

Construction Rules for the Morningstar® Transatlantic Sustainable Development Goals Select 100 Index

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Overview

The Morningstar® Transatlantic Sustainability Development Goals Select 100 Index is designed to deliver exposure to 100 companies in the US and Developed European region, whose business activities contribute positively to the UN Sustainable Development Goals (SDGs). The index constituents must pass stringent ESG screens and derive at least 25% of revenues from one or more of the following Sustainalytics' Impact Themes: Climate Action, Healthy Ecosystems, Resource Security, and Basic Needs. To emphasize companies signalling positive contribution, securities are selected based on the highest total impact score, subject to further constraints, as measured by Sustainalytics' Sustainable Activities Involvement Metrics.

This index does incorporate environmental, social, or governance criteria.

Index Inception and Performance Start Date

The index inception date is October 8, 2026, and the performance start date, when the first back-tested index value was calculated, is December 21, 2018.

Index Construction

Methodology Summary

Starting Universe

- Select securities from Morningstar Developed Markets All Cap Target Market Exposure Index belong to the US or Developed Europe.

Eligibility

- Liquidity filter of 3-month ADTV EUR 10mn is applied.
- Activity based ESG screens are applied.
- Baseline ESG screens are applied.
- Companies with null or severe (> 40) ESG Risk Ratings are excluded.
- Total impact revenue for each company should be at least 25%.

Portfolio Construction

- Total number of companies is 100 with US and Developed Europe have equal number of holdings based on highest total impact revenue and float market capitalization.
 - In cases where one of the regions do not have enough eligible securities, additional securities would be selected from the other region.
- The index is free float market capitalization weighted with an absolute security cap of 10%, regional capping of 60% US and 40% Developed Europe and a sector capping of 35%.
- The index is reconstituted quarterly.

Morningstar®
Transatlantic
Sustainable
Development Goals
Select 100 Index

Starting Universe

At each reconstitution, constituents of the Morningstar® Transatlantic Sustainable Development Goals Select 100 Index are derived from the Morningstar Developed Markets All Cap Target Market Exposure Index with securities belonging to US and Developed Europe regions. 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:

Baseline exclusions:

- The security must not have any revenue involvement in controversial weapons, essential or nonessential.
- The security must not be non-compliant with the principles of the United Nations Global Compact.
- The security must not have a null or Security controversy score of 5
- The security must not have a null or Severe (> 40) ESG Risk Rating

Activity-based exclusions:

- The security must not have any revenue involvement in:
 - Small Arms Retail/Distribution (Assault and Non-assault)
 - Small Arms Civilian
 - Small Arms Key Components
 - Thermal Coal Extraction
 - Tobacco Production
- The security must not have 10% or more of its revenue from:
 - Oil and Gas Production
 - Oil and Gas Supporting Products & Services
- The security must not have 50% or more of its combined revenue from:
 - Thermal Coal Power Generation
 - Oil and Gas Power Generation

Other exclusions:

- The security must have 3-month average ADTV of EUR 10mn or higher
- The security must have the total impact revenue percentage higher than equal to 25%

The additional details are available in Appendix 2

Portfolio Construction

- At each reconstitution, at most 50 securities within each region are selected based on the higher total impact revenue. In case two securities have same total impact revenue, higher float market capitalization would be the tiebreaker. If a region has less than 50 securities, securities from other region is selected to reach the target count.
 - The final selected index could be less than 100 securities in case there aren't sufficient eligible securities.
- An absolute security capping of 10% is applicable along with a regional capping of US 60% and Developed Europe 40% and a sector capping of 35%.
 - In case the capping is not feasible, the sector capping would be relaxed, and the regional and security capping would be maintained.

Number of Stocks

The indexes target a fixed number of stocks based on a transparent ranking system subject to the application of eligibility criteria at reconstitution. However, if fewer than the targeted number of securities from the starting universe meet eligibility criteria, or if securities are added or deleted as a result of corporate actions after reconstitution, the constituent count may deviate from the targeted number. During reconstitution, if the number of eligible securities is less than the targeted constituent count, all eligible securities are selected. The reconstitution schedule is provided in the "Index Maintenance and Calculation" section. The target counts for the indexes is 100.

Index Weighting

The index is float-adjusted market capitalization-weighted. For more details, refer to the [Morningstar Indexes Calculation Methodology rulebook](#).

Capping

A simple 10% cap is applied to individual security weights. In the event of a breach of this cap, securities above the cap are assigned a weight equal to cap. The excess weight from these capped stocks is redistributed to the remaining constituents within the same region US (60%) or Developed Europe (40%) and within sectors (35%) in proportion of their pre-capped weights in an iterative manner. The order of capping is as follows:

1. Aggregate weights are first constrained to the target regional allocation: United States 60% and Developed Europe 40%.
2. A 10% security cap is then applied to each individual security within its region. Any security exceeding 10% is set to the cap, and its excess weight is redistributed to the other constituents in the same region in proportion to their pre-cap weights.
3. A 35% sector cap is finally applied to each sector across the overall portfolio, with any excess weight redistributed to the remaining sectors on the same proportional, iterative basis.

Index Maintenance and Calculation

Reconstitution and Rebalancing

The index is reconstituted, where the membership is reset, and 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, reconstitution is reflected the next business day. The market and Sustainalytics data used for reconstitution is as of the last trading day of February, May, August, 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 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, 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

Index calculation data input defects—such as price, dividends, other mandatory corporate actions, or foreign-exchange rates—that do not affect the index shares and if discovered within two trading days are generally corrected, and the index is recalculated regardless of the performance impact.

Where such index calculation data input defects are discovered after two trading days, an index restatement will typically only occur if the impact on performance is material; otherwise, the correction is applied prospectively.

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: Glossary

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

Appendix 2: ESG Screens

Category	Name	Backfill Date*	Missing data Treatment #	Reason for Exclusion
Controversy	Highest Controversy Level	-	Exclude	5
UNGC	UNGC Compliance Status	-	Exclude	Non-compliant
Controversial Weapons	Controversial Weapons – Tailor Made and essential	December 2019	Include before December 2019 and exclude from December 2019	CW1
	Controversial Weapons – Non Tailor Made and Non essential	December 2019	Include before December 2019 and exclude from December 2019	CW3
Tobacco	Tobacco Production – Level of Involvement	December 2019	Include before December 2019 and exclude from December 2019	Any involvement
Thermal Coal	Thermal Coal Extraction – Level of Involvement	December 2019	Include before December 2019 and exclude from December 2019	Any involvement
Oil & Gas	Oil & Gas Production – Level of Involvement	December 2019	Include before December 2019 and exclude from December 2019	Greater than 10% (Greater than 1)
	Oil & Gas Supporting Products / Services – Level of Involvement	December 2019	Include before December 2019 and exclude from December 2019	Greater than 10% (Greater than 1)
Small Arms	Small Arms Civilian Customers (Assault Weapons) – Level of Involvement	December 2019	Include before December 2019 and exclude from December 2019	Any involvement
	Small Arms Civilian Customers (Non-Assault Weapons) – Level of Involvement	December 2019	Include before December 2019 and exclude from December 2019	Any involvement

	Small Arms Key Components – Level of Involvement	December 2019	Include before December 2019 and exclude from December 2019	Any involvement
	Small Arms Retail Distribution (Assault Weapons) – Level of Involvement	December 2019	Include before December 2019 and exclude from December 2019	Any involvement
	Small Arms Retail Distribution (Non-Assault Weapons) – Level of Involvement	December 2019	Include before December 2019 and exclude from December 2019	Any involvement
Total Power Generation	Thermal Coal Power Generation Revenue – Revenue Percentage	December 2020	Include before December 2022 and exclude from December 2022	a%*
	Oil & Gas Power Generation Revenue – Revenue Percentage	March 2021	Include before December 2022 and exclude from December 2022	b%*
ESG Risk Score	ESG Risk Score	-	Exclude	Greater than 40

* The missing data prior to the backfill date have been backfilled based on the earliest data available. *a+b% is greater than 50%.

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

Appendix 3: Sustainable Activities Involvement

Metrics provide insights on which companies engage in economic activities that contribute to a more just and sustainable world and the revenue derived from it. An economic activity is considered sustainable if it fulfils a sustainability criterion, which is determined based on our analysis of industry norms, market standards, and other widely accepted certification schemes. Examples of sustainable activities revenue that contribute to our Impact Themes and SDGs include the provision of credit for low-income or disadvantaged borrowers or manufacturing of low carbon technologies for pollution prevention. Prior to June 2022, revenue exposures are sourced from Sustainable Product Research (SPR) Data corresponding to SAI. A list of 64 SAI metrics identified and corresponding SPR themes is as below:

Sustainable Product Research Themes

Category	Sustainable Product Research Theme
Energy Efficiency	Consumer Products
	Distribution and Management
	Industrial Systems and Processes
	Materials
	Distribution Management
Sustainable Agriculture, Food & Forestry	Sustainable Agriculture
	Sustainable Food Manufacturing
	Sustainable Food Retail
	Products & Services for Sustainable Agriculture
	Sustainable Forest Management

Renewable Energy	Renewable Energy Generation
	Renewable Energy Supporting Products / Services
Green Buildings	Green Building Management
	Green Building Development
	Green Building Technologies & Materials
Resource Efficiency Technology & Services	Technology & Services for Resource Efficiency in Industrial Processes
	Technologies & Services for Recycling and/or Resource Recovery
Pollution Prevention & Reduction	Pollution Treatment & Remediation Services
	Pollution Prevention & Reduction Materials, Technologies & Services
Green Transportation	Green Transportation Technologies/Services
	Green Transportation Infrastructure
	Green Transportation Vehicles
	Green Transportation Services
Water	Water Infrastructure
	Water Utilities
	Water Technologies & Equipment
	Water Adaptation & Watershed Management

Sustainable Activity Involvement Themes

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

Prior to March 2020, the March 2020 SPR data has been backfilled until December 2018. In cases where the total impact metrics revenue is greater than 100% it would be considered as 100%.

Appendix 4: Morningstar® Transatlantic Sustainable Development Goals Select 100 Index Decrement Indexes

Index Name	Underlying Index	Base value	Base Date	Performance Inception Date	Inception Date
Morningstar® Transatlantic Sustainable Development Goals Select 100 Index Decrement 50 Point GR	Morningstar® Transatlantic Sustainable Development Goals Select 100 Index GR	1000	Oct 5, 2026	Dec 21, 2018	Oct 8, 2026
Morningstar® Transatlantic Sustainable Development Goals Select 100 Index Decrement 5% NR	Morningstar® Transatlantic Sustainable Development Goals Select 100 Index NR	1000	Dec 21, 2018	Dec 21, 2018	Oct 8, 2026

Appendix 5: Decrement Levels

The index levels are adjusted by deducting a predetermined value of index points from the gross return, or GR, or fixed percentage point from the net return, or NR, levels of the base index. These constant markdowns are applied to the base index daily.

Return Variant of the Base Index	Base Currency	Decrement Type	Decrement Frequency	Decrement Application	Decrement Value	Day Count Convention
Net Total Return Gross Total Return	EUR	Fixed Percentage Decrement or Fixed Point Decrement based on the index version.	Daily	Geometric application for both decrement types.	5% decrement based on the Net Total Return 50-point decrement based on Gross Total Return	*ACT/365

*ACT is the number of calendar days between two calculation days.

Formula for Fixed Point Decrement Geometric Decrement Calculation

$$IV_t = (IV_{t-1} \times (U_t \div U_{t-1})) - (D \times (Act(t-1, t) \div DayCount))$$

Where:

IV_t = The value of the Fixed Point Decrement Index for calculation day t

IV_{t-1} = The value of the Fixed Point Decrement Index for day $t-1$

U_t = The value of the base Index for calculation day t

U_{t-1} = The value of the base Index for calculation day $t-1$

$Act(t-1, t)$ = Number of calendar days between calculation day $t-1$ and calculation day t

D = The Decrement value expressed in Index points

DayCount = Set to 365

**Formula for Fixed Percentage Decrement
Geometric Decrement Calculation**

$$IV_t = IV_{t-1} \times ((U_t \div U_{t-1}) - (c \times (Act(t-1, t) \div DayCount)))$$

Where:

IV_t = The value of the Fixed Percentage Decrement Index for calculation day t

IV_{t-1} = The value of the Fixed Percentage Decrement Index for day t-1

U_t = The value of the base Index for calculation day t

U_{t-1} = The value of the base Index for calculation day t-1

Act(t-1, t) = Number of calendar days between calculation day t-1 and calculation day t

c = The Decrement value expressed in Fixed Percentage

DayCount = Set to 365

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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