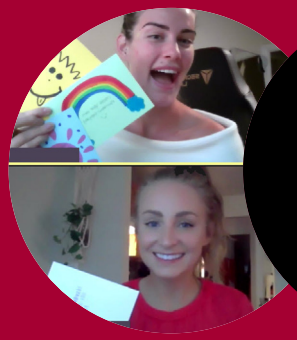
2020 Morningstar Enterprise Sustainability Report



MORNINGSTAR®

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MORNINGSTAR®

A Message From Kunal Kapoor, Morningstar CEO

Dear Colleagues, Board Members, Shareholders, and Investors,

The publication of Morningstar's 2020 Sustainability Report marks an important milestone in Morningstar's sustainability journey. As a comprehensive examination of our enterprise, including recent acquisitions PitchBook, DBRS, and Sustainalytics, it summarizes our efforts to make sustainable investing accessible and understandable for all investors and to transform our ideas about business sustainability into core practices at our firm.

We conducted this work in a complicated year. The coronavirus pandemic, unimaginable in its duration and impact for many of us at the beginning of 2020, underscores the need for resilient, inclusive, and just communities, economies, and markets. As we worked to develop this report, we carefully considered the range of challenges that shaped 2020.

This was a year when economic and racial inequalities were more on display than ever; we are committed to ensuring the core practices at our firm are equitable, sustainable, and responsive in an ever-evolving world. Global conditions of political polarization and an increased distrust in the media and public information challenge us to reassess what it means to provide research, data, and ideas to a wide range of investors during turbulent times. The immediacy of climate change has brought environmental, social, and governance risks into acute focus, requiring that asset owners, investment managers, and companies more clearly articulate their approaches to climate risks.

The year was also marked by initiatives that position Morningstar to address many of these challenges. Our five-year partnership with Sustainalytics, the leading independent environmental, social, governance (ESG) research firm, was completed when we acquired it in July 2020. Sustainalytics CEO Michael Jantzi and his team have been generous, energetic colleagues during our first year as one company. I believe our work together is critical to the successful execution of Morningstar's mission to empower investor success. In the nearly 37 years since Morningstar's launch, our focus on investors has resulted in outsize influence on the industry and the market; together, I know we can shape meaningful solutions for investors that will ultimately contribute to more-sustainable capital markets.

I know we can shape meaningful solutions for investors that will ultimately contribute to more-sustainable capital markets.

While it's true that the road ahead poses daunting challenges, I am optimistic. At the industry level, I see a deeper commitment to transparency on the part of companies, a more systematic framework linking data sets to market impacts, and an emerging consensus about the relevance of ESG factors to long-term company performance. Regulatory shifts, particularly in Europe, are changing notions of fiduciary responsibility, shaping the way asset managers and advisors understand their relationship with their clients and issuers with their shareholders and stakeholders. I see an increasingly informed and enabled investor population that is curious about the potential of sustainability measures to address the challenges the world faces.

At the firm level, developing this report allowed us to reflect on how Morningstar's foundational beliefs — namely that investors deserve transparency, independence, and information to make informed choices — align closely with the core tenets of sustainability best practices. As our Sustainability Team reminds me regularly, we have substantial work ahead of us, but I'm proud of our work thus far and excited about our plans to go further and faster over the next few years.

This report allowed us to draw tighter connections between firm sustainability, culture, risk, commitments, and success. We look forward to developing our sustainability initiatives across the globe.

Sincerely yours,

Kunal Kapoor
CEO of Morningstar

Perspective From Sustainalytics

Michael Jantzi
Chief Executive Officer
Sustainalytics

It's only appropriate that within a year of Sustainalytics joining the Morningstar family, Morningstar publishes a comprehensive examination of its material ESG topics across the firm. Our shared expertise offers us the chance to put 30 years of sustainability experience and research to work within Morningstar. This report is an extension of our effort to publicly examine the sustainability performance of the Morningstar enterprise and to set the stage for an ever-tighter alignment of our company values, service to investors, and business practices.

While I've seen many corporate sustainability reports, I believe Morningstar brings a unique commitment to this effort. We aim to turn the power of our own research organization on ourselves, using our data, tools, and expertise to move the firm swiftly forward.

Over my many years in this industry, I've learned that leaders who are comfortable with the sustainability of their firm are often not digging deep enough. In fact, we have work to do ourselves, and I know from experience the importance of setting sustainability goals that are rooted in research and concrete data. As we continue to collect those insights, we'll elevate to a bold and long-term sustainability strategy that will last for years to come. This — our first public summary of Morningstar's performance and practices toward building a sustainable company — comes with a commitment to be continuously transparent about our achievements and our challenges as we work to define an ambitious path forward.

Sincerely yours,

Michael Jantzi
CEO of Sustainalytics

Morningstar's Commitment to Sustainability

Morningstar's mission is to empower investor success. Making sustainable investing and ESG measures accessible, meaningful, and consistent for all investors is integral to that mission. Our aim is to become the leading ESG voice for investors of all types.

Our efforts are focused on incorporating sustainability and ESG data across our research and product offerings and translating sustainability principles into core competencies in our governance, workplace, and business operations.

As a global business, we are integrating ESG data into our research, tools, and services to make investing more accessible, relevant, and personal to individuals; to enhance transparency for all investors; to help issuers seeking to understand and improve the sustainability of their business practices; and to support sustainable capital markets.

As a global employer, we are committed to turning the power of our own ESG research lens on ourselves. We are focused on ESG indicators that we believe are material to Morningstar's business, particularly corporate governance, business ethics, and diversity, equity, and inclusion. We are aligning our company with the research that indicates that diverse teams make better decisions and that innovation thrives in a culture of transparency. And we recognize that climate change and the environment are top concerns for our colleagues, the investment industry, and society generally. We seek to reduce our impact on the environment while expanding the growth of our business and the reach of our products.

About This Report

In this report, we examine Morningstar's efforts to incorporate sustainability and ESG data across our research and products and translate our values into core competencies in our firm's governance, workplace, and business operations.

We have divided the report into five sections, covering the Morningstar enterprise: nearly 8,000 full- and part-time employees in 31 markets, including PitchBook, DBRS Morningstar, PlanPlus Global, and Sustainalytics. We review the following:

1 *Introduction:* We start by discussing our approach to sustainability at Morningstar; we describe our assessment of material ESG issues in our business; we provide a brief history of our work in this area and address key aspects of 2020, including the impact of the coronavirus pandemic.

2 *Our Product Offerings:* In this section, we discuss our sustainability and ESG research, data, and ratings, which we believe will influence the market. We examine policies designed to ensure product responsibility, and we summarize our 2020 research, ratings, tools, and solutions for diverse, global audiences.

3 *Our People and Workplace:* This includes our work in employee engagement and our efforts to track our progress in building a diverse, equitable, and inclusive workplace.

4 *Our Governance:* This includes the organization of our board of directors and how we approach business ethics across the organization.

5 *Our Business Operations:* This includes policies pertaining to data privacy and security and the launch of our efforts to track our global carbon footprint.

Each section discusses our approach to material issues and stakeholder priorities within each category. Where we have collected data on our activities, we explain its significance to our business. Where we have established goals, we articulate their significance and convey a sense of our timeline. Where we have seen opportunities to further support our colleagues, advance our business, or lead the industry by example, we endeavor to convey how we intend to focus our future efforts.

The report is best read as a companion publication to Morningstar's Annual Report, which discusses Morningstar's global business, examines the risks and opportunities the company manages, and references material data pertaining to the organization's financial statements.

Evaluating Sustainability at Morningstar

A materiality framework helps us identify ESG issues that we believe are relevant to our business and important to our stakeholders.

To evaluate Morningstar's own sustainability, we employ a materiality framework that expresses the relative importance of ESG factors to company performance. For Morningstar and Sustainalytics, material ESG issues, or MEIs, are those factors that could have a significant effect on the enterprise value of a company by impacting value drivers, revenue growth, or the overall context in which a company operates.

Such MEIs are focused on a firm's characteristics, or set of related characteristics, that require a common set of management initiatives or demand similar kinds of oversight. For example, diversity, equity, and inclusion, or DEI, and employee engagement are issues of human capital management; they are employee-related and require human resources initiative, expertise, and oversight. A common thread joining human capital MEIs might be the need for firms to attract and retain qualified employees.

Morningstar's material issues span the spectrum of various social and governance issues.

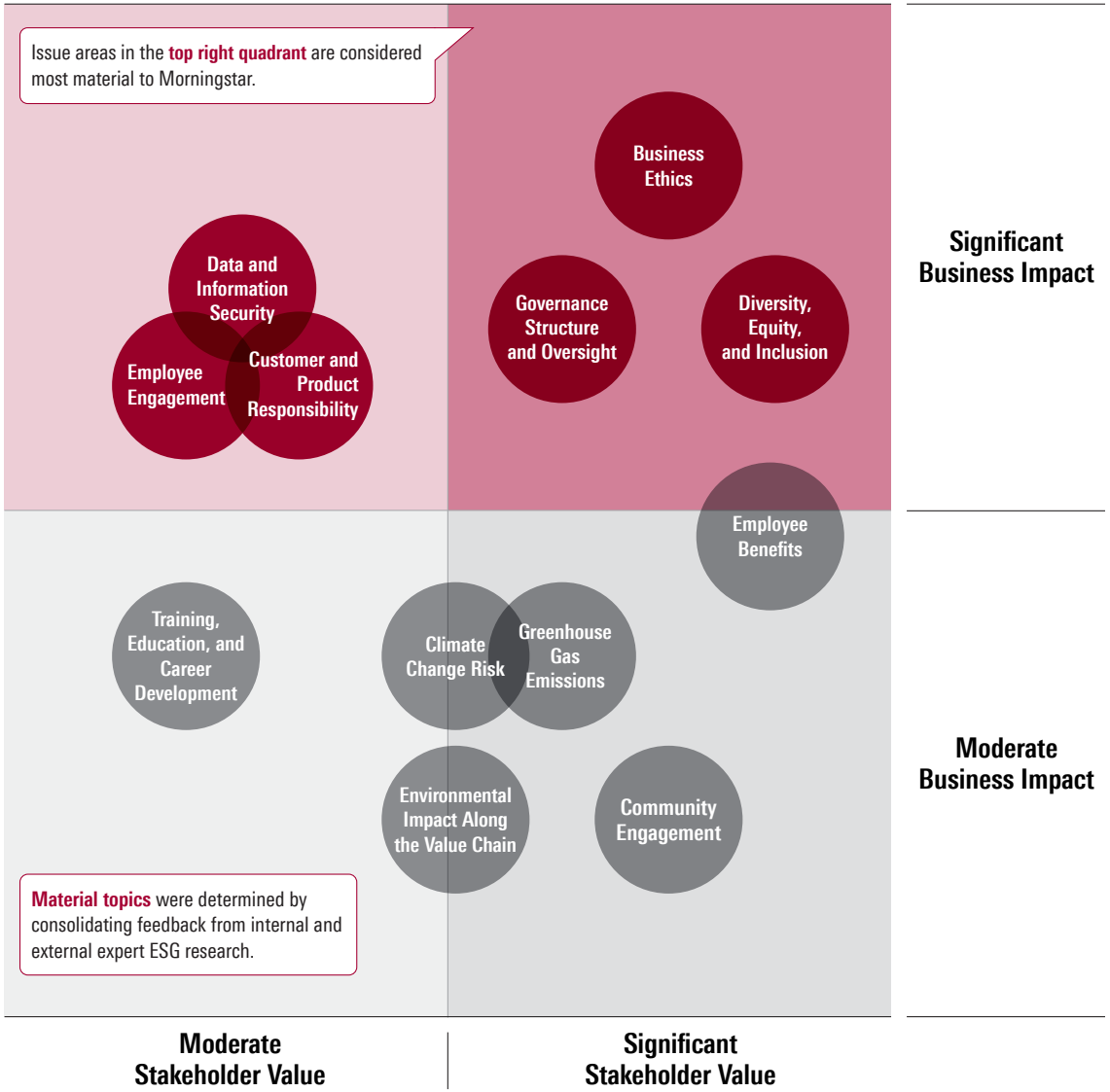
Internal and external research and analysis, including the work of Sustainalytics, helps Morningstar identify issues material to our business. These include business ethics; diversity, equity, and inclusion; employee engagement; data and information and security; customer and product responsibility; and board management and structure. The materiality of these issues to our business is consistent with our position in financial services and with our role as a dominant, independent research voice in the investment industry.

Reviewing Our Materiality Assessment

1. We define key stakeholder groups for Morningstar
2. We measure the areas these groups consider material to Morningstar
3. We consider assessments of Morningstar's material issues from outside ESG research and industry experts
4. We define key areas of focus

Morningstar's Material ESG Issues

● Material topic ● Additional topics prioritized by employees and stakeholders



This visual represents our understanding of Morningstar's material ESG issues — their potential impact on our business performance and their importance to our various stakeholders. A value positioned high on the vertical axis suggests that ESG experts believe the issue is likely to impact Morningstar's business performance. Values on the right of the graph represent high-priority issues for Morningstar stakeholders.

Business Impact: We believe these material ESG issues are likely to impact our immediate business success and performance.

Stakeholder Value: These additional issues matter deeply to Morningstar colleagues and other stakeholders.

Material topics

- Business Ethics
- Diversity, Equity, and Inclusion
- Governance Structure
- Data and Information Security
- Employee Engagement
- Customer and Product Responsibility

Additional topics prioritized by employees and stakeholders

- Employee Benefits
- Greenhouse Gas Emissions
- Climate Change Risk
- Training, Education, and Career Development
- Environmental Impact Along the Value Chain
- Community Engagement

Materiality Review

We review this assessment regularly, drawing on the expertise of our firm's leadership; key stakeholders; and outside organizations, such as the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), Nasdaq, and dedicated ESG research firms. This exercise is designed to confirm the continuing relevance of these MEIs to our firm's business. We know that the careful management of these issues will be critical to our organization's success; they have a significant effect on our enterprise value and therefore require long-term strategic planning and investment.

In our most recent 2020 review, we also identified ESG issues that matter deeply to Morningstar's stakeholders, including our colleagues, clients, shareholders, and communities (even if these issues' immediate impact to Morningstar's business may appear less immediately material than other themes). For example, internal survey data indicated that our colleagues recognize the critical challenge that climate change presents for our communities and prioritized the careful management of the company's potential environmental impact. They were also concerned about career growth and training. We have therefore further prioritized ESG issues pertaining to Environmental Impact and Human Capital, including aspects of Training, Education, and Career Development, Employee Benefits, and Community Engagement.

Our intention is to set measurable goals to hold these issues at the forefront of our strategic planning. We'll report back with our progress and learnings, and we look forward to engaging with our stakeholders on these issues. We invite your feedback at EnterpriseSustainability@morningstar.com.

History of Sustainability at Morningstar

Morningstar was founded in 1984; it is a leading provider of independent research, data, and investment products. Jantzi Research launched in 1992; today, as Sustainalytics, a Morningstar company, it is a leader in ESG and corporate governance research and ratings.

- Morningstar
- Sustainalytics
- Morningstar and Sustainalytics

2006
- Jantzi Research becomes signatory to Principles for Responsible Investing, or PRI

2009
- Jantzi Research and DSR (Dutch Sustainability Research) merged to form Sustainalytics

2010
- Sustainalytics ESG Research and Ratings are introduced to the market
- Sustainalytics launches Corporate Governance Research and Ratings
- Sustainalytics launches Carbon Solutions
- Morningstar and Sustainalytics announce strategic partnership

2015
- Morningstar introduces the Morningstar Sustainability Rating for funds
- Morningstar launches Global Sustainability Index Family
- Morningstar becomes a signatory to PRI

2016
- Morningstar acquires 40% stake in Sustainalytics
- Morningstar launches Portfolio Product Involvement Data
- The first-ever ESG-linked loan is tied to Sustainalytics' ESG rating

2017
- Morningstar acquires Fund Votes Research
- Morningstar launches the Morningstar Low Carbon Designation ™ and Portfolio Carbon Metrics
- Sustainalytics introduces its new flagship ESG Risk Ratings

2018
- Morningstar releases risk-focused enhancement to the Morningstar Sustainability Rating
- Sustainalytics introduces its Country Risk Ratings
- Sustainalytics acquires GES, leading provider of Engagement Services

2019
- Sustainalytics completes its 500th green bond second-party opinion
- Sustainalytics makes its ESG Risk Ratings on companies publicly available
- Morningstar launches the ESG Commitment Level assessments of funds and asset managers under analyst coverage

2020
- Morningstar acquires Sustainalytics

2020 in Review

We cemented our long-standing partnership with Sustainalytics; we reimagined the workplace against the backdrop of a global pandemic; we established a dedicated, global Enterprise Sustainability group and a global carbon measurement practice.

Our Products

Our acquisition of Sustainalytics brought the leading independent provider of ESG research and ratings to Morningstar.

We launched a free global ESG Fund Screener on Morningstar's investor-focused digital site (Morningstar.com) and on our investor sites across the globe.

We launched free, issuer-level ESG risk scores on Morningstar.com and integrated this data into our advisor software platforms.

We formalized the integration of ESG Risk into our existing equity valuation and uncertainty ratings for approximately 1,500 global companies under coverage by the Morningstar Equity Research team.

We launched our ESG Commitment Level Research Insight, delivering awareness into features that our analysts believe constitute strong ESG investment programs and a best-in-class analysis of ESG investing.

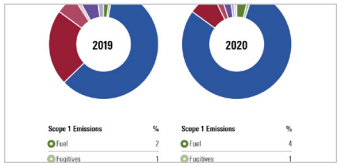
Our People and Workplace

We maintained strong employee engagement throughout the year, while enhancing policies to reflect our changing environment.

We enhanced our benefits to include a global sabbatical policy for all regions and to introduce a global plan for compensated volunteerism.

We created a role for Morningstar's first diversity program manager, formalizing our diversity, equity, and inclusion business practices.

Our Governance and Business Operations



We partnered with a Europe-based carbon measurement expert to help us establish and track Morningstar's global carbon footprint.

We enhanced our Global Privacy Platform, allowing customers to understand regional privacy guidance and practices, review our practices, direct data requests, and access our Privacy Team more easily.

We updated key policies pertaining to human rights, including further detailing our efforts to prevent slavery and human trafficking anywhere in our business and supply chain.

2020 in Review: Awards

Investor Focused

ESG Data Provider of the Year 2020: Sustainalytics

Best Sustainable & ESG Research & Ratings Provider: Sustainalytics

Best Newcomer: Morningstar MPS (ESG Range)

Best Sustainable & ESG Index or Service Provider: Morningstar, Inc.

Largest External Reviewer for Certified Climate Bonds: Sustainalytics

Best Responsible Investment Integration: Sustainalytics

Business Operations and Workplace Focused

Great Place to Work® Certified™ USA: Morningstar

Great Place to Work® Certified™ India: Morningstar

Best Workplaces™ in Canada: Morningstar

The Bloomberg Gender-Equality Index: Morningstar

Human Rights Campaign Corporate Equality Index: Morningstar

JUST Capital Index: Morningstar

COVID-19 Town Halls

Responding to COVID-19

During the coronavirus pandemic, Morningstar delivered research designed to help investors and reimagined our notions of the "workplace" to support our colleagues, engage our teams, and live our mission.

The global COVID-19 pandemic presented many challenges for our company, our industry, the clients we serve, and our global community. As an advocate for investors, our focus was on maintaining a sober, reflective, research-driven approach to our clients' needs amid market volatility. Going forward, we'll continue to deliver what we have always provided: an independent, jargon- and alarm-free voice for long-term investing approaches in periods of uncertainty. Visit our Coronavirus Economic Impact on Industries and Markets webpage for the latest research coverage related to the pandemic.

As an employer, we have focused on maintaining strong connections and keeping our culture and mission at the center of our efforts. We aim to provide clear and transparent guidance about our plans for our team members, to support their health and well-being, and offer creative and innovative ways to keep them connected to their work and their careers.

Office Leadership and a Collaborative Approach

To respond to the COVID-19 pandemic, Morningstar coordinated incident management teams across our corporate, regional, and local operations. Their mandate was to determine principles, protocols, and strategies for safely closing offices, working remotely, and transitioning back to the office, all in compliance with public health guidance, local governmental regulation, and best practice recommendations.

In some cases, this resulted in office reconfiguration, and in all cases, it resulted in new office protocols to ensure safety. Additionally, Morningstar convened a network of peer companies to share information and ideas about successful employer responses to the pandemic. Finally, we retained an external medical expert on infectious disease to provide continued guidance on office safety.

Supporting Our Colleagues' Engagement

The COVID-19 pandemic created unique challenges related to maintaining employee engagement and ensuring connectedness in a mostly remote working model. We established programs to enhance transparency and ensure timely information during this period, created a more flexible workplace, and introduced support programs for our teams' productivity, engagement, and continued career growth.

Colleagues in our Morningstar Madrid office partnered with Cruz Roja to collect breakfast items and meal supplies for those most affected by the COVID-19 pandemic

Our commitment to transparency included:

Transparency at the top in the form of weekly town halls in multiple time zones hosted by our CEO to address questions and provide updates on the firm.

An emphasis on health, including weekly pulse-check surveys to track stress levels, health statuses, working locations, self-reported productivity, and a rapid-assistance program that proactively connected HR business partners to those who appeared to be struggling.

Open communication, including a new COVID-19 hub on our corporate intranet and a dedicated feedback function for colleagues to confidentially share ideas, suggestions, or concerns directly with the corporate incident team.

New programs and benefits included:

Support of the private and public lives of our colleagues, including the introduction of the Empowering Our Kids program, which was designed to deliver program support for parents and children in need of virtual learning and entertainment options during the workday.

An office standard of convenience and comfort to the work-from-home environment, including ensuring that our colleagues have the technology, furniture, and supplies they need to be comfortable and effective working remotely.

Existing program enhancements included:

Increased flexibility, including working with our providers to deliver midyear changes to benefits plans and options to creatively utilize accrued time off to enable more-flexible schedules for those struggling to balance work and family responsibilities.

Expansion of benefits, including paid family leave options to address health and family concerns unique to COVID-19.

Throughout the year, we managed to continue celebrations, such as Lunar New Year, in virtual settings and when colleagues were able to safely return to the office

In 2020, we used virtual Town Halls, video, and a regional ambassador program to welcome over 600 new colleagues from Sustainalytics

Community Engagement

To empower our colleagues to give back to their communities and to support those most affected by the pandemic, Morningstar established regional volunteer teams that identified and implemented relevant outreach programs. The following are some highlights of these efforts:

40+ Numerous Morningstar offices identified causes to support and provided funding and volunteers to over 40 community and charitable organizations across the globe.

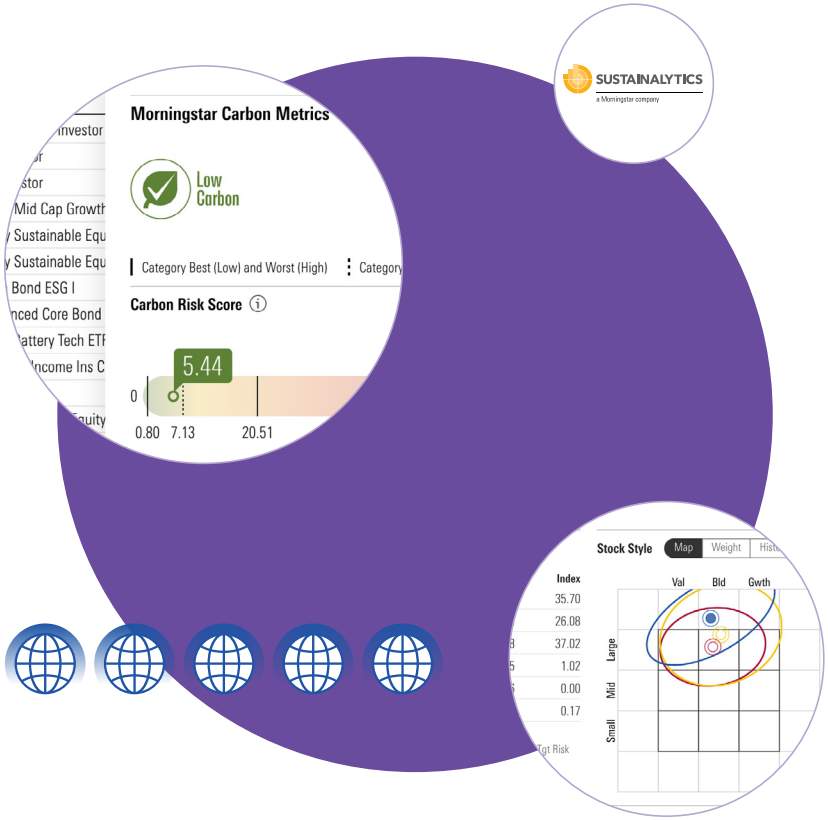
$270K Morningstar Inc. donated approximately USD 270,000 to global organizations that deliver COVID-19 relief.

A Complicated Year, A Unique Opportunity

Over the course of this year, we have learned more about our people, what they value, and how they do their best work. Some of the new initiatives created during this time are here to stay; they will continue to shape our future approach to our work environment. The efforts we plan to sustain include more-flexible work arrangements, enhanced sick and family care leaves, a more frequent cadence of direct communications from our CEO, expanded community engagement, and compensated leave time for our colleagues to volunteer in their communities.

Our Product Offerings

As a global firm with a deep understanding of investors, Morningstar's work influences the industry. Ideas like the Morningstar Style Box™ have reframed the investment landscape repeatedly; our clear ratings systems have guided investor decisions and impacted capital flows, shaping the strategies of investment companies across the globe. The primary contribution we can make to the sustainability of global markets is to make the role of ESG in investments transparent, coherent, and accessible to all investors.



● Material topic ● Additional topics prioritized by employees and stakeholders

Customer and Product Responsibility

Addressing risk, opportunity, and responsibility in our products

Our efforts in this area are focused on creating differentiated, innovative, and insightful products that clearly convey complex investment information to investors of all types. We seek to ensure the responsible use of our products, fair marketing practices, and adherence to content-related standards. We recognize the importance of delivering high-quality data, research, tools, and services to support investors and clients.[i]

Customer and Product Responsibility

The core of Morningstar's sustainability offering is transparent, global data and clear, independent research ratings that enable investors of all types to understand the sustainability and ESG-related risks and opportunities in their investment portfolios.

Our Core ESG Data and Ratings Products

As the sustainability and ESG landscapes have matured, we've expanded our offerings to provide increasingly nuanced data on company controversies, ESG and carbon risk, global standards, and product involvement, reflecting the best new research in these areas.

Amid complexity, Morningstar has maintained our focus on creating clear, transparent ratings systems. Sustainability data sets may deepen, growing increasingly granular, but we are committed to delivering a simple global standard for ESG and sustainability to the market.

The Drivers of Our Offerings: ESG Risk Data and Ratings[ii, iii]

- **12K+** ESG Risk Ratings and data on over 12,000 corporate issuers
- **170+** Country Risk information on over 170 sovereign countries
- **66K+** Sustainability Ratings for over 66,000 funds
- **70+** Over 70 ESG indexes across equity and fixed income

The Drivers of Our Offerings: Carbon Data and Ratings

- **14K+** Carbon Emissions data for over 14,000 corporate issuers
- **38K+** Carbon Risk Scores on over 38,000 funds
- **4.5K+** Over 4,500 corporate issuers receive a Carbon Risk Rating
- **35K+** Over 35,500 managed products receive the Low Carbon Designation™
- Research on new developments in the fixed-income markets, including green and social bonds and sustainability-linked loans

The Drivers of Our Offerings: Involvement and Controversy Areas

- **14K+** Controversy data for over 14,000 corporate issuers
- **22K+** Global Standards Screenings data for over 22,000 corporate issuers
- **18K+** Product Involvement data for over 18,000 corporate issuers
- **100K+** Product Involvement data for over 100,000 funds

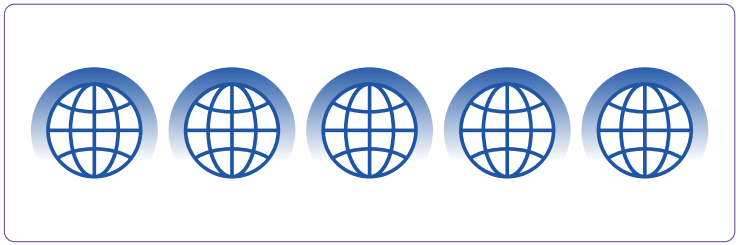
Our Research Ratings

Our fund-level Morningstar Sustainability Rating enables investors to understand how the companies in their portfolios are managing their ESG risks relative to their peers. Investors interested in preparing for the green economy can access the Morningstar® Low Carbon Designation™ for funds, an indicator that companies in a portfolio are in general alignment with the transition to a low-carbon economy. These ratings are flagship offerings in Morningstar's fund-level ESG research.

The fund-level ratings are powered by Sustainalytics research, which provides an assessment of the managed and unmanaged risk that issuers face from ESG factors, delivering issuer-level ESG Risk Ratings and Carbon Risk Ratings, as well as Country Risk Ratings, Controversies Research, and ESG Impact Metrics.

The issuer-level ESG data and ratings contribute to our equity research team's global ratings framework, allowing investors to identify valuation-relevant ESG risk and associated probability for companies, and powering our Morningstar Economic Moat™ Rating for stocks.

For the asset classes we cover, integrating ESG directly into the marrow of our research methodology helps us to widen the aperture of traditional financial analysis and more precisely capture the ESG risks that influence the long-term dynamics and sustainability of an issuer's competitive position, earnings, or stability.



Morningstar Sustainability Rating

Morningstar® Low Carbon Designation™

Sustainalytics ESG Risk Ratings

Morningstar Economic Moat™ Rating

Expanding our proprietary ESG data frameworks

We're developing additional ESG data frameworks. Together, they help investors understand connections between investment strategies, the influence of large capital pools, engagement activity, marketing strategies, and the sustainability of fund portfolios. These include:

Our Proprietary Sustainable Attributes: This data tracks the public statements made by fund companies, offering a view into how the fund industry is developing ESG investment strategies and marketing them to investors.

United States Proxy Vote Data: To provide another lens on sustainability, we offer U.S. proxy vote data, an assessment of how investment fiduciaries exercise voting rights on behalf of fund investors.

Morningstar's ESG Commitment Level: In 2020, we introduced the Morningstar ESG Commitment Level methodology, an ESG evaluation for managed products under coverage by Morningstar's Manager Research organization.

Morningstar Rating™

Morningstar Analyst Rating™

Responsibility in Ratings, Credit Ratings, and Research Coverage

Our ESG offerings are part of a much larger portfolio of data, research, ratings, and solutions, including the Morningstar Rating™ for funds, the fund-level Morningstar Analyst Rating™ and the Morningstar Economic Moat™ Rating for stocks. Our ratings are particularly resonant with individuals and advisory professionals, who rely on our independence and clear, consistent frameworks to make sense of the complex array of choices that investors face.

Research indicates that Morningstar ratings are closely associated with investment flows; in fact, several of our key ratings are influential in the movement of capital across the investment landscape. This is particularly true of our Morningstar Rating (the "star" rating, which is a risk-adjusted, backward-looking measure of fund performance within its global category). Over time, we anticipate that other ratings and frameworks, including our Sustainability Ratings, may similarly influence investment decisions.

In some cases, firms license the right to reference our ratings in marketing, investor, and client-facing materials. And as we have sought to expand our services for investors across the asset

class spectrum, we have entered into lines of business that are subject to issuer and platform-pay business models in which we receive payments directly from issuers for the use of our ratings rather than from the investors who consume the ratings. This is the case with businesses that we have recently acquired. It is true of our credit ratings subsidiary, which is now operating under the brand name of DBRS Morningstar, following Morningstar's acquisition of DBRS in 2019. It is also true of a growing and important service within Sustainalytics: Sustainable Finance Solutions, or SFS, which delivers data, research,and ratings to organizations across the globe that seek to examine or communicate the sustainability of their own operations or to engage with portfolio companies to drive more sustainable outcomes.

We address the responsibility associated with the potential influence of our core ratings and coverage decisions in our Code of Ethics. It is examined in the embedded guidance on research, which confirms analysts' investor-only focus; prescribes our research and investigation processes; and references our use of asset-class-focused, formal Ratings Committees and committee processes. These measures are designed to ensure that ratings are determined by analysts on a principled, rigorous, and unbiased basis. With respect to SFS, teams leverage the work of Sustainalytics research but do not contribute to analysis, methodologies, or ratings. Additional information on the processes of DBRS Morningstar Credit Ratings is explored separately, both here in the Product Offerings section and in the Business Ethics portion of this report.

Additional Research Offerings

DBRS Morningstar, our independent credit rating subsidiary, evaluates and incorporates ESG risk in the assessment of its credit ratings, considering how ESG risks affect the issuer and transaction-specific credit ratings during the life of the transaction or issuer credit rating. In its credit analysis, DBRS Morningstar considers 17 different ESG risk factors (as described in more detail in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings.)

Responsibility in Credit Ratings and Research

DBRS Morningstar Credit Ratings has adopted an internal control framework that is designed to ensure that DBRS Morningstar globally delivers quality credit-rating opinions that are objective and free from all political and commercial influences. We examine DBRS Morningstar credit ratings and guidance more closely in the Business Ethics portion of this report.

Serving All Investor Types

More than 35 years of research helps us translate our ESG data, ratings, research, and innovation into education, analysis, software, and tools for investors and the industry that serves them. As an organization, we are committed to broadening the audiences to whom we provide this voice, and our reach to investors of different backgrounds is expanding.

For individual investors, we provide ESG research, ratings, data, and tools, like the ESG Screener, on our global digital sites. In 2020, approximately 2.1 million unique users visited our flagship U.S. site on a monthly basis; all editorial content is free to the public for the article's first three days on the website.

For wealth and advisory professionals, we build software, reports, tools, and educational offerings to help better serve investors, link investor preferences to investment strategies, and understand and report on the potential impact of ESG-associated risk in their portfolios.

For advisors and wealth managers who seek more-robust service, our investment management solutions help expand the range of their ESG and sustainability offerings, from ESG Select Lists to diversified, one-stop portfolios based on sustainable investing principles.

For asset and wealth managers, we surface institutional-quality issuer- and fund-level ESG, carbon, impact, and controversy data on our proprietary software platform, Morningstar Direct,℠ and in our Enterprise Components offerings, supporting attribution, risk management, and reporting functions across asset classes.

For asset-management strategists and marketing professionals, the expansion of our proprietary Sustainable Attributes data into market research and analytics tools delivers a snapshot view of how quickly the ESG investment landscape is expanding and helps identify strategies that have captured investor attention.

For asset owners and other investment decision-makers, we provide institutional-quality issuer-level ESG, carbon, impact, and controversy data, enabling a wide range of investment strategies. We serve clients on our proprietary software platforms and deliver seamlessly to outside platforms.

For companies and organizations, our Sustainable Finance Solutions deliver the power of our data, research, and ratings to help examine the sustainability of their own operations; raise capital that is dependent on assessments of their potential ESG impact; and benchmark their sustainability practices and performance against peers.

For private market participants, we track private companies, funds, and investors, including those involved in impact investing. We provide a framework for impact identification in private market investments, impact fund managers' investment strategies, and the current state of the market.

Responsibility and Accessibility for All Audiences

Our audiences are expanding, but our approach to customer and product responsibility is consistent. Our Code of Ethics, designed to hold analyst independence at the center of our processes, also outlines the way in which our client service, client education, and client survey teams work to deliver products that support the needs and standards of our clients. It ensures that our business development, marketing, and advertising is in line with our mission and values and that our product responsibility extends to all audiences we serve. For example, Morningstar rejects misleading advertising that makes bold claims about an unknowable future because we have a duty to manage investor expectations about the risks and rewards of investing. Our guidelines make clear that approval or rejection of advertisements will be done with due consideration to Financial Industry Regulatory Authority guidelines.

Our People and Workplace

From recruiting to talent development and retirement planning, we're committed to fostering an environment and a community in which the talented, driven people who power our mission can excel. We recognize that our success depends on the values and performance of our employees, and we support them in a range of initiatives in the areas of engagement, professional growth, equity, diversity, and inclusion.

● Material topic ● Additional topics prioritized by employees and stakeholders

- Employee Engagement
- Employee Benefits
- Diversity, Equity, and Inclusion
- Training, Education, and Career Development
- Community Engagement

Addressing risk, opportunity, and responsibility in our workplace

Our efforts in this area are primarily designed to build a high-performance workplace in which our colleagues thrive, to reduce risk associated with human capital and the management of skilled labor through retention and recruitment programs, to offer career development options, and to handle labor relations issues..[iv]

Employee Engagement

To understand and maintain our unique culture, we have built robust systems to help us examine the experiences of our teams around the globe and to track our colleagues' sentiments.

80%

Our 2020 Engagement Score was 80%

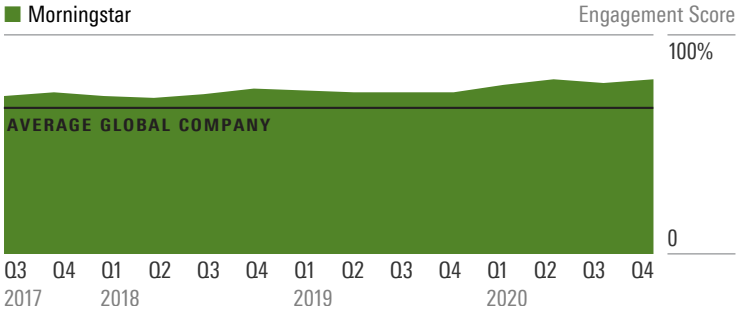
Asking questions and driving improvement through data

We recognize the importance of data in helping us assess workplace culture. In recent years, we've built robust feedback mechanisms to understand the experience of our colleagues around the globe and to track changes in perceptions, experience, and culture.

Key metrics in this space include Employee Engagement, assessed using measurements of satisfaction, intent to stay, and discretionary effort, and Employee Enablement, or the extent to which anyone encounters material obstacles to doing their best work. Internal and external "listening" programs and mechanisms that contribute to our understanding of engagement include quarterly, anonymous surveys, third-party surveys, and turnover and advancement data. These tools provide quantitative and qualitative insights into what drives engagement and the overall experience at Morningstar.

2020: A strong base and an upward trajectory

As of our most recent quarterly measure in December 2020, Morningstar's engagement score is 80%.[v] In other words, 80% of our people respond favorably to questions relating to component topics including discretionary effort, intent to stay, and overall satisfaction. This is an increase from 73% in year-end 2019. According to our understanding of our peers, the average global company exhibits an engagement score of 68%[vi] using a comparable methodology.



85% 85% of colleagues report feeling motivated to go above and beyond what's expected of their role

92% 92% of colleagues report being comfortable asking other members of their team for help

87% 87% of colleagues report understanding how their work is connected to the company strategy

Morningstar tracks its attrition, or "turnover," rate as an indication of employee commitment and longevity. A higher-than-average turnover rate might indicate employee dissatisfaction, a business contraction, or some form of internal turmoil that is driving colleagues to seek alternative employment.

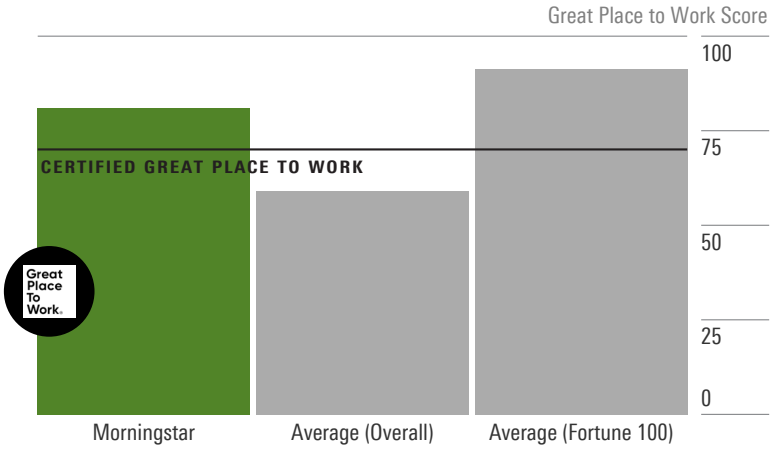
As of December 2020, the past 12 months' average turnover rate for all permanent employees globally was 12%. This figure falls below external industry benchmarks, which tend to range between 15% and 17%.[vii] Morningstar turnover has been trending downward since mid-2018.

Outside assessments indicate a similarly engaged workplace

Annually, Morningstar participates in the Great Place to Work Institute's Great Place to Work Certification Program for consideration in its Top Workplace Lists. GPTWI is considered a global authority on workplace culture and is best known for its employer recognition programs like the Fortune 100 Best Companies to Work For list.

The GPTW index is a comparable measure of company culture and employee engagement. GPTWI reports that the "average" Great Place to Work score in the U.S. is 59, and it has established a threshold score of 70 to be considered a "Certified Great Place to Work." Companies earning a spot on the Fortune 100 Best Companies to Work For list have an average score of 91. As of September 2020, Morningstar's Great Place to Work score is 81.

Morningstar's Great Place to Work Certification Score



2021: Looking Ahead

We seek to support and promote future engagement. Our efforts to sustain an upward trajectory on our measures of employee engagement include work in training and employee development, rewards and recognition, and diversity, equity, and inclusion; our emphasis on transparency across all these areas reflects our understanding that this is a key priority for our most important stakeholders, our colleagues.

Employee Benefits

Morningstar's effort to reward and invest in our people reflects our belief that our colleagues are central to our success. We offer a variety of benefits, unique programs, and ongoing learning and development programs, as well as a total rewards package that supports the financial, emotional, and physical well-being of our people.

32%

32% of colleagues have become shareholders of Morningstar

29%

29% of eligible colleagues took sabbatical in 2019

Our Support for Ownership

Morningstar has awarded equity to colleagues across the company since 1993. This reflects our belief that our colleagues think creatively and act strategically to advance our efforts when they are poised to be part of our long-term financial success. Additionally, through our Shared Ownership Program, colleagues can take a portion of their annual bonus (or commission) payout as restricted stock units with an additional Morningstar match of 50%. This program was launched in response to employee demand; in 2020, 16% of our eligible colleagues elected to initiate or expand their ownership of Morningstar's long-term success by participating in this program.[viii]

In addition, colleagues can earn equity grants through exceptional contribution and performance. Three times a year, employees have an opportunity to be nominated or recognized, either by managers or peers, for these equity Impact Awards. In total, approximately 32% of our current colleagues around the world have become shareholders of Morningstar through a compensation, performance, or benefit program since the inception of these equity programs.

Our Sabbatical Program

We introduced our sabbatical program more than 30 years ago; it is a cherished tradition and a significant cultural benefit. The program, which provides up to six weeks of additional paid time off once every four years, is animated by the belief that team members are more engaged and productive over the long term if they have a periodic opportunity to recharge, refresh, and enjoy new experiences outside of work, beyond what a typical holiday or personal time-off policy would allow.

This benefit, newly available to all global colleagues, creates an added incentive to make Morningstar a long-term "home." The year 2020 was an anomaly because of COVID-related travel restrictions and therefore does not represent a typical year for sabbaticals. But in 2019, the last full "normal" year, 29% of colleagues eligible for sabbatical (that is, those with at least four years of accrued tenure) took one.

Supporting Families and Communities

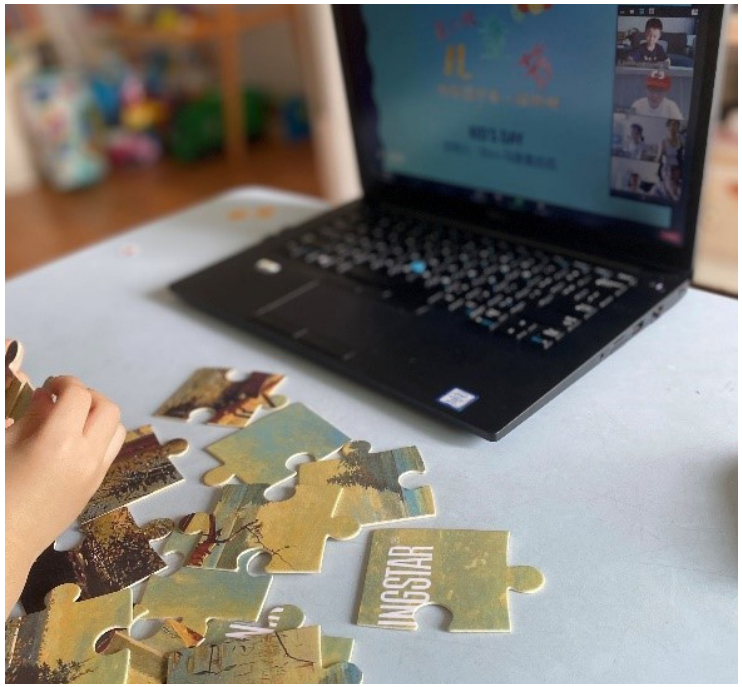
Our family support systems are key to our overall well-being, making our work at Morningstar possible. We want all colleagues to feel supported and to care for their own health and happiness and that of their families. In 2020, Morningstar expanded our Family Leave program for all global colleagues to a minimum standard of at least six weeks paid time off to care for a sick family member or to bond with a new member of the family. Beginning in 2021, this benefit applies to all individuals equally, including birth mothers, fathers, adoptive parents, and those caring for sick family members or elderly parents.

Supporting Total Health

Morningstar offers generous employer-sponsored health plans, with an option in some countries to reduce the employee-paid portion of that cost by participating in an annual onsite wellness check. While the financial incentive associated with wellness screenings is compelling, it also provides the valuable benefit of early identification of health risks and coaching to improve a colleague's overall wellness. In the U.S., for the 2020 plan year, 76% of our U.S.-based colleagues took advantage of wellness screening and the subsequent credit on their health plan cost.[ix]

2021: Looking Ahead

We continually review our benefits programs to ensure they are both competitive with the market and responsive to our colleagues' needs. In 2021, the impact of COVID-19 pandemic will continue to inform our work; we'll remain vigilant and adaptive to extraordinary needs created by the pandemic and its aftermath.



In 2020, we launched the Empowering Our Kids program to provide children of Morningstar colleagues with activities that promote learning and reduce stress during their parents' workday

Sabbatical Stories

472

In 2019, 472 Morningstar colleagues took advantage of the sabbatical program

In 2014, associate director of U.S. equity strategies, Andrew Daniels made a pact with one of his best friends to travel to every continent by age 30, and by 2019, their final continent was Antarctica. Through his sabbatical, Andrew traversed Bolivia, Argentina, Uruguay, Brazil, Chile, and Antarctica and finally accomplished his goal. "The 2019 sabbatical capped off a six-year journey spanning 40 countries and countless memories. I'll never forget stepping foot onto Antarctica and then completing the polar plunge in 30°F waters (and I'll never do a polar plunge again!)," Andrew commented. Although he might shiver as he remembers the icy chill, he acknowledges how unique this opportunity was. "The sabbatical has allowed me to pursue some personal goals that simply wouldn't be possible at other companies."

In 2019, we had 472 people use their sabbatical to recharge. That amounts to thousands of hours of family memories and reunions, adventures in places near and far, hobbies and passions, volunteerism, connections with old friends, booklists and recipes, and much-needed relaxation. The possibilities of sabbaticals are endless, and teams report that those returning from sabbatical tend to have renewed vigor and fresh ideas.

As Ian Thaure, quantitative analyst, said, "Sabbatical has been a unique part of my compensation. It's given me time to put my career into perspective. The last four years have been incredibly busy and exciting. It's great to reflect on where I am now."

Diversity, Equity, and Inclusion

We embrace the research that tells us diverse teams make better decisions, and we believe the collective mixture of our different backgrounds, beliefs, and experiences make Morningstar a stronger firm. As a global employer, our goal is to build an inclusive environment that encourages open deliberation and unique perspectives, creativity, innovation, and better business outcomes.

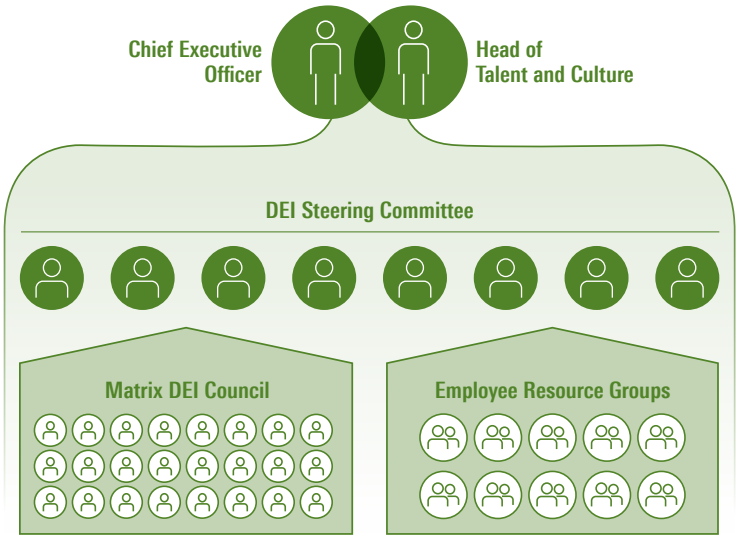
A Commitment Across the Firm

As our diversity, equity, and inclusion (DEI) efforts have matured, we've enhanced our organizational and leadership commitment to this important topic. Today, our efforts are overseen by the DEI Steering Committee, led by our CEO and our head of talent and culture, and supported by a full-time DEI director.

A Data-Driven Approach

We recognize the primacy of data in setting DEI strategy — and data has driven our approach from the start. In line with our commitment to transparency, we've made granular trends in diversity data accessible to our colleagues via an internal DEI site. We're particularly focused on creating nuanced data sets to provide the most helpful information. For example, we partnered with U.S.-based Lambda Legal to adopt the Human Rights Campaign's guidelines for reporting. This improved our collection of diversity data, allowing colleagues in select regions to choose to self-identify their sexual orientation and gender identity. We have seen a continued rise in self-identification response rates, which helps us better understand our LGBTQ+, nationality, race and ethnicity, and gender identity populations and their needs.

Responsibility for DEI



Our 2020 Workplace

At year-end, 42% of our colleagues identified or were identified as female, with 31% representation in senior leadership roles and 42% in entry or midlevel roles.[x] At the Morningstar board level, 40% of our members identified or were identified as female, an increase of 10% since 2017. We also have 1 female committee chair; we have 2 male committee chairs.

Turnover at Morningstar is on the lower end of the standard for the financial-services industry, and in 2020 there is little difference in turnover rates for males and females at Morningstar (approximately 12% turnover for females; 12% for males).

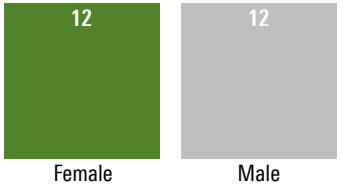
The firm's global footprint includes colleagues located across 31 countries. They represent approximately 87 nationalities and 32 native languages.[xi] In the United states, where we are currently able to collect this demographic data, our colleagues identify as 68% white, 21% Asian, 4% Hispanic, 3% Black, and 3% two or more races.[xii]

Ensuring Equal Opportunity

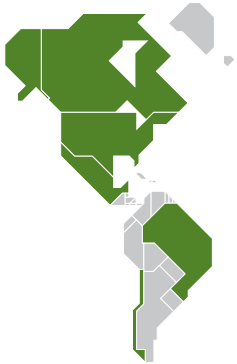
To mitigate bias in the hiring process, we use a DEI Action Framework, designed to ensure that we recruit and interview equitably. This framework informs the structure of our entry-level employee hiring and training through the Morningstar Development Program, which is currently a U.S.-only program

Gender	Overall %	Senior Leadership %	Entry/Midlevel %	Board Level %
Female	42	31	42	40
Male	58	69	58	60

Race/Ethnicity (U.S.)	%
White	68
Asian	21
Hispanic	4
Black	3
Two or more races	3



Morningstar



87 Nationalities

32 Native Languages

(explored further in the Training, Education, and Career Development portion of this report). In 2020, the distribution of the MDP class was as follows:

MDP Gender (U.S.)	%
Female	57
Male	43

MDP Race/Ethnicity (U.S.)	%
White	55
Asian	35
Black	4
Hispanic	3
Two or more races	3

Morningstar (Re)Invest Returnship program

In September 2019, we launched the (Re)Invest Returnship program, seeking to expand opportunities at Morningstar for those who have followed nontraditional career paths or who seek to reenter the workforce after an extended period away. "Returners" work on teams to supplement current projects and initiatives while receiving classroom training, including Morningstar business overviews, industry trends, and business practices. The program attracts a more diverse talent pool than we might otherwise access, including populations that have often spent time out of the formal workforce. This program is active in our largest offices, Mumbai and Chicago.

Ensuring Equity in the Workplace

Pay gap is a key measure used to understand gender pay equity. Currently, Morningstar reinforces pay equity during the key rewards processes, including:

- Analyzing average performance bonuses and merit increases assigned to employees based on gender and performance during the year-end compensation allocation process.
- Analyzing the allocation of company equity incentives based on gender during the semiannual equity award processes.
- Evaluating year-end promotions based on gender.

Over the last several years, Sustainalytics has reported its adjusted pay gap (please refer to the most recent publication of *Sustainable Momentum*, the firm's corporate sustainability report). Morningstar is similarly committed to providing greater pay transparency; in the wake of recent acquisitions, including DBRS and Sustainalytics, we are in the process of aligning pay programs and examining gender pay equity across the enterprise.

We have 10 active Employee Resource Groups with vibrant chapters across the globe.

- ally / Morningstar Allies
- bca / Morningstar Black, Caribbean, & African Network
- jai ho / Morningstar Indian Affinity
- learn / Morningstar Learning & Living Diversely
- m*i / Morningstar Innovators
- o@m / Out at Morningstar
- sun / Morningstar Sustainability Network
- viva / Morningstar Latinx Community
- win / Morningstar Women's Initiative
- wit / Morningstar Women In Technology

2021: Looking Ahead

We continue to emphasize a data-driven approach in our efforts to build a workplace that prioritizes diversity, equity, and inclusion in our hiring, retention, advancement, and compensation practices. Our 2020 work to provide transparency on our practices positions us to establish and better articulate a plan for the future that ensures our workforce and leadership more closely reflect the communities in which we operate. Our immediate efforts are focused in three areas: First, we seek to expand our hiring of employees from historically underrepresented racial groups by 50% in the U.S. Additionally, we seek to increase the number of LGBTQ+ managers at the firm by 50% in the U.S. Finally, we are committed to increasing the proportion of females in team lead, manager, and senior manager global roles by 50%. We felt it important to quantify our goals in each of these areas to maximize accountability, but as important is how we plan to achieve the goals. Our efforts will focus on redesigning our processes for hiring, talent assessment, and career growth to minimize the unconscious biases that affect everyone. We focus on these underlying processes in addition to our results in order to ensure sustained improvement in each of our three areas of focus. Read more about Morningstar's Diversity, Equity, and Inclusion efforts here.

A Conversation With Dawit Woldemariam

Dawit Woldemariam
Equity Analyst and Black, Caribbean, and African Network (BCA) Board Committee Member
Morningstar

How has Morningstar's BCA group enacted practices to promote diversity in our workforce?
BCA's mission is to build connections across colleagues and help Morningstar recruit diverse candidates, enable members to develop professionally, and engage with communities. Our members have been active in diverse recruitment through partnerships with historically black colleges and universities, showcasing the value of careers in financial services. Additionally, we host events to educate our Morningstar colleagues on how Black businessmen and women have contributed to society. Most recently, we hosted the global head of diversity at the *Financial Times,* allowing us to coordinate with other firms committed to a common effort.

In 2020, how did BCA support colleagues in response to racial injustice?
George Floyd's killing was the foundation of global discussions around fixing systemic issues in society. BCA took large measures to provide colleagues with a voice and facilitate a conversation regarding racial inequities. We enacted a monthly call, allowing for an open discussion and forum for colleagues to voice their thoughts. We also made structural changes to our ERG, implementing committees for global colleagues to be a part of solutions in their specific interest area. We are proud to have Morningstar's CEO, Kunal Kapoor, as our executive sponsor. He has been active in creating a partnership between BCA and leadership to empower diverse colleagues and build allies throughout the organization. Unlike past occurrences of racial injustices, this moment has turned into something that has potential staying power to create a more just society globally.

Are there any new areas you are excited for BCA to get involved?
Morningstar's mission — empowering investor success — means supporting all of society to make smart investing decisions, and this is an opportunity for us to empower the Black community. I am looking forward to BCA broadening community outreach efforts by engaging with nonprofits that support Black communities and encourage financial literacy. Additionally, we have plans to partner with Morningstar's content teams to better develop a platform to provide educational content to Black communities.

Training, Education, and Career Development

Continuous learning is crucial to maintain Morningstar's competitive advantage and to retain and engage our colleagues. Our learning and development programs provide access to a diverse set of training and educational opportunities, designed to help our colleagues reach their potential via a path that fits their interests and builds on their strengths.

77%

USD 590+

In 2020, 77% of employees feel Morningstar is committed to their career development and Morningstar spent over USD 590 on education and mentorship programs per employee

Investing in Global Learning

As a global company, with our largest offices in India, the United States, and China, we emphasize a tailored approach to our learning and development opportunities, recognizing that different regions have diverse needs. In December 2020, 77% of those surveyed in our employee engagement survey agreed with the statement that Morningstar is committed to the ongoing development they need to grow their career; this was an increase from 71% in 2019.

Understanding Our Talent

Through our global talent review process, Morningstar managers gain a better understanding of their teams' talents and skills. The objective is to enable managers to develop, plan for, and gain visibility into possible future experiences and roles for their people. As of year-end 2020, 96% of eligible employees have recently received a formal talent review, with equal proportions of males and females stating they had a development conversation with their manager in the last quarter.

In addition to our broader curriculum, Morningstar offers a series of specialized programs and financial incentives that support continuing education efforts for our people, including:

Training for New Professionals:
We launched our Morningstar Development Program in the U.S. in 2002 to recruit and develop entry-level colleagues. This two-year program allows participants to receive ongoing career development, mentorship, and apprenticeship opportunities within various business groups of interest, such as investment management, data, tech, and research. The solid business and professional foundation established through MDP helps these entry-level colleagues jump-start a meaningful career at Morningstar.

Investing in Our High Potential Leaders: Morningstar Scholars: Morningstar offers a global tuition assistance and development program, Morningstar Scholars, to assist eligible colleagues in pursuing advanced education while continuing their employment with Morningstar. We believe that by investing in our people's education and development, we will become a stronger company. For those accepted into the program, Morningstar offers 80% tuition reimbursement (up to USD 20,000 per year) to fund degrees and certification from accredited academic institutions. Morningstar Scholars is available to employees globally and requires one year of tenure at Morningstar to be eligible. As of December 2020, there were 75 "Morningstar Scholars" active in the program.

"I feel very grateful to have participated in the Morningstar Scholars program. Morningstar not only helped financially, but my colleagues were incredibly flexible and encouraging throughout the program. My MBA training changed the way I approach problem solving, and I learned how to incorporate multiple perspectives into a solution. I would not be the professional I am today without these experiences."

Kate Murray
Senior Finance Manager
Morningstar

Supporting Ongoing Training for Our Workforce: Education Stipend: Morningstar provides all employees with an annual educational stipend. Total company stipend spend for 2020 was approximately USD 1.3 million globally. Colleagues are encouraged to use these funds in a self-directed manner. In 2020, approximately 49% of our colleagues used this stipend.

Supporting Expertise: Chartered Financial Analyst® Designation Coverage: Morningstar supports the cost associated with obtaining the CFA®, a recognized investment management credential. In 2020, 199 global colleagues received support for the CFA accreditation or for the continued education required for those who are CFA charterholders.[xiii]

2021: Looking Ahead

We're advancing our learning and development programs in three areas: We're implementing an enterprise learning management system to enhance educational experiences for colleagues and understand skills and knowledge across the firm. We're focusing the content and program management of our Advancing Leaders Program to build inclusive leaders at all levels of the organization. Finally, we're working with leaders to develop Learning Champions, making it easier to identify skill gaps and curate learning content to address targeted needs in each of our business/functional areas.

Community Engagement

At Morningstar, we recognize that our colleagues' success is often rooted in the health and strength of our communities. Our teams are deeply committed to the organizations that help those communities thrive.

Ours is a global firm. Our company's needs vary by region and office, so historically, our community engagement approach has been to empower our teams to contribute to the causes that they care about through Morningstar programs, including our Matching Gifts and Dollars for Doers programs, and organized volunteering.

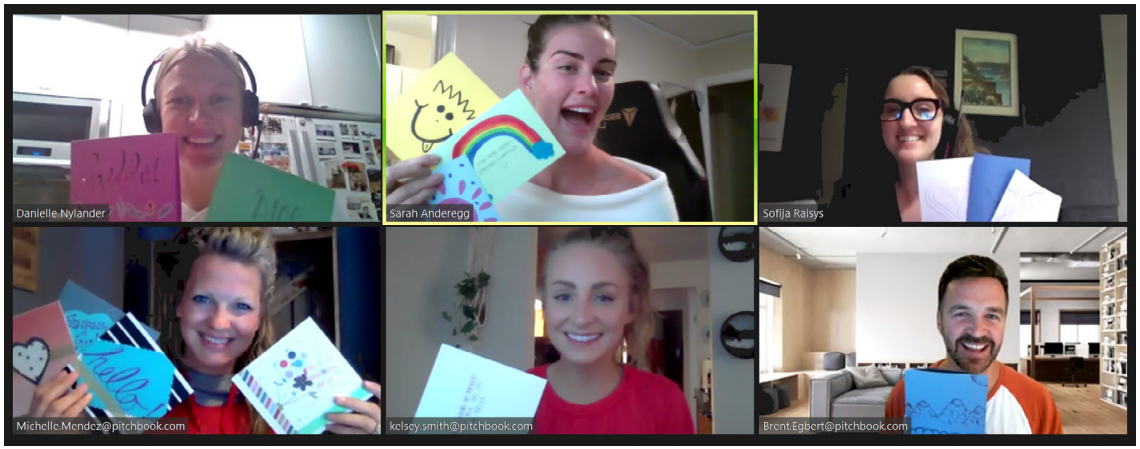
Morningstar Matching Gifts Program: This program enables us to increase the impact of the donations our colleagues make to the causes that are most important to them. Through our Matching Gifts program, we match our colleagues' charitable giving up to USD 500 (or the local equivalent) per calendar year. We match donations to any U.S. 501(c)(3) nonprofit or qualifying organization through Bright Funds.

Dollars for Doers Program: This program recognizes outreach efforts by making donations to the organizations where our colleagues volunteer their time. After volunteering 20 hours for any 501(c)(3) nonprofit or international organization, Morningstar will match these hours with a USD 200 donation.

Supporting Local Initiatives and Interests: Our colleagues participate in pro bono engagements and volunteer efforts that are organized through local offices and interest groups, including our ERGs. These efforts are designed to align our deep knowledge and expertise with key areas of need in our communities. For example, a focus area across our organization has been financial literacy skill building with historically underrepresented groups. While our efforts are guided by our core mission and values, we take a tailored approach by focusing on regional efforts that address specific community needs to ensure we can deliver the greatest impact.

Volunteer Time-Off Program: In 2020, we announced this program, effective 2021. All global colleagues will now receive two paid volunteer days per year to give back to the causes that matter most to them. This is separate from our regular paid time off, and it is meant to provide direct support for volunteer opportunities. We are excited to share the impactful projects our colleagues work on using this sponsored time.

In response to the events over the past year, we refined our approach to community engagement. In the wake of the COVID-19



The PitchBook Seattle office partnered with organizations such as Meals on Wheels, United Way, YWCA, and others that provide immediate impact to those most affected by COVID-19

Our Toronto office partnered with multiple organizations throughout 2020 to provide housing and meals to those in need. In the fall, colleagues volunteered at several Fred Victor gardens to assist with their final harvest, preparing for winter and spring

pandemic, we amplified our outreach efforts by empowering our teams to partner with local organizations in the communities in which we operate. Throughout the course of the year, colleagues across the globe donated their time and/or money to organizations that support communities in which we work. In 2020, we contributed over USD 1 million in employee donations, Morningstar Matching Gifts, and Morningstar-initiated independent donations.

2021: Looking Ahead

In 2021, we seek to formalize our community engagement program and appoint a global head of community engagement. As noted, our expanded benefits in 2021 include two compensated workdays for volunteer activities for all colleagues.

Australia's Community Outreach

An Interview With Natalie Iglesias

Natalie Iglesias
Talent Acquisition Lead
Morningstar

What community engagement efforts have the Morningstar Australia team undertaken in 2020?
It has been very rewarding to champion the community engagement program here in Australia. We have been very fortunate to partner with Two Good Co., an organization that provides food and employment to survivors of domestic violence and those facing homelessness. According to its website, as of 2017, Two Good Co. has provided 184,102 meals to women in domestic violence refuges across Sydney and Melbourne and provided domestic violence survivors with 23,275 hours of paid employment, helping to kick-start their lives over again with the "Work Work Program" teaching them important job-ready skills.

I read some staggering statistics that pointed to an increase in domestic violence in Australia during the COVID-19 lockdown. As a team, we decided that we would support this charity and the work that it is doing, as it is a very real issue affecting our local community. Two Good Co. mentioned that we could support its "South Coast Run" project, which helped not only survivors of domestic violence but also families that were left suffering from homelessness due to the bushfires of the previous New South Wales fire season.

How did Morningstar's values and mission inspire this effort?
We wanted to honor our Morningstar company values of "commit and deliver" on our mission and our "uncompromising ethics" commitments to do the right thing, the right way, and for the right reasons. With support from the global community engagement team, we were able to fund one "South Coast Run," and with the help of our generous Australian staff, we were able to organise a fundraiser to contribute additional monetary donations to the nonprofit. We are continuing an ongoing partnership with Two Good in 2021 and hope to organize for our staff to volunteer with food preparation in the coming months.

Morningstar Green Leaf Initiative

An Interview With Disha Gupta

Disha Gupta
Senior Corporate Credit Analyst
and Green Leaf Leader
Morningstar

How did the Green Leaf Initiative start?
Community engagement at Morningstar India is led by Green Leaf, which was formed in 2018 when a group of energetic and passionate Morningstar employees came together to endorse and implement long-lasting green practices.

Green Leaf is committed to reducing the carbon footprint, working with leading environmentalists on the issue of climate change, protecting our biodiversity, and conserving our environment. Changing the lives of the underprivileged and unemployed is also a goal Green Leaf actively pursues.

What is an example of a project the Green Leaf Initiative has implemented?
When the Government of Madhya Pradesh initiated the project to conserve the river Narmada, which is the lifeline of two key states in central India (Madhya Pradesh and Gujarat) and a vital source of drinking water supporting over 25 million people, *The Nature Conservancy (TNC)* moved swiftly to restore select riparian zones alongside riverside villages with native plant species. Our work with TNC includes funding science-backed restoration models to improve the ecosystem at three sites in Hoshangabad district. We're helping TNC revegetate and restore the Narmada's riverbanks with native species well-suited to the ecosystem.

How has the Green Leaf Initiative grown?
We have conducted multiple internal and external events, with a growing number of colleagues participating in each of them. One of the first steps was to educate employees against the use of plastic and reduce paper printing in the office. In addition to in-person volunteering efforts, Morningstar employees enthusiastically contributed toward improving lives in 2020. Be it through conventional donations, an art auction, or funding drives, our colleagues reached out wholeheartedly to accelerate our COVID-19 relief initiatives.

Our Governance

We seek to align Morningstar's governance approach with the practices that our research analyst teams have identified as consistent with good stewardship, shareholder transparency, and long-term value creation.

● Material topic ● Additional topics prioritized by employees and stakeholders

Governance Structure and Oversight

Business Ethics

Addressing risk, opportunity, and responsibility in our governance

Our work in governance is designed to address a variety of material risks in our business model, including the management of general professional ethics, such as the management of corporate finance, intellectual property, and competitive practices. It includes efforts designed to address material risk inherent to our position as a financial-services company that issues investment ratings, including bribery and corruption. Our Annual Report examines these potential risks in greater detail.[xiv]

Governance Structure and Oversight

Our commitment to governance includes the cultivation of a majority independent board of directors, characterized by diverse backgrounds and deep industry expertise. It includes a deliberate approach to shareholder engagement, which is characterized by consistent standards and regular, accessible, and equitable communication to investors of all types

Morningstar Board of Directors

Morningstar's brand is associated with independence, transparency, and objective, investor-focused research and ratings. Our board of directors is responsible for providing oversight, counseling, and direction to our management team in the long-term interests of Morningstar and its shareholders. Led by our Nominating and Corporate Governance Committee's regular reviews, our board regularly assesses our governance practices in the context of current trends, regulatory changes, and recognized best practices.

Board Composition

The board holds responsibility for naming the chairman of the board and the chief executive officer of Morningstar. We value the independent members of our board while leveraging the long-term expertise and deep commitment of our founder and significant shareholder, Joe Mansueto. Mansueto has served as chairman since our inception and as chief executive officer from 1984 to 1996 and again from 2000 to 2017, when Kunal Kapoor succeeded him as CEO. In his current capacity as executive chairman and chairman of the board, Mansueto continues to oversee matters pertaining to capital allocation, corporate strategy, and executive leadership development.

We believe that Mansueto's contributions as chairman are central to our business success and longevity; his commitment to and knowledge of the principles that underpin Morningstar is unmatched. His understanding of the company, combined with Kapoor's long history at the firm and their close working relationship, helps guide the investor-focused culture that sets us apart in the industry. We ensure that board committees, including the Audit, Compensation, and Nominating and Corporate Governance Committees, are led by independent directors. We believe this structure benefits Morningstar, allowing us to preserve our unique culture, live our mission and values, and create value over long-term periods.

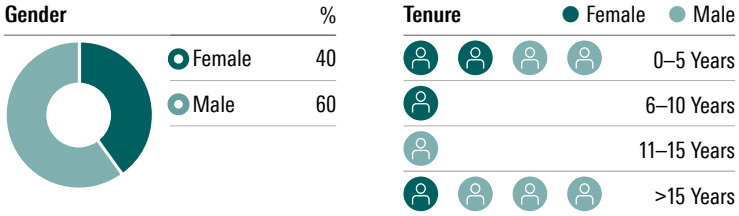
Board Diversity

We ensure that our board includes a diverse set of professionals across various industries — including software, data, financial services, entrepreneurship, and investment research — and academic settings. We value their diverse set of skills, which includes expertise in finance, marketing, operations, human resources, and technology.

Board Oversight of Sustainability

The integration of ESG data, research, tools, and services across the Morningstar enterprise is a corporate priority. Over the course of their tenure with the firm, the board has become familiar with the ESG and the sustainability landscapes, including best practices related to ESG programs and strategy development. Given its critical importance to all our business lines, oversight of ESG and sustainability-related matters at the board level has not been assigned to a specific committee. Instead, ESG integration and firm sustainability efforts are reviewed by the entire board.

Morningstar Board of Directors, 2020



20% % of Racially/Ethnically Diverse Board Members

70% Independent Board Members

Minimum Age	Average Age	Maximum Age
39	60.6	73

Attributes, Policies, and Practices

- Retirement-age policy for directors
- Policy against hedging company stock
- Annual election of directors
- Majority vote standard
- Shareholder right to call special meetings

Corporate Governance Attributes and Practices

- 70% of directors are independent
- Regular executive sessions of independent directors
- Directors are not overcommitted to additional boards[xv]
- Proxy access rights
- Annual board meeting focused on company strategy

Shareholder Engagement

Our approach to shareholder engagement is characterized by consistent standards, regular and accessible communication to investors of all types, and a long-term focus. We do not provide quarterly earnings calls; encouraging a focus on short-term results is inconsistent with our mission to empower investor success over the long term.

We invite all current and prospective shareholders to the company's meeting of shareholders, and we make our best efforts to answer questions and address concerns on our digital site as they arise. We are committed to providing substantive answers to all shareholders regardless of size and to maintaining this critical archive of queries, with answers dating back as far as 2014. Morningstar company management and the board of directors make themselves available in person, once per year, at the annual meeting to answer questions from prospective and current shareholders and other stakeholders.

Outside of the annual meeting of shareholders, Morningstar maintains key relationships with stakeholders, including colleagues, customers, suppliers, ESG rating agencies, proxy advisors, industry associations, communities, and industry and research analysts. These relationships enable us to uncover and internalize diverse perspectives that ultimately help us to identify relevant sustainability risks and opportunities and prioritize key ESG disclosures and initiatives. While most stakeholder engagement takes place in the normal course of business, we also perform more-formal research, including analyses of industry best practices and periodic shareholder and employee perception audits.

2021: Looking Ahead

We seek to further strengthen the board's diverse set of perspectives, deep business experience, and expertise through comprehensive search processes and planning.

We welcome shareholders to Morningstar each year for our annual meeting

Business Ethics

Morningstar strives to create an open environment for our colleagues, reflecting our effort to advance transparency and communication within and among our teams. Our standards for ethical behavior serve as a foundation for our work; they are a key component of our long-standing relationships with our clients, and they create a positive work environment for our company.

A Comprehensive Code

Our Code of Ethics is designed to guide our decision-making at Morningstar. It outlines practices related to hiring, purchasing, insider trading, bribery, confidentiality, and conflicts of interests, among others. Critically, it reflects the independent nature of Morningstar's data and research efforts and provides clear guidelines designed to maintain the research team's independence. The code applies to everyone at Morningstar, including members of the board of directors, employees of Morningstar subsidiaries, and all temporary workers, interns, independent contractors, and consultants with connections to Morningstar. Surveys indicate a corresponding commitment to ethical standards across our global teams. In our most recent employee survey, 85% of colleagues report that acting ethically and with integrity takes priority above achieving business results.[xvi]

Focus Areas in the Code

As a trusted guide and provider of research and ratings to the investment community, Morningstar has in place compliance structures designed to hold analyst independence as central to our processes. We explore this in the Our Product Offerings portion of the report.

The code is also specific about the firm's oversight of other potential conflicts of interest, establishing tested systems to review and mitigate such conflicts. Individuals are required to preemptively clear outside business engagements and other activities that could cast doubt on their ability to act with objectivity. Additionally, the code references standard regulation regarding trading based on material nonpublic information as strictly prohibited and applies this requirement to all Morningstar colleagues and their immediate family members.

The code details Morningstar's long-standing practice of prohibiting the use of corporate resources to make direct political contributions or fund federal-, state-, or local-level election-related activity. We do not

reimburse colleagues for sponsoring or attending fundraising events for candidates or political organizations. Morningstar does not have a political action committee, and none of its employees meet the applicable definition of lobbyists. Please visit our Investor Relations webpage for more information on our Code of Ethics.

We maintain a confidential third-party Morningstar Ethics Hotline, which is accessible 24/7 in each country in which we operate. This allows our colleagues to safely report on an anonymous basis any suspected improprieties, irregularities, or perceived wrongdoings. Information reported to this hotline or through other channels is investigated confidentially, promptly, and in thorough accordance with applicable law. In all circumstances, Morningstar strictly prohibits retaliation against any colleague for making a good faith complaint under the Code of Ethics.

Socializing Our Code

Morningstar colleagues and members of the board are required to certify that they have read, agree to, and will adhere to the Code of Ethics and other key policy documents. As of Dec. 31, 2020, 95% of Morningstar global colleagues had completed this annual certification.[xvii] This process is fully supported by leadership.

Additional Research Offerings

DBRS Morningstar has adopted an internal control framework that is designed to ensure that DBRS Morningstar globally delivers quality credit rating opinions that are timely, objective, and free from political and commercial influences. One of the components of DBRS Morningstar's internal control framework is the DBRS Morningstar Business Code of Conduct, which provides a summary of a range of policies, procedures, and controls that DBRS Morningstar has established to promote the objectivity and integrity of its ratings and the transparency of its operations. The DBRS Morningstar Business Code of Conduct adheres to the International Organization of Securities Commissions Code of Conduct Fundamentals for Credit Rating Agencies.

In addition, DBRS Morningstar adopted the DBRS Morningstar Employee Code of Conduct, which sets out and provides guidance in respect of the standards of conduct to be followed by DBRS Morningstar employees and underpins DBRS Morningstar's commitment to conducting its business in an ethical manner and with integrity.

As another component of its internal control framework, DBRS Morningstar has also adopted policies and procedures to manage, identify, and avoid such conflicts and to ensure the independence and integrity of DBRS Morningstar's credit rating process. Many of these are made available publicly on a dedicated Regulatory Affairs digital property.

Furthermore, DBRS Morningstar recognizes that the rigor of credit rating analysis is a core component of promoting the quality, integrity, objectivity, and independence of credit ratings and has adopted a committee-based credit rating process that is primarily designed to achieve that objective.

2021: Looking Ahead

We continually review and enhance our Code of Ethics. We strive to make transparent our enterprise relationship to global media sources and to refresh key policies pertaining to supply chain, labor, bribery, and money laundering.

Additionally, we take our applicable regulatory obligations seriously. We pride ourselves on the integrity of our credit research and analysis and will continue to be motivated by the objective of bringing clarity and diverse opinions to the market. Morningstar has provided information about the SEC complaint against our former credit rating agency on our company website.

Our Business Operations

Our business operations are characterized by a robust, data-driven approach to privacy and security and a new commitment to measure the firm's global environmental footprint. This will enable us to adopt aggressive long-term targets for efficiency and impact reduction.

● Material topic ● Additional topics prioritized by employees and stakeholders

- **Data and Information Security** (Material topic)
- Climate Change Risk
- Greenhouse Gas Emissions
- Environmental Impact Along the Value Chain

Addressing risk, opportunity, and responsibility in our operations

With respect to data governance practices, our focus is to address material risks in our business, including how firms collect, use, manage, and protect data. The emphasis is on measures taken to ensure safe and secure use and/or maintenance of customers' personally identifiable data.[xviii]

With respect to our environmental impact, we focus on the measurement of emissions, correlating to the firm's management of risk relating to our operational energy use and greenhouse gas emissions.[xix]

Data and Information Security

One of Morningstar's most valuable assets is the trust we have built with our stakeholders. We recognize our responsibility to safeguard the information that is entrusted to us; we have structured our organization to protect, to the greatest extent possible, information pertaining to our clients, colleagues, and partners.

Information Security Program

Our Information Security Program, or ISP, led by our chief information security officer, maintains the policies and procedures that align with recognized, global standards in the industry (such as ISO 27001 and NIST SP 800). The program combines intelligence, monitoring, analysis, and threat detection. It delivers training for all Morningstar colleagues and is responsible for conducting third-party vendor reviews to ensure our suppliers safeguard information in a manner consistent with our policies.

In the highly technical and quickly shifting area of security management, Morningstar recognizes the connected nature of our decisions.

The ISP collaborates with a range of external organizations to track, assess, and defend against cybersecurity threats to ensure that the financial-services industry is positioned to quickly respond to incidents, notify the responsible stakeholders, and perform necessary analyses.

We work with clients and competitors. We participate in industry consortiums to share intelligence and best practices, including U.S. Department of Homeland Security, Cyber Information Sharing and Collaboration Program, Financial Services Information Sharing and Analysis Center, and various commercial threat-intelligence providers.

Commitment Across the Firm

Morningstar's Privacy and Security Advisory Council meets on a quarterly basis to discuss environmental, regulatory, and technological changes and to review organizational information security risks. Council meetings are characterized by executive level involvement to ensure a forum for the cross-functional, global identification and resolution of security issues, endorsement of security strategies, and review of significant exceptions to information privacy and security policy.

Privacy Program

Our Privacy Program oversees a companywide principles framework that sets standards for managing privacy and confidentiality risks. These privacy principles and standards define how we collect, use, and share our stakeholders' personal information. Four pillars guide our everyday interactions:

Transparent
We strive to be transparent about our privacy practices.

Legal and Fair
We will only use personal information in a lawful manner and only for the purposes that we disclose.

Choice
We provide choices to our customers with respect to how their personal information may be used, including opting out of marketing communications, reviewing and correcting information, and in some instances, requesting that their information be deleted.

Secure
We work diligently to keep our customer information safe and secure.

Investment in Robotic Processing Automation

Morningstar has focused on automation during the last several years, including the adoption of robotic processing automation, or RPA — a licensed technology software that allows us to easily automate manual, repetitive process tasks. RPA improves the customer experience while enhancing our ability to protect personal data and information securely. The RPA team works closely with our finance, information security, and audit teams to design appropriate security, change management, and operational controls. RPA is a SOX-compliant system at Morningstar.

Within Morningstar's Investment Management group, RPA has been adopted for operational processes to reduce manual work, increase the speed of process completion, and ensure consistent accuracy. For example, RPA assigns all data feeds for investment management clients, ensuring that the correct recipient is detailed through authentication, thereby reducing the likelihood of data breaches. Within the investment management group, RPA has saved over 22,000 hours of annual work in 2020 with 140 RPA processes enabled across global regions and therefore reducing opportunities for human error.

2020 Privacy Program Enhancements

Over the past year, our efforts focused on transparency and access for our clients, customers, and the industry. To improve the user experience and provide direct access for our customers, we enhanced our Global Privacy Platform, allowing customers to more easily understand regional privacy guidance and practices; review our practices; obtain privacy statements; direct data requests for access, correction, and deletion; and contact our Privacy Team.

2021: Looking Ahead

Our approach remains consistent; we continually review and enhance our security processes, recognizing the importance of this issue to our business.

Environmental Impact

We are prioritizing environmental principles in our effort to build a sustainable workplace and business. Our efforts are aligned with our colleagues' priorities, our opportunity to create investment solutions that address to the challenge of climate change, and our ESG-related product offerings.

In 2020, Morningstar partnered with a U.K.-based firm, Greenstone, to calculate our global carbon footprint for the first time. We're establishing a measurement process that is the critical first step in our ability to articulate a road map to environmental impact reduction across our organization.

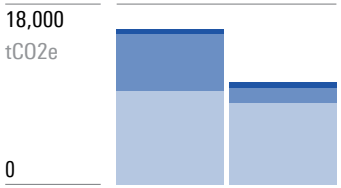
While our exposure to environmental issues is unlikely to impact our business success to the same extent that social and governance issues might, we are prioritizing environmental principles in designing our approach to our sustainability strategy. This effort is aligned with our colleagues' priorities, consistent with our opportunity to support innovative solutions to the global climate crisis, and reflective of our product offerings. In annual surveys, our teams in Asia and Europe prioritize environmental issues within Morningstar's business practices, emphasizing reduction targets. Globally, we recognize that our approach to environmental issues is a key part of attracting and retaining talent. Additionally, we acknowledge the potential influence of our investment research, data, and services; we are delivering carbon data and analytical tools to help manage climate-related risks in investment portfolios, expanding green bond coverage, and building capital market solutions for issuers, investors, and economies.

Our 2019 and 2020 Global Footprint

To summarize the total emissions of our global enterprise, we gathered data from offices in all our markets. Because of the extraordinary nature of 2020, we have measured both 2019 and 2020 emissions data. This allows us to understand what a "normal" year might entail.

It's worth noting that both years were characterized by significant expansion at Morningstar. In fact, over the course of 2019, acquisition activity brought net nine offices into the Morningstar portfolio. Over the course of 2020, we added a further seven offices. In 2020, Morningstar emitted 10,159 tons of greenhouse gas emissions (tCo2e),[xx] a reduction of 34% over 2019. To contextualize our emissions intensity, we've normalized our total greenhouse gas emissions relative to Morningstar's revenue in those years. In 2020, we emitted 7.3 tCO2e per million dollars; in 2019, we emitted 12.9 tCO2e per million dollars.[xxi]

Morningstar Emissions



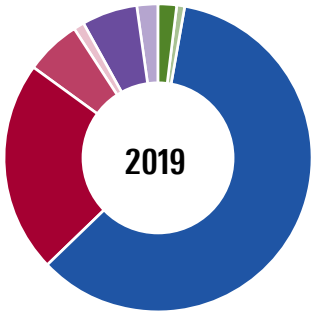
	2019	2020
Scope 1	414	565
Scope 2	9,357	8,158
Scope 3	5,707	1,436
Total	**15,478**	**10,159**

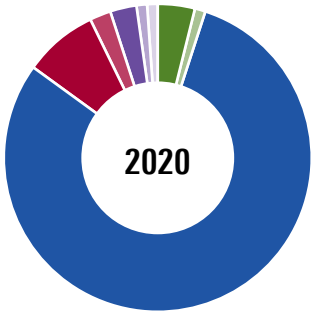
Scope 1 emissions were limited as a proportion of Morningstar's overall emissions; this is consistent with our business as an office-based company with no energy-intensive direct activities. The bulk of Morningstar's Scope 1 footprint is derived from fuel for heating our offices (about 80% for 2020). The total Scope 1 emissions for 2020 were 565 tCO2e, an increase of 36% over 2019. We attribute this increased fuel use to the expansion of our office portfolio through the acquisitions of Sustainalytics and DBRS.

Scope 2 emissions are made up entirely of purchased electricity. Over the course of 2020, the bulk of Morningstar's global emissions came from purchased electricity, which accounted for 80% of total emissions. Purchased electricity is energy brought in to power our offices, rather than generated onsite; this includes electricity used to run our data centers. There is a small amount of green tariff electricity in the London and Frankfurt offices, and we are gathering more market and location-based emissions data currently.

Scope 3 emissions dropped dramatically in the wake of the 2020 COVID-19 pandemic. Our colleagues primarily worked remotely, travel was restricted, and our waste production, freight, and travel dwindled. In 2019, air travel accounted for 60% of Morningstar's Scope 3 emissions, and related hotel stays accounted for an additional 15%. In 2020, these numbers dropped to 54% and 11%, respectively. Air emissions fell from 22% of total emissions in 2019 to 8% in 2020.[xxii]

Morningstar Scope Emissions Details





Scope 1 Emissions	%
Fuel	2
Fugitives	1

Scope 1 Emissions	%
Fuel	4
Fugitives	1

Scope 2 Emissions	%
Electricity (Grid)	60

Scope 2 Emissions	%
Electricity (Grid)	80

Scope 3 Emissions	%
Air Business	22
Hotels	6
Paper Consumption	<1
Rail Business	1
Road Business	6
Road Freight	<1
Waste	2
Water	<1

Scope 3 Emissions	%
Air Business	8
Hotels	2
Paper Consumption	<1
Rail Business	<1
Road Business	3
Road Freight	<1
Waste	1
Water	1

How We Manage High Involvement Areas

Energy use is Morningstar's most material source of emissions. In some locations, the energy supply is 100% renewable certified. We own no real estate; in the lease selection process, we prioritize LEED or WELL certification, which are global designations for sustainability and human health, respectively.

Business travel is the second most material source of emissions. The unusual nature of 2020 offers an opportunity to reflect on our travel policies.

Our largest waste stream is municipal (mixed), which accounts for unsorted waste commonly generated in homes or offices. Across regions, we have instituted recycling programs to manage our waste output; we seek to further limit waste to landfills by providing sustainable waste treatment options.

We partner with an integrated communications technology asset recovery firm to responsibly recycle our hardware and energy-intensive equipment, saving energy and reducing emissions.

Morningstar hosts Morningstar Investment Conferences (MIC) globally, some of the most significant advisor-focused conferences in the world. Historically, in years where in-person or hybrid MICs were possible, we limited our impact by transferring all event communications to a mobile application and restricting printed attendee books and marketing materials. In 2020, these conferences transitioned to virtual settings.

Our new Morningstar Madrid office is Gold WELL Certified and Platinum LEED Certified

2020 Accomplishments

Enhancing the Sustainability of Our Supply Chain: Our partnerships reflect our commitment to sustainable business practices. In 2020, we enhanced our Supplier Code of Conduct, which outlines guidance for our suppliers and their respective relationships. We expanded guidance concerning supplier commitment to environmental and other sustainability considerations. Additionally, we updated key policies pertaining to human rights, including further detailing our efforts to prevent slavery and human trafficking anywhere in our business and supply chain.

In 2020, we also built a process, using RPA machine learning, to provide our procurement team with the ESG Risk Ratings for current and potential technology vendors. This allows us to analyze the sustainability of our technology supply chain. It is presented quarterly to Morningstar's Technology Council, which seeks to reduce the ESG Risk Score of our overall portfolio of vendor relationships. Our procurement team also utilizes the ESG Risk Rating as a key data source when negotiating contract and renewals and when onboarding new vendors.

Morningstar Colleagues as Environmental Champions: At the global level, Morningstar colleagues created a new Employee Resource Group, Morningstar Sustainability Network, or SUN, to support environmental initiatives at work and home. This group connects like-minded colleagues focused on sustainable living and business practices through a series of guest speakers, networking sessions, and community outreach initiatives. SUN seeks to share best practices across regions, improve the global office portfolio footprint, reduce employee-generated waste, and encourage sustainable transportation methods.

2021: Looking Ahead

The establishment of a process to measure the firm's environmental footprint lays the foundation for enhanced efficiency and other operational improvements. Our teams will determine areas for improvement across regions, set appropriate reduction targets, and, where appropriate, align with international standards and guidance with respect to global reduction frameworks.

Additionally, we are working with our own ESG Assessment Platform to analyze our own global supplier population. This service is an innovative product offering at Morningstar; our multiyear project turns the powerful lens of this service inward to assess the total ESG impact of the organizations with whom we work.

Swiss Office Carbon Neutrality

A Conversation With Florian Zwick

Florian Zwick
Pre-Sales Consultant
Morningstar

It is quite a feat to reach carbon neutrality. Can you explain the process that took place to achieve this?
In 2019, Morningstar's Swiss office began to think deeply about our individual carbon footprint and how we could reduce our impact in the workplace. Sustainability champions throughout the office partnered with a local nonprofit to measure the office's yearly CO2 footprint and sought advice on best practices for reduction and offsetting these emissions. The term "offsetting" refers to the practice of neutralizing one's carbon emissions by directly or indirectly removing greenhouse gases from the atmosphere. By partnering with a local climate protection organization, we found the ideal partner to achieve carbon neutrality by co-sponsoring a variety of certified offset projects in the emerging markets. The projects revolve around a variety of topics such as renewable energy, energy efficiency, methane emissions reduction, and reforestation, contributing not only to CO2 reduction but also to the protection of biodiversity and sustainable development in local communities.

In addition, the office has implemented sustainable practices relating to office life. We've transitioned to 100% Swiss-made energy generated from renewable sources and 100% recycled printing paper. The office purchased electric bikes for sustainable (and flexible) traveling throughout the city and reusable lunch containers to help reduce waste that accumulates from take-away food. We are excited that the successes we've had in the project quickly inspired other regions to also pursue carbon neutrality.

Are there any upcoming plans for the Switzerland Green Team?
Looking forward to postpandemic times and regular office activity, we're aiming to strengthen our commitments to sustainable business practices by continuing to implement strategies that reduce our carbon footprint. With the data now available on Morningstar's carbon footprint, we can better refine our region's specific areas of impact that can inform our strategy. Additionally, we are excited to expand our local community outreach through environmental-focused volunteering and education efforts.

Sustainability Data and Appendixes

Sustainability Data

Appendix 1: Endnotes

Appendix 2: Acknowledgments

Sustainability Data

Morningstar's People and Workplace

Morningstar's Governance

Morningstar's Business Operations

Morningstar is focused on incorporating sustainability and ESG data across our research, solutions, and services and translating sustainability principles into core competencies in our governance, workplace, and business operations.

We're applying our own ESG research and tools to our business to prioritize transparency and sustainability in our workplace, our governance, and our business operations. We align our company with the research that indicates that diverse teams make better decisions and that innovation thrives in a culture of transparency. We align our governance with the practices that our analyst teams have identified with good stewardship, shareholder transparency, and long-term value creation. We pursue a robust, data-driven approach to privacy and security. We seek to measure and reduce our impact on the environment while building innovative investment solutions to address the climate crisis.

Morningstar's People and Workplace

Material Topics

- Employee Engagement
- Diversity, Equity, and Inclusion

Additional topics prioritized by employees and stakeholders

- Employee Benefits
- Training, Education, and Career Development
- Community Engagement

We are committed to fostering an environment and a community in which the talented, driven people who power our mission can excel. We recognize that our success depends on the values and performance of our employees, and we support them in a range of initiatives in the areas of engagement, professional growth, equity, diversity, and inclusion. Our work in this area is primarily designed to reduce risk associated with human capital and with the management of skilled labor through retention and recruitment programs, career development options, and labor relations issues.

Our reporting in this area draws on Sustainalytics' materiality work. We disclose data and information consistent with external standards for reporting, including Sustainable Accounting Standards Board (SASB): SASB SV-PS-330a.1, SV-PS-330a.2, SV-PS-330a.3; and Global Reporting Initiative (GRI): GRI 102-8,405-1, 404-3. These data sets are described as relating to the ability of firms to ensure their culture; hiring and promotion practices embrace the building of a diverse and inclusive workforce that reflects the makeup of local talent pools and customer base; quantitative measures on diversity including details on board, employee, and management team; information on employees and other workers; the diversity of the governance bodies and employees; and the percentage of employees receiving regular performance and career development reviews. Our report covers 2020 data. In certain cases, we have included 2019 data for purposes of comparison.

MEI.13 Human Capital

Human capital focuses on the management of human resources. It includes the management of risks related to scarcity of skilled labor through retention and recruitment programs, and includes career development measures such as training programs. Additionally, it includes labor relations issues, such as the management of freedom of association and diversity issues, as well as working hours and minimum wages.

Morningstar's People and Workplace

Material Issue	Metric	2019	2020	Page Number Reference
Employee Engagement MEI.13 — Human Capital	Employee engagement	73%	80%	25
	Percentage of colleagues who report feeling motivated to go above and beyond what's expected of their role	—	85%	25
	Percentage of colleagues who report being comfortable asking other members of their team for help	—	92%	25
	Percentage of colleagues who report understanding how their work is connected to the company strategy	—	87%	25
	Great Place to Work score	—	81%	26
	Employee turnover rate	—	12%	26

Morningstar's People and Workplace

Material Issue	Metric	2019	2020	Page Number Reference
Employee Benefits MEI.13 — Human Capital	Percentage of U.S. employees who have completed the U.S. wellness incentive program	—	76%	28
	Percentage of eligible employees taking advantage of sabbatical	29%	19%	27
	Number of eligible employees taking advantage of sabbatical	472	319	29
	Percentage of colleagues who are shareholders through a compensation or benefit program	—	32%	27
	Percentage of employees taking advantage of shared ownership	—	16%	27

Morningstar's People and Workplace

Material Issue	Metric	2019	2020	Page Number Reference
Diversity, Equity, and Inclusion	Percentage of female compared to male colleagues (full organization)	—	**42%**	31
	Percentage of female compared to male colleagues (senior leadership)	—	**31%**	31
	Percentage of female compared to male colleagues (entry-level or midlevel roles)	—	**42%**	31
MEI.13 — Human Capital	Racial/ethnic identity of colleagues in areas in which we collect this data	—	**68% White, 21% Asian, 4% Hispanic, 3% Black, 3% two or more races, (1% Preferred to Not Answer)**	31
	Morningstar Development Program entry-level metrics by gender identity	—	**57% Women; 43% Men,**	32
	Morningstar Development Program entry-level metrics by racial/ethnic identity		**55% White, 35% Asian, 4% Black, 3% Hispanic, 3% two or more races**	32
	Percentage of females compared to males on the board of directors	—	**40%**	31
	Percentage of female committee chairs compared to males	—	**33%**	31
	Number of nationalities for our global business	—	**87**	31
	Number of languages spoken		**32**	31

Morningstar's People and Workplace

Material Issue	Metric	2019	2020	Page Number Reference
Training, Education, and Career Development MEI.13 — Human Capital	USD amount of cost associated with education programs and mentorship / number of employees	—	**Over USD 590**	35
	Percentage of eligible employees who received a formal talent review	—	**96%**	35
	Percentage of employees who believe Morningstar is committed to their career development	—	**77%**	35
	Number of Morningstar Scholars	—	**75**	36
	Global education stipend spend in 2020	—	**USD 1.3 M**	36
	Percentage of employees using educational stipend	—	**49%**	36
	Number of CFAs	—	**199**	36
	Number of languages spoken		**32**	31

Morningstar's People and Workplace

Material Issue	Metric	2019	2020	Page Number Reference
Community Engagement MEI.13 — Human Capital	Total employee donations, company matched donations, and Morningstar donations	—	**Over USD 1M**	38

Morningstar's Governance

Material Topics

- Business Ethics
- Board Management and Structure

We seek to align Morningstar's governance approach with the practices that our research analyst teams have identified as consistent with good stewardship, shareholder transparency, and long-term value creation. Our work in governance is designed to address the management of general professional ethics, such as the management of corporate finance, intellectual property, and competitive practices. It is designed to address material risk inherent to our position as a financial-services company that issues investment ratings. It includes the cultivation of a majority independent board, characterized by diverse backgrounds and deep industry expertise; and a deliberate approach to shareholder engagement, characterized by consistent standards and regular, accessible, and equitable communication with investors of all types.

Our reporting in this area draws on Sustainalytics' materiality work. Our reporting in this area is consistent with external standards for reporting, including GRI: 102-16, 103-2, 102-23, 102-22, 405-1 and SASB: SV-PS-510a.2. These data sets are described as relating to standards and norms of behavior; firm management approach and its components; firm approach to managing risk and opportunities surrounding ethical conduct of the business; chair of the highest governance body; composition of the highest governance body and its committees; and diversity of governance bodies and employees. Our report covers 2020 data. In certain cases, we have included 2019 data for purposes of comparison.

MEI.4 Business Ethics

Business ethics focuses on the management of general professional ethics, such as taxation and accounting, anticompetitive practices, and intellectual property issues. Business ethics may include bribery and corruption for subindustries that do not have bribery and corruption as a separate material ESG issue. Additional subindustry-specific topics — such as medical ethics and ethics regarding the provision of financial services, etc. — may also be included in this issue. In addition, ethical considerations related to customer selection may also be included here for some subindustries if products or services may be used to violate human rights, for example.

MEI.0 Corporate Governance

Corporate governance comprises six pillars: Board/Management Quality and Integrity; Board Structure; Ownership and Shareholder Rights; Remuneration; Audit and Financial Reporting; and Stakeholder Governance. These six pillars represent foundational structures for the management of ESG risks.

Morningstar's Governance

Material Issue	Metric	2019	2020	Page Number Reference
Business Ethics	Percentage of company employees that have certified compliance with the Code of Ethics	—	**95%**	46
	USD amount of monetary losses as a result of legal proceedings associated with professional integrity	—	**Information regarding any significant legal proceedings is published in Morningstar's 10K.**	47
MEI.4 Business Ethics	USD amount of corporate resources that have been used for political contributions/spending	—	**Morningstar prohibits the use of corporate resources to make direct political contributions; none of its employees meet the applicable definition of lobbyists.**	45
	Percentage of employees who report that acting ethically and with integrity on the team takes priority over achieving business results	—	**85%**	45

Morningstar's Governance

Material Issue	Metric	2019	2020	Page Number Reference
Governance Structure and Oversight	Percentage of board members who qualify as independent	—	**70%**	43
	Board member tenure	—	**4 people, 0–5 years** **1 person, 6–10 years** **1 person, 11–15 years** **4 people, over 15 years**	43
MEI.0 Corporate Governance	Board members' average age and age range	—	**60.6 average age, age range 39–73**	43
	Board gender distribution	—	**40% female, 60% male**	43
	Percentage of ethnically diverse board members	—	**20%**	43

Morningstar's Business Operations

Material Topics

- Data and Information Security

Additional topics prioritized by employees and stakeholders:

- Climate Change Risk
- Greenhouse Gas Emissions
- Environmental Impact Along the Value Chain

Our work to integrate environmental principles in our sustainability strategy is aligned with the priorities of our colleagues, consistent with our work to contribute to innovative solutions to the global climate crisis, and reflective of our product offerings. Our work to track and manage the impact of our business operations reflects the interests of our employees, stakeholders, and the communities in which we live and work; additionally, we see that our awareness and management of environmental issues helps us to attract and retain talent. Work in this area relates to the company's management of risks related to its own operational energy use and greenhouse gas (GHG) emissions; it currently includes portions of Scope 3 emissions, such as transport and logistics. It does not currently include emissions in the supply chain or during the use phase/end-of-life cycle of a product.

Our reporting in this area draws on Sustainalytics' materiality work. We disclose data and information similar to/consistent with external standards for reporting, such as the Global Reporting Initiative's (GRI) framework. In this area, data we have reported is consistent with GRI: 305-1, 305-2, 305-3, and 305-4, which relate to GHG emissions as a direct or indirect result of a company's consumption of energy and resource efficiency relative to economic value. Our report covers 2020 data. In certain cases, we have included 2019 data for purposes of comparison.

MEI.8 — Carbon — Own Operations

Carbon — Own Operations refers to a company's management of risks related to its own operational energy use and GHG emissions (Scope 1 and 2). It also includes parts of Scope 3 emissions, such as transport and logistics. It does not include emissions in the supply chain or during the use phase/end-of-life cycle of a product.

Morningstar's Business Operations

Material Issue	Metric	2019	2020	Page Number Reference
Greenhouse Gas Emissions	Total amount of Scope 1 CO2 equivalents	414	565	53
	Total amount of Scope 2 CO2 equivalents	9,357	8,158	53
	Total amount of Scope 3 CO2 equivalents	5,707	1,436	53
MEI.8 — Carbon — Own Operations	Total GHG emissions per output scaling factor	12.9 tCO2e per USD million in revenue	7.3 tCO2e per USD million in revenue	52

Endnotes

i Sustainalytics, The ESG Risk Ratings Methodology, Version 2.1 (January 2021) by Dr. Hendrik Garz and Claudia Volk; summarized and condensed here: https://www.sustainalytics.com/esg-data/#1602042452999-d4ce2e11-578f.

ii Due to the nature of securities coverage, the total number of securities covered fluctuates. The disclosure is a minimum coverage threshold throughout 2020.

iii All fund data includes coverage for the following security types: Collective Investment Trusts, Closed-End Funds, Exchange-Traded Funds, Insurance Vehicles, Open-End Funds, Separate Accounts, Unit Investment Trusts, and Variable Annuities.

iv Sustainalytics, https://www.sustainalytics.com/esg-data/#1602042452999-d4ce2e11-578f.

v Employee engagement data included in this paragraph is collected via our quarterly employee "Pulse Survey" that is optional to complete but is representative of the full-population base of our global business.

vi Global company benchmark engagement data supplied by Management Consulting firm: Korn Ferry.

vii The industry benchmark is computed via Workday as a comparison to other firms in our industry.

viii The data point is based the employees who had RSU's granted under the SOP.

ix Screenings take place in the quarter prior to the next plan year; therefore, these wellness screenings were conducted in fourth-quarter 2019 prior to the office shut-downs for COVID-19. We have automatically enrolled all individuals who previously completed wellness screenings, all new employees, and anyone turning 26 to allow automatic benefits for the 2021 plan year due to the pandemic.

x Gender data is calculated based upon permanent, full-time employees globally.

xi Nationality and language data are self-reported by employees and may underrepresent the full population.

Endnotes

xii Morningstar currently only collects racial identity data voluntarily for United States employees. About 1% of those surveyed elected not to answer.

xiii This data is self-reported and therefore likely underrepresents the true population.

xiv Sustainalytics:, https://www.sustainalytics.com/esg-data/#1602042452999-d4ce2e11-578f.

xv Directors who are currently serving as the chief executive officer or other executive officer of a public company may serve on a total of no more than three public company boards, including Morningstar's. Directors who are not currently serving as the chief executive officer or other executive officer of a public company may serve on no more than four public company boards, including Morningstar's.

xvi The value represents the percentage of employees who have responded to the relevant survey.

xvii This measure excludes former DRBS employees, former Sustainalytics employees, employees on leave, contractors, interns, consultants, and employees who work fewer than 30 hours per week.

xviii Sustainalytics, https://www.sustainalytics.com/esg-data/#1602042452999-d4ce2e11-578f.

xix Sustainalytics, https://www.sustainalytics.com/esg-data/#1602042452999-d4ce2e11-578f.

xx We utilize the GHG Protocol international reporting standard definitions for greenhouse gas emissions and CO2e. For the purposes of this standard, GHGs are the seven gases covered by the UNFCCC: carbon dioxide (CO2); methane (CH4); nitrous oxide (N2O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); sulphur hexafluoride (SF6), and nitrogen trifluoride (NF3). As stated by the GHG Protocol, CO2e is the universal unit of measurement to indicate the global warming potential of each greenhouse gas, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) different greenhouse gases against a common basis.

Endnotes

xxi All environmental footprinting was calculated with our external vendor, Greenstone. For offices which had missing monthly data or were unable to provide headcount and floor area data, Greenstone had estimations uploaded and calculated from an intensity metric based on actual data. For shared space offices where no data was provided, an intensity factor was calculated using the consumption and normalization data of offices where we were able to provide data. This is a standard practice at Greenstone to provide estimation methodology where data may be unavailable.

xxii Greenstone utilizes definitions and abbreviations for Scope guidance as provided by GHG Protocol. Scope 1 emissions are defined as emissions from operations that are owned or controlled by the reporting company. Scope 2 emissions are defined as indirect emissions from the generation of purchased or acquired electricity, steam, heat, or cooling consumed by the reporting company. Scope 3 emissions are defined as all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

Acknowledgments

Efforts to compile this comprehensive report were supported by colleagues across Morningstar. Subject matter experts included the Morningstar Enterprise Sustainability Working Group; Chris Boruff, Mike Wood, Kevin Seifert, and Joan Schaper; Kevin Ranney and Adam Fleck; additional members of the Morningstar Equity Research team and Sustainalytics Research organization; Leah Trzcinski and Barbara Noverini; and James Rhodes and Daniel Mayer.

We relied on the Facilities and Procurement teams for office and travel information and on the Finance team for its data review. Readers too numerous to name influenced the structure of the report. We were grateful to our long-time, ESG-focused colleagues at Morningstar and Sustainalytics who helped shape our approach, particularly Jackie Cook, Cheryl Gustitus, Jon Hale, Maggie Stafford, Tanya Svidler, and Yanshuo Yang.

Elizabeth (Lily) Stuart stewarded our first carbon assessment project; Hannah Pelfresne contributed project management coordination; and Tory Davidson led communication efforts. The report is enhanced by the skills of Morningstar designers Jason Ackley and Zach Sherwood, who have spent decades working to render investing concepts as they should be: Accessible and clear to the investors who need them.

Charity Driggs
Sustainability Product Manager
and Reporting Program Manager

Gabriel Presler
Director of Enterprise Sustainability

SUSTAINALYTICS
a Morningstar company

Statement Of Continued Support

November 16th, 2021

To our stakeholders:

I am pleased to confirm that Sustainalytics reaffirms its support of the Ten Principles of the United Nations Global Compact.

As part of Morningstar, our actions to continuously improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations are included in the *2020 Morningstar Enterprise Sustainability Report*. We are also submitting a brief description of practical actions Sustainalytics has taken or plans to take to implement the Ten Principles in each of the four areas (human rights, labour, environment, anti-corruption). We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely,
Bob Mann, Sustainalytics

SUSTAINALYTICS

a Morningstar company

MANAGING POTENTIAL INSTITUTIONAL CONFLICTS OF INTEREST

Policy Abstract

About Sustainalytics

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 16 offices globally, Sustainalytics has more than 800 staff members, including more than 300 analysts with varied multidisciplinary expertise across more than 40 industry groups. For more information, visit www.sustainalytics.com.

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Insofar as applicable, issuers referred herein may have a relationship with different Sustainalytics' business units. Sustainalytics has put in place adequate measure to safeguard the objectivity and independence of its opinions. For more information, contact compliance@sustainalytics.com

Sustainalytics
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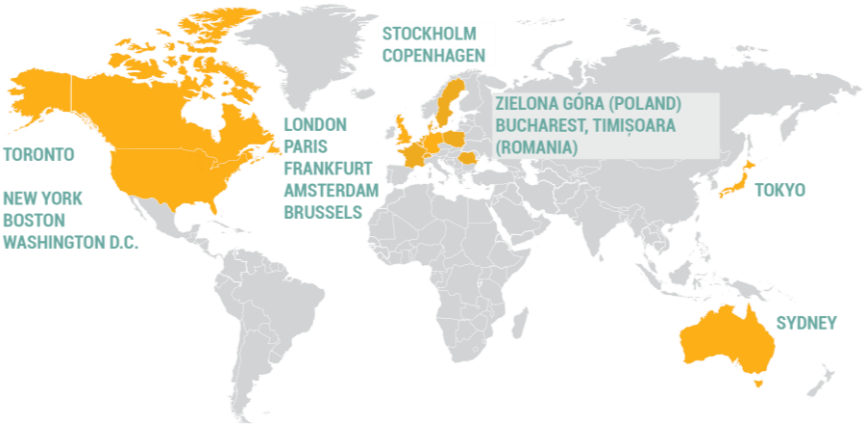

Sustainalytics' Statement

Sustainalytics is a leading ESG research provider operating multiple lines of business that serve a variety of client types.

ESG research and ratings is our core business. Sustainalytics' provides a variety of securities-level ESG-focused research and ratings to institutional investors, primarily asset managers, asset owners, other financial market participants, but also directly to corporate clients. Investors use our ESG research and ratings to support their processes and decision-making throughout the investment value chain, from company and portfolio analysis through to product creation, including index (benchmark) creation.

Delivered by a separate and distinct team, Sustainalytics helps investors manage reputational risk and increase corporate accountability through proactive, professional and constructive engagement. These engagement services are intended to improve corporate behavior related to ESG practices and are informed, in part, by Sustainalytics ESG research and ratings. Sustainalytics is also using its research capabilities to support a holistic approach to stewardship by providing voting recommendations and voting services.

Through a separate business unit, called Sustainable Corporate Solutions (SCS), Sustainalytics offers ESG-related products and services to banks, underwriting firms, public and private companies and other related organizations. The SCS business unit provides among others, second party opinions on green, social and other sustainable bond issuances, review of frameworks and also ESG rating licenses, to support and allow corporate clients to use Sustainalytics' ESG Risk Ratings for various internal and external corporate purposes (e.g. ESG-linked loans, ESG ratings licensing for capital raising, ESG benchmarking for peer and best practice comparisons and ESG ratings/ research, performance analytics, competitive intelligence and for investor relations). Sustainalytics further recognizes that the relationships between its SCS business and its corporate clients could present a potential conflict of interest for its ESG research and ratings and its engagement, proxy advice and voting business and vice versa.

As of July 2020, Sustainalytics is part of the Morningstar family. Some of the Morningstar affiliates use Sustainalytics' ESG research and ratings to be incorporated in their product creation, including index creation; while other are regulated entities that provide investment advice, as defined in both EU and US legislation.

Potential conflicts of interest are common, particularly in financial services. This is no different for Sustainalytics, which operate multiple lines of business that serve a variety of client types. Therefore, the way in which we manage and safeguard against the potential conflicts of interest becoming real is germane to our research objectivity and critical to the good reputation we have built over the last 25 years.

Our goal is two-fold: first, to establish and enforce effective conflicts of interest management policies, practices and procedures to ensure that potential conflicts of interest do not become real conflicts and secondly, to protect the interests of key stakeholders by implementing and strictly enforcing satisfactorily comprehensive conflicts of interest management policies and procedures.

At Sustainalytics, objective research is a cornerstone of our business and we work to put in place relevant policies to structurally separate and independently manage our various research, engagement and sales teams. Sustainalytics uses a combination of conflict management policies, procedures, organizational and technical measures to ensure that potential conflicts of interest do not become real conflicts. Ultimately, our goal is to protect the interests of clients and key stakeholders. Our robust conflict management framework specifically addresses the need for analyst independence, consistency of process, data protection and systems separation. One of Sustainalytics' hallmarks is integrity, another is transparency. If a real conflict of interest were to arise, we would apply these tenets by informing clients and taking the necessary steps to address and remedy the issue.

An overview of the most relevant measures used by Sustainalytics to identify and manage potential conflicts of interest is available below. This is available for informational purposes, it is not exhaustive, and is subject to continuous updates. If you have any questions or want to learn more about a specific scenario, please reach out to Sustainalytics' Compliance Function at compliance@sustainalytics.com.

Pillars and measures for managing potential conflicts of interest within Sustainalytics

Sustainalytics has taken measures to protect client and stakeholder interests by mitigating potential conflicts of interest between its respective business units.

I. Internal organization of teams

1. Personnel is organized in different teams with specific and separated roles and responsibilities. Commercial Personnel are separate from Research Personnel and from Support Personnel.
2. Commercial Personnel, Research Personnel and Support Personnel are managed by different executives.
3. Research Personnel are organized in two separate teams: ESG and SCS research, on one hand, and stewardship services, on the other, each reporting to a different executive. A dedicated, distinct sub-team is performing SPOs and other SCS related research.
4. For SCS related research, in case of delivering multiple pieces of research for the same client, the team is organized to avoid involvement of the same sub-team in performing sequential research.
5. Commercial Personnel are organized in sub-teams reporting to different senior managers, to separately serve ESG and stewardship services, and SCS services.

II. Office facilities and IT infrastructure

1. Different Personnel categories and teams are using logically separated IT infrastructure and technology.
2. Commercial data systems are logically separated from the systems used by our various research and engagement teams to perform their company assessments and produce client deliverables.
3. Information marked as confidential by issuers and clients is encrypted in transit and, at rest, access is permitted on a need-to-know basis, subject to access management rules.
4. Access rights to data are granted on a need-to-know basis.

III. Data usage, storage and separation

1. Sustainalytics endeavors to base our research intended for investors in general on information disclosable in nature and/or already publicly disclosed /available.
2. As a general practice, during interactions between research or engagement teams and Subject Companies (dialogue with Subject Companies for feedback and fact checking purposes) for the purpose of informing our research, Sustainalytics accepts only information that is not confidential in nature.
3. Sustainalytics accepts no responsibility for ensuring the confidentiality of the information received during interactions with Subject Companies for the purpose of informing our research and engagement, unless an overriding agreement is in place.
4. By way of exception, confidential information may be accepted for specific products or services. Specific rules shall apply for such exceptions.
5. Subject Companies are responsible for indicating the nature of the information they are sharing.
6. Various Personnel categories and teams in Sustainalytics may handle various types of non-public information, and they are subject to appropriate awareness mechanisms.
7. Personnel are prohibited from using any information shared by the Subject Companies for purposes other than informing the research and engagement (includes no external or internal disclosure).

IV. Managing private interests

1. Personnel is required to take all necessary measures to avoid any possible conflicts of interest and to avoid engaging in activities that might jeopardize – or appear to jeopardize – the integrity of their conduct or Sustainalytics' reputation.

2. If there is room for suspicion that an action or commitment might create a conflict, or might reasonably appear to do so, Personnel must not pursue it.
3. Once identified, Personnel is required to promptly and pro-actively notify their manager and the Compliance Team of any personal interest, consideration, or business activity, that could create or give rise to the appearance of a potential conflict of interest or could be expected to negatively impact Sustainalytics' reputation.
4. Personnel requires prior approval from their manager and the Sustainalytics Compliance Team in case they intend to pursue outside activities that may reasonably appear to create a conflict of interest.
5. Personnel with personal interests in a company shall not perform research or engagement for/regarding said company.
6. Personnel, that directly perform research or engagement for a specific Subject Company, and their family members, may not undertake personal transactions of financial instruments issued by that Subject Company.
7. Research Personnel compensation is not directly tied to specific commercial outcomes.

V. Research process and methodology

1. Sustainalytics applies relevant research frameworks consistently across its research and engagement processes and use the same standard of objectivity for the Subject Companies covered by its research, regardless of whether an issuer is public or private, or whether a company is also a client or business partner.
2. Sustainalytics clearly describes the information used to substantiate the research and the sources used.
3. Sustainalytics has embedded numerous control measures into its processes to ensure the quality of our research and products, in line with the industry standards
4. Sustainalytics' Personnel may not engage or handle simultaneous or sequential activities where such involvement may impair the proper management of conflicts of interest or may create the appearance of such a conflict.

VI. Communication with Clients and Subject Companies

1. Research related communication with Subject Companies is independently managed by our various Research Personnel teams, while commercial related communication is managed by our Commercial Personnel teams.
2. Commercial Personnel are prohibited from discussing client or prospect commercial relationship details with Research Personnel, that have the potential to put pressure on analysts (*e.g.* contract amount, client tier).
3. Personnel are prohibited from issuing opinions about company assessments to a client, prospect or Subject Company that are inconsistent with, or contradictory to, assessments in our published research.
4. Personnel are prohibited from making false, misleading or exaggerated representations, or otherwise creating false impressions, about our research, products or services.
5. Personnel are prohibited from exerting any form of commercial pressure (whether explicit or implicit, direct or indirect) on Research Personnel to influence or alter their opinions or conclusions, supporting information and/or otherwise interfere with their editorial freedom.
6. Sustainalytics will include relevant disclosure of potential conflicts of interest in its client deliverables, where appropriate. Upon request, the Compliance Function at Sustainalytics may provide clients with relevant details about the situation that is susceptible of generating a potential conflict of interest, to the extent this is material to assessing the objectivity of the delivered research, if such details are needed for their own compliance purposes.
7. Personnel is prohibited from accepting any kind of inducement from any client, Subject Company or business partner that may create the appearance of a privileged treatment of that party.

Policy architecture supporting the management of the potential conflicts of interests

I. Code of Ethics

The Morningstar's Code of Ethics, applicable to all Sustainalytics' Personnel, sets out certain standards of conduct that all employees are expected to abide by, including standards of conduct in the workplace, professional business practices, avoidance of potential conflicts of interest, consistency and integrity of research, internal and communication restrictions, insider trading, accepting gifts, fair dealing and handling of confidential data. Personnel are required to review and sign the Code upon hiring and annually thereafter.

II. Key Business Principles and Practices

The Code is complemented by the **Key business Principles and Practices**. These reflect Sustainalytics' commitment to responsible business practices, sets forth the values and principles that we embrace to guide our actions and decisions and captures the main policy areas we look to address through our compliance program.

III. Personnel integrity

Sustainalytics has in place a disclosure system and Personnel disclosures of potential conflicts of interest are reviewed and approved by our Compliance Team.

IV. Research and Engagement Process and quality assurance

Company assessments, engagement or voting are performed in accordance with the prescribed methodology and policies. These apply regardless of whether a company is public or private or whether a company is a Sustainalytics client or non-client. Specific methodologies and policies are in place for our various business lines, products and services.

Version June 2021

SUSTAINALYTICS

a Morningstar company

KEY BUSINESS PRINCIPLES AND PRACTICES

About Sustainalytics

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 16 offices globally, Sustainalytics has more than 800 staff members, including more than 300 analysts with varied multidisciplinary expertise across more than 40 industry groups. For more information, visit www.sustainalytics.com.

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Insofar as applicable, issuers referred herein may have a relationship with different Sustainalytics' business units. Sustainalytics has put in place adequate measure to safeguard the objectivity and independence of its opinions. For more information, contact compliance@sustainalytics.com

Sustainalytics
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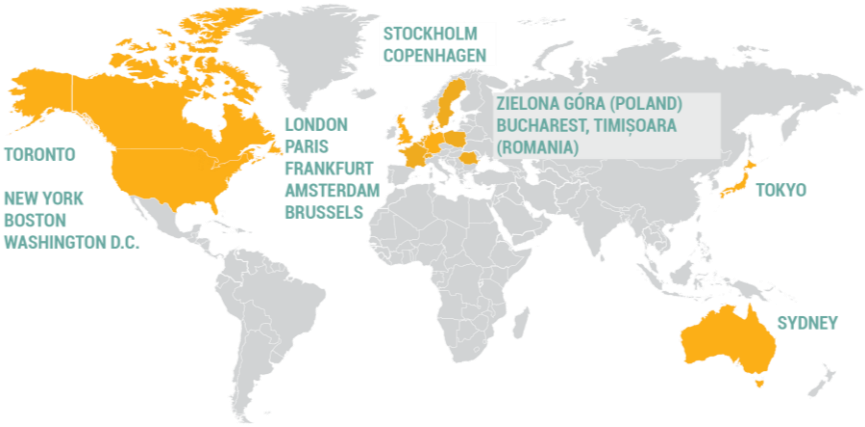

CEO Statement

Sustainalytics, a Morningstar Company, has built strong relationships with our stakeholders by providing outstanding products and services, and by doing business according to the highest ethical standards, wherever we operate and whatever the situation.

At Sustainalytics, we are committed to acting with integrity and in accordance with the highest ethical standards. This commitment is at the foundation of our work together.

As a global business, Sustainalytics is subject to laws and regulations in numerous jurisdictions around the world. Sustainalytics, wherever applicable, aims to align internal policies with these laws and regulations.

This **Key Business Principles and Practices** reflects Sustainalytics` commitment to responsible business practices, sets forth the values and principles that we embrace to guide our actions and decisions and captures the main policy areas we look to address through our compliance programme.

As a living document, we will update it from time to time to reflect our growth and business diversity as well as to align ourselves to regulations, industry standards and best practices.

We expect all our personnel to align their conduct to the principles and practices outlined here, and we encourage our stakeholders, business partners and clients to follow similar values and business practices.

Sustainalytics' culture and reputation are defined by our actions and the decisions we make every day. Through our own individual commitment, we ensure that Sustainalytics continues to be seen as a market leader in both business and character.

Michael Jantzi

Chief Executive Officer

Sustainalytics

I. Our commitment

1. Vision

We believe that it is imperative for the global economy to become more just and sustainable.

2. Mission

Our mission is to provide the insights required for investors and companies to make more informed decisions that lead to a more just and sustainable global economy.

3. Values

- We treat others as we like to be treated
- We strive to make a positive impact on our world
- We embrace diverse perspectives (value differences and celebrate diversity);
- We foster excellence through continuous collaboration
- We are adaptable and entrepreneurial

4. Principles

(a) Our Company

- We operate with integrity and apply high ethical standards
- We believe in transparency
- We think that all market participants should have access to ESG information
- We believe that when investors and companies embrace ESG meaningfully, then it can lead to a more just and sustainable economy

(b) Our Work

- We work for the benefit of our clients and the global economy at large
- We strive to produce high quality, reliable research
- We endeavour to perform accurate, fair and informed assessments
- We believe that when companies manage ESG risks effectively, then all stakeholders benefit

5. Responsible Business Practices

Sustainalytics is committed to the highest standards of ethical conduct and responsible business practices. Promoting business ethics and working to prevent fraud and human rights infringements in our operations are fundamental tenets of doing business responsibly; they are also key elements of just and sustainable long-term business development. Sustainalytics expects responsible business practices not only of itself, but seeks to see the same standards upheld by its business partners, including suppliers.

6. Applicable Rules

Sustainalytics is committed to complying with applicable global and regional laws and regulations in the jurisdictions in which we operate. Where a conflict exists between local laws, our Code of Ethics or our Policies and Business Practices, we seek to uphold the higher standard.

II. Human capital

1. Human Rights Protection

Sustainalytics is committed to respecting human rights as defined in the "Universal Declaration of Human Rights," the "United Nations Guiding Principles for Business and Human Rights," and the "International Labour Organization Core Conventions." Furthermore, Sustainalytics makes efforts to ensure that we neither knowingly assist nor become complicit in violating human rights.

We strive to ensure that all Personnel are treated with respect and dignity and are not subjected to suffering, threatening behavior or any kind of inhumane treatment, including corporal punishment, physical or verbal abuse, sexual or other harassment or other forms of abuse or intimidation.

Personnel *refers to board members, employees, contractors and temporary staff such as interns.*

2. No Child Labour

Sustainalytics is committed to respecting children's rights as defined by the relevant International Labour Organisation (ILO) and United Nations International Children's Emergency Fund (UNICEF) recommendations. Sustainalytics strives not to engage, either directly or via its suppliers, in the use of child labour and, as such, prohibits its use in our operations, our distribution network and in the execution of the products and services we deliver or purchase.

It is our policy not to employ anyone unless they have reached the greater of:

- Local minimum school leave age;
- Local minimum employment age; or
- The age of 16.

3. No Forced Work or Trafficking

Sustainalytics is committed to preventing the use of any form of compulsory or forced labour, debt bondage, slavery, human trafficking or involuntary prison labour and prohibits the use of forced labour in our business practices.

Employment and terms of employment are voluntary undertakings between Sustainalytics and its Personnel. Personnel is free to leave work or terminate their employment or engagement within reasonable notice period norms and may not be deprived of their identity documents or work permits. Moreover, Sustainalytics encourages mobility across our different offices to enhance work experience.

4. Data Privacy

Sustainalytics is committed to responsible data processing and ensuring adequate protection of personal data. We take a combination of organizational and technical measures to safeguard the personal data of the individuals with whom we interact in the course of business.

5. Diversity

Sustainalytics is strongly committed to equity and fairness and strives to implement these principles in all aspects of our operations, including our employment practices and our business relationships. Sustainalytics values diversity and desires to create a work environment in which tolerance, individuality and differences among people are celebrated.

6. No Discrimination and Harassment

Sustainalytics does not discriminate against any individual based on gender, gender identity and expression, race, ethnicity, culture, place of origin, religion, political affiliation, sexual orientation, age, marital status or physical disability. Sustainalytics is committed to accommodating the special requirements of persons with disabilities to the best of our ability.

Sustainalytics strives to be an equal opportunity employer and is committed to creating an inclusive environment for all Personnel, characterized by mutual respect. Sustainalytics does not tolerate discrimination or harassment of any kind in our workplace or at off-site business-related activities.

7. Freedom of Association

Sustainalytics respects the right of our Personnel to freely associate, including within a labour union of their choice, without suffering any kind of discrimination, intimidation, harassment or employer retaliation.

Furthermore, Sustainalytics supports Personnel to engage in other forms of association in order to foster a democratic society.

8. Salary Framework

Sustainalytics works to maintain transparent remuneration frameworks designed to fit local context and conditions and provide Personnel with fair and competitive rates of pay. Our compensation and benefits strategies are regularly reviewed in order to maintain alignment with what we believe to be competitive pay practices for our industry. Across our locations, Sustainalytics pays wages well above the local government imposed living wage.

9. Occupational Health and Safety

Sustainalytics is committed to maintaining a healthy and safe workplace environment. We maintain occupational health and safety measures designed to prevent injuries and disease, inform our staff as to health and safety, and address health and safety concerns in a timely, effective manner. National health and safety frameworks are applicable in each location where the company has operations.

10. Political Affiliation

Sustainalytics embraces diversity, including political opinions, and supports the civic and democratic participation of our Personnel within the public life in their respective locations. Political activity however is not permitted in the workplace.

III. Quality and Integrity of Our Business Activities

A. Integrity of Our Business Activities

1. Fair Competition

Sustainalytics is committed to fair competition and to preventing commercial engagements with competitors, clients or other stakeholders that limit or restrict competition, including but not limited to: those who participate in the creation of cartels, collusions, vertical agreements or monopolies, or those who abuse a dominant market position.

2. Fair Dealing with Subject Companies, Clients and Prospects

At Sustainalytics, we commit to fair dealing towards clients, prospects and Subject Companies without bias or discrimination. Where different products or service levels are available, Sustainalytics takes reasonable efforts to ensure that the service levels provided are commensurate with the product and/or service selection.

> ***Subject Companies*** *are the companies we research and/or engage with for any of our products or services.*

To the extent that we can serve the public interest while supporting our commercial interests, Sustainalytics strives to make relevant ESG information broadly available, as we believe that all stakeholders benefit when investors and companies embrace ESG information meaningfully.

3. Communication with Companies

Communication with companies (whether clients, prospect clients or Subject Companies) is functionally separated within Sustainalytics: research related communication with Subject Companies is independently managed by our various research and engagement teams, while commercial related communication is managed by our sales teams. In case of an overriding business interest, senior representatives of Research and Commercial Personnel may discuss client relationship details to satisfy that.

Sustainalytics maintains records of communications with Subject Companies and, where appropriate, includes relevant disclosures in client deliverables.

4. Handling of Proprietary and Confidential Information

At Sustainalytics, we believe that safeguarding information is paramount. As such, we strive to always protect and honor the confidentiality of the information shared by our stakeholders.

Specific rules applicable to the handling of proprietary or confidential information are detailed in our Code of Ethics and in a variety of other operating policies. Such rules include but are not limited to:

(a) Use and protection of Sustainalytics trade secrets and confidential information;
(b) Use and protection of third parties` confidential information;
(c) Use and protection of material non-public information pertaining to Sustainalytics or to third parties;
(d) Use and protection to private and personally identifiable information;
(e) Requirements for compliance with third-parties` intellectual property rights, including citation and sourcing rules;
(f) Prohibition of insider trading.

B. Management of Potential Conflicts of Interest

Sustainalytics is aware that operating multiple lines of business that serve a variety of client types could create the potential of conflicts of interest to arise.

Sustainalytics is committed to taking measures to avoid conflicts of interest, and to avoid entering into commercial relationships that might jeopardize the company's integrity and research independence.

1. Institutional Conflict of Interests

(a) Structural Separation

Sustainalytics takes technical and organizational measures designed to structurally separate and independently manage our various research, engagement and sales teams. Each team operates separately and is managed by a different executive with a separate and distinct senior management layer. This separation aims to preserve the objectivity of Sustainalytics' ESG products and services.

Specific rules regarding the structural separation and communication across the different teams at Sustainalytics are detailed in our Policy on Managing Potential Institutional Conflicts of Interest and in a variety of other operating policies.

Compensation of research Personnel is not directly tied to specific commercial outcomes.

(b) Disclosure

Sustainalytics understands the importance of the disclosure of potential conflicts of interest and effective conflict management and includes relevant disclosure thereof in its client deliverables, where appropriate. Upon request, the Compliance Function at Sustainalytics may provide clients – if such details are needed for their own compliance purposes – with relevant details about the situation that is susceptible of generating a potential conflict of interest, to the extent this is material for assessing the objectivity of the delivered research.

2. Personal Conflict of Interests

In the course of fulfilling their day-to-day duties and responsibilities, our Personnel may be exposed to the potential for personal conflicts of interest. We maintain specific policies and procedures intended to prevent and manage those situations where a personal interest may be inconsistent with general interests of Sustainalytics or of its stakeholders, and could lead to his or her conduct on behalf of Sustainalytics being influenced or compromised.

Specific rules on managing conflicts of interest are detailed in our Code of Ethics and other internal policies. Such rules include, but are not limited to:

(a) Avoidance of conflicts of interest;
(b) Disclosure of conflicts of interest;
(c) Seeking prior approval where a member of the Personnel performs business or employment outside of Sustainalytics;
(d) Stepping out from certain activities if there is potential for a conflict of interests.

C. Research Quality and Objectivity

Our research and assessments are informed by structured and robust methodologies and frameworks.

1. Transparency of Methodology

At Sustainalytics, we strive to be transparent regarding the way our research or engagement assessments are conducted, in order to support the quality and integrity of our products and services. We are committed to

providing clients and prospects with information about our research and rating methodologies, as well as information about the sources that are used.

2. Information Utilized in the Research and Engagement Processes

As a general practice, we endeavor to base our research on publicly disclosed or publicly available information.

Our research processes involve the collection and analysis of information made publicly available by a variety of third parties, including civil society, corporate, government, industry association, investor, media and regulatory sources.

Further, we use information collected by our research and engagement teams from the various interactions with company management, Board directors, institutional investors and other relevant market participants in order to better understand a company's ESG policies, practices and future plans or to simply verify facts pertinent to our analysis or second party opinions.

To enable us to produce quality research and/or engagement results and consistent results across the different disciplines we allow our various research and engagement teams to share the information gathered as part of their respective workflows.

The non-public information provided by Subject Companies may be reflected in our research provided that:

> ***Material Information*** *refers to any information that may have a positive or negative impact, that:*
>
> - *Could be reasonably expected to have a significant impact on the market price of the company's securities; or,*
> - *Could be reasonably expected to be considered relevant by reasonable investors in their investment decision-making (i.e., to buy, sell, or hold securities).*
>
> ***Non-public information*** *refers to any information that has not been disseminated in a manner making it available to investors generally.*

(a) Such information is non-material;
(b) Such information cannot be extracted from or identified in our research, unless otherwise agreed in writing between Sustainalytics and the Subject Company owning the information.

It is the Subject Company's responsibility to determine the materiality of any information so provided, and to take the necessary steps to publicly disclose material information in a timely manner. Sustainalytics accepts no responsibility for determining the type of information shared with us, or for verifying that material information intentionally or unintentionally shared with us has been properly disclosed. This is solely the responsibility of the issuer, whether the company is publicly-traded or privately-held.

In certain strictly limited circumstances pertaining to specific products and services (i.e. second party opinions) Subject Companies may share, from time to time, confidential or material non-public information. It is the Subject Company's responsibility to mark that information as such, to enable Sustainalytics to apply the relevant specific handling rules. Research incorporating material non-public information is subject to specific usage rules and limitations.

3. Consistency of Research and Engagement Processes

Sustainalytics is committed to applying relevant research frameworks consistently across its research and engagement processes and use the same standard of objectivity for all Subject Companies, whether a Subject Company is public or private, and whether or not a Subject Company is also a client. Furthermore, Sustainalytics aims at delivering consistent outcomes across our different research areas. At Sustainalytics, clients contracting the same service and delivery option will receive the same information at a given moment in time. Clients will have access to similar information at the same moment in time.

IV. Our Business Practices

1. Anti-Corruption, Money Laundering and Antifraud

Sustainalytics is committed to refraining from knowingly taking any action that will, is or would be in breach of any applicable laws for the prevention of fraud, bribery, corruption, racketeering, extortion/embezzlement, money laundering or terrorism and does not knowingly do business with any third party we reasonably believe to have done so.

We are committed to refraining from knowingly making an offer, payment, promising to pay or authorizing or approving the payment of any money, or other property, gift, promising to give or authorizing the giving of anything of value, directly or indirectly, to our clients, suppliers, government authorities, stakeholders, other organizations or individuals, or from receiving or accepting any such incentives from the aforementioned, in order to improperly influence over a business decision, or that could be reasonably viewed as not appropriate in its business context.

Furthermore, Sustainalytics is committed to preventing that gifts, entertainment or paid trips create inappropriate expectations or obligations, or are to be perceived as inappropriate behavior under anticorruption regulations, even in jurisdictions where such practices may be considered customary business etiquette. Specific rules applicable to gifts, entertainment and paid trips are detailed in our Code of Ethics and subsequent policies.

Sustainalytics maintains technical and organizational measures intended to prevent fraud or money laundering in our operations.

2. Accounting Standards and Record-Keeping

Sustainalytics is committed to maintain accurate and complete accounting books and records, in accordance with applicable business standards and laws governing accounting, audit and taxation in the jurisdictions where we have operating entities.

Sustainalytics Personnel are prohibited from knowingly making or approving any payment or transfer of funds or assets for purposes not in accordance with our established financial, accounting, and management policies and applicable law.

Personnel are forbidden to create false or misleading records or entries or from shredding, destroying or altering records related to any imminent or ongoing investigation, lawsuit, audit, examination, or as required to be stored for regulatory purposes.

3. Political Contributions

Sustainalytics does not knowingly, directly or indirectly, at any time:

(a) make contributions to a candidate for political office;
(b) fail to fully disclose any such contribution, in violation of a law requirement; or,
(c) make a payment to any state, foreign or government official or officer, or other person charged with similar public duties, other than payments or contributions required or allowed by applicable law.

4. International Restrictions/ Sanctions

Sustainalytics makes efforts to align with the rules and restrictive measures governing international economic financial sanctions, and not to engage in direct commercial relations with a Sanctioned Person.

Sanctioned Person *means any person:*

a) listed in a sanctions-related list of designated persons maintained by the United Nations Security Council, the European Union, any EU member state or the Office of Foreign Assets Control of the U.S. Department of the Treasury;

b) incorporated, located or that has its operational headquarters located or resident in a country or territory, or the government of which is recorded as subject to international economic financial sanctions

5. Environmental Protection

At Sustainalytics we are committed to improve our energy efficiency and manage GHG emissions, as well as to reducing and recycling the waste produced in our operations. In the course of our operations, Sustainalytics promotes greater environmental responsibility and encourages the use of environmentally friendly products and technologies. Furthermore, Sustainalytics is committed to offsetting our carbon travel and reporting statistics on our carbon footprint on a yearly basis.

6. Community Engagement

Sustainalytics is committed to supporting the communities in which we operate, and to using our ESG expertise for the benefit of the local economies, communities and stakeholders.

We support our Personnel in their interests to actively participate in their communities and offer paid leave for participation in ESG related volunteerism.

7. Supply Chain

Sustainalytics endeavours to promote, across our supply chain, standards of conduct consistent with our own, including the ones reflected in these Key Business Principles and Practices. Where appropriate, Sustainalytics actively engages with suppliers to confirm their compliance with relevant provisions.

V. Enforcement and reporting

1. Enforcement

Sustainalytics' Personnel are expected to act in an ethical manner and demonstrate integrity, competence, diligence and respect for all company stakeholders.

Sustainalytics is committed to making training sessions and other resources about the Code of Ethics, our Key Business Principles and Practices and other relevant policies available to our Personnel. We require our Personnel to review and sign the Code of Ethics upon hiring and annually thereafter. We encourage our Personnel to seek guidance when in doubt about how to interpret the Code, these Key Business Principles and Practices or the policies, about how to handle a specific situation and what appropriate course of action is appropriate to take in a specific scenario. In some matters, either by law or policy, Personnel have a duty to disclose and/or report their concerns.

2. Monitoring and Reporting Compliance

Managers have the responsibility of ensuring that their direct reports understand the Code of Ethics, the Key Business Principles and Practices and relevant policies, and are up-to-date and informed of changes.

It is the role of Sustainalytics' Compliance function to define and oversee overall compliance governance and risk management frameworks with respect to the Code of Ethics and other business policies and practices. The Talent and Culture team and the other relevant teams provide support to the Compliance function, as required.

The Compliance function monitors and provides reports regarding compliance status, on a regular basis, to the Sustainalytics' senior management. Reporting is provided to the Executive Team and beyond at least once a year. The Executive Team has ultimate authority and oversight.

3. Whistleblowing and Reporting

Concerns and reports about alleged non-compliance with the Code of Ethics and these Key Business Principles and Practices may be filed with the Compliance function by sending an email to the designated email address, **compliance@sustainalytics.com**.

The information provided by the Personnel will be treated as confidential and privileged, except where otherwise required by applicable laws, and access to it will be restricted on a need-to-know basis. However, Personnel who report compliance concerns are encouraged to identify themselves when making such reports so that an investigation can be conducted with a full factual background and without any delay. Any retaliation against Personnel reporting on misconduct, whether real or perceived, is prohibited and could result in disciplinary action against retaliating parties up to, and including, termination of employment.

Clients, Subject Companies, stakeholders or any third party may raise concerns, and report any alleged non-compliance with the Code of Ethics, these Key Business Principles and Practices or the relevant policies by using the designated email address, **compliance@sustainalytics.com**.

Alleged misconduct or non-compliance is investigated according to internal rules.

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