

JANTZI SOCIAL INDEX METHODOLOGY

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INTRODUCTION

The Jantzi Social Index® (JSI®) is a market capitalization-weighted, capped common stock index consisting of 50 Canadian companies that pass a set of broadly based environmental, social and governance (ESG) screening criteria. The weight of any constituent in the index is capped at 10% of the index.

EXCLUSIONARY CRITERIA

Morningstar applies a set of exclusionary criteria, described below, in order to create the eligible universe for the JSI.

There are two types of exclusionary criteria: *product involvement* and *major negative ESG impact*.

Product Involvement

Product involvement criteria cover products and services that are considered by many social investors to be controversial due to their negative impact or potential impact on society. A company that meets any of the criteria below will be ineligible for the JSI:

1. Military Contracting
 - The company manufactures military weapons and/or weapons systems;
 - The company derives 5 per cent or more of annual revenues from the manufacture of secondary components of weapons or weapons systems, or from weapons-related services.
2. Nuclear Power
 - The company produces nuclear power;
 - The company derives 5 per cent or more of annual revenues from products or services that support the nuclear power industry.
3. Tobacco
 - The company manufactures tobacco products;
 - The company derives 5 per cent or more of annual revenues from the supply of tobacco-related products;
 - The company derives 10 per cent or more of its revenues from the distribution and/or retail sale of tobacco products.

Major Negative ESG Impact

This criterion identifies companies that are having a major negative impact on stakeholders. Morningstar assesses the impact of corporate controversies and incidents using a scale from 1 to 5, whereby the most significant controversies are rated as “Category 5.” Companies with one or more Category 4 or 5 controversy assessments are ineligible for the JSI.

ANNUAL REVIEW

The JSI will be reviewed annually in March using data at the close of business on the last business day in February. The changes to the index resulting from the annual review will take place together with the quarterly rebalancing on the first Monday following the third Friday in March. These changes will be announced to the market after close of trading on the second Friday in March. There will be a limit on changes to the index resulting from the annual review with the cap on replacements being 10 per cent of the free-float market capitalization of the index.

During the annual review process, changes will be made to meet the following goals for the index:

- To include companies with leading sustainability performance
- To ensure investability
- To maintain sector weights close to those in the benchmark

QUARTERLY REBALANCE

The JSI is rebalanced quarterly irrespective of constituent changes on the first Monday following the third Friday in March, June, September and December.

At the time of rebalance, any stock that breaches the weight limit of 10% in the index is capped and the excess weight is distributed proportionately among the remaining index constituents based on their float adjusted market cap. After this redistribution, if the float-adjusted market cap weight of any other company then breaches 10%, the process is repeated iteratively until no company breaches the 10% weight cap.

For capping purpose, the closing prices and FX rates as of the reference date are used. This reference date is two business days prior to the first proforma date (i.e. the date on which the first proforma file for the index is delivered).

INDEX MAINTENANCE AND CALCULATION

Index files are published according to the global calendar schedule. For more information, please refer to the [Morningstar Indexes Holiday Calendar](#).

Corporate Actions

The treatment of corporate actions will be as per the float market capitalization weighted indexes. 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](#).

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](#).

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