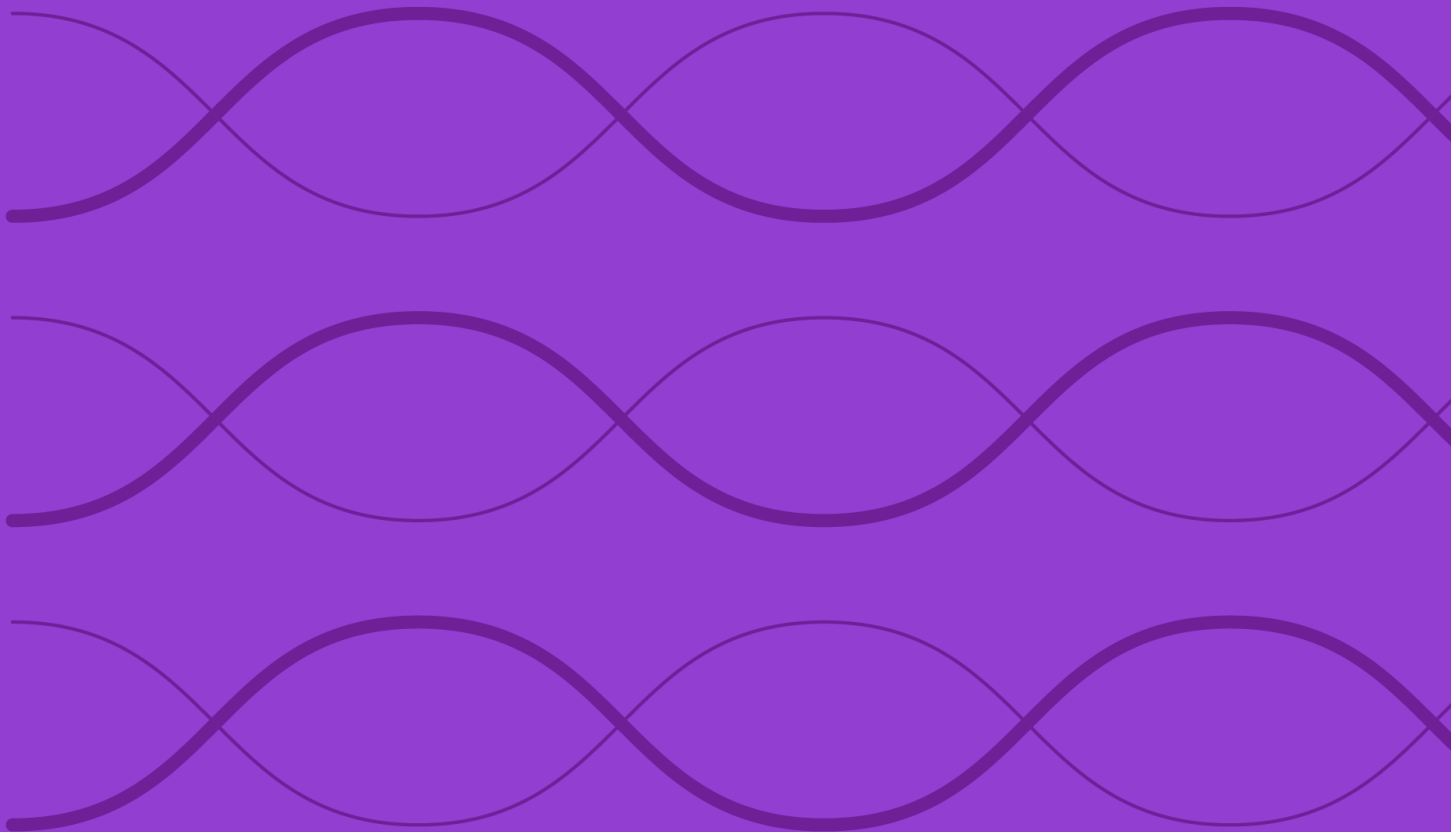


Construction Rules for the Morningstar Large Cap Target Market Exposure Paris Aligned Benchmark Select Indexes



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Overview

The Morningstar Large Cap Target Market Exposure Paris Aligned Benchmark Select Indexes, which feature the Morningstar Developed Europe Large Cap Target Market Exposure Paris Aligned Benchmark Select Index and Morningstar US Large Cap Target Market Exposure Paris Aligned Benchmark Select Index, 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. The Index follows the Intergovernmental Panel on Climate Change's (IPCC) '1.5°C with no or limited overshoot temperature scenario.

For further information on ESG data used in the index, please see the [Morningstar ESG Index Glossary](#).

Index Inception and Performance Start Date

Performance inception and inception dates can be found in Appendix 7.

Index Construction

Methodology Summary

Starting Universe

- Select all Large-Mid from the Morningstar Target Market Exposure Index Family.

Eligibility

- Apply baseline exclusions.
- Apply activity-based exclusions.
- Securities must be a part of the large cap segment and belong to the respective region (Developed Europe/US) of the parent benchmark
- Companies part of custom exclusion lists are removed
- Only primary shareclass

Portfolio Construction

- Minimum security weight threshold is set to 1% of the parent weight
- Maximum security weight threshold is set to min (parent weight + 5%, 20x parent weight)
- Apply climate transition matrix (CTM)* and corporate target setting (CTS)
- If a security's maximum weight threshold is less than the minimum security weight threshold then the minimum weight threshold is reset to 1% of the parent weight
- Apply tilt weighting methodology to satisfy decarbonization constraints and the UCITS capping simultaneously.

Morningstar Large Cap Target Market Exposure Paris Aligned Benchmark Select Indexes

*From December 2023, the CTM assignments are done based on Sustainable Activities Involvement themes.

Starting Universe

At each reconstitution, securities for the Morningstar Large Cap Target Market Exposure Paris Aligned Benchmark Select Index are derived from their respective market capitalization target market exposures parent index and must belong to the large cap segment. For more details on benchmark construction, refer to the construction rules for the [Morningstar Target Market Exposure Indexes](#).

Eligibility

To be eligible for index inclusion, all constituents must meet the following criteria. Certain securities are excluded based on the Lahi Tapiola's exclusions* framework. The list of excluded securities is provided in advance of each reconstitution on 1st June/1st December to the Morningstar Indexes Operations team.

- Baseline requirements
 - The company must not have any revenue involvement in anti-personnel mines, biological and chemical weapons, or cluster weapons.
 - 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 in the following areas:
 - Thermal Coal (Extraction and Supporting Products & Services)
 - Tobacco Products (Production)
 - The company must not have 5% or more of any revenue involvement in the following areas:
 - Adult Entertainment (Production and Distribution)
 - Gambling (Operations, Specialized Equipment and Supporting Products & Services)
 - The company must not have 10% or more of its revenue involvement in the following areas:
 - Oil & Gas (Production and Supporting Products & Services)
 - The company must not have 50% or more of its combined revenue from oil and gas generation and coal power generation.

For both baseline and activity-based exclusions, companies with missing values for any of the above screens would be excluded. For more details refer to Appendix 6.

- If a company has more than one eligible share class:
 - Preference is given to the one that is a current index constituent.
 - Otherwise, the most liquid share class determined by Morningstar Indexes is used.

* If the Morningstar Indexes Operations Team does not receive the custom exclusions list by the above specified date, then the most recent exclusions lists would be applied for the reconstitution.

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 semi-annual review, the indexes are constructed using a tilt-weighting methodology that aims to achieve replicability and investability while keeping the tracking error with respect to the region specific parent large 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 (per year) in greenhouse gas intensity relative to the greenhouse gas intensity of the PAB portfolio at previous effective date	7%

Sector Constraint	Cumulative weight of the High Impact sectors should not be less than 1.05x their weight in the benchmark
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	Minimum (weight in parent benchmark + 5%, 20x weight in parent benchmark).

*The climate transition matrix from December 2023 assignment has been changed. Please refer to Appendix 3 for additional details

Additionally, an absolute B-A-C (5-10-40) capping is applied at a company level.

If a company maximum constituent weight is above 10%, then the company maximum weight is set to 10% and for the individual securities maximum weight is set based on the proportion of the parent benchmark weight.

After the climate transition matrix and corporate target settings applications, if a security's maximum weight threshold is less than the minimum security weight threshold, then the minimum weight threshold is reset to 1% of weight in parent benchmark.

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 3, calculation methodology)
- F_{CTS} : Corporate target setting factor score (refer to Appendix 4)
- F_{SC} : Sector constraint control factor
- F_{CP} : Sector constraint control (refer to the parameter table above)
- α : Exponential tilt powers determined at each index rebalance to achieve the design objective. 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 (B-A-C) capping has been satisfied or not. If the capping 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 4.99% 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.

Index Weighting

The index is float-adjusted market capitalization-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 capping. This means no single constituent can have a weight greater than 10% and the sum of those with weights greater than 5% cannot exceed 40%.

Index Maintenance and Calculation

Reconstitution and Rebalancing

Semi-annual Reconstitution (June and December)

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. The market data used for reconstitution is as of the last trading day of April and October.

Quarterly Rebalance

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. If Monday is an index holiday, the rebalance is reflected the next business day. The market data used for rebalancing is as of the last trading day of February, May, August, and November. During quarterly reviews, parent index eligibility is maintained and securities with a null of severe (level of 5) controversy rating are deleted from the index. The absolute B-A-C (5-10-40) capping at company level is additionally maintained.

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](#). (if calculated by Cirrus)

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, 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 methodology as described within this document, 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 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
Data Correction and Precision	Computational and Reporting Precision Section removed	June 2025
Index Maintenance & Calculation	Analyst data used for reconstitution updated from the Tuesday before June 2025 the second Friday of the reconstitution month to the first Friday of the reconstitution month	

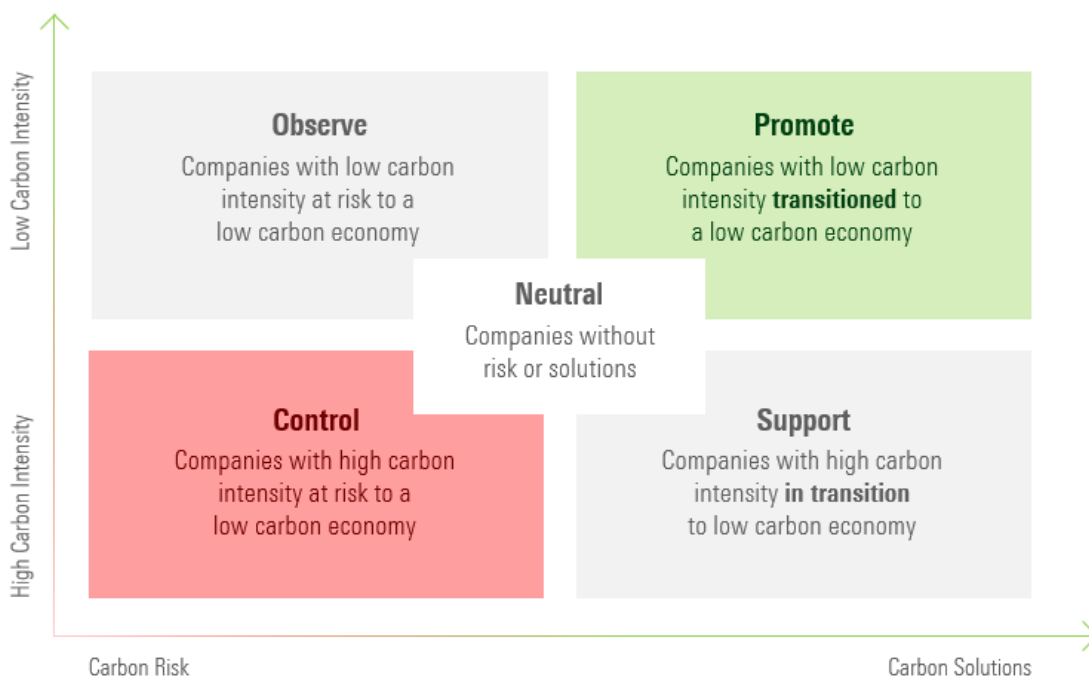
Appendix 2: Glossary

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: Morningstar Climate Transition Matrix

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.

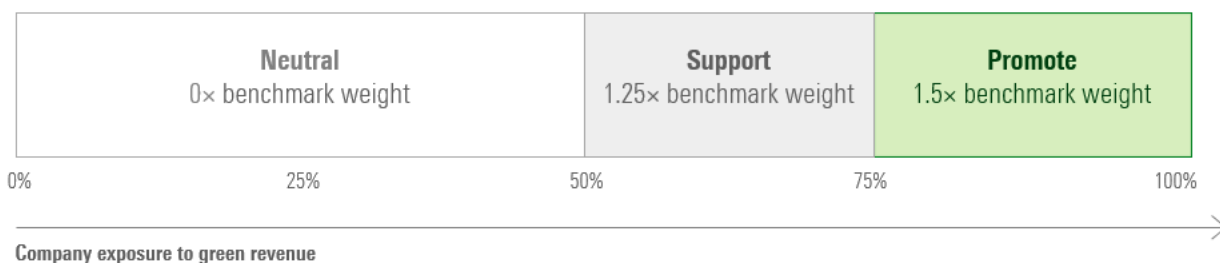
Exhibit 2 Morningstar Climate Transition Matrix



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

Appendix 4: Corporate Target Settings

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

The corporate target setting is implemented from 2018 to 2020 in the backtest before the trajectory was reset based on inclusion of Scope 3 emissions. The CTS would again be implemented from 2024 going forward.

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 5: 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

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

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

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

$$\text{Enterprise Value Including Cash (EVIC)} = (\text{MktCapOrdinaryShares} + \text{MktCapPreferred Shares} + \text{BV}_{\text{Debt}} + \text{NCI})$$

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

*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

The target weight of the High Impact Sector Group is set at 1.05x its cumulative weight in the Parent Index.

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 semi-annual 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 semi-annual index review.

Index Name	Base Date	Benchmark intensity (MT CO₂/Mn USD EVIC)	Portfolio intensity (MT CO₂/Mn USD (EVIC))
Morningstar Developed Europe Large Cap Target Market Exposure Paris Aligned Benchmark Select Index	June 21, 2021	443.4	221.2
Morningstar US Large Cap Target Market Exposure Paris Aligned Benchmark Select Index	June 21, 2021	192.0	95.3

Appendix 6: Baseline & Activity Based Exclusions

Detailed Criteria	Backfill Date	Missing Data Treatment	Threshold for exclusion
Product Revenue Involvement Screens			
Highest Controversy Level	-	Exclude	5
UNGC Compliance Status	-	Include before Dec 19, exclude from Dec 19	Non-compliant
Anti-Personnel Mines – Category of Involvement	N/A	Exclude	AP1 or AP3
Biological and Chemical Weapons – Category of Involvement	N/A	Exclude	C1 or BC3
Cluster Weapons – Category of Involvement	N/A	Exclude	CM1 or CM3
Adult Entertainment (Production) – Level of Involvement	Dec 19	Include before Dec 19, exclude from Dec 19	Greater than 5%
Adult Entertainment (Distribution) – Level of Involvement	Dec 19	Include before Dec 19, exclude from Dec 19	Greater than 5%
Gambling (Operations) - Level of Involvement	Dec 19	Include before Dec 19, exclude from Dec 19	Greater than 5%
Gambling (Special Equipment) - Level of Involvement	Dec 19	Include before Dec 19, exclude from Dec 19	Greater than 5%
Gambling (Supporting Products & Services) - Level of Involvement	Dec 19	Include before Dec 19, exclude from Dec 19	Greater than 5%
Oil & Gas (Production) - Level of Involvement	Dec 19	Include before Dec 19, exclude from Dec 19	Greater than 10%
Oil & Gas (Supporting Products & Services) - Level of Involvement	Dec 19	Include before Dec 19, exclude from Dec 19	Greater than 10%
Tobacco Products (Production) - Level of Involvement	Dec 19	Include before Dec 19, exclude from Dec 19	Any involvement
Thermal Coal (Extraction) - Level of Involvement	Dec 19	Include before Dec 19, exclude from Dec 19	Any involvement
Thermal Coal (Supporting Products & Services) - Level of Involvement	Mar 22	Include before Mar 22, exclude from Mar 22	Any involvement

Thermal Coal Power Generation Revenue – Revenue Percentage	Dec 20	Include before Dec 20, exclude from Dec 20	a%*
Oil & Gas Power Generation Revenue – Revenue Percentage	Mar 21	Include before Mar 21, exclude from Mar 21	b%*

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

Appendix 7: Index Inception Date and Performance Inception Date

Index Name	Parent Index	Performance Inception Date	Inception Date
Morningstar® Developed Europe Large Cap Target Market Exposure Paris Aligned Benchmark Select Index	Morningstar Developed Europe Large Cap Target Market Exposure Index	December 22, 2014	November 28, 2022
Morningstar® US Large Cap Target Market Exposure Paris Aligned Benchmark Select Index	Morningstar US Large Cap Target Market Exposure Index	December 22, 2014	November 28, 2022

Appendix 8: 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 9: 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 0%. If we still are unable to meet the requirement, UCITS weighting (5-10-40) 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. This is in compliance with the EU Regulations, and we have implemented a stricter approach in our methodology.

Appendix 9: Modifications to the 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 	December 19, 2022

	<ul style="list-style-type: none"> Oil & Gas Power Generation Revenue <p>Removed the following screens:</p> <ul style="list-style-type: none"> Arctic Oil & Gas Extraction Oil Sands Extraction Thermal Coal Power Generation Oil & Gas Power Generation 	
Corporate Target Setting	For the index Corporate Target Setting will be applied from June'24 onwards based on 2021 inclusion of Scope 3 emissions.	December 19, 2022
Calculation of average decarbonization	The portfolio carbon intensity (MT CO2/Mn USD (EVIC)) for Jun 21 for Morningstar® Developed Europe Large Cap Target Market Exposure Paris Aligned Benchmark Select Index has been updated from 220.8 to 221.2 The portfolio carbon intensity (MT CO2/Mn USD (EVIC)) for Jun 21 for Morningstar® US Large Cap Target Market Exposure Paris Aligned Benchmark Select Index has been updated from 95.1 to 95.3	December 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.	December 18, 2023
Data Correction and Precision	Computational and Reporting Precision section removed	October 22, 2024
Product Involvement Based Exclusions	<p>Added the following product involvement exclusions screens at 5% threshold:</p> <ul style="list-style-type: none"> Adult Entertainment (Production) Adult Entertainment (Distribution) Gambling (Operations) Gambling (Specialized Equipment) Gambling (Supporting Products/Services) Military Contracting Weapons Military Contracting Weapons (Products and Services) Small Arms (Civilian Assault) Small Arms (Civilian Non Assault) Small Arms (Customers) Small Arms (Key Components) Small Arms (Retail Distribution - Assault) 	December 2024

	<ul style="list-style-type: none"> • Small Arms (Retail Distribution - Non Assault) 	
Product Involvement Based Exclusions	<p>Added the following screens:</p> <ul style="list-style-type: none"> • Anti-Personnel Mines – Category of Involvement • Biological and Chemical Weapons – Category of Involvement • Cluster Weapons – Category of Involvement <p>Removed the following screens:</p> <ul style="list-style-type: none"> • Military Contracting (Weapons and Weapons Production & Services) • Small Arms (Civilian Assault, Civilian Non-Assault, Customers, Key Components, Retail Distribution Assault and Retail Distribution Non-Assault) • Controversial Weapons Tailor Made & Essential – Category Level of Involvement • Controversial Weapons Non-Tailor Made or Nonessential – Category Level of Involvement 	December 2025
Eligibility	Removal of dual listings so only the primary share class is eligible	December 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 the European Benchmarks Regulation (“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 (“BMR”), providing independent oversight of all aspects of the governance of benchmark administration as required by the 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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