



Morningstar® ESG Pooled Employer Plan Glossary

Term	Definition
ESG factors	<p>Environmental, social, and governance (ESG) factors are a set of criteria that are used to analyze a company's practices and ethics for investment selection purposes:</p> <ul style="list-style-type: none">▶ Environmental factors consider how a company performs as a steward of nature, including their waste management procedures, carbon footprint, or pollution.▶ Social factors examine how it manages relationships with employees, suppliers, customers, and the communities where it operates.▶ Governance factors deal with a company's leadership, executive pay, audits, internal controls, and shareholder rights.
ESG investing	See definition for "sustainable investing."
ESG investments	Investments that follow the principles of sustainable investing.
ESG risks	ESG risks are potential pitfalls that may come from not taking environmental, social, and governance factors into account when investing. The idea is that by assessing securities for financially material factors, investment professionals can help investors limit potential risks in their portfolios that might otherwise go unnoticed and apply considerations that we know are of growing interest to many investors.
Financially material	Financially material ESG factors are factors that could have a significant impact—both positive and negative—on a company's business model and value drivers, such as investment returns, revenue growth, margins, required capital and risk.
Morningstar Sustainability Rating™	Morningstar, Inc. is creating sustainability ratings for funds globally. The Morningstar Sustainability Rating™ will help investors assess how well the companies held in a fund are managing the ESG issues most relevant to their industries, and to compare funds with one another, across categories, and to benchmarks using ESG factors. Please click on http://corporate1.morningstar.com/SustainableInvesting/ for more detail information about the Morningstar Sustainability Rating and its calculation.
Sustainable investing	Sustainable investing, also known as ESG investing, is an investment approach that helps address the financial impact of environmental, social, and governance (ESG) factors. These factors can be considered in the investment process to the extent they have a material effect on the risk or performance potential of the security.