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Introduction

**A Message From Kunal Kapoor
& Michael Jantzi**

**Morningstar's Commitment
to Sustainability**

About This Report

Evaluating Sustainability at Morningstar

2021 in Review

History of Sustainability at Morningstar





Kunal Kapoor, Chief Executive Officer



Michael Jantzi, Sustainalytics Founder

A Message From Kunal Kapoor & Michael Jantzi

Dear Colleagues, Board Members, Shareholders, and Investors,

In our view, 2021 solidified the permanence of our changed landscape. Public culture—employees, communities, markets, companies—is increasingly responding to a dominant idea that a sustainable global economy benefits all stakeholders. It’s better for employees, better for the planet, better for markets, and better for business.

At Morningstar, we’ve seen the tangible effects of this shift across the investing ecosystem—our research shows investors continue funneling money into sustainable funds—and within the firm. This year, we reflected on the importance of sustainability principles in shaping who we want to be as a company and how we are building our business to withstand the tests of time. At the start of 2022,

Morningstar added “sustainable responsibility” to our long-standing values, joining investors first, great products, great people, uncompromising ethics, entrepreneurial spirit, and financial success.

This idea of sustainability isn’t new to Morningstar, of course. It goes hand in hand with long-termism and transparency—founding principles of Morningstar from the start. But our efforts have deepened since Sustainalytics joined Morningstar and the challenges facing our communities have grown more pressing. Across our organization, we are translating Morningstar’s values into core competencies. More than three fourths of our colleagues said they have a personal commitment to corporate sustainability.



And investors are relying on our research, data, and ratings to help them assess the sustainability of their portfolios in more ways than ever before.

As an ESG rater ourselves, we want to model what our researchers expect to see from companies around the world. This year's report releases global data on gender equity in compensation, including both an adjusted and unadjusted pay gap, and establishes transparent measurements for data privacy and information security disclosure. Disclosure like this goes beyond what's required by regulators and sustainability disclosure standards and has proved to be a nuanced and complex project. It is also crucial: Diversity, equity, and inclusion is a material topic for a human-capital-centric company like ours, and diversity in our workforce continues to challenge us. Our work to conduct this compensation analysis globally required firmwide reflection and a commitment to act quickly on the findings. Importantly, we believe it paves the way for the industry to do the same. Similarly, Morningstar has an approach to data privacy disclosure that reflects the company's respect for our stakeholders. We want to contribute to this emerging area by asking ourselves the same questions

◻◻ We intend to build a company that supports investors for the long term in a way that we hope leads to a more just and sustainable world. ◻◻

our analysts ask other firms, modeling transparency with our methodology, and making it available for investors (and other organizations) to use in assessing this critical issue.

This year, Morningstar is reorienting our business around future-focused opportunities, including climate- and impact-oriented efforts. In August, we joined the United Nations Global Compact, supporting its 10 principles and setting a course to evaluate the impact of our business with respect to five materially relevant U.N. Sustainable Development Goals. In September, we became a founding member of the Net Zero Financial Service Providers Alliance, a new group within the Global Financial Alliance

for Net Zero. Limiting temperature increases requires a whole economy in transition and Morningstar is committed to reaching net-zero emissions before or by 2050, while achieving interim milestones along the way. The path forward is not yet known; the power, policy, technology, and market backdrop will certainly change in the next three decades. But our stakeholders, including shareholders, suppliers, and clients, are increasingly committed to finding solutions. They need us to help them get there.

As always, we hope you will continue to hold us to high standards in the years ahead. We intend to build a company that supports investors for the long term in a way that we hope leads to a more just and sustainable world.

Sincerely yours,

Kunal Kapoor
Chief Executive Officer

Michael Jantzi
Sustainalytics Founder



Morningstar's Commitment to Sustainability

At Morningstar, it's our mission to empower investor success. Sustainable investing and sustainable business practices are integral to that mission. Our commitment to sustainability shapes efforts across the firm:



Clarifying Sustainable Investing for All Investors

We recognize that the most significant impact we have is through our environmental, social, and governance data, tools, services, and research. Our work makes sustainable investing accessible, relevant, and personal to individuals; it enables investors of all types to understand ESG risks in their investments; it delivers transparency and supports issuers that seek to improve their own firms' sustainability progress. Morningstar's aim is to become the leading ESG voice for investors of all types. More details on our sustainable products can be found in the Customer and Product Responsibility section of this report.





Prioritizing Sustainability in Our Workplace

As a global employer, we are committed to turning the power of our own ESG research lens on ourselves. We utilize our own data and tools to understand the ESG indicators most material to our business. We are committed to year-over-year progress on our material ESG issues in order to build a more sustainable business. More details about how we evaluate sustainability at Morningstar can be found on page 10 of this report.



Embracing Transparency

Last year, Morningstar launched our first corporate sustainability report, laying the foundation for regular, transparent reporting that enables our stakeholders to understand our progress and that reflects Morningstar's commitment to sustainability in our workplace, our industry, and our communities. We recognize the importance of reporting using a recognized framework, given that globally aligned, mandated sustainability disclosure will take time. This year, Morningstar is publishing our first **Sustainability Accounting Standards Board-aligned report**, which guides our disclosure in a clear and consistent manner and enables investors to compare Morningstar practices with those of our peers.



Holding Ourselves Accountable

Morningstar is committing to shared international goals, frameworks, and standards. In 2021, Morningstar prioritized global agreements and partnerships that drive accountability for progress on sustainability-related goals and unite our efforts with like-minded firms and organizations. We discuss these partnerships on the next page.



Strengthening Commitments Through Global Partnerships

We support global and regional agreements, including the U.N. Principles for Responsible Investing and the Forum for Sustainable and Responsible Investment. Our enterprise joined two additional global efforts in 2021, both of which we consider crucial to creating sustainable markets, communities, and environments going forward.

Glasgow Financial Alliance for Net Zero

In September 2021, Morningstar and a group of peers within the financial-services providers sector announced the launch of the [Net Zero Financial Service Providers Alliance](#), the latest addition to the larger Glasgow Financial Alliance for Net Zero. Morningstar's leadership role in the alliance reflects our understanding that limiting global emissions requires a whole economy in transition and that systemic change requires coordinated and ambitious commitments across the financial system. More information on Morningstar's transition to net zero can be found in the Environmental Impact section of this report.

U.N. Global Compact

In July 2021, Morningstar joined the [United Nations Global](#)

[Compact](#), the world's largest corporate sustainability initiative. Morningstar supports the UNGC and its [10 universal principles](#); we embrace a principles-based approach to advancing progress in society on the topics of human rights, labor, environment, and anticorruption. Members of the UNGC commit to advancing goals set forth by the U.N., particularly the well-known [Sustainable Development Goals \(SDG\)](#), designed to address the world's most crucial challenges relating to the environment, the economy, and society. As a financial research firm operating in multiple markets, we believe our company is best positioned to influence progress in five SDG areas:



SDG-5 Gender Equality

Achieve gender equality and empower all women and girls.

SDG-8 Decent Work and Economic Growth

Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.

SDG-10 Reduced Inequalities

Reduce inequality within and among countries.

SDG-12 Responsible Consumption and Production

Ensure sustainable consumption and production patterns.

SDG-13 Climate Action

Take urgent action to combat climate change and its impacts.

Our materiality assessment indicates that our priorities align closely to these goals. As you read on, look for SDG tags within each section of our report. These sections will provide further context and details about how our firmwide initiatives align to this framework.



About This Report

In this report, we examine Morningstar's efforts to incorporate sustainability and ESG data across our business and translate our values into core competencies and practices across the firm's product creation, workplace, governance, and operations.

We have divided the report into five sections, covering the Morningstar enterprise: **9,556 full-time employeesⁱ in 29 markets globally.**

- **Approach to Sustainability**

We begin by discussing our approach to sustainability at the firm; we describe our assessment of material ESG issues in our business and provide a history of our work in this area, addressing key developments of 2021.

- **Product Offerings**

We examine the most crucial influence we have on the industry, which is through the data, research, and products that we provide to the market. We describe the customer and product responsibility that drives and strengthens our mission to empower investor success.

- **People & Workplace**

This includes our efforts in employee engagement to foster a community in which talented, driven people can excel. It also highlights our efforts to track our progress in building a diverse, equitable, and inclusive workplace.

- **Governance**

This includes how we organize company oversight and how we approach business ethics across the organization.

- **Business Operations**

This includes detailing our data and information security practices, efforts to reduce our climate impact, and managing the sustainability of our supply chain.

Each section discusses our approach to material issues and stakeholder priorities within each category. Where we have collected data on our activities, we explain its significance to our business. Where we have established goals, we articulate their significance and convey a sense of our timeline. Where we have seen opportunities to further support our colleagues, advance our business, or lead the industry by example, we convey how we intend to focus our future efforts.



Evaluating Sustainability at Morningstar

Morningstar's materiality framework enables us to prioritize ESG issues that are likely to impact our business over the long term as well as those most important to our stakeholders.

To determine our firm's most material issues, Morningstar combines a data-driven approach with the expertise of our own research teams. This allows us to understand the material ESG issues, or MEIs, that could have a significant effect on the enterprise value of the company. MEIs impact the value drivers, revenue growth, and overall context in which we operate. This framework allows our business to build strategies in each area, commit to transparency through reporting and disclosure, and implement time-bound goals.

To determine our businesses' most critical material topics, we conducted an assessment that drew on a range of sources to identify the MEIs most relevant to our business.

We referenced the frameworks and research of outside organizations such as the Sustainability Accounting Standards Board, the Global Reporting Initiative, Nasdaq, and dedicated ESG research firms. We leveraged internal expertise, partnering with Morningstar's equity research organization and Sustainalytics Research. And we identified the ESG issues that matter deeply to Morningstar's stakeholders, including our colleagues, clients, and shareholders by conducting interviews, data analysis, and surveys. Our assessment did not change in 2021; we will review the assessment on a regular basis.

Reviewing Our Materiality Assessment

1 We define key stakeholder groups for Morningstar



2 We measure the areas these groups consider material to Morningstar



3 We consider assessments of Morningstar's material issues from outside ESG research and industry experts

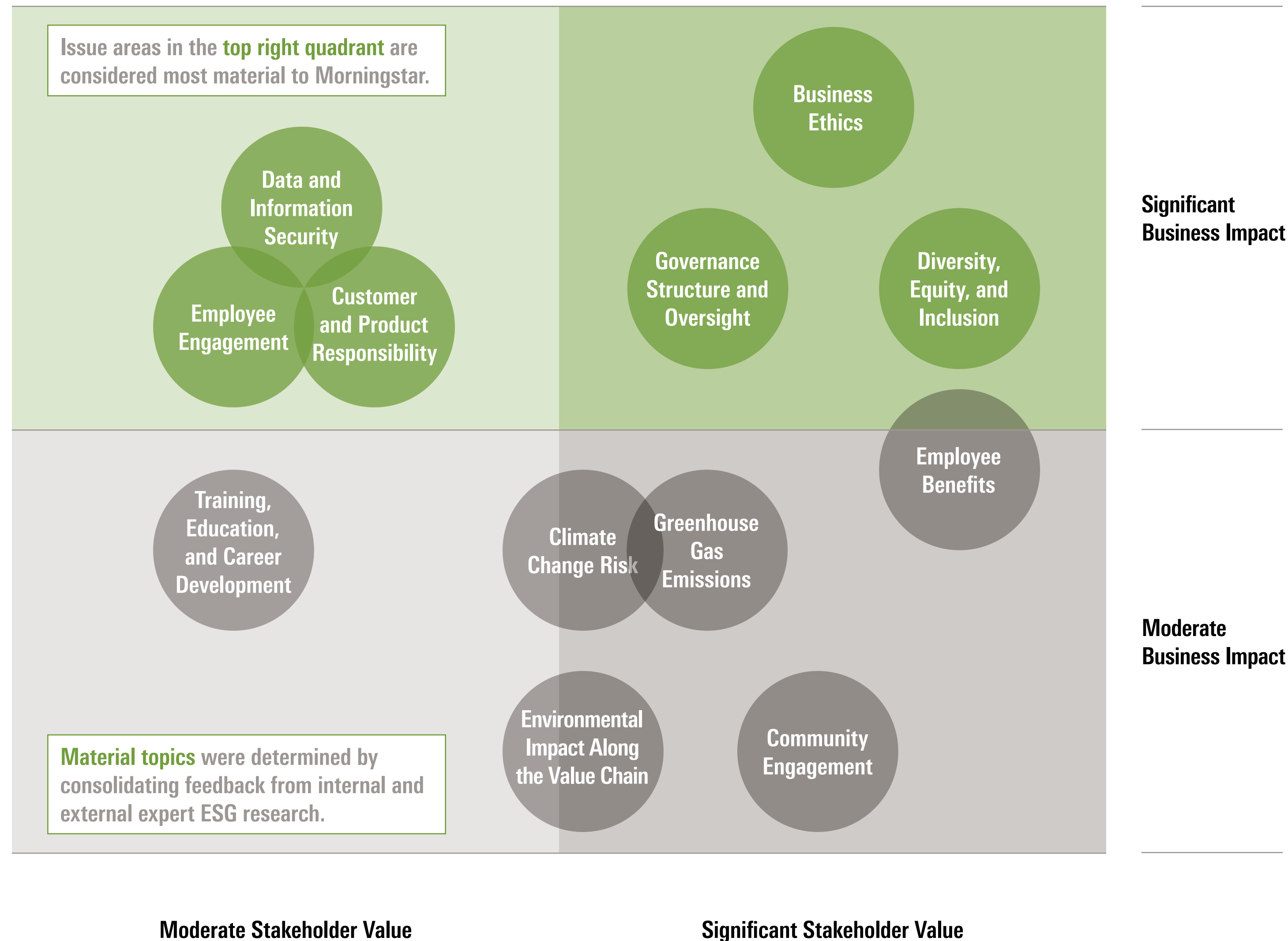


4 We define key areas of focus





- Material topic
- Additional topics prioritized by employees and stakeholders



This visual represents our understanding of Morningstar’s current MEIs. A topic positioned high on the vertical axis suggests that ESG experts believe the issue is likely to impact Morningstar’s business performance. Values on the right of the graph represent high-priority issues for Morningstar stakeholders. The topics of Business Ethics; Diversity, Equity, and Inclusion; and Governance Structure and Oversight are materially significant to Morningstar’s business performance as well as high-priority issues to Morningstar’s stakeholders.

Morningstar holds these material issues at the center of our strategic planning. Our intention is to report our progress on a regular basis; we look forward to engaging with our stakeholders on these issues. We invite your feedback at EnterpriseSustainability@morningstar.com.

Business Impact: We believe these material ESG issues are likely to impact our immediate business success & performance.

Stakeholder Value: These additional issues matter deeply to Morningstar colleagues and other stakeholders.



2021 In Review



Program Enhancements:

- Expanded ESG offerings for all audiences increasing data coverage, expanding ESG solutions across product lines, developing new datasets, and enabling ESG investors in emerging markets.
- Launched global policies affirming our commitment to internationally recognized human rights and anti-modern slavery standards.
- Enhanced our human capital benefits and programs to address the health, safety, and well-being of our colleagues and communities.
- Introduced a carbon offsetting partnership with [Climate Vault](#).



Increased Transparency:

- Aligned our corporate sustainability reporting with SASB Standards.
- Became signatory to the U.N. Global Compact, aligning key aspects of our business with U.N. Sustainable Development Goals.
- Became a flagship member of the Net Zero Financial Service Providers Alliance, the latest addition to the Global Financial Alliance for Net Zero.
- Provided expanded reporting pertaining to issues material to the firm.



Awards and Recognition

Investor Focused



ENVIRONMENTAL
FINANCE IMPACT
AWARD FOR IMPACT
RESEARCH



EXTERNAL
ASSESSMENT
PROVIDER OF
THE YEAR,
ENVIRONMENTAL
FINANCE BOND
AWARDS



BEST SUSTAINABLE
& ESG RESEARCH
AND RATINGS
PROVIDER,
INVESTMENT WEEK



BEST ESG RATINGS
PROVIDER,
ESG INVESTING



PRI ESG RESEARCH
INNOVATION
OF THE YEAR



LARGEST EXTERNAL
REVIEW PROVIDER,
CLIMATE BONDS
INITIATIVE AWARDS

Business Operations and Workplace Focused



BLOOMBERG
GENDER EQUALITY
INDEX 2021



INDIA'S BEST
WORKPLACES IN
BFSI 2021



INDIA'S BEST
WORKPLACES FOR
WOMEN 2021



GREAT PLACE TO
WORK CERTIFIED
INDIA 2021



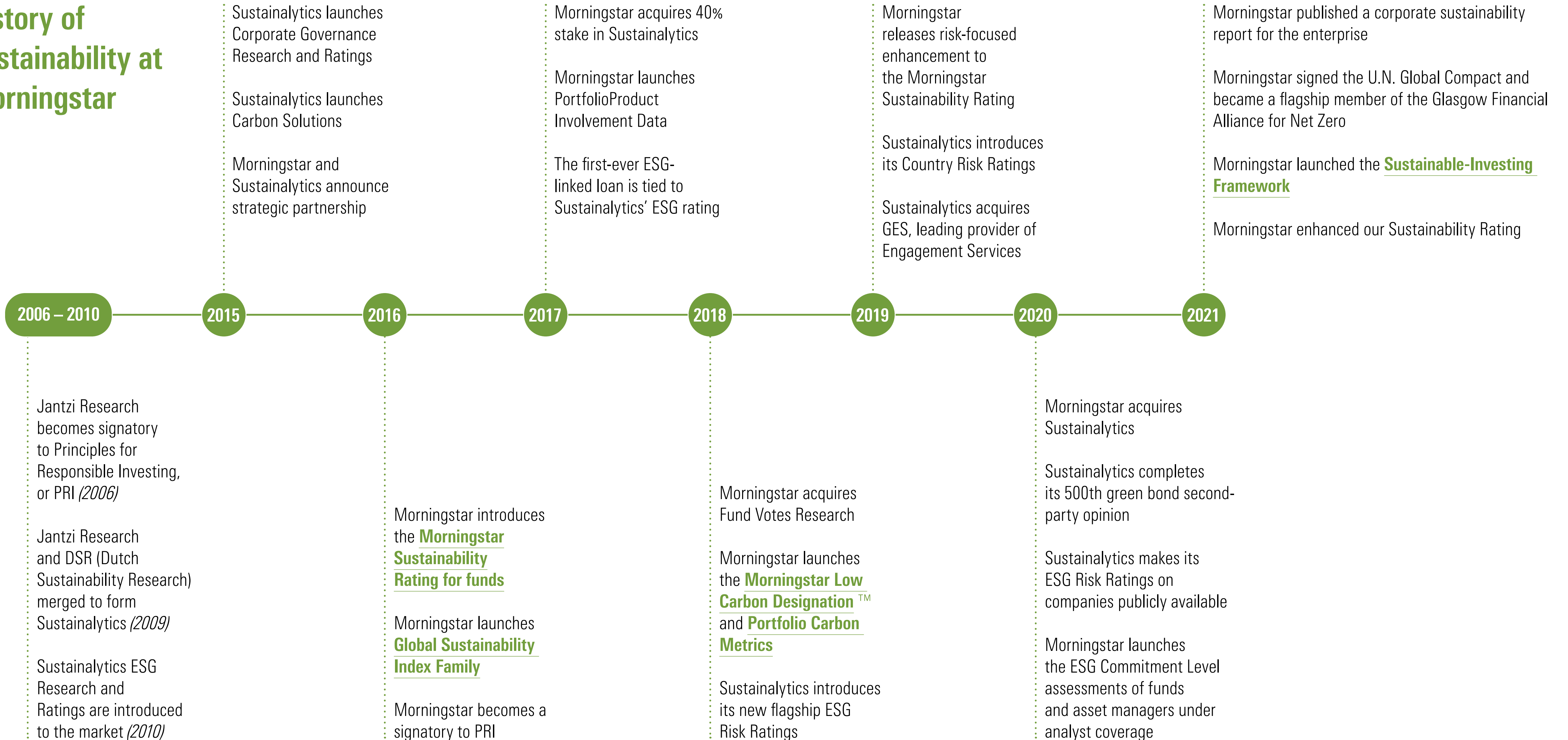
GREAT PLACE TO
WORK CERTIFIED
USA 2021



CORPORATE
EQUALITY INDEX
2021



History of Sustainability at Morningstar





Product Offerings

● Customer and Product Responsibility

- Material topic
 - Additional topics prioritized by employees and stakeholders



Product Offerings

Morningstar provides deep, comprehensive ESG and sustainability datasets, independent research, and a range of investment tools that enable investors of all types to understand the ESG-related risks and opportunities in their investment portfolios.

Addressing Our Products' Risks and Opportunities

Our efforts in this area are focused on creating differentiated, innovative, and insightful products that clearly convey complex investment information to investors of all types. We seek to ensure the responsible use of our products, fair marketing practices, and adherence to content-related standards. We recognize the importance of delivering high-quality data, research, tools, and services to support investors and clients in a quickly changing environment.



Customer and Product Responsibility

This is a material topic for Morningstar

Investors need access to ESG data, products, and research to make informed decisions. We deliver independent, sustainable-investing analytics to all investors, from a single security to a portfolio view. Creating decision-useful products that are accessible to investors of all types is a material contribution we make to the marketplace.

SDG Areas





As a global firm with a deep understanding of investors, Morningstar's work influences the industry. Ideas like the Morningstar Style Box™ have reframed the investment landscape repeatedly; our easily understood ratings systems have guided investor decisions and influenced capital flows, shaping the strategies of investment companies across the globe. We expect that Morningstar's ESG research, data, tools, and services will make a similarly significant impact in the sustainable-investing industry.

We seek to be the leading voice for ESG investors. We've expanded the range of our coverage to include funds and companies in the private markets through the PitchBook platform. Our growing portfolio of ESG services provides tools for companies that seek to enhance sustainable practices within their own organizations. Our data and independent research provide a comprehensive resource for regulators and specialists who need to understand the industry in a rapidly changing environment.

With resources for—and deepening connections to—such a wide range of global audiences, the primary contribution Morningstar makes to the sustainability of global markets

is to ensure that the role of ESG in investment decisions is transparent, coherent, consistent, and accessible.

Delivering Actionable Sustainability Information

Since our founding in 1984, Morningstar has provided transparent, easily understood data, research, and ratings systems. Today, we lead the marketplace in global ESG data coverage and sustainability research across a wide range of securities and asset classes.

As the sustainable-investing landscape matures, we're expanding our offerings, providing more data on a greater number of firms, broadening our ESG research into new areas, enhancing our ratings, and adding frameworks for the understanding of an area that is complex and still evolving.

Our global research teams use our comprehensive data to build ratings and assessments useful to a wide range of audiences, including investors of all kinds and, increasingly, corporate sustainability professionals, finance teams, and policymakers. These audiences rely on our insights to provide transparency in global markets, to inform investment decisions, identify ESG-related risks, and shape long-term corporate strategy.



ESG Risk Ratings^{ii iii}

- **ESG Risk Ratings** and the **Morningstar Sustainability Rating for funds** help investors identify and understand financially material ESG risks of their investments.
- **Country Risk Ratings** measure the risk to a country's long-term prosperity by assessing how sustainably it is managing its wealth.

Ratings



95,000+

Sustainability Ratings for Funds

14,000+

ESG Risk Ratings for Corporate Issuers

170+

Country Risk Information for Sovereign Countries

110+

ESG Indexes Across Equity and Fixed Income



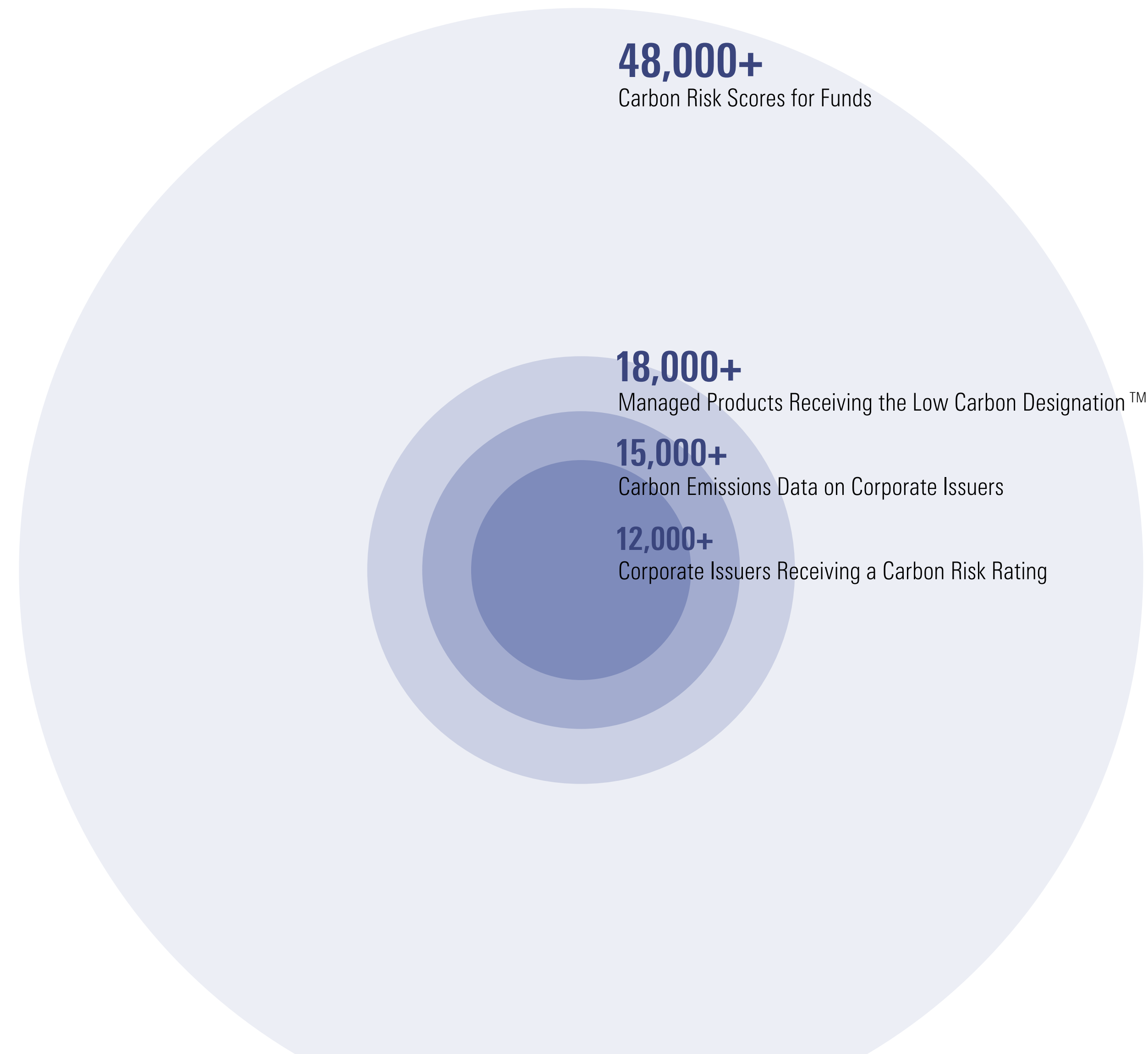
Carbon Risk Data and Ratings

- The [Carbon Risk Rating](#) allows investors to understand carbon risks facing companies due to their own operations and products and services.
- The [Morningstar Low Carbon Designation](#) supports the alignment of investment portfolios to a future low-carbon economy.

Ratings



Low
Carbon





Impact, Involvement, and Controversy

- **Product involvement data** provides investors the opportunity to understand, monitor, and minimize their exposure to controversial areas.
- **Controversy Research** identifies companies that are involved in ESG-related incidents that could damage their financial stability and/or reputation.
- **Global Standards Screening data** assesses the extent to which a company causes, contributes, or is linked to violations of international norms and standards, enabling investors and managers to monitor market opportunities, compliance requirements, and reputational risks.
- **Impact Metrics** allow investors to assess the positive impact of portfolios and report on alignment to the U.N. SDGs and the **Sustainalytics ESG Impact Framework** to demonstrate the outcomes of their impact strategy. The Sustainalytics ESG Impact Framework comprises six themes aligned with the United Nations Sustainable Development Goals. The themes are Climate Action, Healthy Ecosystems, Resource Security, Basic Needs, Human Development, and Leadership and Collaboration.

Product Involvement Categories

DEFENSE & MILITARY

-  Controversial Weapons
-  Military Contingency
-  Small Arms

BUSINESS PRACTICES

-  Animal Testing
-  Fur & Specialty Leather

HEALTH & LIFE

-  Alcohol
-  Life Ethics
-  Tobacco

ENERGY

-  Nuclear
-  Thermal Coal

ENVIRONMENT

-  GMOs
-  Palm Oil
-  Pesticides

VALUES BASED

-  Adult Entertainment
-  Gambling

105,000+

Product Involvement Data on Funds

24,000+

Global Standards Screenings Data for Corporate Issuers

20,000+

Controversy Data for Corporate Issuers &
Product Involvement Data for Corporate Issuers



ESG, Carbon Risk, and Sustainability Offerings for All Audiences

<p>Individual Investors</p> 	<p>Wealth and Advisory Professionals</p> 	<p>Individual, Family, Company, or Plan Portfolios</p> 			<p>Companies Across All Sectors</p> 	
<p>We provide ESG research, ratings, data, and tools on our global digital sites. In 2021, approximately 2.4 million unique users visited Morningstar’s flagship U.S. site on a monthly basis; all editorial content is free to the public for the article’s first three days on the website. In 2021, Morningstar published approximately 90 ESG-focused articles and videos.</p>	<p>We build software, reports, tools, and educational offerings to help better serve investors, link investor preferences to investment strategies, and help individuals understand and report on the scope of ESG risks in their portfolios.</p>	<p>Advisors and Wealth Managers Who Seek Investment Solutions</p> <p>Our investment management solutions help investors express their values through their portfolios, from ESG Select Lists to diversified, one-stop portfolios based on sustainable-investing principles. We also serve this audience through our proprietary software platform, Morningstar Direct™, and our Enterprise Components offering, supporting attribution, risk management, and reporting functions across asset classes.</p>	<p>Asset-Management Strategists and Marketing Professionals</p> <p>Our proprietary Sustainable Attributes data expansion into market research and analytics tools delivers a snapshot view of how quickly the ESG investment landscape is expanding and helps identify strategies that have captured investor attention and are attracting investment flows.</p>	<p>Asset Owners and Other Investment Decision-Makers</p> <p>We provide institutional-quality issuer-level ESG, carbon, impact, and controversy data, enabling a wide range of investment approaches, including engagement strategies. We serve clients on our proprietary software platforms and deliver seamlessly to third-party platforms.</p>	<p>Private Market Participants</p> <p>We track private companies, funds, and investors, including those involved in impact investing. We provide frameworks for impact identification in private market investments and impact fund managers’ investment strategies and provide research for investors seeking to understand this quickly evolving landscape.</p>	<p>We help companies in a variety of ways: Our Sustainalytics Corporate Solutions group delivers the power of our ESG data, research, and ratings to help issuers examine the ESG performance of their own operations. These insights enable them to build meaningful sustainability strategies, raise capital linked to improvement of ESG performance, and benchmark their sustainability practices and performance against peers. Our Morningstar Investment Management effort provides ESG-focused employer plans, research, and support for decision-makers who seek to outsource employee investment plans.</p>



New and Enhanced Offerings for All Audiences

No matter who they are, our stakeholders need a common and coherent understanding of ESG data, sustainability measures, and clear paths to implementation in their investments, their portfolios, and their companies. Sustainability is a quickly evolving area in the market. In 2021, Morningstar continued to expand its offerings and enhance its existing tools, seeking to provide our audiences with the best new, relevant research.

- **Framework Creation**

In 2021, Morningstar introduced the [Sustainable-Investing Framework](#) to help investors better understand and navigate various ESG approaches commonly employed in the sustainable-investing industry. The framework identifies six sustainable-investment approaches, encompassing those that lean toward avoiding negative outcomes to those that seek to advance positive outcomes. This enables investors to better understand the definitions, terminology, and investor experience surrounding sustainable investing.

SUSTAINABLE INVESTING: PEOPLE, PLANET, PROFITS

Motivations

Improve Investments + **Improve The World**

Control risk
Consider ESG risks

Enhance returns
Seek ESG opportunities

Do no harm
Avoid negative impact

Make a difference
Seek positive impact

Approaches

Apply
exclusions

Limit
ESG Risk

Seek ESG
opportunities

Practice
active
ownership

Target
sustainability
themes

Assess
impact

Portfolios

Supporting Role

Consider some ESG information as part of the regular investment process

Leading Role

Emphasize sustainable investment approaches as central to the investment process

Avoid Negative Outcomes

Advance Positive Outcomes



- **Sustainability Rating Enhancement**

The [Morningstar Sustainability Rating](#) helps investors of all backgrounds to understand the ESG risks in their portfolios. In 2021, we enhanced the Sustainability Rating by incorporating [Sustainalytics Country Risk Ratings](#). This provides users with a more holistic and nuanced view of the sustainability risk in their diversified portfolios, and it allows asset managers to tell a consistent story across their fund lineups. It also significantly increased our coverage of funds receiving a Sustainability Rating.

- **Expanding Index Offerings**

We expanded our range of index solutions, introducing the [Morningstar EU Climate Indexes](#), which are designed to enable investors to implement climate risk mitigation and find climate-related opportunities, channeling investments toward sustainable activities while meeting EU regulatory requirements.

- **Data to Meet European Regulations**

For global institutional investors who grapple with new reporting requirements, we focused on services that streamline disclosure in required areas. For example, the [Sustainalytics 2021 EU Taxonomy Solution](#) allows fund managers to assess whether companies are involved in sustainable activities contributing to the European Union's Climate Change Mitigation objective. Additionally, our [Principal Adverse Impact Data Solution](#) helps users assess, report, and improve portfolio alignment with the EU Taxonomy.

- **ESG Expansion in Private Equity**

Investors in private markets are [shaping demand for ESG data](#). Our private markets data and research organization, PitchBook, has incorporated sustainable-investing data, tools, and research into its rapidly growing platform. [PitchBook research](#) highlights the private market's rapid adoption of sustainable-investing processes. Our research found that this is due to private companies' focus on long-term thinking (as they are not tied to quarterly expectations) and their ability to build a startup with proper ESG principles

from inception (versus retrofitting an already mature company to incorporate ESG principles).

- **Building ESG Pooled Employer Plans**

For decision-makers at small organizations, Morningstar [announced plans](#) to offer the industry's first ESG Pooled Employer Plan, intentionally designed to limit exposure to material ESG risks. We recognize that retirement savings are often an individual's largest investable asset, regardless of the size of their employer. PEPs allow employers of any size or industry to band together to participate in a single retirement plan. This will help employers offer sustainability-focused 401(k) plans for their employees.



Policy Research

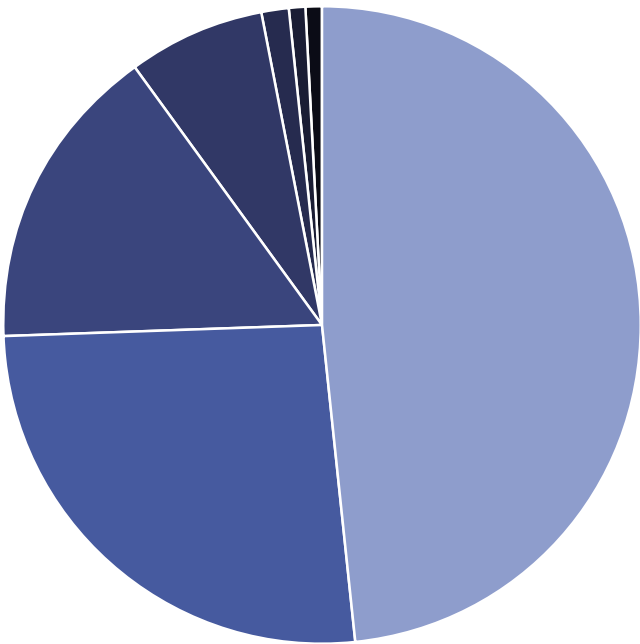
Our Policy Research organization regularly represents investors of all types when submitting comment letters to regulators across the globe. We know that our insights can help inform regulatory and policy decisions that will positively impact investors and their communities. In 2021, the team argued for greater data transparency, the maintenance and enhancement of ordinary investors’ roles in voting proxies for shareholder resolutions, the enhancement of ESG disclosures, and the improvement of investment advice for individual investors. We do so by leveraging Morningstar’s data and institutional expertise under the guidance of a Policy Council.

- **Helping Corporations Enact Sustainable Solutions**
Sustainalytics Corporate Solutions enables the growth of green, social, and sustainability bonds reaching a market-wide combined \$1 trillion in annual issuance in 2021. SCS Second-Party Opinions provide a critical voice to ensure that sustainable bonds meet robust and evolving market expectations pertaining to areas such as renewable energy, healthcare access, and affordable housing.

In 2021, SCS also launched a methodology for carbon transition bonds and assessed sustainable finance frameworks for issuers in heavier-emitting industries. Broadening the tent to include hard-to-abate industries promotes access to financing for decarbonization projects supporting the transition to a low-carbon economy. SCS also developed a robust approach to assess the credibility of Sustainability Performance Targets and key performance indicators linked to instruments focused on the sustainability performance of issuers/borrowers.

900+ SCS has provided over 900 SPOs since inception

345 SCS provided 345 SPOs in 2021



Green Bonds	167
Sustainability Bonds	90
Sustainability-Linked Bonds	54
Social Bonds	24
Hybrid Bonds	5
Transition Bonds	3
Unique Other Types	2



People & Workplace

- **Employee Engagement**
- **Employee Benefits**
- **Diversity, Equity, and Inclusion**
- **Training, Education, and Career Development**
- **Community Engagement**

- Material topic
- Additional topics prioritized by employees and stakeholders



People & Workplace

Morningstar's mission relies on our ability to attract and retain talented individuals in an increasingly competitive environment. From recruitment to talent development and retirement planning, we're committed to fostering an environment where the people who power our mission can excel. We support our colleagues in the areas of engagement, professional growth, and diversity, equity, and inclusion.

Addressing Our People and Workplace Risks and Opportunities

We strive to build a high-performance workplace in which our colleagues thrive; to reduce risk associated with human capital and the management of skilled labor through retention and recruitment programs; to offer career development options; and to address labor relations.



Employee Engagement

This is a material topic for Morningstar

We believe that offering comprehensive employee benefits, implementing leading diversity, equity, and inclusion, practices, supporting training, education, and career development opportunities, and encouraging community engagement initiatives contribute to a positive employee experience. We track our colleagues job satisfaction via a range of employee engagement metrics to understand and improve the experience of working at Morningstar.

SDG Areas



Our Speakers@Morningstar program is hosted three times per year and showcases individuals who challenge and inspire our employees through thoughtful dialogue and presentations on a wide range of topics.



Our Employee Engagement Data

We recognize the importance of assessing our workplace culture. In recent years, we've built robust feedback mechanisms to measure employee engagement, including measurements of satisfaction, intent to stay, discretionary effort, and employee enablement. We do so through quarterly surveys, exit surveys, third-party surveys, focus groups, and turnover and advancement data. These programs provide quantitative and qualitative insights on the overall experience at Morningstar and what drives engagement. During a period of labor market upheaval, year-to-year data shows that our colleagues continue to value Morningstar as an employer. According to our internal quarterly measure in December 2021, Morningstar's overall engagement score increased slightly to 81% in 2021 from 80% in 2020, continuing the upward trend from 73% in 2019^{iv}. Morningstar continues to participate in the Great Place to Work Institute's Great Place to Work Certification Program, which provides an index of comparable measures of company culture and employee engagement. Its 2021 Great Place to Work index reports that the "average" Great Place to Work score in the United States is 57; Morningstar's score is 84, up three points from 81 in 2020.

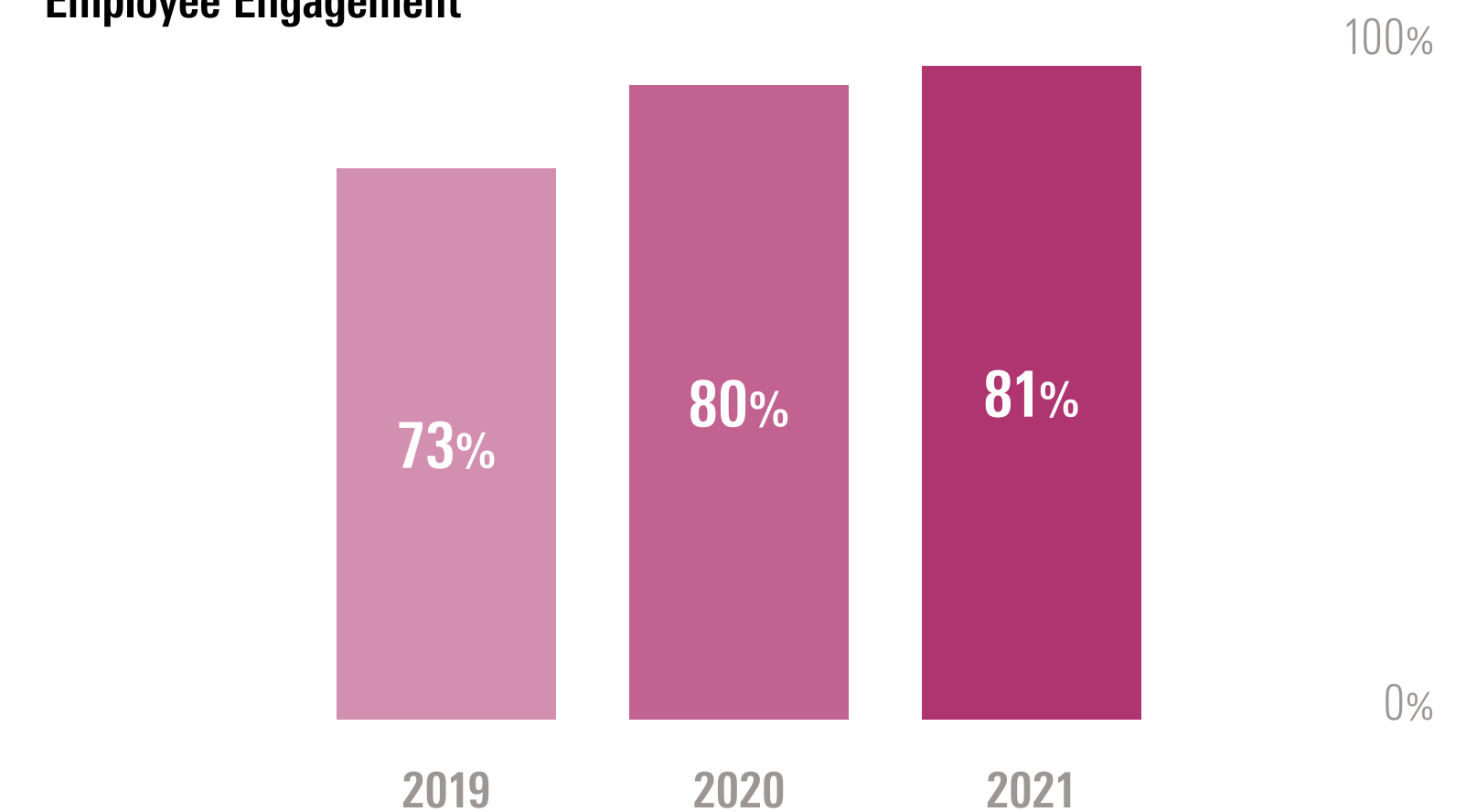
Still, Morningstar isn't immune to what has been termed The Great Resignation, illustrated by an increase in the past 12 months' average turnover rate (for permanent, full-time employees) to 18.5% in 2021 from 11.8% in 2020. Of our total turnover, 92% was voluntary.

Onward: The Future of Work is Here

The COVID-19 pandemic accelerated a reimagining of our organization's approach to the workplace, to teamwork, and to the employee experience. As expectations of "normal" work have shifted, we've focused on providing increased flexibility and support for colleagues across the globe. We introduced both global and region-specific programs to support our colleagues, including the following 2021 enhancements:

- Promoted a hybrid working model.
- Introduced a transportation subsidy, including parking or ride-sharing, to ease anxiety associated with commuting.
- Launched a subsidized lunch program.
- Where possible, transitioned our office space to more collaborative workspaces, including unassigned desks and upgraded monitors.

Employee Engagement



86%

Colleagues who report feeling motivated to go above and beyond what's expected of their role.

92%

Colleagues who report being comfortable asking other members of their team for help.

88%

Colleagues who report understanding how their work is connected to the company strategy.

84

Morningstar's Great Place to Work score in 2021, up 3 points from 2020.



Employee Resource Groups

Our employee resource groups are employee-led organizations designed to support our colleagues globally. We recognize the importance and value of this work. In 2021, we launched ERG award frameworks to recognize the valuable work that our colleagues deliver through these organizations. Now, each ERG gives a leadership award to an active member that advances the unique mission, goals, and values of their group.

We have 11 active Employee Resource Groups with vibrant chapters across the globe.

Looking Forward

Morningstar recognizes that employee expectations are shifting quickly. Moving forward, we seek to collect more qualitative data from employees to better understand sentiment about the changing nature of work. We will continue to enhance the employee experience around the sentiments that are most important to our people: enabling consistent areas for growth, flexibility, and equity, to name a few.

<div>EST. 2018</div> <div>ally / Morningstar Allies</div>	<div>EST. 2021</div> <div>apia / Morningstar Asian Pacific Islander Alliance</div>	<div>EST. 2018</div> <div>bca / Morningstar Black, Caribbean, & African Network</div>
<div>EST. 2018</div> <div>jai ho / Morningstar Indian Affinity</div>	<div>EST. 2020</div> <div>learn / Morningstar Learning & Living Diversely</div>	<div>EST. 2019</div> <div>m* i / Morningstar Innovators</div>
<div>EST. 2015</div> <div>o@m / Out at Morningstar</div>	<div>EST. 2020</div> <div>sun / Morningstar Sustainability Network</div>	<div>EST. 2017</div> <div>viva / Morningstar Latinx & Hispanic Community</div>
<div>EST. 2008</div> <div>win / Morningstar Women's Initiative</div>	<div>EST. 2014</div> <div>wit / Morningstar Women In Technology</div>	



Employee Benefits

This topic is prioritized by our employees and stakeholders

Morningstar's efforts to reward and support our colleagues are rooted in our belief that people are central to our success. We offer a variety of benefits through a total rewards package that supports the financial, physical, emotional, and social well-being of our colleagues.





Senior manager research analyst at Morningstar, Bobby Blue, had always dreamed of completing a West Coast road trip during his lifetime. Thanks to Morningstar's sabbatical program, he was able to do this over the course of his six weeks' paid time off. In this picture, Bobby visits the largest tree in the world, The General Sherman, located in Sequoia National Park.

Morningstar offers unique benefits, valued by colleagues:

- **Global Sabbatical Program**

This program provides a paid sabbatical of up to six weeks (in addition to any annual paid time off) once every four years to recharge, refresh, and enjoy new experiences outside of work.

- **Shared Ownership Program**

This employee equity program provides opportunity for colleagues to elect a portion of their cash bonus (or commission) payout in stock with an additional Morningstar match of 50%.

- **Impact Awards**

Morningstar awards Restricted Stock Units to colleagues who go above and beyond in their role to deliver exceptional outcomes.

- **Other Benefits**

Competitive time-off policies, healthcare plans, parental leave programs, and childcare benefits that support our colleagues' unique needs.



Improving Global Plan Offerings

In 2021, we improved individual benefit programs, especially those pertaining to retirement, in many countries. We continued to drive a global expansion of our Employee Assistance Program (more on this program below). Additional enhancements include funding for an annual health screening program in Korea, the introduction of insurance risk benefits in Romania, a new childcare benefit in India, and supplemental coverage in Spain and France, to name a few.

Health and Safety During the Pandemic

• Supporting Vaccination

In 2021, our benefits team launched COVID-19 and flu vaccination drives to further the health and safety of our colleagues, including onsite drives where available. In locations where flu shots are recommended and customary but not covered by a health plan, we covered any out-of-pocket costs. Our COVID-19 vaccination rate for employees was high in areas where the vaccination was available. By the end of 2021, 92% of our U.S.-based colleagues reported being fully vaccinated^v. In the U.S., colleagues

who were fully vaccinated by Dec. 1, 2021, or those claiming exemption from a vaccination for medical or religious reasons, were eligible to receive a wellness discount in our medical plan. Of U.S. employees, 97% chose to participate in this program^{vi}.

• Prioritizing Mental Health

Morningstar recognizes that mental health has been an ongoing challenge during the pandemic, and the employer's role in supporting these needs has become increasingly important. We offer an Employee Assistance Program that helps colleagues find child or elder care, manage personal finances, find legal support, and cope with stress or grief and loss, among other services. We also offer a global mindfulness platform that helps colleagues practice meditation and yoga, reduce stress and anxiety, and sleep better. In 2021, Morningstar engaged a company called "We Mind" to offer quarterly seminars that help provide employees with tools to cope with mental health challenges. In 2022, we plan to assess the effectiveness of the program to expand our mental health resources globally.

24%

Eligible employees taking advantage of sabbatical

31%

Colleagues who are shareholders through a compensation or benefit program

18%

Employees taking advantage of shared ownership

92%

US Employees who attest to being fully vaccinated for COVID-19

Looking Forward

Morningstar's Total Rewards Team aims to ensure comprehensiveness and consistency across our global benefits offerings. The global expansion of our Sabbatical Program in 2021 was a great example of this commitment. Our goal is to establish consistent global access to benefits that drive healthy outcomes for our colleagues and are core to the Morningstar experience.



Case Study: Morningstar's Vaccination Drives in Mumbai, India

An Interview With Nigel Remedios,
Associate Director of Talent & Culture—India

Why did Morningstar conduct vaccination drives in India?

The effects of COVID-19 have been challenging across our global regions, and 2021 was a particularly challenging year for India. In India, since cities are mostly crowded, many people live in housing societies and families live together in combined housing. This environment makes it easy for the

Morningstar partnered with organizations including Connect & Heal, who facilitated vaccination supplies, Apollo Hospitals, who assured a seamless inoculation process, and dedicated volunteers from across the organization to successfully administer multiple COVID-19 vaccination drives for colleagues and their families.



virus to spread and creates a high risk to our communities. Additionally, it was difficult to get a COVID-19 vaccination due to challenges in booking an appointment with authorized hospitals and the many people waiting in line. It was hard to leave your house to get a vaccine safely, so our Morningstar Talent & Culture team figured out a way to bring vaccinations into our office to safely administer.

How were the vaccination drives conducted?

We had two major vaccine drives in Mumbai, which made it possible for Morningstar colleagues and their immediate family members to receive the vaccine on-site or at partner hospitals. We worked with our area healthcare partners who provide medical and ambulance services to Morningstar colleagues who contract COVID-19. To ensure proper logistics for vaccine distribution, we communicated regularly with employees to provide briefing sessions, explanations of what to expect on the day of their vaccine, and information on what they would need to complete beforehand. Additionally, we ensured that the vaccine drives followed government guidelines. On site, we displayed a flow chart

One of the beautiful outcomes we saw in this process was observing our colleagues introducing their family members to their teams. This was often the first time colleagues were able to show their families where they work and experience Morningstar's culture.



Nigel Remedios

Associate Director of Talent & Culture
Mumbai

telling our people how to navigate the office, conducted temperature checks, provided extra masks, and logged all vaccine administrations into the government portal for tracking.

Was there any additional support provided to Mumbai colleagues during this time?

We also created an employee-driven COVID-19 emergency response group. This 24-hour response call and e-mail center provided a fast response for employees to find network hospitals and oxygen centers in case of emergency. This made it substantially easier for our colleagues and families to seek help in our overwhelmed healthcare system.

Is there anything additional you'd like to mention about this impactful work you helped lead?

One of the beautiful outcomes we saw in this process was observing our colleagues introducing their family members to their teams. This was often the first time colleagues were able to show their families where they work and experience Morningstar's culture. We also tried to make the vaccine process fun by providing recipients with a snack box and selfie stand for pictures. Many of these photos were proudly posted on LinkedIn and our internal site. Although we are not yet back in the office collectively, it's great to see the efforts to ensure the safety and continued support of our colleagues.



Diversity, Equity, and Inclusion

This is a material topic for Morningstar

We believe that diverse teams make better decisions, and contend that a collective mixture of different backgrounds, beliefs, and experiences makes Morningstar a stronger firm. As a global employer, our goal is to build an inclusive environment that encourages open dialogue and unique perspectives, creativity, and innovation. We believe this delivers better business outcomes.

SDG Areas



Colleagues from our United Kingdom region celebrated our LGBTQ+ community and allies together for Pride celebrations.



Building and Supporting a Diverse, Equitable Workplace

Led by our CEO, head of Talent and Culture, and a DEI steering committee, Morningstar embeds DEI goals into each business unit and functional area. This reflects the firm's commitment to addressing representation and inclusion goals across all areas of our business.

In Morningstar's 2020 corporate sustainability report, we shared three goals related to increasing the diverse representation of our workforce: expand our hiring of employees from historically underrepresented minority groups by 50% in the U.S.; increase the number of LGBTQ+ managers at the firm by 50%; and increase the proportion of females in team lead, manager, and senior manager global roles by 50%.

We did not achieve these goals over the course of the calendar year, but we knew representation progress would take time. We recognize that DEI is a multiyear endeavor; the investments we made in 2021 shape our future approach. We are committed to transparent reporting to demonstrate our progress in representation, advancement,

and inclusion across various parts of our organization and adapting our goals to help focus activity where we believe it matters most.

Morningstar's rapid headcount growth, which accelerated in 2021, represents both an opportunity and a challenge to driving diversity of our workforce. We seek to fill open positions as quickly as possible in a tight labor market and ensure diverse candidate pools for positions at all levels of the organization. We are investing in this effort, adding experienced professionals to our team.

43%

Females compare with male colleagues in entry-level or midlevel roles

23%

Females compare with male colleagues in senior leadership roles



Examining Our Work in 2021

Our data allows us to reflect on historical trends and the current state of our DEI efforts. It also allows us to gauge our future efforts—the work that remains to build a fully inclusive and equitable community. At year-end, 42% of our colleagues identified or were identified as female, with 23% representation in senior leadership roles and 43% in entry or midlevel roles^{vii}. There is no material change in this representation from 2020 when using the same methodology^{viii}. Additionally, we observed no material difference in turnover rates for male and female employees during 2021. The firm’s global footprint includes colleagues located across 29 markets. Together they represent approximately 100 nationalities and speak at least 34 languages. In the United States, where we are able to collect this demographic data, our colleagues identify as 68% White, 22% Asian, 5% Hispanic, 3% Black, and 2% two or more races, which shows little deviation from our 2020 year-end figure.

At the Morningstar board level, 50% of our members identified or were identified as female, a substantial increase from 30% in 2017. One of Morningstar’s three board committees is chaired by a female.

Morningstar Employee Global Gender Diversity

Gender

Male	58%	<div></div>
Female	42%	<div></div>

Morningstar U.S. Employee Racial and Ethnic Diversity

Ethnicity

White	68%	<div></div>
Asian	22%	<div></div>
Hispanic	5%	<div></div>
Black	3%	<div></div>
Two or more races	2%	<div></div>
Other Pacific Islander	0%	
Did not answer	0%	



Executive Management Diversity

Gender

Male	88%	<div></div>
Female	12%	<div></div>

Ethnicity

White	88%	<div></div>
Asian	6%	<div></div>
Hispanic	0%	
Black	0%	
Two or more races	0%	
Other Pacific Islander	0%	
Did not answer	6%	<div></div>

Morningstar Development Program Diversity

Gender

Male	43%	<div></div>
Female	57%	<div></div>

Ethnicity

White	55%	<div></div>
Asian	29%	<div></div>
Hispanic	6%	<div></div>
Black	5%	<div></div>
Two or more races	4%	<div></div>
Other Pacific Islander	1%	<div></div>
Did not answer	0%	

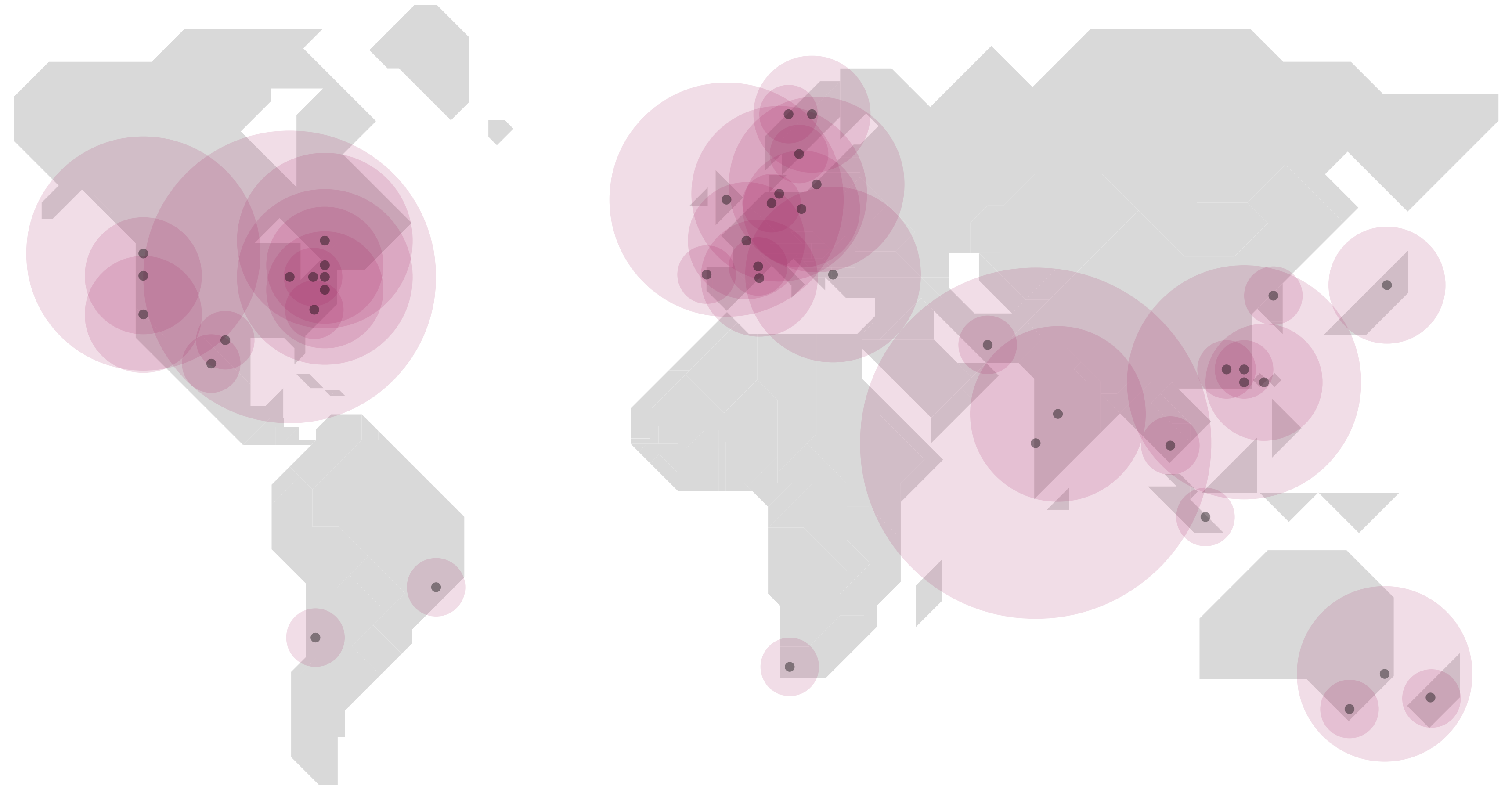


9,500+ Global Colleagues

29 Markets

Australia	Norway
Brazil	Poland
Canada	Romania
Chile	Singapore
China	South Africa
Denmark	South Korea
France	Spain
Germany	Sweden
India	Switzerland
Italy	Taiwan
Japan	Thailand
Luxembourg	United Arab Emirates
Mexico	United Kingdom
Netherlands	United States
New Zealand	

34: Number of Languages Spoken





Expanding Our Data Practices to Better Understand Our People

We seek to better understand the diversity of our employee population along a variety of dimensions, including through characteristics that might not be readily observable. Self-identification is a helpful practice that allows us to do just this. Through self-id, we encourage colleagues to voluntarily share information related to their demographic identity, such as race/ethnicity, gender identity, LGBTQ+ status, disability, and more. In 2021, Morningstar expanded the scope of self-id to include colleagues in Canada and Europe (in a manner that's aligned with local privacy laws). We're encouraged by the early acceptance of this practice among our people, demonstrating a high degree of trust that this information will be used to improve the employee experience for all.

Building Our Teams: Introducing Structured Interviews
In 2020, Morningstar's behavioral science team **conducted research** that examined the role of structured interviews in helping firms mitigate bias. Structured interviews ensure that a consistent set of questions appropriate to the skills

and competencies associated with a certain position are asked of every candidate for that position. In 2021, our talent acquisition team created a global standard for structured interviews, partnering with leaders across the organization to drive adoption. The success of structured interviews is observed in the data we track, as specific departments saw an increase in diverse talent after adopting this approach.

Advancing Our Leaders: Morningstar Mentorship Programs

Morningstar's mentorship programs are intended to help connect our colleagues to share knowledge, develop new skills, and build their professional networks. Recent mentorship program launches include:

- **Reverse Mentorship Program**

This program expands the definition of a mentor, as an individual in the company who identifies with an underrepresented group is paired with a senior leader. The mentor helps the senior leader build awareness and sensitivity to how underrepresented employee groups may experience the work environment. To create action,

each mentor/mentee pair commits to a tangible goal that the senior leader will pursue with the support of their business unit.

- **New Managers Mentorship Program**

This program is designed for newly promoted managers or managers who recently joined Morningstar, enabling them to engage with, and learn from, tenured managers across the organization.

Commitment to Equity in Compensation

Morningstar's commitment to fairness is a key driver in our pay philosophy, aiming to provide pay that is externally competitive, internally equitable, specific to an employee's role, and commensurate with an employee's contributions to Morningstar.

In December 2021, we concluded a pay equity study, leveraging a multivariate regression model and state-of-the-art pay analysis software, that will serve as the foundation for a more regular cadence of comprehensive pay equity reviews going forward^{ix}. Initially, we focused on



gender (globally) and race/ethnicity (U.S. only, where the data is available) as the diversity dimensions of our analysis, but we expect to expand to other dimensions in future iterations of this work. We measured for two pay equity concepts—adjusted and unadjusted pay gap.

We know that when reporting details on adjusted pay gap, many firms report data that already includes actions taken to “fix” discrepancies. This is not our approach. Instead, we are releasing the data that reflects pay status prior to compensation adjustments. This is consistent with what we believe to be best practices in transparency and better reflects our commitment to growing and maintaining an equitable workforce for our global business.

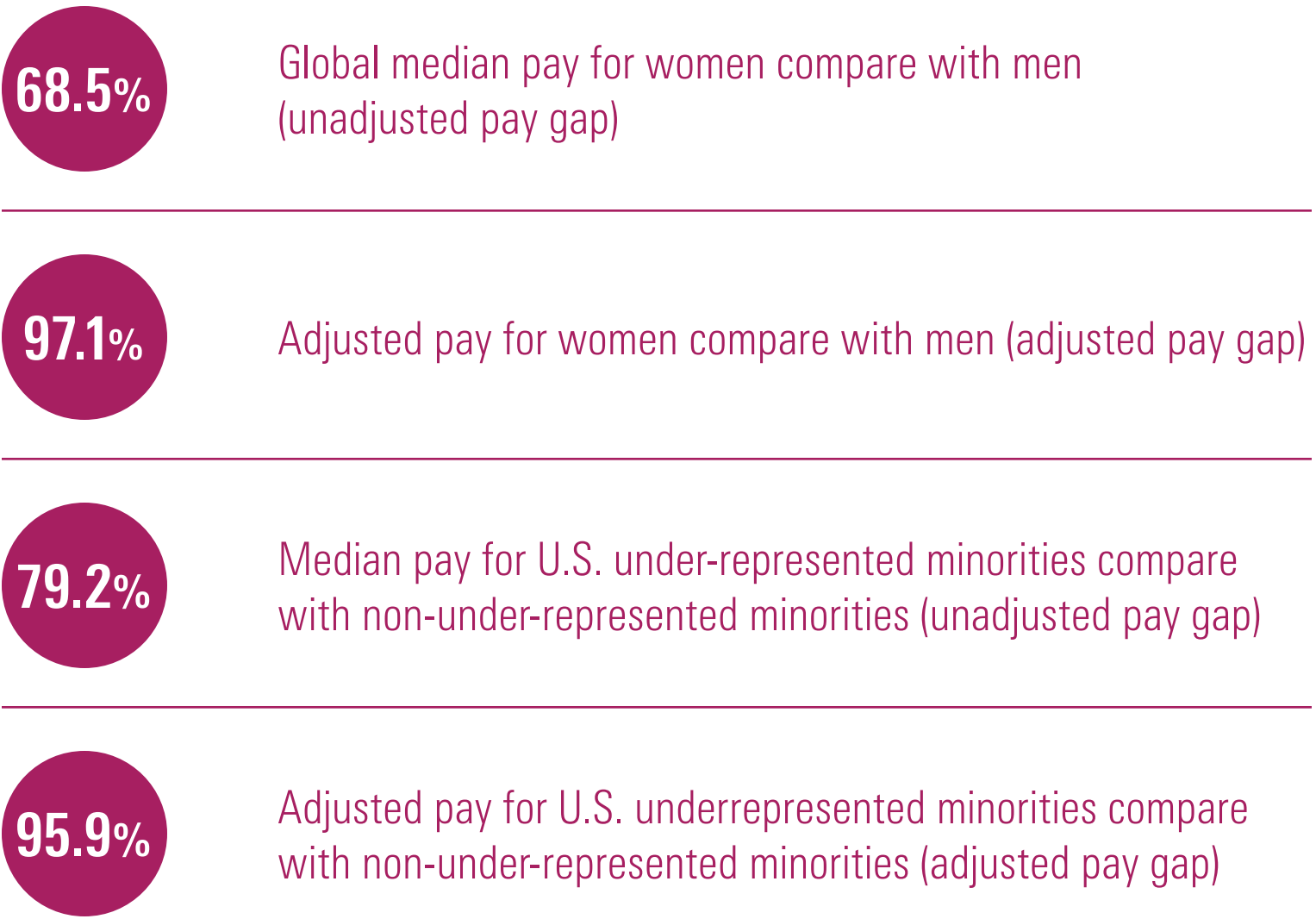
Adjusted Pay Gap

The adjusted pay gap tracks equal pay for equal work. It examines a group of employees performing substantially similar work and looks for pay practices that result in lower pay for the measured peer group. In this analysis, we found that, overall, women are paid 97.1% of what men

are paid, and U.S. underrepresented minorities are paid 95.9% of what the U.S. majority groups^x are paid on an adjusted basis. Employees who were identified through a Nov. 1 examination received a pay increase, separate from their normal annual compensation consideration, as part of our Jan. 1, 2022, pay cycle. In this pay review, we increased 420 of our colleagues’ pay to ensure they are paid equally under the adjusted pay gap, accounting for an increase in over USD 1.5 million in cumulative pay.

Unadjusted Pay Gap

We also evaluated Morningstar’s unadjusted (or “raw”) pay gap to track equality of opportunity by examining the median pay of all colleagues along a single dimension—say, gender or ethnicity. This analysis can indicate a lack of sufficient female or ethnic minority representation at higher levels in an organization. On an unadjusted basis, the global median pay for women is 68.5% of median pay for men. Median pay for U.S. underrepresented minorities is 79.2% of median pay for majority groups^{xi}. To be clear, this does not mean that women are paid 68.5% of



what men are paid for like work. Instead, the difference highlights an equality of opportunity gap—for instance, where one group holds more leadership or higher-paying positions. Our DEI work to improve representation across the organization across various demographic groups is designed to address this opportunity gap.



DEI & Pay Equity: Moving Forward

Our talent base is dynamic, and any data analysis only captures a single moment in time. As a result, we're committed to conducting this process twice a year, ensuring that we consistently review our adjusted pay gap details and make equity-based pay adjustments in off-cycle time periods where necessary.

Increased diverse representation and inclusion across our organization is an area of priority at Morningstar. Our 2022 efforts will focus on the following areas:

- **Broadening our recruiting process**

By utilizing key partnerships and expanded recruitment practices, we seek to increase our diverse representation in new hires.

- **Investing in DEI resources**

We've increased budgets to build out key DEI functions across business lines.

- **DEI education and processes**

We expect final integration of our structured interview process across all geographies and business lines and 100% participation of people managers in our inclusive leadership program.

Our stakeholders can stay up to date with our DEI progress in real time on our [DEI webpage](#).



Training, Education, and Career Development

This topic is prioritized by our employees and stakeholders

Our people are our most critical asset. Morningstar offers continuous training, educational programs, and career development to provide growth opportunities for all colleagues. We are focused on scaling our learning opportunities to provide an impactful and consistent set of experiences across the entire company.



Colleagues celebrate Diwali, the festival of lights symbolizing the new year, in our Chicago office enjoying traditional Indian street food, drinks, and music.



Programs for Talent and Learning

Morningstar offers highly utilized, competitive programs that support continuous education efforts and career enablement, including —

Continuous Learning Benefits and Programs

- **Morningstar Scholars**

Scholars is a global tuition assistance and development program for up to 80% tuition reimbursement (up to USD 20,000 per year) to fund degrees and certification from accredited academic institutions.

- **Annual Global Education Stipend**

This stipend is available for all colleagues to direct funds toward the educational programs of their choice.

- **Chartered Financial Analyst® Stipend**

This stipend supports colleagues' achievement of the CFA designation.

- **LinkedIn Learning**

This program features on-demand courses focused on a wide range of topics to advance professional and personal skills.

Career Growth Programs

- **Morningstar Development Program**

This program allows early career colleagues the flexibility to explore various employment positions while providing ongoing mentorship and apprenticeships.

- **Advancing Leaders Program**

Piloted in 2021, this program is a guided leadership development journey that intends to fuel the development of leaders at all levels. Through a four-stage framework, colleagues can grow professionally and, more importantly, learn how to develop their team members' careers.

- **Mentorship Programs**

These are discussed in detail in the DEI section of the report.

\$453

Morningstar spent USD 453 on education and mentorship programs per employee

98%

Eligible employees who received a formal talent review

75%

Employees who believe Morningstar is committed to their career development



Additionally, Morningstar’s formal talent review process is focused on structured, developmental conversations for managers to engage in one-on-one dialogue with their team members on performance, growth, and compensation. Morningstar ensures that the talent review is an equitable process, enabling our people to explore their career opportunities. As of year-end 2021, 98% of eligible employees have recently received a formal talent review.

Enabling Diversity, Equity, and Inclusion Learning Opportunities

In 2021, Morningstar launched a custom DEI course available to our people globally. This learning path is made up of three separate modules focused on our DEI philosophy, framework, actions, and behaviors. Each module includes a short, self-paced component and as well as an opportunity to attend a live session for further subject exploration and discussion. At the end of 2021, 27% of employees completed the first DEI course module.

Looking Forward

Over the next two years, Morningstar’s Learning and Development team is committed to advancing in two major

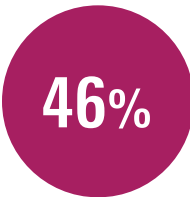
areas. We plan to scale our work by further building out Morningstar’s digital learning ecosystem. We aim to use tools and platforms to understand what skills we have at Morningstar, what skills we need to develop, and how best to develop those skills. Additionally, we plan to create a collaborative learning environment to facilitate more peer-to-peer learning.



There were over 80 Morningstar Scholars in 2021



Global education stipend spend in 2021



Employees using educational stipend



Number of CFAs



Community Engagement

This topic is prioritized by our employees and stakeholders

Morningstar works with colleagues across the globe to identify the causes and organizations that we can most effectively impact. Our programs are designed to keep community need at the center of our efforts, and we support both donation matching and volunteer programs; we recognize the importance of these efforts to our employees and expanded key programs in 2021.

Morningstar's matching gifts program is designed to expand the impact of colleague donations by matching both volunteer hours and monetary donations with company dollars. Our Morningstar Dollars for Doers Program and Volunteer Time-Off Program further enhance the impact and opportunity for volunteerism.



Colleagues in Morningstar's China region volunteered at the Feeding Hong Kong food bank, fighting hunger and reducing food waste for the community.



Aligning Community Engagement Focal Areas With Global Outcomes

In 2021, we examined the causes that our people are most passionate about, and the areas where our research, products, and collective talents could have the most impact. As a result, we sought to grow our community engagement program in the following areas:



- **Quality Education**

Our employee knowledge of financial research and data enables our colleagues to make a difference in our communities in the areas of financial literacy and education. For example, our London office worked in collaboration with the CFA Institute and a local school to provide access to the CFA's Investment Foundations program during the summer.

- **Climate Action**

Our colleagues want to combat the effects of climate change and reduce their—and the firm's—environmental impact. For example, our Mumbai office restored wetlands and aided villages surrounding a tiger reserve to explore viable livelihood alternatives to illegal wildlife trade.

- **Equity**

Our colleagues care about reducing inequalities, including poverty reduction, and supporting racial, gender, and LGBTQ+ equality. In 2021, our Chicago office worked alongside neighborhood leaders from [My Block, My Hood, My City](#) to clean up several city blocks, helping to restore the community.

2021 Progress

- **Global Donation Drive**

Morningstar launched the biggest fundraising campaign in our firm's history where we raised over USD 750,000 for organizations across the globe.

- **Global Volunteer Time-Off Program**

All global colleagues now receive two paid volunteer days per year to give back to the causes that matter most to them. This is separate from our regular paid time off, and it is meant to provide direct support for volunteer opportunities.

- **Doubled Morningstar's Dollars-For-Doers Benefit**

Morningstar now matches colleagues' time USD 20 for every hour of time in which colleagues volunteer at a nonprofit organization.

- **Enabling Communities in Morningstar's Conferences**

Morningstar gave our Morningstar Investor Conference attendees the option of trading in their typical conference "swag" for a donation to be made to a nonprofit.



Looking Forward

We are committed to improving our community engagement programs. In 2022, we will be updating our charitable matching platform. This will enable tax efficient and local currency matching for most employees and allow for payroll giving in our largest countries. We also intend to expand programs focused on enabling our alignment with the Sustainable Development Goals, such as expanding a financial literacy curriculum for local partners.

1.7m

Over USD 1.7 million donated through company donations, company matches, and Morningstar corporate-level donations

51%

Employees who have donated to charity organizations via the Matching Gifts program



Our Toronto region volunteered at several Fred Victor gardens to assist with their final harvest, preparing for winter and spring.



□□ We have been working with **Food Angel**, a food rescue and food assistance organization, in Hong Kong for several years, both working as a team to prepare meals and fundraise. Food Angel's mission is 'Waste Not, Hunger Not, With Love.' To celebrate our region's high participation in the global giving drive to support Food Angel, our teams had dim sum and the CEO of Morningstar Hong Kong prepared his special family recipe for the team. □□

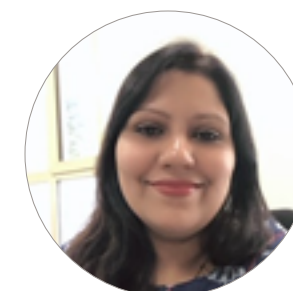
□□ The COVID-19 pandemic heightened the importance of online connectivity across the globe, meaning that underprivileged children with no access to computer devices were left out academically. Morningstar India distributed computers through partnerships with charities in the education sector through our 'Desktop Donation Drive.' Most recently, we donated systems to the Sanctuary Nature Foundation to set up a computer lab for remote schooling. □□

□□ Morningstar has a tradition of volunteering at the **Greater Chicago Food Depository (GCDF)**, a Cook County hub for a network of food pantries, soup kitchens, shelters, and other programs which support the specific needs of diverse groups in the Greater Chicago Area. The GCDF turns every dollar of donation into three meals, which amplifies our efforts to provide for families experiencing food insecurity. □□



Winnie Wang

Data Quality Assurance Manager
Shenzhen



Perpetual Mathias

Associate Director of Talent Management
Mumbai



Morgan Olenski

Manager of Community Engagement
Chicago



Governance

- **Governance Structure and Oversight**
- **Business Ethics**

- **Material topic**
- **Additional topics prioritized by employees and stakeholders**



Governance

Strong oversight and accountability are crucial to the management of material ESG issues and our ability to execute our business strategy. Morningstar's research teams have identified practices that lead to good stewardship, shareholder transparency, and long-term value creation. We aim to align our firm's own governance with these principles.

Addressing Our Governance Risks and Opportunities

Morningstar's governance principles and framework address a variety of material risks inherent to our business model within the financial-services industry, including those associated with the management of professional ethics, intellectual property, competitive practices, and the publication of investment ratings. These issues are critical to Morningstar; our **Annual Report** examines these potential risks in greater detail.



Governance Structure and Oversight

This is a material topic for Morningstar

Our commitment to governance and oversight has remained consistent over the years. We maintain a majority independent board of directors who are of diverse backgrounds and have deep industry experience. We have a deliberate approach to shareholder engagement, which includes consistent standards and regular, accessible, and equitable communication with investors of all types.

SDG Areas



Morningstar's 2021 Board. From left to right: Cheryl Francis, Steve Kaplan, Caroline Tsay, Bill Lyons, Robin Diamonte, Joe Mansueto, Gail Landis, Doniel Sutton, Steve Joynt, and Kunal Kapoor.

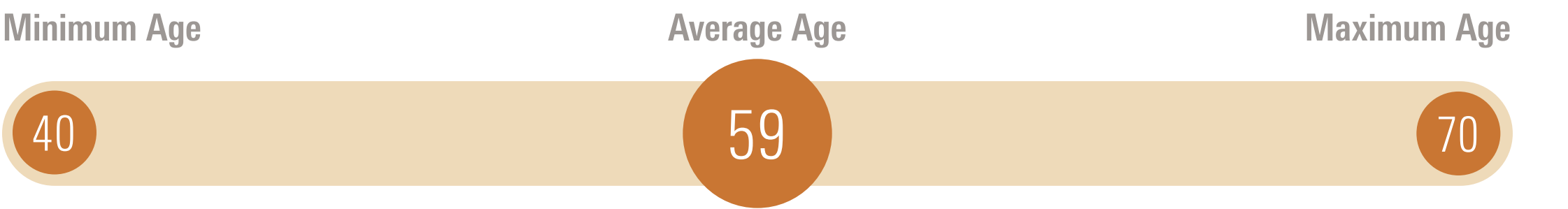


Board Composition

At Morningstar, we value the independence of our board members while leveraging the expertise and deep commitment of our founder and executive chairman, Joe Mansueto. Board committees, including the Audit, Compensation, and Nominating and Corporate Governance Committees, are led by independent directors. The combination of deep history that Joe and Kunal represent with the board’s committee-led independence benefits Morningstar, enabling us to preserve our unique culture, live our mission and values, and create value over long-term periods. For more information on Morningstar’s Board Composition, visit our [2022 Proxy Statement](#).

Morningstar’s 2021 Board of Directors Data

Board of Directors	#	%	
Female	5	50	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>
Male	5	50	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>
Racially/Ethnically Diverse	3	30	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>
Independent	7	70	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>
0–5 Year Tenure	4	40	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>
6–10 Year Tenure	2	20	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>
11–15 Year Tenure	1	10	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>
15+ Years Tenure	3	30	<div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div><div></div></div>





Board Responsibility and Structure

Board of Directors

- Review & provide input on the company’s strategic plan
- Approve annual budget
- Monitor succession planning for the CEO & other senior executives
- Oversee organizational health
- Advise on enterprisewide risks
- Approve dividend & share repurchase programs

Board Committee Sustainability Considerations

Compensation Committee

- Approve incentive plan design & performance goals
- Review emerging compensation policies, practices, & potential risk

Audit Committee

- Discuss major financial, product, technology & cybersecurity risk exposures
- Receive reports on ethics matters that have been reported

Nominating and Governance Committee

- Guide development of corporate governance policies & stock ownership requirements
- Determine the appropriate characteristics, skills, & experience for the board

Management

The management team is responsible for leading the organization to achieve our firm’s five major goals. The management team also reports on progress to the board.

- **Financial**—Exceed company-level financial goals
- **Sustainability**—Establish leading ESG position across each business
- **Scale**—Drive operational excellence & scalability to support growth targets
- **Insights**—Deliver differentiated insights across asset classes to public & private market investors
- **Talent**—Build an inclusive culture that drives exceptional talent engagement & development



Expanding Sustainability Oversight in Committee Charters

Each committee of the board oversees specific components of sustainability, and, in May 2021, the board updated its committee charters to reflect these areas of focus. Our Audit Committee oversees topics of cybersecurity and ethics; our Compensation Committee guides benefits, pay, and incentive practices; and our Nominating and Corporate Governance Committee reviews compliance and governance. Access Morningstar's Committee Charters [here](#).

Enhancements to Our Governance Framework

In 2021, Morningstar enhanced the framework that articulates the global processes by which governance and ethics policies are reviewed, approved, adopted, and implemented. This process allows us to more quickly respond to evolving regulatory and societal shifts. Morningstar's board reviews Morningstar's material enterprisewide policies, including our [Code of Ethics](#). More information on Morningstar's new policies and changes to the Code of Ethics can be found in the Business Ethics section of the report.

Appointment of a New Board Member



With the retirement of Jack Noonan from Morningstar's board in 2021, we sought a new member with significant human capital management expertise and experience at high-growth technology companies. In May 2021, shareholders elected Doniel Sutton to Morningstar's board.

Sutton is currently the chief people officer at technology company Fastly, with extensive human resources leadership experience at companies such as Paypal, Prudential Financial, and Bank of America. We believe that Sutton's wealth of experience in human capital management, global business expansion, and executive development adds unique insights that will support our continued scale and growth.



Shareholder Engagement

Morningstar's approach to shareholder engagement includes consistent standards, regular and accessible communication with investors of all types, and a long-term focus.

We do not provide quarterly earnings calls; encouraging a focus on short-term results is inconsistent with our mission to empower investor success over the long term. Instead, we provide answers to questions from all shareholders questions regardless of size, and you can see [answers dating as far back as 2014 here](#). Also, our management team and the board of Directors are available once per year at our annual meeting to answer questions from prospective and current shareholders and other stakeholders. For more information on Morningstar's shareholder engagement, visit our [2020 Enterprise Sustainability Report](#).

Looking Forward

Morningstar is listed on the Nasdaq Stock Exchange and will adopt Nasdaq's standardized disclosure matrix and definitions in our 2022 proxy statement. We are proud of the fact that the diversity of Morningstar's board far exceeds the thresholds in the [Nasdaq rule](#).



A Discussion With Bill Lyons on Sustainability Within Morningstar's Board



How have board discussions and debate shifted during your time on Morningstar's board?

Morningstar's business has grown dramatically during my 15 years on the board. As Morningstar's products and services have expanded, we've prioritized an expansion of the skills and backgrounds represented on our board. We've added individuals who provide deep and informed perspectives in specific growth areas, such as workplace retirement solutions and credit ratings. Most recently, human resources and hiring have moved to the forefront of priorities, and our newest board member, Doniel Sutton, brings global expertise in that area. All of this is overlaid with the objective of building a truly diverse board along dimensions other than business experience. We're pleased that 50% of our directors are women. And our audit committee is entirely women; that's unusual in a public company but mirrors the rise in women investors. We are also pleased to exceed the **Nasdaq Stock Exchange requirements for Board diversity**, even before they become effective. The changing composition and growing diversity of our board have undeniably contributed to deeper, more informed discussion and debate of the important issues before us. My experience is that board

confidence in achieving great outcomes for Morningstar's customers and shareholders is increased when multiple, informed viewpoints are considered and a path forward is chosen after candid and respectful exchange. This is a key component of sustainable governance, and I think Morningstar embraces and practices this at a high level.

As a board member, how are sustainability considerations accounted for in your oversight responsibilities?

Sound human resources practices, including ethical guidelines and codes of conduct, begin with the Board. Embedding these practices into the corporate culture is the work of everyone in the organization, and it is never-ending. The topics of human resource and ethical business practices are a standard part of every Board meeting agenda. We review and discuss metrics related to hiring, promotion, terminations, employee engagement, and more. Putting workforce-related data and discussion before the Board on a regular basis sends an unmistakable signal that sustaining a high-quality workforce—one that is engaged and pursues sound and ethical business practices—could not be more important to organizational success.



Business Ethics

This is a material topic for Morningstar

Our standards for ethical behavior serve as a foundation for Morningstar's work. They are key components of our long-standing relationships with our clients, and they create a positive work environment for our people. We also regularly review our policies to assess material risk in a quickly changing environment. Independent research is central to our brand, and we are continually reviewing and improving our compliance structures to remove or mitigate actual or perceived conflicts of interest in our business and processes. We also manage business units with heightened regulatory requirements separately, including Morningstar Investment Management and DBRS Morningstar. More details on DBRS Morningstar's compliance organization can be found [here](#).

SDG Areas





Morningstar's Code of Ethics

Our Code of Ethics is designed to guide our decision-making at Morningstar. It outlines practices related to hiring, purchasing, insider trading, bribery, confidentiality, and conflicts of interests, among others. Critically, it reflects the independent nature of Morningstar's data and research efforts and provides clear guidelines to maintain the research team's independence. The code applies to everyone at Morningstar, including members of the board of directors, our employees, and all temporary workers, interns, independent contractors, and consultants with connections to Morningstar. Each year, Morningstar colleagues are required to sign their adherence and acknowledgment of our Code. As of Dec. 31, 2021, 94% of Morningstar global colleagues had completed this annual certification.

Each year, our management team and board of directors review Morningstar's Code of Ethics to ensure we manage any potential risks and evolve to meet our expectations for ethical practices across the organization. In 2021, we included more detailed information in the code about the individuals to whom questions or reports of noncompliance

should be directed. We have also incorporated an explicit statement that requires managers to report questionable behavior that could potentially violate the code.

Enhancing Morningstar's Policy Portfolio

Each year, Morningstar reviews and enhances its corporate policies. In 2021, we updated our antibribery and corruption policies and adopted two new global policies: Morningstar's Anti-Slavery and Human Trafficking Statement and Human Rights Policy. Morningstar's Anti-Slavery and Human Trafficking Statement was built in accordance with the UK Modern Slavery Act of 2015 and Australia Modern Slavery Act of 2018, applying these country-specific principles to our global business. Our Human Rights Policy reaffirms our company's responsibility to ensure proper human rights practices throughout our value chain and in all business functions. It also publicly expresses our company's commitment to internationally recognized human rights standards.

These policies went into effect on Jan. 1, 2022. Our **sustainability policy center** consolidates relevant policies that impact our firm's sustainable business practices.

Looking Forward

Each year, we provide training on Morningstar's global policies and our expectations of employees. In 2022, our training will include aspects pertaining to our updated Anti-Bribery and Corruption Policy and our new Anti-Slavery and Human Trafficking Statement and our global Human Rights Policy.

87%

Employees who report that acting ethically and with integrity on the team takes priority over achieving business results



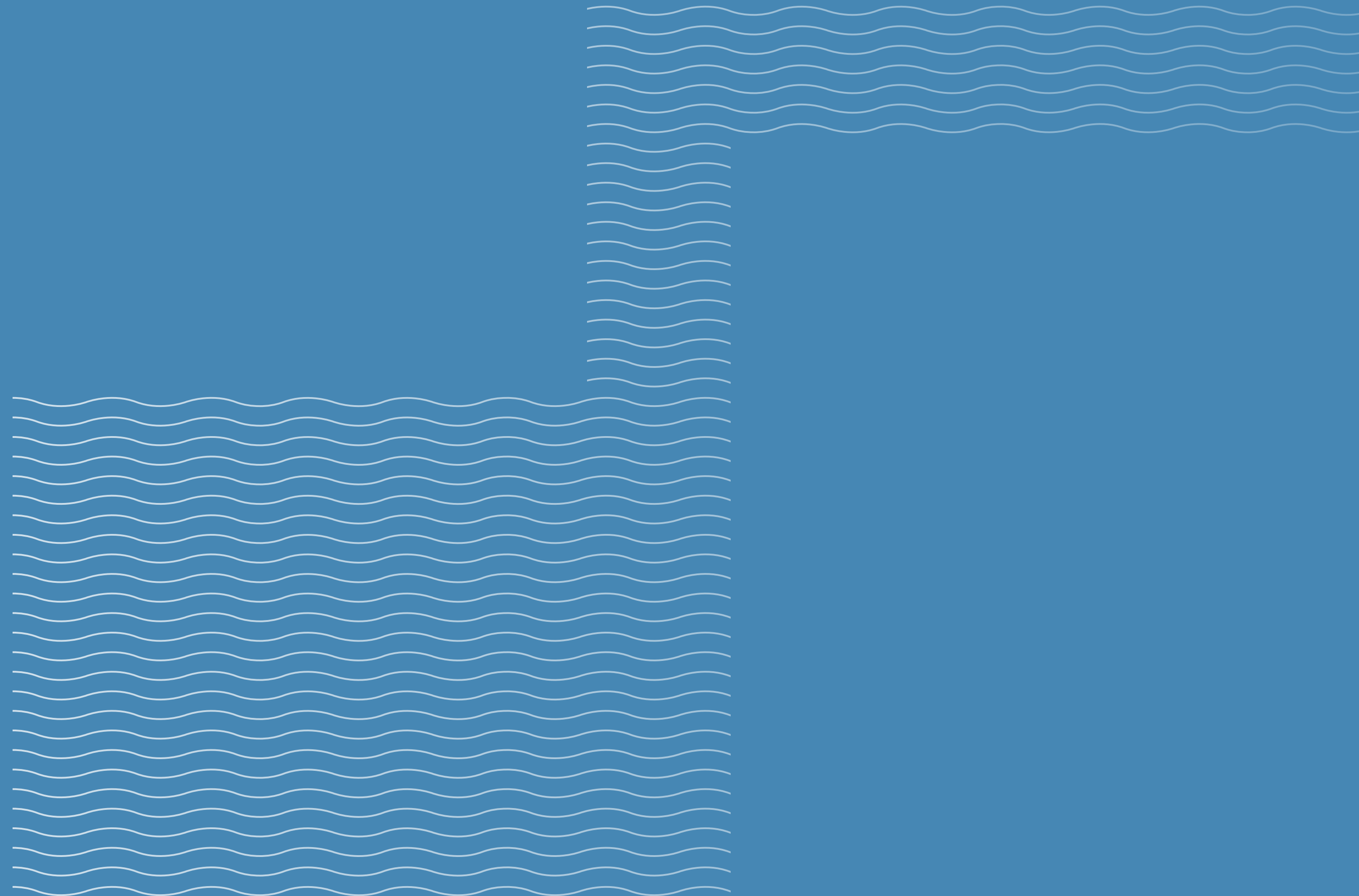
Business Operations

- **Data and Information Security**

- **Environmental Impact**

- **Sustainability in the Supply Chain**

- **Material topic**
 - Additional topics prioritized by employees and stakeholders





Business Operations

Our business operations are characterized by a robust, data-driven approach to privacy and security and a commitment to measure the firm's global environmental footprint. This will enable us to adopt aggressive long-term targets for efficiency and environmental impact reduction.

Addressing Our Business Operations Risks and Opportunities

With respect to data governance practices, we focus on addressing material risks in our business, including how to collect, use, manage, and protect data. The emphasis is on measures taken to ensure safe and secure use and maintenance of customers' personally identifiable data. For our environmental impact, we focus on measuring our emissions. This includes our operational energy use and greenhouse gas emissions. When it comes to our supply chain, we utilize our Supplier Code of Conduct to ensure we partner with vendors who meet our sustainability expectations. We seek to mitigate risk in this area by assessing our suppliers utilizing our own proprietary software.



Data and Information Security

This is a material topic for Morningstar

One of Morningstar's most valuable assets is the trust we have built with our stakeholders. We recognize our responsibility to safeguard their information, and we expend considerable effort and resources to protect all data pertaining to our clients, colleagues, and partners.

SDG Areas





Information Security and Privacy Programs

Morningstar has a dedicated Information Security team that is responsible for operating the firm's comprehensive information security program. The program is led by the chief information security officer who reports to the chief technology officer and the Audit Committee of the board of directors. Additionally, Morningstar maintains a comprehensive privacy program designed to manage the privacy of customers' personal data. We follow principles focused on lawful and ethical actions, transparency, protection, and responsiveness to customer preferences. For additional details on our programs and their relative standards and framework alignment, visit our [Approach to Data and Information Security Statement](#) and [Morningstar's Privacy Center](#).

Enterprise Resilience

One constant in technology and information security is that incidents, security or otherwise, inevitably happen. As part of the holistic approach to incident mitigation and management, Morningstar manages an Enterprise Resilience Program. This program proactively prepares our products and business functions for unplanned disruptions. Building

recovery capabilities starts with architecting resilient products. Then, we employ mitigation techniques that minimize incident impacts. We've developed detailed disaster recovery plans that enable us to recover from incidents that have caused service disruptions or data loss. These technical recovery capabilities are tested and validated regularly to ensure our continued readiness.

Defining and Disclosing Security Incidents

The information security landscape is undergoing a period of swift change, and the field has few clearly defined data definitions. It's therefore difficult for stakeholders to understand performance in the space across companies. To ensure that Morningstar's performance in this area is clear, we've adopted a measurement system using transparent methodologies to define data incidents and to enable routine disclosure of said incidents.

For the purpose of this report, Morningstar defines a "noteworthy security incident" as an event that compromises confidential data and (1) for which Morningstar is subject to a regulatory obligation to notify government authorities or impacted parties or (2) results in costs to Morningstar

exceeding USD 100,000. We calculate "costs" by utilizing the estimated per record cost calculated by the Ponemon Institute, which can be found in the IBM/Ponemon Institute [Cost of Data Breach Report 2021](#). Costs include direct or indirect expenses incurred by Morningstar, such as the cost to investigate and respond to an incident, costs associated with downtime, and the cost of reimbursing customers for their losses. The Ponemon study, which has been published annually since 2005, is widely used for benchmarking incident costs. This analysis changes according to the findings of the annual study, which will cause us to change the dollar value considered in our estimate over time.

In 2021, Morningstar had one noteworthy security incident that meets the above definition, and we notified two impacted parties as a result. This incident involved the unauthorized acquisition of personal data and was categorized by Morningstar as a privacy incident, meaning it involved the breach of personal data. Morningstar believes that our proactive data and information security measures detailed in this section allow us to properly assess potential for security incidents and mitigate the harm



associated with their occurrence. Further details on Morningstar's noteworthy security incidents as a risk factor and regulatory trends can be found in our [2021 10-K Report](#).

Disaster Recovery Tests

Disaster recovery, or DR, is the area of security planning that deals with protecting Morningstar from the effects of significant events in which Morningstar's operations may be at risk due to cyberattacks and equipment failures, as well as pandemic, war, natural disaster, or another dangerous emergency significantly impacting safety or communication connectivity. The DR test process ensures that each of our products and services can fail in our primary production location and recover in a DR location in a different geography, continuing to be available for our clients and colleagues.

To be effective at protecting our business and ensuring high availability of our products and systems, Morningstar requires all our business units to participate in our DR program. DR testing occurs at least once per year for each product or whenever there is a significant change to the related business processes or technology. In 2021, 97% of all DR tests across products in our enterprise passed,

which gives us reassurance that 95% of our application-based revenue is resilient to unexpected outages, including those caused by security incidents^{xii}. It's important to note that no firm can fully reduce the risk of an incident from occurring.

Vendor and Supply Chain Management

Morningstar recognizes that our responsibility to safeguard data extends beyond Morningstar's own systems and products; it also covers the vendors we use to support our business. To gain and maintain assurance that our vendors meet our data and information security standards, Morningstar manages a third-party Vendor Due Diligence (VDD) program. We vet critical vendors, subcontractors, and other third parties that may process confidential and personal information to spot potential red flags in their security practices, both before entering a contractual relationship as well as throughout the course of that relationship.

Our VDD program made progress in 2021. During the calendar year, Morningstar increased the number of suppliers covered through the VDD process by 112% from the prior year, totaling 142 suppliers. We will continue to process new vendors through the VDD program in future years.

Some noteworthy elements of this process include:



- 1 Tiering vendors based on their risk and use of personal data to determine the ongoing processes to review practices with the supplier



- 2 Assessing vendors on their current security processes. This may include assessing privacy policies, SOC2 Type-2 Reports, ISO-27001 certifications, penetration test results, or other relevant measures.



- 3 Reviewing the risk assessment by defining a risk mitigation or acceptance plan, leading to accept or deny the vendor to mitigate any potential or current risks realized.



Looking Forward

As our firm continues to grow, we are developing proactive data privacy and security measures and investing in training and resourcing our teams. In 2022, we are focused on providing our software engineers with more agile security tools to gain faster feedback on security flaws, including concerns in software components in our supply chain. We aim to deliver one standard for data privacy across all regions (in many cases exceeding local or regional requirements). This will allow Morningstar to build and maintain a competitive advantage in customer trust.



Morningstar's Women's Initiative ERG hosted a cryptocurrency panel to discuss the evolving crypto landscape. From left to right: Emily Stevens, Madeline Hume, Jasmin Sethi, and Karla Paxton.



Environmental Impact

This topic is prioritized by our employees and stakeholders

We aim to reduce our impact on the environment while expanding the growth of our business and the reach of our products. We recognize that the company can support innovative solutions to the global climate crisis through, in part, our product offerings.



Pitchbook colleagues in our Seattle region volunteered at City of Seattle to help restore and maintain forested parklands, clearing invasive plants in Seattle's largest urban park, Discover Park.



In September 2021, Morningstar and a flagship group of peers announced intentions to reach net-zero emissions by 2050 with the launch of the [Net Zero Financial Service Providers Alliance](#), the latest addition to the broader [Glasgow Financial Alliance for Net Zero](#). There are clear targets associated with the alliance commitment, including a requirement to cut business emissions in half by 2030, to publish a plan and interim targets for 2050 net-zero alignment, and to report annually on our progress.

Preparing for More Extensive Emissions Reporting

As we finalized this report, the U.S. Securities and Exchange Commission released its [proposal](#) regarding regulated climate disclosure. The proposal would require U.S. public companies to disclose and report on climate risks faced by the business and plans to address these risks, and as well as and to report emissions, including Scope 1 and 2 greenhouse gas emissions, and—if deemed material—Scope 3 emissions. Morningstar’s commitment to reach net-zero emissions and our work to measure our environmental impact positions us to address the

requirements of the proposed rule should it be adopted. Morningstar supports measures to increase the transparency and availability of climate-related information.

Our 2021 Global Footprint

Morningstar partners with U.K.-based [Greenstone](#), to gather data from our global offices and procurement teams to calculate our global carbon footprint^{xiii}. Our goal is to assess Morningstar’s total environmental impact; we continue to bolster our processes to gather data pertaining to scope 1, 2, and 3 emissions, encompassing upstream, direct, and downstream activities^{xiv}.

Over the course of 2021, Morningstar’s business grew substantially, to 9,556 employees at the end of 2021 from 7,979 employees in 2020. Like other organizations, our work was impacted by the COVID-19 pandemic: Employees worked remotely for much of the year and business travel was constrained. In 2021, Morningstar emitted an estimated 9,947 tons of greenhouse gas emissions (tCO₂e), a slight reduction from 2020’s estimated 10,159 tCO₂e.

To contextualize this impact, we normalize our total greenhouse gas emissions relative to Morningstar’s revenue. In 2021, a year in which Morningstar’s revenue outpaced expectations, we emitted approximately 5.9 tCO₂e per million dollars compared with 7.3 tCO₂e per million dollars in 2020^{xv}.

42%

Global employees who work in an environmentally certified office space.



Environmental Impact: Scope Breakdown

Downstream (Indirect)



Direct

Upstream (Indirect)



Scope 1



Direct emissions from company-owned or -controlled sources.

Morningstar’s scope 1 emissions are generally limited; this is consistent with our business as an office-based company with few energy-intensive direct activities. The bulk of Morningstar’s scope 1 footprint is derived from fuel for heating. Total scope 1 emissions for 2021 were 2,726, a substantial increase over 2020. In 2020, we added seven offices to the Morningstar portfolio, and our 2021 data reflects a full year of emissions from those offices, alongside improved monitoring processes to measure our global impact.

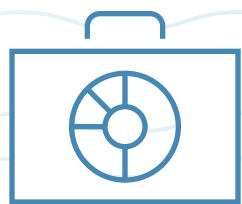
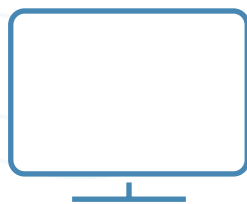
Scope 2



Purchased electricity, heat, and steam.

Purchased electricity is energy brought in to power our offices, rather than generated onsite; this includes electricity used to run our data centers. Morningstar’s scope 2 emissions are made up entirely of purchased electricity. Over the course of 2021, our scope 2 emissions were 6,349. Within our total business, we used roughly 27,505,441 kilowatt hours to provide electricity to power our buildings with 2,722,295 kWh coming from our data centers. Normalized, this equates 3,054 kWh per employee.

Scope 3

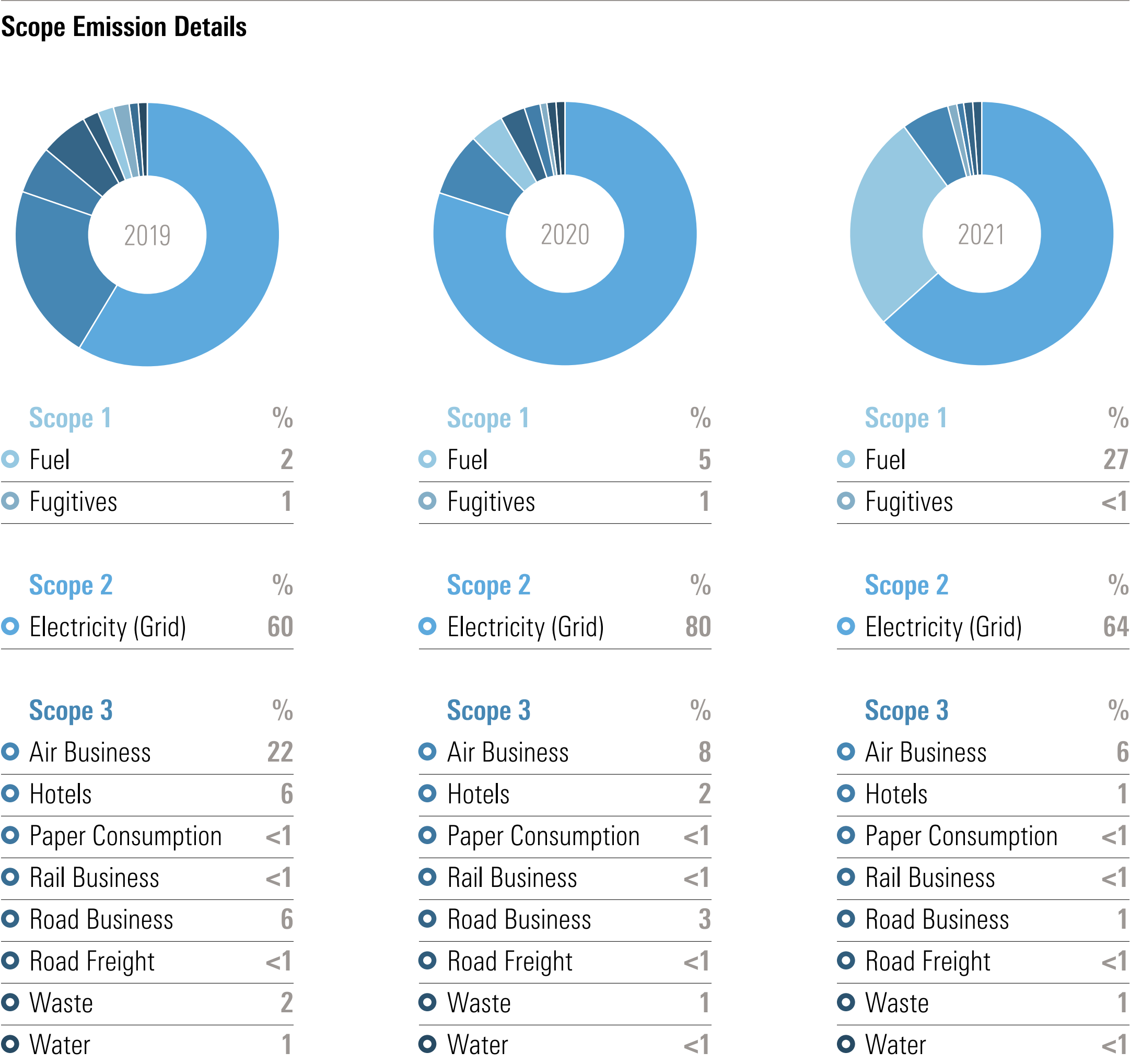
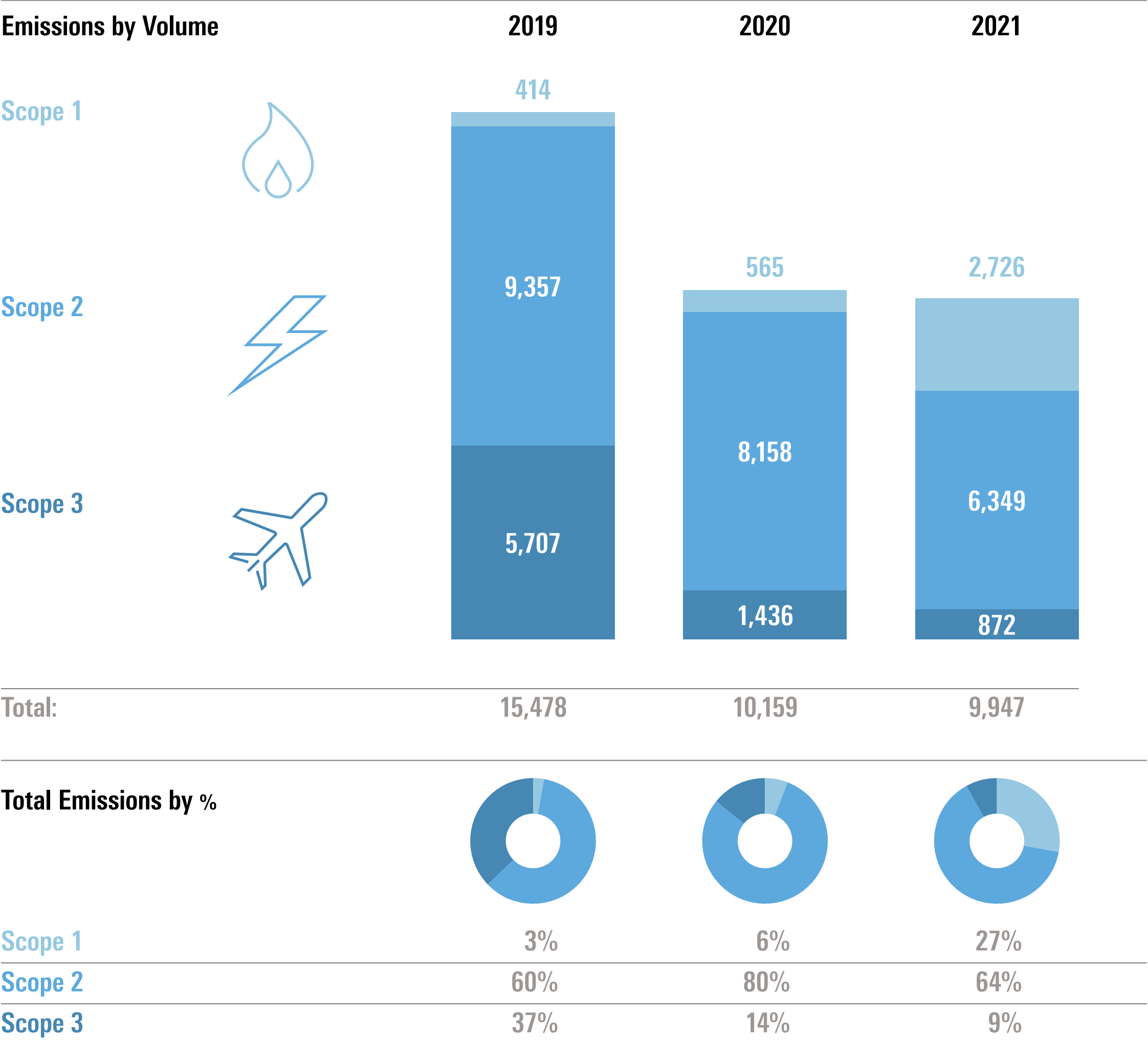


Indirect emissions that occur in a company’s value chain.

This can include purchased goods and services, business travel, employee commuting, waste disposal, and more. Morningstar’s scope 3 emissions were 872 in 2021, primarily due to a reduction in business travel even over modest total travel in 2020.



Environmental Impact: Our Contributions





Going forward, Morningstar seeks to further understand and track our scope 3 emissions. This might include identifying resource, energy, and emissions risks in our supply chain, engaging with our suppliers to improve the sustainability of the services we receive, and reducing emissions from business travel and employee commuting.

Our Future Emissions Reporting, Management, and Reduction Plans

Morningstar has introduced an offsetting agreement in 2021, designed to approximate the scale of our 2019 emissions. Offsetting is a nonbinding commitment to balance a firm's past carbon-emitting activities through investment in carbon reduction activities. Traditional voluntary offsets such as forestry, methane capture, and clean cookstove projects have long struggled with credibility issues stemming from inadequate oversight, lack of measurability, and inconsistent third-party verification.

We are excited about our work with [Climate Vault](#), a nonprofit start-up based in the U.S. Climate Vault purchases carbon permits from cap-and-trade compliance markets in

proportion to our carbon emissions, measured in tons. These permissions are then "vaulted," limiting their availability to emitters who are not able to purchase them. Because the number of permits is capped in North America, this decreases the amount of global carbon dioxide pollution allowed by government regulators. Crucially, Climate Vault works in regulated markets and provides the transparency of market pricing.

Alignment with net-zero guidance requires not only a deep reduction in global emissions over the next 30 years but also actual negative emissions—that is, removing CO₂ that has already been emitted into the atmosphere. Our work with Climate Vault includes potential investment in carbon dioxide removal technologies, through that firm's Technology Experts Chamber, a team of some of the world's most respected scientists, policy experts, and academics dedicated to advancing carbon removal technologies. The chamber's role is to identify and assess potential innovations; where they find innovative technologies, they support companies working on the removal of CO₂ from the atmosphere.

Looking Forward—Our Path to Net Zero

Morningstar's work with Net Zero Financial Service Providers Alliance commits us to the [UN's Race to Zero campaign](#): the world's largest net zero coalition. This effort is designed to accelerate the transition of the finance sector and the global economy to net-zero emissions by 2050 at the latest. Notably, joining Glasgow Financial Alliance for Net Zero commits us to reducing our emissions by 50% by 2030 and achieving net-zero greenhouse gas emissions by 2050. This work will include establishing reduction targets to address our own operational impacts; supporting the development of products and services consistent with the net zero transition; and reporting on our progress annually.

We have established a process to measure the firm's environmental footprint. Our teams continue to determine areas for improvement across regions, set appropriate reduction targets, and, where appropriate, align with international standards and guidance with respect to global reduction frameworks. In 2022, we will take measurable and science-based steps as part of the NZFSPA to adopt aggressive road maps to achieve a net-zero business model by 2050.



Sustainability in the Supply Chain

This topic is prioritized by our employees and stakeholders

We recognize that even if our firm prioritizes sustainability in our business operations, many of our suppliers may not.

In 2020, Morningstar enhanced our [Supplier Code of Conduct](#) to expand guidance concerning supplier commitment to environmental practices, human and labor rights, ESG scoring, use of personal data, and other sustainability considerations. This allows us to prioritize sustainability in our procurement process, identifying suppliers that meet our standards.

A deeper understanding of suppliers' sustainable practices and performance delivers the ability to measure risk in our value chain. In 2021, we launched an effort to integrate proprietary tools from Sustainalytics in our external partnership and supply chain assessments. Over the course of 2022, our enterprise sustainability and procurement teams are partnering with the [Sustainalytics ESG Assessment Platform](#) team to assess the ESG risk of customers, suppliers, and partners.



Sustainability Data & Appendix

Sustainability Data: People and Workplace

Sustainability Data: Governance

Sustainability Data: Business Operations

Endnotes





Sustainability Data & Appendix

Morningstar is focused on incorporating sustainability and ESG data across our research, solutions, and services and translating sustainability principles into core competencies in our governance, workplace, and business operations.

We're applying our own ESG research and tools to our business to prioritize transparency and sustainability in our workplace, our governance, and our business operations. We believe that diverse teams make better decisions, and

contend that a collective mixture of different backgrounds, beliefs, and experiences makes Morningstar a stronger firm. We align our governance with the practices that our analyst teams have identified with good stewardship, shareholder transparency, and long-term value creation. We pursue a robust, data-driven approach to privacy and security. We seek to measure and reduce our impact on the environment while building innovative investment solutions to address the climate crisis.



People and Workplace

We are committed to fostering an environment and a community in which the talented, driven people who power our mission can excel. We recognize that our success depends on the values and performance of our employees, and we support them in a range of initiatives in the areas of engagement, professional growth, equity, diversity, and inclusion. Our work in this area is primarily designed to reduce risk associated with human capital and with the management of skilled labor through retention and recruitment programs, career development options, and labor relations issues.

Our reporting in this area draws on Sustainalytics' materiality work. We disclose data and information consistent with external standards for reporting, including Sustainable Accounting Standards Board (SASB): SASB SV-PS-330a.1, SV-PS-330a.2, SV-PS-330a.3; and Global Reporting Initiative: GRI 102-8, 405-1, 404-3, 401-1b, 405-2. These datasets are described as relating to the ability of firms to ensure their culture; hiring and promotion practices embrace the building of a diverse and inclusive workforce that reflects the

makeup of local talent pools and customer base; quantitative measures on diversity including details on board, employee, and management team; information on employees and other workers; the diversity of the governance bodies and employees; and the percentage of employees receiving regular performance and career development reviews. Our report covers 2021 data. In certain cases, we have included 2020 and 2019 data for purposes of comparison.

MEI.13 Human Capital

Human capital focuses on the management of human resources. It includes the management of risks related to scarcity of skilled labor through retention and recruitment programs and includes career development measures such as training programs. Additionally, it includes labor relations issues, such as the management of freedom of association and diversity issues, as well as working hours and minimum wages.

Material topics

- Employee Engagement
- Diversity, Equity, and Inclusion

Additional topics prioritized by employees and stakeholders

- Employee Benefits
- Training, Education, and Career Development
- Community Engagement



People and Workplace

Material Issue	Metric	2019	2020	2021	Page No. Reference
<div><div>Employee Engagement</div><div>MEI.13 Human Capital</div></div>	Employee Engagement	73%	80%	81%	29
	Percentage of colleagues who report feeling motivated to go above and beyond what’s expected of their role	—	85%	86%	29
	Percentage of colleagues who report being comfortable asking other members of their team for help	—	92%	92%	29
	Percentage of colleagues who report understanding how their work is connected to the company strategy	—	87%	88%	29
	Great Place to Work Score	—	81	84	29
	Employee Turnover Rate	—	12%	18.5%	29
	Voluntary turnover rate	—	—	17.1%	—
	Involuntary turnover rate	—	—	1.4%	—



People and Workplace

Material Issue	Metric	2019	2020	2021	Page No. Reference
<div>Employee Benefits</div>	Percentage of U.S. employees who have completed the U.S. wellness incentive program	—	76%	97%	33
	Percentage of eligible employees taking advantage of sabbatical	29%	19%	24%	33
	Number of eligible employees taking advantage of sabbatical	472	319	457	—
MEI.13 Human Capital	Percentage of colleagues who are shareholders through a compensation or benefit program	—	32%	31%	33
	Percentage of employees taking advantage of shared ownership	—	16%	18%	33
	Percentage of U.S. employees who attest to being fully vaccinated for COVID-19	—	—	92%	33



People and Workplace

Material Issue	Metric	2019	2020	2021	Page No. Reference
<div>Diversity, Equity, and Inclusion</div>	Percentage of female compared with male colleagues (full organization)	—	42%	42%	38
	Percentage of female compared with male colleagues (senior leadership)	—	31%	23% ^{viii}	37
	Percentage of female compared with male colleagues (entry-level or midlevel roles)	—	42%	43%	37
MEI.13 Human Capital	U.S. racial and ethnic diversity (full organization)	—	68% White, 21% Asian, 4% Hispanic, 3% Black, 3% Two or more races, 1% Preferred to Not Answer	68% White, 22% Asian, 5% Hispanic, 3% Black, 2% Two or more races	38
	Morningstar Development Program entry-level metrics by gender identity	—	57% Women; 43% Men	57% Women; 43% Men	39



People and Workplace

Material Issue	Metric	2019	2020	2021	Page No. Reference
<div><div>Diversity, Equity, and Inclusion</div><div>MEI.13 Human Capital</div></div>	Morningstar Development Program entry-level metrics by racial / ethnic identity	—	55% White, 35% Asian, 4% Black, 3% Hispanic, 3% Two or more races	55% White, 29% Asian, 6% Hispanic, 5% Black, 4% Two or more races, 1% Other Pacific Islander	39
	Gender and racial/ethnic identity in executive management	—	—	12% Female; 88% Male; 6% Asian; 6% Did not answer; 88% White	39
	Percentage of females compared with males on the board of directors	—	40%	50%	38
	Percentage of female committee chairs compared with males	—	33%	33%	38
	Number of employee nationalities	—	87	100	38
	Number of languages spoken	—	32	34	40



People and Workplace

Material Issue	Metric	2019	2020	2021	Page No.Reference
<div><div>Diversity, Equity, and Inclusion</div><div>MEI.13 Human Capital</div></div>	Compensation pay gap between male & female employees (unadjusted)	—	—	68.5%	42
	Compensation pay gap between male & female employees (adjusted)	—	—	97.1%	42
	Compensation pay gap between underrepresented minorities (URM) and non under-represented minorities (NURM) in the U.S. (unadjusted)	—	—	79.2%	42
	Compensation pay gap between URM & NURM in the U.S. (adjusted)	—	—	95.9%	42
	Dollar amount spent on pay equity compensation increases	—	—	Over USD 1.5 M	42
	Number of employees who received a pay increase due to the adjusted pay gap analysis	—	—	420 employees	42
	Percentage of employees in each major region	—	—	34% India, 31% U.S., 10% continental Europe, 9% China, 6% Canada, 6% U.K., and remainder in Australia, Asia, and other regions	40



People and Workplace

Material Issue	Metric	2019	2020	2021	Page No. Reference
<div>Training, Education, and Career Development</div> <div>MEI.13 Human Capital</div>	USD amount of cost associated with education programs and mentorship / number of employees	—	Over USD 590	USD 453	45
	Percentage of eligible employees who received a formal talent review	—	96%	98%	45
	Percentage of employees who believe Morningstar is committed to their career development	—	77%	75%	45
	Number of Morningstar Scholars	—	75	80+	46
	Global education stipend spend in 2020	—	USD 1.3 M	USD 1.7 M	46
	Percentage of employees using educational stipend	—	49%	46%	46
	Number of CFAs	—	199	304	46
	Percentage of employees who completed the first DEI training module offered by T&C	—	—	27%	46



People and Workplace

Material Issue	Metric	2019	2020	2021	Page No. Reference
<div>Community Engagement</div>	Total employee donations, company matched donations, and Morningstar donations	—	Over USD 1 M	Over USD 1.7 M	49
	Percentage of employees who were matching gift participants	—	—	51%	49

MEI.13 Human Capital



Governance

We seek to align Morningstar's governance approach with the practices that our research analyst teams have identified as consistent with good stewardship, shareholder transparency, and long-term value creation. Our work in governance is designed to address the management of general professional ethics, such as the management of corporate finance, intellectual property, and competitive practices. It is designed to address material risk inherent to our position as a financial-services company that issues investment ratings. It includes the cultivation of a majority independent board, characterized by diverse backgrounds and deep industry expertise; and a deliberate approach to shareholder engagement, characterized by consistent standards and regular, accessible, and equitable communication with investors of all types.

Our reporting in this area draws on Sustainalytics' materiality work. Our reporting in this area is consistent with external standards for reporting, including GRI: 102-16, 102-17, 102-23, 102-22, 405-1, 415-1, and SASB: SV-PS-501a.2, SV-PS-230a.2. These datasets are described as relating to standards

and norms of behavior; firm management approach and its components; firm approach to managing risk and opportunities surrounding ethical conduct of the business; chair of the highest governance body; composition of the highest governance body and its committees; and diversity of governance bodies and employees. Our report covers 2021 data. In certain cases, we have included 2020 and 2019 data for purposes of comparison.

MEI.4 Business Ethics

Business ethics focuses on the management of general professional ethics, such as taxation and accounting, anticompetitive practices, and intellectual property issues. Business ethics may include bribery and corruption for subindustries that do not have bribery and corruption as a separate material ESG issue. Additional subindustry-specific topics—such as medical ethics and ethics regarding the provision of financial services, and so on—may also be included in this issue. In addition, ethical considerations related to customer selection may also be included here for

some subindustries if products or services may be used to violate human rights, for example.

MEI.0 Corporate Governance

Corporate governance comprises six pillars:

- Board/Management Quality and Integrity
- Board Structure
- Ownership and Shareholder Rights
- Remuneration
- Audit and Financial Reporting
- Stakeholder Governance

These six pillars represent foundational structures for the management of ESG risks.

Material topics

- Governance Structure and Oversight
- Business Ethics



Governance

Material Issue	Metric	2019	2020	2021	Page No. Reference
<div><div>Governance Structure and Oversight</div><div>MEI.0 Corporate Governance</div></div>	Board member tenure	—	4 people, 0–5 years 1 person, 6–10 years 1 person, 11–15 years 4 people, over 15 years	4 people, 0–5 years 2 people, 6–10 years 1 person, 11–15 years 3 people, over 15 years	54
	Board members’ average age and age range	—	60.6 average age, 39–73 age range	59 average age, 40–70 age range	54
	Board gender distribution	—	40% female 60% male	50% female 50% male	54
	Percentage of ethnically diverse board members	—	20%	30%	54



Governance

Material Issue	Metric	2019	2020	2021	Page No. Reference
<div><div>Governance Structure and Oversight</div><div>MEI.04 Business Ethics</div></div>	Percentage of company employees that have certified their review of the Code of Ethics	—	95%	94%	60
	Percentage of employees who report that acting ethically and with integrity on the team takes priority over achieving business results	—	85%	87%	60
	USD amount of monetary losses as a result of legal proceedings associated with professional integrity	Information regarding any significant legal proceedings is published in Morningstar’s 10K.			—
	USD amount of corporate resources that have been used for political contributions/spending	Morningstar prohibits the use of corporate resources to make direct political contributions; none of its employees meet the applicable definition of lobbyists			—



Business Operations

Our work to integrate environmental principles in our sustainability strategy is aligned with the priorities of our colleagues, consistent with our work to contribute to innovative solutions to the global climate crisis, and reflective of our product offerings. Our work to track and manage the impact of our business operations reflects the interests of our employees, stakeholders, and the communities in which we live and work; additionally, we see that our awareness and management of environmental issues helps us to attract and retain talent. Work in this area relates to the company's management of risks related to its own operational energy use and greenhouse gas (GHG) emissions; it currently includes portions of scope 3 emissions, such as transport and logistics. It does not currently include emissions in the supply chain or during the use phase/end-of-life cycle of a product.

Our reporting in this area draws on Sustainalytics' materiality work. We disclose data and information consistent with external standards for reporting, such as the Global Reporting Initiative's (GRI) framework. In this area, data we have

reported is consistent with GRI: 305-1, 305-2, 305-3, and 305-4, which relate to GHG emissions as a direct or indirect result of a company's consumption of energy and resource efficiency relative to economic value. Our report covers 2021 data. In certain cases, we have included 2020 and 2019 data for purposes of comparison.

Data and Information Security

We also recognize our responsibility to safeguard our stakeholder's information and have structured our organization to protect all data pertaining to our clients, colleagues, and partners. Our dedicated Information Security team is responsible for operating the firm's comprehensive information security program. Morningstar also maintains a privacy program designed to manage the privacy of customers' personal data. As a firm rooted in transparency, we are disclosing our number of data incidents this year. We believe that our proactive security measures allow us to properly assess potential data incidents and mitigate harm in the aftermath. Our reporting in this area draws on Sustainalytics' materiality

work. We disclose data and information similar to/consistent with external standards for reporting including SASB: SV-PS-230a.1, SV-PS-230a.2, and SV-PS-230a.3, and GRI: 418-1.

MEI.8 — Carbon — Own Operations

Carbon—Own Operations refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of scope 3 emissions, such as transport and logistics. It does not include emissions in the supply chain or during the use phase/end-of-life cycle of a product.

Material topics

- Data and Information Security

Additional topics prioritized by employees and stakeholders

- Environmental Impact
- Sustainability in the Supply Chain



Business Operations

Material Issue	Metric	2019	2020	2021	Page No. Reference
<div><div><div>Data and Information Security</div></div><div><div>MEI.18 Carbon — Own Operations</div></div></div>	Number of noteworthy security incidents	—	—	1	64
	Number of impacted parties that needed to be informed on an incident	—	—	2	64
	Percentage of noteworthy security incidents that involved customers’ confidential business information or personally identifiable information	—	—	100% (one incident)	64
	Percentage change of the suppliers covered in the Vendor Due Diligence Process from 2020 to 2021, and total number of suppliers covered in the process	—	—	112% increase in suppliers covered from 2020 to 2021, 142 total vendors covered in the VDD process	65
	Percentage of application-based revenue protected during disaster recovery testing	—	—	95%	65
	Percentage of DR tests that were successful	—	—	97%	65



Business Operations

Material Issue	Metric	2019	2020	2021	Page No. Reference
<div><div>Environmental Impact</div><div>MEI.18 Carbon — Own Operations</div></div>	Total amount of scope 1 CO2 equivalents	414	565	2,726	70
	Total amount of scope 2 CO2 equivalents	9,357	8,158	6,349	70
	Total amount of scope 3 CO2 equivalents	5,707	1,436	872	70
	Total GHG emissions per output scaling factor	12.9 tCO2e per USD million in revenue	7.3 tCO2e per USD million in revenue	5.9 tCO2e per USD million in revenue	68
	Total kWh	—	—	27,505,441	69
	kWh per employee	—	—	3,054	69
	Data center energy consumption	—	—	2,722,295	69
	Percentage of employees based in environmentally certified office space	—	—	42%	68



Endnotes

- i** The data reflected in this report is as of Dec. 31, 2021, unless otherwise noted.
- ii** The total number of securities covered fluctuates due to the nature of the securities coverage. The figures disclosed reflect the minimum number of securities covered during 2021.
- iii** All fund data includes coverage for the following security types: collective investment trusts, closed-end funds, exchange-traded funds, insurance vehicles, open-end fund, separate accounts, unit investment trusts, and variable annuities.
- iv** Employee engagement data is collected via our quarterly employee “Pulse Survey.” The survey is optional to complete but is representative of the full-population base of our global business.
- v** Vaccination attestations were self-reported by colleagues in our U.S. marketplace.
- vi** Wellness screenings are conducted in the fourth quarter of 2021 and effective for the 2022 calendar year.
- vii** Gender data is calculated based upon permanent, full-time employees globally.
- viii** In 2021, Morningstar updated the job groupings that we consider to be a senior leader. Overall, entry-level, mid-level, and senior-level roles are defined based on Morningstar’s job-leveling framework that classifies each role at Morningstar into one of eight levels based on criteria such as level of experience, scope of responsibility, autonomy of decision-making, degree of internal/external interactions, and so on. Roles classified as job levels 1 and 2 are considered “entry” roles, those in job levels 3–5 are considered mid-level roles, and those in levels 6–8 are considered senior-level roles.



Endnotes

- ix

This pay equity study did not include PitchBook or Sustainalytics employees in 2021. They are included in the ongoing analysis for maintaining fair pay for the 2022 calendar year.
- x

Based on data that we compile for government-reporting purposes, approximately 90% of our U.S. employees are White or Asian, and both those groups at our company exceed their percentage share of the US population, according to census data. We call these groups our “U.S. majority groups.” All other categories of race or ethnicity measured by our EEOC data are referred to as “underrepresented minorities.”
- xi

PitchBook and Sustainalytics employees were not included in the adjusted figures because they were not on the same performance system as other Morningstar employees until the end of 2021. We will include these groups moving forward in 2022.
- xii

This data disclosed is associated with our 2020 application-based revenue measures, meaning that we removed revenue attributed to non-technology-based income (for example, our investor conference). This disaster recovery testing represents the 2021 calendar year.
- xiii

We utilize the GHG Protocol international reporting standard definitions for greenhouse gas emissions and CO2e. For the purposes of this standard, GHGs are the seven gases covered by the UNFCCC: carbon dioxide (CO2); methane (CH4); nitrous oxide (N2O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); sulphur hexafluoride (SF6), and nitrogen trifluoride (NF3). As stated by the GHG Protocol, CO2e is the universal unit of measurement to indicate the global warming potential of each greenhouse gas, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) different greenhouse gases against a common basis.



Endnotes

- xiv** All environmental footprinting was calculated with our external vendor, Greenstone. For offices with missing monthly data or those unable to provide headcount and floor area data, Greenstone had estimations uploaded and calculated from an intensity metric based on actual data. For shared space offices where data was unavailable, an intensity factor was calculated using the consumption and normalization data of offices where we were able to provide data. This is a standard practice at Greenstone to provide estimation methodology where data may be unavailable.
- xv** Greenstone utilizes definitions and abbreviations for scope guidance as provided by GHG Protocol. Scope 1 emissions are defined as emissions from operations that are owned or controlled by the reporting company. Scope 2 emissions are defined as indirect emissions from the generation of purchased or acquired electricity, steam, heat, or cooling consumed by the reporting company. Scope 3 emissions are defined as all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.