

MORNINGSTAR

# climate

2022

Climate Transition Update

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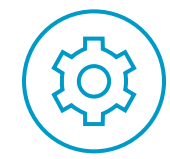
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## Morningstar's Commitment to Sustainability

At Morningstar, our mission is to empower investor success. Enabling sustainable-investing choices and operating with sustainable business practices are integral to that mission. Our commitment to sustainability shapes efforts across the firm. For more information on our sustainability philosophy and progress across all material ESG issues, please visit our latest sustainability report on our [Corporate Sustainability website](#).



Colleagues in Morningstar's Chicago office participate in a beach cleanup during our 2022 Global Volunteer Week.



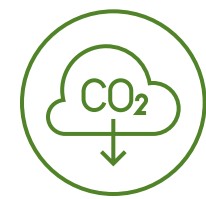
## Climate Commitment

We aim to reduce Morningstar’s impact on the environment while expanding the growth of our business and the reach of our products. We recognize that Morningstar is uniquely suited to support innovative solutions to the global climate crisis through our product offerings, which are built to serve investors of all types across the globe. We also understand that limiting global emissions requires a whole economy in transition and that systemic change requires ambitious commitments across the financial system.

In September 2021, Morningstar and a group of financial-services peers announced the launch of the **Net Zero Financial Service Providers Alliance**, part of the larger **Glasgow Financial Alliance for Net Zero**. The NZFSPA was formed in recognition that limiting global emissions requires an entire system in transition and that change of this magnitude will ultimately require businesses to set, and meet, ambitious goals pertaining to sustainable practices.

For Morningstar, our net-zero commitment means ensuring that we act prudently to reduce the impact of our business

operations while engaging in transparent, long-term planning and reporting in the context of global climate change. Our participation in the NZFSPA includes but is not limited to the following **commitments**:



In the short term, Morningstar commits to reducing measured greenhouse gas emissions by 50% in 2030 against a 2019 baseline.



In the long term, Morningstar commits to achieving net zero by 2050 against a 2019 baseline in absolute targets.



Morningstar commits to regular, annual reporting on progress.



Morningstar will work with the industry and the public to clearly define product parameters relevant to net-zero transition plans.

Our future net-zero alignment rests on four pillars:

- ▶ We recognize the power of our data, research, services, and products to inform investors on climate-related investment risks and opportunities.
- ▶ We advance a climate program that emphasizes emissions reduction across our business operations.
- ▶ We support the development of transparent carbon markets, technology, and innovation to contribute to carbon removal.
- ▶ We invest in partnerships and commit to outside reporting, engagement, and measurement frameworks designed to accelerate a global transition to net-zero.



## Climate Transition Update

We published our [Climate Transition Plan](#) as the first of our annual communications on progress toward the firm's net-zero alignment. We set science-based targets to reduce our emissions by 50% without the use of offsets by 2030 and to reach net-zero emissions by 2050. The plan describes initiatives, programs, and partnerships that will enable Morningstar to decarbonize our operations and value chain. We also identify areas for further focus and detail our work with industry alliances. Now, we are sharing progress made against our initial Climate Transition Plan.

Morningstar has measured our environmental impact since our baseline year 2019. Since then, our goals have broadened from environmental impact measurement to an increased focus on environmental impact reduction and mitigation. In 2021, our net-zero commitment required us to plan for integration of decarbonization goals into workstreams across the firm.

In 2022, we built capacity across our organization to ensure alignment to our commitments. Over the course of the year, we embedded sustainability-related objectives into core teams, expanded dedicated sustainability headcount, and engaged external consultants to provide specialized expertise in assessing climate risks and opportunities. A maturing sustainability effort enables the firm to focus on a variety of projects including increased disclosure and transparency, readying for regulation, and decarbonization across our business operations.

In 2023, our teams focused on the following:

- ▶ Our workplace facilities (*occupied and leased office space*) teams identified top emissions-producing offices and created a plan for decarbonization. Additionally, we investigated opportunities to source renewable energy for our offices.
- ▶ Our real estate team finalized building-selection criteria to further prioritize buildings with sustainability and wellness certifications, decarbonization programs, and landlords with net-zero commitments in place.

- ▶ Our data centers (*dedicated space used for computer systems, telecommunications, and associated components not connected physically to Morningstar workplace facilities*) team continued 2022 progress to retire data centers and migrate servers to the public cloud, which will reduce our on-site electrical demand.

Further details will be published in our 2023 Climate Transition Update.



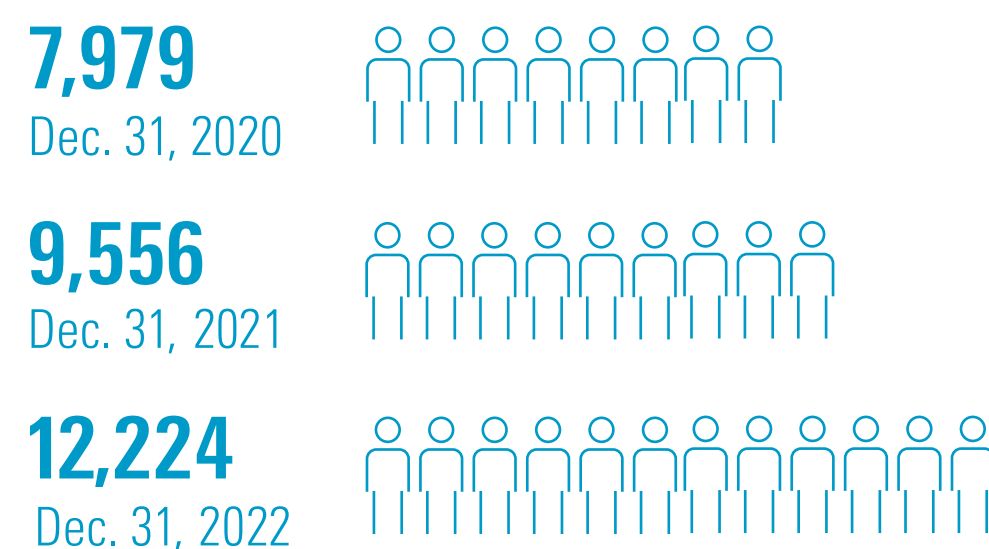
## Our Emissions

At Morningstar, the primary components of our produced greenhouse gas emissions are the buildings we occupy (including our data centers); portions of our business-related offerings (like our conferences); business travel; our supply chain; and our financed emissions, such as those of [Morningstar Wealth](#).

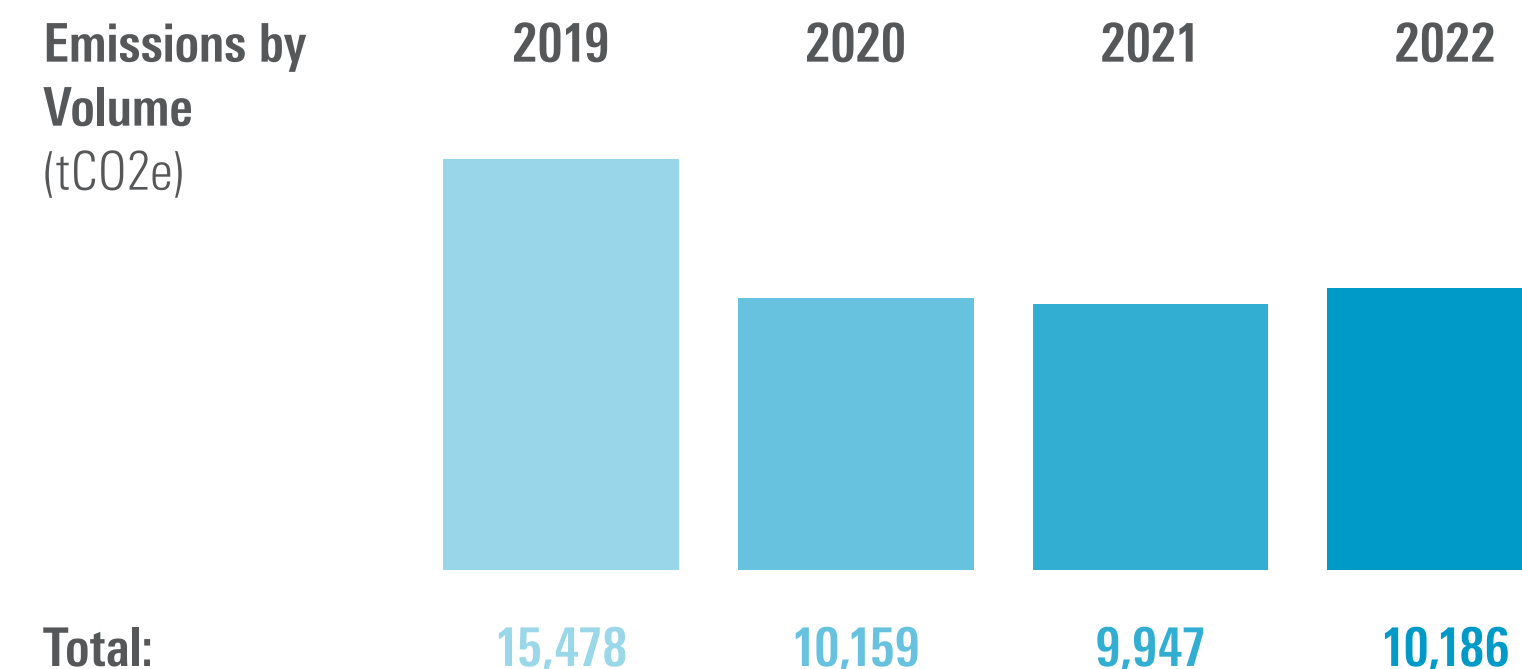
We define scope 1 emissions as associated with direct operations that we own or control. We define scope 2 emissions as indirect emissions from upstream sources such as energy use or the generation of purchased or acquired electricity, steam, heat, or cooling. We define scope 3 emissions as all indirect emissions (not included in scope 2) that occur in our value chain, including both upstream and downstream emissions.

Morningstar utilizes the Greenhouse Gas Protocol standard definitions to calculate and report greenhouse gas emissions. Our scope 2 emissions are calculated in line with the GHG Protocol Scope 2 Guidance using a location-based approach for emissions factors for grid electricity.

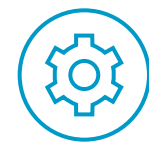
### Number of Employees



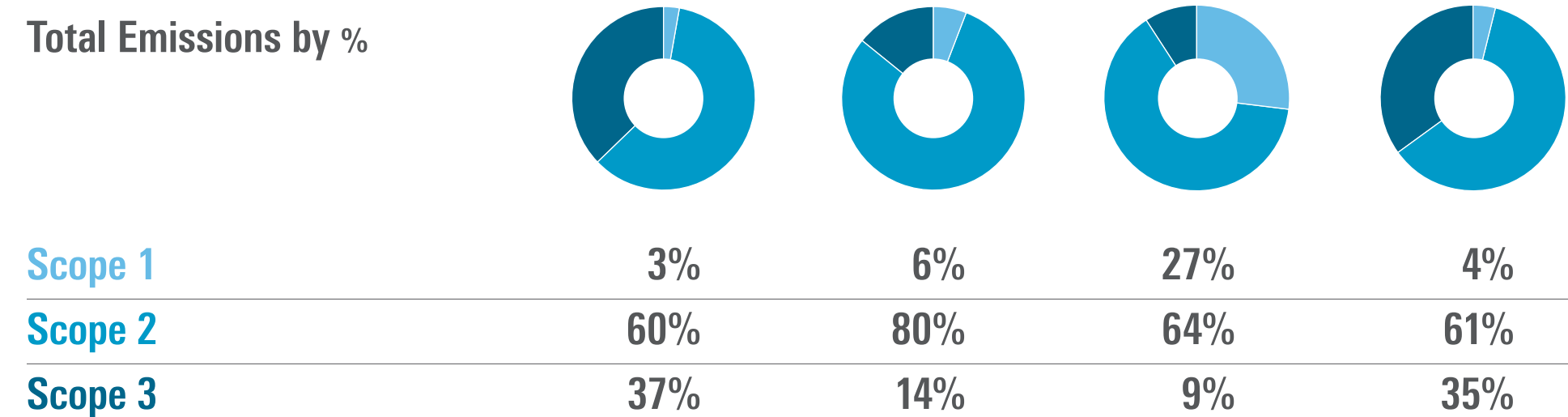
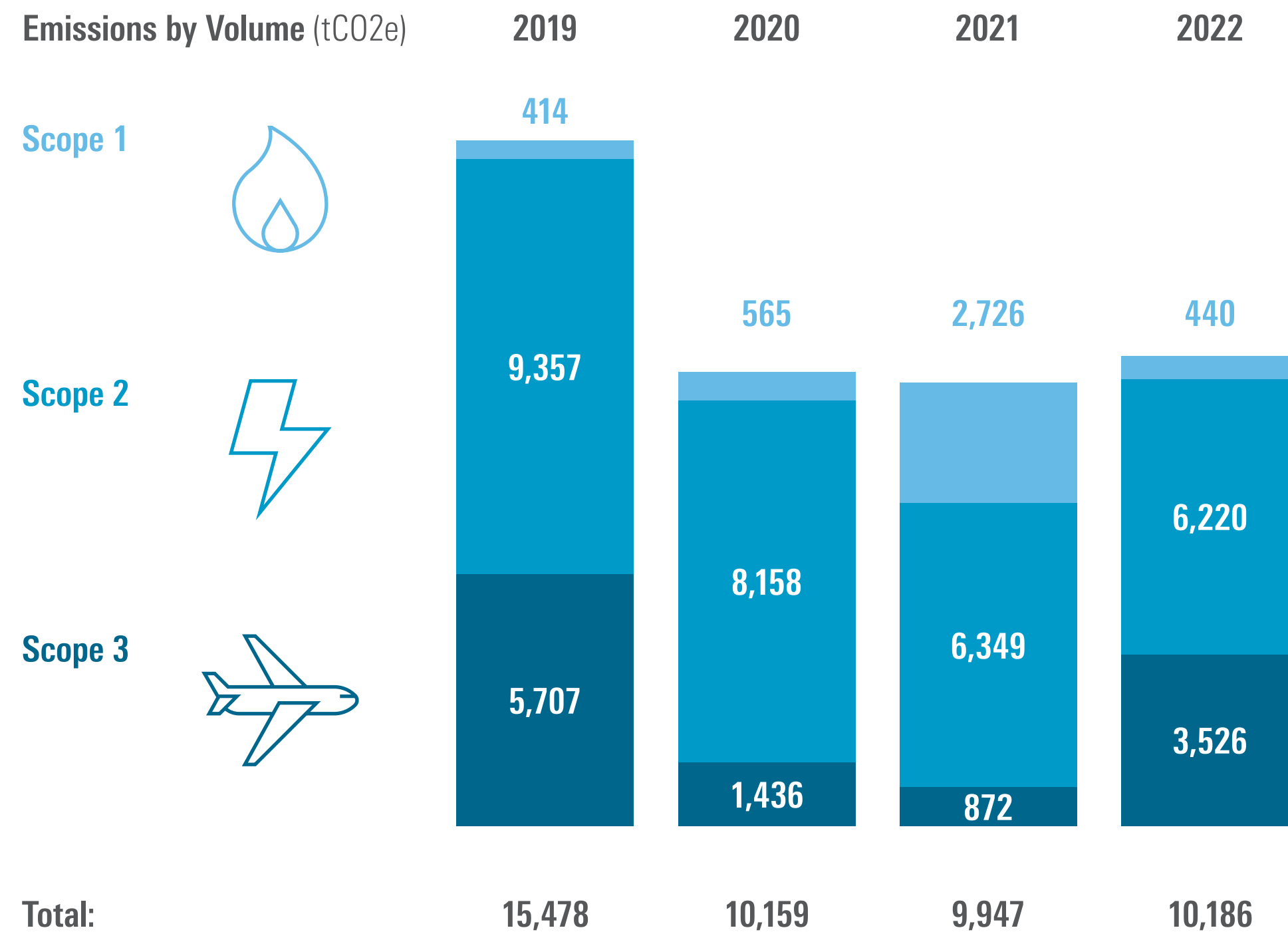
- Over 2022, our workplace experienced substantial change:
- ▶ Morningstar’s business grew substantially, to 12,224 employees from 9,556 in 2021.
  - ▶ Our office portfolio expanded to 57 from 54, due in part to several acquisitions.
  - ▶ As concerns about the global COVID-19 pandemic eased, constraints loosened and our business travel resumed, increasing our emissions.



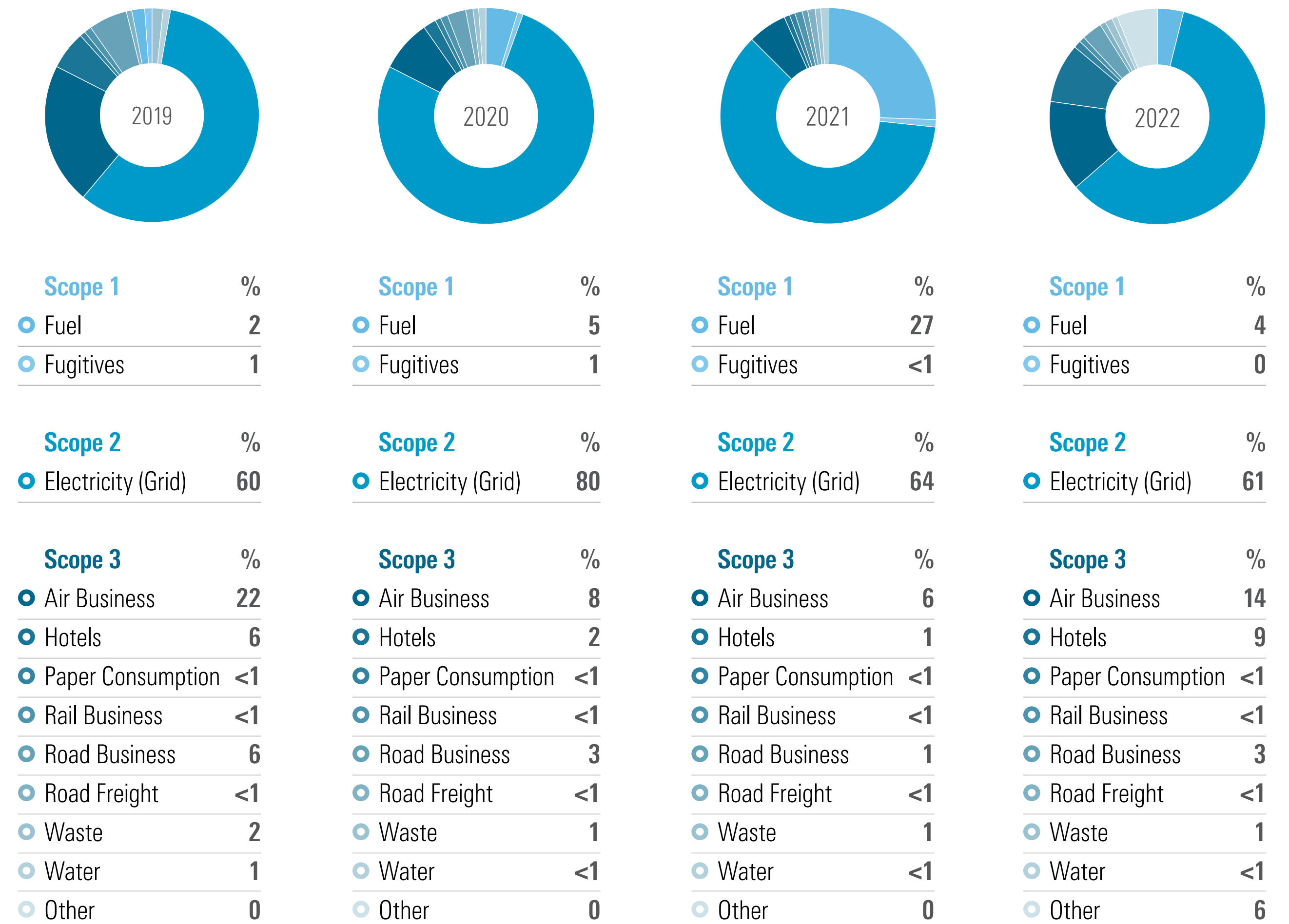
- Details on our 2022 emissions are presented on the following page. Notable observations include:
- ▶ Morningstar’s total measured emissions increased to an estimated 10,186 tons of greenhouse gas emissions, or tCO2e, from 2021’s estimated 9,947 tCO2e, attributable primarily to an increase in estimated scope 3 emissions.
  - ▶ Our electricity, fuel, and heating consumption was 18,396,601 kilowatt-hours, or KWh, with 1,550 KWh per employee.
  - ▶ Our data center electricity consumption accounted for 6,947,896 KWh.
  - ▶ Our revenue reached nearly USD 1.9 billion, and we emitted approximately 5.4 tCO2e per million dollars compared with 5.9 tCO2e per million dollars in 2021.



### Environmental Impact: Our Contributions



### Scope Emission Details





## Governance

The use of external measures, clear objectives, and regular disclosure provides clarity to internal stakeholders about Morningstar's Climate Transition Plan. Additionally, it enables external stakeholders to assess the firm's transition plan and better understand the extent to which climate realities pose risk to the firm's future business. Our executive leadership team and board provide oversight relating to key aspects of our sustainability strategy and net-zero transition plan.

Morningstar's Corporate Governance & Policy Framework articulates the global processes by which governance and ethics policies are reviewed, approved, adopted, and implemented. This process allows us to respond more quickly to evolving regulatory and societal shifts.

Morningstar's board of directors is responsible for Morningstar's Code of Ethics and other material enterprise-wide policies. These policies create a clear management process for addressing priority governance and ethical issues and communicate Morningstar's values and goals both internally and externally.

Each committee of the board oversees specific components of sustainability, which are reflected in the charters for each committee. Our Audit Committee regularly reviews cybersecurity risk and compliance with our fraud and abuse policy; our Compensation Committee guides benefits, pay, and incentive practices; and our Nominating and Corporate Governance Committee oversees compliance, ethics and governance matters. Access Morningstar's Committee Charters [here](#).

## About Morningstar

Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia. The company offers an extensive line of products and services for individual investors, financial advisors, asset managers and owners, retirement plan providers and sponsors, and institutional investors in the public and private capital markets. Morningstar provides data and research insights on a wide range of investment offerings, including managed investment products, publicly listed companies, private capital markets, debt securities, and real-time global market data. Morningstar also offers investment management services through its investment advisory subsidiaries. The company has operations in 32 markets.





## Disclaimer

This report contains information about Morningstar that may include estimates, projections and statements relating to our business plans, objectives or expected operating results and statements regarding corporate responsibility and climate-related plans and goals that are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934. In some cases, you can identify forward-looking statements by the use of words such as “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue” or the negative of these terms or other comparable terminology. These statements involve known and unknown risks and uncertainties that may cause the events we discuss not to occur or to differ significantly from what we expect. In evaluating these statements, you should consider various factors, including the risks and uncertainties we describe in

the “Risk Factors” sections of our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q and other reports we file with the Securities and Exchange Commission (“SEC”). If any of these risks and uncertainties materialize, our actual future results and other future events may vary significantly from what we expect.

Readers are cautioned that certain statements relating to climate opportunities and other environmental, social and governance (“ESG”) matters, including those herein and others included in Morningstar’s sustainability reports or on its websites (such statements, “ESG Statements”), may be based on expectations and assumptions that are necessarily uncertain and may be prone to error or subject to misinterpretation given the long timelines involved and the lack of an established single approach to identifying, measuring and reporting on many ESG matters. The inclusion

or absence of information in Morningstar’s or its subsidiaries’ ESG Statements should not be construed to represent any belief regarding the materiality or financial impact of that information. Given the inherent uncertainty in predicting and modeling future conditions, caution should be exercised when interpreting the information provided.

Morningstar undertakes no obligation to publicly update any forward-looking statements or ESG Statements as a result of new information, future events, or otherwise, except as required by law.



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