

Overview of the Corporate Knights Rating Methodology



CORPORATE KNIGHTS INC

www.corporateknights.com



Fast Facts

Overview

- **Annual ranking** of corporate sustainability performance.

Eligibility

- Size: Top 250 non-publicly listed companies by revenue or valuation* and other non-publicly listed companies recognized as sustainability leaders according to the Corporate Knights database).
- Corporate Knights Peer Group (CKPG) and geography: All industries and geographies are automatically considered before screening out companies from certain industries or with identified egregious practices.

Contact info and to learn more

- Email research@corporateknights.com if you would like to confirm the correct contacts for your organization.
- [Sign up for email updates](#) on future rankings and research from Corporate Knights.
- Visit <https://www.corporateknights.com> for more details.

Approach

- Ranking is based primarily on **publicly-disclosed data** (e.g. financial filings, sustainability reports, company websites).
- Submissions or payment from companies is **not** required.
- Companies included in the Ranking Universe **are contacted for data verification** prior to project completion.

**Sourced from Forbes, Reuters, multiples.vc and other web-based lists*

Ranking is conducted by Corporate Knights, a specialized media and investment research firm



Corporate Knights Magazine

- World's largest circulating magazine focused on advancing a sustainable economy.
- Reaches 400k+ of the world's most influential business and political decision-makers.



Corporate Knights Research

- Corporate Knights' rankings and ratings currently serve as an input to identify potential investment candidates for investors representing \$15 trillion in assets under management.



Council for Clean Capitalism

- CEO-supported group catalyzing smart and efficient public policy.
- Engages with leading public policy-makers.

Principles of the Corporate Knights Rating Methodology

- **Relevance:**
The ranking is meant to be representative of business sustainability in the current socio-economic context.
- **Transparency:**
The precise methodology of the ranking and the results of the process are fully disclosed.
- **Objectivity:**
Companies are assessed primarily using quantitative data and performance indicators.
- **Public data:**
Ranking relies primarily on data-points that are part of the public domain.*
- **Comparability:**
Companies are compared against their *Corporate Knights Peer Group*** (CKPG) peers.***
- **Engagement:**
Companies eligible for the ranking are informed prior to the ranking, so as to have an opportunity to ensure the necessary data is made available.
- **Stakeholders:**
Stakeholder feedback is actively solicited throughout the project.

* Private data may be used in certain circumstances, provided the company confirms its validity to Corporate Knights.

** There are 64 CKPGs.

*** Exceptions apply to a number of KPIs where performance comparison is against the whole universe of eligible companies. See [Appendix I](#).

Methodology Updates

01

Transition Companies and Pure-play Companies

The rating of companies will be broken into two separate groups with the scoring taking place within each respective group.

Group 1: Transition Companies, which are companies with 2022 Sustainable Revenue ratio of less than 95%. Scoring of a Transition Company will be against other Transition Companies within **same CKPG peers**.

Group 2: Pure-play Companies, which are companies with 2022 Sustainable Revenue ratio of 95% and above. Scoring of a Pure-play Company will be against other Pure-play Companies within their same Subgroup (see below) based on median 2022 Total Revenue (irrespective of CKPG peers):

Subgroup A: \geq median 2022 total revenue
Subgroup B: $<$ median 2022 total revenue

02

KPIs weights

The KPI weights employed in the ranking will be as follows, for both Transition Companies and Pure-play Companies

KPI	Weight
Sustainable Revenue Score (RY2025)	45%
Sustainable Investment Score (RY2025)	45%
Sustainable Revenue Momentum Score (RY2022 – RY2025)	10%

Methodology Updates

03

For Transition Companies only: new calculation approach for the Sustainable Revenue Momentum KPI

Formula:

$$\frac{\text{SRR\% (RY2025)} - \text{SRR\% (RY2022)}}{100\% - \text{SRR\% (RY2022)}}$$

Where SRR% is the Sustainable Revenue Ratio.

Note that the growth time-frame is **three (3) years**. The SRR% used will be for RY2022 and RY2025.

More details in [Appendix I](#).

04

For Pure-play Companies only: new calculation approach for the Sustainable Revenue Momentum KPI

A Pure-play Company's SRM is measured by the higher of:

- the three-year CAGR in absolute Sustainable Revenue, or
- the three-year CAGR in physical quantities of sustainable product(s) (e.g. ZEVs)

Where CAGR is the Compound Annualized Growth Rate.

Note that the growth time-frame is **three (3) years**. The values used will be for 2022 and 2025.

More details in [Appendix I](#).

Methodology Updates

05

New Bonus Indicators

Board Gender Diversity (up to 2.5%): Women board members/total board members.

Board Gender Diversity is scored against all companies in the research universe irrespective of CKPG or company type (Transition or Pure-play).

and

Senior Executive Gender Diversity (up to 2.5%): Women executives reporting directly to the CEO/total direct reports to the CEO.

Senior Executive Gender Diversity is scored against all companies in the research universe irrespective of CKPG or company type (Transition or Pure-play).

06

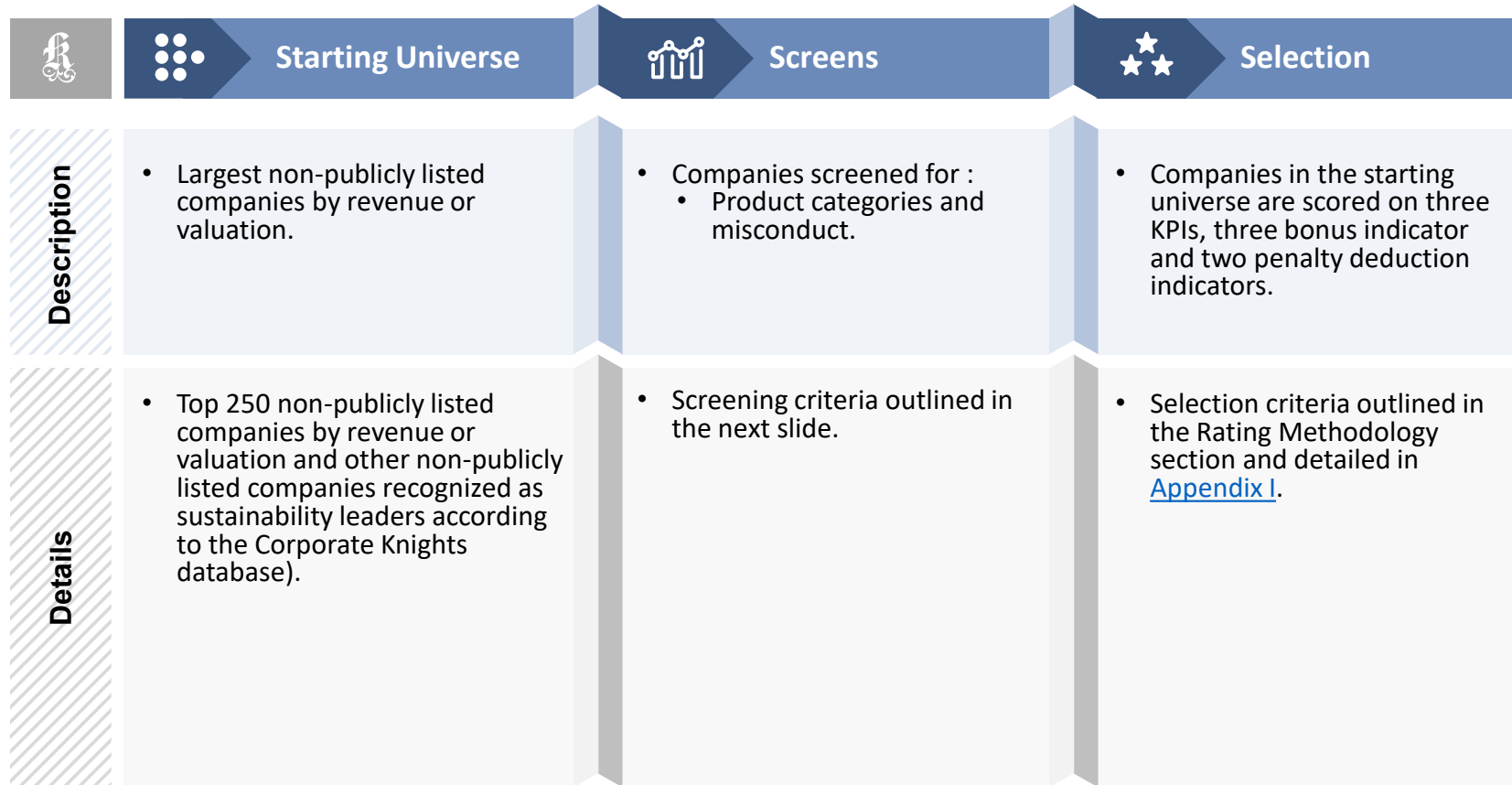
Corporate Knights Sustainable Economy Taxonomy

The current version of the Corporate Knights Sustainable Economy Taxonomy is available at:



[Corporate Knights Sustainable Economy Taxonomy](#)

For a list of all updates, please refer to the “Revision Log” sheet in the Taxonomy document which can be accessed by clicking on the link above.

Ranking Process



Screening criteria

	 Product Categories/ Misconduct
Description	<ul style="list-style-type: none">• Companies involved in certain products or services and behaviour counterproductive to sustainable development.
Details	<ul style="list-style-type: none">• Examples include weapons, tobacco, companies that lobby to block climate change policy.• See Appendix II for a full list of exclusionary screens.

Quick Resources



[Corporate Knights Sustainable Economy Taxonomy](#)

The complete Corporate Knights Sustainable Economy Taxonomy



[Taxonomy Governance and Method Overview](#)

Overview of the governance and methodology of the Corporate Knights Sustainable Economy Taxonomy



[2026 Universe](#)

Alphabetical list of all companies considered for as a part of the ranking universe



[CKPG List](#)




Alphabetical list of all 64 Corporate Knights Peer Groups (CKPGs)

Rating Methodology



CORPORATE KNIGHTS INC. |

Metrics

KPI	Methodology	Year(s) assessed	Weight
 Sustainable Revenue Score (KPI 1)	Percentage of total revenue derived from products and services that are categorized as “sustainable” according to the Corporate Knights open-source Sustainable Economy Taxonomy.	RY2025	45%
 Sustainable Investment Score (KPI 2)	Percentage of a company’s total investment (Capital expenditures, R&D, Acquisitions & Other) directed towards projects/research/companies categorized as “sustainable” according to the Corporate Knights open-source Sustainable Economy Taxonomy.	RY2025	45%
 Sustainable Revenue Momentum Score (KPI 3)	<p>For Transition Companies:</p> <p>SRR% (RY2025) - SRR% (RY2022) 100% - SRR% (RY2022)</p> <p>(SRR% = Sustainable Revenue Ratio)</p>	<p>For Pure-play Companies:</p> <p>The higher of: 3-year CAGR in absolute Sustainable Revenue, or the 3-year CAGR in physical quantities of sustainable product(s).</p> <p>(CAGR = Compound Annualized Growth Rate)</p>	<p>Three most recent years (RY2022 – 2025)</p> <p>10%</p>



[Corporate Knights Sustainable Economy Taxonomy](#)

Please click on the link above to download the most up-to-date Sustainable Economy Taxonomy



Appendix I



CORPORATE KNIGHTS INC.



Detailed scoring methodology



All Corporate Knights key performance indicators are linked to one or more of the United Nations Sustainable Development Goals (the UN SDGs).

Detailed scoring methodology

KPI	Methodology
Sustainable Revenue Score (KPI 1)	A company's Sustainable Revenue ratio is determined by measuring the ratio of Sustainable Revenue to total revenue according to the open-source Corporate Knights Sustainable Economy Taxonomy. The Sustainable Revenue ratio is then percent-ranked depending on whether the company is a Transition Company or a Pure-play Company as follows:
For Transition Companies	For a Transition Company , the Sustainable Revenue ratio is percent-ranked against all other Transition Companies of the same-CK Peer Group. The Sustainable Revenue ratio and Sustainable Revenue percent-rank are equally weighted in the calculation of the contribution towards the Sustainable Revenue score (known as the 50/50 rule). This will be in reference to the RY2025.
For Pure-play Companies	For a Pure-play Company , the Sustainable Revenue ratio is percent-ranked against all other Pure-play Companies within their same Subgroup (see below) based on median RY2022 Total Revenue (irrespective of CK Peer Group): Subgroup A: ≥ median RY2022 total revenue Subgroup B: < median RY2022 total revenue The Sustainable Revenue ratio and Sustainable Revenue percent-rank are equally weighted in the calculation of the contribution towards the Sustainable Revenue score (known as the 50/50 rule). This will be in reference to the RY2025.



Percent-ranking using SQL's CUME_DIST function

Detailed scoring methodology

KPI	Methodology
Sustainable Investment (KPI 2)	<p>A company's Sustainable Investment ratio is determined by measuring the ratio of Sustainable Investment to total investment by applying the open-source Corporate Knights Sustainable Economy Taxonomy.</p> <p>Total Sustainable Investment includes:</p> <ul style="list-style-type: none"> • Total capital expenditures (investments in plant, property, and equipment or similar) consistent with the Corporate Knights Sustainable Taxonomy. Found in the cash flow statement. • Total Research and Development (R&D) consistent with the Corporate Knights Sustainable Taxonomy. Found in the income statement. • Any completed acquisitions (cash amount), joint-ventures, or equity investments in companies or funds (not counted under Sustainable CapEx or Sustainable R&D) consistent with the Corporate Knights Sustainable Taxonomy. Generally found in the cash flow statement and notes to the financial statements. <p>For non-financial companies, sustainable investments refer to any investments that align with the Corporate Knights Sustainable Taxonomy. The Sustainable Investment KPI is not applicable to companies in the finance and insurance sectors.</p>

(continued on next slide)



Percent-ranking using SQL's CUME_DIST function

Detailed scoring methodology

KPI	Methodology
<p>Sustainable Investment (KPI 2) continued from previous slide</p> <p>For Transition companies</p> <p>For a Transition company, the Sustainable Investment ratio is percent-ranked against all other Transition companies of the same-CK Peer Group. The sustainable Investment ratio and sustainable investment percent rank are equally weighted in the calculation of the contribution towards the Sustainable Investment score (known as the 50/50 rule). This will be in reference to the RY2025.</p> <p>For Pure-play companies</p> <p>For a Pure-play company, the Sustainable Investment ratio is percent-ranked against all other Pure-play companies within their same Subgroup (see below) irrespective of CK Peer Group:</p> <p>Subgroup A: \geq median RY2022 total revenue Subgroup B: $<$ median RY2022 total revenue</p> <p>The sustainable Investment ratio and sustainable investment percent rank are equally weighted in the calculation of the contribution towards the Sustainable Investment score (known as the 50/50 rule). This will be in reference to the RY2025.</p>	



Percent-ranking using SQL's CUME_DIST function

Detailed scoring methodology

KPI	Methodology
Sustainable Revenue Momentum (KPI 3) for Transition companies	<p>For Transition companies, the Sustainable Revenue Momentum KPI is calculated by measuring the rate of improvement in a company's Sustainable Revenue ratio (SRR%) over a three-year period, expressed as a share of the remaining "non-sustainable" revenue headroom through the following formula:</p> $\frac{\text{SRR\% (RY 2025)} - \text{SRR\% (RY 2022)}}{100\% - \text{SRR\% (RY 2022)}}$ <p>Where SRR% is the Sustainable Revenue ratio. Note that the growth time-frame is three (3) years. The SRR% used will be RY2022 and RY2025.</p>



Percent-ranking using SQL's CUME_DIST function

Note 1: Where the 2022 local currency value of Sustainable Revenue is zero and that of 2025 is non-zero, the Sustainable Revenue Momentum KPI will not be applicable, and the weight of the remaining two indicators (sustainable revenue and sustainable investment) will be adjusted to 50% each..

Note 2: A negative growth in Sustainable revenue as measured by the compound annual growth rate 2022 - 2025 receives a zero percentank.

* As defined by the [Corporate Knights Sustainable Economy Taxonomy](#)

Detailed scoring methodology

KPI	Methodology
Sustainable Revenue Momentum (KPI 3) for Pure-play companies:	A Pure-play company's Sustainable Revenue Momentum is measured by the higher of: <ul style="list-style-type: none"> - the three-year (RY2022 – 2025) CAGR in absolute Sustainable Revenue^{1,2}, or - the three-year (RY2022 – 2025) CAGR in physical quantities of sustainable product(s)*.



Percent-ranking using SQL's CUME_DIST function

Note 1: Where the 2022 local currency value of Sustainable Revenue is zero and that of 2025 is non-zero, the Sustainable Revenue Momentum KPI will not be applicable, and the weight of the remaining two indicators (sustainable revenue and sustainable investment) will be adjusted to 50% each..

Note 2: A negative growth in Sustainable revenue as measured by the compound annual growth rate 2022 - 2025 receives a zero percentank.

* As defined by the [Corporate Knights Sustainable Economy Taxonomy](#)

Bonus

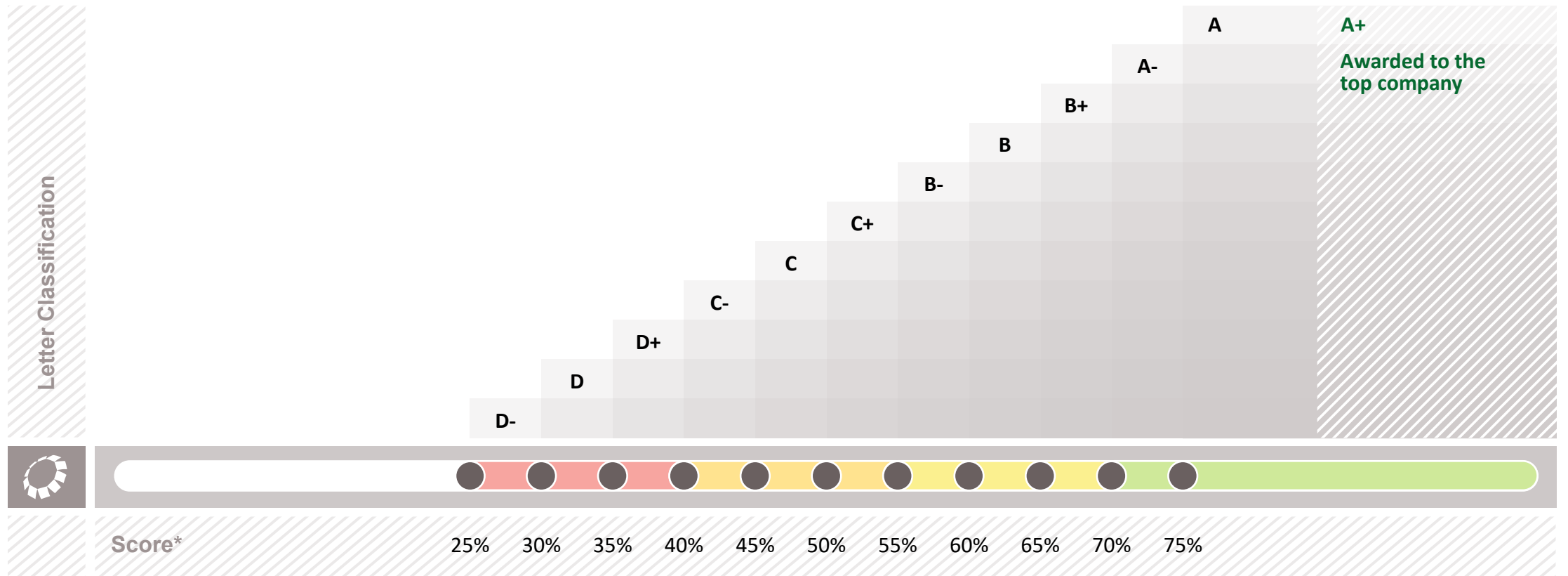
Metric	Description
Sustainability Pay Link	<p>Mechanisms that link senior executive pay to sustainability targets (including sustainable revenue). This will be in reference to RY2025.</p> <p>The Sustainability Pay Link indicator is designed to reward companies that have set up mechanisms to link the remuneration of the CEO with the achievement of sustainability goals or targets. Companies are scored as follows:</p> <ul style="list-style-type: none"> • 0% - No pay link • Up to an additional 5%, where a company indicates the existence of a CEO pay link AND discloses: <ol style="list-style-type: none"> A. The monetary amount earned by the CEO that is tied to the pay link, and; B. The CEO's total variable (short-term and long-term) compensation. • The resulting percentage (A/B) is percent-ranked* against that of all companies in the CK eligible universe, then multiplied by 5%.
Board Gender Diversity	Female board members/total board members (up to 2.5%) in reference to RY2025.
Senior Executive Gender Diversity	Female executives reporting directly to the CEO/total direct reports to the CEO (up to 2.5%) in reference to RY2025.



Penalty deductions

Metric	Description	
Sanction Deductions (Jan 1 – Dec 31, 2025)	<p>Total fines, penalties and settlements / revenue</p> <p>Each company's Sanctions' ratio is determined by measuring the ratio of Sanctions (the amount of money that companies paid out in qualifying fines, penalties or settlements over the period January 1, 2025 to December 31, 2025 period unless they are being appealed and thus have not been paid) to total revenue for the same or closest match period. Note only entries of at least USD \$100,000 are included. Each company's Sanctions ratio is percent-ranked* against the whole CK coverage universe. Companies receive deductions on a graded scale up to a maximum of 5% off their overall score. Companies with no Sanctions receive no deductions. Note that the data will be pre-populated by Corporate Knights and therefore no company input is required.</p>	
Fatalities	<p>Fatalities / total number of full-time equivalent employees</p> <p>Each company receives a penalty based on the percent-rank of the number of fatalities as a ratio of total employee count against that of all companies within the CK coverage universe. Zero fatalities receive no penalty. Top quartile results with at least one fatality receives a 1% deduction, 2nd quartile results in 2% deduction, 3rd quartile in 3% deduction and bottom quartile results in a 5% deduction. This KPI applies to all CKPGs. Note that the data will be pre-populated by Corporate Knights and therefore no company input is required.</p>	

Detailed scoring methodology



*These scores do not reflect absolute performance, but reflect a company's performance on our KPIs, relative to other companies in their peer group.

Appendix II



CORPORATE KNIGHTS INC.



Product/Behaviour Exclusionary Screens

Metric	Description
Access to medicine laggards	Lagging pharmaceutical companies in the bottom quartile of the Access to Medicine ranking.
Access to nutrition laggards	Lagging food companies in the bottom quartile of the Access to Nutrition index.
Adult entertainment	Companies operating in the adult entertainment industry based on Motley Fool, Wespath, Sin Stocks, and RedLightNetwork report listings.
Blocking climate policy	Companies who have been red flagged by InfluenceMap for engaging in a manner largely opposing Paris-aligned climate policy in an active and often strategic manner.
Blocking climate resolutions	Asset managers that are voting negatively on climate policy resolutions according to InfluenceMap's voting record (bottom quartile).
Carbon bomb involvement	Companies involved in a material operational and/or financial manner (10%+) with a project considered harmful for the planet's climate as tracked by BankTrack.
Cement carbon laggards	Companies in the cement industry that were divested by Norges Bank Investment Management (NBIM) for climate change reasons (internal Corporate Knights analysis).
Civilian firearms	Companies that manufacture civilian automatic and semi-automatic firearms, magazines, or parts prohibited under New Zealand law that were divested from by the NZ SuperFund.
Controversial weapons	Companies involved with cluster munition, anti-personnel mine, and nuclear weapons manufacturing that were divested by NBIM and NZ SuperFund.

Product/Behaviour Exclusionary Screens (continued)

Metric	Description
Conventional weapons	Companies earning more than 5% revenue from weapons and related services. Sources: SIPRI, NBIM, NZ SuperFund and As You Sow
Deforestation & palm oil laggards	Companies engaging in deforestation as deemed by Chain Reaction Research or NBIM. List of companies obtained from Deforestation Free Funds, which NBIM has divested from.
Energy	Companies that operate in the fossil fuel industry with less than 50% of sustainable investments (most recently available)
Farm animal welfare laggards	Laggard companies in farm animal welfare practices according to CK Red Flag list (made in consultation with animal welfare experts).
Forced labour and genocide	Identifies companies supporting forced labour or genocide. Companies listed as involved in forced labour by Amnesty International, Investors Against Genocide, Uyghurs for Sale and Sheffield Hallam Over-Exposed Report
For-profit prisons	Companies that are recommended for divestment by the Project of the American Friends Service Committee and that demonstrate involvement in the various aspects of the prison industry.
Fossil fuel financing	The five largest banks by ratio of new fossil fuel-related loans to total outstanding loans (most recently available) as tracked by Banking on Climate Chaos. If the company's most recently available Sustainable Revenue ratio is at least 10%, it is exempted from exclusion.
Gambling	Companies that operate in the gambling industry.
Gross corruption violations	Companies that have been divested from by NBIM due to gross corruption violations.
Harmful pesticides	Identifies companies whose leading product sales are heavily derived from pesticides classified as highly hazardous to health or the environment. Company derives more than 20% of its leading product sales from highly hazardous pesticides (HHPs) as per research from Unearthed

Product/Behaviour Exclusionary Screens (continued)

Metric	Description
Government sanctions	Companies on the Canadian or U.S. government sanctions list for investors.
Monetary sanctions	Companies whose ratio of fines, penalties, or settlements / revenue for the last 12 months exceeds 1%
Oil sands laggards	Oil sands companies that were divested by NBIM.
Severe environmental damage	Companies that have caused several environmental damage and have been excluded by NBIM.
Severe human rights violations	Companies that have committed several human rights violations or have violated individuals' rights in situations of war or conflict and have been excluded by NBIM.
Thermal coal	<p>Identifies companies with more than 10% of generation or revenue is from thermal coal*.</p> <p>Exception: If the company has less than 20% of generation or revenue that is from thermal coal AND</p> <ul style="list-style-type: none"> • has no plans for expansion of coal AND • at least 50% of its investments are sustainable (according to the CK Sustainable Taxonomy) <p>then the company is not excluded</p> <p>Source: Global Coal Exit List (GCEL)</p> <p>* For rail freight, revenue is assessed on all fossil fuel products including thermal coal, crude oil, refined oil products and natural gas-related products</p>
Tobacco	Identifies companies that earn revenue from tobacco, and those excluded by NBIM and NZ SuperFund.

Product/Behaviour Exclusionary Screens (continued)

Metric	Description
Cash taxes paid	No negative cash taxes paid (sum of five years 2021-2025)

Appendix III

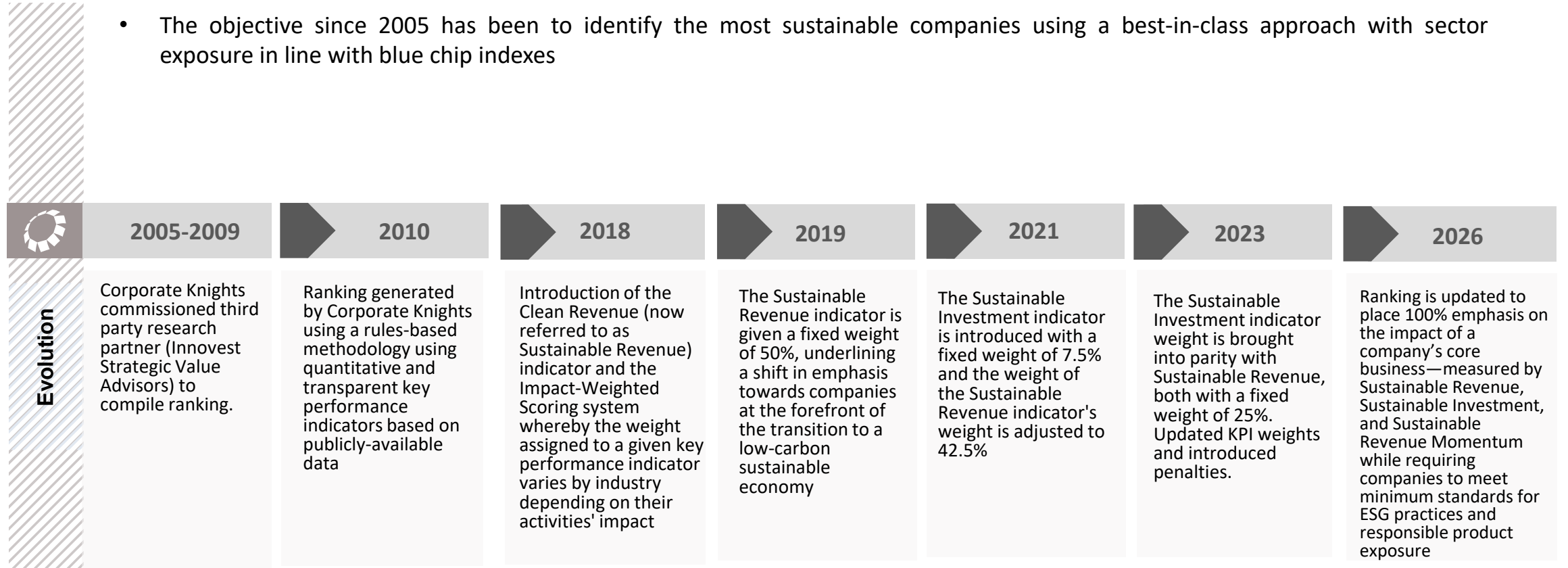


CORPORATE KNIGHTS INC.



Corporate Knights Rating Methodology Development History

- The objective since 2005 has been to identify the most sustainable companies using a best-in-class approach with sector exposure in line with blue chip indexes



Policy for Changes to the Rating Methodology

The rating methodology is reviewed at least annually by Corporate Knights Research staff.

An oversight committee composed of staff from Corporate Knights and its subsidiaries (the “Committee”) is responsible for decisions regarding any amendments to the rules of the Index. Any such amendment must be submitted to the Committee for prior approval.

Any changes or updates to any part of the rating methodology are published prior to the beginning of a rating cycle or issuance of an index reconstitution.


Any such methodological updates are communicated through the Methodology Updates section in the Overview of Corporate Knights Rating Methodology document which is published on corporateknights.com.

Link to the aforementioned document is included in any communication from Corporate Knights to users of the Index as well as companies eligible for any given ranking.

Corporate Knights Peer Groups

Appliances and lighting fixtures manufacturing	Electrical equipment manufacturing	IT services except telecom and hosting	Passenger airlines	Scientific R&D
Asset management	Farming and fishing	Integrated oil and gas	Personal products (retail chemical)	Semiconductor and electronic components manufacturing
Automobile retail	Food and beverage manufacturing	Machinery manufacturing	Pesticide and fertilizer manufacturing	Steelmaking
Banks	Forest products	Medical equipment manufacturing	Pharmaceutical manufacturing	Steel products
Basic inorganic chemicals and synthetics	Freight transport, all modes	Metal products manufacturing	Plastic and rubber product manufacturing	Telecom providers
Battery manufacturing	Furniture and general manufacturing	Mining industry support	Power generation	Telephones and telecom equip manufacturing
Business, engineering and personal services	Glass and ceramics	Mining, smelting and refining	Power transmission and distribution	Textiles and clothing manufacturing
Cars and trucks manufacturing, including parts	Grocery stores	Non-metallic mining	Primary aluminum	Tobacco
Cement, lime and concrete	Health care	Non-road transport equipment manufacturing	Real estate and leasing	Transit and ground transportation
Commercial building construction	Hotels and entertainment venues	Non-store retailers	Refining, petrochemicals and basic organic chemicals	Waste Management
Computers and peripherals manufacturing	HVAC equipment manufacturing	Oil and Gas production and extraction	Residential construction	Water and sewage treatment
Data processing, hosting services	Instrumentation and other electronic manufacturing	Oil and Gas transmission and transportation	Restaurants	Wholesale trade and warehousing
Education	Insurance companies	Packaging	Retail, except grocery and auto	

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