



CORPORATE RESPONSIBILITY MAGAZINE

100 Best Corporate Citizens List Methodology Procedure

TABLE OF CONTENTS

- 1.0 PURPOSE
- 2.0 RESPONSIBILITY
- 3.0 APPLICABILITY
- 4.0 APPLICABLE DOCUMENTS
- 5.0 DEFINITIONS
- 6.0 GENERAL
- 7.0 PROCEDURE

1.0. PURPOSE:

To define the protocol for developing *CR Magazine's* Corporate Citizenship Rankings, including the *100 Best Corporate Citizens*, the *Black List*, industry rankings, and other derivative rankings and products. This protocol encompasses

- CROA involvement in ranking development
- CROA committee selection
- CROA Methodology Committee review of the research process and data element set
- Data collection by a third party firm
- Final ranking determinations by *CR Magazine*
- List publication

2.0. RESPONSIBILITY:

CR Magazine ("*CR*") contracts with a third party research organization ("research firm") to collect data and develop initial rankings of companies in a pre-determined universe of companies ("the company set") on their corporate responsibility performance. Using these data, the research firm in cooperation with *CR* develops a ranking which *CR* publishes in a variety of formats, including the *100 Best Corporate Citizens*, the *Black List*, and other derivative lists and products.

The CROA appoints individuals to its Methodology Committee to advise and guide the research method and evaluation criteria for *CR's* Corporate Citizenship Rankings. Each year, the committee reviews the data elements and relative weightings used in determining *CR's* Corporate Citizenship Rankings and offers suggestions to *CR* for improvement.

The research firm is responsible for maintaining a written protocol for its part of the evaluation process and providing it to CROA and *CR* for incorporation into this document.

3.0. APPLICABILITY:

This procedure applies to everyone involved in the development and production of *CR Magazine's* Corporate Citizenship Rankings, as well as derivative lists and products.

4.0. APPLICABLE DOCUMENTS & WEBSITES:

- *CR Magazine*
- Research firm-written protocol for evaluation of companies
- Annual schedule of updates for *CR Magazine's* Corporate Citizenship Rankings
- *CR Magazine's* Editorial Calendar
- www.thecro.com
- www.croassociation.org

5.0. DEFINITIONS

Company set. The universe of companies under evaluation in any given year. For 2010-11 the company set was defined as the Russell 1000.

Corporate Citizenship Criteria. The data elements, weightings, and evaluation protocols used to develop the Corporate Citizenship Rankings. For 2010-11 these included ~325 data elements spread across seven categories and weighted based on the Methodology Committee's determination of relative importance of each of the seven categories. For 2010-11 the categories included climate change abatement, corporate governance, employee relations, environmental impact, financial performance, human rights, and philanthropy.

Corporate Citizenship Rankings. The ordinal list of companies that results from applying the Corporate Citizenship Criteria. This ranking evaluates every company in the company set and rank orders them based on the Corporate Citizenship Criteria. From this ranking, CR Magazine produces and publishes various lists, including the 100 Best Corporate Citizens, the Black List, and other derivative lists and products.

CROA. The Corporate Responsibility Officers Association, its members, board of governors, and its committees and working groups.

CR Magazine. Corporate Responsibility Magazine.

CR Magazine Editorial Board. The independent committee with final content-related decisions for CR Magazine, chaired by CR's Editor-in-Chief.

Data gathering protocol. The method by which the research firm collects the information necessary to evaluate companies based on the Corporate Citizenship Criteria.

Methodology Committee. The working body authorized by the CROA's Board of Governors, its members, chairmen, and staff.

Research firm. The company retained by CR Magazine to gather the data for the Corporate Citizenship Rankings.

6.0. GENERAL:

CR Magazine produces Corporate Citizenship Rankings from which it publishes a set of lists, including the *100 Best Corporate Citizens*, as well as other derivative lists and products, on an annual basis. There is a need to ensure transparency in the process, fairness in evaluation and consistency in selection criteria. In order to achieve these results, all processes and evaluation criteria must be written and made available to the public.

7.0. PROCEDURE:

**Corporate Citizenship
Methodology Procedure**

7.1. Selection of and Contracting with a Research Firm

7.1.1. *CR Magazine* contracts with a research firm. The Methodology Committee advises *CR* on the evaluation criteria for selecting a vendor. Historically, criteria have included the firm's ability to: uphold the underlying values and philosophy of the Corporate Citizenship Rankings, gather data on the company set, and provide that data on a timely basis to fulfill *CR's* publishing calendar. During the selection process, *CR* does an extensive review of the capabilities and research methods of the available and qualified vendors prior to selecting the final research firm.

7.1.2. At the end of each research year *CR Magazine* conducts a review of the relationship, and at the end of the contract, *CR Magazine* conducts an extensive review of the relationship. Requests for proposals (RFPs) for new or additional research firms may be issued on an as-needed basis. The Methodology Committee advises *CR* throughout this process. Responsibility for final vendor selection rests with *CR*.

7.1.3. Decision logic around research firm selection is made available to the public upon request.

7.2. Selection of the Methodology Committee

7.2.1. The membership of the Methodology Committee is appointed by the CROA Board of Governors from nominations by the general membership. Appointments to the committee are for three years and are staggered to allow for overlapping of member terms. The committee is comprised of members in good standing of the CROA that represent a cross-section of the field of corporate responsibility (practitioners, NGOs, academics, investment analysts, etc) and may include non-members.

7.3. Review of the Corporate Citizenship Criteria

7.3.1. On an annual basis, the Methodology Committee reviews the Corporate Citizenship Criteria to ensure validity of the data elements in determining a corporation's responsibility. The annual review focuses primarily on corrections and incremental improvements to the Criteria; however, *CR*, the Methodology Committee, and the research firm simultaneously take a long-term approach to the review of the Criteria to ensure that it always reflects current trends in corporate responsibility. This ongoing review is conducted by the Methodology Committee appointed by the Board of CROA.

7.3.2. The recommendations of the committee are presented to *CR Magazine* to consider for inclusion in the process.

7.3.3. The final Corporate Citizenship Criteria are made available to the public by posting to the CROA and *CR Magazine* websites.

7.4. Public Comment

**Corporate Citizenship
Methodology Procedure**

- 7.4.1. The Corporate Citizenship Criteria are posted to the CROA and *CR Magazine* websites with the ability to accept online comments.
- 7.4.2. In addition to posting to the CROA and *CR Magazine* websites, the CROA makes best efforts to post the Corporate Citizenship Criteria to other public venues, e.g., corporate responsibility-related social media (LinkedIn and Facebook Groups, Twitter, listservs, etc.)
- 7.4.3. The Methodology Committee conducts a series of public briefings, at least one of which occurs at the CRO Summit (in 2010) or Commit!Forum (in 2011). It may also hold a conference call or webinar at its discretion.
- 7.4.4. All comments received via the public comment period are consolidated and reviewed by the Committee for inclusion at its discretion.
- 7.5. Data Collection
 - 7.5.1. Data Sources
 - 7.5.1.1. To conduct the underlying research, IW Financial uses company websites, sustainability/CSR reports, 10-Ks, government datasets, including the Toxic Release Inventory, the Emergency Response Notification Systems (for spills), the EPA EnviroFacts data set (for fines). It also use The Corporate Library (corporate governance data), Morningstar (for financial performance data), and The Foundation Center (philanthropy data).
 - 7.5.2. Data Gathering of Publicly Disclosed Data
 - 7.5.2.1. Most of the information used for the Corporate Citizenship rankings comes from data disclosed publicly by companies. Even for data retrieved by IWF through third parties, the original source was the company. For instance, The Corporate Library, IWF's source for corporate governance data is originally released by companies in the proxy statement or other financial filings. Information IWF processes from EPA is often originally disclosed by each company to EPA. Few data elements come from sources that don't originate with the company. For example, EEOC disciplinary actions are gathered from an EEOC website, not from company disclosures.
 - 7.5.2.2. Most data areas are refreshed on an annual basis.
 - 7.5.3. Undisclosed Data
 - 7.5.3.1. Disclosure is a significant part of the evaluation of companies for the Corporate Citizenship lists. Non-disclosure obviously counts against a company in these sections of the evaluation. In addition, where performance is being evaluated based on company disclosed data, non-disclosure rates worse than any information that is disclosed by other companies.

**Corporate Citizenship
Methodology Procedure**

7.5.4. Data Validation

- 7.5.4.1. IW Financial pursues two primary data verification processes. First, after an analyst gathers the data, a second member of the research team assesses the data elements collected by the original researcher prior to it being available for any client, product, or correspondence process. While this person is not redoing all of the research, he or she reviews the available disclosure from the company or other source to identify potential errors.
- 7.5.4.2. Second, IWF employs a data validation process through which companies have the opportunity to correct factual inaccuracies. For 2009-10, companies that had the potential to make one of the published lists (*100 Best*, *Black List*, etc) received at least two separate requests to correct data, one from IW Financial and one from *CR Magazine* prior to publication.
- 7.5.4.3. Companies are given at least two opportunities to review the raw data collected by IW Financial. Every company in the Russell 1000 has the opportunity to correspond directly with IWF throughout the year and the top 125 ranked companies in the Russell 1000 received an additional request from *CR Magazine* to clarify their data.
- 7.5.4.4. Companies are not given the opportunity to review their rankings, just their data. Within the IWF process, companies are given about one month to review the primary data collection. IWF begins the process of sending reports to companies at mid-year for companies that have their major disclosure and reports released in the first part of the year. IW Financial will accept corrections any time they are submitted by the company, however, data received after December 1st in any given year is very difficult to build into the rankings process for the Corporate Citizenship lists based on publication deadlines.
- 7.5.4.5. In 2009-10 *CR Magazine* sent an additional request for data validation to the short-listed companies prior to publication of each list. Companies had one to two weeks to respond to this second data validation request.

7.6. Producing the Rankings & Publishing the Lists

- 7.6.1. Once the research firm produces its final rankings, it provides these to *CR* along with the supporting data and underlying scores.
- 7.6.2. *CR* convenes its Editorial Board to review the data and rankings and make a final determination for each list to be published.
 - 7.6.2.1. Red/Yellow Cards
 - 7.6.2.2. The Best Corporate Citizenship rating relies entirely on objective, publicly disclosed data. The Editorial Board uses subjective judgment only to recognize issues in the public domain not picked up in the audit of public data. Yellow Cards recognize a significant but pending investigation initiated in 2010 by recognized authorities. Yellow Carded

**Corporate Citizenship
Methodology Procedure**

companies remain on the list without impact on their ranking unless and until the investigation is resolved. Red Cards recognize a significant adverse judgment in 2010 against the company by a recognized legal or regulatory agency.

7.6.3. The Editorial Board then assembles the final list and has it published in *CR* according to its editorial calendar for each year.