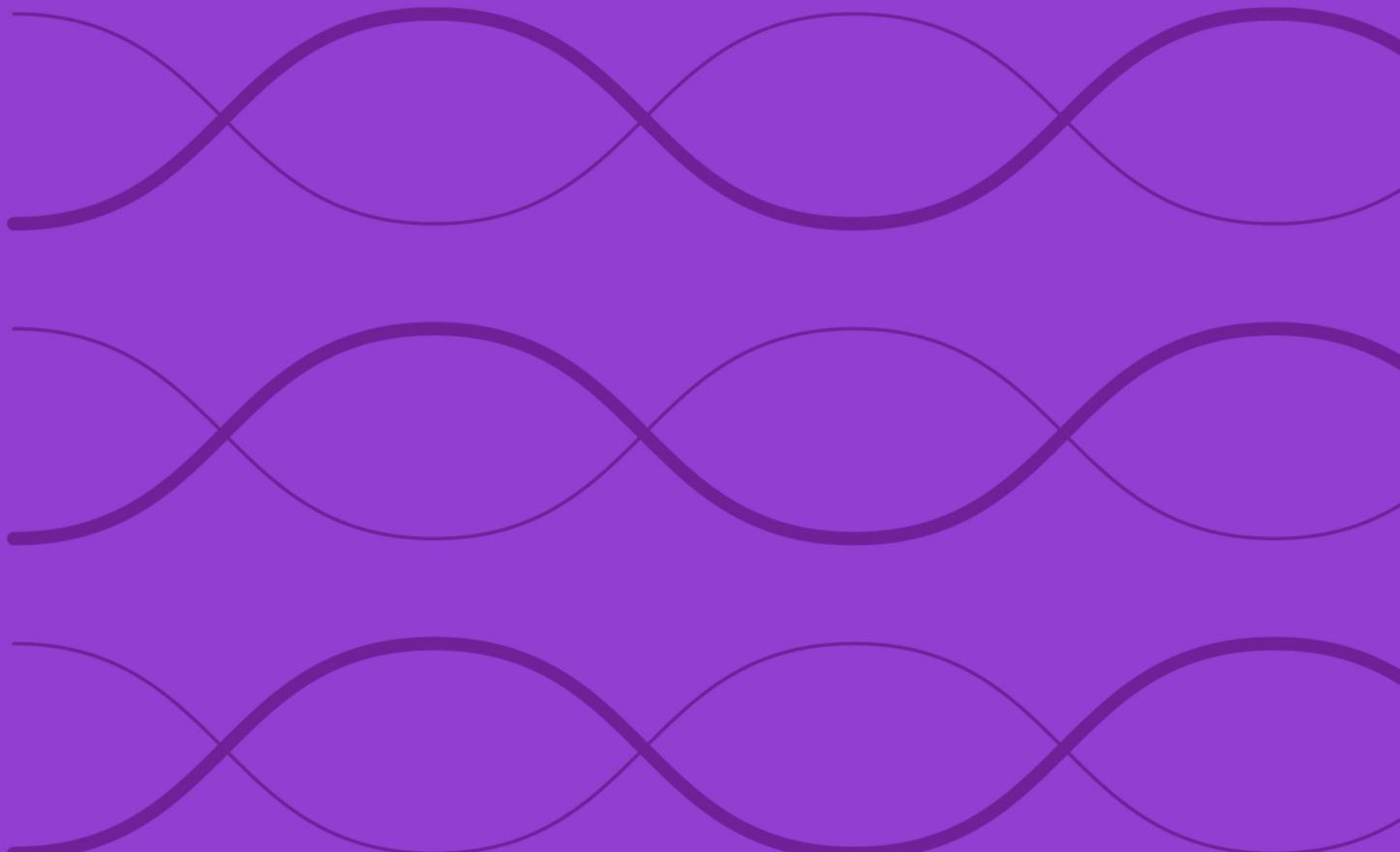




Morningstar Indexes

Methodology Change Policy



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Overview

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 periodically reviews the methodologies of its indexes to ensure that they continue to achieve the stated investment objectives relative to current market conditions. Any change made to the index construction, calculation rules, or corporate action treatment that affects the index selection universe, portfolio composition and weights, or its ongoing maintenance is deemed a methodology change.

This document details the systematic process Morningstar Indexes follows for ongoing methodology enhancements, including key stakeholders involved and their responsibilities. A set of well-defined guidelines leads to robust outcomes, aiming to ensure that methodology changes are put through consistent internal procedures.

Methodology Change Policy

Morningstar indexes are constructed using transparent rules-based methodologies that prescribe the reconstitution and rebalancing frequency. Methodologies are reviewed during an index's regularly scheduled maintenance to ensure that it reflects the underlying economics of the market or the strategy it intends to represent. The effectiveness of index methodologies can be affected by a number of factors, such as changes to the liquidity profile of the relevant market, regulatory changes, and market accessibility change. In addition, methodologies may need to be reviewed to incorporate the evolution of industry best practices, the definition of sectors, themes or factors, input data points, or improvements to methodology design.

In addition to the periodic methodology reviews performed during regularly scheduled maintenance, Morningstar Indexes aims to conduct annual methodology reviews that thoroughly analyse the indexes and ensures continued alignment with stated investment objectives.

On occasion, methodology reviews may be conducted at the request of market participants or stakeholders outside of Morningstar Indexes.

Methodology Change Process

All methodology change proposals are first reviewed by the Morningstar Index Methodology Committee ("IMeC") for all Morningstar owned Indexes. For all externally owned indexes administered by Morningstar, proposals are presented to the Morningstar Indexes Services Methodology & Administration Committee ("ISMA"). Each of IMeC and ISMA is referred to as the "Relevant Committee."¹ Each proposal is accompanied by an impact analysis to understand the rationale and extent of the

¹ For indexes that are owned and administered by Morningstar Indexes' clients but calculated by Morningstar Indexes, where the client's methodology explicitly references this policy, the client's committee is responsible for all methodology decisions. The same methodology change framework, including materiality assessment and consultation process, applies.

change. The Relevant Committee is responsible for determining whether a methodology change is material. A methodology change is usually considered major or material when the objective of the index is altered or where index performance or portfolio composition is significantly impacted.

To inform the decision-making process and ensure index stakeholders have an opportunity to provide opinion on proposed methodology changes, the Relevant Committee may initiate a consultation process. A consultation is likely to be initiated in the case of material methodology changes in respect of indexes where Morningstar Indexes is aware of use in connection with an investable product. If a consultation is initiated, a consultation document highlighting the proposed changes and relevant analysis is broadly distributed to market participants, including, but not limited to, clients and external stakeholders. The consultation document will clearly outline the intended timetable for the consultation and proposed methodology change, and provide details of how to submit feedback.

The duration of the consultation varies depending on the impact, complexity of the change, and time-sensitive nature of change. Generally, Morningstar Indexes will aim to provide two weeks for market participants to provide comment, but this may not always be possible. When the consultation window has closed, the feedback from the market participants are analyzed and presented to the Relevant Committee.

Following a thorough analysis of the methodology change proposal, including feedback received during any consultation period, the Relevant Committee makes a decision on the methodology change. The Relevant Committee will take into account a number of factors including, but not limited to, the following:

- Whether the change is consistent with the design of the index.
- Whether the change to the methodology is necessary to ensure the index continues to align with the stated objectives.
- Whether the index continues to measure the targeted underlying market.
- The impact on market participants and end investors.
- Potential costs and turnover associated with the change.
- Constituents' underlying data changes.

The final decision, including the rationale for the change and details of how it will be implemented, will be communicated to all stakeholders at the same time. Decisions will, in general, be implemented at reconstitutions or rebalances, and where possible with 30 days' advance notice.

Communication of Methodology Change Statement

Where the Relevant Committee decides to proceed with a methodology change, a statement is disseminated to clients and is published on the Morningstar Indexes website. The methodology change statement will cover:

- The methodology change and its rationale.
- List of affected indexes and an impact analysis, as deemed appropriate.
- A summary of feedback received (if any).
- Effective date of the approved change.

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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 Services Methodology & Administration Committee

The purpose of the Morningstar Index Services Methodology & Administration Committee is to oversee all new index development, index methodology changes, and cessation of indexes for any indexes where Morningstar provides calculation and administration services but does not own the Intellectual Property of the indexes. 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 the index calculation services and administration business, with regard to 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 European Benchmarks Regulation (the “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 European Benchmarks Regulation (the “BMR”), providing independent oversight of all aspects of the governance of benchmark administration. 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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