

Morningstar Indexes

September 13, 2024

Consultation on the Morningstar Sustainability Moat Family

Morningstar Indexes is considering two methodology enhancements to the Morningstar Sustainability Moat Indexes listed below.

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

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 Sustainability Moat Focus Index	Include PAB screens	No change	Dec. 2024

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.

Impact of Morningstar US Sustainability Moat due to removal of Momentum Filter and additional ESG screens.

	Morningstar US Sustainability Moat	Morningstar US Sustainability Moat PAB No Momentum
Start Date	2014-12-19	2014-12-19
End Date	2024-06-30	2024-06-30
Return (%)	11.83	12.22
Risk (%)	15.86	16.08

Submit your responses and questions

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

General questions about the consultation may also be sent to indexes@morningstar.com.

Key dates

- **Consultation:** The consultation will be open for response from September 13th, 2024, to September 21st, 2024.
- **Decision announcement:** Final decisions will be announced by October 1, 2024.
- **Proposed implementation:** December 20, 2024

Questions

1. Should Morningstar Indexes implement the additional ESG screens
 - a. Yes
 - b. No, stick with the current screens
 - c. Other, please explain.

2. Should Morningstar Indexes remove the momentum screen on the Morningstar US Sustainability Moat Index
 - a. Yes
 - b. No, stick with the current approach
 - c. Other, please explain.

3. If Morningstar Indexes adopts one or both of these changes, are there any concerns about implementing the changes on or around December 20, 2024?
 - a. No concerns
 - b. Delay implementation until June 2025.
 - c. Other, please explain.

About Morningstar Indexes

Morningstar Indexes has been designing modern solutions for 20 years, but what makes us truly unique has been more than three decades in development. Our rich history began in 1984, when Morningstar was founded on a promise to empower investors with data and research that is independent and objective. Over time, our collection of data has expanded considerably—and so has its application. Today, Morningstar Indexes draws on unique IP to unlock an extensive range of emerging opportunities for investors of every kind, while providing a robust institutional beta platform for core investing.

Contact Us

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