Methodology

COMPASS GC Q Score

Bespoke Metrics

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Scope and Applicability

The COMPASS GC Q Score methodology applies to the evaluation of general contractor ("GC") risk within the construction industry. It is designed to assess the likelihood that a GC 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 rating for GCs, supplementing the prequalification and underwriting processes of owners, insurers, and lenders. GCs themselves can also utilize this rating for self-assessment and improvement, as well as to supply an independent 3rd party evaluation to prospective owners/developers. The approach is applicable to GC firms of various sizes and project specializations, provided sufficient data is available for analysis.

The methodology relies on a combination of quantitative 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.

1. Introduction

Purpose of Methodology

The purpose of this methodology is to provide a comprehensive overview of the COMPASS GC Q Score and its role in standardizing GC risk evaluation within the construction industry. This document outlines how the COMPASS GC Q Score is calculated. The goal is to have the COMPASS GC Q Score serve as a trusted tool for informed decision-making among stakeholders. The COMPASS GC Q Score is typically issued as a monitored rating that may be updated, placed under review, or withdrawn at COMPASS's discretion in response to new information or material developments.

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.

2. Key Scoring Drivers

The baseline GC Q Score is determined by three key risk categories, each with varied weights.
These categories capture distinct dimensions of a GCs overall risk profile:

- **Financial Profile (30-50%)**
  Evaluates the general contractor's overall financial strength and ability to pay.
  - **Financial Strength:** Considers leverage and sustainable profit generation relative to the company's scale.
  - **Ability to Pay:** Assesses the GCs ability to meet payment obligations through stable cash flows and liquidity, indicating an ability to withstand financial stress.

  GCs with balanced financing, consistent profitability, ample liquidity and reliable payment history demonstrate stronger financial profiles and therefore, a stronger score. Financial statements are typically adjusted to arrive at core earnings.

- **Company Risk & Management (40-60%)**
  Assesses the GC's underlying business risk and the strength of its risk management.
  - **Business Risk**: Key aspects include company size, stability (years in operation, management experience, project and geographical diversification), and market position.
  - **Risk Management:** Considers the project risk exposure the general contractor assumes, execution performance (on-time completion, budget adherence, claims history) and risk mitigation practices (selection procedures and mitigation tools).

  GCs with a strong, diversified market presence and a demonstrated ability to manage and execute projects with appropriate risk controls receive stronger scores in this area.

- **Health and Safety (10-20%)**
  Evaluates the contractor's safety record and the robustness of its policies and procedures.
  - **Track Record:** Considerations include historical incident rates, safety ratings, and regulatory citations or violations.
  - **Policies and Procedures:** Examines the quality of the contractor's safety programs and protocols (presence of dedicated safety personnel, formal training, ongoing monitoring).

  GCs with a low incident track record and strong safety protocols indicate lower operational risk, which contributes positively to the GC Q Score.

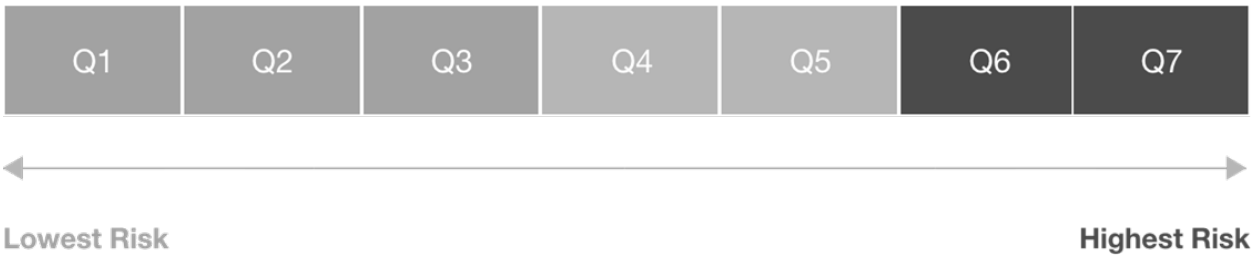
3. Scoring Framework

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

The preliminary rating is calibrated to the Q1–Q7 scale. Once the mapping is applied, the general contractor receives a Q Score from Q1 to Q7.

- GC Q1: Outstanding Risk Characteristics
  Strong across all key criteria, justifying a larger pricing premium.
- GC Q2-Q3: Superior Risk Characteristics
  May have minor issues, but their overall result is above average, justifying a pricing premium.
- GC Q4–Q5: Adequate to Higher Risk Characteristics
  Average to below average results, further evaluation or risk mitigation measures may be required.
- GC Q6–Q7: High to Very High Risk Characteristics
  Additional due diligence or information is required prior to selection.



4. Significant Risk Indicators & Overrides

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

- **Critical Risk Overrides:**
  If a GC exhibits one or more critical risk factors, an override (or cap) is applied to the rating. For example, a GC facing severe financial distress (such as ongoing material legal proceedings) will have its GC Q Score capped at a weaker level regardless of other strengths. Similarly, a pattern of severe safety violations (e.g., fatalities or repeated serious safety infractions) will result in a worse GC Q Score until the issue is addressed. These "red flag" conditions ensure that no GC with a major unresolved risk is rated as low risk.
- **Positive Mitigants:**
  The GC 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 GC 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 GC Q Score. The model itself generally does not boost the rating for these mitigants, ensuring that the rating remains an objective baseline of the GC's intrinsic risk.
- **N/A, Under Review, and Trends:**
  In some circumstances, it may not be appropriate to assign a COMPASS GC Q Score, in which case a rating of "n/a" may be assigned. In other cases, the existing rating may not be relevant (for example, news reports of material events), and COMPASS reserves the right to put the existing rating "under review" and/or assign a trend direction in addition to a COMPASS GC Q Score.

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

6. Data Sources & Validation

A cornerstone of the COMPASS Q Score system is the collection of high-quality, consistent data for each GC. GCs 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 may supplement 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 GC'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.

GCs are typically expected to update their data on at least an annual basis, or when significant changes occur. The GC Q Score will be refreshed upon each significant data update. These processes mean the COMPASS GC Q Score is typically maintained as a *monitored rating* and is updated as new, relevant information becomes available. This ensures that the Q Score remains current and reflects the GC's latest risk profile.

7. Rating Output & Communication

Upon completion of the assessment, each GC is assigned a GC Q Score from Q1 to Q7. In addition, one or more associated GC Q Score Modifiers may be assigned to incorporate the additional risk that certain projects or asset classes entail. A brief summary of key factors influencing the rating is typically prepared, highlighting strengths and weaknesses noted in the evaluation. This information is valuable for the GC (to understand and potentially improve their risk profile) and for stakeholders (to contextualize the rating in their decision-making). The COMPASS GC Q Score is a *monitored rating*. Scores may be updated, placed under review, or withdrawn as new information becomes available, including refreshed data submissions, newly identified Significant Risk Indicators, or other material developments affecting the GC's risk profile.

Owners, insurers, and lenders incorporate the COMPASS GC Q Score, and associated GC Q Score Modifier 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 GC rated Q5 or worse (Yellow-Moderate to High Risk). Lenders might use the rating 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 GC Q Score is one input among many. While it encapsulates a broad set of risk factors in one rating, owners and other users 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 rating is interpreted appropriately.

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. GCs 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.

9. Governance & Methodology Review

Bespoke Metrics maintains a governance framework for the GC Q Score methodology to ensure its ongoing effectiveness and fairness. The methodology is reviewed periodically by a committee of experts in construction risk and data analytics. This review evaluates how well the GC Q Score has performed (for example, checking if higher-risk ratings 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 rating 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 through public comment periods. Generally, changes are implemented with prospective effect (ratings going forward) to avoid confusion, although significant shifts may involve re-rating of contractors under the new criteria for consistency.

Through this governance and review process, the GC Q Score 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 GC risk.

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, GCs 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 GCs 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 compare GC 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 GC's risk profile based on available data, with a focus on financial profile, business performance, and safety. 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 GC risk.

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.

12. Appendices

Appendix A: Detailed Calculation Steps

Step 1: Ratio Scoring

COMPASS considers ratios and trend analysis to assess the degree of GC Risk in the COMPASS GC Q Score. Ratios are 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 GC Q Score, 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, owners, and lenders, ensuring consistency with industry standards.

Ratios that cannot be calculated due to missing information or as a result of unverified information, are classified as Weak.

Category	Section	Sub-Sections	Q1 (Outstanding Risk Characteristics)	Q7 (Very High Risk Characteristics)
Finance	Financial Strength	Leverage Profitability Financial Policy	• Extremely strong balance sheet with minimal leverage and sustained profitability. • Transparent, audited financials with conservative, disciplined management. • Demonstrates long-term financial resilience through steady reinvestment and growth.	• High or unsustainable debt and volatile profit margins. • Weak cost control and outdated or unaudited financials. • Aggressive or opaque accounting practices.
	Ability to Pay	Sources of Payment Liquidity Payment Track Record	• Highly stable cash flow and strong working capital supported by diversified income. • Maintains robust liquidity and cash reserves well above operating requirements. • Consistently pays subcontractors and suppliers on time; widely trusted financially.	• Inconsistent cash flow and liquidity pressure. • Poor management of receivables/payables and funding gaps. • Frequent payment delays or disputes

Category	Section	Sub-Sections	Q1 (Outstanding Risk Characteristics)	Q7 (Very High Risk Characteristics)
Business	Business Risk	Business Stability Market Position Strategic Decisions	• Long, stable operating history with highly experienced leadership and strong governance. • Operates across 20+ states or multiple countries with diversified revenue streams. • Ranked among top contractors in key markets with leading reputation and loyal client base. • Selects projects strategically within core strengths, maintaining disciplined risk exposure.	• Short or inconsistent history with leadership turnover and weak governance. • Concentrated operations and limited reputation or client base. • Takes on high-risk or unfamiliar projects with little capacity awareness.
	Risk Management	Internal Processes Subcontractor Network Track Record	• Fully integrated, tech-enabled systems for prequalification, QA/QC, and risk controls. • Strong, established subcontractor network with long-term, high-performing partners. • Projects consistently completed on time, within budget, and with minimal claims or disputes.	• Lacks standard processes and documentation for QA/QC or prequalification. • Limited tech use and poor sub oversight with frequent disputes. • Regular delays, overruns, or claims with little transparency.

Category	Section	Sub-Sections	Q1 (Outstanding Risk Characteristics)	Q7 (Very High Risk Characteristics)
Health and Safety	Track Record (Performance)	Incidents Citations Fatalities EMR / WCB	• Industry-leading safety record with incident rates far below benchmarks. • Excellent EMR/WCB performance • Zero fatalities and no serious or repeat citations over multiple years.	• High incident rates • Poor EMR/WCB scores • History of serious injuries or unresolved violations.
	Policy (Programs & Culture)	H&S Program Dedicated H&S Director/ Department Workforce Training	• Mature, enterprise-wide safety program. • Strong, well-resourced H&S leadership with frequent, high-quality training and active safety engagement across all levels.	• No formal or consistent safety program. • Weak or under-resourced safety leadership. • Irregular training and low safety engagement.

Step 2: Assigning the Initial Q Score

The results from the three COMPASS GC Q Score categories (Financial profile, Company Risk, Health & Safety), are aggregated to calculate the preliminary GC Q Score based on the following weightings:

- 30-50% from the Finance Section
- 40-60% from the Company Risk Section
- 10-20% from the Health & Safety Section

Step 3 : Adjusting the Q Score for Significant Risk Indicators (Q Score Caps)

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

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.

Significant Risk Indicators (caps)	
Q1	• No significant risk indicators
Q2 Q3	• Minimal significant risk indicators • Leverage, profitability and liquidity ratios and payment history strong, but room for improvement • Limited diversification or notable project risk exposure • Minor gaps in subcontractor vetting procedures • Generally compliant to safety protocols, but some occasional incidents or isolated citations.
Q4 Q5	• Ratios indicate higher leverage, limited profitability or weak cash flow • Short operating history and less experienced governance • Significant exposure to fixed-price/riskier projects • Frequent project delays, moderate cost overruns, or recurring claims • Weak subcontractor controls or lack of insured project coverage • Moderate incident frequency, limited evidence of safety leadership, incomplete training coverage
Q6 Q7	• Significant portion of subcontractor/supplier payments delayed • Significant portion of projects delayed, over-budget or claimed • Serious or repeated incidents or regulatory penalties

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 COMPASS 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 GC Risk (Q1) to the highest level of GC Risk (Q7)
Q Score:	COMPASS' assessment of GC risk. A numerical rating between Q1 and Q7 is assigned based on the Q Score methodology as described in this document
Q Score Sections:	The Q Score is assigned based on key scoring factors; Finance, Business Risk, Health & Safety
Q Score Caps:	The initial Q Score may be adjusted to a weaker rating 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 GC. 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.
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

Methodology

Mass Timber Modifier – GC Q Score

Bespoke Metrics

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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 and 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. At the same time, prior experience demonstrates an enhanced ability to deliver on a mass timber project.

Purpose of this Methodology: This document outlines how a contractor's existing COMPASS GC Q Score 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 GC 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 GC Q Score and is not specific to any single project. In alignment with the tone and rigor of the core COMPASS GC Q Score 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 GC Q Score methodology.

1. Modifier Framework

Notching Methodology

The Mass Timber Project Modifier is applied as a notching adjustment to the contractor's base COMPASS GC Q Score. Rather than generating a separate score, the contractor's existing GC 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 GC Q Score provides the baseline risk assessment, and the mass timber modifier then adjusts that assessment to account for project-specific risk factors.

Interpretation of Project-Level Controls:

While several factors reference project-level practices (such as moisture management, site security, or QA/QC plans), assessments are based on the contractor's demonstrated standard practices, institutional controls, and repeatable approaches across mass timber projects. The modifier is not determined by a single project-specific plan or stated intention, but rather by evidence that these controls are consistently implemented and embedded within the contractor's operating model.

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 (25 - 35%)**
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 height/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 performance uncertainty.

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

B. **Experience in Comparable Complex Projects and Transferable Skills (20 – 30%)**
Where a contractor has limited direct mass timber experience, demonstrated success delivering other complex, coordination-intensive, or fabrication-driven projects may partially offset associated risk. Experience on projects involving novel construction techniques, specialized sequencing, or elevated coordination requirements, such as high-rise construction, bridges, architecturally complex buildings, or projects with significant prefabrication components, indicates an ability to manage technical complexity and organizational learning curves.

Certain transferable skills and related project experience are particularly relevant to mass timber construction. These include prefabrication or modular construction experience, heavy timber or large wood-frame projects, advanced BIM coordination, and complex craning operations, including steel erection. While not equivalent to mass timber delivery, these experiences demonstrate familiarity with fabrication-led processes, tight tolerances, and trade coordination demands that are central to mass timber execution.

This factor does not include direct mass timber project delivery or non-project activities such as training or certifications, which are assessed separately.

A strong record across comparable complex projects and relevant transferable skills can improve confidence in a contractor's ability to manage mass timber risk and may reduce the severity of a negative modifier. For example, a contractor that might otherwise warrant a -2 notch due to limited mass timber exposure could be assessed at -1 where broader complexity experience is particularly strong. Consistent with the core COMPASS methodology, this factor serves as a mitigating consideration rather than a primary driver and is therefore assigned a moderate weighting.

C. **Use of technical Experts & Consultants (10 - 20%)**
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. This factor captures the intentional use of external expertise as a risk mitigation measure and does not replace the need for internal capability or direct project experience.

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 less negative modifier. Conversely, a contractor intending to self-perform without expert input, would be negatively assessed.

D. **Non-Project Experience in Mass Timber (5 - 15%)**
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 is limited to structured learning and industry engagement activities and does not include hands-on project delivery, execution controls, or performance outcomes, which are evaluated under other factors.

- 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 ensures the framework rewards contractors who are actively preparing for success in mass timber, regardless of their current project portfolio.

E. **Prequalification of Subcontractors & Partners (5 - 15%)**
The reliability of a mass timber project depends not only on the general contractor but also on key subcontractors and partners (eg: 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.

F. **Moisture Protection & Management (5 - 15%)**
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.

G. **Site Security and Fire Prevention/Protection Plan (5 - 15%)**
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.

H. **Mass Timber-Specific QA/QC Plan (5 - 15%)**
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:

- 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.

I. **Upstream Ownership of Mass Timber Production and Supply Chain Stability (5 - 10%)**
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).

Note: 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.

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.

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.

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.

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 GC Q Score as a starting point, the Modified COMPASS GC Q Score 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 GC Q Score 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 GC Q Score'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.

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 GC Q Score 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.

7. 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. Companies 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.

8. 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 GC Q Score 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.

9. 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 contractors to review and update their information, ensuring the continued reliability of their assessments.

Guidance, Not Determination

While the GC 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 GC Q Score provides an overall risk assessment, highlights areas of concern, and offers a tool to quantify and compare 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 GC 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 GC Q Score should be considered a supplementary tool in the decision-making process, not the sole determinant of contractor risk.

10. Disclaimer

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

The GC 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.

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