



Morningstar Index Oversight Committee

Morningstar Index Oversight Committee Charter

V.1 April, 2020

INTRODUCTION

This committee is responsible for the oversight function as per the requirements of the European Benchmark Regulation--providing independent oversight of all aspects of the governance of benchmark administration as required by the EU BMR.

The oversight function is part of the organizational structure of Morningstar but is separate and independent from the Index business, Index Management and the other Index Committees such as the Index Product Committee and the Index Methodology Committee. It will seek input from the Index Product Committee and the Index Methodology Committee as warranted.

RESPONSIBILITIES

1. Oversight of Index Design

- a. Ensure an annual review of index methodology is carried out on each benchmark to assess whether the methodology continues to appropriately measure the Index's objective, leveraging the input of the Index Methodology Committee.
- b. Ensure methodological changes have followed the methodology change process. The oversight committee can require the index team to undertake a consultation with a stakeholder(s) on material changes.
- c. Review and approve procedures for termination of an index, including guidelines that set out how the oversight function should consult with users about such cessation.

The Oversight Committee does not have any authority over Index Methodology Design or Development. Index content, including market classifications, is the purview of the Index Product Committee and the Index Methodology Committee.

2. Oversight of the Control Framework

- a. The committee oversees Morningstar's control framework. The ongoing management and operations of the benchmarks as outlined in the control framework are the responsibility of Index Business, subject to the oversight of this committee.
- b. Input Data and contracts: Oversee the quality controls that monitor third parties' input to ensure that data input meets the standards required by benchmark methodologies and that all third party data inputs are covered by written license agreements. The committee is also responsible for ensuring a robust process is followed for selection of all third party index inputs.

- c. Review contingency plans for the absence of or insufficient inputs, market stress or disruption, failure of critical infrastructure or other relevant factors.
- d. Oversight of third parties involved in benchmark administration on Morningstar's behalf through the regular review of management information on the KPIs and metrics of their performance.
- e. Review of internal or external audits carried out.

3. Accountability framework

- a. Ensure that the Accountability Framework is followed and updated periodically. Monitor internal/external audits to periodically review and report on the index team's adherence to its stated policy, procedures and practices including guidelines on audit trails.

4. Complaints handling process

- a. Ensure the Benchmark's Complaints policy is followed and review handling of complaints received. Act as final escalation point for complaints not resolved.

5. Governance and compliance

a. Codes of Conduct

Be advised if there is any concern or evidence of breaches of Code of Conduct and communicate to the Management body. The MIOC will be responsible for ensuring any remedial actions required as a result of any breaches of the Code of Conduct are carried out and will archive records of any breaches and remedial actions

b. Conflicts of Interest

Be free of unmitigated conflicts of interest and ensure that any conflicts that may exist have been mitigated against. The MIOC can challenge the Administrators' approach to managing and monitoring conflicts of interest that may exist in any benchmark product.

c. Monitoring & Reporting of Infringements

Ensure that the Regulatory Compliance Officer reports any suspected misconduct by contributors or Morningstar, Inc. in respect of a benchmark product to the relevant national authority.

COMMITTEE MEMBERS

The Chair and Members of the committee are selected by the Morningstar Index Leadership Team. The committee members are selected based on their relevant experience within Index Governance, Compliance and Data Integrity. The committee will have at least 3 voting members, these members will not be directly involved in Index administration or be part of the Morningstar Index Team or Morningstar Inc. Executive Leadership Team.

As warranted, the MIOC may escalate issues to Morningstar Board of Directors Nominating and Corporate Governance Subcommittee on Indexes.

The Committee is responsible for reviewing its terms of reference.

At its discretion, the MIOC can invite experts with relevant index and research knowledge from within the Index team and across Morningstar to attend MIOC meetings. Representatives of Index Leadership and the Index Subcommittee of the NCGC Morningstar Inc Board of Directors will not be MIOC members but may be invited to attend meetings by the oversight function in a non-voting capacity.

Changes to voting members are appointed by the Index Leadership and/or MIOC and ratified by the Index Subcommittee of the Nominating Committee and Governance Committee of the Morningstar Board of Directors.

MEETINGS

The MIOC will have standing meetings each quarter and meet ad-hoc as required. A quorum will be considered at three members, with decisions made by majority vote. If a quorum cannot be reached, the meeting will be rescheduled.

Voting may be conducted electronically for matters that must be decided before the next MIOC meeting if it is not possible to convene an emergency meeting. Electronic voting by a minimum of three members will be considered a quorum.

Agenda items can be requested by MIOC members and other members of the Index team.

The secretary will distribute and archive minutes from each committee meeting (agenda, attendees, and vote details). The minutes will be circulated to the MIOC members for approval and then shared with Index Leadership and Index Subcommittee of the Nominating Committee and Governance Committee of the Morningstar Board of Directors.