November 18, 2025

Consultation Results: Morningstar Paris Aligned Benchmark Sustainability Select Indexes

After reviewing feedback to the previously issued consultation, Morningstar Indexes has decided to move forward with the proposed methodology changes to the Morningstar Paris Aligned Benchmark Sustainability Select Indexes. These changes include: adjusting the ESG exclusion criteria, changing the method for security selection and weighting to leverage Morningstar's Global Equity Risk Model, and removing the Sustainalytics ESG Risk Rating and additional climate transition constraints.

Impacted Indexes

Portfolio ID	Index Name
3249224	Morningstar Developed Markets TME Paris Aligned Benchmark Sustainability Select
3249223	Morningstar US TME Paris Aligned Benchmark Sustainability Select
3249222	Morningstar Developed Europe TME Paris Aligned Benchmark Sustainability Select

Adjustment of ESG Exclusions Criteria

The current methodology uses a range of ESG exclusions. The following adjustments to the exclusion criteria will be implemented:

Adjustment Type	Category	ESG Exclusions Criteria
Removal	Activity Exclusions	• Adult Entertainment (Distribution) – Level of Involvement • Alcoholic Beverages (Retail) - Level of Involvement • Alcoholic Beverages (Related Products & Services) - Level of Involvement • Gambling (Supporting Products & Services) - Level of Involvement • Military Contracting Non-Weapons (Products & Services) - Level of Involvement

		• Oil & Gas (Generation) - Level of Involvement • Oil & Gas (Supporting Products & Services) - Level of Involvement • Thermal Coal (Power Generation) - Level of Involvement • Thermal Coal (Supporting Products & Services) - Level of Involvement
Removal	Baseline Exclusions	• Controversial Weapons Tailor Made & Essential – Category Level of Involvement • Controversial Weapons Non-Tailor Made or Nonessential – Category Level of Involvement
Addition	Controversial Weapons Individual Involvement Categories	• Anti-Personnel Mines – Category of Involvement • Biological and Chemical Weapons – Category of Involvement • Cluster Weapons – Category of Involvement

The exclusions are:

Criteria	**Threshold**
Highest Controversy Level	5
UNGC Compliance Status	Non-compliant
Anti-Personnel Mines-Category of Involvement Id	AP1, AP3
Biological and Chemical Weapons-Category of Involvement Id	BC1, BC3
Cluster Weapons-Category of Involvement Id	CM1, CM3
Nuclear Weapons-Category of Involvement Id	NW1, NW3
Adult Entertainment (Production) – Level of Involvement	Greater than 5%
Alcoholic Beverages (Production) - Level of Involvement	Greater than 5%
Arctic Oil Extraction - Level of Involvement	Greater than 5%
Gambling (Operations) - Level of Involvement	Greater than 5%
Gambling (Special Equipment) - Level of Involvement	Greater than 5%
Military Contracting Weapons - Level of Involvement	Greater than 5%

Military Contracting Weapons (Products & Services) - Level of Involvement	Greater than 5%
Oil & Gas (Production) - Level of Involvement	Greater than 5%
Shale Extraction - Level of Involvement	Greater than 5%
Tobacco Products (Retail) - Level of Involvement	Greater than 5%
Tobacco Products (Supporting Products & Services) - Level of Involvement	Greater than 5%
Small Arms (Civilian – Assault) - Level of Involvement	Greater than 5%
Small Arms (Civilian – Non Assault) - Level of Involvement	Greater than 5%
Small Arms (Customers) - Level of Involvement	Greater than 5%
Small Arms (Components) - Level of Involvement	Greater than 5%
Small Arms (Retail Distribution – Assault) - Level of Involvement	Greater than 5%
Small Arms (Retail Distribution – Non Assault) - Level of Involvement	Greater than 5%
Tobacco Products (Production) - Level of Involvement	Any involvement
Thermal Coal (Extraction) - Level of Involvement	Any involvement
Thermal Coal Power Generation Revenue – Revenue Percentage	a%*
Oil & Gas Power Generation Revenue – Revenue Percentage	b%*

*a% + b% is greater than or equal to 50%.

Selection & Weighting Changes:

The eligibility criteria and weighting will be changed in in two ways:

1. The current selection method takes companies within individual region, and sector, based on low ESG Risk scores and high total company float market capitalization to represent 75% of total sector float market cap of parent benchmark with a buffer of 5%.

2. The new methodology will use Morningstar's Global Equity Risk model with an objective to minimize tracking error to the parent benchmark subject to several constraints:

    a. A minimum reduction in greenhouse gas intensity (scope 1 + 2 +3) of 50% relative to the parent benchmark.

    b. A minimum 7% average reduction (per year) in greenhouse gas intensity relative to the greenhouse gas intensity of the PAB portfolio at previous effective date.

c. A company tolerance +/-0.5%, Country tolerance +/-1% and Sector tolerance +/-1%

d. One-way turnover constraint of 5%

The updated methodology will also remove additional elements that go beyond the scope of the Paris Aligned Benchmark Requirements including constraints for climate transition matrix (CTM) and corporate target setting (CTS) relative to the parent weight.

This change will take effect at the upcoming reconstitution effective December 22, 2025. There will be no change to the performance history or historical composition of the portfolios.

About Morningstar Indexes

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

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