

Sustainability Report Factsheet Template Interactive Annotation

This document offers an interactive approach to learning more about the content found on the Sustainability Report factsheet template from Presentation Studio in Morningstar DirectSM.

Overview

On each subsequent report page shown, click a **blue, circled letter** to jump to that section and learn more about it. Each section shows the following information:

- ▶ Which applicable sustainable investing approaches would benefit from this content
- ▶ What content is shown in the section, and
- ▶ What other resources are available to help further understand this content.

 Note: When you finish reading a section and want to go back to the report page you previously visited, click the **Return to Report** button at the top of a page.

[This video](#) also explains why this guide was created and how to best use this PDF.

The “Applicable sustainable investing approaches” item(s) in each section refer to the framework Morningstar uses to identify various motivations investors bring to sustainability. Read more about this framework in [Appendix A: The Morningstar Sustainability Framework on page 45](#).

To see a compendium of all additional resources, see [Appendix B: Additional Resources on page 47](#).

How do I use this document?

What other information is available?

Sustainability Report: XYZ Social Index I

ABCco.

| | | | |
|-------------------------------------|---|------------------------------------|--|
| Morningstar Rating™ ★★★★★ | Morningstar® ESG Commitment Level Basic | Inception Date 8/27/2014 | Benchmark Morningstar® Index Morningstar EU Agg Gbl Tgt Alloc NR EUR |
|-------------------------------------|---|------------------------------------|--|

How do I read this page?

Sustainability factors complement a long-term investing horizon as they increasingly become a central part of fundamental security analysis. This report allows you to quickly assess whether the holdings in the fund portfolio are exposed to material Environmental, Social, and Governance (ESG) factors, evaluate ESG risks, and understand your investment's exposure to controversial product involvement areas.

A

Morningstar Sustainability Rating™

Sustainability Rating



Corporate Sustainability Contribution

Sovereign Sustainability Contribution

91%

9%

Relative to Category

Sustainable Investment

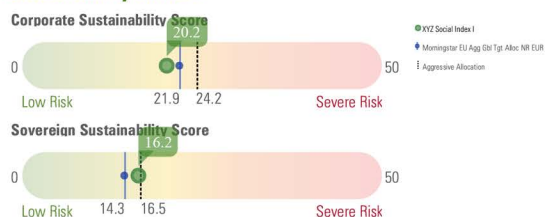
Aggressive Allocation

Yes

Current Sustainability Scores based on 96% of corporate AUM and 100% of sovereign AUM. Sustainability Score and Rating as of 1/31/2022. Portfolio as of 1/31/2022. Sustainability provides issuer-level ESG Risk analysis used in the calculation of Morningstar's Sustainability Scores. Sustainable Investment mandate information is derived from the fund prospectus.

The Morningstar Sustainability Rating™ is intended to measure how well the issuing companies or countries of the securities within a fund's portfolio are managing their financially material environmental, social and governance, or ESG, risks relative to the fund's Morningstar Global Category peers. Morningstar assigns Sustainability Ratings by combining a portfolio's Corporate Sustainability Rating and Sovereign Sustainability Rating proportional to the relative weight of the corporate and sovereign long positions.

Sustainability Scores



B

ESG Pillar Score



Top Product Involvement Risk Exposure



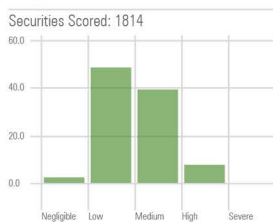
C

Corporate ESG Risk Breakdown

| | Overall Risk | Managed Risk | Unmanaged Risk |
|---|--------------|--------------|----------------|
| XYZ Social Index I | 38.7 | 18.7 | 20.0 |
| Morningstar EU Agg Gbl Tgt Alloc NR EUR | 41.1 | 19.5 | 21.6 |

D

Corporate ESG Risk Distribution

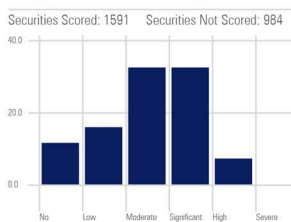


ESG Risk AUM Coverage

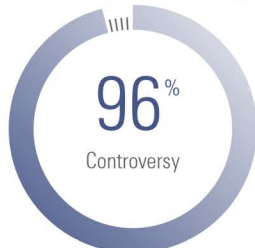


E

Corporate Controversy Distribution



Controversy AUM Coverage



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| | | | |
|-------------------------------------|---|------------------------------------|--|
| Morningstar Rating™ ★★★★★ | Morningstar® ESG Commitment Level Basic | Inception Date 8/27/2014 | Benchmark Morningstar® Index Morningstar EU Agg Gbl Tgt Alloc NR EUR |
|-------------------------------------|---|------------------------------------|--|

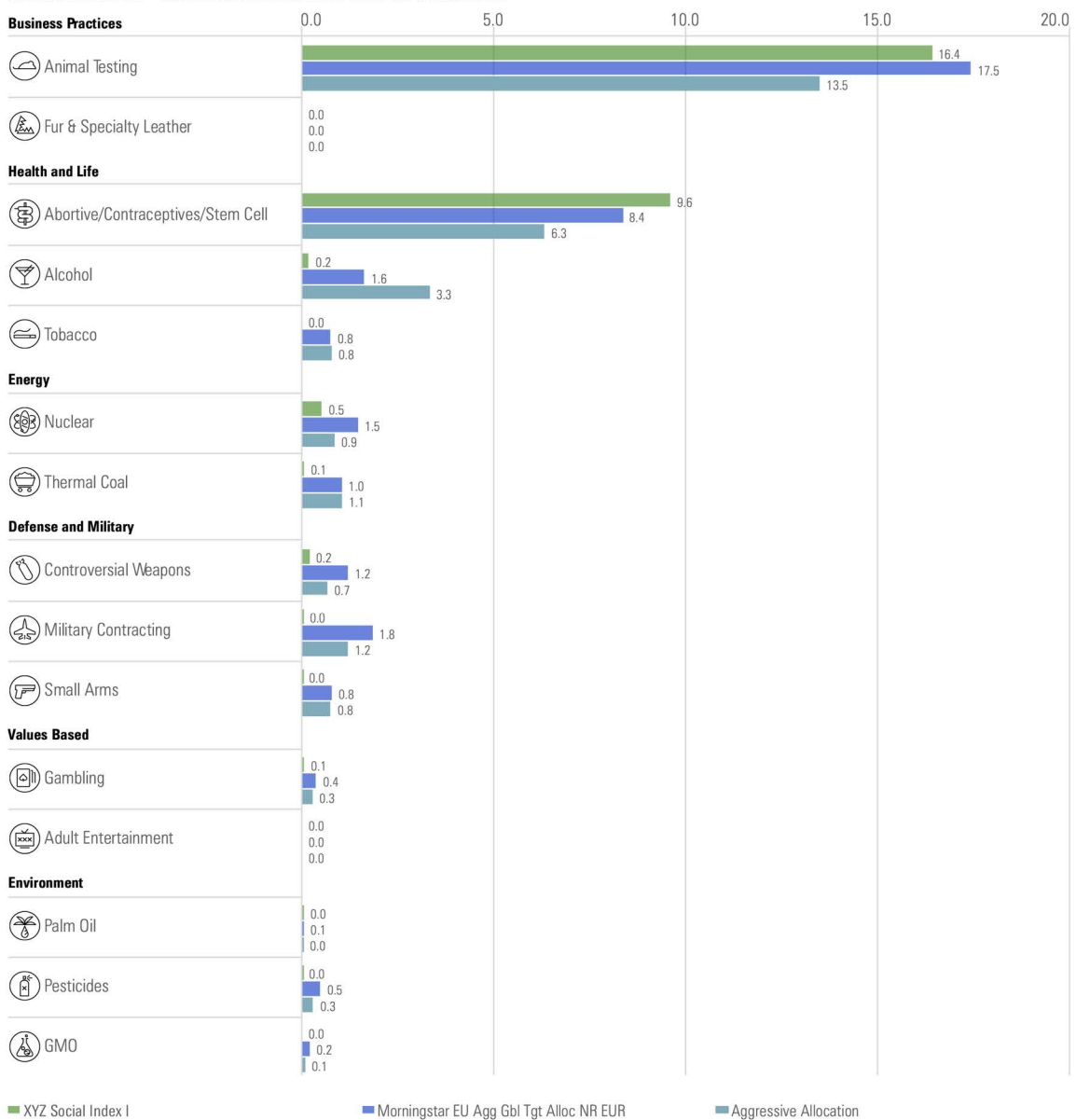
How do I read this page?

Sustainable investing is a choice and an opportunity to understand the companies' products and activities your investment support. This allows you to engage more deeply as an investor. Morningstar Portfolio Product Involvement metrics break down a portfolio's investments into 15 categories based on company revenues.

F

Morningstar Portfolio Product Involvement

Portfolio Date: 1/31/2022 Disolav Benchmark 3: Morninastar EU Aaa Gbl Tot Alloc NR EUR



Sustainability Report: XYZ Social Index I

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| | | | |
|------------------------------------|---|------------------------------------|--|
| Morningstar Rating™ ★★★★ | Morningstar® ESG Commitment Level Basic | Inception Date 8/27/2014 | Benchmark Morningstar® Index Morningstar EU Agg Gbl Tgt Alloc NR EUR |
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How do I read this page?

This report provides insight into sustainability factors using a consistent standard at the security, company, and fund level. This table contains Sustainalytics' ESG Risk Rating, an absolute measure of unmanaged material ESG risks for a company that also highlights how those compare to peers.

G **Top Holdings ESG Risk Scores**

| | Weighting % | ESG Risk Rating Assessment | Sustainalytics ESG Risk Score | ESG Risk Rank - Subindustry | Sustainalytics Subindustry |
|---|-------------|----------------------------|-------------------------------|-----------------------------|--|
| /COMBK FYUBSWPP COM USD 2.00 2/1/22 FYUBSWPP RECEIVE 112900149_112900147 | 0.57 | — | — | — | — |
| Stoxx Europe 600 ESG X Index Future Mar 22 | 5.49 | — | — | — | — |
| /COMIX FYBNPPDX COMIX BB6XALC R 06/07/22 FYBNP RECEIVE 110471655_110471653 | 4.03 | — | — | — | — |
| Microsoft Corp | 3.98 | ●●●●● | 13.75 | 12/414 | Enterprise and Infrastructure Software |
| E-mini S&P 500 ESG Index Future Mar 22 | 3.65 | — | — | — | — |
| Amazon.com Inc | 3.29 | ●●● | 30.23 | 73/79 | Online and Direct Marketing Retail |
| /COMIX FYSOGEDESK COMIX BBUXALC R 03/07/22 FYSOG RECEIVE 110471658_11047165 | 2.87 | — | — | — | — |
| Alphabet Inc Class A | 1.45 | ●●●●● | 24.32 | 58/228 | Internet Software and Services |
| Alphabet Inc Class C | 1.40 | ●●●●● | 24.32 | 58/228 | Internet Software and Services |
| NVIDIA Corp | 1.37 | ●●●●● | 12.77 | 1/202 | Semiconductor Design and Manufacturing |
| TOPIX Future Mar 22 | 1.35 | — | — | — | — |
| Johnson & Johnson | 1.29 | ●●●●● | 27.52 | 29/447 | Pharmaceuticals |
| Tesla Inc | 1.21 | ●●●● | 28.54 | 29/71 | Automobiles |
| /COMIX FYSOGEDESK COMIX BBUXALC R 03/07/22 FYSOG RECEIVE 110804639_11080463 | 0.97 | — | — | — | — |
| ASML Holding NV | 0.97 | ●●●●● | 11.96 | 3/98 | Semiconductor Equipment |
| Adobe Inc | 0.97 | ●●●●● | 10.78 | 4/414 | Enterprise and Infrastructure Software |
| Cisco Systems Inc | 0.95 | ●●●●● | 11.83 | 1/110 | Communications Equipment |
| Procter & Gamble Co | 0.94 | ●●●● | 26.97 | 20/77 | Personal Products |
| Coca-Cola Co | 0.93 | ●●●● | 22.48 | 7/40 | Soft Drinks |
| Eli Lilly and Co | 0.90 | ●●● | 32.31 | 61/447 | Pharmaceuticals |
| Thermo Fisher Scientific Inc | 0.85 | ●●●●● | 13.52 | 5/68 | Laboratory Equipment and Services |
| Verizon Communications Inc | 0.81 | ●●●●● | 16.70 | 12/228 | Telecommunication Services |
| Bank of America Corp | 0.67 | ●●●● | 27.27 | 149/420 | Diversified Banks |
| AXA SA | 0.64 | ●●●●● | 13.31 | 3/78 | Diversified Insurance Services |
| Automatic Data Processing Inc | 0.63 | ●●●●● | 14.18 | 5/93 | Data Processing |
| PayPal Holdings Inc | 0.62 | ●●●●● | 16.41 | 12/93 | Data Processing |
| Amgen Inc | 0.60 | ●●●● | 20.88 | 8/439 | Biotechnology |
| Intel Corp | 0.59 | ●●●●● | 16.67 | 5/202 | Semiconductor Design and Manufacturing |
| Intuit Inc | 0.57 | ●●●●● | 16.50 | 33/414 | Enterprise and Infrastructure Software |
| Lowe's Companies Inc | 0.57 | ●●●●● | 11.66 | 5/39 | Home Improvement Retail |
| Applied Materials Inc | 0.56 | ●●●●● | 11.60 | 2/98 | Semiconductor Equipment |
| Nestle SA | 0.56 | ●●●● | 24.33 | 15/345 | Packaged Foods |
| Salesforce.com Inc | 0.56 | ●●●●● | 13.20 | 11/414 | Enterprise and Infrastructure Software |
| Visa Inc Class A | 0.54 | ●●●●● | 16.06 | 11/93 | Data Processing |
| TRS Markt iBoxx EUR Brkvn Infl FrdGe TR EUR | 0.52 | — | — | — | — |
| The Home Depot Inc | 0.51 | ●●●●● | 11.45 | 4/39 | Home Improvement Retail |
| Toyota Motor Corp | 0.51 | ●●● | 30.56 | 42/71 | Automobiles |
| Public Storage | 0.49 | ●●●●● | 12.30 | 70/445 | REITs |
| Merck & Co Inc | 0.49 | ●●●● | 21.91 | 10/447 | Pharmaceuticals |
| AbbVie Inc | 0.48 | ●●●● | 28.01 | 34/447 | Pharmaceuticals |
| Manulife Financial Corp | 0.47 | ●●●●● | 17.92 | 19/91 | Life and Health Insurance |
| Citigroup Inc | 0.46 | ●●●● | 27.77 | 157/420 | Diversified Banks |
| Nippon Telegraph & Telephone Corp | 0.46 | ●●●● | 22.35 | 47/228 | Telecommunication Services |
| Accenture PLC Class A | 0.45 | ●●●●●● | 9.45 | 1/207 | IT Consulting |
| Target Corp | 0.45 | ●●●●● | 14.79 | 6/69 | Department Stores |
| MerckLife Inc | 0.45 | ●●●●● | 14.95 | 6/91 | Life and Health Insurance |
| Nike Inc Class B | 0.44 | ●●●●● | 16.80 | 9/26 | Footwear |
| Zoetis Inc Class A | 0.44 | ●●●●● | 18.18 | 2/447 | Pharmaceuticals |
| Deutsche Post AG | 0.44 | ●●●●● | 15.52 | 6/79 | Air Freight and Logistics |
| Apple Inc | 0.44 | ●●●●● | 16.27 | 12/104 | Technology Hardware |

Sustainability Report: XYZ Social Index I

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|------------------------------------|---|------------------------------------|--|
| Morningstar Rating™ ★★★★ | Morningstar® ESG Commitment Level Basic | Inception Date 8/27/2014 | Benchmark Morningstar® Index Morningstar EU Agg Gbl Tgt Alloc NR EUR |
|------------------------------------|---|------------------------------------|--|

How do I read this page?

Exposure of holdings-level information empowers investors with sustainability information on the individual companies they own. This table contains Sustainalytics' ESG risk classification, controversy levels, and researched company-level incidents. Sustainalytics uses 45 different incident tags which illuminate company activities that may have unintended or undesired environmental or social effects.

H

Top Holdings Controversy Analysis

Portfolio Date: 1/31/2022

| | Weighting % | Morningstar Rating™ | ESG Risk | Controversy Level | Controversy Topics |
|--|-------------|---------------------|----------|-------------------|---|
| /COMBK FYUBSWPP COM USD 2.00 2/1/28.57 | | — | — | — | — |
| Stoxx Europe 600 ESG X Index Future Mar 5.49 | | — | — | — | — |
| /COMIX FYBNPPDX COMIX BB6XALC R 064.03 | | — | — | — | — |
| Microsoft Corp | 3.98 | ★★★★ | Low | Significant | Customer |
| E-mini S&P 500 ESG Index Future Mar 22 3.65 | | — | — | — | — |
| Amazon.com Inc | 3.29 | ★★★★ | High | Significant | Business Ethics, Employee, Social Supply Chain, I |
| /COMIX FYSOGEDESK COMIX BBUXALC R 2.87 | | — | — | — | — |
| Alphabet Inc Class A | 1.45 | ★★★★ | Medium | High | Customer |
| Alphabet Inc Class C | 1.40 | ★★★★ | Medium | High | Customer |
| NVIDIA Corp | 1.37 | ★★ | Low | Moderate | Customer |
| TOPIX Future Mar 22 1.35 | | — | — | — | — |
| Johnson & Johnson | 1.29 | ★★★ | Medium | High | Customer |
| Tesla Inc | 1.21 | ★★ | Medium | Significant | Governance, Employee |
| /COMIX FYSOGEDESK COMIX BBUXALC R 0.97 | | — | — | — | — |
| ASML Holding NV | 0.97 | ★★★★ | Low | Low | Business Ethics, Customer |
| Adobe Inc | 0.97 | ★★★★★ | Low | Low | Business Ethics, Customer |
| Cisco Systems Inc | 0.95 | ★★★ | Low | Moderate | Business Ethics, Social Supply Chain, Customer, I |
| Procter & Gamble Co | 0.94 | ★★ | Medium | Significant | Environmental Supply Chain, Social Supply Chain |
| Coca-Cola Co | 0.93 | ★★★ | Medium | Significant | Operations, Business Ethics, Employee, Society & |
| Eli Lilly and Co | 0.90 | ★★ | High | Moderate | Business Ethics, Customer, Society & Community |
| Thermo Fisher Scientific Inc | 0.85 | ★★ | Low | Significant | Society & Community |
| Verizon Communications Inc | 0.81 | ★★★★ | Low | Significant | Customer |
| Bank of America Corp | 0.67 | ★★★ | Medium | Significant | Business Ethics, Customer, Society & Community |
| AXA SA | 0.64 | ★★★★ | Low | Moderate | Customer |
| Automatic Data Processing Inc | 0.63 | ★★★ | Low | Low | Employee, Customer |
| PayPal Holdings Inc | 0.62 | ★★★★ | Low | Moderate | Business Ethics, Customer, Society & Community |
| Amgen Inc | 0.60 | ★★★★ | Medium | Moderate | Society & Community |
| Intel Corp | 0.59 | ★★★★ | Low | Significant | Business Ethics, Customer |
| Intuit Inc | 0.57 | ★★★ | Low | Moderate | Customer |
| Lowe's Companies Inc | 0.57 | ★★ | Low | Moderate | Business Ethics, Employee, Customer |

Page 4

| | | | |
|-------------------------------------|---|------------------------------------|--|
| Morningstar Rating™ ★★★★★ | Morningstar® ESG Commitment Level Basic | Inception Date 8/27/2014 | Benchmark Morningstar® Index Morningstar EU Agg Gbl Tgt Alloc NR EUR |
|-------------------------------------|---|------------------------------------|--|

How do I read this page?

Climate change caused by greenhouse gas emissions (including carbon) pose significant investment opportunities and risks. To calculate the Morningstar® Portfolio Carbon Risk Score™, Morningstar uses Sustainalytics' company-level Carbon Risk Ratings, which measures the risk that companies face due to the global transition to a low-carbon economy. A company's ability to reduce emissions and mitigate carbon risk using various management strategies is deducted from their overall carbon risk exposure to arrive at the Morningstar® Portfolio Carbon Risk Score™.

I

Morningstar® Portfolio Carbon Metrics

No Designation

Morningstar carbon metrics are asset-weighted portfolio calculations based on Sustainalytics' company Carbon Risk Rating. To receive the Morningstar® Low Carbon Designation™, a fund must have a 12-month average Portfolio Carbon Risk Score below 10 and a 12-month average Fossil Fuel Involvement of less than 7% of assets. This signal helps investors easily identify funds that are well-positioned to transition to a low-carbon economy.

Carbon Risk Score (12 Month Average)



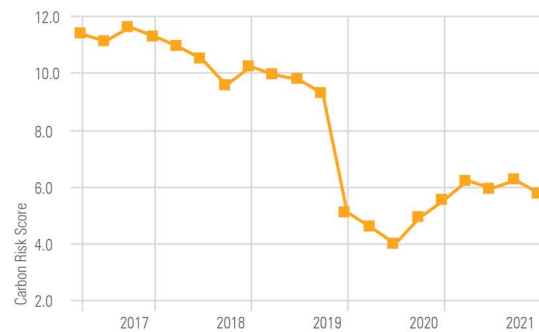
Fossil Fuel Involvement (12 Month Average)



● XYZ Social Index I

Morningstar® Portfolio Carbon Risk Score™ Time Series

Time Period: 3/1/2017 to 12/31/2021

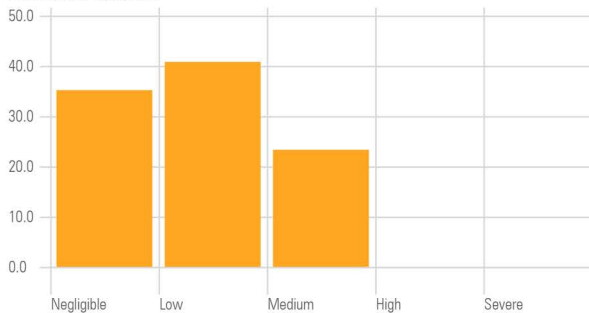


— XYZ Social Index I

J

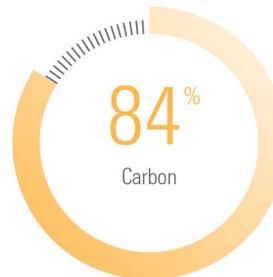
Corporate Carbon Risk Distribution

Portfolio Date: 12/31/2021



■ XYZ Social Index I

Carbon AUM Coverage



The Carbon Risk Rating Distribution shows the percent of calculated Assets Under Management (AUM) with negligible, low, medium, high, or severe Carbon Risk Ratings. At least 67% of portfolio assets must have a Carbon Risk Rating from Sustainalytics for a portfolio score to be calculated.

K

Direct Emissions (Scope 1)

The asset-weighted average of holdings with scope 1 emissions data from Sustainalytics in a fund. Scope 1 emissions include direct greenhouse gas emissions from sources that are owned or controlled by the companies held in the fund. Scope 1 can include emissions from fossil fuels burned on site, emissions from entity-owned or entity-leased vehicles, and other direct sources.

Indirect Emissions (Scope 2)

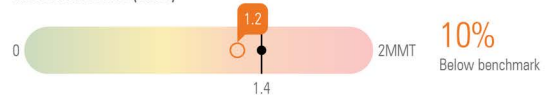
The asset-weighted average of holdings with scope 2 emissions data from Sustainalytics in a fund. Scope 2 emissions include greenhouse gas emissions from the generation of purchased electricity consumed by the companies held in the fund. Scope 2 emissions physically occur at the facility where electricity is generated.

Corporate Carbon Emissions

Direct Emissions (MMT)



Indirect Emissions (MMT)



Sustainability Report: XYZ Social Index I

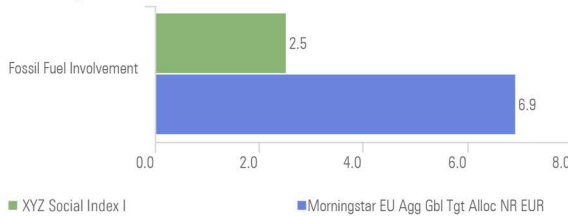
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| | | | |
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| Morningstar Rating™ ★★★★★ | Morningstar® ESG Commitment Level Basic | Inception Date 8/27/2014 | Benchmark Morningstar® Index Morningstar EU Agg Gbl Tgt Alloc NR EUR |
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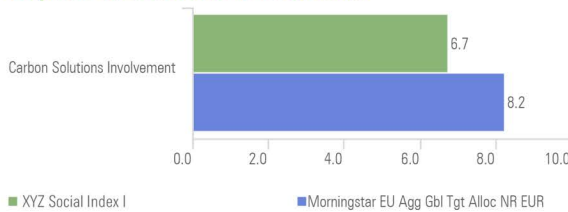
How do I read this page?

When fossil fuels are burned to power factories, power plants, and vehicles greenhouse gases (GHG) enters the atmosphere. To help investors who may want to limit their exposure, Morningstar's Portfolio Fossil Fuel Involvement™ measures the percentage of the portfolio's corporate assets that are involved in fossil fuels based on revenues. At the bottom of the page, portfolio holdings are ranked by top contributors and detractors to overall carbon risk.

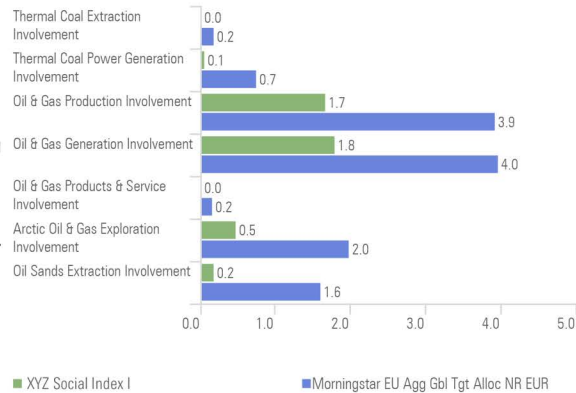
L Morningstar® Portfolio Fossil Fuel Involvement™



Corporate Carbon Solutions Involvement



M Fossil Fuel Related Activities



Companies are considered involved in fossil fuels if they derive at least an aggregate 5% share of total revenue from the activities listed in the Fossil Fuel Related Activities table. Companies involved in Arctic Oil & Gas Exploration and Oil Sands Extraction will be included only if there is no involvement in Oil & Gas Production.

Top Holdings Carbon Risk

| | Weighting % | Carbon Overall Risk Score | Carbon Overall Risk Classification | Prod Inv % - Fossil Fuel | Prod Inv % - Carbon Solutions |
|---|-------------|---------------------------|------------------------------------|--------------------------|-------------------------------|
| Best Carbon Overall Risk Score (lower means less risk) | | | | | |
| Microsoft Corp | 3.98 | 0.00 | Negligible Risk | None | None |
| NVIDIA Corp | 1.37 | 0.00 | Negligible Risk | None | 25%-49.9% |
| Johnson & Johnson | 1.29 | 0.00 | Negligible Risk | None | None |
| ASML Holding NV | 0.97 | 0.00 | Negligible Risk | None | None |
| Adobe Inc | 0.97 | 0.00 | Negligible Risk | None | None |
| Worst Carbon Overall Risk Score (higher means more risk) | | | | | |
| BP Capital Markets plc 1.876% | 0.03 | 39.92 | High Risk | 50%-100% | None |
| Shell International Finance B.V. 0.875% | 0.01 | 38.39 | High Risk | 50%-100% | None |
| Repsol SA | 0.25 | 33.14 | High Risk | 25%-49.9% | None |
| OMV AG | 0.23 | 33.09 | High Risk | 50%-100% | None |
| TotalEnergies SE | 0.17 | 32.70 | High Risk | 50%-100% | None |
| Worst Company Product Involvement - Fossil Fuel | | | | | |
| Marubeni Corp | 0.15 | 12.13 | Medium Risk | 5%-9.9% | None |
| Iren SpA | 0.11 | 20.12 | Medium Risk | 5%-9.9% | None |
| Drax Group PLC | 0.10 | 5.82 | Low Risk | 5%-9.9% | 25%-49.9% |
| E.ON SE 0.375% | 0.05 | 0.99 | Low Risk | 5%-9.9% | None |
| E.ON SE 0% | 0.02 | 0.99 | Low Risk | 5%-9.9% | None |
| Best Company Product Involvement - Carbon Solutions | | | | | |
| Intel Corp | 0.59 | 0.85 | Low Risk | None | 5%-9.9% |
| Compagnie de Saint-Gobain SA | 0.12 | 10.80 | Medium Risk | None | 5%-9.9% |
| Bayerische Motoren Werke AG | 0.09 | 28.58 | Medium Risk | None | 5%-9.9% |
| Engie SA 1.375% | 0.06 | 14.57 | Medium Risk | 10%-24.9% | 5%-9.9% |
| Covestro AG | 0.06 | 14.94 | Medium Risk | None | 5%-9.9% |

Sustainability Report: XYZ Social Index I

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| | | | |
|-------------------------------------|---|------------------------------------|--|
| Morningstar Rating™ ★★★★★ | Morningstar® ESG Commitment Level Basic | Inception Date 9/28/2020 | Benchmark Morningstar® Index Morningstar EU Agg Gbl Tgt Alloc NR EUR |
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How do I read this page?

The Sustainable Development Goals (SDGs) are an international framework put forward by the United Nations as a call to action to end poverty, protect the planet, and improve the lives and prospects of everyone, everywhere. Morningstar Sustainability has created five impact themes that distill the UN SDGs into five consolidated, broad themes: Basic Needs, Human Development, Resource Security, Climate Action, and Healthy Ecosystems. The product revenue reported in both tables represents the average revenue percentage across the portfolio's holdings related to each UN SDG (first table) and Morningstar Sustainability Impact Theme (second table).

N Average Product Revenue % by UN SDG - XYZ Social Index I

Portfolio Date: 2/27/2022 Display Benchmark 1: Morningstar EU Agg Gbl Tgt Alloc NR EUR

| | Inv | Bmk1 | +/- Bmk1 |
|---|------|------|----------|
| 2 Zero Hunger | 0.01 | 0.04 | -0.03 |
| 3 Good Health and Well-Being | 3.50 | 4.05 | -0.55 |
| 4 Quality Education | 0.00 | 0.01 | -0.01 |
| 6 Clean Water and Sanitation | 0.12 | 0.27 | -0.15 |
| 7 Affordable and Clean Energy | 0.26 | 0.64 | -0.38 |
| 9 Industry, Innovation, and Infrastructure | 0.00 | 0.00 | -0.00 |
| 10 Reduced Inequality | 0.00 | 0.00 | -0.00 |
| 11 Sustainable Cities and Communities | 2.34 | 1.80 | 0.54 |
| 12 Responsible Consumption and Production | 2.41 | 2.03 | 0.38 |
| 13 Climate Action | 2.49 | 2.14 | 0.36 |
| 14 Life Below Water | 0.04 | 0.09 | -0.05 |
| 15 Life on Land | 0.01 | 0.04 | -0.03 |

O Average Product Revenue % by Impact Metrics - XYZ Social Index I

Portfolio Date: 2/27/2022 Display Benchmark 1: Morningstar EU Agg Gbl Tgt Alloc NR EUR

| | Inv | Bmk1 | +/- Bmk1 |
|---|------|------|----------|
|  Basic Needs This theme is concerned with addressing the basic needs of humans and focuses particularly on lower income individuals. Basic needs include providing access to food, housing, essential healthcare concerning major and neglected diseases, clean water and energy for underserved populations. It also addresses human safety, including safe workplaces. | 3.59 | 4.28 | -0.68 |
|  Human Development This theme is concerned with enhancing human capabilities and promoting human progress. It includes measures which support education, improve equality, employment opportunities and advanced healthcare. | 0.00 | 0.01 | -0.01 |
|  Resource Security This theme is concerned with the contribution to resource security through efficient use and circular economies. Resources of concern include water, timber, metals, minerals, gases and all types of manufactured materials. | 0.76 | 1.29 | -0.53 |
|  Climate Action This theme is concerned with the global effort to curb the Earth's temperature rise and cope with unavoidable consequences. It includes measures to promote clean energy, limitations on GHG emissions from business activities and climate change adaptation measures. | 2.49 | 2.14 | 0.36 |
|  Healthy Ecosystems This theme is concerned with the safeguarding of ecologically sound environments on land, air and water. It does not include GHG emissions and water consumption as these are covered under other themes. | 0.08 | 0.23 | -0.16 |

Sustainability Report: XYZ Social Index I

[Insert Logo]

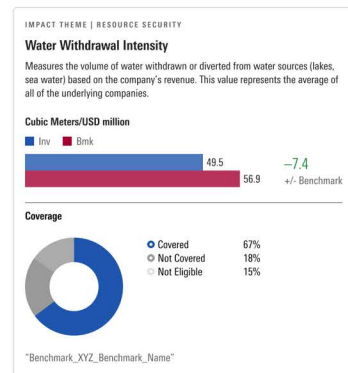
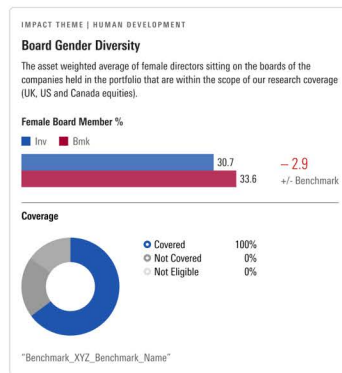
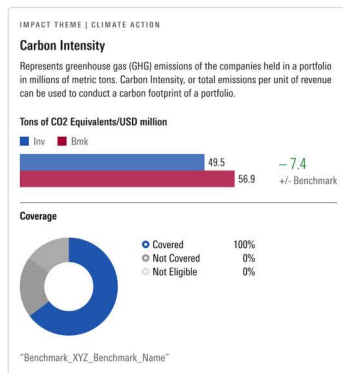
| | | | |
|-------------------------------------|---|-----------------------------------|--|
| Morningstar Rating™ ★★★★★ | Morningstar® ESG Commitment Level Basic | Inception Date 5/5/2020 | Benchmark Morningstar® Index Morningstar EU Agg Gbl Tgt Alloc NR EUR |
|-------------------------------------|---|-----------------------------------|--|

How do I read this page?

Operational impact metrics are indicators which measure the impact of an entity's operations on the environment or society. The operational impact metrics table provides three statistics that are averaged for the portfolio holdings: 'Percent of Female Directors' where a higher figure reflects better performance within the Human Development theme, 'Water Withdrawal Intensity' where a lower figure reflects better performance within the Resource Security theme, and 'Carbon Intensity' where a lower figure reflects better performance within the Climate Action theme. The percentage of Assets Under Management (AUM) in the portfolio are included for each of the three metrics.

P

Operational Impact Metrics

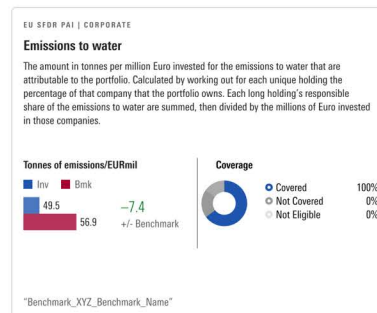
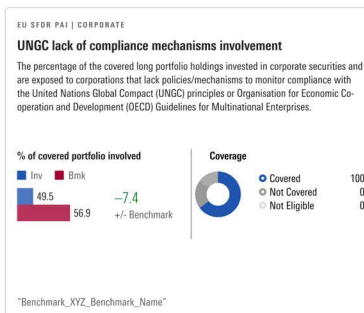
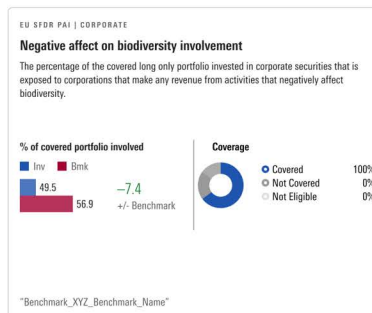
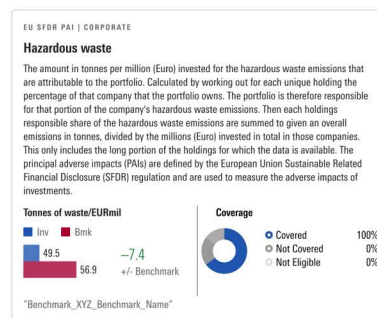
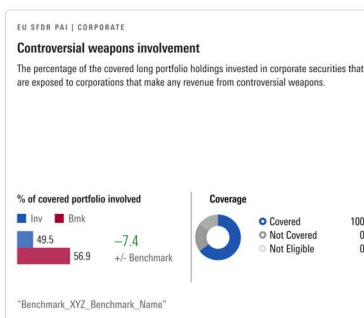
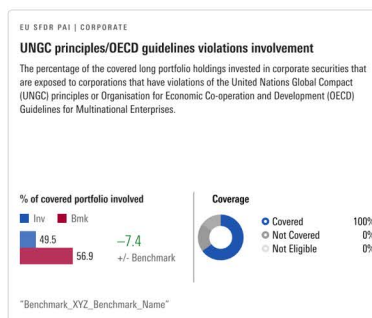


EU SFDR

The EU's sustainability finance disclosure regulation, or SFDR, mandates that certain financial market participants must disclose the principal adverse impacts, or PAIs, of their holdings. As such, the regulation provides several PAIs that can be calculated, with some being mandatory. They are designed to measure the adverse environmental or social impacts that investments may have. The regulation applies to financial participants, such as asset managers, who will have to disclose these PAIs at a group/entity level. Outside of the EU regulation, the PAIs can be useful to investors globally, and Morningstar will calculate them for all funds regardless of where they are domiciled or sold. All mandatory and voluntary PAIs (except for the real estate ones) will be calculated at a portfolio level and for Morningstar Indexes.

Q

Principal Adverse Impact (PAI) Metrics



The "Not Eligible" portion of the coverage statistics refers to the percentage of assets under management that are not applicable to the metric. The value of the metric is calculated based on the "Covered" portion. The "Not Covered" portion refers to the percentage of assets under management that are applicable to the metric but are not considered in the value provided. Each operational metric and PAI have different coverage statistics.

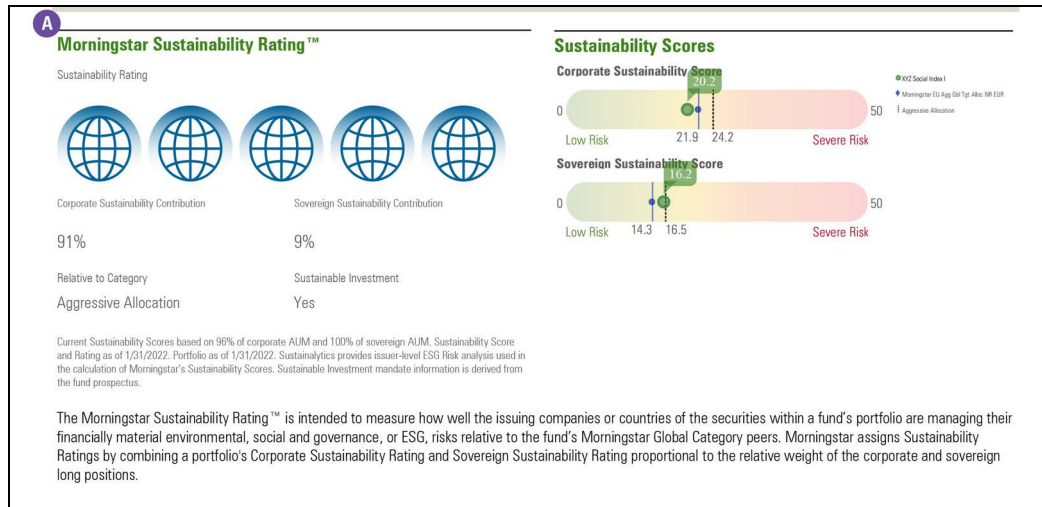
A: Morningstar Sustainability Rating™

A: Morningstar Sustainability Rating™

This content would work well with investors interested in the following approaches to sustainable investing:

- ▶ Apply Exclusions
- ▶ Limit ESG Risk

Which applicable sustainable investing approaches would benefit from this content?



The Morningstar Sustainability Rating™ measures how well the investments within a fund's portfolio are managing their ESG risk relative to the fund's Morningstar Global Category peers. It is comprised of the following values:

- ▶ Historical Corporate Score, and
- ▶ Sovereign Sustainability Score.

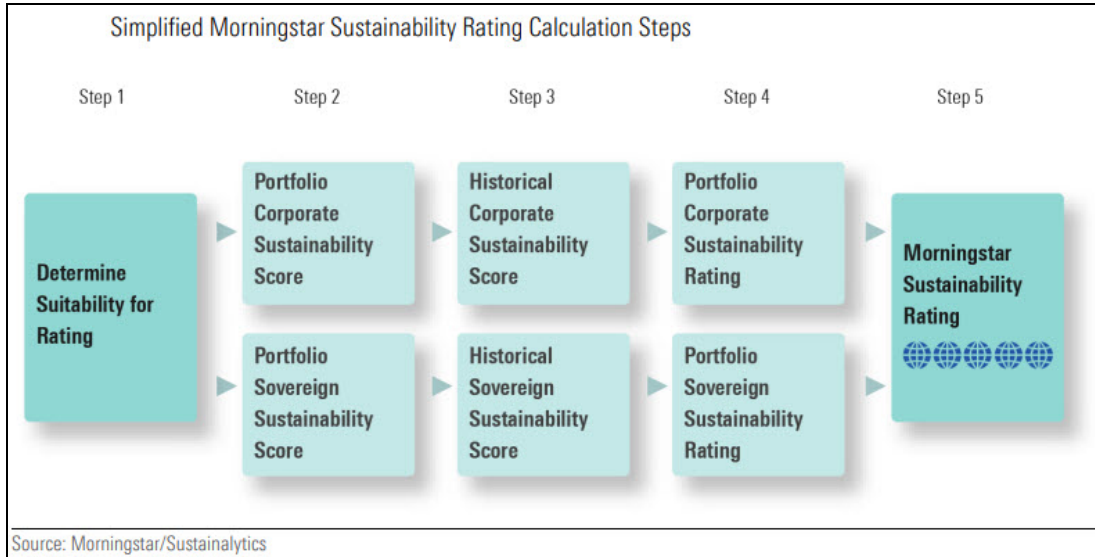
These are proportional to the relative weight of the corporate and sovereign (long-only) positions in the fund's portfolio.

The Morningstar Portfolio Corporate Sustainability Score and Portfolio Sovereign Sustainability Score are each an asset-weighted average of Sustainalytics' company-level ESG Risk Rating and Sustainalytics' Country Risk Rating, respectively.

What content does this section show?

A: Morningstar Sustainability Rating™

The ratings are derived from the Historical Portfolio Corporate and Sovereign Sustainability Scores by ranking the respective Historical Sustainability Scores of all scored funds within a Morningstar Global Category. The final rating output is a scale of 1-5 globes.



Example Portfolio - Portfolio Sustainability Rating

| Corporate | | | Sovereign | | | (Corporate Contribution x Rating) + (Sovereign Contribution x Rating) | Portfolio Sustainability Rating |
|------------------|--------|-----------------------|------------------|--------|-----------------------|--|--|
| Contribution | Rating | Contribution x Rating | Contribution | Rating | Contribution x Rating | | |
| 0.65 | 4 | 2.6 | 0.35 | 2 | 0.7 | 3.3 | |

Source: Morningstar/Sustainalytics.

A: Morningstar Sustainability Rating™

Each managed investment is first evaluated to identify its Qualified Holdings. Qualified Holdings are those potentially exposed to ESG risk, including the following types:

- ▶ equities
- ▶ fixed-income instruments
- ▶ commodities
- ▶ real estate, and
- ▶ alternatives.

The following types are excluded from being considered as Qualified Holdings:

- ▶ short positions
- ▶ cash and currency, and
- ▶ derivatives and synthetic holdings.

Next, a subset of Qualified Holdings—Eligible Holdings—are considered. Eligible Holdings are those for which Morningstar has developed a risk rating framework. Currently, a risk rating framework has been developed for corporate and sovereign-issued holdings.

The following holding types are considered Not Eligible for a risk rating until a risk rating framework is developed for them:

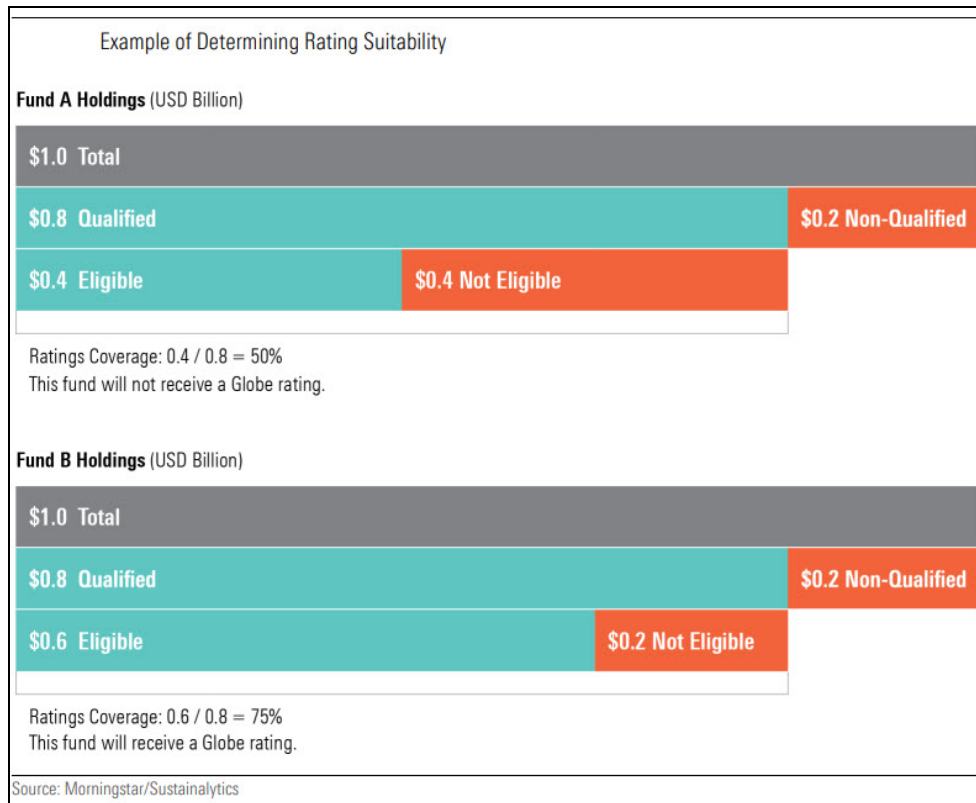
- ▶ municipal bonds
- ▶ commodities
- ▶ real estate
- ▶ alternative investment types, and
- ▶ any other security type not explicitly covered by the risk rating framework.

Which holdings in a managed investment qualify for scores contributing to the Morningstar Sustainability Rating?

A: Morningstar Sustainability Rating™

Once the portion of Qualified Holdings and Eligible Holdings in a fund are determined, the value of Eligible Holdings is divided by the value of Qualified Holdings, with a requirement that at least 67% of the fund's Qualified Holdings are eligible to be rated. In cases where less than 67% of the Qualified Holdings are eligible, the fund is considered unsuitable for a Morningstar Sustainability Rating.

How do Qualified and Eligible Holdings contribute to the Morningstar Sustainability Rating?



For more information on the content seen in this section, see the following papers:

- ▶ [Morningstar Sustainability Rating Methodology](#)
- ▶ [Morningstar Sustainability Rating Methodology Change: Incorporating Sovereign Debt](#)
- ▶ [Morningstar Sustainability Rating Change Impact Statement](#)

What additional resources are available on this topic?

B: ESG Pillar Score

B: ESG Pillar Score

This content would work well with investors interested in the following approach to sustainable investing:

- ▶ Limit ESG Risk
- ▶ Practice Active Ownership

Which applicable sustainable investing approaches would benefit from this content?



The Morningstar Portfolio Pillar Scores are a separate and complementary calculation to the Portfolio Sustainability Score. They provide a reliable, objective way to break down the Corporate Sustainability Score into separate Environmental (E), Social (S), and Governance (G) pillars.

What content does this section show?

- 🔗 Note: The Unallocated ESG Risk Pillar measures the portion of the portfolio's ESG Risk Score that has not been decomposed into E,S, and G pillar scores.

Sustainalytics considers a range of Material ESG Issues (MEIs) for each company, mapping each one to relevant ESG pillars. These scores give users a sense to what degree environmental, social, and governance issues are contributing to the total unmanaged ESG risk score of a company.

The Portfolio Pillar Scores, in turn, are calculated as an asset-weighted average of the corresponding company-level ESG risk scores. To receive Portfolio Pillar Scores, the managed investment must be eligible to receive a Portfolio Sustainability Score. This means at least 67% of a portfolio's eligible assets under management must have a company ESG Risk Rating.

For more information on the content seen in this section, see the following content:

- ▶ [Morningstar Sustainability Pillar Scores Methodology](#)
- ▶ [Sustainalytics Introductory Video for ESG Risk Ratings](#)

What additional resources are available on this topic?

C: Corporate ESG Risk Breakdown

This content would work well with investors interested in the following approaches to sustainable investing:

- ▶ Apply Exclusions
- ▶ Limit ESG Risk

Which applicable sustainable investing approaches would benefit from this content?



The Overall Sustainalytics ESG Risk Score for a company is measured by evaluating its exposure to and the management of Material ESG Issues (MEIs). For each issue, exposure can be considered either as Manageable or Unmanageable risk.

What content does this section show?

Unmanageable risks are those outside the boundaries of a management's control based on the assumption that the company continues its inherent business. That is, these risks cannot fundamentally change what a company is doing, because they are a core part of the business. For example, a company producing oil cannot completely manage its environmental exposure risk because that is inherent to its work.

For a company's risk portion that is manageable, a management assessment is applied based on the strength of company commitments, actions, and outcomes demonstrating how well a company is managing its ESG exposure. The portion of manageable risk that is managed is considered Managed Risk, and the portion not managed is a Management Gap. Any risk to an ESG issue not properly managed by the company or that is unable to be managed by the company is considered Unmanaged Risk.

The resulting measure of risk for each issue is summed to provide one score representing the company's overall ESG risk. Overall Risk or Exposure is the sum of the Managed Risk and Unmanaged Risk. The Unmanaged Risk measurement determines the ESG Risk Score.

The ESG Risk Ratings are considered an absolute risk assessment, which means the output is comparable across sectors, industries, and subindustries, as opposed to relative risk assessments which calculate performance relative to peers and which may not be directly comparable to non-peers.

C: Corporate ESG Risk Breakdown

For more information on the content seen in this section, do the following in Morningstar Direct:

1. From the Home module, select the **Research Portal**.
2. **Search** for **ESG Risk Rating**.
3. Select the following articles:
 - ▶ Morningstar Globe Rating for Companies FAQ
 - ▶ Morningstar Globe Rating for Companies - An Overview, and
 - ▶ Our New Rating Measures a Stock's ESG Risk.

☞ Note: After clicking each article, repeat steps 1-2 to find the other article(s).

What additional resources are available on this topic?

Search for the correct phrase, then open each article to read it.

The screenshot shows the Morningstar Direct Research Portal interface. A search bar at the top right contains the text "ESG Risk Rating". Below the search bar, a list of 10 search results is displayed. The results include:

- Morningstar Research**: How Much Do Differences in ESG Ratings Matter to Investors? ... Sustainalytics ESG Risk Rating, its flagship analytic, assesses firms' exposure to and management of financially... 11/17/2021 = Dan Lelkovitz = Macro
- What's the Cost of Buying Good ESG Companies?** ... ESG Risk Rating Assessment from Sustainalytics (a division of Morningstar). Sustainalytics' analysts... 11/23/2021 = Haywood Kelly, CFA = Manager
- Morningstar Globe Rating for Companies FAQ** ... 7 Morningstar® ESG Risk Rating Assessment for Companies Frequently Asked Questions... 04/22/2021 = Morningstar = Equity
- Morningstar Globe Rating for Companies -- An Overview** ... 7 Morningstar® ESG Risk Rating Assessment for Companies An Overview Introduction In... 04/22/2021 = Morningstar = Equity
- Our New Rating Measures a Stock's ESG Risk** ... rating that stock investors can use to measure the degree to which ESG risk could potential...

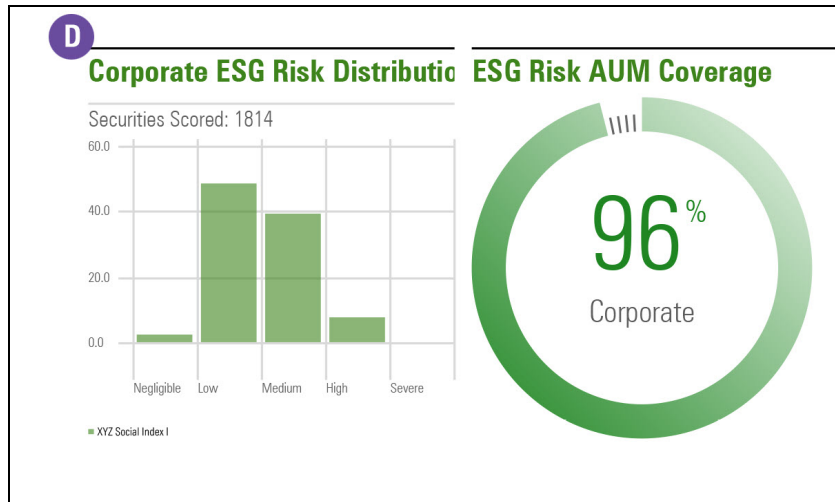
The search results are highlighted with a red box. A red line points from the text "Search for the correct phrase, then open each article to read it." to the search bar. The left sidebar shows the navigation menu with "Research Portal" selected.

D: Corporate ESG Risk Distribution & ESG Risk AUM Coverage

This content would work well with investors interested in the following approaches to sustainable investing:

- ▶ Apply Exclusions
- ▶ Limit ESG Risk

Which applicable sustainable investing approaches would benefit from this content?



Sustainalytics' ESG Risk Ratings measure a company's exposure to industry-specific material ESG risks and how well a company is managing those risks. This multi-dimensional way of measuring ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk (see section B). Corporate entities are assigned to one of five categories of ESG risk severity that could impact a company's enterprise value: Negligible, Low, Medium, High, and Severe. The ESG Risk Assets Under Management (AUM) Coverage dial shows the percentage of assets under management of corporate holdings that have a calculated risk rating.

What content does this section show?

D: Corporate ESG Risk Distribution & ESG Risk AUM Coverage

For more information on the content seen in this section, see the ESG Risk Rating Assessment paper and ESG Risk Rating Assessment FAQ document by doing the following in Morningstar Direct:

1. From the Home module, select the **Research Portal**.
2. **Search** for **ESG Risk Rating**.
3. Select the following articles:
 - ▶ Morningstar Globe Rating for Companies FAQ
 - ▶ Morningstar Globe Rating for Companies - An Overview, and
 - ▶ Our New Rating Measures a Stock's ESG Risk.

🔗 Note: After clicking each article, repeat steps 1-2 to find the other article(s).

What additional resources are available on this topic?

Search for the correct phrase, then open each article to read it.

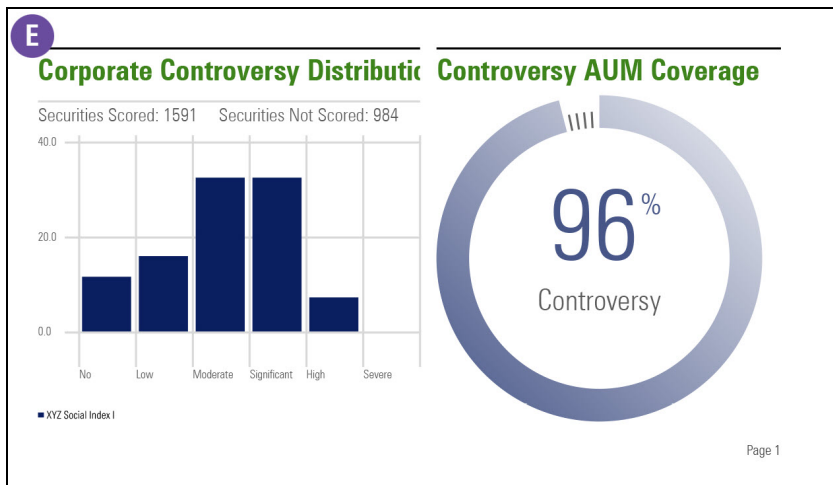
The screenshot shows the Morningstar Direct Research Portal interface. A search bar at the top right contains the text 'ESG Risk Rating'. The search results are displayed on the right side of the page, showing 10 results. The first result is 'Morningstar Research: How Much Do Differences in ESG Ratings Matter to Investors?'. The second result is 'What's the Cost of Buying Good ESG Companies?'. The third result is 'Morningstar Globe Rating for Companies FAQ'. The fourth result is 'Morningstar Globe Rating for Companies -- An Overview'. The fifth result is 'Our New Rating Measures a Stock's ESG Risk'. The left sidebar shows the navigation menu with 'Research Portal' highlighted. The main content area displays 'Editor's Picks' and 'MANAGER RESEARCH' with the article 'Unattractive Share' and a bar chart titled 'Average Net Expense Ratios at Year-End 2020'.

E: Corporate Controversy Distribution & Controversy AUM Coverage

This content would work well with investors interested in the following approaches to sustainable investing:

- ▶ Apply Exclusions
- ▶ Limit ESG Risk
- ▶ Practice Active Ownership

Which applicable sustainable investing approaches would benefit from this content?



The chart here shows the number of holdings with each Morningstar Controversy Rating. Each “incident” is a key building block of the Morningstar Controversy Rating. An incident is a company activity with unintended and/or undesired negative environmental and/or social impacts on stakeholders. Incidents are primarily assessed based on the negative environmental and/or social impact of the company activity as well as the reputational risk this activity poses to a company.

Note: Sustainalytics covers 47 incident types.

Isolated incidents or related incidents pertaining to the same ESG issue are grouped and scored from 1 to 10 to form an Event. Events are classified into 40 Event Indicators. The Incidents comprising Events and the Event itself are assessed on the following scale:

- ▶ Low
- ▶ Moderate
- ▶ Significant
- ▶ High, and
- ▶ Severe.

The highest Event Rating under a controversy indicator becomes the Controversy Rating. The Controversy Assets Under Management (AUM) Coverage dial shows the percentage of assets under management of corporate holdings evaluated for controversies.

What content does this section show?

E: Corporate Controversy Distribution & Controversy AUM Coverage

For more information on the content seen in this section, see the following papers:

- ▶ [Controversies Research Methodology](#)
- ▶ [Controversies FAQ](#)
- ▶ [Controversies Research deck](#)

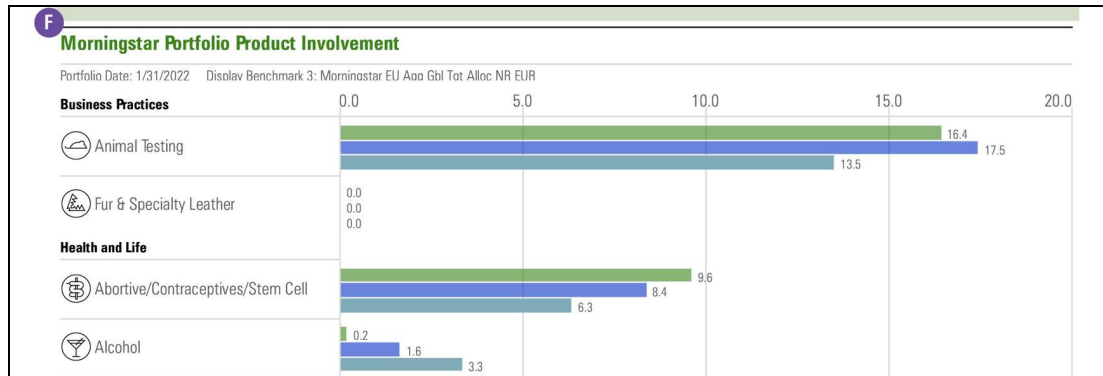
What additional resources are available on this topic?

F: Morningstar Portfolio Product Involvement

This content would work well with investors interested in the following approaches to sustainable investing:

- ▶ Apply Exclusions
- ▶ Practice Active Ownership

Which applicable sustainable investing approaches would benefit from this content?



The Morningstar Portfolio Product Involvement metrics measure a portfolio's exposure to involvement in a range of products, services, and business activities. The metrics are holdings-based calculations using company-level research from Sustainalytics. A company is considered involved and incorporated in the product area's product involvement percentage calculation if the minimum revenue threshold is greater than or equal to the range defined for each Product Involvement Area.

What content does this section show?

Sustainalytics evaluates direct product involvement from producing, manufacturing, or operating a product as well as indirect involvement from distributing or selling related products and services.

Note: The first page of the Sustainability Report template also highlights the Top 3 Product Involvement categories.

For more information on the content seen in this section, see the following content:

- ▶ [Morningstar Portfolio Product Involvement Methodology](#)
- ▶ [Product Involvement Introduction Video](#)

What additional resources are available on this topic?

G: Holdings-Level ESG Risk Analysis

This content would work well with investors interested in the following approaches to sustainable investing:

- ▶ Apply Exclusions
- ▶ Limit ESG Risk
- ▶ Seek ESG Opportunities
- ▶ Practice Active Ownership

Which applicable sustainable investing approaches would benefit from this content?

| G Top Holdings ESG Risk Scores | | | | | |
|---|-------------|----------------------------|-------------------------------|-----------------------------|--|
| | Weighting % | ESG Risk Rating Assessment | Sustainalytics ESG Risk Score | ESG Risk Rank - Subindustry | Sustainalytics Subindustry |
| /COMBK FYUBSWPP COM USD 2.00 2/1/22 FYUBSWPP RECEIVE 112900149_112900147 | 8.57 | — | — | — | — |
| Stoxx Europe 600 ESG X Index Future Mar 22 | 5.49 | — | — | — | — |
| /COMIX FYBNPPDX COMIX BBGXALC R 06/07/22 FYBNP RECEIVE 110471655_110471653 | 4.03 | — | — | — | — |
| Microsoft Corp | 3.98 | @@@ | 13.75 | 12/414 | Enterprise and Infrastructure Software |
| E-mini S&P 500 ESG Index Future Mar 22 | 3.65 | — | — | — | — |
| Amazon.com Inc | 3.29 | @@ | 30.23 | 73/79 | Online and Direct Marketing Retail |
| /COMIX FYSOGEDESK COMIX BBUXALC R 03/07/22 FYSOG RECEIVE 110471658_11047165 | 2.87 | — | — | — | — |
| Alphabet Inc Class A | 1.45 | @@@ | 24.32 | 58/228 | Internet Software and Services |
| Alphabet Inc Class C | 1.40 | @@@ | 24.32 | 58/228 | Internet Software and Services |
| NVIDIA Corp | 1.37 | @@@ | 12.77 | 1/202 | Semiconductor Design and Manufacturing |

The central building blocks of Sustainalytics' ESG Risk Ratings are material ESG issues, or MEIs. For Sustainalytics, an ESG issue is material if it is likely to have a significant effect on the enterprise value of a typical company within a subindustry.

What content does this section show?

First, a company's exposure to each MEI is identified to be relevant for the subindustry. Exposure is a company's vulnerability to ESG-related risk factors capable of posing financial risks. Next, based on the relevant subindustry MEI selection, a company's risk exposure to the material issues is assessed along with how well it manages this exposure to risk. Although this subindustry-level assessment is the starting point, each company is assessed individually to determine where it deviates from subindustry norms.

The final score is the sum of the unmanaged risk scores for the company's MEIs. Scores range from 0 (no risk) to an open-ended maximum, although for 95% of the cases, the unmanaged ESG Risk score is below 50.

 Note: This score is also known as the Sustainalytics ESG Risk Score.

G: Holdings-Level ESG Risk Analysis

Based on their quantitative scores, companies are grouped into one of the following ESG Risk Rating Assessment classifications:

| ESG Risk Rating Score | ESG Risk Rating Classification | ESG Risk Rating Assessment |
|-----------------------|--------------------------------|--|
| 0 - 9.99 | Negligible |  |
| 10 - 19.99 | Low |  |
| 20 - 29.99 | Medium |  |
| 30 - 39.99 | High |  |
| >=40 | Severe |  |

The ESG Risk Rating Assessment for companies offers a way for the whole market to speak a common language about ESG risks across all audiences, workflows, and investment vehicles.

G: Holdings-Level ESG Risk Analysis

For more information on the content seen in this section, see the ESG Risk Rating Assessment paper and ESG Risk Rating Assessment FAQ document by doing the following in Morningstar Direct:

1. From the Home module, select the **Research Portal**.
2. **Search** for **ESG Risk Rating**.
3. Select the following articles:
 - ▶ Morningstar Globe Rating for Companies FAQ
 - ▶ Morningstar Globe Rating for Companies - An Overview, and
 - ▶ Our New Rating Measures a Stock's ESG Risk.

🔗 Note: After clicking each article, repeat steps 1-2 to find the other article(s).

What additional resources are available on this topic?

Search for the correct phrase, then open each article to read it.

The screenshot displays the Morningstar Direct Research Portal. The search bar at the top right contains the text "ESG Risk Rating". The search results on the right side of the page are as follows:

- 10 Results**
- Morningstar Research**
 - How Much Do Differences in ESG Ratings Matter to Investors? ... Sustainalytics ESG Risk Rating, its flagship analytic, assesses firms' exposure to and management of financially... 11/17/2021 • Dan Lefkowitz • Macro
 - What's the Cost of Buying Good ESG Companies? ... ESG Risk Rating Assessment from Sustainalytics (a division of Morningstar). Sustainalytics' analysts... 11/23/2021 • Haywood Kelly, CFA • Manager
 - Morningstar Globe Rating for Companies FAQ** ...? Morningstar® ESG Risk Rating Assessment for Companies Frequently Asked Questions... 04/22/2021 • Morningstar • Equity
 - Morningstar Globe Rating for Companies -- An Overview** ...? Morningstar® ESG Risk Rating Assessment for Companies An Overview Introduction In... 04/22/2021 • Morningstar • Equity
 - Our New Rating Measures a Stock's ESG Risk** ... rating that stock investors can use to measure the degree to which ESG risk could potential put a...

The main content area on the left shows "Editor's Picks" with articles like "Unattractive Share" and "The State of Retirement Withdrawal Rates". A bar chart titled "Average Net Expense Ratios at Year-End 2020" is also visible, showing ratios for various fund categories like Large Blend, Large Growth, etc.

H: Company-Level Controversy Analysis

This content would work well with investors interested in the following approaches to sustainable investing:

- ▶ Apply Exclusions
- ▶ Limit ESG Risk
- ▶ Seek ESG Opportunities
- ▶ Practice Active Ownership

Which applicable sustainable investing approaches would benefit from this content?

| H Top Holdings Controversy Analysis | | | | | |
|--|-------------|---------------------|----------|-------------------|---|
| Portfolio Date: 1/31/2022 | | | | | |
| | Weighting % | Morningstar Rating™ | ESG Risk | Controversy Level | Controversy Topics |
| /COMBK FYUBSWPP COM USD 2.00 2/1/28.57 | — | — | — | — | — |
| Stoxx Europe 600 ESG X Index Future Mar 5.49 | — | — | — | — | — |
| /COMIX FYBNPPDX COMIX BB6XALC R 06.4.03 | — | — | — | — | — |
| Microsoft Corp | 3.98 | ★★★★ | Low | Significant | Customer |
| E-mini S&P 500 ESG Index Future Mar 22 3.65 | — | — | — | — | — |
| Amazon.com Inc | 3.29 | ★★★★ | High | Significant | Business Ethics, Employee, Social Supply Chain, I |
| /COMIX FYSOGEDSK COMIX BBUXALC R 2.87 | — | — | — | — | — |
| Alphabet Inc Class A | 1.45 | ★★★★ | Medium | High | Customer |
| Alphabet Inc Class C | 1.40 | ★★★★ | Medium | High | Customer |
| NVIDIA Corp | 1.37 | ★★ | Low | Moderate | Customer |

The ESG Risk Rating Assessments from Sustainalytics use Material ESG Issues (MEIs) to judge a company's management based on its stated policies and programs. The controversy research from Sustainalytics, in contrast, offers an analysis as to how well a company puts those stated policies into practice.

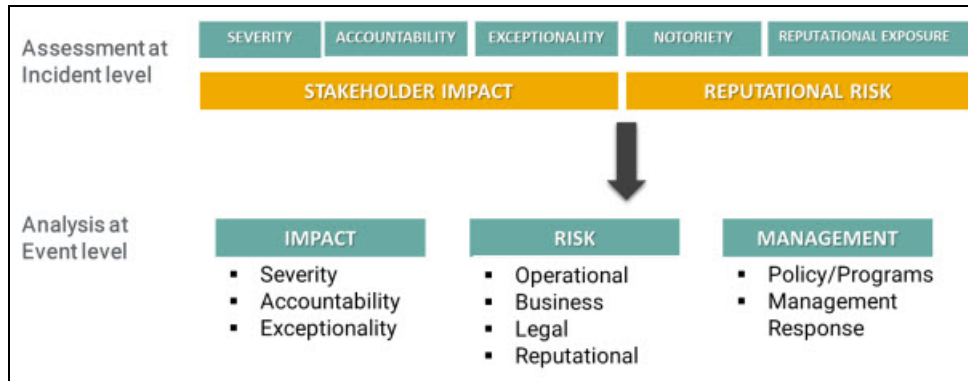
What content does this section show?

🔗 Note: For preliminary information on the Controversy Rating, see [E: Corporate Controversy Distribution & Controversy AUM Coverage on page 19](#).

Sustainalytics defines a Controversy as an Event relating to an ESG topic. Event Ratings are derived from an aggregation of Incident scores and provide an indication of the severity of the impact of an issuer's misconduct on the environment and/or society, as well as the reputation risk generated by the misconduct. An Incident is a company activity with unintended and/or undesired negative environmental and/or social impacts on stakeholders and is tied to one company, one location and one date.

H: Company-Level Controversy Analysis

Incidents are assigned an event indicator which rolls up to a Controversy indicator. Sector analysts apply an additional layer of analysis at the Event level.



The highest event rating under a controversy indicator becomes the Controversy Level for a company. A company may have multiple controversy topics.

| Incident Scores | Event Rating |
|-----------------|--------------|
| 1 – 2 | Category 1 |
| 3 – 4 | Category 2 |
| 5 – 6 | Category 3 |
| 7 – 8 | Category 4 |
| 9 – 10 | Category 5 |

The following diagram provides an overview of how the Controversy rating is reached and projected into an outlook assessment:



For more information on the content seen in this section, see the following paper:

- ▶ [Sustainalytics Controversies Research PDF](#)

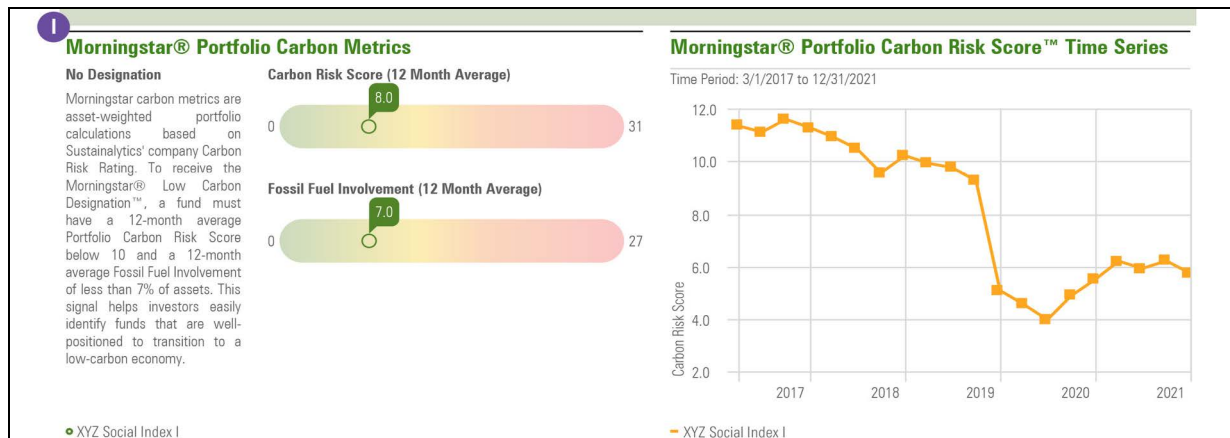
What additional resources are available on this topic?

I: Morningstar® Portfolio Carbon Metrics

This content would work well with investors interested in the following approaches to sustainable investing:

- ▶ Apply Exclusions
- ▶ Limit ESG Risk
- ▶ Seek ESG Opportunities

Which applicable sustainable investing approaches would benefit from this content?



The Morningstar Low Carbon Designation™ is awarded to portfolios with both low carbon-risk scores and low levels of exposure to fossil fuels. It is designed to help investors easily identify low-carbon funds across the global universe. The designation indicates that the companies held in a portfolio are in general alignment with the transition to a low carbon economy.

What content does this section show?

To receive the designation, a portfolio must meet the following criteria:

1. A 12-month trailing average Morningstar Portfolio Carbon Risk Score below 10. Such portfolios are considered to have low carbon risk.
2. A 12-month trailing average exposure to fossil fuels less than 7% of assets, which is approximately a 33% underweighting to the global equity universe. A portfolio's fossil-fuel exposure is a key driver of its overall carbon intensity.

The Portfolio Carbon Risk Score™ is an assessment of overall unmanaged carbon risk at the following stages along the company's value chain:

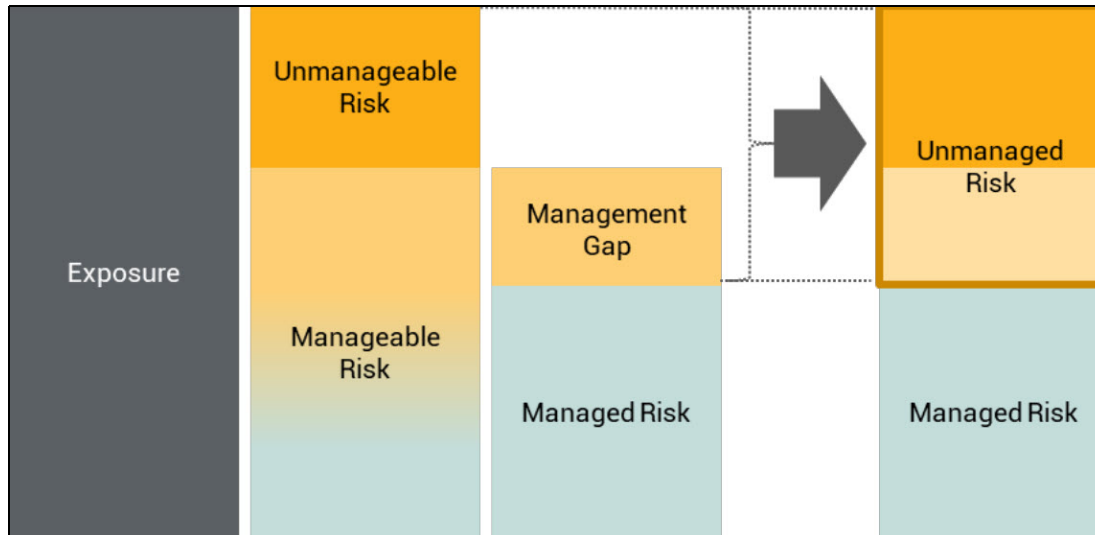
1. Own Operations and
2. Products and Services.

The Portfolio Carbon Risk Score rests on the following dimensions:

1. Exposure (the degree to which a company is exposed to sub-industry and company carbon risk) and
2. Management (a company's preparedness and track record in managing carbon risk).

I: Morningstar® Portfolio Carbon Metrics

Management is a measure of the ability of the firm to manage, and the quality of the management approach, to reduce emissions and related carbon risks. The carbon-risk rating is the remaining unmanaged carbon risk of a company after taking accounting for its efforts to mitigate carbon risk through its management activities.



The accompanying time series chart indicates the change to a portfolio's Morningstar® Portfolio Carbon Risk Score™ over time.

Fossil Fuel Involvement considers how much revenue a company obtains from activities related to fossil fuels. As global economies shift toward low carbon futures, less demand for fossil fuels will exist, thus increasing future carbon risk. Companies are considered involved in fossil fuels if they derive at least an aggregate 5% share of total revenue from the activities listed in the Fossil Fuel Related Activities chart on page 6 of the Sustainability Report template. For more information on this aspect, see [M: Fossil Fuel Related Activities on page 34](#).

For more information on the content seen in this section, see the following papers:

- ▶ [Morningstar Low Carbon Methodology](#)
- ▶ [Morningstar Low Carbon Designation Methodology](#)

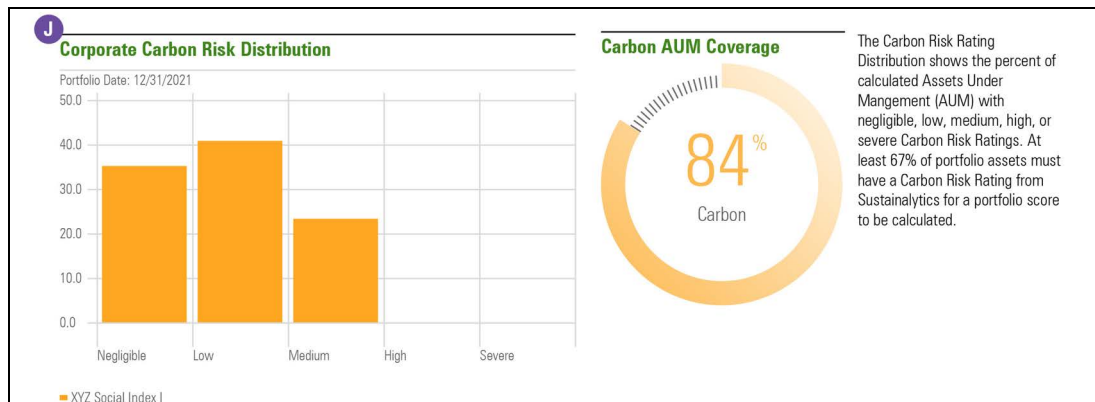
What additional resources are available on this topic?

J: Corporate Carbon Risk Distribution & Carbon AUM Coverage

This content would work well with investors interested in the following approaches to sustainable investing:

- ▶ Apply Exclusions
- ▶ Limit ESG Risk
- ▶ Seek ESG Opportunities

Which applicable sustainable investing approaches would benefit from this content?



Sustainalytics offers a Carbon Risk Rating for approximately 4,500 companies. The rating sorts the underlying scores into the following risk categories:

- ▶ Negligible
- ▶ Low
- ▶ Medium
- ▶ High, and
- ▶ Severe.

What content does this section show?

The scores are absolute, meaning one point of risk is the same across industries and across companies. At least 67% of portfolio assets must have a Carbon Risk Rating from Sustainalytics for a portfolio score to be calculated.

For more information on the content seen in this section, see the following paper:

- ▶ [FAQs about Morningstar Portfolio Carbon Metrics, the Morningstar Portfolio Carbon Risk Score™, and the Morningstar Low Carbon Designation™](#)

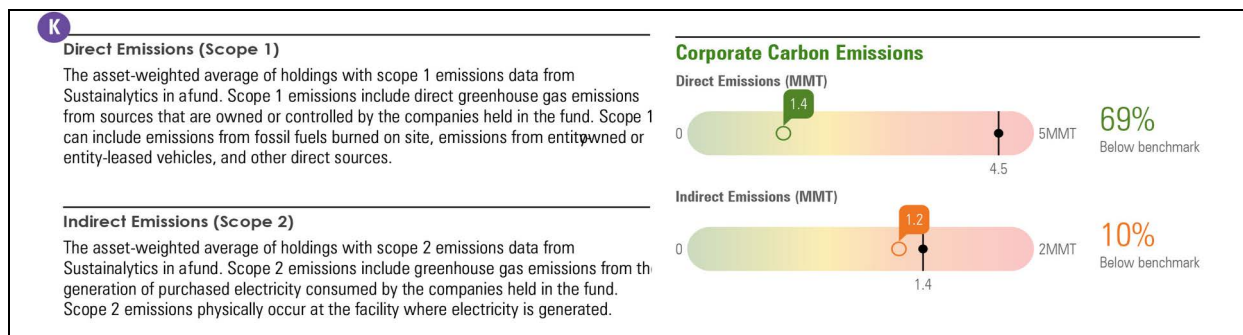
What additional resources are available on this topic?

K: Corporate Carbon Emissions Metrics

This content would work well with investors interested in the following approaches to sustainable investing:

- ▶ Apply Exclusions
- ▶ Limit ESG Risk
- ▶ Seek ESG Opportunities
- ▶ Practice Active Ownership
- ▶ Target Sustainability Themes

Which applicable sustainable investing approaches would benefit from this content?



Direct (or Scope 1) emissions include greenhouse gas emissions from sources owned or controlled by the companies held in a fund. They come from the following sources:

- ▶ fossil fuels burned on site
- ▶ emissions from entity-owned or entity-leased vehicles, and
- ▶ other direct sources.

The value is the Direct Emissions calculated in Millions of Metric Tons (MMT).

Indirect (or Scope 2) emissions include greenhouse gas emissions from the generation of purchased electricity consumed by the companies held in the fund. Indirect emissions physically occur at the facility where electricity is generated. The value is the Indirect Emissions calculated in Millions of Metric Tons (MMT).

Ideally, a company's overall emissions will decrease over time. Measurement of this metric allows for benchmarks to set goals for reduction of emissions in the future.

What content does this section show?

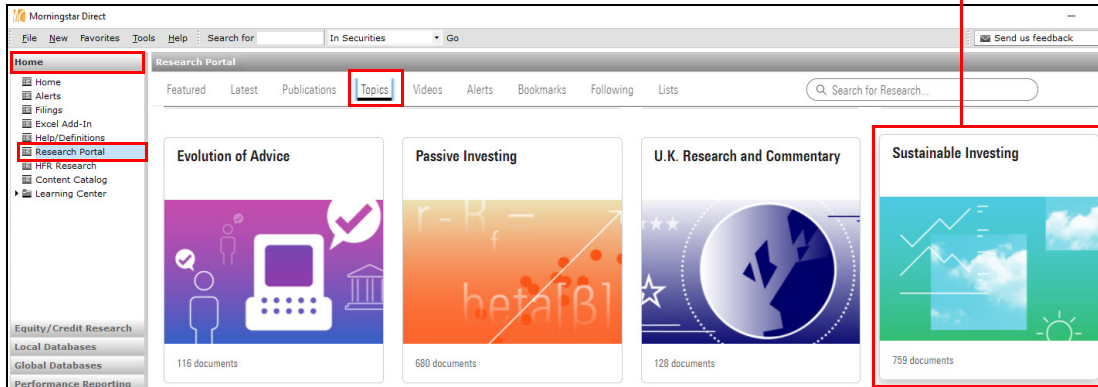
K: Corporate Carbon Emissions Metrics

For more information on the content seen in this section, do the following in Morningstar Direct:

1. From the Home module, select the **Research Portal** page.
2. In the Research Portal, select the **Topics** tab.
3. On the Topics page, scroll to find and click the **Sustainable Investing** topic.

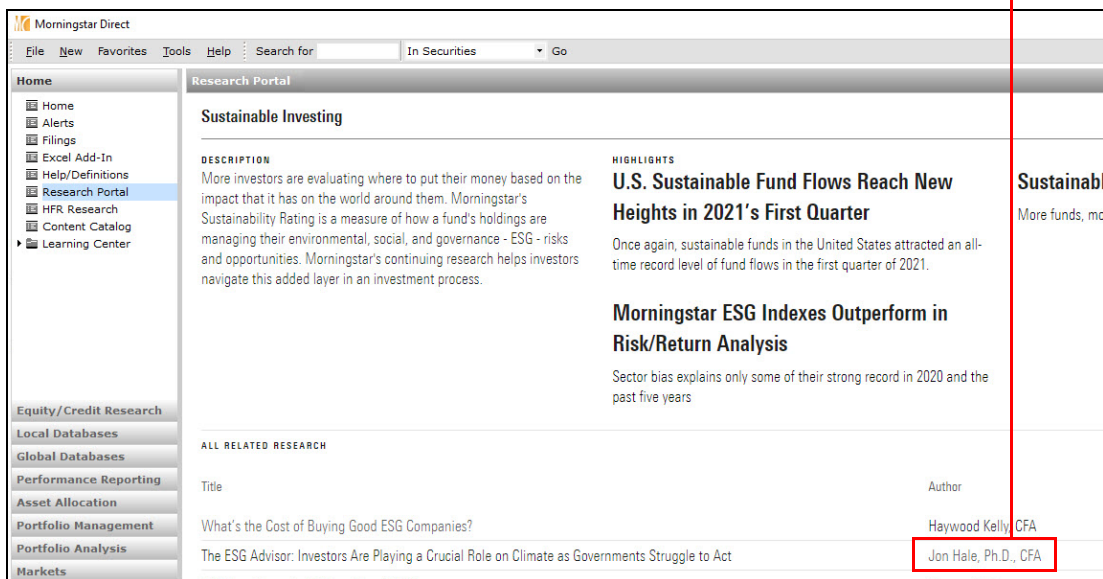
What additional resources are available on this topic?

On the Topics page, look for this tile and select it.



4. Look under the Author column and click **Jon Hale's** name. You are brought to a page with all articles by Jon Hale.

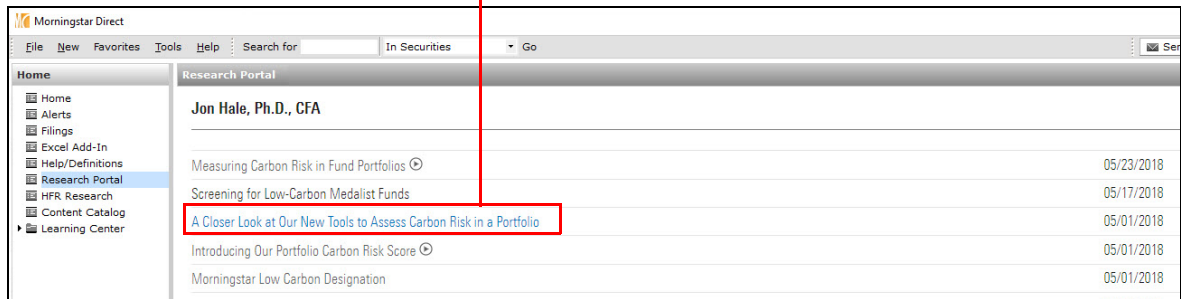
Click on Jon Hale's name.



K: Corporate Carbon Emissions Metrics

5. Scroll down to select the article from May 1, 2018 titled, **A Closer Look at Our New Tools to Assess Carbon Risk in a Portfolio**.

Look for this article and click the headline to open it.

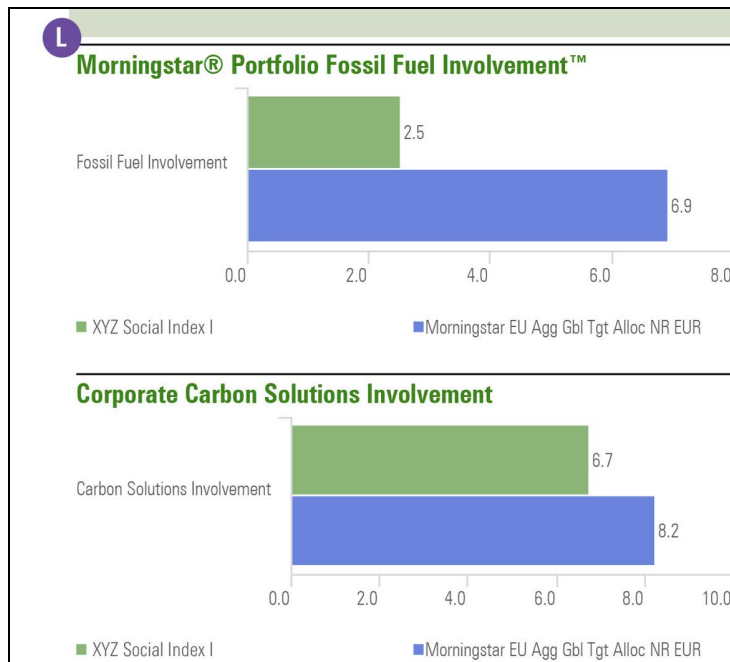


L: Portfolio Fossil Fuel Involvement and Carbon Solutions Involvement

This content would work well with investors interested in the following approaches to sustainable investing:

- ▶ Apply Exclusions
- ▶ Limit ESG Risk
- ▶ Seek ESG Opportunities
- ▶ Practice Active Ownership

Which applicable sustainable investing approaches would benefit from this content?



The charts in this section indicate whether the holdings in this portfolio (compared to its Morningstar Global Category benchmark) are involved in activities considered to be “in demand” as global economies transition to low carbon futures. In making this transition, it is expected that less fossil fuel will be consumed. This poses a risk, then, for companies involved in fossil fuel-related activities. In addition to a loss of revenue, these companies will have to manage the write down of the stranded assets or capital they invested in fossil fuel activities.

On the other hand, the transition to a low-carbon future lends itself to opportunities for innovation and increased demand in carbon solutions at the household and public infrastructure levels.

For more information on the content seen in this section, see the following paper:

- ▶ [Morningstar Low Carbon Designation Methodology](#)

What content does this section show?

What additional resources are available on this topic?

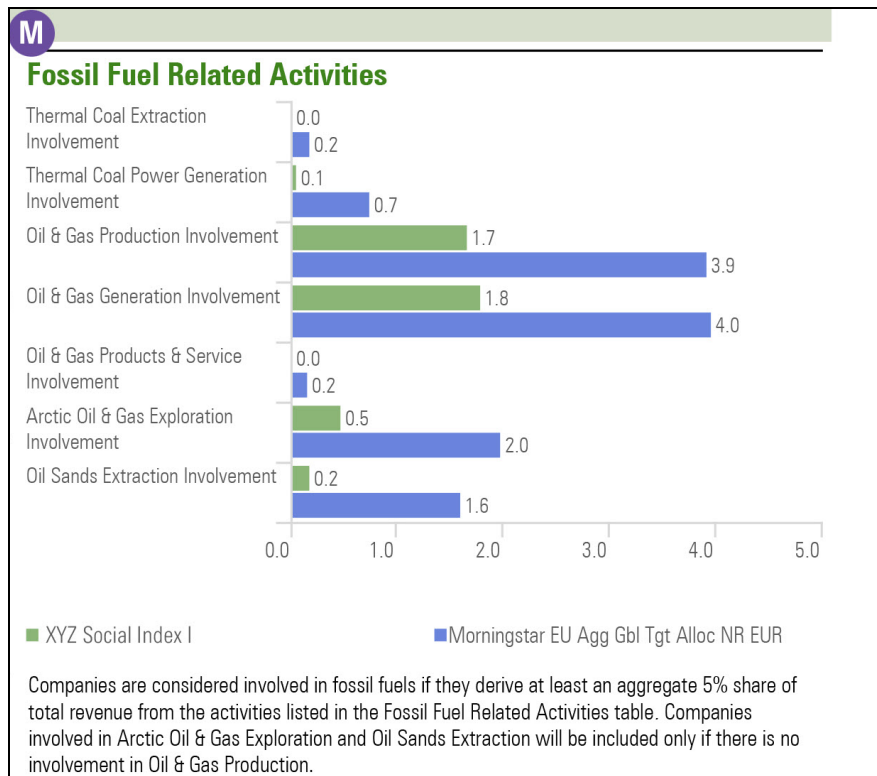
M: Fossil Fuel Related Activities

M: Fossil Fuel Related Activities

This content would work well with investors interested in the following approaches to sustainable investing:

- ▶ Apply Exclusions
- ▶ Limit ESG Risk
- ▶ Seek ESG Opportunities
- ▶ Practice Active Ownership

Which applicable sustainable investing approaches would benefit from this content?



Companies are considered involved in fossil fuels if they derive at least an aggregate 5% share of total revenue from one of the following activities:

- ▶ Thermal Coal Extraction
- ▶ Thermal Coal Power Generation
- ▶ Oil & Gas Production
- ▶ Oil & Gas Generation
- ▶ Oil & Gas Products & Service
- ▶ Arctic Oil & Gas Exploration, or
- ▶ Oil Sands Extraction.

Note: Companies involved in Arctic Oil & Gas Exploration and Oil Sands Extraction are included only if no involvement exists in Oil & Gas Production.

What content does this section show?

M: Fossil Fuel Related Activities

For more information on the content seen in this section, read the following paper:

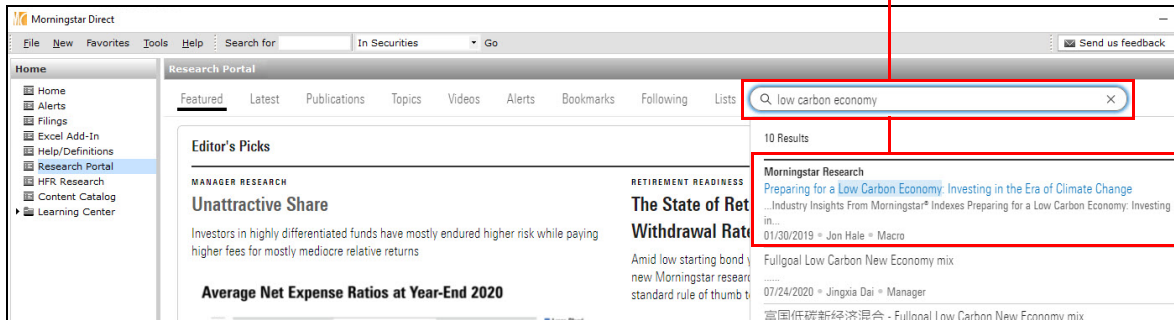
- ▶ [Low Carbon Economy Press Release](#)

To learn more about the transition to a low-carbon economy, do the following in Morningstar Direct:

1. From the Home module, select the **Research Portal**.
2. **Search** for **Low Carbon Economy**.
3. Select **Preparing for a Low Carbon Economy: Investing in the Era of Climate Change**.

What additional resources are available on this topic?

Search for the correct phrase, then open the highlighted article.



N: Average Product Revenue % by SDGs

N: Average Product Revenue % by SDGs

This content would work well with investors interested in the following approaches to sustainable investing:

- ▶ Seek ESG opportunities
- ▶ Practice active ownership
- ▶ Target Sustainable Themes
- ▶ Assess Impact

Which applicable sustainable investing approaches would benefit from this content?

This table shows the aggregated percentage of corporate product revenue per United Nations Sustainable Development Goal (UN SDG). The Coverage % shows the percentage of assets under management of corporate holdings with reported data on each UN SDG.

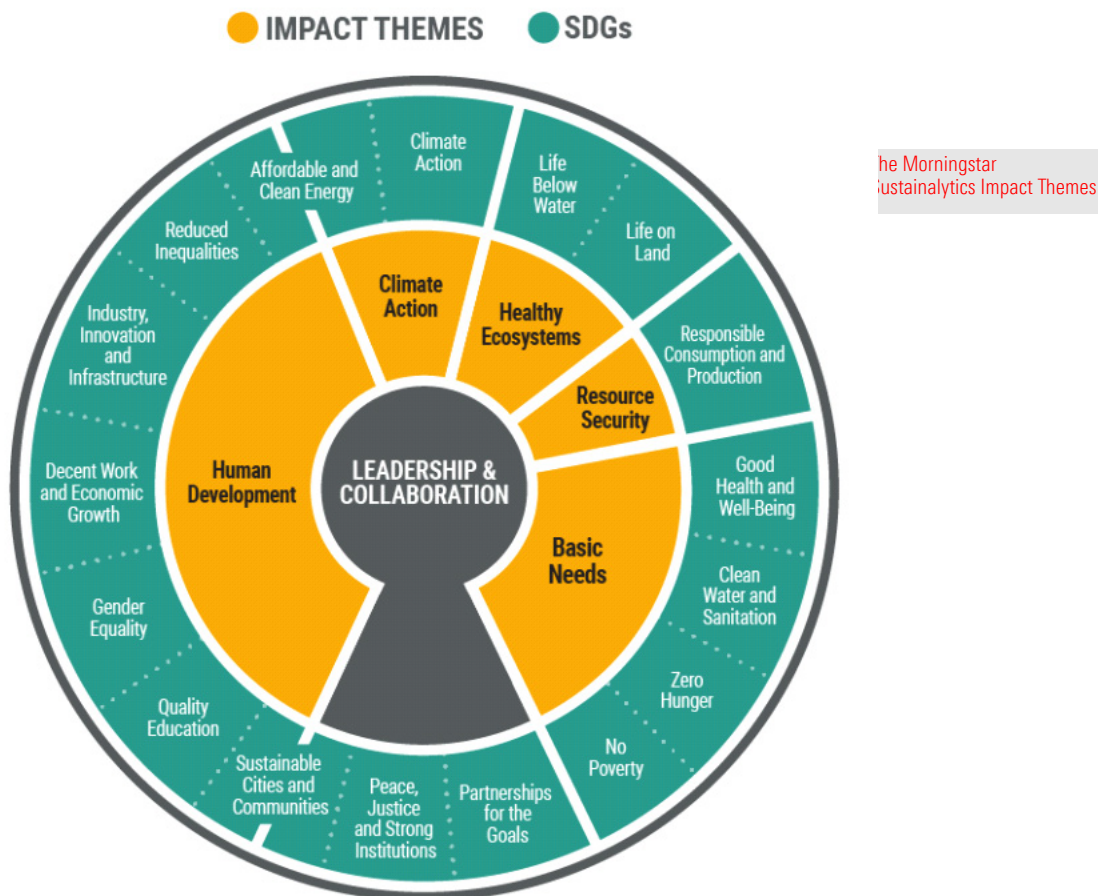
What content does this section show?

| Average Product Revenue % by SDGs | | | | | |
|--|------|-----------|---------------|------------|--|
| Name | Fund | Benchmark | +/- Benchmark | Coverage % | |
| 2 Zero Hunger | 0.6 | 0.1 | +0.5 | 60.0 | |
| 3 Good Health and Well-Being | 0.1 | 0.5 | -0.4 | 10.0 | |
| 4 Quality Education | 0.5 | 0.2 | +0.3 | 5.0 | |
| 5 Gender Equality | — | — | — | — | |
| 6 Clean Water and Sanitation | 0.5 | 0.9 | -0.4 | 76.0 | |
| 7 Affordable and Clean Energy | 0.6 | 0.1 | +0.5 | 33.0 | |
| 9 Industry, Innovation, and Infrastructure | 0.1 | 0.5 | -0.4 | 55.0 | |
| 10 Reduced Inequality | 0.5 | 0.2 | +0.3 | 66.0 | |
| 11 Sustainable Cities and Communities | 0.1 | 1.4 | -1.3 | 85.0 | |
| 12 Responsible Consumption and Production | 0.5 | 0.9 | -0.4 | 78.0 | |
| 13 Climate Action | 0.6 | 0.1 | +0.5 | 86.0 | |
| 14 Life Below Water | 0.1 | 0.5 | -0.4 | 91.0 | |
| 15 Life on Land | 0.5 | 0.2 | +0.3 | 44.0 | |

N: Average Product Revenue % by SDGs

Because these metrics currently apply only to the corporate portion of a portfolio (mostly equities and corporate bonds), it is important to understand that the percentages calculated may be derived from a partial portfolio only, especially in the case of allocation, balanced, or fixed-income portfolios. The coverage metrics should provide the relevant context for a user to easily understand what portion of the portfolio is included in the calculation.

Each underlying metric maps to at least one of the Morningstar Sustainalytics Impact Themes and one of the UN SDGs.



Benefits exist for using either of these, or a combination of them, depending on your goals, your audience, and what you are trying to communicate. The Morningstar Sustainalytics impact themes are comprehensive and well defined, so they encompass most if not all the environmental and social areas covered by the SDGs. The SDGs are a global standard and provide a framework to help investors understand to what extent a portfolio may align to various impact objectives. Moreover, if your portfolio targets a specific theme that may directly align with one of the SDGs, then it would be worth prioritizing the particular theme or SDG that will help you best measure and represent this alignment.

N: Average Product Revenue % by SDGs

For more information on the content seen in this section, see the following papers:

- ▶ [Morningstar Sustainalytics Portfolio Impact Metrics Methodology](#), and
- ▶ [Morningstar Sustainalytics Portfolio Impact Metrics Fund Frequently Asked Questions](#)

What additional resources are available on this topic?

O: Average Product Revenue % by Impact Themes

O: Average Product Revenue % by Impact Themes






This content would work well with investors interested in the following approaches to sustainable investing:

- ▶ Seek ESG opportunities
- ▶ Practice active ownership
- ▶ Target Sustainable Themes
- ▶ Assess Impact

Which applicable sustainable investing approaches would benefit from this content?

This table shows the average percentage of corporate revenue per Morningstar Sustainalytics Impact Theme. The Coverage % shows the percentage of assets under management of corporate holdings that have available data on each theme.

What content does this section show?

| Average Product Revenue % by Impact Themes | | | | |
|---|------|-----------|---------------|------------|
| Name | Fund | Benchmark | +/- Benchmark | Coverage % |
|  Climate Action This theme is concerned with the global effort to curb the Earth's temperature rise and cope with unavoidable consequences. It includes measures to promote clean energy, limitations on GHG emissions, and climate change adaptation measures. | 0.6 | 0.1 | +0.5 | 00.0 |
|  Human Development This theme is concerned with enhancing human capabilities and promoting human progress. It includes measures that support education, improve equality, employment opportunities, and advanced healthcare. | 0.1 | 0.5 | -0.4 | 00.0 |
|  Basic Needs This theme is concerned with addressing the basic needs of humans and focuses particularly on lower-income individuals. Basic needs include providing access to food, housing, essential healthcare concerning major and neglected diseases, clean water and energy for underserved populations. It also addresses human safety, including safe workplaces and communities. | 0.5 | 0.2 | +0.3 | 00.0 |
|  Resource Security This theme is concerned with the contribution to resource security through efficient use and circular economies. Resources of concern include water, timber, metals, minerals, gases and all types of manufactured materials. | 0.1 | 1.4 | -1.3 | 00.0 |
|  Healthy Ecosystems This theme is concerned with the safeguarding of ecologically sound environments on land, air, and water. It does not include GHG emissions and water consumption as these are covered under other themes. | 0.5 | 0.9 | -0.4 | 00.0 |

O: Average Product Revenue % by Impact Themes

Because these metrics currently apply only to the corporate portion of a portfolio (mostly equities and corporate bonds), it is important to understand that the percentages calculated may be derived from a partial portfolio only, especially in the case of allocation, balanced, or fixed-income portfolios. The coverage metrics should provide the relevant context for a user to easily understand what portion of the portfolio is included in the calculation.

The impact themes are considered exhaustive and are intended to encompass all potential environmental and social impacts that can be attributed to an entity's activities. Furthermore, they are meant to capture direct and indirect impacts across the value chain.

At the micro level, the Impact Framework comprises impact metrics, which are quantitative measures of environmental or social outcomes (either positive or negative) attributable to the activities of an entity. Each of the topics outlined in the UN SDGs is represented within the Impact Framework. All impact themes and all impact metrics have been mapped to at least one SDG.

For more information on the content seen in this section, see the following papers:

- ▶ [Morningstar Sustainalytics Portfolio Impact Metrics Methodology](#), and
- ▶ [Morningstar Sustainalytics Portfolio Impact Metrics Fund Frequently Asked Questions](#)

What additional resources are available on this topic?

P: Operational Impact Metrics

P: Operational Impact Metrics

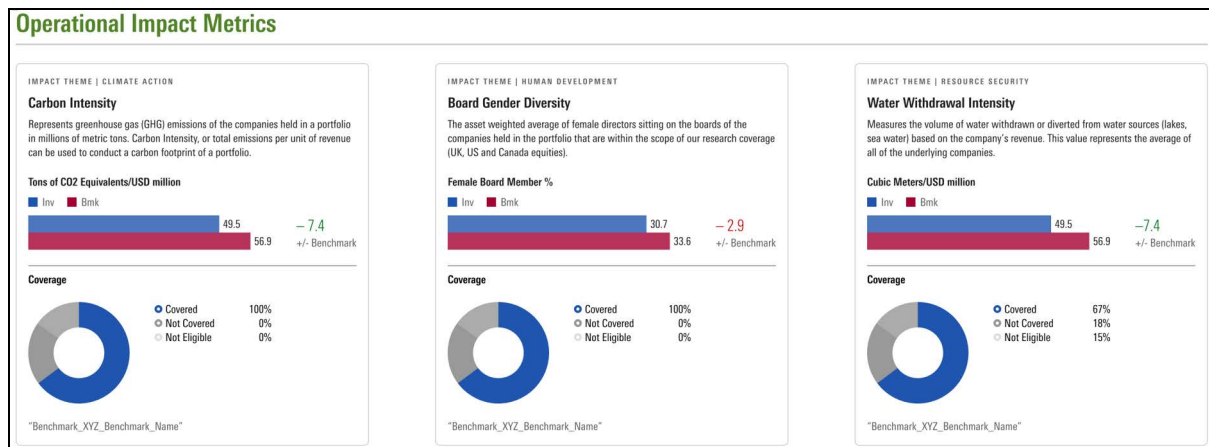
This content would work well with investors interested in the following approaches to sustainable investing:

- ▶ Seek ESG opportunities
- ▶ Practice active ownership
- ▶ Target Sustainable Themes
- ▶ Assess Impact

Which applicable sustainable investing approaches would benefit from this content?

The Research team at Morningstar Sustainalytics has developed operational metrics to measure the impact of a company's own operations on the environment or society. These include measuring greenhouse gas emissions, water consumption and withdrawal, as well as percentage of women serving on the board. Several of these operational metrics are already available at the portfolio level, such as the Carbon Intensity metric (aka Scope 1 and Scope 2 Greenhouse Gas Emissions Intensity) that is a part of the Morningstar Portfolio Carbon metrics. Only one operational metric is newly introduced at the portfolio level—the Water Withdrawal Intensity measure. The Coverage % tells you the percentage of assets under management of corporate holdings that have data on each operational metric.

What content does this section show?



Because these metrics currently apply only to the corporate portion of a portfolio (mostly equities and corporate bonds), it is important to understand that the metric values may be derived from a partial portfolio only. The coverage metrics provide the relevant context for a user to easily understand what portion of the portfolio is included in the calculation. The "Not Eligible" portion refers to the percentage of assets under management that are not applicable to the operational metric. The value of the metric is calculated based on the "Covered" portion. The "Not Covered" portion refers to the percentage of assets under management that are applicable to the operational metric but are not considered in the value provided.

P: Operational Impact Metrics

For more information on the content seen in this section, see the following papers:

- ▶ [Morningstar Sustainalytics Portfolio Impact Metrics Methodology](#), and
- ▶ [Morningstar Sustainalytics Portfolio Impact Metrics Fund Frequently Asked Questions](#)

What additional resources are available on this topic?

Q: Principal Adverse Impact (PAI) Metrics

Q: Principal Adverse Impact (PAI) Metrics

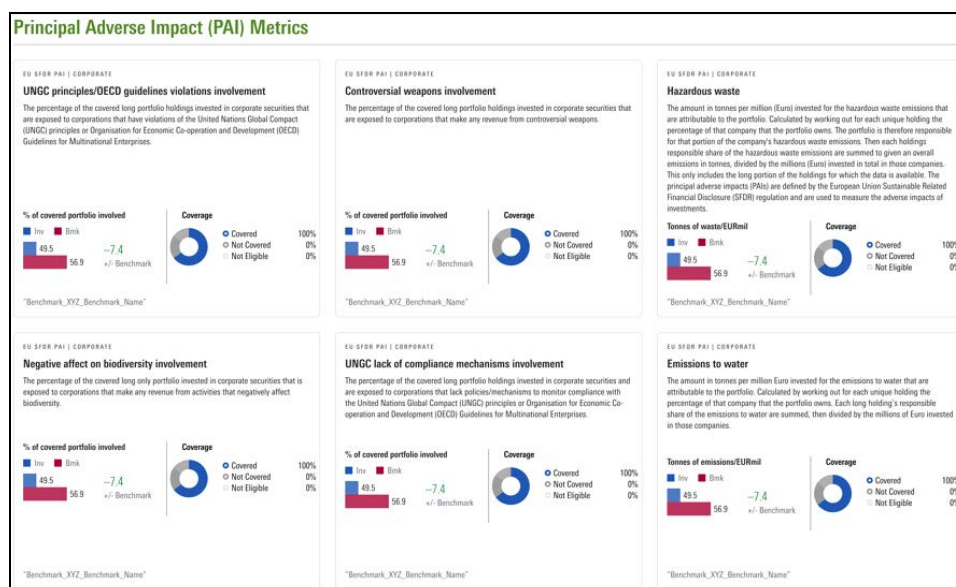
This content would work well with investors interested in the following approaches to sustainable investing:

- ▶ Seek ESG opportunities
- ▶ Practice active ownership
- ▶ Target Sustainable Themes
- ▶ Assess Impact

Which applicable sustainable investing approaches would benefit from this content?

This section contains a list of Principal Adverse Impact metrics as defined by the EU Sustainability Finance Disclosure Regulation (SFDR). This list includes the mandatory aggregated metrics of the holdings in an investment. Metrics for corporate holdings are aggregated separately from sovereign country fixed-income holdings.

What content does this section show?



To calculate this data, Morningstar first attempts to “look through” any funds held by a portfolio to find underlying, indirectly held holdings. The “look through” function goes up to 10 portfolios “deep,” —that is, when a portfolio holds a fund and in turn that fund holds other funds, the “look through” process will assess 10 “levels” of portfolios. The exception to this rule is for synthetically replicated funds; for the purpose of the PAI calculations, they are treated as being equivalent to a portfolio holding derivatives. The derivative holding is not “looked through” and for the purposes of the calculations these are treated as “other holdings” —that is, neither corporate nor sovereign holdings.

Q: Principal Adverse Impact (PAI) Metrics

Morningstar calculates portfolio weights based on the proportion of a portfolio a holding represents once any fund holdings have been “looked through.” The weights are based on the market value of the securities. For the EU Principal Adverse Impact (PAI) calculations, the following additional steps are taken to calculate the final portfolio weights:

1. Securities with both long and short positions are “netted out”—that is, the short position weight is subtracted from the long position weight.
2. Any remaining short positions are removed.
3. Any currency offsets are removed.
4. The portfolio weight is then recalculated on the netted-out long positions only

The “Not Eligible” portion refers to the percentage of assets under management not applicable to the PAI. The value of the PAI metric is calculated based on the “Covered” portion. The “Not Covered” portion refers to the percentage of assets under management applicable to the PAI metric but not considered in the value provided.

For more information on the content seen in this section, see the following papers:

- ▶ [Morningstar Principle Adverse Impact Indicators Methodology, and](#)
- ▶ [Principle Adverse Impact Indicators Frequently Asked Questions](#)

What additional resources are available on this topic?

Appendix A: The Morningstar Sustainability Framework

Connecting investor objectives with investment decisions requires more than just a one-size-fits-all approach. To help cut through this complexity without sacrificing the nuanced motivations making investing so personal, the Morningstar sustainable investing framework is foundational in outlining the various paths investors can take to act on their sustainability objectives. And because sustainability objectives sit on a spectrum, from avoiding negative outcomes to advancing positive ones, this set of approaches is exhaustive and flexible enough to fit into any investing process.

This section provides a description of each approach to sustainable investing in the framework, and offers a reference table to help you quickly identify which sections of the Sustainability Report template are most applicable to each one.

The following table lists the various approaches Morningstar has identified for sustainable investors, and a description of each:

| This approach to sustainable investing... | Attempts to... |
|--|---|
| Apply exclusions | Avoid investment in companies, industries, or sectors that may negatively affect the planet or society, such as those tied to fossil fuels or tobacco |
| Limit ESG risk | Consider industry-relevant sustainability risks that could materially affect a company's value |
| Seek ESG opportunities | Identifies the leaders in sustainability and the companies actively improving their ESG practices to build a competitive advantage |
| Practice active ownership | Focus on investor engagement, shareholder proposals, proxy voting, and public advocacy to improve corporate sustainability, transparency, and performance |
| Target themes | Focus on investments created with targeted exposure to companies affecting long-term trends – like renewable energy, clean water, or gender equity |
| Assess impact | Evaluate the social and environmental impacts of underlying investments |

Overview

What approaches to sustainable investing exist in the framework?

The following table shows which parts of the Sustainability Report appeal to the various approaches Morningstar has identified for sustainable investors:

Which report sections appeal to each sustainable investing approach?

| For this approach to sustainable investing... | Use these sections in the Sustainability Report... |
|--|---|
| Apply exclusions | A, B, D, E, F, G, H, I, J, K, L, M |
| Limit ESG risk | A, B, C, D, E, G, H, I, J, K, L, M |
| Seek ESG opportunities | G, H, I, J, K, L, M, N, O, P, Q |
| Practice active ownership | E, F, G, H, K, L, M, N, O, P, Q |
| Target themes | K, N, O, P, Q |
| Assess impact | N, O, P, Q |

Appendix B: Additional Resources

This section offers a centralized list of all resources mentioned in each section. The following content is available:

- ▶ [Morningstar Sustainability Rating™ resources on page 47](#)
- ▶ [ESG Risk Rating resources on page 48](#)
- ▶ [Company controversy resources on page 48](#)
- ▶ [Product Involvement resources on page 48](#), and
- ▶ [Low Carbon resources on page 49](#).

For more information on the content seen in this section, see the following papers:

- ▶ [Morningstar Sustainability Rating Methodology](#)
- ▶ [Morningstar Sustainability Rating Methodology Change: Incorporating Sovereign Debt](#)
- ▶ [Morningstar Sustainability Rating Change Impact Statement](#)
- ▶ [Morningstar Sustainability Pillar Scores Methodology](#)

Overview

Morningstar Sustainability Rating™ resources

In addition to the [Sustainalytics Introductory Video for ESG Risk Ratings](#), to learn more about the company-level globe rating for a stock, do the following in Morningstar Direct:

ESG Risk Rating resources

1. From the Home module, select the **Research Portal**.
2. **Search** for **ESG Risk Rating**.
3. Select the following articles:
 - ▶ [Morningstar Globe Rating for Companies FAQ](#)
 - ▶ [Morningstar Globe Rating for Companies - An Overview](#), and
 - ▶ [Our New Rating Measures a Stock's ESG Risk](#).

🔗 Note: After clicking each article, repeat steps 1-2 to find the other article(s).

Search for the correct phrase, then open each article to read it.

The screenshot shows the Morningstar Direct Research Portal interface. A search bar at the top right contains the text 'ESG Risk Rating'. The search results are displayed on the right side of the page, showing 10 results. The first result is 'Morningstar Research: How Much Do Differences in ESG Ratings Matter to Investors?'. The second result is 'What's the Cost of Buying Good ESG Companies?'. The third result is 'Morningstar Globe Rating for Companies FAQ'. The fourth result is 'Morningstar Globe Rating for Companies -- An Overview'. The fifth result is 'Our New Rating Measures a Stock's ESG Risk'. The left sidebar shows the navigation menu with 'Research Portal' highlighted. A red box highlights the search bar and the search results. A red line points from the text 'Search for the correct phrase, then open each article to read it.' to the search bar.

For more information on company controversies, see the following papers:

- ▶ [Controversies Research Methodology](#)
- ▶ [Controversies FAQ](#)
- ▶ [Controversies Research deck](#)

Company controversy resources

For more information on Product Involvement, see the following content:

- ▶ [Morningstar Portfolio Product Involvement Methodology](#)
- ▶ [Product Involvement Introduction Video](#)

Product Involvement resources

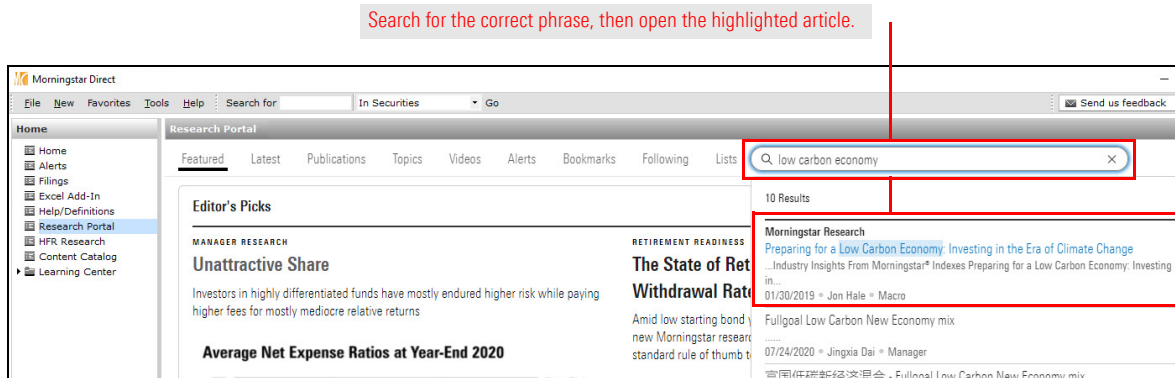
For more information on Low Carbon investing, see the following papers:

Low Carbon resources

- ▶ [Morningstar Low Carbon Methodology](#)
- ▶ [Morningstar Low Carbon Designation Methodology](#)
- ▶ [FAQs about Morningstar Portfolio Carbon Metrics, the Morningstar Portfolio Carbon Risk Score™, and the Morningstar Low Carbon Designation™](#)
- ▶ [Low Carbon Economy Press Release](#)

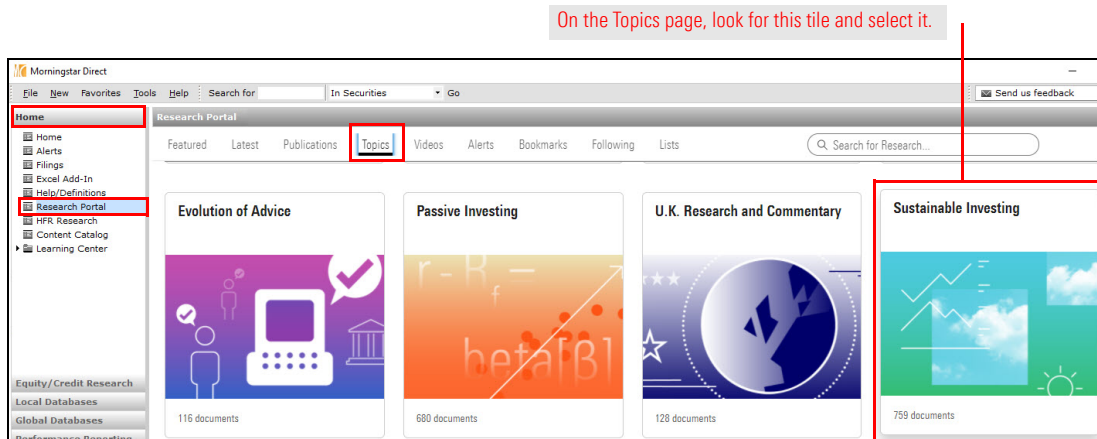
To learn more about the transition to a low-carbon economy, do the following in Morningstar Direct:

1. From the Home module, select the **Research Portal**.
2. **Search for Low Carbon Economy.**
3. Select **Preparing for a Low Carbon Economy: Investing in the Era of Climate Change.**



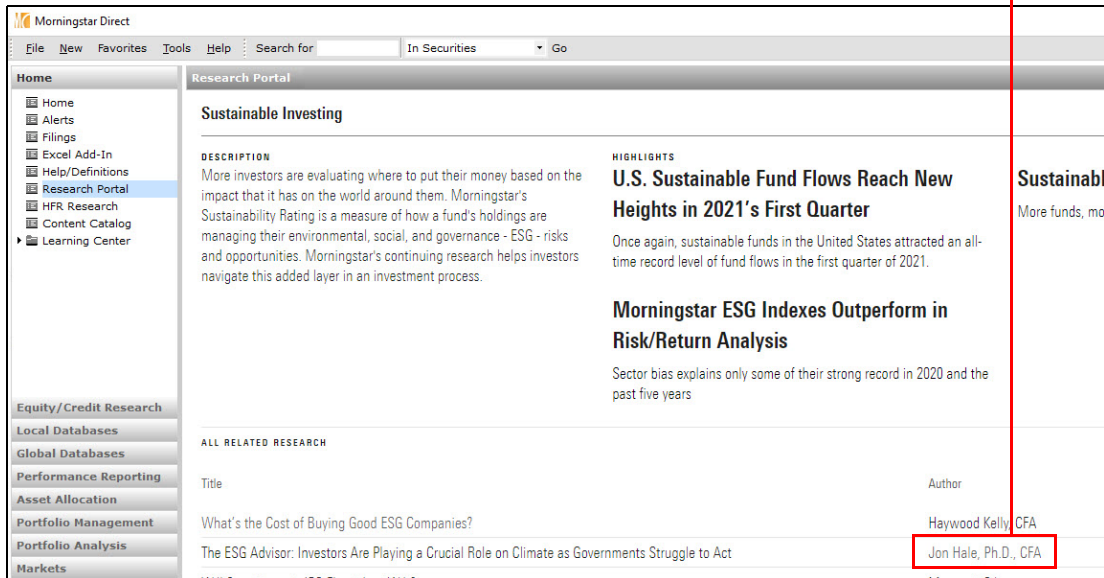
Additionally, see this paper from Jon Hale:

1. From the Home module, select the **Research Portal** page.
2. In the Research Portal, select the **Topics** tab.
3. On the Topics page, scroll to find and click the **Sustainable Investing** topic.



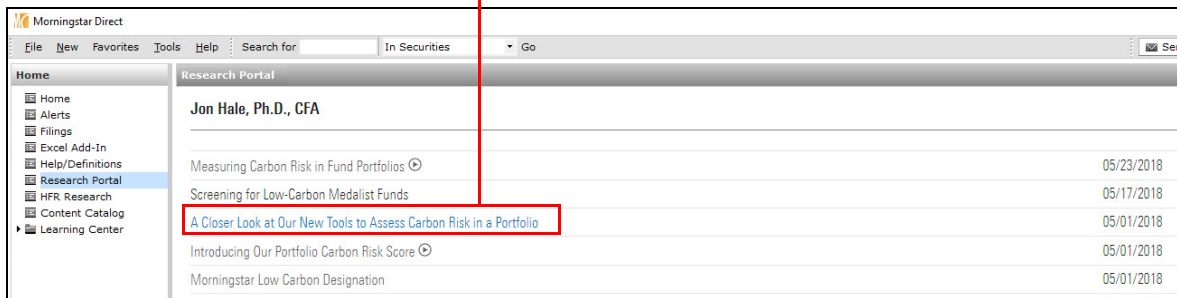
- Look under the Author column and click **Jon Hale's** name. You are brought to a page with all articles by Jon Hale.

Click on Jon Hale's name.



- Scroll down to select the article from May 1, 2018 titled, **A Closer Look at Our New Tools to Assess Carbon Risk in a Portfolio**.

Look for this article and click the headline to open it.



To learn more about the Principal Adverse Impact themes and metrics, as well as the UN Sustainable Development Goals, see the following papers:

Assess Impact resources

- ▶ [Morningstar Principle Adverse Impact Indicators Methodology](#)
- ▶ [Principle Adverse Impact Indicators Frequently Asked Questions](#)
- ▶ [Morningstar Principle Adverse Impact Indicators Methodology, and](#)
- ▶ [Principle Adverse Impact Indicators Frequently Asked Questions.](#)