

# Construction Rules for the Morningstar EU Climate Index Family



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## Overview

The Morningstar EU Climate Indexes, which include Climate Transition Benchmark or CTB, and Paris-Aligned Benchmark, or PAB variations, 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 Index family 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 and applies the Corporate Target Setting using data from Science Based Target Initiatives.

## Index Inception and Performance Start Date

Performance inception dates of the indexes are Dec. 18, 2014, when the first back-tested index value was calculated. Inception dates of the indexes are Sept. 30, 2021.

## Index Construction

### Methodology Summary

#### Starting Universe

- Morningstar region specific large-mid index

#### Eligibility

- Apply baseline exclusion.
- Apply activity-based exclusions (Paris Aligned Indexes only).

#### Portfolio Construction

- Apply climate transition matrix (CTM)\*.
- Apply corporate target setting.
- Apply tilt weighting methodology to satisfy the decarbonization requirements, the security weight constraints and the active sector constraints simultaneously.

Morningstar EU  
Climate Index

For additional details, refer to the following section.

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

### Starting Universe

At each reconstitution, securities for the Climate Transition and Paris-aligned Indexes are derived from their respective market-capitalization parent index. For more details on benchmark construction, refer to the construction rules for the [Morningstar Global Markets Indexes rulebook](#).

### Eligibility

To be eligible for the Morningstar EU Climate Indexes, all constituents must meet the following criteria:

- Baseline requirements
  - The company must not have any revenue involvement in anti-personnel mines, biological and chemical weapons, cluster weapons, depleted uranium, or white phosphorous and tobacco production/cultivation.
  - The company must be compliant with the principles of the [United Nations Global Compact](#).
  - The company must not have a 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, 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.

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.

## 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.

### Index Weighting

At each semiannual 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 parent index low subject to the following conditions and constraints:

Parameter	CTB	PAB
Minimum reduction in greenhouse gas intensity (scope 1 + 2 +3) relative to Parent Index	30%	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 5*	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 the Parent Index	
Maximum constituent weight	Min(weight in Parent Index+ 5%, 20x of weight in Parent Index)	

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

The above 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
- $F_{CP}$ : Security constraint control (refer to the parameter table above)
- $\alpha$ : 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  $\alpha$ . The  $\alpha$  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.

## Index Maintenance and Calculation

### Reconstitution and Rebalancing

The index is reconstituted, where the membership is reset, and rebalanced semiannually, 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. During quarterly reviews on the third Friday of March and September, constituents with a controversy rating of 5 are deleted from the index. Parent Index eligibility is maintained during the quarterly reviews.

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 Cessation 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 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 Cessation Process](#).



## 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
Data Correction and Precision	Computational and Reporting Precision Section removed	May 2025

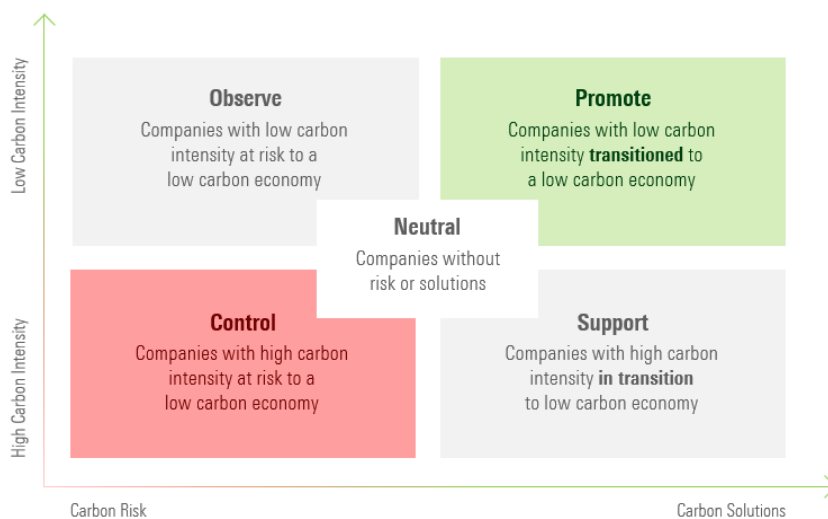
### Appendix 2: Glossary

Terms	Description
<b>Reconstitution</b>	During each reconstitution, the steps mentioned in the index construction process are performed, resulting in membership reset.
<b>Rebalance</b>	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.

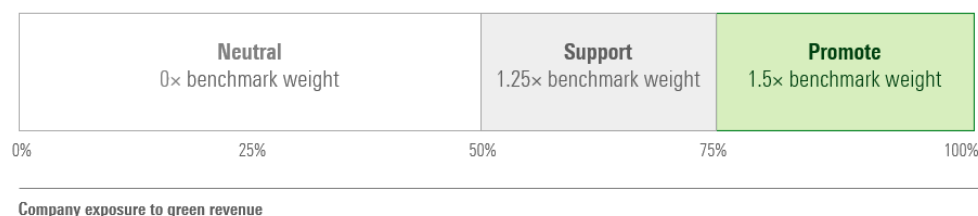
Step 2: Assess the carbon intensity of a company relative to its sector median. Assign a high or low carbon intensity category based on the comparison.

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 Sustainability 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

## Climate Action, Resource Security

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  
 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  
 Technologies Pollution Prevention  
 Hazardous Waste Management  
 Technologies Water  
 Construction Wastewater Services  
 Construction Water supply Services  
 Water Adaptation

## Basic Needs, Resource Security

Wetlands Adaptation  
 Construction Wastewater Infrastructure  
 Construction Water supply Infrastructure  
 Renewal Wastewater Infrastructure  
 Renewal Water supply Infrastructure  
 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

## Health Ecosystems, Resource Security

Resource Security

Perennials Sustainable Agriculture  
 Machinery Sustainable Agriculture  
 Manufacturing Sustainable Agriculture  
 Pesticides & Fertilizers Sustainable Agriculture  
 Machinery Recycling  
 Non-Hazardous Waste Recycling Sales  
 Non-Hazardous Waste Recycling Services

#### Appendix 4: 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.

The corporate target setting is implemented from 2018-20 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.

$$\text{Total Emissions} = (\text{Scope 1} + \text{Scope 2} + \text{Scope 3}) \text{ Emissions}$$

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

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

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

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

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

\*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

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)<sup>th</sup> 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)<sup>th</sup> reconstitution date.

We also aim to achieve a min 30% (50% for Paris-Aligned Indexes) reduction in greenhouse gas intensity with respect to the Parent 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 <sub>2</sub> /Mn USD EVIC)
Morningstar Global Markets Large Mid Index	June 21, 2021	258.8
Morningstar Developed Markets Large Mid Index	June 21, 2021	234.4
Morningstar Developed Europe Large Mid Index	June 21, 2021	331.4
Morningstar Emerging Markets Large Mid Index	June 21, 2021	421.3

#### Appendix 6: Baseline & Activity Based Exclusions

Detailed Criteria	Backfill Date	Missing Data Treatment	Threshold for Climate Transition Indexes	Threshold for Paris -Aligned Indexes
Highest Controversy Level	-	Exclude	Controversy Rating of 5 excluded	Controversy Rating of 5 excluded
UNGC Compliance Status	-	Include before Dec. 19, exclude from Dec. 19	Noncompliant securities are excluded	Noncompliant securities are excluded
Anti-Personnel Mines – Category of Involvement	-	Exclude	AP1 or AP3	AP1 or AP3
Biological and Chemical Weapons – Category of Involvement	-	Exclude	BC1 or BC3	BC1 or BC3
Cluster Weapons – Category of Involvement	-	Exclude	CM1 or CM3	CM1 or CM3
Depleted Uranium – Category of Involvement	-	Exclude	DU1 or DU3	DU1 or DU3
White Phosphorous – Category of Involvement	-	Exclude	WP1 or WP3	WP1 or WP3
Oil & Gas (Production)	Dec. 19	Exclude	NA	<10%
Oil & Gas (Supporting Products & Services)	Dec. 19	Exclude	NA	<10%
Tobacco Products (Production)	Dec. 19	Exclude	0%	0%
Thermal Coal (Production)	Dec. 19	Exclude	NA	0%
Thermal Coal (Supporting Products & Services)	Mar. 22	Exclude	NA	0%
Thermal Coal Power Generation Revenue	Dec. 20	Exclude	a%*	a%*
Oil & Gas Power Generation Revenue	Mar. 21	Exclude	b%*	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.

The null values prior to backfill dates are backfilled based on their latest available data for each of the above screens.

## Appendix 7: Index Inception Date and Performance Inception Date

Index Name	Performance Inception Date	Inception Date
Morningstar Global Markets EU Climate Transition Benchmark	19/12/2014	30/09/2021
Morningstar Global Markets Paris Aligned Benchmark	19/12/2014	30/09/2021
Morningstar Developed Markets EU Climate Transition Benchmark	19/12/2014	30/09/2021
Morningstar Developed Markets Paris Aligned Benchmark	19/12/2014	30/09/2021
Morningstar Developed Markets EU Europe Climate Transition Benchmark	19/12/2014	30/09/2021
Morningstar Developed Europe Paris Aligned Benchmark	19/12/2014	30/09/2021
Morningstar Emerging Markets EU Climate Transition Benchmark	19/12/2014	30/09/2021
Morningstar Emerging Markets Paris Aligned Benchmark	19/12/2014	30/09/2021

## Appendix 8: Climate Impact Sectors

NACE is the European Union's classification of economic activities. According to EU regulations, NACE Sections A, B, C, D, E, F, G, H, and L are deemed high climate impact sectors and cannot be underweight relative to their respective weights in the Parent Index. The other sections are left unconstrained as a part of the tilt weighting methodology. To accommodate for activity-based exclusions, Section B is left unconstrained in the Paris-Aligned Indexes. 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 backtests, 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 point. 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](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 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.

### Appendix 10: Modifications to Rulebook

Section	Description	Update Date
Product involvement-based exclusions	Added the following screens: <ul style="list-style-type: none"> <li>Thermal Coal Supporting Products / Services</li> <li>Oil &amp; Gas Supporting Products / Services</li> <li>Thermal Coal Power Generation Revenue</li> <li>Oil &amp; Gas Power Generation Revenue</li> </ul>	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
Active Sector Constraint	The minimum active weight of the individual High Impact NACE Section (with the exception of NACE Section B in Paris-Aligned Benchmark Indexes) has been set at 0.05% of their corresponding weight in the Parent Index instead of an absolute value of 0%	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
Product involvement-based exclusions	Added the following screen to CTB Indexes: <ul style="list-style-type: none"> <li>Tobacco Production/Cultivation</li> </ul>	Dec. 18, 2023
Product involvement-based exclusions	Added the following screens: <ul style="list-style-type: none"> <li>Anti-Personnel Mines – Category of Involvement</li> <li>Biological and Chemical Weapons – Category of Involvement</li> <li>Cluster Weapons – Category of Involvement</li> <li>Depleted Uranium – Category of Involvement</li> <li>White Phosphorous – Category of Involvement</li> </ul> Removed the following screens: <ul style="list-style-type: none"> <li>Controversial Weapons Tailor Made &amp; Essential – Category Level of Involvement</li> </ul>	Dec. 22, 2025

	<ul style="list-style-type: none"><li>Controversial Weapons Non-Tailor Made or Nonessential – Category Level of Involvement</li></ul>	
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## 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.

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

## Contact Us

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

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