

Morningstar® Sustainable Environment Index FamilySM

Learn More

For more information about all of Morningstar's indexes, please visit: <http://indexes.morningstar.com>

Contact Us

indexes@morningstar.com
 U.S. +1 312 384-3735
 Europe +44 203 107 2969
 Asia +65 6340 1288

Powered by Sustainalytics

Morningstar uses company-level sustainability research provided by Sustainalytics, a firm with global reach and a reputation for insightful research. The firm covers more than 10,000 companies with its ESG ratings, which judge companies against their global industry peers across more than 140 indicators. Analysis spans dimensions of preparedness, disclosure, quantitative data points, and qualitative performance. Sustainalytics also scores companies on the basis of ESG controversy, which measures ESG-related incidents with internal and external impact, as well as Carbon Risk, which gauges alignment with the transition to a low-carbon economy.

Investors play a critical role in fostering a more sustainable global economy. By directing capital to companies most mindful of their impact on the natural world, they promote protection of the biosphere, environmental innovation, and resource utilization that meets present need while not compromising the welfare of future generations.

Good environmental practices are also good business. Green companies can achieve cost savings through energy efficiency, avoid damaging events like oil spills, and position themselves for the low-carbon economy of tomorrow. Thoughtful environmental stewardship is also a sign of a long-term strategic orientation—avoiding actions that may boost quarterly earnings but ultimately result in negative legal, regulatory, or brand consequences.

The Morningstar Sustainable Environment Index Family provides exposure to large- and mid-cap companies that set the standard within their industries on such criteria as waste management, water intensity, and pollution mitigation. It highlights companies that seek to minimize their environmental impact and their carbon risk.

Eligibility

Members of the Morningstar Sustainable Environment Index Family derive constituents from their equivalent Morningstar regional index. Constituents must be large- or mid-capitalization and have undergone an assessment by ESG researcher Sustainalytics (see sidebar). To be eligible, companies may not be involved in the production of controversial weapons (land mines, for example) or earn most of their revenue from thermal coal. Companies are excluded if they are experiencing a serious environmental-related controversy or carry a severe Carbon Risk Rating from Sustainalytics.

Selection

The indexes select companies based on Sustainalytics' assessment of 50 environmental indicators, including energy efficiency, renewable energy utilization, water intensity, waste management, and pollution mitigation. The highest scoring companies are selected until 50% of the parent index's market capitalization is reached, subject to sectoral and regional diversification constraints (see Weighting section). The number of constituents is variable. To limit turnover, existing index constituents can remain so long as their scores do not deteriorate significantly.

Weighting

Securities are weighted according to float-adjusted market capitalization to ensure low turnover and macro consistency. To avoid concentration risk, individual company weight is capped. For all regions except the Nordics, individual security weight may not exceed 5% of index weight. For the Nordics, individual constituent weight is capped at 10%, and constituents with greater than 5% weight may not consume more than 40% of index weight in aggregate. The indexes' sectoral and regional weights are kept within 2 percentage points of their corresponding weights in the parent index.

Rebalancing and Reconstitution

The indexes are reconstituted (membership reset) semi-annually in June and December on the Monday following the third Friday of the month. If Monday is a holiday, reconstitution is effective on the following business day. The market data used for reconstitution is as of the last trading day of April and October. The index is rebalanced (weights reset) quarterly, in March, June, September, and December on the Monday following the third Friday of the month.



Morningstar Sustainable Environment Index

Our sustainable investing indexes, built with proprietary Morningstar research and company-level information from Sustainalytics.

Broad Regional Markets	Developed Markets	Emerging Markets	Single Country
Global Markets	Developed Markets.	Emerging Markets	United States
Global Markets ex-U.S.	Developed Markets ex-U.S		Japan
Asia ex-Japan	Developed Europe		
	Nordics		

Morningstar® Sustainable Environment Index FamilySM

Morningstar Sustainable Environment Index Family Construction Process

Investable Universe

- ▶ Select large- and mid-cap constituents from the corresponding country/region index.

Security Selection

- ▶ Assign each security an environment score subject to coverage.
- ▶ Eliminate constituents having environment controversy rating greater than 3.
- ▶ Apply product involvement screens.
- ▶ Remove companies with extreme carbon risk (>50)

Morningstar Sustainable Environment Index

- ▶ Select top 50% of market capitalization based on environment score, while enforcing weight constraints and buffer.