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# Existing and Potential Conflicts of Interest

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**Morningstar  
Sustainalytics**

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In accordance with the EU ESG Ratings Regulation, Morningstar Sustainalytics has identified existing and potential conflicts of interest, including conflicts of interest arising from the ownership or control of Morningstar Sustainalytics.

This document sets out an inventory of existing and potential conflicts of interest that may arise in connection with the provision of ESG Ratings by Morningstar Sustainalytics. Conflicts of interest that are prohibited under applicable law, including under the EU ESG Ratings Regulation, are not included in this inventory, as Morningstar Sustainalytics maintains control mechanisms to prevent such prohibited conflicts of interest from arising.

The existing and potential conflicts identified below are subject to the policies, procedures and controls adopted by Morningstar Sustainalytics to identify, prevent, manage, mitigate and, where appropriate, disclose existing or potential conflicts of interest in accordance with the EU ESG Ratings Regulation and with applicable laws and regulation.

In accordance with the Conflicts of Interest Global Policy, Morningstar Sustainalytics reviews its operations to identify existing or potential conflicts of interest on a periodic basis, and at least on an annual basis.

## **A. Existing or Potential Conflicts Arising Through Relationships with Rated Item Entities or ESG Ratings Customers**

1. Being paid by customers to license the Morningstar Sustainalytics ESG Ratings, ESG data or other products or services, which may include ESG Ratings that relate to such customers.
2. Being paid by rated item entities or customers to issue an ESG Rating, ESG data or other products or services.
3. Being paid by rated item entities or customers to license the Morningstar Sustainalytics ESG Ratings, ESG data or other products or services, where such rated item entities and customers may use the Morningstar Sustainalytics ESG Ratings, ESG data or other ESG products and services to comply with, and obtain benefits or relief under, statutes and regulations.
4. Being paid by rated item entities and customers to license the Morningstar Sustainalytics ESG Ratings, ESG data and/or other products or services where such rated item entities and customers also may own investments or have entered into transactions that could be favourably or adversely affected by an ESG Rating issued by Morningstar Sustainalytics.

**B. Existing or Potential Conflicts Arising Through Business Relationships, Ownership or Control**

1. Having a rated item entity or customer account for a significant proportion of Morningstar Sustainalytics' revenue.
2. Having a Significant Influence Shareholder that owns 20% or more of the voting rights of, or otherwise exercises significant influence over, an entity that is or is expected to become a rated item entity.
3. Providing ESG Ratings in relation to significant customers of Morningstar, Inc.
4. Members of the Morningstar Sustainalytics Senior Leadership team engaging in discussions with Morningstar, Inc. or its affiliates on general business matters that also could relate to a rated item or issuer of a rated item subject to an ESG Rating determined by Morningstar Sustainalytics.

**C. Existing or Potential Conflicts Relating to Persons within Morningstar Sustainalytics**

1. Permitting persons within Morningstar Sustainalytics who do not participate in or otherwise influence ESG ratings for the relevant rated item to directly own securities or money-market instruments of, or have other direct ownership interests in, a rated item entity subject to an ESG Rating determined by Morningstar Sustainalytics.
2. Persons within Morningstar Sustainalytics (i) who do not participate in or otherwise influence ESG ratings for the relevant rated item and (ii) who have had recent employment, business, or other relationship with a rated item entity.
3. Permitting Analytical Personnel who do not participate in or otherwise influence ESG ratings for the relevant rated item to have a significant personal relationship with someone employed by a rated item entity.
4. Having Analytical Personnel terminate their employment with Morningstar Sustainalytics and subsequently become employed by a rated item entity, where the Analytical Personnel had participated in some capacity in determining or issuing the ESG Rating for such rated item entity.
5. Permitting Analytical Personnel to participate in the development of new, or review and modification of existing, ESG Methodologies, where Morningstar Sustainalytics prohibits such Analytical Personnel from being responsible for determining ESG Ratings using such ESG Methodologies.
6. Analytical Personnel soliciting, receiving or giving gifts, benefits, or entertainment in connection with Morningstar Sustainalytics' business relationships.
7. Permitting Covered Personnel who do not participate in or otherwise influence ESG ratings for the relevant rated item to maintain non-Morningstar Sustainalytics business-related interests, whether gainful or on a volunteer basis, with a rated item entity.

**List of Morningstar Sustainalytics Policies and Procedures to Address and Manage Conflicts of Interest**

Morningstar Sustainalytics maintains the following written internal policies, procedures, and controls to identify, eliminate, or manage and disclose, as appropriate, any existing or potential conflicts of interest that may influence Morningstar Sustainalytics' opinions and analyses or the judgment and analyses of Analytical Personnel:

- Anti-Bribery and Corruption Global Policy
- Avoidance of Conflicts of Interest Relating to Morningstar Sustainalytics and Morningstar Shareholders Global Procedure
- Morningstar Sustainalytics Code of Conduct
- Conflicts of Interest Global Policy
- Commercial and Analytical Responsibilities Global Policy
- Look Back Review and Employment Cool Off Global Procedure
- Outside Business Interests Global Procedure
- Personal Securities Ownership and Trading Global Policy
- Employee Personal Interests Global Policy
- Reporting Complaints Global Procedure
- Gifts, Entertainment, and Other Benefits Global Procedure
- Separation from Morningstar Global Policy

## Appendix A: Definitions

**“Analytical Activities”** comprise the ESG Rating Activities and ESG Analytical Support Activities.

**“Analytical Personnel”** means all Morningstar Sustainalytics Personnel who perform Analytical Activities. Analytical Personnel comprises the members of the Research team, the ESG Methodology team, and the Research & ESG Methodology Oversight team.

**“Commercial Activities”** comprise those activities with supporting the product definition, launch, selling, marketing, account management, and business development activities for ESG Ratings and other ESG data products or services.

**“Commercial Personnel”** means all Morningstar Sustainalytics Personnel who perform Commercial Activities. Commercial Personnel comprises the members of the Sales team, the Marketing team, the Support Desks team, and the Client Service and Support teams.

**“Covered Personnel”** comprises Analytical Personnel, Near Analytical Personnel, and Non-Analytical Personnel.

**“Data Activities”** means

- (a) gathering, grouping, categorizing, standardizing, curating, normalizing issuer reported or other information/raw data, and handling non-confidential information or raw data, and
- (b) review of the work product described in (i) above for quality control and consistency with Morningstar Sustainalytics internal guidance and requirements provided by the Research team and the Methodology team.

**“ESG”** means environmental, social and human rights, and governance-related factors.

**“ESG Rating Activities”** means

- (a) analytical activities for the purpose of issuing ESG Ratings where the outcome is an ESG score or an ESG opinion and that involve application of qualitative or analytical judgment, including without limitation review, approval or finalization of ESG Ratings, as applicable,
- (b) analytical activities relating to development, review and approval of ESG Methodologies (including models, algorithms or other analytics) and other internal guidance used to issue ESG Ratings,
- (c) supervisory or oversight activities performed for the purpose of issuing ESG Ratings as contemplated in (i) and (ii) above, such as being a chair or member of oversight committees.

The activities performed to support the issuance of ESG Ratings, including without limitation support activities relating to determination of ESG Ratings, support activities relating to development of Methodologies and activities performed by the editorial team are considered **“ESG Analytical Support Activities”**.

**“ESG Ratings”** means the proprietary Morningstar Sustainalytics products that are ESG ratings (as defined in the EU ESG Ratings Regulation) that are identified in the application for authorisation by Sustainalytics, B.V. pursuant to the EU ESG Ratings Regulation.

**“EU ESG Ratings Regulation”** means Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024 on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities and the relevant regulatory technical standards promulgated pursuant to the regulation, as may be amended from time to time.

**“ESG Methodology”** is the framework Morningstar Sustainalytics uses to determine and monitor ESG Ratings. ESG Methodologies describe quantitative and qualitative analytical considerations, key rating assumptions, fundamental factors and other criteria, as appropriate and are not an all-inclusive list of the considerations and factors included in Morningstar Sustainalytics’ ESG Ratings. ESG Methodologies may include models, algorithms and other analytics.

**“Friends of Sustainalytics (FoS)”** means all Morningstar employees who are not Morningstar Sustainalytics Personnel but are designated as Morningstar Sustainalytics Covered Personnel by Compliance because they perform work on behalf of or for the benefit of Morningstar Sustainalytics and have access to Morningstar Sustainalytics platforms, systems and / or confidential information.

**“Jantzi”** means Sustainalytics Canada, Inc. (formerly known as Jantzi Research Inc.).

**“Morningstar”** means Morningstar, Inc.

**“Morningstar Sustainalytics”** means the Morningstar Sustainalytics group comprising Sustainalytics B.V., Jantzi, Sustainalytics U.S. Inc. and Sustainalytics UK Limited.

**“Morningstar Sustainalytics Boards of Directors”** means the boards of directors of Sustainalytics B.V. and Jantzi.

**“Near Analytical Activities”** comprise the Data Activities and Quality Activities.

**“Near Analytical Personnel”** means all Morningstar Sustainalytics Personnel who perform Near Analytical Activities. Near Analytical Personnel comprises Data Personnel and Quality Personnel.

**“Product Personnel”** means all Morningstar Sustainalytics Personnel who perform Product Activities. Product Personnel comprises members of the Product team.

**“Senior Leadership”** means the President of Morningstar Sustainalytics and the following individuals:

- (d) Member(s) responsible for Analytical Activities,
- (e) Member(s) responsible for Product Activities,
- (f) Members responsible for Commercial Activities,
- (g) Chief Operating Officer of Sustainalytics, and
- (h) Other members reporting to the President of Morningstar Sustainalytics and designated as part of Senior Leadership.

**“Senior Management”** means the Senior Leadership and the Morningstar Sustainalytics Boards of Directors, collectively.