Impact Weight Calculation Methodology

Philosophy and Overall Approach

The Corporate Knights Global 100 rating uses a mix of fixed and variable weight ESG and clean economy key performance indicators (KPI's) to score companies against their peers.

We measure the share of revenues and capital investments that are included in the Corporate Knights Clean Taxonomy and percentile rank those ratios against the company's peer group. We then give equal weight to the ratios and the percentile ranks in awarding up to 42.5 points for clean revenue and up to 7.5 points for clean investment, for a total of 50 possible points.

The other 50 points in the Global 100 are allocated to 21 ESG KPI's. Seven of these KPI's are allocated 20 points as follows: Gender Diversity on Board of Directors (2.5), Gender Diversity Among Executives (2.5), Racial Diversity Among Executives (2.5), Racial Diversity on Board of Directors (2.5), Sustainability Pay Link (5), Supplier Score (2.5) and Paid Sick Leave (2.5). Each company is awarded points for these indicators based on its performance in comparison to all other companies, regardless of industry.

The remaining 30 points in the Global 100 rating system are allocated to fourteen KPI's where the weights vary by Corporate Knights Peer Group (CKPG). The KPI's weighted this way include productivities for energy, carbon, waste, water, VOC, NOx, SOx, PM, as well as the injury rate, fatality rate, employee turnover, CEO pay ratio, cash taxes to EBITDA ratio, and the pension quality. (See additional description below on the impact ratios and indicator weights methodology.)

In addition, up to five points are deducted for companies that have been levied fines above a threshold of their revenue in comparison to their peers, and finally, companies are deemed ineligible for the Global 100 if they fail to pass our exclusionary screens.

The Impact-Weighted Indicators

For each of the 64 Corporate Knights Peer Groups (CKPG), impact factors are computed and used to assign weights to each of the 14 impact-weighted KPI's. For each CKPG-KPI combination, the impact factor depends on the ratio of the KPI median for the industry to the KPI median for all industries and on the contribution that the CKPG makes to the total impact for the KPI across all industries. For each CKPG, the indicator weights for the 14 impact-weighted KPI's are equal to the share of each KPI's impact ratio to the sum of the impact ratios for that industry. (Note: There are some CKPG-KPI combinations for which there is insufficient data to produce statistically significant impact ratios, and therefore the impact-weighting cannot be applied.)

Impact Factor Calculation Method

The following is a step-by-step description of the method employed to generate the weights for the 14 impact-weighted KPI's for each CKPG.

Step 1: The KPI values for all the companies in the Corporate Knights database are calculated, according to the definitions for each of the KPI's.

Step 2: For each industry, the median value of each KPI is divided by the median value of the KPI for all companies in the database (approximately 8,500). This gives a set of 14 ratios for each CKPG and an intermediate impact factor for each KPI by dividing each ratio by the sum of the ratios.

Step 3: The contribution that each industry makes to the total impact of each KPI is calculated by dividing the total for the CKPG by the total for all companies in the database. For example, for the Energy Productivity KPI, the total energy use for the CKPG is divided by the total energy use for all companies in the database. The variable used for this is usually the dependent variable defined for the KPI (e.g. energy for Energy Productivity, carbon for Carbon Productivity, total injuries for injury rate, etc.) with two exceptions. For the tax indicator, the CKPG's share of EBITDA is used, and for the Pension Score, the CKPG's share of employer's total retirement contributions is used.

Step 4: Generate the impact factors. The intermediate factors generated in Step 2 are multiplied by the ratios calculated in Step 3 to produce a 14X64 table of impact factors, one for each CKPG-KPI combination.

Step 5: Generate the weights. The final sets of 14 weights for each CKPG are generated by dividing the impact factor for each CKPG-KPI combination by the sum of the impact factors for the CKPG. These weights are multiplied by 30 to determine the number of points available for each CKPG-KPI combination.