
Control Framework - Conflicts of Interest

Morningstar Indexes

May 2019

Version 1.1

Overview

The Indexes group of Morningstar, Inc. (the "Indexes Group") is an index provider dedicated to developing transparent, rules-based indexes covering major asset classes. In the context of this Policy, the Indexes Group includes an employee of Morningstar, Inc. or one of its affiliates, who participates in the operation and administration of the indexes, the selection of securities for an index (e.g., reconstitution and/or rebalancing), the calculation of indices or in the development of new or modifying existing methodology.

Purpose

Morningstar Indexes is committed to achieving the highest standards of professionalism and ethical conduct in its operations and activities. As such, it expects all employees to conduct their business according to the highest ethical standards of conduct and to comply with all applicable practices.

Morningstar Indexes' governing body is the Morningstar Indexes Oversight Committee (Indexes Committee). This group is responsible for governance over the creation and maintenance of all Morningstar branded Indexes, ensuring the highest standards are continuously met. The Indexes Committee, which is comprised of informed and qualified senior leaders with diverse backgrounds, retains the decision-making authority on all matters related to the governance of Morningstar Indexes.

Additionally, Morningstar Indexes is confident that its current makeup as it relates to the corporate structure and daily work performed by members of the Indexes Team mitigates conflicts of interests. Our conflicts of interest framework along with our IOSCO compliance, both described below, ensure that Morningstar Indexes remains independent from all internal and external partners, mitigating risks or potential/perceived conflicts of interest.

IOSCO Compliance

Morningstar Indexes strives to comply with the International Organization of Securities Commissions' Principles for Financial Benchmarks for all Morningstar-branded indexes. For each benchmark, IOSCO principles cover governance arrangements intended to ensure the benchmark's integrity, conflicts of interest, the quality of its design, and its methodology. An internal audit was completed in 2016 by Morningstar's Internal Audit Team, while an external audit was completed by KPMG in 2017. Both audits assessed business processes and internal controls and found Morningstar Indexes compliant with all 19 IOSCO Principles. The "Morningstar Indexes Statement of Compliance" details the results of the audit, along with how we address in each of the 19 Principles.

Conflicts of Interest Framework

Morningstar Inc.'s Code of Ethics policy is used as the basis for Morningstar Indexes' conflicts of interest policy, which has been reviewed and supplemented as necessary to reflect Morningstar Indexes' business. Both Morningstar Inc.'s and Morningstar Indexes' conflicts of interest policies are reviewed annually by the Indexes Committee; the Indexes Committee also reviews annual training and updating of the policies for all employees. Morningstar Indexes has control frameworks related to the conflicts of interest policy. This includes an annual conflicts of interest compliance training, an annual code of ethics policy training, a quarterly certification of potential conflicts of interest, a securities trading and disclosure policy, an enhanced confidential information policy, and oversight provided by our Indexes Committee governing body. Additionally, Morningstar Indexes has made public multiple IOSCO Policy Documents, all of which can be found in our Governance section on indexes.morningstar.com.

At the beginning of each year, every member of Morningstar Indexes must complete mandatory ethics training, as part of Morningstar, Inc.'s broader compliance training program. In addition, on a quarterly basis, every member of Morningstar Indexes must review their listed potential conflicts of interest to sign off on any updates that may have occurred. Potential and/or existing conflicts of interest are logged and detailed in the Morningstar Outside Business Activities form, maintained by Morningstar, Inc.'s Compliance Team through an online reporting system. Any potential or realized interest, connection, and/or conflict is reviewed by the Compliance Team to ensure that the integrity of the Indexes Team is maintained at the highest level, and that all benchmark determinations are free from influence.

Additionally, a current mapping of all roles and responsibilities is reviewed and updated twice a year, highlighting the teams and individuals involved in the index launch process. This includes all reporting lines and responsibilities throughout each step of the index life cycle. Within this framework, Morningstar Indexes believes all members of the team should have sufficient knowledge and expertise to properly sign off on a benchmark.

Confidential Information Policy

Included within Morningstar Indexes' overall conflicts of interest policy is a specific confidentiality policy amendment that addresses the confidentiality necessary for data and other sensitive information, while also reinforcing the independence and integrity of the Team. For purposes of this Policy, "Confidential Information" means information not generally publicly available or known that is created or received by the Index Group in the course of its business activities. This includes the following:

- ▶ Information pertaining to the Index Group and its indexes that has not been publicly disseminated;
- ▶ information provided by the Index Group to its service providers in connection with the indexes and the administration of and the production and dissemination of the index process including unpublished works and output related to the selections of securities within an index, and related unpublished analysis, reports and press releases created by the Index Group.
- ▶ information given to the Index Group that is designated as Confidential Information (or similar type of wording and meaning) or the information not marked in such a manner, but

the member(s) of the Index Group knows or it is reasonable for the member(s) to have known that such information is non- public/confidential information.

Members of the Indexes group are not to share or discuss confidential information with employees from other business units, except for members of the Indexes Committee, members of the legal team, and members of the compliance team. Confidential information may be shared with the departments for the following reasons: when seeking legal advice; in connection with regulatory or legal issues; inquiries or investigations; and as otherwise approved by Morningstar's General Counsel or Global Chief Compliance Officer. Even within the Indexes group, members of the Indexes group who possess confidential information are to only share it with other members of the Indexes group who need to know the information to perform their duties and responsibilities.

Further, Morningstar Indexes is subject to an information barrier or firewall structure to limit any sharing of sensitive information to only those "inside the wall"; those who sit directly on the Morningstar Indexes Team. For those who fall within this category, a personal trading restrictions policy is followed to monitor trading activities and conflicts of interest or improper information for each specific team, as outlined above. Access to data is permissioned on an as-needed basis, with only those Morningstar Indexes employees gaining access to specific data sets that are required to effectively perform their daily tasks. With this, the Morningstar Indexes team follows a host of processes to ensure that data is protected. This includes an employee exit procedure, mandatory periodic password updates, data transmission and collection processes via secured data portals (FTP folders), and a new data vendor selection process. In addition, Morningstar Indexes maintains a full Disaster Recovery site, along with ensuring a properly established segregation of duties between members of the team. Furthermore, Morningstar Indexes restricts any type of reward to influence decisions made by the levels and/or performance of a Morningstar Indexes Index.

Securities Trading and Disclosure Policy

All Morningstar Indexes employees across the globe are also subject to a securities trading and disclosure policy, including a blackout period during proforma periods prior to the rebalance/reconstitution of an Index. At the start of employment, all employees must provide Morningstar's Compliance department with the required information as it relates to his/her reportable securities, along with providing the same information for immediate family members. All employees are bound by this control to ensure all necessary data remains confidential and is not used in a way that would violate the Conflicts of Interest policy. To enhance this, a defined de minimis criteria has been placed on all employees and their immediate family members that prohibits the trading of securities issued by publicly traded companies, as categorized as constituents of a Morningstar Index, above the specified threshold during the predetermined blackout periods.

Third Parties

All Morningstar Indexes are based on publicly available rules-based methodologies. Each rulebook can be found under the Methodology Documents page on indexes.morningstar.com. Morningstar Inc.'s clients and vendors, or Morningstar Inc. itself, may be included as an index constituent, inclusion is only

determined by the specific rulebook. Morningstar Inc. does not allow any financial incentives for index inclusion, nor is financial compensation motivated by index performance. Furthermore, no third party entities are given any advanced knowledge of possible index inclusion or removal.

Operational Independence

Morningstar Indexes' Indexes Committee has been established to provide necessary oversight and governance for benchmark administration. The Indexes Committee is used to ensure decisions are made with a diverse voice, and are in accordance with the previously determined charters and policies for Morningstar Indexes. Additionally, Morningstar Indexes does not use any expert judgement for its indexes, as all indexes are based on transparent rule-based methodologies.

Additionally, Morningstar Indexes' Indexes Committee is made up of company employees. Each committee member abides by the Morningstar Inc. Code of Ethics, ensuring he/she acts with the integrity necessary to provide the necessary oversight and governance.

Selective Disclosure

Announcements with respect to changes in a Morningstar index or index methodology are communicated to the public according to the specific policies outlined within the Governance page on indexes.morningstar.com. This ensures that one market participant does not have an information advantage over another. This includes methodology changes, index cessations, and reconstitution reports, all of which can be found on indexes.morningstar.com.

Whistleblowing

To help ensure that employees of Morningstar Indexes follow all prescribed ethical and professional standards, a two-fold whistleblowing and ethics hotline process has been employed. Employees are educated on how to use this policy during Morningstar Inc.'s annual Code of Ethics training.