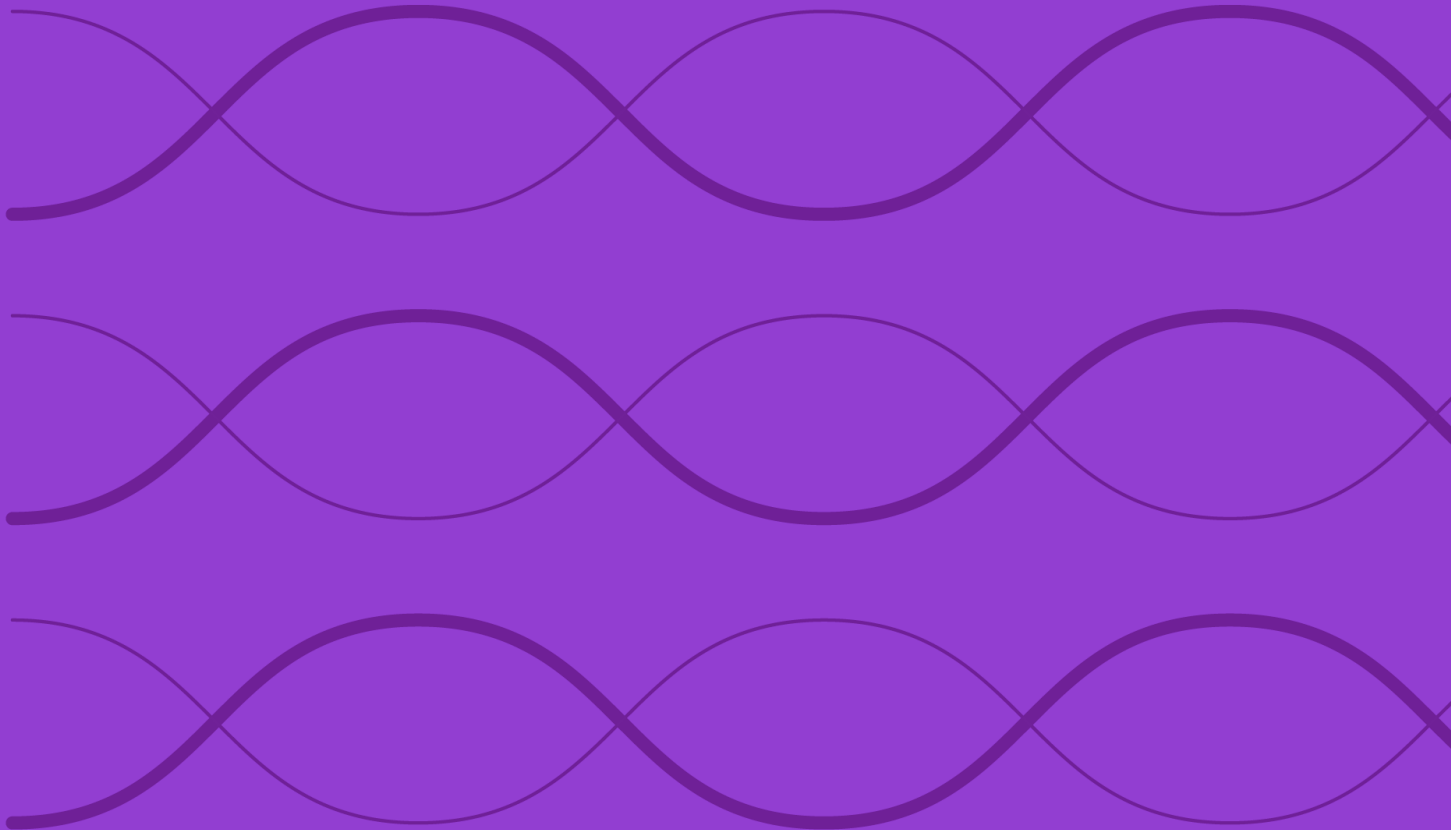


Construction Rules for the Morningstar® Developed Markets ex-US Large Cap Dividend Leaders Screened Select



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Overview

The Morningstar® Developed Markets ex-US Large Cap Dividend Leaders Screened Select Index targets high-yielding stocks with records of consistent dividend payments and the capacity to sustain their dividends. The securities are selected from the Morningstar Developed Markets ex-US Large Cap Index. The dividend-leaders index consists of the 100 top-yielding securities that satisfy the screening criteria. The index also incorporates Environmental, Social, or Governance (ESG) criteria screens based on data from Morningstar Sustainalytics.

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

Index Inception and Performance Start Date

The index inception date is Sept 15, 2025 and the performance start date, when the first back-tested index value was calculated, is Jun 20, 2014.

Index Construction

Methodology Summary

Starting Universe

- Securities from the Morningstar Developed Markets ex-US Large Cap Index

Eligibility

- Screen for dividend payers.
- REITs are excluded
- Dividend growth screen
- Dividend sustainability screen
- Remove companies with Severe ESG Risk Rating and Severe controversies
- Product involvement screens

Portfolio Construction

- Select top 100 securities by 12-month trailing dividend yield
- 5% individual security capping
- 40% sector capping

Morningstar®
Developed Markets
ex-US Large Cap
Dividend Leaders
Screened Select

Starting Universe

At each reconstitution, constituents of the Morningstar® Developed Markets ex-US Large Cap Dividend Leaders Screened Select are derived from the Morningstar Developed Markets ex-US Large Cap Index (benchmark). For more details on benchmark construction, refer to the construction rules of the [Morningstar Global Markets Indexes](#).

At each reconstitution, constituents of “The Index” are derived from “Eligible Universe”.

Eligibility

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

- Dividend payment screen: Trailing 12-month dividend per share must be positive
- Dividend growth screen: Five-year trailing 12-month dividend per share growth must not be negative

The 12-month trailing dividend per share for the current year is compared with the 12-month trailing dividend per share of 5-years back. (For example: 2017 December reconstitution, data used is as of November 2017 to calculate 12-month trailing dividend per share and it will be compared with same period 2012 dividend per share and their growth should not be negative)

- Dividend sustainability screen: Forward dividend payout ratio must be less than 75%.

$$\text{Forward dividend payout ratio} = \frac{\text{TTM DPS}}{\text{Consensus EPS estimate}}$$

- REIT screen: Real estate investment trusts are ineligible.
- Multiple share class screen: Only the most liquid share class as determined by Morningstar is eligible.
- ESG Exclusions:

- The security must not have a null ESG Risk Rating or Controversy Score.
- Security must not belong to the Severe ESG Risk Rating Category.
- Security controversy score must be 4 (out of 5) or lower.
- Security must not be non-compliant with the principles of the United Nations Global Compact.
- Security product involvement must be 0% for the following activities:
 - Tobacco Products Production
 - Controversial Weapons
 - Small Arms Civilian
 - Small Arms Key Components
- Security involvement must be less than 5% for the following activities:
 - Thermal coal extraction
 - Thermal coal power generation

Portfolio Construction

- Current index constituents ranked within the top 125 by trailing 12-month dividend yield in the eligible universe are retained in the index.
- The top-yielding securities remaining ones are selected until the number of constituents reaches 100.

Number of Stocks

The index contains 100 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 index can have more or fewer than 100 securities. During reconstitution, if the number of securities is less than the target, 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.

Index Weighting

The index is dividend-dollar weighted. This means constituents are weighted in proportion to their total value of dividends paid out over the past trailing 12 months. For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#). The maximum weight of each security is capped at 5%. In addition, the weight of an individual sector in the index is constrained to a maximum of 40%.

Index Maintenance and Calculation

Reconstitution and Rebalancing

The index is reconstituted and rebalanced semi-annually and is implemented after the close of business on the third Friday of June and December and is effective the following Monday. If Monday is a holiday, it is effective on the next business day. The market data used for reconstitution and rebalance is as of the last trading day of May and November.

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 alternatively-weighted indexes corporate action methodology. For more details, please refer to the [Morningstar Indexes Corporate Actions Methodology](#).

Index Calculation and Price Data

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

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, 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 decommissioning of the index or benchmark index could disrupt subscriber products that reference this index, all subscribers are encouraged to have robust fallback procedures in the event an index is decommissioned. 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 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
Original version	Original Morningstar Developed Markets ex-US Dividend Leader Screened Select	September 2025

Appendix 2: 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 3: ESG Screens

Category	Name	Backfill Date*	Missing data Treatment #	Reason for Exclusion
Controversy	Highest Controversy Level	NA	Exclude	Null or 5(severe)
Compliance	UNGC Compliance Status	NA	Exclude if >= Dec' 19	Non Compliant
Controversial Weapons	Controversial Weapons	NA	Exclude if >= Dec' 19	Involvement
	Tailor-made and essential			
Controversial Weapons	Controversial Weapons	NA	Exclude if >= Dec' 19	Involvement
	Non tailor-made or non essential			
ESG Risk Rating	ESG Risk Score	NA	Exclude	>40
Small Arms - Producers	Small Arms Civilian Customers (Assault Weapons)	Dec'19		> 0%
	Small Arms Civilian Customers (Non-Assault Weapons)	Dec'19	Include if < Backfill Date Exclude if >= Backfill Date	> 0%
	Small Arms Key Components	Dec'19		> 0%
	Tobacco	Tobacco Products Production	Dec'19	

Thermal Coal	Thermal Coal Extraction	Dec'19	>= 5%
	Thermal Coal Power Generation	Dec'19	>= 5%

* The missing data prior to the backfill date have been backfilled based on the earliest data available.

Missing data treatment is applied after the data backfill process is completed.

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.

www.indexes.morningstar.com

Contact Us

indexes@morningstar.com

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