

Construction Rules for the Morningstar Paris Aligned Benchmark Select Indexes



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Overview

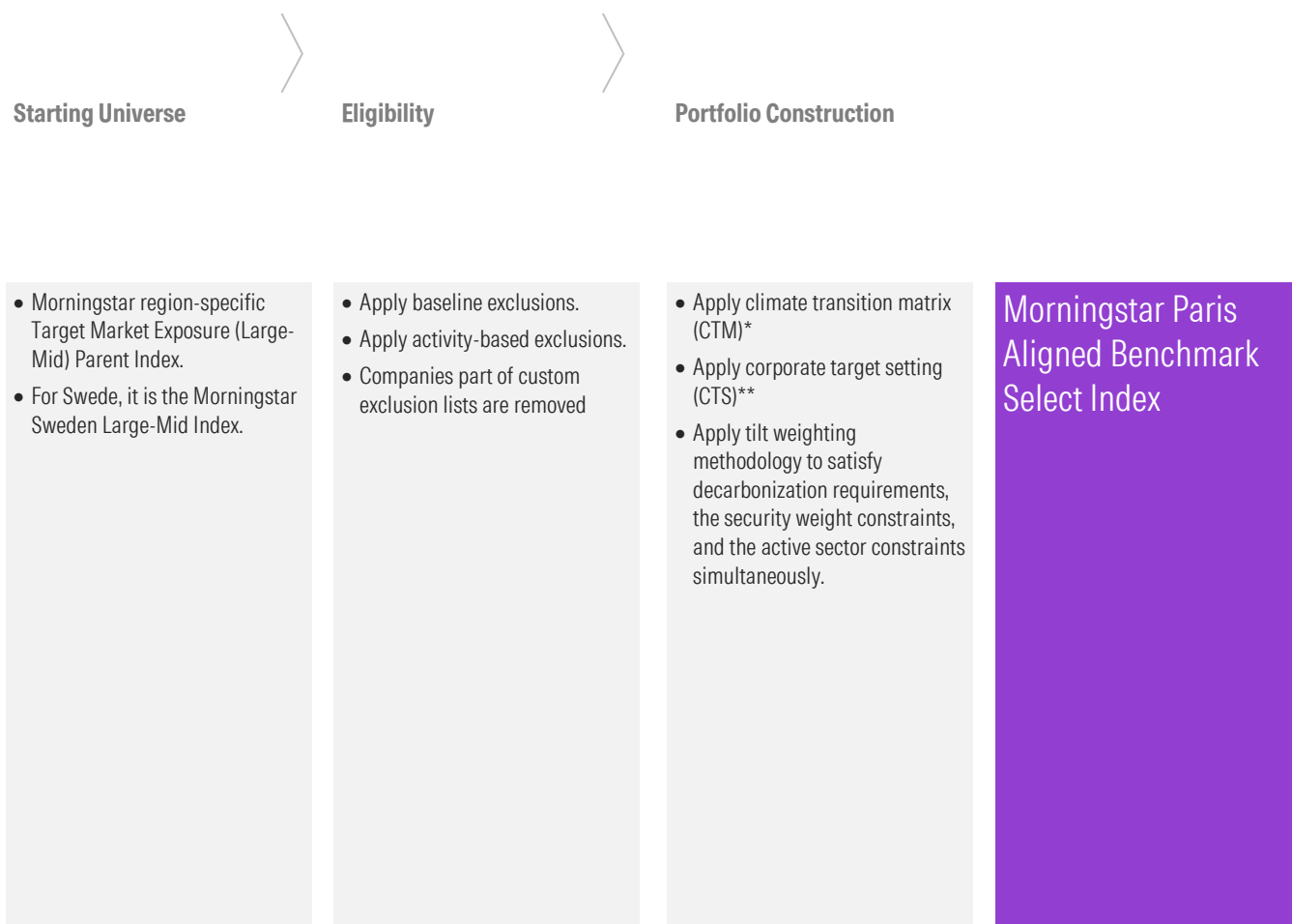
The Morningstar Paris Aligned Benchmark Select Indexes are designed to achieve the minimum standards laid out in the European Union delegated acts. The indexes support investors seeking to reduce their exposure to carbon risk and pursue opportunities arising from the transition to a low-carbon economy. The indexes also seek to reward companies that have credible carbon-reduction targets while achieving a modest tracking error with respect to the parent index. The index family makes use of carbon emissions, carbon rating, product involvement, and ESG controversy data provided by Sustainalytics, a Morningstar company that provides sustainability research.

Index Inception and Performance Start Date

Performance inception and inception dates can be found in Appendix 6.

Index Construction

Methodology Summary



For additional details, refer to the following section.

*From December 2023, the CTM assignments are done based on Sustainability Activities Involvement themes. CTM not applied to the Sweden Paris Aligned Benchmark Select variant.

** CTS not applied to the Sweden Paris Aligned Benchmark Select variant.

Starting Universe

At each reconstitution, securities for the Morningstar Paris Aligned Benchmark Select Indexes are derived from their respective market capitalization target market exposures parent index, except for Sweden, in which case the securities are derived from the Morningstar Sweden Index. For more details on benchmark construction, refer to the construction rules for the [Morningstar Target Market Exposure Indexes](#) and the [Morningstar Global Markets Indexes](#) rulebooks.

Eligibility

To be eligible, all constituents must meet the following criteria. Certain securities are excluded based on the [Länsförsäkringar exclusions framework](#). The list of excluded securities is provided in advance of each reconstitution.

Baseline Exclusions

- The company must not have any revenue involvement in controversial weapons, essential or nonessential.
- The company must not be noncompliant with the principles of the [United Nations Global Compact](#).
- The company must not have a null or severe controversy rating (or a level of 5).

Activity-Based Exclusions (apply only to Paris-Aligned Indexes)

- The company must not have any revenue involvement in thermal coal production, tobacco production/cultivation and thermal coal supporting products / services.
- The company must not have 10% or more of its revenue from oil & gas production and oil & gas supporting products/services.
- The company must not have 50% or more of its combined revenue from oil and gas generation and coal power generation.

Portfolio Construction

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.

Portfolio Constraints

At each semiannual review, the indexes are constructed using a tilt-weighting methodology that aims to achieve replicability and invest ability while keeping the tracking error with respect to the parent cap index low subject to the following conditions and constraints.

Parameter	PAB
Minimum reduction in greenhouse gas intensity (scope 1 + 2 +3) relative to region specific parent large cap index	50%
Minimum average reduction (annualized with geometric compounding) in greenhouse gas intensity relative to greenhouse gas intensity of the index at previous reconstitution date	7%
Minimum active weight in high climate sector relative to Parent Index as defined in Appendix *4	5% of the weight in the Parent Index
Minimum increase in weight of companies having revenue involvement equal to or greater than 50% in Green Emerging Technologies relative to the Parent Index*	50% or 25% as determined by the climate transition matrix
Minimum increase in weight of companies setting carbon reduction targets relative to the parent index. In case of conflicts, the climate transition matrix gets priority to the corporate target setting application**	1.5-degree scenario: 20%, 2 or way below 2-degree scenario: 10%
Minimum constituent weight	1% of weight in parent benchmark
Maximum constituent weight	Determined based on UCITS capping

*The climate transition matrix from December 2023 assignment has been changed. Please refer to Appendix 2 for additional details.

** For Sweden PAB Select Index, the active sector constraint is applied at a cumulative level; that is, the cumulative weight of the high-impact sector in the portfolio should not be less than that in the Parent Index. We also don't implement the climate transition matrix or the corporate target setting for Sweden PAB Select Index. For the Japan PAB Select Index and the Developed Europe Select Index, the active sector constraint is applied at a cumulative level as well, but we do implement the climate transition matrix and the corporate target setting.

The objectives are achieved by using a tilt-weighting approach as mentioned below.

$$W_{PORT} = W_P * SCI^{\alpha} * F_{CM} * F_{CTS} * F_{SC} * F_{CP}$$

- W_{PORT} : Weight of the security in the PAB Index
- W_P : Weight of the security in the parent index
- SCI : Carbon Intensity Standard Score (refer to Step1 of process below)
- F_{CM} : Climate matrix factor score (refer to Appendix 2, calculation methodology)
- F_{CTS} : Corporate target setting factor score (refer to Appendix 3)
- F_{SC} : Sector constraint control factor
- F_{CP} : Security constraint control (refer to the parameter table above)
- α : Exponential tilt powers determined at each index rebalance to achieve the design objectives. The power has a sensitivity of 0.01.

The Process

Step 1: The carbon intensity standard scores are determined by first calculating the respective Z scores over the entire universe and then using a cumulative distribution function to determine the S scores. To reflect the inverse correlation of carbon intensity with portfolio weights, the S scores are changed to $1 - S$ scores.

Step 2: The Parent Index weights are tilted by the carbon intensity S score, subject to the exponential power α . The α is set to 0.01 for the first iteration.

Step 3: The climate transition matrix and corporate target setting metrics are incorporated at the security floor and ceiling weight constraints.

Step 4: The sector tilt factors are applied to achieve the sector constraints.

Step 5: The individual security constraints are applied without distorting the sector constraints.

Step 6: Based on the security weights that we get from Step 5, we check whether UCITS capping has been satisfied or not. If UCITS is being breached, then we follow the steps below.

- We cap the weights of companies with weight greater than 10% at 10% and redistribute the excess weight among the remaining securities proportionately.
- For cases where the 5-40 rule is being breached, we sort the companies in descending order of their weights and find the cumulative weight at each level.
- We cap the weights of companies that have a weight greater than or equal to 5% and cumulative weight of greater than 40% at 4.99%. The maximum permissible weight of the securities belonging to these companies will be readjusted to a lower number based on the security's weight in the parent company and the new maximum permissible weight of that company. We will also readjust the minimum permissible weight of these securities proportionate to the reduction in the maximum permissible weight

Index Weighting

The index is float market-cap weighted. The weights are then drifted using a tilt methodology to satisfy the portfolio constraints. For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#). Indexes have a 5-10-40 weighting that has been implemented at the company level.

Index Maintenance and Calculation

Reconstitution and Rebalancing

The index is reconstituted, where the membership is reset, semi-annually on the third Friday of June and 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, EVIC, NACE, and ESG (including emissions, product involvement, and Sustainability Activities Involvement) data used for reconstitution is as of the last trading day of May and November.

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. During quarterly reviews, constituents with a controversy rating of 5 are deleted from the index, parent index eligibility is maintained and UCITS capping (5-10-40 at company level) is maintained. If Monday is an index holiday, the rebalance is reflected the next business day.

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-adjusted 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 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 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: Glossary

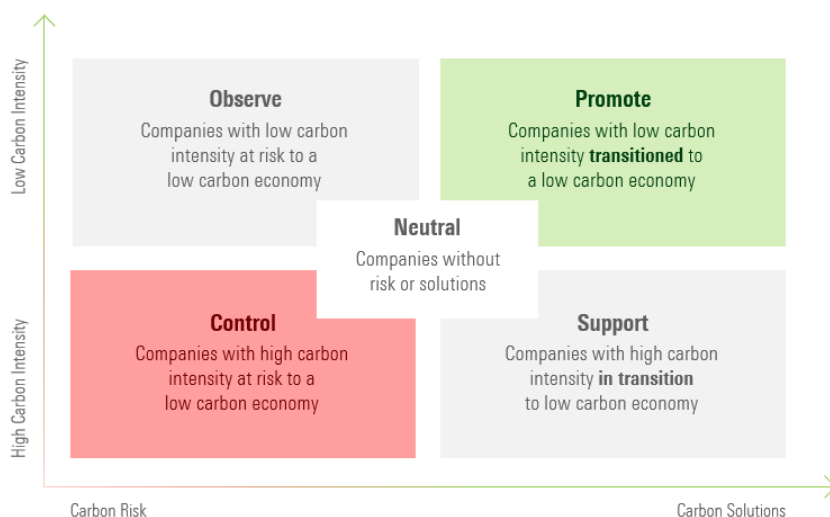
Terms	Description
Reconstitution	During each reconstitution, the steps mentioned in the index construction process are performed, resulting in membership reset.
Rebalance	During each rebalancing, the weights are adjusted for updated free-float and shares outstanding data.

Appendix 2: Morningstar Climate Transition Matrix

The climate transition matrix is not applied for the Morningstar® Sweden Paris Aligned Benchmark Select.™

Prior to December 2023, the Morningstar climate transition matrix is designed to identify companies that have high or severe risk to their valuation from the transition to a low-carbon economy or that have more than 25% exposure to key business that will gain prominence in a low-carbon economy as assessed by the Sustainalytics Carbon Solutions Involvement. The other dimension evaluates the climate intensity of a company within its respective sector.

Exhibit 2 Morningstar Climate Transition Matrix



Calculation Methodology

Step 1: Assess a company for carbon risk and solution. Unless a company scores high or severe in carbon risk or derives more than 25% of its revenue from carbon solutions, it is assigned to the neutral cohort.

Step 2: Assess the carbon intensity of a company relative to its sector median. Assign a high or low carbon intensity category based on the comparison.

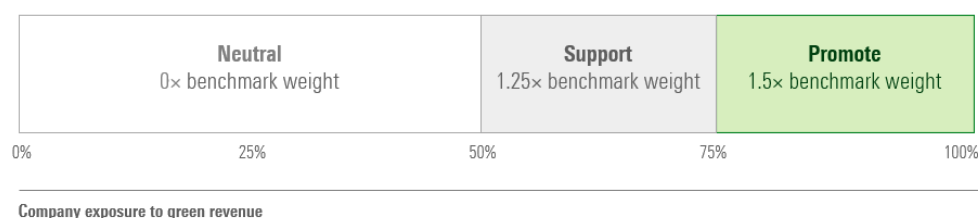
Step 3: Downweight or upweight securities relative to the parent index based on the cohort assignment.

- Control (carbon risk and high carbon intensity) cohort securities are downweighted at least 50% relative to their weight in the parent index.
- Observe (carbon risk and low carbon intensity) cohort securities are downweighted at least 25% relative to their weight in the parent Index.
- Support (carbon solution and high carbon intensity) cohort securities are upweighted at least 25% relative to their weight in the parent Index.

- Promote (carbon solution and low carbon intensity) cohort securities are upweighted at least 50% relative to their weight in the parent Index.

From December 2023, the Morningstar climate transition matrix is designed to identify companies that have high or that have at least 50% exposure to key businesses around Green Technologies that will gain prominence in a low-carbon economy as assessed by the Sustainalytics Carbon Solutions Involvement.

Exhibit 3 Morningstar Climate Transition Matrix



Calculation Methodology

Step 1: Assess a company based on its cumulative Sustainability Activities Involvement (Green Emerging Technologies) revenue.

Step 2: Upweight securities relative to the parent index based on the cohort assignment.

- Support (Cumulative Green Technologies revenue from 50% until 75%) cohort securities are upweighted at least 25% relative to their weight in the parent Index.
- Promote (Cumulative Green Technologies revenue from 75%) cohort securities are upweighted at least 50% relative to their weight in the parent Index.

Sustainable Activity Involvement Themes (Green Emerging Technologies)

Category	Sustainable Activity Involvement Theme
Climate Action	Consumer Electronics Energy Efficiency
	Technologies Energy Efficiency Distribution
	Transmission Energy Efficiency Distribution
	Technologies Energy Efficiency Industrials
	Technologies Energy Efficiency Materials
	Bioenergy Renewable Energy Generation
	CSP Renewable Energy Generation
	Geothermal Renewable Energy Generation
	Hydropower Renewable Energy Generation
	Ocean Renewable Energy Generation
	Solar PV Renewable Energy Generation
	Wind Renewable Energy Generation
	Technologies Maintenance Renewable Energy
	Technologies Renewable Energy
	Bioenergy Renewable Energy Support

	CSP Renewable Energy Support
	Geothermal Renewable Energy Support
	Hydropower Renewable Energy Support
	Ocean Renewable Energy Support
	Solar PV Renewable Energy Support
	Wind Renewable Energy Support
Climate Action, Resource Security	Construction Green Buildings
	Development Green Buildings
	Renovation Green Buildings
	Acquisition Green Buildings
	Technologies Maintenance Green Buildings
	Technologies Green Buildings
	Devices Green Buildings
	Equipment Green Buildings
	Professional Services Green Buildings
	Low Carbon Infrastructure Green Transportation
	Rail Infrastructure Green Transportation
	Interurban Passengers Green Transportation
	Urban Green Transportation
	Technologies Green Transportation
	Batteries Green Transportation
	Technologies Green Vehicles
Basic Needs, Resource Security	Technologies Pollution Prevention
	Hazardous Waste Management
	Technologies Water
	Construction Wastewater Services
	Construction Water supply Services
	Water Adaptation
	Wetlands Adaptation
	Construction Wastewater Infrastructure
	Construction Water supply Infrastructure
	Renewal Wastewater Infrastructure
	Renewal Water supply Infrastructure
Health Ecosystems, Resource Security	Packaged Food Sustainable Food
	Dairy Sustainable Food
	Food Distribution Sustainable Food
	Grocery Stores Sustainable Food
	Management Sustainable Forestry
	Wooden Goods Sustainable Forestry
	Aquaculture Sustainable Agriculture
	Livestock Sustainable Agriculture
	Non-Perennials Sustainable Agriculture
	Perennials Sustainable Agriculture
	Machinery Sustainable Agriculture
	Manufacturing Sustainable Agriculture

Resource Security	Pesticides & Fertilizers Sustainable Agriculture
	Machinery Recycling
	Non-Hazardous Waste Recycling Sales
	Non-Hazardous Waste Recycling Services

Appendix 3: Corporate Target Setting*

Securities are upweighted relative to the parent index based on the following conditions:

- The company publishes its annual emissions.
- The company has reduced its greenhouse gas intensity at least 7% for the last three consecutive years.
- The company has published carbon-reduction targets. This is ascertained through commitments to the Science Based Targets initiative.
 - × A company that commits to a 1.5-degree scenario is upweighted by 20% relative to the parent index.
 - × A company that commits to a way-below-2-degree or a 2-degree scenario is upweighted by 10% relative to the parent index.

*For the indexes listed in this methodology book (except Morningstar Sweden Paris-Aligned Benchmark Select Index), Corporate Target Setting will be applied from June'24 onwards.

*Corporate Target Setting is not applicable to Morningstar Sweden Paris-Aligned Benchmark Select Index.

Science-Based Targets Initiative

The Science-Based Targets Initiative drives ambitious climate action in the private sector by enabling companies to set science-based emissions-reduction targets. The initiative is a collaboration among CDP, the World Resources Institute, the Worldwide Fund for Nature, and the United Nations Global Compact. Science-based targets show companies how much and how quickly they need to reduce their greenhouse gas emissions to prevent the worst effects of climate change. For a list of companies taking action or for more information on the initiative, please visit the Science Based Targets initiative [website](#).

Targets are considered science-based if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement—limiting global warming to well below 2 degrees Celsius above preindustrial levels and pursuing efforts to limit warming to 1.5 degrees.

Appendix 4: Calculation of Target Metrics

Calculation of Carbon, or Greenhouse Gas, Intensity

The total emission of a security is defined as the sum of the scope 1, scope 2, and scope 3 emissions. Enterprise value including cash is the sum, at fiscal year-end, of the market capitalization of ordinary shares, the market capitalization of preferred shares, and the book value of total debt and noncontrolling interests, without the deduction of cash or cash equivalents. The carbon intensity of a security is defined as the ratio of the total emissions (in metric tons) adjusted for the inflation in EVIC and the EVIC of the company (in millions of U.S. dollars).

For parent index constituents where the scope 1+2+3 emissions intensity is not available, the average scope 1+2+3 emissions intensity of all the constituents of the Morningstar Global Target Market Exposure Large Mid Index in the same NACE section in which the constituent belongs is used. A valid carbon intensity value can only be calculated if both the emissions and EVIC values are available for the company.

Total Emissions = (Scope 1 + Scope 2 + Scope 3) Emissions

$$\text{Greenhouse Gas Intensity} = \frac{\text{Total Emissions}}{\text{Enterprise Value Including Cash (in Mn USD)}}$$

$$\text{Security Level Carbon Intensity} = \frac{\text{Total Emissions (1 + EVIAF)}}{\text{Enterprise Value Including Cash (in Mn USD)}}$$

$$* \text{Enterprise Value Inflation Factor (EVIAF)} = \frac{\text{Average Enterprise Value Including Cash}}{\text{Previous Average Enterprise Value Including Cash}} - 1$$

$$\text{Enterprise Value Including Cash (EVIC)} = (\text{MktCap}_{\text{Ordinary Shares}} + \text{MktCap}_{\text{Preferred Shares}} + \text{BV}_{\text{Debt}} + \text{NCI})$$

$$\text{Weighted Average Carbon (GHG) Intensity} = \sum (\text{Index Weight} * \text{Security Level GHG Intensity})$$

*The Inflation adjustment factor is calculated at the parent index level.

*Carbon intensity of securities is adjusted by the EVIAF factor only during those reconstitutions when we observe an increase in the average EVIC value as compared with the previous reconstitution. In case of a decrease, the EVIAF is set to 1.

Calculation of Target High Impact NACE Section Weights

For Climate Transition Benchmark Index Family, the target weight of the NACE Sections belonging to the High Impact Group (A,B,C,D,E,F,G,H,L) is set at 1.05x their respective weights in the Parent Index.

For Paris-Aligned Indexes, NACE Section B is left unconstrained because of its significant removal due to Activity-Based exclusions that are required by the EU Regulations. The weight of the excluded securities from NACE Section B is redistributed to the remaining High impact NACE Sections (A,C,D,E,F,G,H,L) in proportion to their weights in the Parent Index. 1.05x of these updated weights of the High Impact NACE Sections in the Parent Index is set as the target weight.

Calculation of Average Decarbonization

The Climate Transition and Paris-Aligned Indexes follow a 7% decarbonization trajectory since the base date.

The weighted average greenhouse gas intensity of the Index at the (n-1)th reconstitution is used to compute the target weighted average greenhouse gas intensity at any given semiannual index review, according to the following formula.

$$CI_T = CI_{T-1} * (0.93)^{(1/2)}$$

The base date for all carve-outs is set at June 21, 2021. CI_{T-1} is the achieved carbon intensity of the portfolio on the (n-1)th reconstitution date.

We also aim to achieve a min 50% reduction in greenhouse gas intensity with respect to the custom benchmark Index on each reconstitution date. The minimum of these two intensity targets is set as the target portfolio intensity for the given semiannual index review.

Parent Index	Base Date	Benchmark intensity (MT CO ₂ /Mn USD EVIC)
Morningstar Sweden Large-Mid Index	June 21, 2021	117.02
Morningstar Developed Markets Target Market Exposure	June 21, 2021	264.68
Morningstar Developed Europe Target Market Exposure	June 21, 2021	384.71
Morningstar US Target Market Exposure	June 21, 2021	188.88
Morningstar Japan Target Market Exposure	June 21, 2021	508.42
Morningstar Emerging Markets Target Market Exposure	June 21, 2021	389.55

Appendix 5: Baseline & Activity Based Exclusions

Detailed Criteria	Backfill Date	Missing Data Treatment	Threshold for Paris - Aligned Indexes
Highest Controversy Level	-	Exclude	Controversy Rating of 5 excluded
UNGC Compliance Status	-	Include before Dec 19, exclude from Dec 19	Non-compliant securities are excluded
Controversial Weapons Tailor Made & Essential	-	Include before Dec 19, exclude from Dec 19	CW1 companies excluded
Controversial Weapons Non-Tailor Made or Nonessential	-	Include before Dec 19, exclude from Dec 19	CW3 companies excluded
Oil & Gas (Production)	Dec 19	Exclude	<10%
Oil & Gas (Supporting Products & Services)	Dec 19	Exclude	<10%
Tobacco Products (Production)	Dec 19	Exclude	0%
Thermal Coal (Production)	Dec 19	Exclude	0%
Thermal Coal (Supporting Products & Services)	Mar 22	Exclude	0%
Thermal Coal Power Generation Revenue	Dec 20	Exclude	a%*
Oil & Gas Power Generation Revenue	Mar 21	Exclude	b%*

*a+b% is greater than or equal to 50%.

*In the backtest of Indexes listed in this methodology book, *null* values post backfilling for activity-based screens have been removed from the universe with the exception of Oil & Gas Power Generation and Thermal Coal Generation, where *null* values have been treated as 0% revenue involvement.

* From Dec. 22 onwards, any security with missing values for the above-mentioned data points (including Controversy score and GCC Status) will be removed from the universe.

Appendix 6: Index Inception Date and Performance Inception Date

Index Name	Parent Index	Performance Inception Date	Inception Date
Morningstar Sweden Large-Mid Paris Aligned Benchmark Select	Morningstar Sweden Large-Mid Index	June 17, 2016	4/15/2022
Morningstar Developed Markets Target Market Exposure Paris Aligned Benchmark Select	Morningstar Developed Markets Target Market Exposure	Dec. 19, 2014	4/15/2022
Morningstar Developed Europe Target Market Exposure Paris Aligned Benchmark Select	Morningstar Developed Europe Target Market Exposure	Dec. 19, 2014	4/15/2022
Morningstar US Target Market Exposure Paris Aligned Benchmark Select	Morningstar US Target Market Exposure	Dec. 19, 2014	4/15/2022
Morningstar Japan Target Market Exposure Paris Aligned Benchmark Select	Morningstar Japan Target Market Exposure	Dec. 19, 2014	4/15/2022
Morningstar Emerging Markets Target Market Exposure Paris Aligned Benchmark Select	Morningstar Emerging Markets Target Market Exposure	Dec. 19, 2014	4/15/2022

Appendix 7: Climate Impact Sectors

NACE is the European Union's classification of economic activities. According to EU regulation, the NACE sections A, B, C, D, E, F, G, H, and L are deemed high climate impact sectors that cannot be underweight relative to their respective weights in the parent index. However, for the Morningstar Target Market Exposure Paris Aligned Benchmark Select Index, instead of not underweighting NACE Sections A, B, C, D, E, F, G, H and L individually, we ensure that the cumulative weight of these NACE Sections is not less than 1.05x their weight in the benchmark. The other sections are left unconstrained as a part of the tilt weighting methodology. Every company in the parent index is mapped to a particular NACE section and further aggregated to form the respective sector constraint cohorts. In the backtest, for companies that had a missing NACE section in their history, the NACE data has been back-propagated as NACE is a slow-changing data. Companies for which we did not have a valid NACE section even after back-propagating have been removed from the eligible universe.

For further details regarding NACE, please refer to https://ec.europa.eu/eurostat/statistics-explained/index.php?title=NACE_background.

Appendix 8: Index Treatment in Case of Inability to Meet Required Decarbonization Target

In the off chance that the Index is unable to achieve the target decarbonization in a particular year, then we will relax the active sector constraint from being 5% of the benchmark weight for the High Impact NACE Sections to incrementally lower numbers greater than or equal to 0% till the target is met. We will still be in compliance with the EU Regulations which requires the cumulative weight of the High Impact Sector group to not be less than that in the benchmark. We have implemented a stricter approach in our methodology. If the required decarbonization target is still not being achieved, the 5-10-40 weighting of the index will be relaxed, and we will switch to an approach that will achieve the required decarbonization trajectory while simultaneously try to keep the weights of the securities as close to the 5-10-40 rule.

Appendix 9: Modifications to Rulebook

Section	Description	Update Date
Product involvement based exclusions	Added the following screens: <ul style="list-style-type: none"> • Thermal Coal Supporting Products / Services • Oil & Gas Supporting Products / Services • Thermal Coal Power Generation Revenue • Oil & Gas Power Generation Revenue 	Dec 19, 2022
Decarbonization Trajectory	Minimum average reduction (annualized with geometric compounding) in greenhouse gas intensity is set at 7% relative to greenhouse gas intensity of the Paris-Aligned Index at the previous reconstitution date	Dec 19, 2022
Climate Transition Matrix	The climate transition matrix from December 2023 assignment has been changed. The new matrix uses Sustainability Activities Involvement (Green Emerging Technologies) revenue.	Dec 18, 2023
Data Correction and Precision	Computational and Reporting Precision Section removed.	June 2025

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 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 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 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 Index Oversight Committee

The Morningstar Index 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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