

Morningstar Indexes

November 25, 2024

Consultation on Jantzi Social Index

Morningstar Indexes is considering enhancements to the Jantzi Social Index.

Background: In March 2024, Morningstar Indexes assumed the calculation of the Jantzi Social Index. The proposed methodology changes aim to better align with the Morningstar Equity Indexes, address the evolving preferences of sustainable investors, and reflect the previously announced retirement of the legacy ESG Rating from Morningstar Sustainalytics.

Summary of Changes to the Methodology

- Name Change:
 - Change name to Morningstar Jantzi Social Index.
- Starting Universe:
 - The new parent benchmark for the Index will be the Morningstar Canada Large-Mid Index.
- ESG Exclusions: ESG screens will be maintained from the current Jantzi Social Index methodology except for the three changes below. These changes were made to better align with the evolving preferences of investors.
 - Addition of a screen that excludes companies identified as Non-compliant with the UN Global Compact.
 - Removing all screens related to nuclear energy.
 - Updating the exclusion criteria to only exclude companies with a “Severe” Controversy Rating, whereas companies with a “High” Controversy Rating were previously excluded as well.

- Selection Criteria:
 - Proportion by count of each sector is calculated in the parent benchmark, and subsequently, securities from each sector are selected in the portfolio to match the sector weights of the benchmark, with a tolerance level of +/- 2%.
 - For selection, a new score is derived which takes the Sustainalytics ESG risk rating and market capitalization into account. At this point we have provided 50% weight to market cap and the remaining is given to the Sustainalytics ESG Risk Rating. This is done to reach at least 50% market cap of the benchmark.
 - Additionally, a buffer of 50% is provided to each sector.
 - Post selection, free float market cap weighting is applied to derive initial weights.
 - Finally, a security cap of 10% and a benchmark relative active cap of +/- 5% is applied.
- Review Frequency:
 - Annual review in March will be changed to semi-annual review in June and December to align with the Morningstar Equity Index review schedule.
- ESG Data Change:
 - From March 2025 on, the Index will utilize the Sustainalytics ESG Risk Rating in security selection. The Index previously utilized the legacy ESG Rating from Morningstar Sustainalytics.

Impact: Below is a performance summary comparing the existing Index to a back-tested version of the new methodology.

	Morningstar Canada Large-Mid Index (CAD)	Jantzi Social Index (live) (CAD)	Morningstar Jantzi Social Index (proposed) (CAD)
Start Date	2018-06-18	2018-06-18	2018-06-18
End Date	2024-10-10	2024-10-10	2024-10-10
Return (%)	9.4	8.8	8.51
Risk (%)	19.8	15.5	14.86

Comparison of top 10 holdings as of September 2024

Security Name (Live Index)	Weight	Security Name (Proposed Index)	Weight
Toronto-Dominion Bank Common Stock	9.96%	Royal Bank of Canada	10.00%
Royal Bank of Canada	9.60%	Toronto-Dominion Bank Common Stock	6.80%
Shopify Inc Shs -A- Subord.Voting	9.33%	Shopify Inc Shs -A- Subord.Voting	5.66%
Canadian Natural Resources, Ltd.	6.99%	Enbridge Inc Ordinary Shares	5.16%
Bank of Montreal	6.37%	Canadian Pacific Kansas City Ltd Ordinary Shares	4.79%
Canadian National Railway Company	6.04%	Canadian Natural Resources, Ltd.	4.18%
Suncor Energy, Inc.	4.76%	Bank of Nova Scotia Ordinary Shares	3.98%
Agnico Eagle Mines Ltd	3.98%	EDPERBRASCAN CORP CL A LTD-VTG	3.94%
Sun Life Financial Inc Common Stock	3.23%	Bank of Montreal	3.93%
Wheaton Precious Metals Corp Shs	2.74%	Canadian National Railway Company	3.75%

Key dates

- **Consultation:** The consultation will be open for response from November 25, 2024 to December 7, 2024
- **Decision announcement:** Final decisions will be announced by December 20, 2024
- **Proposed implementation:** March 24, 2025

Questions

1. Should Morningstar Indexes implement the proposed changes to the methodology?
 - a. Yes
 - b. No
 - c. Other, please explain

Submit your questions

Responses to this consultation can be submitted [here](#).

General questions about the methodology change 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

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