

Morningstar Indexes

November 01, 2024

Methodology Update: Morningstar Sustainability Moat Family

Morningstar Indexes is announcing two methodology changes to the Morningstar Sustainability Moat Family.

1. Inclusion of Additional ESG Screens

Additional ESG screens will be added to align the index with regulatory standards for Paris Aligned Benchmarks (PAB).

2. Removal of the Momentum Screen

The Momentum Screen will be removed exclusively from the Morningstar US Sustainability Moat Focus Index securities.

Morningstar Index	ESG Screen change	Momentum Filter Screen	Effective Date
Morningstar US Sustainability Moat Focus Index	Include PAB screens	Remove Momentum Filter	Dec. 2024
Morningstar Global Sustainability Moat Focus Index	Include PAB screens	No change	Dec. 2024
Morningstar Global ex-US Sustainability Moat Focus Index	Include PAB screens	No change	Dec. 2024
Morningstar Developed Markets Sustainability Moat Focus Index	Include PAB screens	No change	Dec. 2024
Morningstar Developed Europe	Include PAB	No change	Dec. 2024

Sustainability Moat Focus Index	screens		
---------------------------------	---------	--	--

Updated ESG Screens:

Detailed Criteria	Threshold	New (Yes or No)
Highest controversy score	Controversy Rating of 5 excluded	No
UNGC Compliance Status	Non-compliant securities are excluded	No
Controversial Weapons Tailor Made & Essential	CW1 companies excluded	No
Controversial Weapons Non-Tailor Made or Nonessential	CW3 companies excluded	No
Oil & Gas (Production)	<10%	Yes
Oil & Gas (Supporting Products & Services)	<10%	Yes
Tobacco Products (Production)	0%	Lowered from 50% to 0%
Thermal Coal Extraction Revenue%	0%	No
Thermal Coal Power (Supporting Products & Services)	0%	Yes
ESG Risk Category	<30	No
Small Arms Civilian customers (Assault weapons)-Level of Involvement	0%	No

Small Arms Civilian customers (Non-assault weapons)-Level of Involvement	0%	No
Oil & Gas Power Generation Revenue	<50%*	Yes
Thermal Coal Power Generation-Revenue Percentage	<50%*	Increased to 50%

*These two data points are summed together. If a company breaches 50%, they are excluded.

Implementation: The Morningstar Sustainability Moat Indexes use a staggered reconstitution approach. Stocks from the tranche that will go through reconstitution in June of 2025 will be removed during December 2024 reconstitution if they fail the ESG screen. Weights will be rescaled proportionally to stocks that do not fail the ESG screen. The tranche going through reconstitution in December 2024 will go through a full reconstitution using the updated methodology.

Submit your questions

General questions about the migration can be sent to indexes@morningstar.com.

About Morningstar Indexes

Morningstar Indexes was built to keep up with the evolving needs of investors—and to be a leading-edge advocate for them. Our rich heritage as a transparent, investor-focused leader in data and research uniquely equips us to support individuals, institutions, wealth managers and advisors in navigating investment opportunities across major asset classes, styles, and strategies. From traditional benchmarks and unique IP-driven indexes to index design, calculation and distribution services, our solutions span an investment landscape as diverse as investors themselves.

Contact Us

MorningstarIndexesAlerts@morningstar.com is a no-reply email address. For questions concerning this notification, please contact us at Indexes@morningstar.com.

MORNINGSTAR Indexes