

## CONFLICTS OF INTEREST FRAMEWORK

### Overview

Morningstar Sustainalytics operates multiple lines of business that serve a variety of client types. It has consequently developed a conflicts of interest framework designed to effectively manage actual or potential conflicts of interest arising from its ESG activities.

The framework encompasses several essential components, including disclosure to our clients of possible conflicts of interest, implementation of policies and procedures for identifying and managing conflicts of interest, periodic evaluation, and monitoring of the effectiveness of our policies and procedures, and the provision of training to all our employees on recognizing and managing conflicts of interest.

### List of Actual or Potential Conflicts of Interest

Morningstar Sustainalytics has identified different types of actual or potential conflicts of interest relating to its ESG activities:

1. Commercial factors (including fees, engagement progress, subscriptions, and licensing arrangements) could impact, or give the appearance of impacting, its independence in connection with its ESG activities.
2. Different ESG activities serving different clients' needs could potentially impact, or give the appearance of impacting, independence related to one or more of those ESG activities.
3. Provision of ESG research and/or data, or engagement services to other Morningstar entities could potentially impact, or give the appearance of impacting, Morningstar Sustainalytics' objectivity in respect of its ESG activities.
4. Influence from other Morningstar entities (including in relation to clients or potential clients of other Morningstar entities) could potentially impact, or give the appearance of impacting, Morningstar Sustainalytics' independence in respect of its ESG activities.
5. When a client of, or a Subject Entity researched, or engaged by Morningstar Sustainalytics is also part of the Morningstar group of entities, this could potentially impact, or give the appearance of impacting, Morningstar Sustainalytics' independence in connection with its associated ESG activities.
6. A client of, or a Subject Entity researched, or engaged by Morningstar Sustainalytics who is also a vendor or a supplier to Morningstar Sustainalytics or any other Morningstar business, could potentially impact, or give the appearance of impacting, independence in respect of its ESG activities.
7. A Morningstar Sustainalytics employee's personal ownership interests (including in securities and money market instruments) could impact, or give the appearance of impacting, Morningstar Sustainalytics' independence in respect of its ESG activities.
8. A Morningstar Sustainalytics employee's more than arms-length, ordinary course business relationships (including outside business activities) could impact, or give the appearance of impacting, Morningstar Sustainalytics' independence in respect of its ESG activities.
9. A Morningstar Sustainalytics employee's receipt of gifts, entertainments or inducements could impact, or give the appearance of impacting, Morningstar Sustainalytics' independence in respect of its ESG activities.
10. Material Non-Public Information accessed during the course of their employment may influence a Morningstar Sustainalytics employee's actions in respect of their personal ownership interests.

### Identification and Management of Conflicts of Interest

## Identification of Conflicts of Interest

Morningstar Sustainalytics recognizes the importance of maintaining the integrity and independence of its ESG activities. Morningstar Sustainalytics also acknowledges the potential and perceived conflicts of interest arising as a result of receiving fees for ESG products and services, and the associations and interactions that Morningstar Sustainalytics employees may have with external parties, as well as the potential and perceived conflicts of interest arising from the personal interests of Morningstar Sustainalytics employees.

Morningstar Sustainalytics maintains a list of actual or potential conflicts of interest including activities which are prohibited or, where permissible, managed through written policies and procedures. This list and other related policies, procedures, and controls are reviewed periodically.

## Management of Conflicts of Interest

Morningstar Sustainalytics has established the following procedures, measures, and mechanisms for the effective management of actual or potential conflicts of interest relating to ESG activities.

**Internal organization and infrastructure:** Morningstar Sustainalytics maintains a robust governance structure with clear reporting lines, roles, and responsibilities. Morningstar Sustainalytics Analytical Personnel and Commercial Personnel are either located in physically separate office spaces or separated using the neighbourhood approach (i.e. occupying desks in different zones of the office, separated by back-office teams or other means of physical separation). Analytical and Commercial Personnel use IT systems and data that are segregated and subject to different and corresponding access control protocols. Morningstar Sustainalytics Personnel are required to adhere to prohibitions and restrictions set forth in the applicable Conflicts of Interest related policies, which includes separation of Analytical and Commercial activities and prohibitions related to inducements, undue influence, and commercial pressure.

**Compliance framework:** The Morningstar Sustainalytics Compliance Program includes, but is not limited to, policies and procedures, personal interest disclosure obligations, compliance monitoring and reviews, periodic compliance certifications and mandatory compliance training.

**Confidential Information:** As a general practice, Morningstar Sustainalytics endeavours to base its ESG activities on information disclosable in nature or already publicly disclosed/available. To the extent that Confidential Information is received, Morningstar Sustainalytics Personnel may only share or discuss Confidential Information or Material Non-Public Information in accordance with the Morningstar Sustainalytics Non-Public Information Handling Policy.

**Remuneration:** The remuneration structure for Morningstar Sustainalytics Analytical Personnel is not directly linked to specific ESG activity outcomes.

**Personal Interests:** At the start of employment and periodically thereafter, Morningstar Sustainalytics Personnel are required to provide the Morningstar Sustainalytics Compliance team with information in relation to personal interests, such as securities ownership and trading information, outside business interests, Significant Personal Relationships, and former employment. Morningstar Sustainalytics Personnel are required to adhere to prohibitions and restrictions set forth in applicable Conflicts of Interest related policies, which includes additional trading restrictions and requirements during pre-determined blackout periods for Morningstar securities.

**ESG Research process and methodology:** Morningstar Sustainalytics applies the relevant frameworks consistently across its research processes and uses the same standard of independence when assessing or interacting with Subject Entities, irrespective of whether the Research is public or private or whether the Subject Entity is also a client or business partner. Morningstar Sustainalytics has controls and measures in place to ensure the effectiveness of and adherence to research processes, that research is the result of an appropriate and consistent application of relevant methodology.

**Communication with clients and Subject Entities:** Research related communication with Subject Companies is independently managed by the relevant Analytical Personnel teams, while commercial related communication is managed by Commercial Personnel teams. Commercial Personnel are prohibited from discussing client or prospect commercial relationship details with Analytical Personnel, that have the potential to put pressure on such personnel (*e.g.* contract value, client tier).

**Complaints:** Morningstar Sustainalytics Personnel are able to report concerns and issues through established mechanisms both within Morningstar Sustainalytics and the wider Morningstar group. Information on reporting and complaints is communicated through regular training and facilitated through internal resources, such as notification to Morningstar Sustainalytics Compliance or via the Ethics Hotline.

#### Monitoring and reporting of Conflicts of Interest

In addition to disclosing the list of actual or potential conflicts of interest, as part of the Morningstar Sustainalytics Compliance Framework, the Morningstar Sustainalytics Compliance team ensures that internal Conflicts of Interest policies and procedures, which set out the processes for identifying, addressing and managing actual or potential conflicts of interest, are adopted, monitored and periodically reviewed.

Where required, the Morningstar Sustainalytics Compliance team is responsible for publishing and/or disclosing all actual or potential conflicts of interest to the public and/or to the relevant national competent authority.