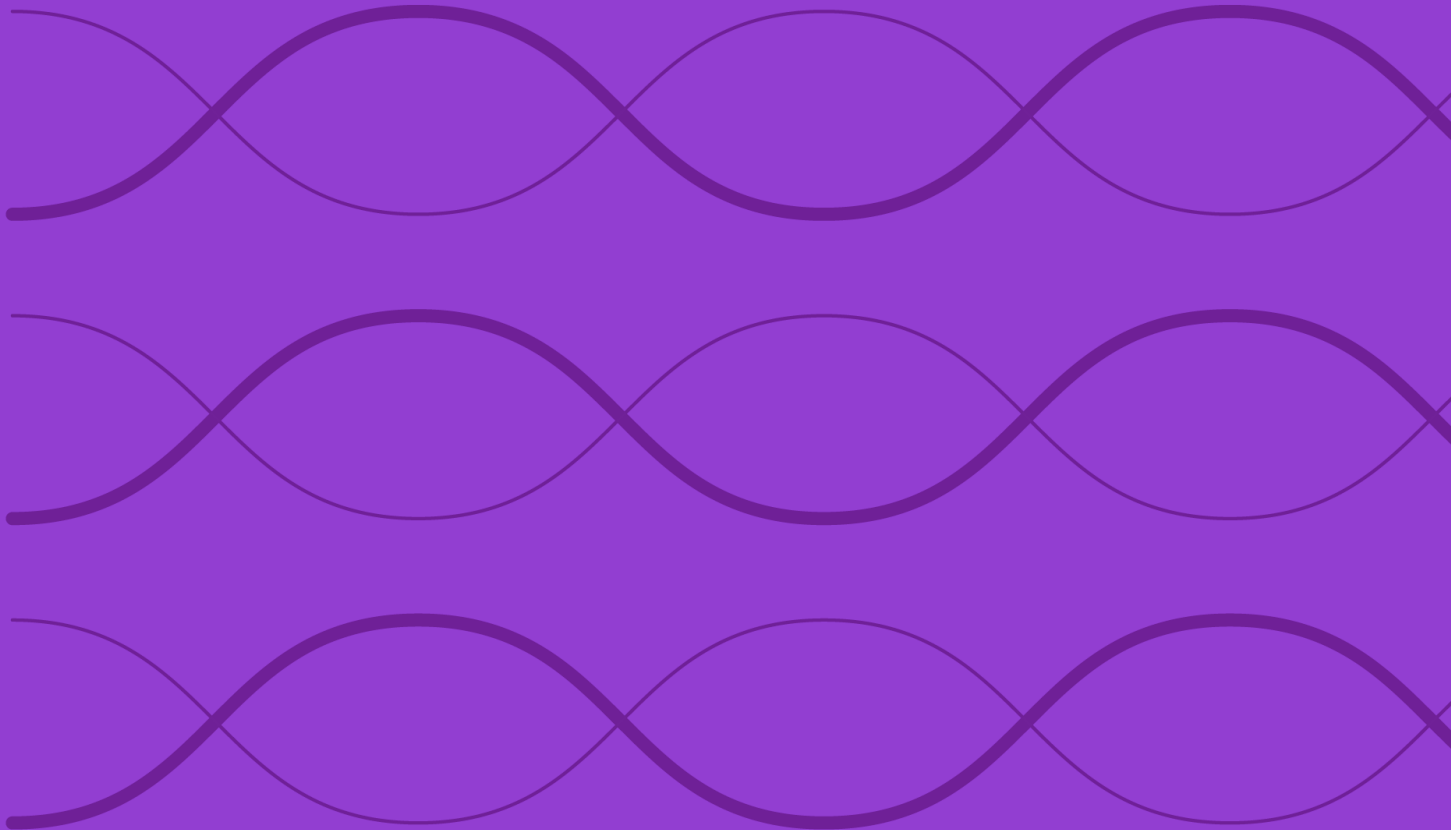


Construction Rules for the Morningstar Gender Diversity Indexes



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Overview

The Morningstar® Gender Diversity Indexes pursue objectives that align with environmental, social, and governance standards in reference to gender diversity. Built with the data and scoring methodology of Equileap, the index family is designed to emphasize companies that have strong gender diversity policies embedded in their corporate culture and that ensure equal opportunities to employees, irrespective of their gender.

For more information on the Equileap Gender Scorecard and ranking, refer to Appendix 1.

Index Inception and Performance Start Date

The index inception date and performance start date, when the first back-tested index value was calculated, are provided in appendix 4.

Index Construction

Methodology Summary

Starting Universe

- Select securities from the corresponding Morningstar Country/Region Large-Mid Index

Eligibility

- Securities that are part of the Alarm Bell controversy list, as assigned by Equileap,¹ are ineligible for the index.

Portfolio Construction

- Tilt the security weights based on the assigned Gender Equality score.
- Region-neutral weights with respect to the benchmark.
- Security weights capped at 5%.

Morningstar
Gender Diversity
Index Family

Starting Universe

At each reconstitution, constituents of the Morningstar Gender Diversity Index family are derived from the corresponding Morningstar Country/Region Large-Mid Index (benchmark). For more details on benchmark construction, refer to the [Construction Rules for the Morningstar Global Markets Indexes](#).

Eligibility

To be eligible for index inclusion, all constituents must meet the following criteria:

- All benchmark securities that are not part of the latest Alarm Bell controversy list of securities provided by Equileap are eligible for the Morningstar Gender Diversity Index family.
- The Alarm Bell securities will continue to be part of the controversy list for the next 12 months from the date it was flagged by Equileap.

Portfolio Construction

- No other negative screening is applied apart from the Alarm Bell controversy list.
- The security weights are tilt based on the assigned Gender Equality Score.
- Security weights capped at 5%.

Number of Stocks

The number of stocks in the index is variable, subject to the size of the starting universe and the application of eligibility criteria at the time of reconstitution.

Index Weighting

The indexes are tilt-weighted from float market capitalization weight based on the gender diversity scores. The constituent weighting scheme for the indexes is calculated and applied as noted in the following steps:

- All eligible constituents are sorted in the descending order of their Equileap Gender Equality score.¹
- For all securities with the same Gender Equality score, Category A data² is used to break the tie, starting with criterion 5 (promotion and career development) and continuing, where required, through criterion 4 (workforce), 3 (senior management), 2 (executive), and 1 (board). In the case of securities having the same Category A score, the one with the higher Gender Equality score³ for the previous year is assigned a higher rank.
- Within each broader region,⁴ divide the securities into five groups based on the ranks assigned using Equileap's Gender Equality scores in earlier steps having an equal number of securities in each of the five groups. Two or more securities with the same Gender Equality score, Category A scores, and previous-year Gender Equality scores are always assigned to the same group. Thus, each of the five groups across the regions might not contain an equal number of securities, though this is the target.
- Assign tilt factors of 0.50, 0.75, 1.00, 1.25, or 1.50, in this respective order to the security groupings with the worst to the best Equileap Gender Equality scores in the previous step.
- For securities that are part of the current eligible universe, which had been excluded due to the presence of the Alarm Bell controversy at the previous reconstitution, are assigned an additional factor of 0.5 such that

$$\text{Final Tilt Factor} = 0.5 \times \text{Tilt Factor}$$

- Calculate the tilted weight for each security based on the formula:

$$\text{Tilted Weight} = \frac{\text{Final Tilt Factor} * \text{Float Market Cap}_i}{\sum_1^n (\text{Final Tilt Factor} * \text{Float Market Cap}_i)}$$

- To minimize deviation from corresponding weights in the parent index, the region weights in the index are ensured to be equal to region weights in the benchmark index during each reconstitution. The weights of the securities within each region are maintained in the proportion of their tilted weights after normalization, as assigned in the prior step.

¹ Equileap Gender Equality score is before applying ESG exclusions or Alarm Bell controversy exclusions. For a security without an Equileap Gender Equality score, it is assigned a representative score, which is the average of scores assigned to all securities within the same sector in the country of classification for the security. Please refer to Appendix 2 for Morningstar sector definitions.

² Refer to Appendix 2 for more details on Category A data.

³ Due to the unavailability of previous-year Gender Equality scores for the first back-test portfolio, preference is given to securities with higher float-market capitalization instead of higher previous-year Gender Equality scores.

⁴ Please refer to Appendix 3 for Morningstar region definitions.

- As a final step, individual security weights are capped at 5% to avoid concentration risk, and the excess weights are redistributed over the other constituents of the portfolio in the proportion of their existing weights.

Index Maintenance and Calculation

Reconstitution and Rebalancing

The index is reconstituted, where the membership is reset, annually on the third Friday of December. Adjustments are implemented after Friday's market close and reflected the following Monday. If Monday is an index holiday, reconstitution is reflected the next business day. The market data used for reconstitution is as of the last trading day of October.

The index is rebalanced quarterly on the third Friday of March, June, September, and December. Adjustments are implemented after Friday's market close and reflected the following Monday. If Monday is an index holiday, the rebalance is reflected the next business day. The market data used for rebalancing is as of the last trading day of February, May, August, and November.

Because the reconstitution of the Morningstar Gender Diversity Index family is less frequent than the respective parent large-mid Index(benchmark), the securities excluded from the respective parent large-mid Index at the reconstitution effective date are also deleted from the gender diversity indexes.

During quarterly reviews, weights are rebalanced to enforce 5% security capping. New securities are not added to the indexes, and region weights are not neutralized to be equal to region weights in the parent index during the quarterly reviews.

Securities that are part of the Alarm Bell controversy list will be removed during the quarterly reviews and reintroduced at the next reconstitution if they are no longer part of the Alarm Bell controversy list.

Corporate Actions

The treatment of corporate actions will be as per the market capitalization-weighted indexes corporate action methodology. For more details, please refer to the [Morningstar Indexes Corporate Actions Methodology rulebook](#)

Index Calculation and Price Data

Details about index calculations and price data can be found in their respective rulebooks: [Morningstar Indexes Calculation Methodology](#) and [Equity Closing Prices Used for Index Calculation](#).

Methodology Review and Index Cessation Policy

The index methodology is continually reviewed to ensure it achieves all stated objectives. These reviews consider corporate action treatment, eligibility requirements, and maintenance procedures. Subscribers to the index will be notified before any methodology changes are made. For more details, refer to the [Morningstar Index Methodology Change Policy](#).

Morningstar Indexes notifies all subscribers and stakeholders of the index that circumstances might arise that require a material change to, or a possible cessation of, the index. These circumstances are generally not within Morningstar's control and may include significant changes to the underlying market structure, inadequate access to necessary data, geo-political events, and regulatory changes. In addition, factors such as low usage or methodology convergence may result in the cessation of an index.

Because the cessation of the index or benchmark index could disrupt subscriber products that reference this index, all subscribers are encouraged to have robust fallback procedures if an index is terminated. For more details, refer to the [Morningstar Index Cessation Process](#).

Data Correction and Precision

Intraday Index Data Corrections

Commercially reasonable efforts are made to ensure the accuracy of data used in real-time index calculations. If incorrect price or corporate action data affects index calculations, corrections are applied prospectively.

Index-Related Data and Divisor Corrections

Incorrect pricing and corporate action data for individual issues in the database will generally be corrected upon detection. In addition, an incorrect divisor of an index, if discovered within two days of its occurrence, will be fixed retroactively on the day it is discovered to prevent an error from being carried forward. Commercially reasonable efforts are made to correct an older error subject to its significance and feasibility.

For more details, refer to the [Recalculation Guidelines](#).

Exceptions

While Morningstar will seek to apply the method described above, the market environment, supervisory, legal, financial, or tax reasons may require an alternative approach to be adopted. A decision to take an alternative approach will be made by the relevant Morningstar Indexes Methodology Committee, and in all instances, the application of a nonstandard process will be reported to the Morningstar Indexes Oversight Committee.

Appendixes

Appendix 1: Modifications to the Rulebook

Section	Description of Change	Update Date
Scheduled Maintenance	Changed Global Markets Index to respective parent Large-Mid Index	June 2021
Entire Rulebook	Moved to new template	February 2024
Data Correction and Precision	Computational and Reporting Precision Section Removed	May 2025

Appendix 2: Equileap Gender Scorecard Calculation

- Headquartered in Amsterdam, Equileap is the leading provider of data and insights on gender equality in the corporate sector. Equileap researches and ranks over 3,000 public companies around the world using a unique and comprehensive Gender Equality Scorecard™ with 19 criteria, including the gender balance of the workforce, senior management, and board of directors, as well as the pay gap, parental leave, and sexual harassment.
- Equileap was launched in 2016 by Diana van Maasdijk and Jo Andrews, two professionals who have significant experience in philanthropy and specialize in women's rights. Their mission was to take a leap toward gender equality in the workplace and lay out the data to show why that leap was so important.
- Companies are ranked according to 19 gender criteria in four categories:
 - Category A: Gender balance in leadership and the workforce.
 - Category B: Equal compensation and work-life balance.
 - Category C: Policies promoting gender equality.
 - Category D: Commitment, transparency, and accountability.
- Equileap monitors incidents involving sexual harassment and gender discrimination. If an identified incident signals structural or systemic problems according to Equileap's methodology, the company receives an Alarm Bell and becomes ineligible for the index.
- Companies involved in below controversies within the past two years are assigned to the Alarm Bell controversy list:
 - One legal judgment or official ruling regarding gender discrimination or sexual harassment against the company or an employee.
 - Two or more settled legal cases, or one settled class action regarding gender discrimination or sexual harassment against a company or an employee.
 - Two or more legal judgments or official rulings regarding gender discriminatory practices in a company's marketing and advertising.

For more details, please visit: <http://equileap.com/>

Appendix 3: Morningstar Regions and Sectors

The following regions and sectors are considered while calculating the index:

- Regions
 - Developed markets Americas
 - Developed markets Europe and Middle East
 - Developed markets Asia-Pacific
- Sectors
 - Basic materials
 - Communication services
 - Consumer cyclical
 - Consumer defensive
 - Energy
 - Financial services
 - Healthcare
 - Industrials
 - Real estate
 - Technology
 - Utilities

Appendix 4: Individual Indexes

Index	Inception Date	Performance Inception Date
Morningstar Developed Markets Gender Diversity Index	Jan 25, 2021	Dec. 19, 2014
Morningstar Developed Markets ex-Japan Gender Diversity Index	Aug 10, 2020	Dec. 19, 2014
Morningstar Developed Europe Gender Diversity Index	Jan 25, 2021	Dec. 19, 2014
Morningstar US Gender Diversity Index	Jan 25, 2021	Dec. 19, 2014
Morningstar UK Gender Diversity Index	Jan 25, 2021	Dec. 19, 2014
Morningstar Canada Gender Diversity Index	Jan 25, 2021	Dec. 19, 2014
Morningstar Japan Gender Diversity Index	Jan 25, 2021	Dec. 19, 2014

About Morningstar Indexes

Morningstar Indexes was built to keep up with the evolving needs of investors—and to be a leading-edge advocate for them. Our rich heritage as a transparent, investor-focused leader in data and research uniquely equips us to support individuals, institutions, wealth managers, and advisors in navigating investment opportunities across major asset classes, styles, and strategies. From traditional benchmarks and unique IP-driven indexes to index design, calculation, and distribution services, our solutions span an investment landscape as diverse as investors themselves.

Morningstar Indexes Methodology Committee

The Morningstar Indexes Methodology Committee oversees all new index development, index methodology changes, and cessation of indexes for any indexes where Morningstar owns the intellectual property. This committee is also charged with ensuring that indexes align with Morningstar Research principles and values. The group comprises members of the index team with index research, product development, product management, client service, index implementation, and operation expertise who provide the first layer of governance over index design and methodology.

Morningstar Indexes Operations Committee

The Morningstar Indexes Operations Committee governs the processes, systems, and exception handling of the day-to-day management of all live indexes, including index rebalancing and reconstitution, restatements, market classification, and contingency management. The committee oversees the annual review of index methodology (as required by U.K. and EU benchmark regulations, or BMR), ensuring that methodologies remain fit for purpose and continue to achieve their stated investment objectives. The group comprises members of the index team with data, operations, corporate actions, product development, index launch, client service, and index management experience who provide the first layer of governance over index operations.

Morningstar Indexes Oversight Committee

The Morningstar Indexes Oversight Committee is responsible for the index oversight function as per the requirements of the U.K. and European BMR, providing independent oversight of all aspects of the governance of benchmark administration as required by the relevant BMR. Its remit extends to all calculation and administration-related business activities of Morningstar Indexes, including administration of Morningstar-owned benchmarks as well as client-owned benchmarks and index calculation. The oversight function is part of the organizational structure of Morningstar but is separate and independent from the index business, index management, and the other index committees.

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