2025

Bespoke Metrics
GC Scoring & Mass Timber Modifier

September 2025

Bespoke Metrics

Methodology (Draft)

COMPASS Q Score (GC Version)

Bespoke Metrics

Table of Contents

Scope and Applicability

The COMPASS Q Score (GC) methodology applies to the evaluation of general contractors' risk within the construction industry. It is designed to assess the likelihood that a general contractor will fulfill its project and financial obligations without default or causing significant losses to stakeholders (such as project owners, lenders, or insurers).

This methodology is used by Bespoke Metrics to produce a risk score for general contractors, supplementing the prequalification and underwriting processes of insurers and lenders. General contractors themselves can also utilize this score for self-assessment and improvement. The approach is applicable to general contracting firms of various sizes and project specializations, provided sufficient data is available for analysis.

The methodology relies on a combination of quantitative financial analysis and qualitative assessments. Data is collected through a standardized submission process (analogous to the subcontractor 1Form, but tailored for GCs) and is augmented with relevant third-party information. The scoring criteria maintain consistency with the subcontractor Q Score framework but are adapted to factors pertinent to general contractors.

DRAFT

1. Introduction

Purpose of Methodology

The purpose of this methodology is to provide a comprehensive overview of the COMPASS Q Score (GC) and its role in standardizing general contractor risk evaluation within the construction industry. This document outlines how the COMPASS Q Score is calculated for general contractors. The goal is to have the COMPASS Q Score (GC) serve as a trusted tool for informed decision-making among all stakeholders.

Overview of COMPASS by Bespoke Metrics

COMPASS by Bespoke Metrics is a leading prequalification platform that drives industry-wide data collection, verification, and analytics for the construction sector. Built by experts with extensive experience in credit risk and construction analytics, COMPASS leverages this expertise to bring rigor and reliability to contractor risk assessment. Over the past several years, the platform has developed a broad network of general contractors, subcontractors, insurers, and lenders, enabling the aggregation of valuable industry data through standardized forms and other sources. This collaboration has provided deep insights into how construction risk is evaluated across the industry. With a robust data repository and alignment with industry risk management practices, COMPASS has established itself as a benchmark for reliability and transparency in construction prequalification.

DRAFT

2. Key Scoring Drivers

The baseline Q Score (GC) is determined by four key risk categories, each with varied weights.
These categories capture distinct dimensions of a contractor's overall risk profile:

- **Financial Profile ([TBD]%)**
  Evaluates the general contractor's financial strength and stability. This includes analysis of financial statements and ratios (liquidity, leverage, profitability, cash flow coverage) as well as the contractor's demonstrated ability to meet payment obligations to stakeholders (e.g., paying subcontractors and suppliers on time). A stronger financial profile (ample liquidity, low debt, consistent profitability, timely payments) supports a better risk score.
- **Company Risk & Management ([TBD]%)**
  Encompasses the business risk of the contractor and the effectiveness of its risk management practices. Key aspects include the company's size and stability (years in operation, continuity of management, ownership structure), market position and diversification (breadth of project types, geographic coverage, competitive standing), and project execution track record (on-time completion, budget adherence, claims history). It also evaluates risk management practices such as project selection procedures and use of risk mitigation tools (e.g., bonds, insurance). A stable, well-managed contractor with a diversified portfolio and robust controls will score well in this area.
- **Health & Safety Performance ([TBD]%)**
  Assesses the contractor's safety record and culture. Considerations include historical safety incident rates, regulatory safety citations or violations, presence of certified safety programs or dedicated safety personnel, and ongoing training and monitoring practices. Strong health and safety performance (low incident rates, effective safety protocols) indicates lower operational risk and contributes positively to the Q Score.
- **Subcontractor Relations & Feedback ([TBD]%)**
  Captures the perspective of subcontractors and other project partners regarding the contractor. This is informed by surveys or performance evaluations from subcontractors on matters such as payment reliability, communication and coordination, fairness of contract terms, and overall management quality. Positive feedback and strong subcontractor relationships (e.g., reputation for timely payment and fair dealing) will enhance the contractor's score, whereas negative feedback (e.g., history of payment delays or disputes) will adversely affect it.

DRAFT

3. Scoring Framework

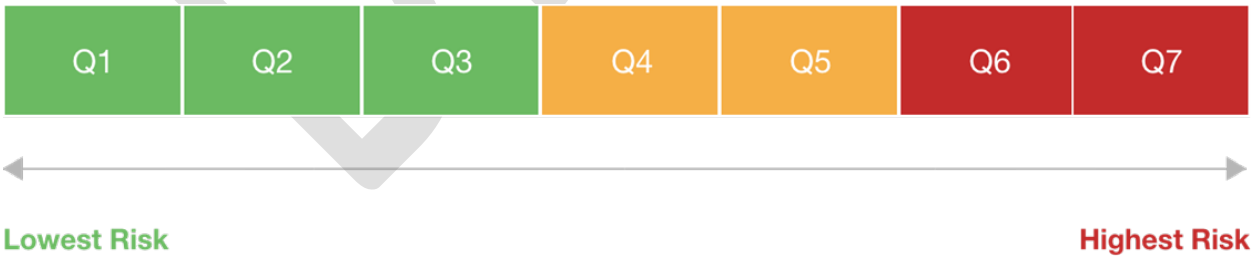
Each key driver is evaluated using a mix of quantitative metrics and qualitative assessments. Bespoke Metrics assigns a score for each category based on benchmarks and thresholds reflecting industry norms and expectations. For example, financial ratios are compared against industry benchmark ranges, and safety performance is measured against industry averages or standards.

The scores for each of the four key drivers are then combined to calculate a preliminary score for the general contractor. The weighting ensures a balanced assessment where no single aspect (financial, business, safety, or subcontractor relations) can dominate the result; the contractor must demonstrate strength across all areas to achieve a strong score.

The preliminary score is calibrated to the Q1–Q7 scale. Specific score ranges or cutoff values correspond to each Q Score rating. For instance, a score above a certain threshold may map to a Q1 or Q2 (indicating low risk), whereas a lower score maps to higher Q values (indicating greater risk). These thresholds are determined through analysis of historical data and are set so that each Q Score roughly corresponds to a defined level of risk (e.g., probability of default or performance issues).

Once the mapping is applied, the general contractor receives a Q Score from Q1 to Q7, which is also associated with a color-coded risk category. Green (Q1–Q3) denotes contractors with strong overall profiles and low expected risk; Yellow (Q4–Q5) denotes moderate risk contractors with some areas of concern; Red (Q6–Q7) denotes high risk contractors with significant weaknesses. This categorization aids interpretation and communication of the results.

- **Green (Q1): Very Low Risk**
  Strong across all key criteria, justifying a larger pricing premium.
- **Green (Q2-Q3): Low Risk**
  May have minor issues, but their overall performance is above average, justifying a pricing premium.
- **Yellow (Q4–Q5): Moderate risk**
  Further evaluation or risk mitigation measures may be required.
- **Red (Q6–Q7): High risk**
  Additional due diligence or information is required prior to selection.



DRAFT

4. Significant Risk Indicators & Overrides

The methodology includes provisions to adjust the preliminary score in certain circumstances to ensure critical risk factors are appropriately reflected:

- **Critical Risk Overrides:**
  If a general contractor exhibits one or more critical risk factors, an override (or cap) is applied to the score. For example, a contractor facing severe financial distress (such as ongoing bankruptcy proceedings) will have its Q Score capped at a weaker level regardless of other strengths. Similarly, a pattern of severe safety violations (e.g., fatalities or repeated serious OSHA infractions) will prevent a high Q Score until the issue is addressed. These "red flag" conditions ensure that no contractor with a major unresolved risk is rated as low risk.
- **Project-Specific Considerations:**
  In certain cases, the scoring process may incorporate context about the contractor's current or upcoming projects, especially if they involve risks not evidenced in historical data. For instance, if a contractor with no prior experience in a specialized construction domain takes on a large project in that domain, a risk modifier may be applied to reflect the execution uncertainty. Such project-specific modifiers adjust the score upward (toward higher risk) to account for the contractor stepping outside its proven track record.
- **Positive Mitigants:**
  The Q Score system primarily focuses on identifying and penalizing risk factors (a conservative approach). However, strong mitigating factors are noted qualitatively. For example, if a contractor is part of a larger corporate group that provides financial guarantees, or if the contractor's obligations are backed by robust contract terms (like guaranteed cost-recovery clauses), these factors can be considered by stakeholders alongside the Q Score. The model itself generally does not boost the score for these mitigants, ensuring that the score remains an objective baseline of the contractor's intrinsic risk.
- **N/A, Under Review, and Trends:**
  In some circumstances, it may not be appropriate to assign a COMPASS Q Score (GC), in which case a score of "n/a" may be assigned. In other cases, the existing score may not be relevant (for example, news reports of material events), and COMPASS reserves the right to put the existing score "under review" and/or assign a trend direction in addition to a COMPASS Q Score (GC).

After factoring in the risk overrides and other considerations, a COMPASS Q Score (GC) is assigned to the general contractor.

DRAFT

5. COMPASS Q Score (GC) Modifiers

Certain projects, or asset classes may introduce additional factors that must be considered alongside the COMPASS Q Score (GC). Therefore, COMPASS may also add one or more COMPASS Q Score (GC) Modifiers to a general contractor's Q Score. This modifier will generally worsen the score, reflecting an increase in risk for higher complexity project types or asset classes. However, to the extent the general contractor has experience in that asset class, or similar complexity projects, the modifier may improve the general contractor's COMPASS Q Score.

- **Negative Modifiers – Additional Risks:**
  Higher complexity projects (such as tunneling) or relatively new asset classes (mass timber) will likely have COMPASS Q Score (GC) Modifiers that have a more significant impact. For example, a general contractor may see up to a 3 notch downgrade in their COMPASS Q Score (GC).
- **Positive Modifiers – Benefit of Experience:**
  Projects in sectors the general contractor has an extensive successful track record in may result in a positive impact on the COMPASS Q Score (GC).

Each COMPASS Q Score (GC) Modifier will have a separate methodology document outlining the factors that are incorporated as well as the possible Modifier outcomes. Each Modifier shall have a maximum negative and maximum positive impact that can be applied.

DRAFT

6. Data Sources & Validation

A cornerstone of the COMPASS Q Score system is the collection of high-quality, consistent data for each general contractor. General contractors provide detailed information via a standardized questionnaire (similar to the subcontractor 1Form). This covers financial statements, company profile, project history, safety statistics, and subcontractor feedback.

Bespoke Metrics supplements the submitted data with external sources such as credit bureau reports, public financial filings (where available), legal records (e.g., liens, lawsuits), and industry safety databases. By cross-verifying through third-party data, the methodology reduces reliance on self-reported information and adds independent insight into the contractor's status.

All collected information undergoes a verification process. Analysts cross-check key figures against supporting documents, confirm the validity of certificates and licenses, and may follow up for clarification on any inconsistencies. Subcontractor feedback is collected in a manner that encourages honest input (often anonymously) and may be corroborated by looking at objective measures like documented payment times.

Contractors are typically expected to update their data on an annual basis or when significant changes occur. The Q Score is refreshed upon each significant data update. In addition, certain elements may be monitored continuously (for example, alerts for material changes in credit ratings or new legal filings). This ensures that the Q Score remains current and reflects the contractor's latest risk profile.

DRAFT

7. Score Output & Communication

Upon completion of the assessment, each general contractor is assigned a Q Score from Q1 to Q7. In addition, one or more associated Q Score Modifiers (GC) may be assigned to incorporate the additional risk that certain projects or asset classes entail. A brief summary of key factors influencing the score is typically prepared, highlighting strengths and weaknesses noted in the evaluation. This information is valuable for the contractor (to understand and potentially improve their risk profile) and for stakeholders (to contextualize the score in their decision-making).

Insurers and lenders incorporate the COMPASS Q Score (GC) and associated Q Score Modifier (GC) into their risk frameworks as a standardized benchmark. For instance, an insurer might set internal guidelines such as requiring additional review or collateral for any contractor rated Q5 or worse (Yellow-Moderate to High Risk). Lenders might use the score to adjust credit risk models for construction loans or to flag high-risk contractors in their portfolio.

It is emphasized to all users that the Q Score is one input among many. While it encapsulates a broad set of risk factors in one rating, due diligence processes should also consider project-specific factors, qualitative insights, and any recent developments not yet captured in the data. In communications and reports, Bespoke Metrics includes notes on the methodology's scope and limitations to ensure the score is interpreted appropriately.

DRAFT

8. Independence and Transparency

Impartial Evaluation

COMPASS operates as an independent third party, ensuring that all risk evaluations are unbiased and based on objective data. The standardized methodology ensures a consistent and rigorous process. General contractors are evaluated using the same comprehensive methodology, ensuring no preferential treatment.

This impartial approach is critical in maintaining trust across all parties involved. Subcontractors, general contractors, and Insurers can be confident that evaluations are based on a balanced methodology that combines data-driven insights with informed judgment. While objective metrics provide the foundation, COMPASS integrates consistent and transparent subjectivity to address unique circumstances or complex scenarios. By maintaining independence from all parties and adhering to a comprehensive methodology, COMPASS ensures that assessments remain fair, accurate, and reliable for all stakeholders.

Data Privacy and Security

COMPASS data is securely stored on a cloud-based platform with strict access controls to ensure confidentiality. COMPASS is SOC 2 compliant and undergoes regular audits to ensure compliance with stringent security, availability, confidentiality, and privacy standards. This certification highlights COMPASS's commitment to protecting user data and maintaining transparency across its operations.

DRAFT

9. Governance & Methodology Review

Bespoke Metrics maintains a governance framework for the Q Score methodology to ensure its ongoing effectiveness and fairness. The methodology is reviewed periodically (at least annually) by a committee of experts in construction risk and data analytics. This review evaluates how well the Q Score has performed (for example, checking if higher-risk scores correlated with actual problems in projects) and considers any changes in industry practices or feedback from users.

Revisions to the methodology – such as adjusting weights, adding or removing risk factors, or refining score mapping thresholds – are made when justified by data or industry evolution. Proposed changes are tested on historical data to assess their impact before being adopted. Bespoke Metrics documents any methodology updates and provides transparency to users regarding what is changing and why. Generally, changes are implemented with prospective effect (scores going forward) to avoid confusion, although significant shifts may involve re-scoring of contractors under the new criteria for consistency.

Through this governance and review process, the Q Score (GC) methodology remains a living framework that adapts to new information while maintaining consistency over time. The combination of transparent criteria and regular oversight ensures that it stays a trusted tool for evaluating general contractor risk.

DRAFT

10. Limitations and Scope

Reliance on Data

The Q Score is inherently dependent on the quality and accuracy of the data provided. To ensure this is maintained, COMPASS has implemented a rigorous data collection and verification process. Ultimately, general contractors are responsible for maintaining up-to-date, accurate submissions. Any discrepancies, such as missing, expired, or unverified data, may negatively impact the Q Score and will be clearly indicated in the Q Score output for transparency. To support this, COMPASS regularly communicates with general contractors to review and update their information, ensuring the continued reliability of their assessments.

Guidance, Not Determination

While the Q Score is a valuable tool for risk evaluation, it is important to note that it is not a substitute for the sole decision-making authority of general contractors, lenders, or insurers. The Q Score provides an overall risk assessment, highlights areas of concern, and offers a tool to quantify and compare general contractor risk. However, it should be used as one part of a broader decision-making process rather than the sole determinant in hiring, financing, or insurance decisions.

Scoring Boundaries

The Q Score evaluates a general contractor's risk profile based on available data, with a focus on financial stability, business performance, and safety records. However, it does not account for all variables that may influence outcomes, such as unforeseen events (e.g., natural disasters or supply chain disruptions), undisclosed or illegal practices, or external factors like economic downturns or changes in industry regulations. As such, the Q Score should be considered a supplementary tool in the decision-making process, not the sole determinant of general contractor risk.

DRAFT

11. Disclaimer

The information upon which COMPASS Q Scores are based is obtained by COMPASS from sources COMPASS believes to be reliable.

The Q Score, or any other analysis and research issued or published by COMPASS are, and must be construed solely as, statements of opinion and not statements of fact as to creditworthiness, risk level, or execution ability.

The data supporting the COMPASS model is considered to be accurate, reliable, complete, and timely, however, COMPASS cannot validate the accuracy, reliability, completeness, or timeliness of the data. In no circumstances should the owners and employees of COMPASS, or Bespoke Metrics be liable for any direct, indirect, or incidental damages, or expenses of any kind, or losses arising from any use of COMPASS Q Score or outputs. The Q Score is an empirical model-driven evaluation of execution ability and is not a statement of fact or recommendation to engage with subcontractors, general contractors, or other stakeholders. The information and data included are protected by copyright and other applicable laws. All COMPASS content, including Q Scores or any derived output, shall not be modified, reverse-engineered, reproduced, or distributed without written consent from COMPASS Holdings Inc. or Bespoke Metrics Inc.

DRAFT

12. Appendices

Appendix A: Detailed Calculation Steps

A1. Section Scoring

Step 1: Ratio Calculation

Based on collaboration with general contractors and surety providers, and advanced analytical models, COMPASS combines ratios and trend analysis to assess contractor Risk in the COMPASS Q Score (GC). Data points that are considered include:

- **Finance:**
  - Financial Strength and Stability
    - Revenue Trends, Profit Margins, Debt and Liquidity Ratios, Credit Utilization
    - WIP
  - Ability to Pay
    - Cashflow to debt, EBITDA margin, Interest Coverage, , AP aging
    - Payment History and Policies (payment terms flow through etc)
- **Company Risk:**
  - Business Risk
    - Market position (Size, Geographic Diversity, Project Diversity, Reputation / Industry Rank, Rate of growth)
    - Business Stability (Years in Business, Ownership and Leadership, Legal Structure, Economic Sensitivity)
  - Risk Management
    - Track record (Execution, claims/cost overruns, delay history),
    - Supply Chain Risk Assessed via Q Score
    - Project Risk Management (Risk Management Process, Project Selection and Monitoring, Exposure to Complex Projects, Cost + vs Fixed Price Mix, Uncovered vs Covered Exposure (use of SDI and bonding)
- **Health & Safety:**
  - Track Record
  - Training and Policies
- **Subcontractor Relations:**
  - Subcontractor feedback

DRAFT

Step 2: Ratio Scoring

Each ratio is scored against a custom benchmark and categorized as Strong, Average, or Weak, based on predefined thresholds. Once categorized, each ratio contributes a specific weight to the overall COMPASS Q Score (GC), with more significant ratios having a greater impact on the final result. These benchmarks and weightings are determined using advanced analytics, historical industry data, and insights from surety providers and general contractors, ensuring consistency with industry standards.

Ratios that cannot be calculated due to expired or missing data, or that are based on unverified information or supported documentation, are classified as Weak.

Step 3: Initial Q Score Calculation

The results from the four COMPASS Q Score (GC) categories — Finance, Company Risk, Health & Safety, Subcontractor Relations — are aggregated to calculate the preliminary Q Score based on the following weightings:

- [TBD]% from the Finance Section
- [TBD]% from the Company Risk Section
- [TBD]% from the Health & Safety Section
- [TBD]% from Subcontractor Relations

A2. Adjusting for Significant Risk Indicators (Q Score Caps)

After the initial Q Score is calculated based on the section scoring, the initial Q Score is then adjusted to account for any significant risk indicators that were triggered.

If any significant risk indicators are triggered—such as legal issues, insolvency concerns, expired or missing data, or severe financial weaknesses—the Q Score is capped to reflect the heightened risk. This ensures that all aspects of risk are fully captured, even if the ratios themselves suggest an otherwise strong performance. Any caps applied will be clearly displayed in the Q Score output for transparency to all COMPASS users.

[Insert ratio table - TBD]

DRAFT

Appendix B: Glossary of Terms

1Form:	The standardized form created by COMPASS to collect information.
COMPASS Verification:	A COMPASS process to review specific data variables and supporting documentation for accuracy and completeness
Expired Financial Data:	Data is deemed to expire on the date that is six (6) months after fiscal year end. Expired Data is treated in the same manner as Missing Data
Insurance Entities:	Insurance brokers or carriers
Missing Data:	Fields on the 1Form that have been left blank or filled out with unusable data (e.g. revenue value of less than 0)
Q Scale:	A numeric scale ranging from the lowest level of general contractor Risk (Q1) to the highest level of General Contractor Risk (Q7)
Q Score:	COMPASS' assessment of General Contractor risk. A numerical score between Q1 and Q7 is assigned based on the Q Score methodology as described in this document
Q Score Color:	The Q Score is divided into three colors; Green, Yellow, and Red to help distinguish between levels of General Contractor Risk. Green is Q1-Q3, Yellow is Q4-Q5, and Red is Q6-Q7
Q Score Sections:	The Q Score is assigned based on key scoring factors; Finance, Business Risk, Health & Safety, and Subcontractor Relations
Q Score Caps:	The initial Q Score may be adjusted to a weaker score if Significant Risk Indicators are identified during the evaluation
Ratio:	A calculated variable or single value used as part of the risk assessment of a general contractor. Different Ratios are assigned different weights
Significant Risk Indicator:	Identified risks that are considered extremely severe. These risks trigger the implementation of Q Score caps.
General Contractor:	A company that is responsible for overseeing a construction project.
Thresholds:	The border between Strong/Medium and Medium/Weak – used to categorize the result of each ratio. These are periodically adjusted
Valid Data:	Data that is not defined as Missing Data or Expired Data

DRAFT

Methodology (Draft)

Mass Timber Modifier - Q Score (GC)

Bespoke Metrics

Table of Contents

Introduction & Purpose

Mass timber construction is rapidly emerging in the building industry, bringing unique benefits and risks. Unlike traditional steel or concrete projects, mass timber projects introduce considerations such as combustibility, moisture sensitivity, and supply chain novelties. Contractors without prior exposure to mass timber face a steep learning curve – indeed, lack of experience with timber construction has been identified as one of the most significant challenges in the industry. Common issues include an inadequate skilled workforce and specialized subcontractors, as well as moisture-related problems during construction. These factors can impact a contractor's ability to deliver a mass timber project on time and within budget, thereby affecting their reliability and risk profile.

Purpose of this Methodology: This document outlines how a contractor's existing COMPASS Q Score (GC) can be modified (notched up or down) to account for mass timber project risk factors. The Mass Timber Modifier serves as an overlay to the base Q Score, ensuring that a general contractor's risk evaluation reflects the additional complexities of mass timber projects. It is applied as an overall modifier to the contractor's Q Score and is not specific to any single project. In alignment with the tone and rigor of the core COMPASS Q Score (GC) methodology, this guide provides a structured framework for applying modifications via notches (incremental rating adjustments) rather than recalculating a new stand-alone score. The goal is to fairly reflect both increased risks and mitigating experience factors associated with mass timber construction. Ultimately, this methodology helps owners, lenders, and insurers better distinguish contractors who are well-equipped for mass timber projects from those who may present elevated risk, all while maintaining consistency with the established COMPASS Q Score.

This methodology is meant to be utilized in conjunction with the COMPASS Q Score (GC) methodology.

DRAFT

1. Modifier Framework

Notching Methodology

The Mass Timber Project Modifier is applied as a notching adjustment to the contractor's base COMPASS Q Score (GC). Rather than generating a separate score, the contractor's existing Q Score is modified upward or downward within a defined range to reflect mass-timber-specific considerations. The notching range for mass timber projects spans from +1 notch (for the most experienced, low-risk contractors) to –3 notches (for contractors facing the highest risk factors in mass timber). A positive notch indicates the contractor's risk is slightly *better* than the base Q Score suggests (thanks to strong experience or mitigations), whereas a negative notch indicates *heightened* risk relative to the base evaluation.

This skew toward negative adjustments reflects the reality that mass timber, as a relatively new asset class, often introduces additional risk. In most cases, taking on a mass timber project will warrant a cautious view – for example, complex or novel project types like mass timber can justify up to a 3-notch downgrade in a contractor's score. However, contractors with extensive successful track records in mass timber (or in similarly complex projects) may more than offset this risk, potentially earning a minor positive adjustment.

In practice, a highly experienced mass timber builder might receive a +1 notch improvement (signaling that their expertise provides greater confidence in their performance than an average contractor in this domain), while a contractor with little to no mass timber experience and weak risk controls could be notched down by –2 or –3 to reflect elevated uncertainty. The notching is typically applied in whole-notch increments (no fractional notches) and is centered around a "no change" baseline (0 notches) if a contractor is deemed average on mass timber criteria. This ensures a consistent and transparent impact: the core COMPASS Q Score provides the baseline risk assessment, and the mass timber modifier then adjusts that assessment to account for project-specific risk factors.

DRAFT

2. Factors Influencing the Modifier

The total notch impact is determined by evaluating the contractor against several key factors related to mass timber capability and risk. Each factor is assessed to build a comprehensive picture of how prepared and proficient the contractor is for a mass timber project. For methodology development purposes, weightings (in percentage terms) are left blank; these weightings will be refined and finalized with additional data and expert input in the future. The factors and their contributions are as follows:

A. **Prior Experience in Mass Timber ([TBD]%)**
The contractor's direct track record with mass timber projects is the most critical factor. A history of successfully completed mass timber buildings (especially projects of similar scale or complexity) strongly indicates the ability to manage the unique challenges. A list of completed and WIP Mass Timber projects including size./SF/occupancy etc will be required.

Contractors with multiple mass timber projects under their belt, no major incidents, and positive outcomes would be viewed favorably, possibly resulting in a 0 to +1 notch impact.

In contrast, a lack of prior mass timber experience is a red flag – *inexperience in mass timber construction is widely cited as a top challenge*. Little or no experience would warrant a negative adjustment (e.g. –2 or –3 notches depending on severity) to reflect the higher uncertainty in performance.

This factor will carry a high weight given that firsthand experience directly mitigates unknowns.

B. **Non-Project Experience in Mass Timber ([TBD]%)**
Non-project engagement—such as training, certifications, or participation in mass timber-focused programs—reflects a contractor's investment in sector knowledge and preparedness. This factor recognizes the value of such efforts both as a risk mitigator and a differentiator among contractors.

- For contractors with direct mass timber project experience, strong non-project engagement can reinforce confidence in their capabilities and justify a more favorable modifier. For example, a contractor who has built several mass timber projects and also participates in training programs or data trusts may qualify for a +1 notch, recognizing their comprehensive commitment to the asset class.
- For contractors without prior mass timber project experience, non-project involvement helps reduce uncertainty and may soften the degree of a negative modifier. While it cannot fully offset the lack of hands-on experience, documented efforts such as certifications, workshops, or collaboration with timber experts may narrow a potential -2 or -3 notch penalty to -1 or -2, depending on strength and relevance.

This factor carries a moderate weighting and ensures the framework rewards contractors who are actively preparing for success in mass timber, regardless of their current project portfolio.

DRAFT

C. **Experience in Other Complex Projects ([TBD]%)**
Even if a contractor has limited mass timber experience, a background in delivering other complex or innovative projects can partially offset the risk.

Experience with projects that require specialized coordination or novel techniques (for example, high-rise construction, bridges, projects with significant prefabrication components, or architecturally complex building) indicates robust project management skills and adaptability. Such experience suggests the contractor is capable of handling steep learning curves or stringent technical requirements, which is beneficial when approaching mass timber.

While not a substitute for direct timber experience, a strong record in comparable complex undertakings can improve confidence in the contractor – potentially lessening the negative notch (for instance, a contractor might be notched only –1 instead of –2 if their general complexity experience is excellent). This aligns with the core methodology's principle that proven success in similar complexity can lead to a better outcome.

The likely weighting for this factor is moderate, as it serves as a mitigating consideration rather than a primary driver.

D. **Moisture Protection & Management ([TBD]%)**
Moisture exposure is one of the most significant risks in mass timber construction. Water damage to timber elements can result in staining, warping, fungal growth, swelling of panels, and even structural integrity issues.

A contractor's moisture management plan should include:

- Leak prevention / detection technologies used.
- Temporary weather protection (e.g., tarps, shrink-wrapping, tenting over large areas).
- On-site dehumidification and drying strategies if panels become wet.
- Draining systems to prevent pooling on installed CLT slabs.
- Proactive response teams to address unexpected rain events.

Contractors with a strong formal moisture management plan (tailored to Mass Timber), and a proven track record of using these plans effectively will likely avoid a negative notch.

A contractor without a clear moisture strategy or history of water-related issues on past projects will be notched –1 to –2 to reflect the increased likelihood of delays, material replacements, and quality issues.

DRAFT

E. **Site Security and Fire Prevention/Protection Plan ([TBD]%)**
Mass timber projects require heightened site security compared to traditional construction materials due to risks such as arson, theft, and unauthorized site access. Exposed timber can be a fire hazard if left unprotected, and sites with minimal security measures could be targeted by vandals or trespassers.

Contractors should demonstrate strong security measures, including:

- Controlled site access (fencing, secure gates, restricted entry)
- 24/7 monitoring via security personnel or cameras
- Protocols for securing flammable materials and limiting ignition sources.
- Coordination with fire departments for emergency response planning.

A contractor with well-established site security policies will score better on this factor and face a smaller negative notch or possibly no notch at all.

A contractor lacking formal site security plans or with a weak track record in managing construction security may receive a –1 to –2 notch adjustment to account for the heightened risk.

F. **Use of technical Experts & Consultants ([TBD]%)**
Mass timber is a specialized field, and contractors that leverage technical expertise are better positioned to succeed.

This factor looks at whether the general contractor plans to (or has a history of) engaging experienced consultants or third-party experts specifically for mass timber aspects. Examples include hiring a timber specialty engineer, bringing in a fire engineering consultant, or utilizing the mass timber manufacturer's technical team during assembly.

The presence of such expert support is viewed positively, as it compensates for any internal knowledge gaps. Contractors who demonstrate this collaborative approach may see a slight improvement (less negative impact) in their modifier. Conversely, a contractor intending to self-perform without expert input, despite limited experience, would be assessed with greater caution.

G. **Prequalification of Subcontractors & Partners ([TBD]%)**
The reliability of a mass timber project depends not only on the general contractor but also on key subcontractors and partners (such as timber fabricators, installation sub-crews, fire protection subs, etc.).

This factor evaluates the contractor's diligence in vetting and selecting qualified partners for mass timber work. A strong prequalification process can reduce project risk by ensuring that subcontractors have the necessary skills and experience for mass timber construction.

A contractor that proactively addresses this – through thorough prequalification, providing training to subs, or bringing in outside specialists for critical tasks – will likely see a reduced risk assessment.

A general contractor who selects subs without regard for timber experience may face a –1 notch adjustment or more.

DRAFT

H. **Upstream Ownership of Mass Timber Production and Supply Chain Stability ([TBD]%)**
Some general contractors (or their parent companies) have strategic relationships or ownership stakes in mass timber production facilities, such as CLT fabrication plants or glulam manufacturing. Others maintain long-standing partnerships with specific mass timber suppliers, enabling them to work with familiar production teams, established communication channels, and proven logistical arrangements. In addition, a geographically diversified supplier base reduces exposure to regional disruptions, such as plant shutdowns, transportation bottlenecks, or localized raw material shortages.

These advantages can meaningfully reduce project risk by:

- Securing priority production slots to ensure timely material delivery.
- Improving quality control over fabricated timber elements through closer oversight and established feedback loops.
- Streamlining coordination between manufacturing and installation crews familiar with each other's processes.
- Ensuring backup supply options across multiple regions, mitigating the impact of localized disruptions.
- Increasing "skin in the game" through vertical integration or high-trust supplier relationships.

While upstream ownership and extensive supplier diversification are not common, when present they mitigate both supply chain and quality risks, potentially warranting a small positive adjustment (up to +1 notch).

I. **Other Transferable Skills from Related Projects ([TBD]%)**
This factor accounts for additional skills or experiences that, while not traditional mass timber construction, carry over useful competencies. Examples include:

- Prefabrication or modular construction experience (relevant since mass timber relies on prefabrication).
- Heavy timber or large wood-frame project experience (though not identical, it provides familiarity with wood as a structural material).
- Advanced BIM coordination experience (critical for mass timber due to precise fabrication-driven processes).
- Craning experience on steel projects.

While these skills alone won't make or break the contractor's suitability, they can slightly reduce risk and lessen the negative modifier impact.

DRAFT

J. **Mass Timber-Specific QA/QC Plan ([TBD]%)**
Mass timber projects require exceptionally tight tolerances, precise coordination, and proactive defect prevention. A dedicated quality assurance and quality control (QA/QC) plan specifically tailored to mass timber can be a decisive factor in reducing risk. Unlike general construction QA/QC programs, a mass timber-specific plan addresses unique material properties, fabrication processes, and installation sequencing that, if overlooked, can result in costly rework or compromised performance.

Elements of a strong mass timber QA/QC plan include:

A contractor's moisture management plan should include:

- Pre-fabrication inspections at the manufacturing facility to verify compliance with design specifications.
- Measurement and documentation of moisture content, dimensional tolerances, and surface quality before shipment.
- Defined inspection and verification steps for each installation stage, including connection integrity checks.
- Use of standardized inspection forms and photographic records for traceability.
- Assignment of QA/QC personnel with direct mass timber experience to oversee both factory and site phases.

The presence of a comprehensive mass timber QA/QC process may reduce or eliminate negative notching, and in exceptional cases may justify a small positive adjustment. Conversely, the absence of a tailored QA/QC program signals elevated quality risk and may warrant a –1 notch adjustment.

DRAFT

Note: The weightings intentionally left blank above will be empirically determined and calibrated in the final implementation once additional market feedback is obtained. The intent is to prioritize Past Mass Timber Experience most heavily, while still meaningfully accounting for other risk mitigators or aggravators. In practice, an algorithm or scoring model would combine these weighted inputs to suggest a notch adjustment. For example, a contractor with strong scores in most categories might come out to around a –0.5 equivalent, which a rating committee (see next section) might round to no notch or –1 notch, depending on qualitative judgment. Conversely, a contractor scoring poorly across the board would clearly trend toward the maximum –3 notch adjustment. The placeholder weights and factor definitions will be reviewed periodically and refined as industry practices evolve.

3. Rating Committee & Overrides

The Mass Timber Modifier, while grounded in the above framework, is subject to review and approval by a Rating Committee to ensure a balanced and context-sensitive application. The Rating Committee is a group of experienced analysts and risk managers who evaluate the preliminary Mass Timber Modifier outcome and consider any exceptional circumstances before finalizing the contractor's Modified COMPASS Q Score.

Role of the Rating Committee: The committee serves as a checkpoint to maintain consistency, fairness, and expert judgment in the scoring process. After the quantitative assessment produces a suggested modification (for instance, the model might recommend "–2"), the committee will:

- **Review Underlying Factors:** The committee examines the evidence and reasoning for each factor score. They verify that the contractor's experience and risk measures have been correctly interpreted. If any qualitative information (such as recent project developments, unique mitigations, or concerns not captured in the data) is available, it is brought into discussion. For example, if a contractor lacked formal mass timber experience but hired a renowned mass timber project manager recently, the committee might consider that qualitative offset.
- **Consider Overrides or Adjustments:** In exceptional cases, the committee can modify the suggested notch outcome. This could mean *overriding* the notch upward or downward, or applying a cap, to better reflect the true risk. Any override would be based on clear justification. **Positive overrides** (improving the score beyond the model suggestion) might occur if, say, a contractor demonstrates an extraordinary mitigation measure that isn't fully captured by the standard factors – perhaps an innovative insurance program or a guaranteed maximum price contract that transfers certain risks away from the owner. **Negative overrides** (harsher scoring) could be warranted if new adverse information comes to light – for instance, if the contractor had a recent mass timber project incident or a history of concealed problems that only became known through due diligence. The committee's discussion ensures that such nuances are not overlooked by a purely formulaic approach.
- **Ensure Consistency:** The committee looks at precedent and relative treatment across different cases. They ensure that if two contractors have similar profiles, they receive similar modifier adjustments. This guards against any bias or inconsistency in how the methodology is applied. Over time, the committee refines the internal guidelines (and potentially the factor weightings) by learning from cases they review.

Importantly, the Rating Committee operates within the bounds of the methodology. The allowed range of the mass timber modifier (–3 to +1 notches) sets the limits for adjustment. The committee cannot, for example, decide on a –4 notch since that exceeds the defined maximum impact. However, they could determine that even the maximum –3 notch is insufficient in an extreme scenario – in which case that contractor's base Q Score itself might be revisited or capped via other risk override provisions (outside the scope of this modifier). Generally, though, the committee's job in this context is to pick the appropriate modification within the methodology's framework or decide that no modifier is needed if the risks are fully addressed by other means.

All decisions by the Rating Committee are documented for transparency and methodology governance. If the committee overrides a model-driven modifier, they will record the rationale (e.g., "Contractor's newly instituted mass timber training program for all staff mitigates risk more than model accounted for, adjustment from –2 to –1"). This practice aligns with broader COMPASS Q Score governance, ensuring that the modifier application remains both rigorous and credible. It also provides a feedback loop: if numerous overrides occur for a similar reason, it signals that the methodology might need updating to account for that factor systematically.

DRAFT

In summary, the Rating Committee acts as the final arbiter for the Mass Timber Project Modifier, blending quantitative analysis with seasoned judgment. This oversight mechanism helps maintain confidence that the Q Score adjustments for mass timber projects are neither overly punitive nor too lenient, but accurately reflect each contractor's true risk level given their experience and practices.

DRAFT

4. Case Studies

To illustrate how mass timber experience and risk management (or the lack thereof) can impact project outcomes and contractor reliability, here are two hypothetical case studies drawn from real-world themes:

Case Study 1: Experienced GC Mitigation

Background:
Contractor A is a general contractor with a solid history of mass timber construction. Over the past five years, they have completed multiple mid-rise mass timber buildings. Their team includes staff who were involved in early landmark projects, and they have established partnerships with timber suppliers and specialist consultants. Prior to embarking on a recent 10-storey mass timber office project, Contractor A implemented comprehensive risk management plans: a detailed moisture control program, on-site fire safety protocols, and intensive training for all subcontractors on timber handling and installation. They also engaged a timber engineering consultant to oversee critical connection installations.

Outcome:
The project was completed successfully, achieving its schedule and budget targets. In fact, the 10-storey building was delivered *on time and on budget*, and quality benchmarks were met without major rework. Observers noted that Contractor A's prior experience enabled them to optimize the construction sequence (the timber structure erection was finished weeks faster than comparable projects using inexperienced crews). Their proactive moisture management meant that despite several heavy rain events during construction, the timber elements suffered no permanent damage – water was quickly removed and protective coverings were in place. Fire risk was also well controlled; the site had no fire incidents, aided by the contractor's strict hot-work controls and nightly security patrols. The strong execution not only satisfied the project's owners but also enhanced Contractor A's reputation as a reliable builder in the mass timber arena.

Impact on Q Score Modifier:
Contractor A's profile would earn a favorable Mass Timber Project Modifier. Their extensive past mass timber experience and proven risk management practices address the key concerns that typically accompany these projects. In terms of scoring, Contractor A might receive a +1 notch adjustment – reflecting that their involvement in a mass timber project does not increase risk, and may even reduce certain risks compared to a typical contractor. This positive modifier aligns with the evidence of their capability. A rating committee reviewing the case would likely concur that no adjustment is needed to the base Q Score, since the contractor has demonstrably mastered the relevant challenges. Contractor A serves as a benchmark example where experience and preparation translate into dependable project delivery.

DRAFT

Case Study 2: Inexperienced GC Challenges

Background:
Contractor B is an established general contractor in traditional construction (concrete and steel projects) but is taking on their first major mass timber project – a 8-storey residential building. They won the bid based on a competitive price and general qualifications, despite having no direct mass timber experience. As the project progresses, gaps in Contractor B's preparedness begin to surface. They did not employ specialized consultants, opting to rely on their in-house team's learning-on-the-fly. Some of the subcontractors on site are also new to mass timber, and coordination issues emerge regarding the installation of prefabricated timber panels and the interface details with other trades. Risk management measures are relatively ad-hoc: there is a basic safety plan, but it did not anticipate the specific needs of a timber structure (for instance, no dedicated plan for water intrusion beyond reacting if an issue is noticed).

Challenges Encountered:
Partway through construction, a series of problems occurred. During one week of heavy rainfall, several floors of installed CLT panels were left inadequately protected. Water pooled on the slabs and seeped into connection joints. When work resumed, the team found staining and swelling in some panels, and a number of steel connections showed signs of rust due to prolonged moisture exposure. Remediation was necessary: affected surfaces had to be dried and sanded, and in a few locations panels were replaced entirely – causing significant schedule delays. This scenario is a known risk; prolonged wetting of mass timber can necessitate refinishing and even structural fixes. Additionally, a minor fire incident occurred when welding work (part of installing steel connectors) ignited wood shavings. While the fire was contained quickly, it revealed the lack of an enhanced fire watch; the project was then temporarily halted by the owner until Contractor B improved their fire safety measures. These issues led to cost overruns and a delay of several months. By the project's end, the owner's confidence in Contractor B was shaken, and the contractor themselves faced financial strain due to penalty clauses for late delivery and the costs of rework.

Impact on Q Score Modifier:
Contractor B's difficulties exemplify why a Mass Timber Project Modifier is crucial. Despite a decent base Q Score (from their success in conventional projects), their lack of mass timber expertise and insufficient risk planning resulted in materially higher risk manifesting on the project. In retrospect, a stringent application of the modifier would be justified – likely the maximum –3 notch downgrade to their Q Score for this project. The key drivers for this negative modifier are apparent: no past mass timber experience, no use of experts, and weak moisture/fire management preparations. These factors all scored poorly, corresponding with the problems that occurred. A rating committee evaluating Contractor B before the project would have flagged these weaknesses and assigned a heavy downward notch to signal the high risk. After the fact, those concerns were validated by the project's outcome (a clear case of elevated risk translating into real setbacks). For Contractor B, the experience became a costly lesson. In future, either they will invest in building the necessary expertise and controls before attempting another mass timber project, or risk being assigned a very conservative Q Score for such projects (which could hamper their ability to win work unless mitigated). This case underlines how the Mass Timber Project Modifier functions as an early warning mechanism – had it been applied stringently upfront, stakeholders might have required Contractor B to take on joint-venture partners or additional safeguards, or perhaps an owner might have reconsidered their selection. It reinforces the methodology's intent: to protect project stakeholders by quantitatively reflecting the additional risk when an otherwise capable contractor ventures into unfamiliar mass timber territory.

DRAFT

5. Conclusion

The Mass Timber Modifier Methodology provides a structured, yet flexible framework to adjust general contractors' risk scores in light of the distinctive challenges posed by mass timber construction. By employing a notching system, using the COMPASS Q Score (GC) as a starting point, the Modified COMPASS Q Score (GC) for Mass Timber, preserves the core General Contractor risk assessment while fine-tuning the outcome for project-specific factors.

As the use of mass timber grows, this modifier approach will be continually refined. The weightings and factor definitions described herein set the stage for implementation, but they are expected to evolve with real-world data and feedback from industry experts. The involvement of a Rating Committee ensures that human judgment and oversight temper the model-driven results, providing the necessary checks and balances for outlier scenarios. Together, the factors, scoring framework, and committee review create a robust mechanism for stakeholders to gauge contractor reliability on mass timber projects.

In practice, the Mass Timber Project Modifier will help differentiate contractors who have truly mastered, or at least adequately prepared for, the intricacies of mass timber from those who carry substantially higher uncertainty. This differentiation ultimately contributes to better risk management in the construction ecosystem – encouraging contractors to gain experience and improve practices, and giving project owners and insurers a clearer lens through which to evaluate bids and project plans. By clearly articulating how and why a COMPASS Q Score (GC) is notched up or down for mass timber projects, the methodology promotes transparency and confidence in the scoring outcome. Contractors are incentivized to invest in expertise, partnerships, and planning to achieve a favorable modifier, which in turn should lead to more successful mass timber project deliveries industry-wide.

In summary, this methodology guide serves as a formal yet adaptable blueprint for integrating mass timber considerations into contractor risk scoring. It aligns with the COMPASS Q Score (GC)'s commitment to rigorous, standardized evaluation, while introducing the necessary flexibility to account for one of the construction industry's emerging frontiers. The Mass Timber Project Modifier is not a static rulebook, but rather a living framework – one that will be updated as mass timber construction matures and as we learn from each project's outcomes – all with the aim of accurately quantifying risk and rewarding competency in this exciting domain of construction.

DRAFT

6. Data Sources & Validation

A cornerstone of the COMPASS Q Score system (and modifiers) is the collection of high-quality, consistent data for each general contractor. General contractors provide detailed information to be used in the COMPASS Q Score (GC Version) via a standardized questionnaire (similar to the subcontractor 1Form). This covers financial statements, company profile, project history, safety statistics, and subcontractor feedback. In addition, information to support the "Factors Influencing the Modifier" in section 2 of the Mass Timber Modifier will be gathered from general contractors and other sources where applicable.

Bespoke Metrics supplements the submitted data with external sources such as credit bureau reports, public financial filings (where available), legal records (e.g., liens, lawsuits), and industry safety databases. By cross-verifying through third-party data, the methodology reduces reliance on self-reported information and adds independent insight into the contractor's status.

All collected information undergoes a verification process. Analysts cross-check key figures against supporting documents, confirm the validity of certificates and licenses, and may follow up for clarification on any inconsistencies. Subcontractor feedback is collected in a manner that encourages honest input (often anonymously) and may be corroborated by looking at objective measures like documented payment times.

Contractors are typically expected to update their data on an annual basis or when significant changes occur. The Q Score is refreshed upon each significant data update. In addition, certain elements may be monitored continuously (for example, alerts for material changes in credit ratings or new legal filings). This ensures that the Q Score remains current and reflects the contractor's latest risk profile.

DRAFT

8. Independence and Transparency

Impartial Evaluation

COMPASS operates as an independent third party, ensuring that all risk evaluations are unbiased and based on objective data. The standardized methodology ensures a consistent and rigorous process. Subcontractors are evaluated using the same comprehensive methodology, ensuring no preferential treatment.

This impartial approach is critical in maintaining trust across all parties involved. Contractors, General Contractors, and Insurers can be confident that evaluations are based on a balanced methodology that combines data-driven insights with informed judgment. While objective metrics provide the foundation, COMPASS integrates consistent and transparent subjectivity to address unique circumstances or complex scenarios. By maintaining independence from all parties and adhering to a comprehensive methodology, COMPASS ensures that assessments remain fair, accurate, and reliable for all stakeholders.

Data Privacy and Security

COMPASS data is securely stored on a cloud-based platform with strict access controls to ensure confidentiality. COMPASS is SOC 2 compliant and undergoes regular audits to ensure compliance with stringent security, availability, confidentiality, and privacy standards. This certification highlights COMPASS's commitment to protecting user data and maintaining transparency across its operations.

DRAFT

9. Governance & Methodology Review

Bespoke Metrics maintains a governance framework for the Q Score methodology (and modifiers) to ensure its ongoing effectiveness and fairness. The methodologies are reviewed periodically (at least annually) by a committee of experts in construction risk and data analytics. This review evaluates how well the Q Score, and associated modifiers, have performed (for example, checking if higher-risk scores correlated with actual problems in projects) and considers any changes in industry practices or feedback from users.

Revisions to the methodology – such as adjusting weights, adding or removing risk factors, or refining score mapping thresholds – are made when justified by data or industry evolution. Proposed changes are tested on historical data to assess their impact before being adopted. Bespoke Metrics documents any methodology updates and provides transparency to users regarding what is changing and why. Generally, changes are implemented with prospective effect (scores going forward) to avoid confusion, although significant shifts may involve re-scoring of contractors under the new criteria for consistency.

Through this governance and review process, the Q Score (GC) methodology (and modifiers) remains a living framework that adapts to new information while maintaining consistency over time. The combination of transparent criteria and regular oversight ensures that it stays a trusted tool for evaluating general contractor risk.

DRAFT

10. Limitations and Scope

Reliance on Data

The Q Score is inherently dependent on the quality and accuracy of the data provided. To ensure this is maintained, COMPASS has implemented a rigorous data collection and verification process. Ultimately, Subcontractors are responsible for maintaining up-to-date, accurate submissions. Any discrepancies, such as missing, expired, or unverified data, may negatively impact the Q Score and will be clearly indicated in the Q Score output for transparency. To support this, COMPASS regularly communicates with contractors to review and update their information, ensuring the continued reliability of their assessments.

Guidance, Not Determination

While the Q Score is a valuable tool for risk evaluation, it is important to note that it is not a substitute for the sole decision-making authority of owners, lenders, or insurers. The Q Score provides an overall risk assessment, highlights areas of concern, and offers a tool to quantify and compare subcontractor risk. However, it should be used as one part of a broader decision-making process rather than the sole determinant in hiring, financing, or insurance decisions.

Scoring Boundaries

The Q Score evaluates a contractor's risk profile based on available data, with a focus on financial stability, business performance, and safety records. However, it does not account for all variables that may influence outcomes, such as unforeseen events (e.g., natural disasters or supply chain disruptions), undisclosed or illegal practices, or external factors like economic downturns or changes in industry regulations. As such, the Q Score should be considered a supplementary tool in the decision-making process, not the sole determinant of contractor risk.

DRAFT

11. Disclaimer

The information upon which COMPASS Q Scores are based is obtained by COMPASS from sources COMPASS believes to be reliable.

The Q Score, or any other analysis and research issued or published by COMPASS are, and must be construed solely as, statements of opinion and not statements of fact as to creditworthiness, risk level, or execution ability.

The data supporting the COMPASS models is considered to be accurate, reliable, complete, and timely, however, COMPASS cannot validate the accuracy, reliability, completeness, or timeliness of the data. In no circumstances should the owners and employees of COMPASS, or Bespoke Metrics be liable for any direct, indirect, or incidental damages, or expenses of any kind, or losses arising from any use of COMPASS Q Score or outputs. The Q Score is an empirical model-driven evaluation of execution ability and is not a statement of fact or recommendation to engage with subcontractors, general contractors, or other stakeholders. The information and data included are protected by copyright and other applicable laws. All COMPASS content, including Q Scores or any derived output, shall not be modified, reverse-engineered, reproduced, or distributed without written consent from COMPASS Holdings Inc. or Bespoke Metrics Inc.

DRAFT