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Emphasizing Companies Aligned with the Transition to a Low-Carbon Economy***New family of indexes moves beyond carbon footprinting  
and evaluates a company's positioning for the future*

**Tokyo, Jan. 31, 2019**—Morningstar, Inc. (Nasdaq: MORN), a leading provider of independent investment research, today announced the Morningstar Low Carbon Risk Index Family, a new group of indexes that provides diversified exposure to equities across regions and emphasizes companies aligned with the transition to a low-carbon economy. Powered by [Sustainalytics'](#) Carbon Risk Rating, the indexes are created through an optimization process that targets low portfolio-level carbon risk and fossil fuel exposure.

"Climate change is a significant challenge that impacts investors," said Sanjay Arya, head of Indexes at Morningstar. "This new family of indexes will empower investors to evaluate and invest in companies that are adapting to the low-carbon economy and managing their businesses strategically for the long term. Whether motivated by environmental concerns, fiduciary obligations or investment outcomes, I believe the new indexes offer more options to lower carbon exposure without compromising returns."

A new white paper, "Preparing for a Low Carbon Economy: Investing in the Era of Climate Change," explains how the Morningstar Low Carbon Risk Index Family addresses the urgency around climate change by emphasizing companies aligned with the transition to a low-carbon economy. Not only do the indexes reflect lower climate-related risks, they also exhibit attractive investment attributes. The full white paper is available [here](#) for download.

"These indexes go beyond the common approach of carbon footprinting, which reflects current emissions and is just a starting point for analysis of carbon risk," said Dan Lefkovitz, strategist for Morningstar Indexes. "Our new Morningstar Low Carbon Risk Indexes are the first to leverage Sustainalytics' Carbon Risk Ratings – which assesses not only a company's overall carbon exposure but also its management of that exposure – to ultimately evaluate whether a company is positioned to survive and thrive in a low-carbon economy."

The new index family is Morningstar's next step in supporting environmental concerns of investors. In 2018, the company introduced the Morningstar Low Carbon Designation for funds and the [Morningstar Portfolio Carbon Risk Score](#) to establish a methodology for investors to evaluate their portfolios' carbon risk. In 2016, the company launched the [Morningstar Sustainability Rating™](#) to help investors evaluate funds based on environmental, social, and governance (ESG) factors, and it continues to publish thought leadership and research about sustainable investing. Learn more about the lineup of Morningstar Indexes [here](#) and

Morningstar's commitment to socially responsible investing [here](#). Follow the conversation on [Twitter](#) with the hashtag #MstarESG.

### **Methodology**

The Morningstar Low Carbon Risk Indexes are derived from the large- and mid-cap segment of their equivalent broad market benchmark. For example, the constituents of the Morningstar Global Markets Low Carbon Risk Index come from the Morningstar Global Markets Large-Mid Cap Index, which targets 90% of global equity market capitalization across developed and emerging markets. To be eligible, a company must have undergone a carbon risk assessment by Sustainalytics, which provides [carbon research](#) on more than 4,000 companies across 130 industry groups.

Indexes are constructed using the 12-month trailing averages of both the Morningstar Portfolio Carbon Risk Score and the Morningstar Portfolio Fossil Fuel Involvement, a weighted average of constituent-level exposure to fossil-fuel-intensive industries. The number of stocks in each index is variable and subject to eligibility requirements, the results of the optimization process, and weighting considerations.

Indexes are rebalanced (weights reset) quarterly in March, June, September and December, and reconstituted (membership reset) semiannually in June and December, on the Monday following the third Friday of the month. The Carbon Risk score data used for reconstitution is as of the last trading day in May and November.

### **About Morningstar, Inc.**

Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia. The company offers an extensive line of products and services for individual investors, financial advisors, asset managers, retirement plan providers and sponsors, and institutional investors in the private capital markets. Morningstar provides data and research insights on a wide range of investment offerings, including managed investment products, publicly listed companies, private capital markets, and real-time global market data. Morningstar also offers investment management services through its investment advisory subsidiaries, with more than \$207 billion in assets under advisement and management as of Sept. 30, 2018. The company has operations in 27 countries. For more information, visit [www.morningstar.com/company](http://www.morningstar.com/company). Follow Morningstar on Twitter @MorningstarInc.

Morningstar first made an investment in Sustainalytics Holding B.V., a global provider of environment, social and governance research and ratings, in 2017 and currently owns approximately 40 percent. As part of this investment, Morningstar obtained various rights, including representation on the Sustainalytics' Board of Directors.

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