicts of interest? If so, is it disclosed publicly? In answering, please describe the key elements of the policy.</p> <p>2. Do you disclose the relationships and independence of board members, advisory panel members, partners and other involved third-parties? If so, how? How do you manage conflicts with these entities?</p>

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		<p>methodology). The rater is restricted from providing services that are related to the rating, yet may provide unrelated services.</p> <p>Weak: Rater has no policy on / approach to managing conflicts, and has no restrictions on providing services to rated companies.</p>	<p>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?</p> <p>4. Do you have any other financial relationships (e.g. sponsorships) with any companies you rate? If so, describe these relationships.</p> <p>Information request: Conflict policy.</p>
<p>1.3 Regular Review</p>	<p>How a rater manages the ongoing evolution and improvement of the rating. This may include, for example, updating a rating to reflect new context or understanding of issues.</p>	<p>Strong: Rater takes a formal approach to reviewing, and updating as needed, its methodology to reflect new / improved information and context. The approach explicitly takes into account stakeholder feedback. The rater publicly discloses these changes and engages companies to explain the modifications. Changes are announced well in advance of when they take effect.</p> <p>Moderate: Rater takes an informal approach to reviewing, and updating as needed, its methodology to reflect new / improved information and context, which includes some stakeholder input. The rater discloses the nature of these changes to the public or to companies. Changes are announced around the same time they take effect.</p> <p>Weak: Rater does not have any approach – formal or informal – to reviewing, and updating as needed, its methodology to reflect new / improved information and context. The rater does not engage stakeholders to obtain feedback on its approach, nor does it disclose</p>	<p>1. Do you have a regular approach to updating your methodology over time? If yes, describe this approach.</p> <p>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.</p>

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		<p>the nature of any changes to the public or to companies. Changes are announced after they have taken effect.</p>	
<p>1.4 Stakeholder Involvement</p>	<p>The degree and nature of external stakeholder input into the rating’s construction and ongoing maintenance.</p>	<p>Strong: The rater has convened an external advisory panel and / or systematically engages external stakeholders in the development and ongoing maintenance of the rating. The rater is transparent about the nature and outcomes of this convening and engagement.</p> <p>Moderate: The rater receives input from external stakeholders on the development and ongoing maintenance of the rating, and communicates with these stakeholders on how their feedback was utilized.</p> <p>Weak: The rater does not involve external stakeholders in the development or maintenance of the rating.</p>	<ol style="list-style-type: none"> 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. 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. 3. How do you communicate the output / summary from this engagement? For example, do you make public the stakeholder comments?
<p>2. Quality of Inputs</p>			
<p>2.1 Information Sources</p>	<p>The breadth, diversity, consistency and credibility of information gathered by the rater to use in analyzing companies.</p>	<p>Strong: Rater gathers information from sources which are current, consistent, credible and diverse. The rater goes beyond company-submitted and public information, for example obtaining information from third-party data providers or stakeholders.</p> <p>Moderate: Rater gathers information from diverse sources, yet relies primarily on company-submitted and public information as opposed to third-party data.</p> <p>Weak: Rater gathers information from a narrow body of sources, which may include</p>	<ol style="list-style-type: none"> 1. Please list and describe the information sources that you utilize to develop your rating. 2. Please describe how this information is obtained (i.e. from publicly available documents, partner organizations, directly from companies). 3. How often do you refresh information / inputs on companies? 4. How do you deal with non-disclosure by companies in your rating?

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		<p>company submissions or public information. The information used may be out of date.</p>	
<p>2.2 Company Engagement</p>	<p>The degree and nature of engagement with companies throughout the ratings process.</p>	<p>Strong: Rater takes a systematic approach to engaging companies in the ratings process, including spending equal time to gain an in-depth understanding of each company’s performance and context. Rater regularly solicits feedback from all rated companies to improve the ratings process.</p> <p>Moderate: Rater engages companies during the ratings process and spends equal time to gain a basic understanding of the company’s performance and context. Rater occasionally solicits feedback from rated companies to improve the ratings process.</p> <p>Weak: Rater does not consistently engage companies during the ratings. Rater does not solicit feedback from rated companies on the ratings process.</p>	<ol style="list-style-type: none"> 1. Describe the process by which you engage / interact with the companies that you rate (i.e. frequency, nature, format). 2. On average, how much time do your analysts spend engaging with each rated company on an annualized basis? 3. Please describe if and how feedback from rated companies is incorporated into your research and ratings process. <p>Information request: Sample questionnaire or survey.</p>
<p>2.3 Input Verification</p>	<p>The means by which a rater verifies the information it collects on companies.</p>	<p>Strong: Rater should have a formal policy and robust process for verifying information used in its ratings. A majority of the inputs to the rating are verified.</p> <p>Moderate: Rater takes an informal approach to verifying information used in its ratings. A minority of the inputs to the rating are verified.</p> <p>Weak: Rater does not verify the information used in its ratings.</p>	<ol style="list-style-type: none"> 1. Describe your approach to verifying the information used to assess companies. Is this approach captured in a formal policy or guidance document? 2. Is external or third-party verification a consideration in assessing the quality of information sources? If so, please explain.

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3. Research Process			
3.1 Experience and Capacity of Research Team	The experience and capacity of the individuals conducting the assessment of companies.	<p>Strong: At least 75% of a rater’s analysts have 3 or more years of experience in the industry they are covering or on related topics. The rater has a formal approach to ongoing education. The rater’s analysts cover no more than 20 companies each.</p> <p>Moderate: Between 50% and 75% of a rater’s analysts have 3 or more years of experience in the industry they are covering or on related topics. The rater has an informal approach to ongoing education. The rater’s analysts cover between 20 and 30 companies each.</p> <p>Weak: Fewer than 50% of the rater’s analysts have 3 or more years of experience in the industry they are covering or on related topics, and the rater does not have any approach to ongoing education. The rater’s analysts cover more than 30 companies each.</p>	<ol style="list-style-type: none"> 1. On average, how many years of experience do your analysts (internal or contract) have working in / analyzing the industries they cover? 2. Describe your approach to ongoing training and industry education for your analysts. 3. On average, how many companies do your analysts cover each year?
3.2 Quality Management	The policies, processes and systems established by a rater to ensure quality control throughout the ratings process.	<p>Strong: The rater must have a robust and well-documented approach to ensuring quality control throughout the ratings process. The rater’s research process has been verified by a third party.</p> <p>Moderate: Rater has a moderately strong and documented approach to ensuring quality control throughout the ratings process. The rater has received feedback on its process from third party.</p> <p>Weak: Rater has a weak and undocumented approach to ensuring quality control</p>	<ol style="list-style-type: none"> 1. Describe your approach to ensuring quality control throughout the ratings process. Is this process documented or codified? 2. Have your research systems or processes been certified, assured or verified by an external organization? If so, please describe.

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		throughout the ratings process.	
3.3 Sector Specificity	The degree to which raters consider industry and company specificity in their ratings.	<p>Strong: The rating must be based predominately on sector-specific criteria and weightings, and the rater incorporates company-specific issues and context in its analysis.</p> <p>Moderate: The rating is based partly on sector-specific criteria and weightings, and the rater considers company-specific issues and context in its analysis.</p> <p>Weak: The rating has the same criteria and weightings for all sectors, and does not consider company-specific issues and context in its analysis.</p>	<p>1. Does your rating use the same criteria and weightings for all sectors and companies? If so, explain why.</p> <p>2. Describe how you take into account industry- and company-specific issues and context.</p> <p>Information request: Criteria.</p>
3.4 Basis for Rating	The underlying basis for / approach to rating company performance. For example, if a rater grades a company on diversity, is it making a relative comparison? Factoring in external norms or standards?	<p>Strong: The rating’s scoring scheme is clearly defined and articulated and incorporates the broader sustainable development agenda (e.g. rewards companies that are taking action in line with what IPCC calls for on climate). The rater explicitly ties key external norms, standards or principles to its questions and scoring.</p> <p>Moderate: The rating’s scoring scheme is reasonably defined and references the broader sustainable development agenda. The rater references key external norms, standards or principles to its questions and scoring.</p> <p>Weak: The rating’s scoring scheme is poorly defined and does not reference the broader</p>	<p>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?</p> <p>2. Do you factor company-specific context into your rating? If so, please explain how. For example, if assessing a company on water consumption, do you consider the geographic context for this assessment (e.g. some regions are more arid than others)?</p> <p>3. Do you incorporate external norms, standards or principles (e.g. UN MDGs, GRI, UNGC) into your rating or process? , etc. If so, which ones and how are they incorporated?</p>

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		sustainable development agenda. The rater makes no reference to key external norms, standards or principles.	4. How do you deal with unforeseen, negative company events in your ratings process (e.g. environmental incidents, ethics breaches)?
4. Outputs			
4.1 Validation of Results	The means by which a rater checks the results (including scores and reports) prior to their finalization or publication.	<p>Strong: Rater has a formal, consistent and robust process for checking final results, including giving rated companies the opportunity to review the results prior to their finalization. Rater has a formal process for addressing challenges or disputes.</p> <p>Moderate: Rater has an informal yet consistent process for checking final results. Rater has an informal process for addressing challenges or disputes.</p> <p>Weak: Rater does not have a process for checking final results, and does not give rated companies the opportunity to review the results prior to their finalization. Rater has no process for addressing challenges or disputes.</p>	<ol style="list-style-type: none"> 1. Describe the steps you take to verify your rating results (including scores and reports) prior to their finalization. 2. Do you give rated companies an opportunity to review draft scores or reports? If yes, describe this process, including timeframe given for review. 3. Do you have a formal policy and/or process for addressing challenges or disputes presented by companies or other stakeholders? If yes, describe this policy and/or process. If no, explain how you address challenges or disputes.
4.2 Accessibility	The degree to which raters make the results accessible to companies and other stakeholders.	<p>Strong: Rater fully discloses the details of its assessment and/or report to rated companies, and also provides a good level of detail to other stakeholders.</p> <p>Moderate: Rater partially discloses the details of its assessment and/or report to rated companies (e.g. summary), and provides some detail to other stakeholders.</p> <p>Weak: Rater does not disclose any details of its assessment and/or report to rated companies</p>	<ol style="list-style-type: none"> 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. 2. Describe how and to what extent stakeholders (other than rated companies) can access the details and results of your rating.

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		or other stakeholders.	