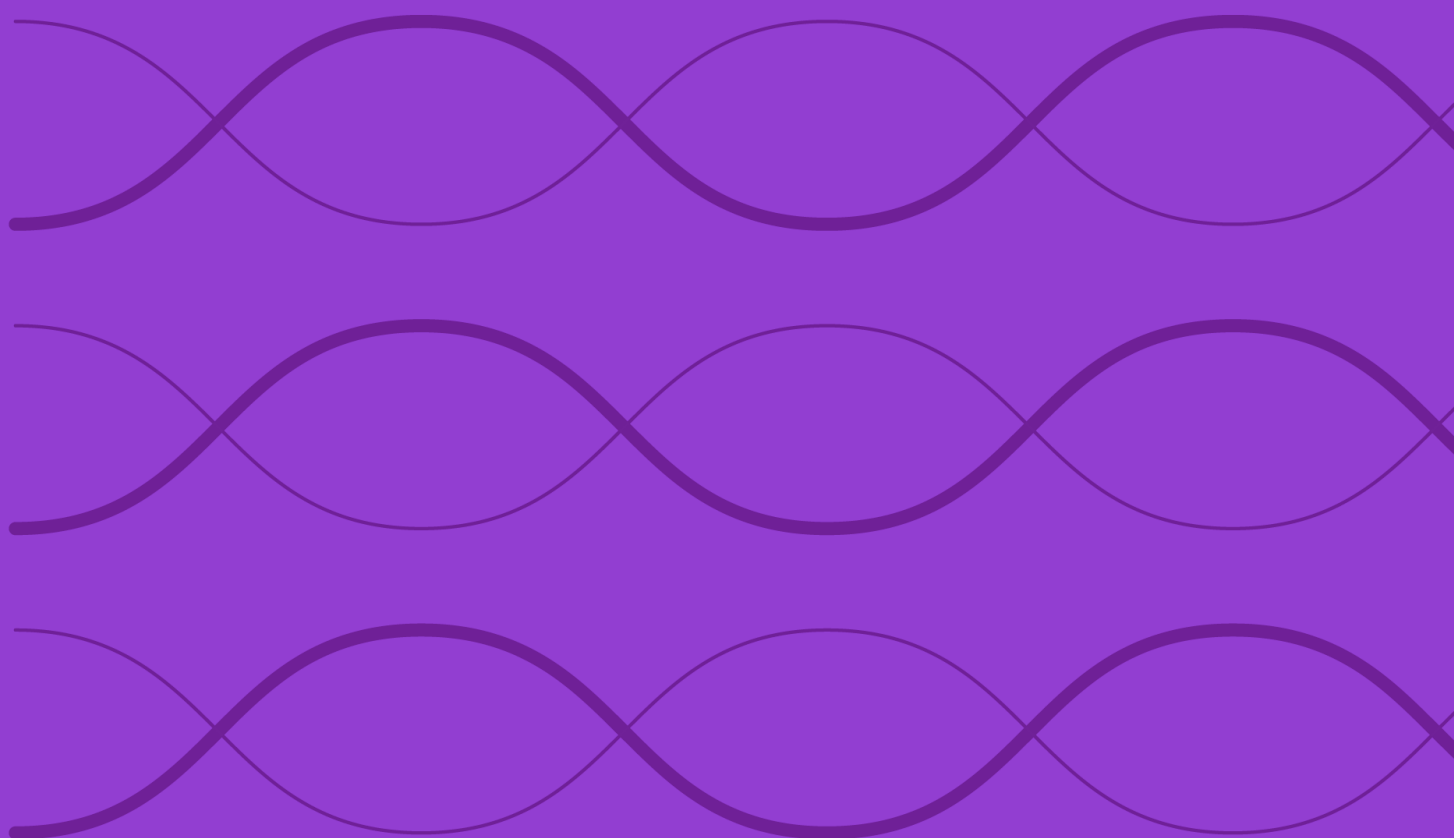


# Construction Rules for the Morningstar Eurozone and Transatlantic ESG Select Index



<b>Overview .....</b>	<b>3</b>
Index Inception and Performance Start Date .....	3
<b>Index Construction .....</b>	<b>4</b>
Methodology Summary.....	4
Starting Universe.....	4
Eligibility .....	4
Portfolio Construction.....	5
<b>Index Maintenance and Calculation.....</b>	<b>6</b>
Scheduled Maintenance .....	6
Corporate Actions.....	6
Index Calculation and Price Data.....	6
<b>Methodology Review and Index Decommissioning Policy .....</b>	<b>7</b>
<b>Data Correction and Precision .....</b>	<b>8</b>
Intraday Index Data Corrections.....	8
Index-Related Data and Divisor Corrections .....	8
<b>Exceptions.....</b>	<b>8</b>
<b>Appendixes .....</b>	<b>9</b>
Appendix 1: Modifications to the Rulebook .....	9
Appendix 2: Product Involvement-Based Exclusions.....	9
Appendix 3: Target number of stocks.....	10
Appendix 4: Parent Indexes .....	10
Appendix 5: Morningstar ESG Select Decrement Indexes .....	10
Appendix 6: Decrement Levels .....	11
<b>About Morningstar Indexes .....</b>	<b>13</b>

## Overview

The Morningstar Eurozone and Transatlantic ESG Select Indexes are designed to reduce significant exposure to environmental, social and governance companies by selecting a target number of securities based on lower ESG risk, as measured by their Sustainalytics ESG Risk Ratings.

The Morningstar Eurozone and Transatlantic ESG Select Indexes are built from the Morningstar Global Markets Index.

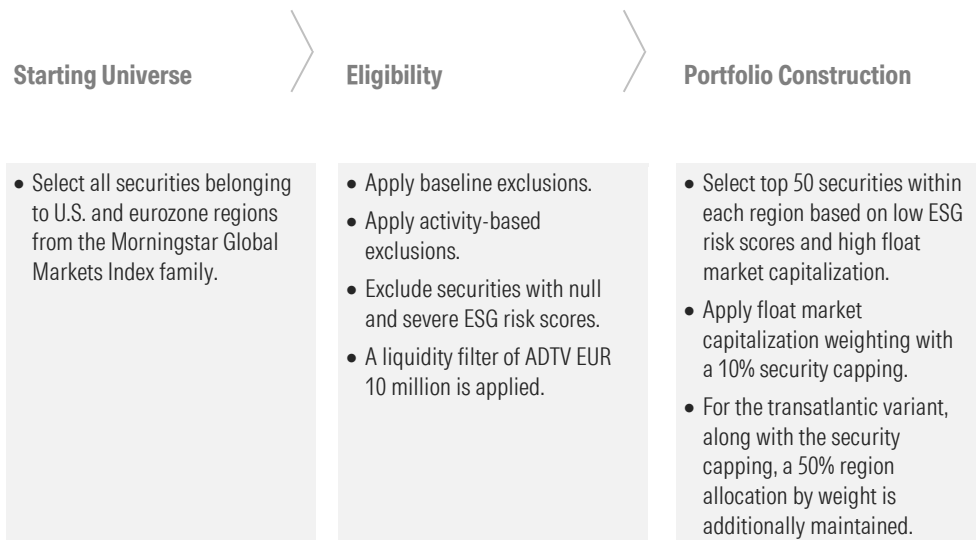
For more information on the Sustainalytics ESG Risk Rating and Morningstar Portfolio Sustainability Score and Rating, please refer to the [Morningstar Sustainability Rating Methodology](#).

## Index Inception and Performance Start Date

The performance start date for these indexes is June 22, 2015 and the inception date is Nov. 25, 2022.

## Index Construction

### Methodology Summary



**Morningstar  
Eurozone and  
Transatlantic ESG  
Select Index**

For additional details, refer to the following section.

### Starting Universe

At each reconstitution, securities for the Morningstar Eurozone and Transatlantic ESG Select Index are derived from the Morningstar Global Markets Index belonging to eurozone and U.S. regions. For more details on benchmark construction, refer to the construction rules for the [Morningstar Global Markets Index](#).

### Eligibility

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

- Baseline exclusions:
  - The security must not have a null ESG Risk Rating or Controversy Score.
  - The security must have a ESG Risk Rating less than 40.
  - The security Controversy Score must be lower than 5.
  - The security must be compliant with the principles of the United Nations Global Compact.
  - The security must not have any revenue involvement in controversial weapons (essential or nonessential).
- Activity Based exclusions:

- The security must not have any revenue involvement in production of adult entertainment, arctic oil and gas extraction, oil and gas (production and generation), oil sands extraction, shale extraction, thermal coal (extraction and generation) and making of tobacco products.
- The security must not have more than 5% of its revenue in tobacco-related products and services and retail distribution.
- The security must not have more than 10% of its revenue from manufacturing of small arms (civil assault and nonassault weapons).
- The securities must have a three-month average daily traded volume, or ADTV, of at least EUR 10 million.

## Portfolio Construction

### *Number of Stocks*

The indexes contain a fixed number of stocks based on a transparent ranking system subject to selection and eligibility criteria at reconstitution. However, if securities fall short of the selection and eligibility criteria, or if securities are added or deleted as a result of corporate actions after reconstitution, the indexes can have more or fewer than the targeted number. During reconstitution, if the number of securities is less than the target, all eligible securities would be selected, and the weight of the constituents will be determined based on the index weighting scheme. The schedule for reconstitution and corporate actions is available in the "Index Maintenance and Calculation" section. The exact counts for all indexes in the family are provided in Appendix 3.

The top 50 securities are selected within each region based on low ESG Risk Score and high float market capitalization.

### *Index Weighting*

The index is float-adjusted market capitalization-weighted. For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#).

A security capping of 10% is applied iteratively. For securities having weight greater than 10%, the securities are capped absolutely at 10% and the additional weight is redistributed within the remaining securities.

For the Transatlantic variant a 50% region allocation is satisfied first. Following the region allocation, the security capping is applied additionally, while maintain the region allocation of 50%.

## Index Maintenance and Calculation

### Scheduled Maintenance

The index is reconstituted, where the membership is reset, semi-annually. Adjustments are made on the Monday following the third Friday of June and December. If the Monday is a holiday, reconstitution occurs on the Tuesday immediately following. The Sustainalytics and market data used for reconstitution is as of the last trading day of May and November.

The index is rebalanced quarterly and implemented after the close of business on the third Friday of March and September and is effective the following Monday. If Monday is a holiday, rebalance is effective on the immediate following business day. The market data used for rebalancing is as of the last trading day of February and August. Securities with severe or null controversy scores are excluded and parent index eligibility is maintained. The security capping and region allocation is additionally maintained.

### Corporate Actions

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

For more details, please refer to the “Treatment for float market capitalization indexes” section in 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 Decommissioning Policy

The index methodology is continually reviewed to ensure it achieves all stated objectives. These reviews consider corporate action treatment, selection, 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 Decommissioning Policy](#).

## 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 be corrected upon detection. In addition, an incorrect divisor of an index, if discovered 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 Index Methodology Committee, and in all instances, the application of a nonstandard process will be reported to the Morningstar Index Oversight Committee.



## Appendixes

### Appendix 1: Modifications to the Rulebook

Section	Description of Change	Update Date
Index Construction and Appendix	Removed a reference to a Product Involvement exclusion of Oil and Gas Supporting products and services which was inserted due to a clerical error in March 2023.	March 2024
Corporate Action	Moved all indexes to the standard Morningstar Corporate Action Methodology.	July 2024
Morningstar ESG Select Decrement Indexes	Rebased the Morningstar Transatlantic ESG Select 100 Decrement 50 Point GR EUR.	December 2024
Data Correction and Precision	Computational and Reporting Precision Section removed	June 2025
Exceptions	Exceptions section added	June 2025

### Appendix 2: Product Involvement-Based Exclusions

Detailed Criteria	Revenue Threshold
Adult entertainment (production)	0%
Arctic oil and gas extraction	0%
Oil and gas (production and generation)	0%
Oil sands extraction	0%
Shale extraction	0%
Thermal coal (extraction and generation)	0%
Controversial weapons tailor made and essential	0%
Controversial weapons nontailor made or nonessential	0%
Tobacco production	0%
Tobacco products (related products and services and retail)	<= 5%
Small arms civilian customers (assault weapons)	<= 10%
Small arms civilian customers (nonassault weapons)	<= 10%

- The *null* values prior to December 2019 for adult entertainment, oil and gas, oil sands extraction, shale extraction, thermal coal, small arms, controversial weapons, and tobacco screens have been backfilled based on the latest available data.
- Securities with *null* values prior to December 2019 for adult entertainment, oil and gas, oil sands extraction, shale extraction, thermal coal, small arms, controversial weapons, and tobacco screens have been included for the activity-based exclusions.
- Securities with *null* values prior to December 2019 for United Nations Global Compact data have been included for the baseline exclusions.

**Appendix 3: Target number of stocks**

Index	Target number of stocks
Morningstar Eurozone ESG Select Index	50
Morningstar Transatlantic ESG Select Index	100

**Appendix 4: Parent Indexes**

Index Name	Parent Index	Index Type
Morningstar Eurozone ESG Select 50	Morningstar Eurozone	Price Gross Return Net Return
Morningstar Transatlantic ESG Select 100	Morningstar Eurozone  Morningstar US Market	Price Gross Return Net Return

**Appendix 5: Morningstar ESG Select Decrement Indexes**

Index Name	Underlying Index	Base value	Base Date	Performance Inception Date	Inception Date
Morningstar Eurozone ESG Select 50 Decrement 5% NR EUR	Morningstar Eurozone ESG Select 50	1,000	Jun 19, 2015	Jun 19, 2015	Nov 30, 2022
Morningstar Transatlantic ESG Select 100 Decrement 5% NR EUR	Morningstar Transatlantic ESG Select 100	1,000	Jun 19, 2015	Jun 19, 2015	Nov 30, 2022
Morningstar Eurozone ESG Select 50 Decrement 50 Point GR EUR	Morningstar Eurozone ESG Select 50	1,000	Feb 01, 2022	Jun 19, 2015	Mar 02, 2023
Morningstar Transatlantic ESG Select 100 Decrement 50 Point GR EUR <sup>1</sup>	Morningstar Transatlantic ESG Select 100	900	Feb 02, 2022	Jun 19, 2015	Mar 02, 2023

<sup>1</sup> Please note this index was rebased on the 19<sup>th</sup> of December 2024. Previously the index was based as of the 1<sup>st</sup> of April 2022 at 1000 points.

## Appendix 6: Decrement Levels

The index levels are adjusted by deducting a predetermined value of index points from the gross return (GR) or fixed percentage point from the net return (NR) levels of the base index. These constant markdowns are applied to the base Index daily.

Return Variant of the Base Index	Base Currency	Decrement Type	Decrement Frequency	Decrement Application	Decrement Value	Day Count Convention
Net Total Return Gross Total Return	EUR	Fixed Percentage Decrement or Fixed Point Decrement based on the index version.	Daily	Geometric application for both decrement types.	5% decrement based on the Net Total Return 50-point decrement based on Gross Total Return	*ACT/365

\*ACT is the number of calendar days between two calculation days.

### Formula for Fixed Point Decrement Geometric Decrement Calculation

$IV_t$	=	$(IV_{t-1} \times (U_t \div U_{t-1})) - (D \times (Act(t-1, t) \div DayCount))$
$IV_t$	=	The value of the Fixed Point Decrement Index for calculation day t
$IV_{t-1}$	=	The value of the Fixed Point Decrement Index for day t-1
$U_t$	=	The value of the base Index for calculation day t
$U_{t-1}$	=	The value of the base Index for calculation day t-1
$Act(t-1, t)$	=	Number of calendar days between calculation day t-1 and calculation day t
$D$	=	The Decrement value expressed in Index points
$DayCount$	=	Set to 365

**Formula for Fixed Percentage Decrement**  
**Geometric Decrement Calculation**

<b><math>IV_t</math></b>	<b>=</b>	<b><math>IV_{t-1} \times ((U_t \div U_{t-1}) - (c \times (Act(t-1,t) \div DayCount)))</math></b>
$IV_t$	=	The value of the Fixed Percentage Decrement Index for calculation day t
$IV_{t-1}$	=	The value of the Fixed Percentage Decrement Index for day t-1
$U_t$	=	The value of the base Index for calculation day t
$U_{t-1}$	=	The value of the base Index for calculation day t-1
$Act(t-1,t)$	=	Number of calendar days between calculation day t-1 and calculation day t
$c$	=	The Decrement value expressed in Fixed Percentage
$DayCount$	=	Set to 365

## 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 Index Methodology Committee

The Morningstar Index Methodology Committee oversees all new indexes 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 is comprised of 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 Index Operations Committee

The Morningstar Index 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 UK & EU Benchmark Regulations “BMR”), ensuring methodologies remain fit for purpose and continue to achieve their stated investment objectives. The group is comprised of 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 Index Oversight Committee

The Morningstar Index Oversight Committee is responsible for the index oversight function as per the requirements of the UK & 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.

[www.indexes.morningstar.com](http://www.indexes.morningstar.com)

## Contact Us

[indexes@morningstar.com](mailto:indexes@morningstar.com)

The information in this document is the property of Morningstar, Inc. Reproduction or transcription by any means, in whole or part, without the prior written consent of Morningstar, Inc., is prohibited. While data contained in this report are gathered from reliable sources, accuracy and completeness cannot be guaranteed. All data, information, and opinions are subject to change without notice. This document may contain backtested or simulated performances and the subsequent results achieved by the investment strategy may be materially different.