

Morningstar Sustainability Ratings & ESG Metrics

- ▶ Leverage proprietary research, methodology, and analytics to make investment decisions
- ▶ Measure funds' portfolio sustainability
- ▶ Conduct portfolio impact analysis
- ▶ Align investments with values
- ▶ Screen by ESG metrics

Contact us for additional information, including our full methodology and handbook.

Email:
support@morningstar.com

Visit:
[http://global.morningstar.com/
sustainableinvesting](http://global.morningstar.com/sustainableinvesting)

Investors are placing increasing importance on the sustainability practices of the companies in their investment portfolios. Morningstar Sustainability Ratings and ESG metrics are integral to our mission of creating great products that help investors reach their financial goals. Our sustainable investing data set contains more than 40 environmental, social, and governance (ESG) metrics including the Morningstar Sustainability Rating™ for funds and the Morningstar® Portfolio Sustainability Score.™ This data set provides investors with a new lens for evaluating how well the companies in a fund are managing their ESG risks and opportunities.

Whether you are an institutional asset manager, consultant, financial advisor, or individual investor, you can use our Sustainability Ratings and analytics to enhance your investment research process and put your investments to work in ways that are meaningful.

Where to Find Morningstar Sustainability Ratings

Morningstar's Sustainability Ratings and ESG metrics will address needs across a wide variety of audiences, and help investors compare funds with one another, across categories, and to benchmarks using ESG factors.

Morningstar® Advisor Workstation supports advisors with sustainability data and screening tools to serve clients' personal investor values.

Morningstar Direct™ helps asset managers screen funds on sustainability factors to conduct competitive analysis and in-depth research. Users can leverage

the resulting sustainability content to create professional, custom-branded fact sheets and presentations in Presentation Studio. As asset managers increasingly adopt the United Nations-backed Principles for Responsible Investment (UNPRI), Morningstar Direct supports workflows that enable asset managers to uphold their commitments.

Morningstar Direct also helps advisors screen for sustainability and ESG characteristics to select funds that align with investor values. Morningstar Direct allows advisors to monitor funds' ESG factors.

Morningstar Office™ provides independent financial advisors with the ability to screen by sustainability criterion and leverage the results alongside their practice and portfolio management systems.

Morningstar® Data for managed investments offers institutions, media outlets, and academics the ability to license a data feed with more than 40 sustainable investing data points. The data feed enables comprehensive sustainability research for financial modeling and product development.

Morningstar® Essentials™ allows marketing professionals to enhance websites, fact sheets, and shareholder communication with sustainable investing content.

Throughout our software platforms and global websites, investors can access the Morningstar Sustainability Rating and Portfolio Sustainability Score via the **Morningstar Quicktake** report.

Institutions



Morningstar helps asset managers and service providers assess and communicate funds' sustainability

- ▶ Highlight funds' sustainability to advisors and investors through an independent source
- ▶ Conduct competitive analysis and understand fund position
- ▶ Influence product development
- ▶ Enable use of sustainability factors in retirement plan fund selection

Advisors



Morningstar helps advisors serve clients who value sustainable investing

- ▶ Align investments with investor values by integrating sustainable funds into manager selection and portfolio construction
- ▶ Reach new audiences and build an ESG practice
- ▶ Extend services to foundations and endowments that invest following ESG overlay
- ▶ Bring sustainability factors to retirement plan fund selection
- ▶ Help UNPRI signatories to take action

Individuals



Morningstar educates investors on this trend with portfolio coverage, webinars, video, and analysis

- ▶ Align investments better with personal values
- ▶ Understand how well a portfolio is doing on sustainability
- ▶ Identify and screen for ESG funds
- ▶ Mitigate risks coming from non-financial metrics

Morningstar Sustainability Ratings & ESG Metrics

Morningstar Sustainability Rating™ Methodology

The Morningstar Sustainability Rating is based on analytics from Sustainalytics, a leading provider of company-level ESG research and ratings. Sustainalytics is a global, independent firm covering 6,500 companies with its comprehensive ESG ratings and more than 10,000 companies with its controversial incidents indicators. Its transparent ratings methodology is a quantitative indicator-driven approach using 60-80 performance indicators per company. Its ability to update controversial incident indicators in a timely fashion ensures the latest information is incorporated in the Morningstar Sustainability Rating.

Morningstar Sustainability Rating

Coverage by Region

	# of Funds
Asia	2,600
Australia, New Zealand	1,300
Europe	10,700
Global Cross-Border	2,000
Latin America	700
Middle East/Africa	500
North America	13,600
Total Global Coverage	31,400

Morningstar Sustainability Rating

Coverage by Assets Under Management

	% ESG AUM Covered
Asia	38.54
Australia, New Zealand	23.86
Europe	37.35
Global Cross-Border	76.40
Latin America	1.68
Middle East/Africa	18.12
North America	59.73
Total Global Coverage	52.72

Data provided by Morningstar, Inc. as of 10/06/2016.
AUM data is calculated in U.S. Dollars.

Morningstar Fund Data



Sustainalytics Company-Level Research

	Name	Morningstar Category
F 1	Fund 1	US OE Large Growth
F 2	Fund 2	US OE Large Blend
F 3	Fund 3	US OE Large Value
F 4	Fund 4	US OE Large Blend
F 5	Fund 5	US OE Large Value
F 6	Fund 6	US OE Large Growth
F 7	Fund 7	US OE Large Blend
F 8	Fund 8	US OE Large Growth
F 9	Fund 9	US OE Large Growth
F 10	Fund 10	US OE Large Growth
F 11	Fund 11	US OE Large Blend
F 12	Fund 12	US OE Large Growth
F 13	Fund 13	US OE Large Growth

1. Company ESG Scores

Overall ESG Score (0-100)

2. Controversy Scores

Severity (1, Low–5, High)

Controversies are incidents that impact the environment or society and pose risks to the company involved

Morningstar Portfolio Sustainability Score

- Sustainalytics' company ESG scores are normalized across sectors

- Asset-weighted roll up of company ESG scores with deduction made for holdings with controversies

- Company analytics apply to stocks and corporate bonds

- 50% of portfolio assets must have company ESG scores

Morningstar Sustainability Rating™

- Portfolio Sustainability Score relative to Morningstar Category

- Percent of funds in category:

High 10%

Above Average 22.5%

Average 35%

Below Average 22.5%

Low 10%

Morningstar Product Integration

- Morningstar® Advisor Workstation

- Morningstar® Data

- Morningstar® Direct™

- Morningstar® Essentials™

- Morningstar® Office™

- Morningstar® Quicktakes