



Morningstar Index Methodology Committee

Morningstar Index Methodology Committee Charter
V.1 April 9, 2020

INTRODUCTION

The Morningstar Index Methodology Committee (IMeC) oversees all new indexes development, index methodology changes, the annual review of existing index methodologies and cessation of indexes. The IMeC reports to Index Leadership, escalating major and material methodology matters to the Index Oversight and Index Product Committees as warranted. The group is comprised of members of the index team with index research experience and product and business operations professionals who provide the first layer of governance over the index business, with regard to index design and methodology.

The committee charter is reviewed and approved by the Index Oversight Committee annually.

COMMITTEE RESPONSIBILITIES

The primary responsibilities of the Morningstar Index Methodology Committee are:

- i. **New Index Design** – Review all aspects of a new index design, including features, intended usage of the index and potential conflicts of interests. The IMeC will solicit additional inputs from the Index team and feedback from other Morningstar Committees as necessary. The IMeC will also recommend new index methodologies to the Index Product Committee for final approval.
- ii. **Methodology Changes** – Vet all proposed changes to index methodologies in light of index features, and intended, expected or known usage of the index. The IMeC will approve minor methodology changes and escalate any major methodology changes to the Index Product Committee for approval.
- iii. **Methodology Reviews** – Conduct an annual review of existing index methodologies in accordance with EU BMR, ensuring that index methodologies remain fit for purpose under the direction of the Index Oversight Committee. The IMeC will review and address any issues or risks brought to its attention, escalating major methodology issues and risks to the Index Product Committee for review. The IMeC will report the results of the annual review to the Index Oversight Committee.
- iv. **Market Classification** – Review proposed market classification and recommend changes to the Index Product Committee for approval.
- v. **Index Cessation** – Review proposed index cessations and solicit additional inputs and feedback as necessary. The IMeC will approve any index cessation that has minimal client impact and recommend any index cessation with client impact to the Index Product Committee for final approval.
- vi. **Index Rebalancing and Reconstitution**—Review and approve the regular rebalance and reconstitution of Global Markets Portfolio and Strategic Beta Indexes.
- vii. **Restatements**—Review and approve any Index restatements, excepting same day restatements due to updated price and corporate action information. Conduct root cause analysis of restatements and report to Index Oversight Committee.

- viii. **Consultation:** Oversee consultation process, reviewing feedback and determining whether methodology changes are needed.
- ix. **Contingencies:** Make recommendations to the Index Product Committee when contingency plans are triggered due to insufficient inputs, market stress or disruption, failure of critical infrastructure or other relevant factors.

PARTICIPANTS

The Morningstar Index Methodology Committee is comprised of eight voting (including the chair) members of the index team who have significant experience in index research, methodology and calculation. These members include leaders of research and leaders of product and business operations within the Index business. The current members are:

- Head of Index Products, Chair
- Director of Global New Product Development
- Manager Quantitative Research
- Head of Investible Product IP
- Head of Benchmark Data Services
- Head of Indexes India
- Director of Business Solutions
- Senior Director of Index Transformation

At its discretion, the Morningstar Index Methodology Committee can appoint non-voting members with relevant index and research expertise from within the Index team. The non-voting members may serve as a substitute for voting members to reach a quorum.

Changes to voting members are proposed by the Morningstar Index Methodology Committee and approved by the Morningstar Index Oversight Committee.

MEETINGS

The IMeC will have standing meetings biweekly and meet ad-hoc as required. A quorum will be considered at four members, with decisions made by majority vote. If a quorum cannot be reached, the meeting is canceled.

Voting may be conducted electronically for matters that must be decided before the next IMeC meeting if it is not possible to convene an emergency meeting.

Agenda items can be requested by IMeC 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 shared with any relevant Morningstar, Inc. Committees as necessary.