![Morningstar logo]

Sustainable Attributes in the Asset Flows Module
Frequently Asked Questions

Is the "Sustainable Investment by Prospectus" field (aka "Sustainable Investment – Overall" data point) available in the Asset Flows module?
As of June 21, 2021, the broadest Sustainable Attributes tag, "Sustainable Investment- Overall" is available in the Asset Flows, complementing two existing ESG fields in this module: "Morningstar Sustainability Rating" and "Morningstar Low Carbon Designation". The "Sustainable Investment – Overall" data point is displayed as "Sustainable Investment by Prospectus" in Asset Flows, which is assigned to global open-end funds and exchange-traded funds and available in the Custom Report function. Please note that the full Sustainable Attributes data set is not available in Asset Flows.

What are the main criteria for a fund to be tagged as a "Sustainable Investment"?
Please refer to our Morningstar Sustainable Attributes Definitions and Morningstar Sustainable Attributes FAQ documents for more details around this methodology.

The assignment is based upon the environmental, social, and governance language found in the fund manager's legal filings, particularly the prospectus and its collateral (amendments, Statements of Additional Information, summary prospectus, and KIID in Europe). Morningstar data analysts conduct a manual review under a clear and comprehensive standard operating procedure. This review includes identifying key sustainability-related words in the fund's name and investment strategy. Newly tagged funds and funds with assignment decisions lower than a certain confidence level threshold will undergo a periodic audit by manager research analysts who author the quarterly Sustainable Fund Flows publication (previously known as the Sustainable Funds Landscape Report).

Can I replicate the Sustainable Landscape Investment Lists using the "Sustainable Investment by Prospectus" data point in Asset Flows?
Not entirely. Two main reasons account for any differences.

The first relates to the additional layer of analysis done by manager research analysts. The "Sustainable Investment – Overall" data point, and more generally the Sustainable Attributes data set, is collected by analysts in Morningstar's data organization. This team analyzes legal filings such as the prospectus and assigns attributes based on clearly defined standard operating procedure criteria scaled across the global universe of funds. The funds included in the Sustainable Landscape Investment Lists are selected based on a qualitative manager research analyst assessment incorporating background knowledge about the history of these funds and the rapid evolution of the ESG market.

The second reason relates to timing. The Sustainable Landscape Investment lists iare updated on a quarterly basis and thus is a point-in-time snapshot of the manager research analyst's fund list. The Sustainable Attributes data points are updated on an ongoing basis as updated documents are published for funds.

The chart below summarizes the key differences.

Exhibit 1

	Sustainable Attributes Data in Direct	Manager Research Landscape Report Lists
Research/Collection	Morningstar data analysts using scalable and universally applied collection methodology and rules to avoid partiality	Morningstar manager research analysts' qualitative review and using additional sources beyond regulatory filings, analysis, industry expertise
Update Frequency	On an ongoing basis, as fund documents are updated and collected	Point in time, when research is written
Scope (historical data, and so on)	No "ESG Start Date" field available to indicate when the fund first started focusing on sustainability (if not since inception). Additionally, a technical constraint within the Direct Asset Flows module is such that historical data includes only all funds currently tagged as sustainable and assumes they were always sustainable. It reflects the current universe of sustainable funds in all the time-series dates, irrespective of their inception dates or other relevant dates or events.	Manager Research manually keep tracks of the funds' ESG start date and takes it into account when building historical flows

Is the taxonomy used in the Sustainable Funds Landscape publication the same as the taxonomy used in the Sustainable Attributes data set?

The taxonomies mirror one another in both philosophy and application. Exhibit 2 and Exhibit 3 display the Sustainable Funds Landscape Report and Sustainable Attributes data set taxonomies, respectively.

Prior to Jan. 31, 2020, ESG Incorporation, and therefore ESG Fund, comprised all funds that mentioned taking ESG factors into account as part of the investment process. While the increase in funds integrating ESG considerations in their strategies is a noteworthy trend, there has been an equally noteworthy increase in investor concern surrounding an inability to distinguish between funds that may consider ESG factors and those that are committed to a sustainable investment philosophy and holistically incorporate ESG criteria into the investment selection process. Effective Jan. 31, 2020, Morningstar redefined ESG Incorporation to capture only those funds where ESG is a core focus. As a result, the taxonomies used in the Sustainable Funds Landscape Report and Sustainable Attributes data set are more closely aligned.

Exhibit 2

Source: Morningstar.

Exhibit 3

Level 1		Sustainable Investment	
Level 2	ESG Fund	Impact Fund	Environmental Sector Fund
Level 3	ESG Incorporation	Gender & Diversity Low Carbon/Fossil-Fuel Free Community Development Environmental Other Impact Themes	Renewable Energy Water-Focused General Environmental Sector

Source: Morningstar.

Why does some language differ between the taxonomies?

Variations in the language used to classify funds in the different taxonomies—for example, "ESG Focus" versus "ESG Fund" and "Sustainable Sector" versus "Environmental Sector." Morningstar are continually worksto enhance the Sustainable Attributes data set, while being mindful of the impact to investors and end users with every change we make. The manager research teams are continually publishing new research in the area of sustainable investing, allowing the team to quicky address these changes in the landscape.

Why do differences exist in fund classification between the Sustainable Landscape Investment Lists and the data set?

The classifications in the landscape reports are constructed such that ESG Focus, Impact, and Sustainable Sector classifications are mutually exclusive. These are similar to Morningstar Category assignments, allowing for analysis of various metrics against mutually exclusive peer groups. The Sustainable Attributes data set is currently not mutually exclusive. It was initially designed to allow users to search for the attributes aligning most with their goals.

Why are some funds tagged as "Sustainable Investment by Prospectus" not included in the Sustainable Landscape Investment List?

While the sustainable fund landscape list reflects the current sustainable investment universe, it is published once per year (updated quarterly) and reflects a snapshot look at the sustainable landscape. Over the course of the year, the number of funds tagged as sustainable investments under the Sustainable Attributes framework will constantly evolve as Morningstar receives and reviews new regulatory filings, as strategies adopt new ESG policies, and as new investments are launched. Therefore, newly launched funds, as well as funds recently rebranded as ESG, may not have been included in the Sustainable Funds Landscape List.

Additionally, the manager research teams at Morningstar may limit the scope of the universe they analyze for their publication. Any discrepancies between funds tagged as sustainable investments in our attributes and those included in the Sustainable Funds Landscape List are reviewed and discussed between our data and manager research teams.

Why are some funds not tagged as "Sustainable Investment-Overall" included in the Sustainable Landscape Investment List ?
Some funds may be included in the Sustainable Funds Landscape List because of the additional analysis done by the manager research teams at Morningstar. The collection methodology for sustainable attributes is intended to be scalable and universally applied to avoid partiality. The collection scope currently encompasses regulatory filings, while the manager research teams may perform additional analysis using information found on fund company websites or requested from managers, conducting interviews, or using a deeper analysis of portfolio construction, thus modifying the universe of funds included in Sustainable Funds Landscape Lists.

The landscape publication allows the Morningstar manager research teams to highlight notable trends and metrics in the sustainable landscape, which may reflect deviation from the universe of funds tagged as sustainable investments. For instance, the landscape list might group funds that exclude the energy sector entirely with funds that are fossil-fuel-free, even though ex-energy funds are not automatically tagged as sustainable under the attributes framework.

Lastly, as mentioned above, the sustainable landscape investment list is updated quarterly and is a snapshot representation of the manager research team's fund list. The Sustainable Attributes data points are updated on an ongoing basis as updated documents are published for funds.

Are the Sustainable Attributes aligning with the 2021 Sustainable Finance Disclosure Reporting (SFDR - Regulation (EU) 2019/2088) framework established by regulators in the European Union?
Not at this stage. The Morningstar Sustainable Attributes data set was launched in late 2018, whereas the "EU SFDR Fund Type" field helping users identify Article 8 and Article 9 funds was launched in March 2021. The field is currently available in Morningstar Direct but not yet in Asset Flows. Guidelines around how to report and disclose funds as Article 8 and 9 are still broad; thus, it is too early to conclude whether the SFDR taxonomy will align with the Morningstar Sustainable Attributes. As of June 2021, the assignment of tags for both frameworks based on the language used in the legal filings is centralized under one organization.

How often does Morningstar update the Sustainable Attributes framework methodology?
Because of the rapid evolution of the ESG and sustainable investing space, Morningstar research and data teams constantly monitor industry trends and try to adjust definitions and procedures as adequately and seamlessly as possible. The goal is to conduct at least an annual update of our framework definitions. Since launch in late 2018, two definition changes have taken place already: one in January 2020, to restrict the definition of ESG Incorporation funds, and another in July 2020, to disconnect the ESG Engagement tag from the framework. Morningstar plansto make a larger framework

change in late 2021 or early 2022, including revisions such as updating rules in our data collection procedure to account for the significant increase in ESG language in legal filings, partly related to the EU regulatory framework creation. Some anticipated changes include simplifying the framework to make it closer to the new industry regulatory standards and further defining the boundaries of each classification to ensure the labels are mutually exclusive. More details will be communicated in due course as plans become more concrete. M

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